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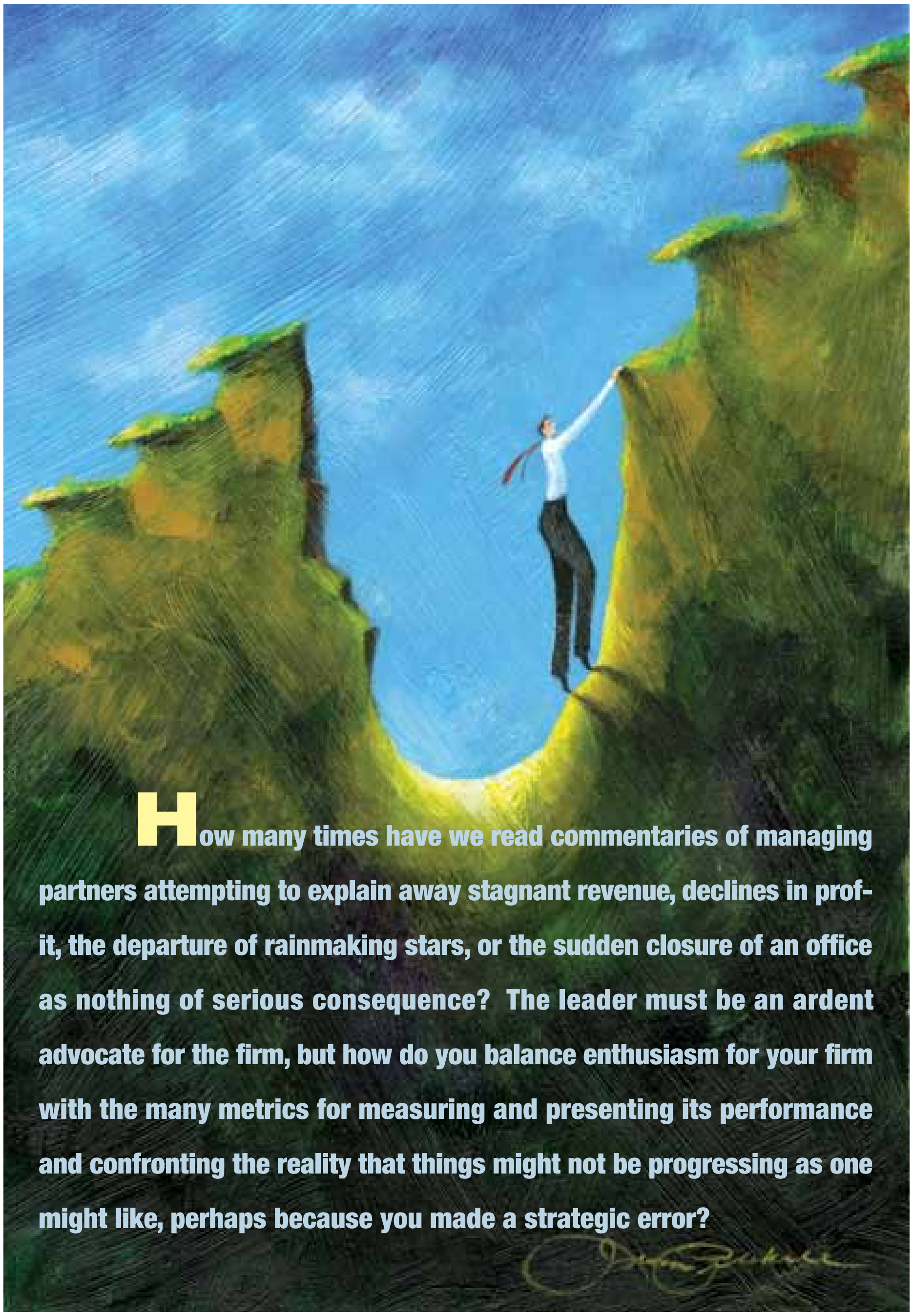
Recovering From A Leadership Misstep



How many times have we read commentaries of managing partners attempting to explain away stagnant revenue, declines in profit, the departure of rainmaking stars, or the sudden closure of an office as nothing of serious consequence? The leader must be an ardent advocate for the firm, but how do you balance enthusiasm for your firm with the many metrics for measuring and presenting its performance and confronting the reality that things might not be progressing as one might like, perhaps because you made a strategic error?

Given the significant challenges that most firm leaders currently face, it may seem to make sense to minimize mistakes or seek to avoid disclosure and recognition of them altogether, but leadership requires leaders to possess the integrity, skills and self-confidence to admit mistakes and not avoid dealing with them. And it requires the partners to recognize it as well.

The issue is not that some firm leaders have made mistakes. It's a long line of leaders that make mistakes, with some slipups that make the front page in the newspapers. Some years back you may remember Warren Buffet's bold and sincere apology for investment under performance (*"I did some dumb things"*) which attracted considerable media coverage. Other leaders in his role would have been reluctant to admit mistakes, seeing it as a sign of weakness. Perhaps that's why Buffet's public mea culpa attracted such widespread attention: the seeming novelty of a leader copping to mistakes. Yet if you followed this story closely, you would have also noted how his apology helped him rapidly move on to other, weightier matters.

The issue is not that some firm leaders recognized the mistake, dealt with it, made changes to correct it and are now back on what they determined to be the right track. *That is what they* should *be doing*. Please note that this does not include looking at the prior year's performance, then releasing a statement that where you are is where you deliberately piloted the firm, when it is obvious that no person in leadership would have started the year and proclaimed that as the intended destination!

The lesson may be to watch how law firms handle the revelation of a mistake in strategy. Something so fundamental that it seems silly to even discuss it as other than an error. From a business perspective, it is absolutely essential to recognize and learn from errors. But in law firms even the hint of potential fallibility in leadership is often brushed away as impossible. It seems that law firms are almost institutionally incapable of acknowledging that they make mistakes, while well-run businesses are known to embrace their mistakes to minimize their consequences.

Business is about making decisions, some of which will be mistakes, recognizing them, and when necessary adjusting on the fly. Not only correcting poor decisions, but improving prior good ones. No good decisions are good forever, so all decisions should be subject to continuous review. Ratification of the continuing superiority of a prior decision is a new decision. Paul Schoemaker in his HBR article, *"The Wisdom of Deliberate Mistakes"* argues that if businesses and leaders are not making a certain number of mistakes, *"they're playing it too safe."*

In law firms a significant number of strategic failures can be fairly ascribed to poor leadership decision-making. In fact, as we've studied a series of significant firm failures, we've observed a fairly similar pattern of five stages of behavior.

It usually starts with some managing partner wondering why a number of his peer firms are pursuing a particular strategic direction and he is not. Perhaps the partners have noticed other competitors exploring merger opportunities and beginning to wonder aloud as to "what is wrong with our firm that we're not doing the same." A **fear of exclusion** becomes the underlying catalyst that then prompts some firm leader to chase a particular strategy that really doesn't fit with the firm's chosen direction . . . but we shouldn't be left out.

So the managing partner embarks upon a particular course of action and wouldn't you know it, our leader begins to enjoy a string of initial, **small successes**. Perhaps it is a series of lateral hires that in the early months seems to have been a wise investment. Now this same leader gets blinded by this apparent initial success and begins to subtly think that he is invincible.

The successes are now exacerbated by the **lure of the next exciting strategy** to be undertaken. Perhaps if a few laterals can pay off for the firm, a few groups of laterals would show even more promising revenue gains. And then comes the first hint of a strategic mistake. The eagerness with which the leader chases a group of potentially lucrative laterals has him sacrificing the firm's stragegic focus for the sake of increased revenues.

Meanwhile, our leader is now presented with evidence that some of his supposed successes are not turning out to be as lucrative as initially expected. But rather than pausing to regroup, this managing partner succumbs to an **escalation of commitment**. Our leader jumps in with both feet and starts chasing books of business without critically assessing whether the opportunities are strategically appropriate. Even worse, our leader becomes so enamored with the idea of the new opportunity that he commits even more resources, throwing good money after bad and sinking costs into a bottomless black hole.

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In the final stage, our leader, rather than admitting to have made a poor strategic move and conceding the battle, decides to **hide the bad news** hoping that over the course of time things will work themselves out. Thus strategic mistakes happen when firm leaders speculate, overcommit, try to be heroes, then run into real trouble and try to cover it over.

While it is very rare for a good leader to single handedly make a law firm successful, it should be clear from numerous failures of law firms over the past decade that a poor leader can single handedly, or with the assistance of only a couple of other individuals, destroy even a large law firm.

We know that lawyers (by no means all) can tend to make poor business decisions, sometimes almost incredibly bad ones. There are a couple of very solid reasons why this is the case when there are such intelligent and well-meaning folks trying to lead and manage complex multi-million dollar businesses.

Let's look at a couple of them.

FIRSTLY, MOST FIRM LEADERS WERE NEVER TRAINED TO BE BUSINESS PEOPLE.

Most lawyers do not have the skill sets and tools to be good business people. They are promoted to leadership positions usually because of their success as lawyers and rainmakers, not as business people, and *confuse holding the title or position of leadership responsibility with actually being a leader.* They ascend to the position of decision making because they have the economic and political power to do so, not because they are good managers or leaders, and often are poor at both. To divert their time and attention from what they have proven best at for the firm and themselves, which is practicing and rainmaking, to attend to the management of the firm is often a fundamental error in itself.

SECONDLY, MOST LAW FIRM LEADERS HAVE A CAREER PATH DISTINGUISHED BY ABSENCE OF FAILURE.

One of the consistent qualities that we believe you will find in most law firm leaders is minimal experience with any real failure. They were top students in grade school, college, and law school. They went to a fine firm to be trained and mentored, and have had a successful career as a lawyer. A profession in which making a mistake is not tolerated by the partners or themselves, which is quite unique. They have not typically been deeply engaged in anything else for their entire life experience. Thus it is not surprising to find a firm leader being almost paralyzed at the prospect of committing some kind of "public" mistake, either revealed to the partners, or more broadly to the public at large. It is natural to want to ignore any negative situation in hopes that it will somehow correct itself. Some ignore the situation for fear of having to confront the fact that the poor performance is their responsibility, whether it had its origins on their watch or as the result of their predecessor's decisions. So they convince themselves that things are fine or soon will be. We often hear leaders justifying their overly positive communications by claiming that if they were entirely truthful morale could suffer, partners might become distracted and current performance suffer, or rainmakers may potentially defect, all because they cannot handle the truth. We believe that uncertainty and distraction are far more likely to be caused by a lack of transparency and honest communication.

THIRDLY, LAWYERS DON'T TEND TO RESPECT ANYTHING THEY DO NOT UNDERSTAND WHICH CONFLICTS WITH WHAT THEY DO UNDERSTAND.

Just like people in other avocations, lawyers don't know what they do not know. As silly as it sounds, the default perspective for many lawyers is "If it isn't the law, how hard could it be?"

FOURTHLY, LAWYERS HAVE A UNIQUE CAREER DYNAMIC, ESPECIALLY LITIGATORS.

Your typical lawyer can become an 'expert' at a narrow segment of a complex area as a function of preparing and trying their cases. Thus they quickly gain confidence that they can and do indeed become expert at anything they set their mind to. For some it is a short step from there to assuming they will be expert at everything they are given, even before they get there. This is not unlike someone professing to know a lot about China because they had an experience eating at a Chinese restaurant in Boston . . . Once!

FIFTHLY, LAWYERS TEND TO MAKE THEIR DECISIONS USING THEIR LAWYER SKILL SETS.

This means that in law firms the best business decision arrived at by methods proven in business, will frequently lose out to the lawyer who makes the best argument. Because it is often the best argument (irrespective of many other factors) that wins cases and that is what many lawyers know and believe. Since the best argument is by default the one that the more successful, powerful lawyers make, because they are the leaders of the firm making the ruling of which arguments are best, contrary or dissenting points of view only serve to deliver martyrs.

Dissenting lawyers are smart enough not to go that route. The passive aggressive survival approach is "Vote to go, but then go slow." Lawyers do argue with the silliness of leadership infallibility when engaging in constructive debate is denied. They just don't open their mouths. That enables both bad leadership decisions, and good decisions that fail for lack of partner support. That might not happen in your firm. But it certainly has and presently is happening in others.

Are three or four partners at the top smarter than a hundred or two hundred partners 'below'? Even if they were, would their decision-making at least be improved with the input of very bright partners? How about the effective implementation of the decision which depends on active cooperation and support of all of the partners, to avoid or significantly reduce the 'passive resistance' response?

It's difficult to pursue the right course of action when pessimists and naysayers abound. Yet the best firm leaders are those who quickly and willingly look past internal qualms about candor and accountability and instead apply mistakes toward positive gain. As Confucious is reputed to have said "To know what is the right thing to do and not to do it is the worst cowardice."

WHAT TO DO

Don't hide from bad news

Because confronting your own error is an uncomfortable position to be in, leaders can often try to position themselves in a positive light while shifting the blame onto some unanticipated, unmanageable, external factors. Or, they point fingers and say that someone else didn't execute as they should have and that that is the reason things went wrong. If a mistake has been made and there is bad news to be delivered, don't wait for the perfect time; it will never come. You must share the news as soon as it's appropriate. The longer it takes for you to acknowledge a mistake, the more likely the undecided will turn against you. You need to recognize that if, in the end, it is going to be disclosed that you have erred, it is better to own up quickly in order to have a hand in making repairs. As the firm's leader, the firm's problems are now yours. You must explain the issues and accept the problems as if they were of your own making.

Be willing to admit your mistake

Leaders are sometimes under the erroneous impression that to err - and to admit to it - shows weakness. Firm Leaders who admit to mistakes become more human and are more readily able to "clear the air" and move on. Stepping up and taking responsibility immediately will help restore confidence in your leadership. In fact, owning up to a mistake can quickly turn the tide of public opinion in your favor. There are rational, valid reasons why people make mistakes. By quickly taking accountability for a mistake, by conveying candor, honesty, and responsibility, it will allow you to create more trust and loyalty among your partners. It may enable you to take on and resolve even bigger and more important issues thereafter.

There is a difference between "I'm sorry" and "I apologize"

Saying "I'm sorry" describes your feelings about what happened, but it may not be enough if your partners are angry. Saying, "I'm sorry you feel that way" is worse as it implies that you feel your partners may be angry without justification. Even worse are those who say, "mistakes were made" which is interpreted to mean that you are trying to avoid any responsibility. And then there is the leader who offers a statement of regret followed by saying "but" and offering some sort of justification or explanation, or even worse a dismissal of the past and declaration to just forget it and move forward to a great future together. ("Now that we have lost sight of our strategic direction, we must double our efforts.") Following any apology with the word "but" only serves to make the entire statement appear insincere – almost implying that you don't really believe you should have to apologize.

An effective Firm Leader apologizes to indicate that he cares to make things better, will try harder and that he is secure enough to acknowledge that he isn't perfect. Credibility requires that your apology be immediate, unforced, sincere and specific in terms of what exactly you did that was wrong, who specifically has been hurt, a statement of regret and an announcement of specific action that will be taken to rectify the situation.

People want to hear what you are going to do differently, not your excuses. As the leader, remain calm and don't get defensive. Pointing to all the circumstances surrounding the error does not justify you having made a mistake. A simple explanation helps show you really do know what you're doing. "I'm responsible, I'm sorry and here is what we're doing to make things right."

Indicating that you will rectify the mistake or situation is the most important component and what is often missing in most situations where an error has been committed. In deciding what you can do to rectify things consider that your solution must satisfy your partners – and not what is necessarily easiest for you. Describe what you are doing to rectify the mistake but be very careful not to raise unrealistic expectations.

No sugarcoating

Leaders set the tone and giving your colleagues the straight goods are likely to receive a far better reception. As Julious P. Smith, Jr., Chairman Emeritus at Williams Mullen explained it, *"Be honest with yourself and everyone else. Usually, where I got into trouble was when I tried to sugar coat something to make it an easier message. Ultimately you will find people will appreciate it more if you tell them exactly where things stand."*

Manage your emotions

Seasoned leaders don't yell or get overly animated when things go wrong. They can maintain their composure and still express concern but not to the point that their emotions become a distraction. It can become challenging to manage the overwhelming responsibility inherent in being a firm leader and the resulting stress when a mistake is made can cause a power surge. Simply communicate that you are not just unhappy with your performance but that you are also disappointed by it. But you need to manage any outbursts because emotions are contagious and you can infect everyone you come into contact with.

The arrogance of success is well-known. Malignant leaders can start to believe that they are above the rules and that what applies to the other partners does not apply to them. And that is how we have seen many of them get their firms into trouble. They never have to say, "I was wrong" because everyone around them conspires to suppress criticism and hide mistakes. Meanwhile, the best firm leaders manage the risk that they could be wrong, create conversations, listen to arguments and make better informed, less self-serving decisions.

It is often said that the Firm Leader role is that of a shock absorber for the inevitable highs and lows that any firm is likely to go through. When things are going well and the firm is prosperous, that is the time to both celebrate and also challenge your partners to not become complacent. When things become more challenging, it is the firm leader's job to manage each partner's expectations and provide positive energy while being realistic about the situation the firm faces going forward. And it is the partners' job to support such leaders who take on these difficult challenges with the best interests of the firm at the forefront. That support will come with demonstration that they have a leader who sees things as they really are, rather than presenting them as he or she wants them to be seen.

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