

## Managing a modern business law firm through values in the Baltic States

By Aku Sorainen

### Typical current organisational structures

Typically law firms in the three Baltic States have been managed in a very conservative way, which was common also in the Western Europe some 15 to 20 years ago when much of the work was still litigation driven. Partners practicing law at the same firm have often been sharing costs rather than profit. In such environment a client is "owned" by a partner rather than the firm. The firms that share their profit between the partners are often led by a strong single leader, who is almost always also the founder. Typically salaries for associates are based on a proportion of the revenue they generate. Only a few law firms have offered systematic training (at the company's cost) or career development for their personnel. Since the Baltic economies have grown rapidly, there has been a lot of work for everyone and there has been fairly little competition, including lateral hiring, between law firms.

Strengths of the above described management systems are a few: a high level of control over the clients and a fair amount of attention paid to clients because of highly motivated partners who keep contact with them. Partners have avoided taking business risk in the form of high fixed costs due to salaries of associates being tied to performance. Individual stars among partners and associates have been highly remunerated.

Yet the weaknesses are also visible: it has been difficult to develop the firm as a whole since the "stars" have been more interested in their personal practice. Also, assignments have not always ended on the desk of the best professional to handle the specific topic. This is due to the lack of "one-firm firm" culture and a high level of competition between professionals within the firm. Furthermore, it has been noted that such management systems are characterised by a fairly high turnover of personnel.

### What is demanded from law firms in the near future?

The majority of the work among largest law firms has switched from litigation to consultation and project management, and clients have realised that most well known lawyers are not masters of all fields of law. The vast amount of legislation enforced and harmonized with EU directives during the past 10 years in the Baltic States, topped with substantial amount of EU case law, has made it clear to many that lawyers must specialise more than ever before. Furthermore, clients now demand better and faster service. Both the requirements mean that partners must delegate more than they have been used to. This will mean that clients will be less owned by a partner and more by the firm, while clients shall be served by teams of specialists rather than by one lawyer only.

The formation of specialist teams again requires more systematic training of personnel and less personnel turnover. This short column is about to introduce means to reduce turnover of most wanted persons in the organisation.

### The role of corporate values in a modern law firm

Organisational values must be clear and understood by all. This is no different in the Baltic States. It is sometimes claimed that employees lack long term career development vision. This is understandable due to huge transformation the three countries have undergone and fast development including fast increasing salaries. It is no wonder that many employees have opted for a slightly higher salary, if the

salary was the only motivator to keep them in the first firm anyhow. Therefore, sharing values is important. If employees can agree on the corporate values and thus feel that they are doing the right thing in the right place and feel that there is progress, then they are less inclined to be easy targets for other employers. The set of values described underneath are values of Sorainen and described as one possible alternative:

The first value is quality (in people, processes, and work product). The best people simply want to work with the best people. As the organisation grows, a quality management system may become needed for the purpose of securing uniform approach and efficiency of work processes.

The second value is focus on the client. It may sound as a cliché, since everyone from restaurants to ticket offices and copying firms claims they focus on great client service. But how often is it really true and implemented throughout an organisation? Law firms cannot afford to focus less on clients than anyone else. It must be in the backbone for each employee in a law firm that their main task is to provide clients with great solutions and advice.

The third value is development. Systematic training of personnel is part of it. The training must include not only legal technical skills, but also relevant business and client industry related skills as well as negotiation, communication, sales and marketing skills. This may be a huge investment by the firm and the employer wants to see the investment being profitable, i.e. personnel using the newly acquired skills for the benefit of the firm and not for the benefit of a competitor. A way to encourage and direct the development is carrying out regular development discussions not only once a year, but more often. It seems that development discussions are already becoming a part of personnel strategy in most successful companies in the Baltic States.

The fourth value is teamwork and know-how sharing. Since specialisation is inevitable and clients shall be served by different specialists rather than individual all-round partners, the specialists must be able to work in teams. Not only are they required to share information about the client and his/her matter, but also they are required to share know-how regarding best practices and thus avoid "inventing the wheel twice". Information used to mean power in the Soviet times, now keeping information to oneself is a serious sin.

The fifth value relates to ethics and respect. Some say that the new and immature business culture in the Baltic States leaves little room for business ethics. This is wrong. Ethics has become increasingly important and while the fight against corruption becomes increasingly visible and corruption is seen as non-acceptable behaviour, people feel comfortable in an organisation they vision as ethically behaving. The same goes to respect. It is not long ago that the management culture was very masculine and one leader driven. Today's specialist teams are more self driven and the leader is much more a facilitator, supporter and a person leading by setting an (enthusiastic) example rather than one trying to control and lead by commanding.

The last value is business-mindedness. A successful business lawyer can barely be anything else. He/she must produce (cost efficient) solutions and advice of high added value. He/she must show initiative, be innovative, diligent, and ready to take responsibility.

Actually, any activity and any attitude of personnel in a successful modern law firm should be traceable back to the firm's corporate values. As the French writer Paul Valéry wrote long time ago: "one who wants to do great things must pay great attention to details".

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