

The Secrets to Profitability

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Managing Partners and CEO's of organizations can predict the long term profitability of their firm by measuring one thing – the health of their firm's internal culture. This simple truth gets overlooked because oftentimes Managing Partners and CEOs chase dollars. Instead, they should chase the working conditions that generate those dollars. They should pay more attention to creating a culture of excellence and satisfaction. When that happens, the dollars follow.

Culture is defined as the behaviors and belief characteristics of a particular group which are established by the group's leadership. Managing partners and CEOs can decide what type of culture they want to establish by their behaviors and of those who surround them. CEOs and Managing Partners must never lose sight of the fact that they create their firm's culture (whether intentionally or unintentionally) and the culture they create is at the very core of the firm's growth, stagnation, or decline.

This article is written to help leaders create those conditions that bring about a healthy culture, which in turn leads to profits.

Create the Purpose

Management must be able to articulate why the firm should evolve in one particular direction or another. Some call this a mission statement but I would argue that it is much more because it establishes the foundation that sets the underlying tone of the firm's culture. As the leader, the questions to ask are: Why do you own or run the business? What do you have to gain or lose? What is your primary purpose for being in business? What is the firm's motivation for staying in business? Is there a desire to grow? How is growth defined? Is bigger better - why or why not? Does the firm seek to have a larger geographic footprint? Is there a desire to sustain a balanced work/family lifestyle? Is succession planning part of the purpose? I would challenge the leadership to keep asking enough questions until he/she is fully satisfied that the true purpose of the firm's existence is identified.

The motivations for being in existence vary from firm to firm. But before any leader can establish or direct its culture it must establish its purpose because every decision that follows, either consciously or unconsciously, works towards or against that purpose. The firm's purpose serves as the foundation on which all decisions and the strategic plan are built.

Leadership Structure

A key responsibility of a Managing Partner or CEO is to ensure that the firm's organizational hierarchy supports the firm's purpose. It is critical that Managing Partners and CEOs take a careful look at his/her management team and the business model that supports the firm's goals. The management team member is the beacon of the firm's purpose and each member should be trained and highly skilled at mobilizing and motivating others towards that purpose. It is also important that the leadership

group be cohesive. I would argue that the stronger and more cohesive the firm's leadership, the swifter the firm's progress. Firm leaders include administrative managers, committee chairs and members, practice group or department chairs and members, team leaders, owners, board members, just to name a few. These leaders are internal spokespeople that exemplify the firm's behaviors, attitudes and intentions. They are at the heart of the firm's cultural norms.

If there are holes in the organizational chart that should be filled, or if there are positions that need to be created or eliminated, it must be done. If the business model does not recognize and reward behaviors that support the firm's purpose, it must be modified. There is no getting around a solid floor plan. It is the talent within that leads to a culture that works collectively to maximize profits.

Once the organizational structure is firmly in place, it is important to clearly define every person's job description, from the CEO down so that expectations, both up and down and between job functions, are understood. Specific requirements such as roles, responsibilities, and reporting must be articulated. Of equal value, but in my experience missing from many job descriptions, there are two key areas of responsibilities: 1) the expectation of working towards the firm's purpose and 2) the authority that position holds as it relates to customer service requests and monetary approvals. These ingredients lead to the cultural behaviors and attitudes relating to client service and financial responsibility.

In addition to individual job descriptions, the roles and responsibilities of all committees and owners must be defined. Each committee chair and its members should have a description of its function and decision making authority. The purpose is to ensure a process whereby decisions can be made in a swift and thoughtful manner and the likelihood of infighting is lessened.

Culture trickles down. Once the firm's purpose is established, the firm's leadership must be skilled at building consensus and commitment relating to that purpose. Commitment to the firm is not built upon establishing the firm's purpose alone, but rather commitment is built over time by inspiring others to share in that purpose. This is translated from the top down in a way that each individual within the organization can realize personal and tangible benefits as a result of the firm's success.

Individual benefits vary from person to person. Some seek to obtain a sense of community or belonging; others seek financial security, intellectual stimulation; pride and recognition; the list goes on. To build commitment everyone within the organization should benefit in a way that resonates with their professional and personal needs. This way the individual's success is tied to that of the organization. The desire is to establish a culture of people who share a collected purpose, are personally invested in success, and are motivated to work in harmony towards success.

People at all levels begin to hold *themselves* accountable for their own actions because their behaviors can be directly linked to success and failure on a variety of levels. When this happens, people tend to exceed performance expectations. As a result, management, committees, teams and individuals at all levels feel a stronger sense of accountability and responsibility for their actions towards advancing the firm. The end result: A high standard of job excellence and satisfaction becomes the cultural norm.

Research

A clear diagnosis of the firm's cultural well being is absolutely necessary to the development of any purposeful growth plan. When I walk into the lobby of my client's offices I can immediately get a sense of the firm's culture. The physical environment and working conditions, the way in which I am greeted, the way in which people interact, the activity in the hallways, etc. all impact and reflect the firm's culture. Are the people smiling? Are they respectful? Are they helpful? Yet no matter what the firm's culture, healthy or unhealthy, the step toward success is the same: Managing Partners and CEO must determine the health of the organization by uncovering its organization's cultural norms. Internal research provides leadership with key intelligence and insights that help to guide subsequent actions.

There are research firms that do nothing but conduct scientific cultural studies. Fortune 1000 companies conduct them regularly as an important part of business. They do this because the results revealed the key intelligence that clearly identifies problems and opportunities that guide the prioritization process relating to resource allocations and important next actions. The intention of each is to align with the firm's cultural behaviors to that of the company's core purpose and to ensure that over time the firm's cultural norms showed higher levels of satisfaction and buy-in to the company's purpose.

This type of research should be conducted every 18 – 24 months and tracked over time. These research numbers provide leaders with the important advance indicators of the overall progress of its priority initiatives and investments as well as the firm's overall cultural health. There are successful CEO's that have gone on record stating that those research numbers were just as, if not more important, than the financial he/she and the CFO pored over every day.

Some of the keys areas that research should measures include answers to the following:

- Do the people who work at the firm know the firm's purpose?
- How strong is their commitment to that purpose?
- Do they think that they can benefit from the firm's successes?
- Do they understand their roles and responsibilities? Are expectations communicated clearly?
- What percentage of time do they spend on the goal/purpose?
- Do firm members have a strong desire to offer good service? What is the level of service satisfaction?
- Is it rewarding to work passionately toward the firm's purpose?
- How much do the people at the firm like or respect each other?
- What most satisfies or dissatisfies clients?
- What is the overall satisfaction by job function, client, geographic area, etc.

The research results should be designed to provide a clear snapshot of the firm's cultural strengths and areas of concerns by constituent grouping as well as by the collective whole. Proper research illuminates the areas where its constituents are most and/or least satisfied and the level of commitment

to the firm's purpose. Also revealed are the levels of market share, satisfaction, and perceptions by the firm's clients. The first set of results serves as the benchmark on which future research is compared.

Communication Philosophy

One of the strongest forces that shape a culture is the firm's communications philosophy and behaviors. Communication philosophies and behaviors at all levels are cued from the top and are displayed in meeting formats, electronic communications, internal social and client gatherings, etc. Core values such as honesty, loyalty, trust and respect can be traced to the leadership's communication attitudes, behaviors and capabilities. Hence, communications either strengthen a firm's culture or weaken it. Key indicators of effective communications relate to three key areas. They include:

1. Timing: Are communications prompt and direct?
2. Information: Do communications reinforce the firm's purpose and reasoning? Do they motivate and inspire? Is the tone respectful? Are communications prompt and informative?
3. Opportunity Optimization: Does management take advantage of the numerous communication opportunities that present themselves in the course of day-to-day business? Are leaders visible and accessible?

If information is perceived as being withheld, hidden, ignored or incomplete, effectiveness and profitability advancements can be intentionally and unintentionally undermined. On the other hand, if communications are trusted and clearly understood, the likelihood of revenue gains are at their highest because initiatives advance swiftly and fewer mistakes occur. When fewer mistakes occur efficiencies are optimized and when efficiencies are optimized profitability and overall satisfaction can be at their highest levels. It's a repeating circular motion and the firm's communication philosophy is an important connector within that circular motion

The firm's cultural norms or behaviors surrounding communications can be traced back to the communication effectiveness of the firm's leaders because it is the firm's communications philosophy sets the conditions that define the accepted communication norms. The firm's leadership style and behaviors serve as a model for others to follow. Hence, effective communications, both written and verbal, is essential to the firm's success.

Rewards and Recognition

There is an interesting balancing act that goes on between the behaviors that advance the firm's needs and objectives to those that advance the individual's needs. The key is to optimize the balance by *creating the conditions* that bring out the best in the individual. This can be done thru effective rewards and recognition programs. Behaviors that get repeated are those that get rewarded – this is a fact of human behavior. Understanding this basic fact, Managing partners and CEOs must be strategic in rewarding and recognizing the behaviors they want repeated. If there is heavy infighting among partners and/or staff, rewards and recognitions could be at the heart of the matter.

Firms with effective rewards and recognitions incentives, appropriate job descriptions, strong training and development curricula and forums for integrating the firm's goals with those of the individual are poised for success. This is where, in larger firms, a strong HR department is critical.

When behaviors are rewarded with the purposeful growth plan as its backdrop, a healthy organization gets even stronger.

In fact, mistakes made in a healthy culture often lead to new opportunities that would not have otherwise presented themselves. The firm that optimizes profits is one that knows how to thrive as a direct result of its mistakes and implements swift course corrections that can lead to new and oftentimes better opportunities.

Strategy and Actions

The firm culture must have at its backdrop a strong desire to satisfy and incorporate its client relationships into the equation. The culture must encourage a business development and client relations excellence as a cultural mind-set. In this way, the firm's brand is fully and positively supported and understood.

Success is only as strong as the people who collectively make it happen. Every person within an organization, no matter what his/her position or title, has daily choices of what he/she can do to lead themselves and others toward the firm's purpose. And, each and every choice has consequences, both intended and unintended. It is the combination of actions that collectively move an organization towards long term success. When all the pieces in the puzzle fit together success manifests.

Conclusion

In human nature the collective ability to be stimulated and motivated is one of the most powerful moving capacities that we have. These capacities have varying strengths and can move in many directions. It is only when Managing Partners and CEOs understand that the strength and the direction that the firm moves is correlated to the collective strength of the individuals who work throughout the firm, can they begin to manifest their firm's future success.

The process of building a successful firm is a matter of purposeful choice – it cannot be left to a matter of chance. Whether or not a firm gets what it is looking for depends upon the managing partner or CEO to decide its evolutionary course by properly evaluating its culture and then fostering the key conditions that support success and profitability.

All firms evolve and change with time. Some firms evolve and enjoy significant profits, other firms evolve with profits that remain steady, while others devolve and decline. The choice is yours.