

# The Lead Domino: The Exponential

## Impact of Improving Company Culture

AUTHOR: JEFFREY DUNN

On February 5, 2018, *The Financial Times* reported that an AmLaw 100 firm terminated a partner after allegations surfaced that he had sexually assaulted a female associate. The article indicated that the law firm downplayed the event, which it said took place “several years ago”.

The associate made a complaint to the firm’s Human Resources department and later agreed to leave the firm after signing a non-disclosure agreement. The firm was apologetic, saying: “We are really sorry this incident ever happened and we acknowledge we should have handled it better.” However, *The Financial Times* article reported that the partner remained at the firm for years after the event took place and only departed after the event became public.

Imagine this was your firm? Could you explain away the event as an isolated incident? Perhaps. But consider another example outside of the legal profession.

Beginning in 1979, Harvey Weinstein ran two of the most successful production companies in the world, Miramax and the Weinstein Company. Miramax’s success led to Disney’s 1993 purchase of the company. During this time Weinstein creating such award-winning pictures as *The English Patient*, *Good Will Hunting*, *Shakespeare in Love* and *Pulp Fiction*. Weinstein’s success continued with The Weinstein Company, which he started in 2005. The hits and success continued with *Lion*, *Django Unchained*, *Silver Linings Playbook* and *The King’s Speech*.

After nearly 40 successful years in the industry, Weinstein’s hidden decades-long history of sexual assault and sexual harassment broke when 84 accusers spoke out. On February 26, 2018, The Weinstein Company filed for bankruptcy.

Forty years? Eight-four accusers? Two companies (one owned by Disney)? How does this happen?

### *Enormous Consequences*

One event can turn a most-admired company into the focus of public scorn and drive a most-admired CEO to resign in disgrace. Quite often, history reveals the bad behavior was not aberrant, but had existed for years and worsened over time. The company culture *tolerated* and thus *enabled* the bad behavior.

Just as pernicious is the less stark behavior: yelling, bullying, intimidation, scapegoating and gossip. Such behavior, when tolerated, leads to less visible symptoms: The talented associate that quietly left for better “work-life balance”, the respected partner who started a new firm to “do his own thing”, the valued staff member whose exit interview noted intimidation “from time to time”. What about the dozens of talented, dynamic people that never applied because of “challenging” company reputation?

### *The Perils of Incrementalism*

A toxic culture does not happen overnight. It happens daily, decision-by-decision and behavior-by-behavior. Toxic culture develops when one bad behavior is excused, ignored, or discounted.

Harvey Weinstein’s decades-long campaign of sexual harassment occurred in a culture that *allowed* it to occur. The behavior continued because questionable comments, overtures and actions went unaddressed. When a company fails to address bad behavior, the company tacitly endorses the behavior.

Take a hard look at your firm or company? Do you have a bad apple? Were the behaviors there during their first year at your firm? Most likely their bad behavior was ignored or rewarded. Over time, people repeat behavior because it *works*. And the more talented they are, the more a company will overlook.

If you want to know what your company values, look at who you pay the most. Look at who you put in the positions of power. That is the behavior you are rewarding. That is the behavior you value.

Tae Hae Nahm, Managing Director of Storm Ventures, said it well: “People seeing who succeeds and fails in the company defines culture. The people who succeed become role models for what’s valued in the organization and that defines culture.” Good or bad, those people are emblematic of the culture in your firm. They rose to that level not overnight but because their behavior worked and they were rewarded for it.

### *“Culture Eats Strategy for Breakfast”*

At our firm, we had a culture problem. For years, our firm suffered from a difficult reputation, significant attrition, and complaints of poor work/life balance. As good as our lawyers were, we found it harder and harder to attract and keep key quality talent. This, in turn, significantly impacted our bottom line. So, in 2013, the firm decided to become very intentional about improving company culture. Much like bad culture is developed incrementally over time, good culture develops the same way. Much like toxic culture is defined by strong, toxic personalities in leadership, good culture is developed and ratified by strong leadership that rewards and enforces core values.

Over a five-year period, the firm developed 6 Core Values and a Core Values Committee, specifically focused on culture development. The initiative had full buy-in of leadership and full buy-in of our partners. Over time, the core values became an integral part of our interview questions, evaluation process, member compensation, the firm strategic plan, our partnership criteria, and our partnership compensation. The firm developed dozens (literally) of initiatives to weave the core values of the firm into the day-to-day consciousness of each and every member.

For example, every new member’s first experience at our firm is “Day One, Hour One”, where their first contact at the firm is an hour with the Managing Partner to discuss firm culture and our core values.

To be clear, the firm has made many mistakes over the past five years. However, the firm has also worked hard to be transparent and address each of those missteps. When behavior is off the mark, the firm invests in coaching and development to assist its members in improving behavior and self-awareness. After all, Core Value #1 is “We Put People First.”

Since undertaking our core values initiative in 2013, our firm has seen marked results. The firm has experienced attorney growth of nearly 33% during an era when the industry has experienced relatively flat demand. Moreover, we have seen attrition slow below the industry average and significant improvement in employee satisfaction. The firm has flattened its hierarchy and created an environment where new ideas are welcomed and fostered, and innovation is incentivized. On multiple occasions new clients specifically cited their investigation into employee satisfaction and firm culture as a major rationale in retaining the firm. The efforts were recognized in 2018, when *The St. Louis Business Journal* named Sandberg Phoenix as a finalist in the “Best Places to Work” in St. Louis. No other law firm appears in the top two largest categories.

### *Does Culture Really Matter?*

Make no mistake; culture is a key competitive differentiator. If you are competing on price alone, you are losing. Your people are your greatest asset. Successful firms must find ways to attract top talent while providing the best environment for that talent to thrive. Gone are the days where you can simply outbid your competition for quality employees.

Clients are becoming much more cost-conscious and are asking their law firm partners to do more with less. Firms can no longer compete for talent by simply raising rates. Firms must compete for talent by offering a better work environment, one that promotes diversity and inclusion, one that provides an appropriate work/life balance, one that allows for autonomy and innovation, and one that prizes an amazing company culture.

### *Your Clients are Watching*

By 2025, Millennials will comprise 75% of the US workforce and Millennials value company culture more than any other generation that's come before them. [1] On average, millennials are willing to give up \$7,600 in salary every year to work at a job that provides a better environment.[2] Your Millennial employees deeply care about the culture of the company where they work. But consider this – those same Millennials will soon be your *clients*.

In February 2018, an attorney Claims Handler for ProAssurance, a major insurance company, posted publically on LinkedIn the factors he considers when hiring counsel. He also made it quite clear what attributes will remove a firm from his list:

*“Because, I read their Glassdoor reviews and see how they treat associates and support staff and I don't feel they meet our corporate values of integrity and treating people fairly.”*

You might not think your culture is important. But, your employees and potential hires do. So do your clients. And they are all watching.

Notes:

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*1 Workforce 2020: What You Need To Know Now, Forbes, May 5, 2016.*

*2 How Millennials Are Reshaping What's Important in Corporate Culture. Forbes. June 20, 2017.*