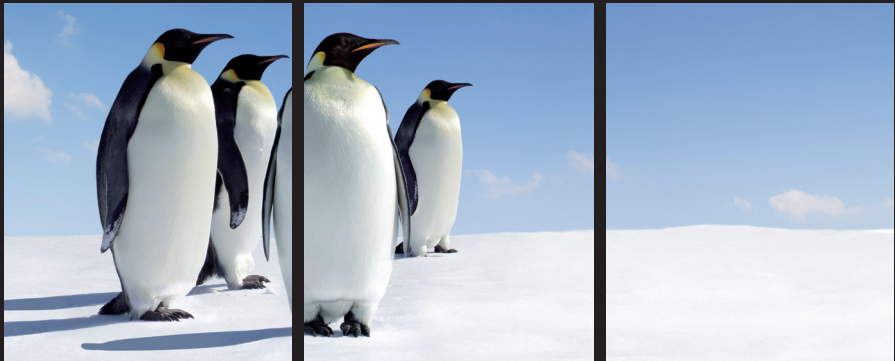


# Organisational Culture in Law Firms

ALAN HODGART



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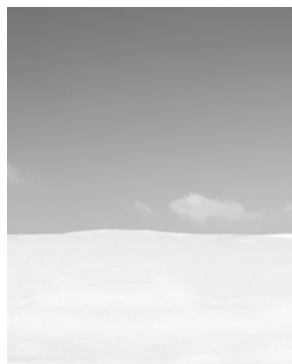
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## Executive summary

FEW PEOPLE would argue today with the proposition that the culture of a firm is a critical component in its long term sustainability. Textbooks and articles abound extolling the virtues of ensuring there is a strong culture in an organisation; conferences explore the topic and, inevitably, consultants also provide programmes to help firms identify their culture, shape it, and manage it. Many firms that believe in the importance of good management now have a set of 'core values', and these are sometimes given more importance than even the strategy of the organisation.

As with any management topic there is a danger that much of the attention given to culture and values is, quite frankly, superficial. Too often it seems to emanate more from a sense that culture and values must be a good thing to state because everyone else is doing so, rather than it being a deep commitment to ensuring there is in fact an effective culture in place. In fact, one observation about management thinking in professional firms is that the more attention an issue receives, the more superficial is the practical treatment of it. While that might not be a proposition of universal truth it certainly holds true around the issue of culture and core values.

Some firms seem to think that putting out a list of core values is enough. People will read it and act accordingly. Other firms list their core values and stress them over and over again; they are in hand-outs to staff, they are on the website, and they are mentioned at every possible opportunity by management. But, as with the first group, very little is done to manage the behaviour of people in the organisation and to align it with the stated core values. There is a feeling in both groups that simply publicising the core values will make them real, people will believe in them, and people's actions will be in accord with those values. We see, time and time again, behaviour in many of these organisations that is the complete opposite of the stated core values; but little (or nothing of importance) is done to address these transgressions.

Our proposition in this report is a very simple one. We do not dispute the contention that a consistent and strong culture can be a critical component of success in a competitive environment – although we do discuss the extent to which it is a fundamental requirement. Our main concern is with the process that firms use in understanding it, developing it, and then in ‘managing’ it: management cannot just oversee ‘the culture’ or ‘the values’. These are abstract statements without the tangibility necessary for their management. We demonstrate how culture and values can be translated into manageable elements, these being attitude and behaviour. In other words if the culture and values of an organisation are meant to lead to specific types of behaviour then it is the behaviour that needs to be managed, and a part of this is understanding the attitude of people towards the issues affecting their behaviour.

Recognising that there is a strong link between culture, values, attitudes, and behaviour is the starting point in managing culture. In addition, there must be a direct alignment of the strategy of the firm and its culture. Finally, the stated core values of a firm must reflect the individual values of the majority of the people in the firm. A misalignment here means that attitudes and behaviour in the organisation are never going to be aligned with the way people act, at least other than in the very short term.

In this report we set out our concerns about the way the topic is treated in many law firms and present some thoughts as to a different way to think about organisational culture. The starting point is to explore what is meant by culture and the relationship between culture and values. We have found that there are a variety of meanings of culture used in law firms and the same applies to the relationship of culture and values. Obtaining a clear understanding of these terms is fundamental to *managing* a culture. Put another way, if you don’t understand what is covered in culture it will be difficult to manage it. We suggest that this is an underlying problem in many firms.

We then move to the complex issue of managing the culture of an organisation and its change. If culture is a product of deeply held core values could culture ever change without a change in core values? If the core values of the firm need to be aligned with the core values of the people, can we change the firm’s culture without a change in the core values of the people? Can both be managed through a change or does changing the culture mean

changing all of the people? These issues are explored and a framework is presented, based on a culture–values–attitude–behaviour model, to first gain some understanding of how the culture shapes behaviour in a firm, and then to work through a cultural–behavioural adaptation.

As we noted before the crucial issue for law firms is to achieve behaviour that is aligned with the desired culture and core values. We then develop the culture–values–attitude–behaviour model further and explain the relationships and influences on each aspect of the model. For example, what are the influences on the attitudes of people and, if these are inconsistent with the values the firm espouses, is it possible to get people to change their attitude within the same core values framework? We look at the conditions under which a change in attitudes can occur and where it cannot. This is a crucial aspect of the process of managing culture. If the behaviour of people reflects their personal value system and this is reflected in their attitude to issues, we need to understand the influences that can be used to get people to adjust to something different: and what if they do not? We show how this model can provide a deep understanding of a firm’s culture and how behaviour can be shaped without necessarily requiring a change in core values. We argue that there are situations when a cultural change can occur in the short term but that it is more generally a longer term issue. We also discuss how culture can be managed to shift over time rather than change immediately: there will be a change from one period to another but it is not a quick change that occurs.

The report moves on to explore the impact of culture on the organisation itself. Is it really a crucial aspect of the success of a firm? Are there firms with an apparent weaker culture who have been successful alongside those with a stronger culture? It is one thing to look at firms with a strong culture and attribute that to being part of their success, but we also need to look for evidence that might refute that hypothesis. We delve into this quite deeply in this section along with defining what is meant by strong and weak cultures and organisational sub-cultures. An issue we draw out is that the length of time over which success is measured is a crucial factor in answering this. We also bring out here the issue of national cultures and whether an international organisation can really have a uniform culture around the world.

Another key issue explored here is the link between a firm’s strategy and its culture. Do certain cultures limit the strategic choices? Does culture shape



strategy or vice versa? What happens to culture over time as markets change and competition becomes more intense: does this force a change in culture and, if so, how does this occur? This also raises the issue of the Legal Services Act in the UK and its impact on culture. If firms are to take outside investment, does that mean they will have to change their culture in some way? If so, how are the changes identified, how will they be implemented, and how long might it take? The key issue we draw out is that it is common in many firms to find that behaviour can adapt to changing market conditions without a change in culture and this behavioural change can be managed. At the same time, there will be limits to how far that change can occur before it runs up against a conflict with core values. Hence cultures can close off specific strategic options in the short term, while changes in markets over time can create the need for a cultural shift if a firm is to remain competitive over the longer term.

This leads into the question of the long term development of a firm's culture. As a firm develops over time there will be a need for shifts in behaviour and, over time, there will be a need to adapt the culture to match the new market realities. Again the culture–values–attitude–behaviour model assists with this. There is a mixing of strategic vision with cultural adaptation here. Looking ahead to where the firm wants to compete in the longer term and the requirements for success necessitates identification of the behaviours needed in that position; this leads back to examining the existing cultural framework of the firm and identifying the alignment of this with future cultural requirements. In the event there is a misalignment, the task of management is to decide whether the strategic vision needs to adapt to the culture or the culture can shift over time towards what the strategy requires.

## About the author

ALAN HODGART is one of the leading advisers to professional service businesses on strategic and organisational issues. His client base includes some of the largest law firms, accountancy firms, and real estate consultants (at both international and national levels) as well as a very wide range of small- to medium-sized firms. He operates on a global basis and consults to firms in all parts of the world.

Alan's primary aim is to advise clients on improving their competitiveness and sustain this by establishing effective strategic management and leadership processes. He is particularly experienced at translating strategic changes into practical action steps and assisting firms in building commitment to the behaviour changes required. He has a deep knowledge of competitive trends in all major professional services industries and uses this to assist clients in developing an improved competitive position.

Alan has been a strategic change consultant for much of his working life although, prior to that, he was a successful professional cyclist for nine years. He is the author of *Performance Measurement for Law Firms*, published by Ark Group in 2009.