

Culture – the ultimate differentiator

... and path to delivering strategic outcomes



Culture is far more than a 'nice to have' for any firm or organisation. **Dr Peter Ellender** explains its critical role in delivering positive results.



The days of the strategic plan are apparently long gone, according to the gurus.

No longer do organisations look forward five years and decide where they want to go and how they plan to achieve the goals. The days of endless SWOT analysis and week-long planning retreats are no longer, with emphasis now on the 'one pager' to provide direction and with the ability to be communicated by social media.

Whether the market conditions change more rapidly than in the past or digital disruption has hit the profession, or there is just not the fortitude to stick to a plan, is debatable. However, the challenge was always to produce an outcome which describes a point of difference – what is our differentiator? – one that could be believed and owned by all staff, readily implemented as well as being visible to, and valued by clients.

Daily priorities overrun strategic implementation

Planning exercises also have a history of poor outcomes. Creativity can be strong, with many good ideas being floated for discussion, and can also be a time when blue sky unattainable and unachievable goals are contemplated, for example – we should expand into... or let's acquire firm X...

Although high energy levels are often put into the activity with rigorous debate and solid thinking, the plans are then reviewed infrequently, generally ignored and implementation is partial, at best. Planned actions and activities typically slide down the priority list as day-to-day imperatives take over or environmental factors take precedent.

The story of the frogs sitting on a log is apt here. There were five frogs perched on a log which hung over a pond. After a discussion each of the five frogs decided to jump into the water below. How many frogs were left on the log?

Well, there were five. Why? Because deciding to jump and actually jumping are different actions, just like deciding on a direction and implementing a plan are different activities. Most plans fall down at the implementation phase, not the directional decisions or the actual planning component.

Entrepreneurial firms allow individuals to 'get on and do their own thing', to drive their business unit and be successful with encouragement to spend time on innovation and creativity. For those who are successful, this is a good model as they produce a win-win solution for the organisation and themselves, but this is only if the outcomes are replicable and sustainable.

This is typically a 'me' culture and not one for sharing and expanding, often leading to the well-known phenomena of a 'siloed organisation', which is merely a loose conglomerate of business units operating separately under a common brand. Of course there will always be exceptions and a few organisations of this type will be successful, but for how long?

Many companies, including law firms, have not been at the forefront of articulating their thinking going forward and are not definitive about how to go about identifying, creating and maintaining any perceived differentials in a way that staff can readily get on board with. Many sessions attempt to capture their point of difference and often come back to familiar statements. Some overused statements that get rolled out regularly have been identified by Joel Barolosky:¹

- 'Our employees set us apart.'
- 'We strive for excellence.'
- 'We provide fantastic client service.'
- 'We're trusted advisors to our clients.'

While identifying and implementing what truly differentiates one law firm from another can be difficult to articulate, many law firms ignore the 'elephant in the room' – that of the organisational culture.

Culture impacts differentiation

Culture not only impacts on establishing points of differentiation, but importantly shapes the environment in which a firm can implement and maintain that differential once established.

Here is where the market is moving faster than ever. Competitors react quickly and close the gap when a tangible differential, a new initiative or service becomes apparent and is making a difference to clients. However, differentiation is often built from a number of elements that, when combined, set a firm apart from competitors, with the most difficult element to combat being culture.

Barolosky² coins the term 'cultural differentiation' as a real factor in a firm's success and argues that it is established when "an internal culture creates value, both internally and externally". Cultural differentiation is very powerful, mainly because it:

- creates value – benefits clients
- is difficult for competitors to gain visibility
- is extremely difficult and time-consuming for competitors to match.

The well-known phrase originated by Peter Drucker and made famous by Ford president Mark Fields that "culture eats strategy for breakfast" is most pertinent here, as cultural differentiation may be seen as the ultimate in delivering strategic outcomes.



Cultural differentiation occurs when there is close alignment between the goals of the organisation and the goals of individuals driving the firm, namely the partners. It flows from the leadership of the organisation such that debates and discussions are more productive in terms of driving the business and areas like client service rather than wasted effort on unimportant internal issues and conflicts.

An organisation can be seen to be in the slipstream of cultural differentiation when partners spend their time working to build the business, support each other and importantly do not have to spend time on core areas which are well understood, agreed on and set. As a senior partner in one such organisation said:

“... it is the things we don't have to talk about that enable us to concentrate on the issues that are critical for clients and our business.”

This does not mean that there is total agreement on everything, but it does enable robust debate and decisions to be made from a common base and solid platform, one that has a core value set across the partners.

Culture can also be a success factor in moving plans from the drawing board to reality and it can be infectious whereby the wider team is engaged in achieving a step forward in the plan when they see colleagues making moves and taking action. The impetus to ‘jump off the log’ can be a major influence on outcomes and culture is a factor in generating activities to drive a plan. Culture is also powerful in breaking down silos.

Virgin Australia chief executive officer John Borghetti describes culture³ with a different slant. He says: “So if you can make the individual as comfortable as possible, they will perform better. It's about letting people know what the business means for them.” He argues for creating the right atmosphere in which staff feel comfortable and can be guided to a way of operating. Here then is where a differential can be realised, and it is the genesis of cultural differentiation.

Culture, the personality of a firm

Culture has been described as the personality of an organisation, and the importance of the culture of an organisation is seen both internally and externally. It is clear that the image and branding of a firm, which can have a major influence on its reputation, cannot be different externally to that which exists internally. So a law firm with a poor internal culture is unlikely to be able to do anything different externally and this impacts clients, client service and relationships.

While it may be possible over the short term, it is not possible for an organisation to have split personalities over a prolonged period, and sure enough the effects of the culture emerge over time. This can often be seen in key metrics such as client satisfaction, client retention, partner churn and staff turnover, but also in firm results. Short-term success may mask some elements of a poor culture, but over time reverse cultural differentiation occurs and reputation is diminished. Staff are the best indicator here, including partner churn rates.

Successful businesses work on organisational culture

Getting the culture right makes very good business sense and lifts returns through the creation of cultural differentiation, a strategic imperative for competitive advantage. It has been said that a healthy culture can increase discretionary effort and in doing so improve service levels, client experience and productivity.⁴

The culture of a firm strengthens the psychological contract between staff and the firm, and the importance of culture only registers with younger solicitors after some time. As one young lawyer said: “At interviews culture was stressed but at that stage I only wanted a job; now I'm running my own firm and completely understand the importance of culture.”

In professional services businesses which operate in highly competitive markets, as most law firms do, the need to establish a distinguishable difference from your competitors is critical. In a mature market this comes down to marginal positive differences across a range of elements which, in total, make up a competitive offering. The one area that is difficult to establish precisely as planned and even more difficult to mirror is that of the organisational culture which ultimately produces cultural differentiation leading to superior results for the firm.

The power of cultural differentiation

Cultural differentiation is an extremely powerful, competitive weapon which emanates from and is directly correlated with cultural leadership. Creating and maintaining the right atmosphere, the right culture in a law firm should be a leadership priority.

Dr Peter Ellender is the chief executive officer of Carter Newell Lawyers.

Notes

¹ ‘10 Reasons Why Culture Eats Strategy for Breakfast’, a blog by Joel Barolsky of Barolsky Advisors.

² Ibid.

³ ‘Leadership for Growth – How to Keep Your Cool’, Patrick Durkin, *Boss Magazine*, Volume 16 p24, November 2015.

⁴ ‘Leadership for Growth – What Makes a Company Culture Respected’, Henriette Rothschild, *Boss Magazine*, Volume 16 p26, November 2015.