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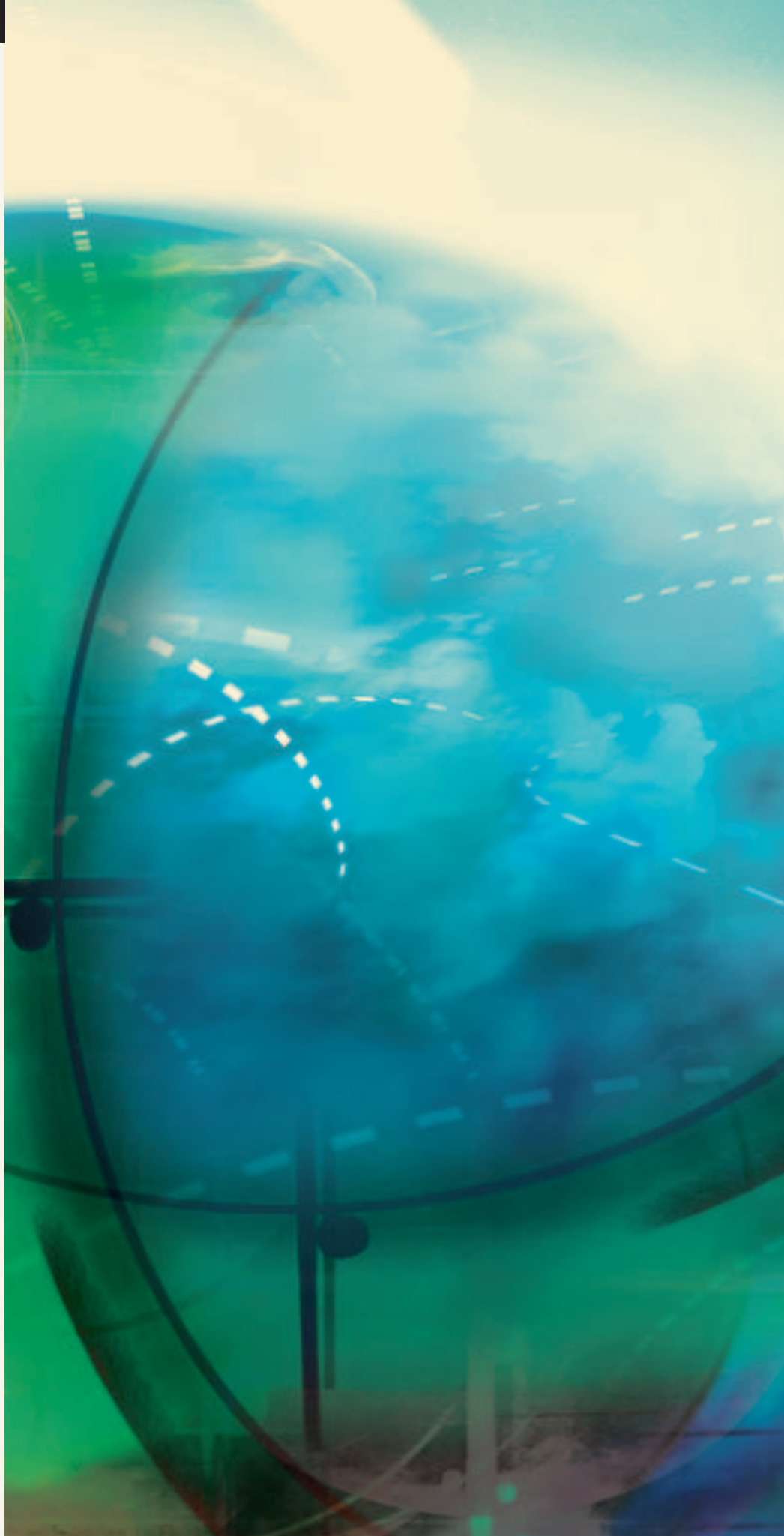
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AT A GLANCE: The generational divide will have increasing affect on how law firms are structured. Younger lawyers “push back” against older models. What changes can be expected?

By Phyllis Weiss Haserot, President, Practice Development Counsel, New York, NY

Reinventing Firms, Envisioning Leadership

Once again firms have a new generation (Generation Y/Millennials/Echo Boomers) entering in large numbers, filled with both enthusiasm and a desire to change the way firms operate to suit their vision of the world. These new lawyers, under 30 years of age now, are even less willing to toe the party line than the Generation X group before them. And their greater numbers, as well as the realization at all levels that practice requirements at most sizable firms have made lives almost unmanageable, indicate that their views may carry more weight than in the past. Further, many of them have little or no interest in the brass ring of partnership and intend to stay around only as long as they feel engaged and appreciated, which can be as short a time as a year or less.

Firms are being forced to focus inwardly again and to work more intensely to retain, engage, and develop young lawyers. It will not be a one-way process. There is bound to be too much push back from the Gen Ys and the younger Gen Xers as well as from coveted law students anticipating firm life.

Perhaps more than ever before there is a divergence in objectives and attitudes among the generations in firms, and leadership and direction are not likely to be nearly as much of the top-down variety.

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From my work and research, I see change occurring on three tiers.

1) The youngest lawyers, sometimes called “Generation Why?” because they question everything including what’s in it for them, tend to be vocal about their quality of life or work-life flexibility requirements. While Generation X (those born between approximately 1962 and 1978) also feels strongly about work-life flexibility, it was not until very recently that the men of the generation spoke publicly about it. (While not just a women’s issue, it has been the women who were far more vocal and took action to obtain flexible arrangements.) The 24/7 availability pressure now pervading law firm life has become so consuming that law students have created a manifesto for change even before they hit the firms. In April 2007, a group of about 130 law students from several schools, led by two Stanford students, issued their “Principles for a New Legal Professionalism” and “Call for Change,” which were picked up by the major media. They want to reduce the importance of billable hours and have firms implement “balanced hours” (flexible arrangements) and articulate clear expectations. While it is hard to know exactly how representative of the law student population this group is, it is not some isolated fringe element. Will the strong desire for work-life balance be realized for anyone who wants it? Will that change the financial structure of well-established firms? My answer is yes. The next question is how fast and to what degree?

2) Generation X represents the new generation of leaders. In fact, I have noticed a growing trend in which law firm managing partners and chairs in their 60s (leading-edge Baby Boomers and the younger Traditionalist generation) are being succeeded by leaders in their 40s, skipping over those in their 50s. In some cases, the new 40-ish leaders are from Generation X rather than the younger half of the Baby Boomers. They tend to be of a different style—more aggressive business-wise and independent than the older half of the Baby Boomers they are replacing. Eager to take the reins from the Baby Boomers who represent large numbers, long leadership tenure, and financial clout, this next generation is

well versed and experienced in free agency and lateral mobility. They may be expected to be more hard-nosed about trying to move senior partners out sooner rather than later. On the one hand, it’s a “show me the money” attitude; on the other hand, they want flexibility in their lives. It will take creativity and more leadership and management skill than lawyers have typically shown so far to achieve both.

3) Don’t write off the Baby Boomers. These optimistic, highly educated achievers, the most competitive generation so far given their numbers, healthier and more fit, are not going to retire en masse in the traditional sense when they reach 65 or some arbitrary age. Savvy firms will find ways to capitalize on the retention of some of them after their firm and practice leadership ends for senior roles in the professional development of young lawyers and as community ambassadors and referral sources. Some will still be valuable for their intense involvement in practice areas, such as estate planning and litigation, where long experience, judgment, and maturity are assets.

Most firms are not yet focusing on the dangers of losing large numbers of Baby Boomers who are seasoned, reliable, and have vast institutional knowledge. More commonly, firms are focusing on short-term economics. This may not be advantageous for the leadership training prospects of young lawyers. Generation Y typically gets along with and will seek guidance from Baby Boomers, as long as they feel respected, more readily than from Gen X. There is a greater tension between Generation Y and the Gen Xers managing them because of their different outlooks. Gen Xers, to generalize, are not inherently good managers and so far haven’t come equipped with the interpersonal skills and team collaboration talents that help to bond the generations. They tend to be more cynical given the influences of their formative years. On the other hand, both Generation Y and the Baby Boomers entered the workplace with optimism, belief in their ability to succeed, and a desire to change the world.

It is too early to tell how Generation Y will evolve as both leaders and followers in the workplace. Observers and writers on generational behavior have reported contradictions in

traits and behaviors of Generation Y. For example, they have been deemed both:

- hardworking, and having a lax work ethic
- materialistic, and altruistic
- entrepreneurial, and showing little initiative
- dependent and cautious, and displaying bold creativity
- risk takers, and cautious, security seekers
- most interested in security, and preferring perks

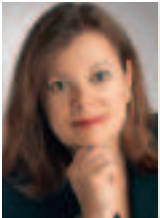
With this background on the three tiers or generations prevalent in firms today, what can we speculate or forecast about leadership by the younger lawyers?

- > While Generation Y has taken a strong stand on work-life flexibility, has shown impatience when not given challenging work and new responsibilities, and has been quick to leave when given routine and tedious work, we will see compromises in these attitudes when the economy softens and it is not so easy to job-hop. But with its large numbers, this generation will continue to push for structural changes in the firms to better meet their work and life objectives and their definition of professionalism.
- > There will always be some people who are superambitious. They will work hard for their own benefit, but will they be able to inspire and lead others? Some are attracted by high salaries and want to make money quickly to pay off student loans and establish an affluent life style, but they are not committed to an organization long term. Those are not firm leadership material though they are valued for their productivity.
- > A leadership gap: If those age 42–53 are—as Karen Armon calls them in her seminar *The Gift of Struggle*—the “wandering class of leaders who are frequently looking around for the best fit or most tempting offer,” how will firms retain the most valuable professionals? They are the ones most likely to be poached by competitors and must be given really compelling reasons to stay. In most law firms they are the partner-level people who are relied upon to serve clients, develop business, train junior people, and take part in management. If they are living up to expectations, their loss is more painful now than the loss of other age groups.

“Perhaps more than ever before there is a divergence in objectives and attitudes among the generations in firms. ... ”



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AT A GLANCE: Rather than the highest billing lawyer or biggest rainmaker, tomorrow's law firm leader will be a skillful senior manager who creatively manages human resources as well as foresees change and adapts. This new leader will not necessarily have gone to law school.

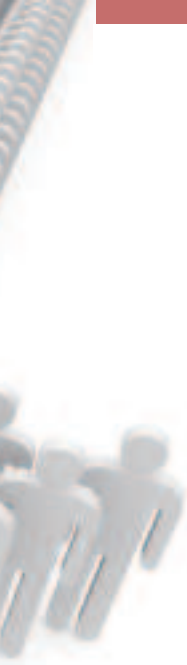
By **Silvia Coulter**, Co-managing partner, CoulterCranston, Inc., Boston, MA



Tomorrow's Law Firm Leader

The law firm of the future will have a different sort of leader than the law firm of today. Tomorrow's leader will not necessarily be the biggest biller or the biggest rainmaker or even a lawyer. Tomorrow's leader will be a skillful senior manager, who develops, leads, and retains strong talent; a visionary, who anticipates changes in the market and is willing to take some risks to be competitive to meet those market changes; and a team builder, who is a master at facilitating camaraderie within the firm.

In a climate of significant global business challenges, tomorrow's law firm leader will need to build highly leverageable models that are not entirely dependent on individuals who bill by the hour to deliver the services. This new thinking about the way in which firms capture and deliver knowledge to clients, along with an understanding of how to build strong brands that give their firms competitive advantage to bring that knowledge to market, will require not only tweaking of the models for production and billing, but will also require an understanding of motivating behavioral change among the firms' many service providers. Staying competitive will be a primary focus of the new leaders.



As Harvard's Ronald Heifetz writes, "Most companies have a remarkable tendency to underestimate their external threats and to overestimate their own power." This could not be more accurate for many leaders who manage the law firms of today. Heifetz goes on to say, "The role of the leader is changing. The new role is to help people face reality and to mobilize them to make change." And making change is painful. "Many people have a 'smiley face' view of what it means to lead. They get a rude awakening when they find themselves with a leadership opportunity. Exercising leadership generates resistance—and pain. People are afraid that they will lose something that's worthwhile. They're afraid that they're going to have to give up something that they're comfortable with."

The future leader will understand and convey comfort with taking a risk for the overall health of the firm. Arguably one of the strongest law firm leaders today, William Lee, co-managing partner of WilmerHale, believes, "The ability to think creatively and the willingness to take risks is and will be the platform of future leaders and their successors."

As David Maister and Jack Walker skillfully point out in their article "The One-Firm Firm Revisited," the five named firms from their Master's article *The One-Firm Firm* and their main competitors have adapted

by making dramatic and often risky changes. The need to continue to adapt through dramatic and risky change will be even more important to succeed as a leader and to help the firm succeed. How many of the future law firm leaders will actually be able to help their firms because they themselves were not afraid of change? We will certainly have the answer in the not-too-distant future. Even the finest law firm will be at risk if it is unable to adapt.

Leadership and Clients

The future leader will have as a primary role that of ambassador to the market and top clients. Appeasing the rainmakers and other top performers will be a thing of the past, and the focus will shift more externally. Tomorrow's leader recognizes the firm's top clients' business goals and ambitions and responds by building highly loyal relationships, thus becoming a CEO who, in turn, delivers value to the firm's shareholders through highly profitable revenue streams. Future leaders will understand the importance of delivering a consistent, high quality product regardless of which office and which practice provides that product. Without improving throughput, clients will not receive the highest value and firms will not capture the highest profits.

People and Culture

As one managing partner of a global 20 firm stated, "Most of my peers in the

business don't have the courage to change compensation for the good of all. They are worried they'll upset those with the largest books. In my opinion, not to make those changes threatens the core of the firm's profit base—the clients."

It will take a consensus builder and yet a somewhat autocratic leader to hold shareholders accountable and to build an environment in which everyone believes they are valued and can thrive. Further, support of the entire team is critical, and holding everyone accountable to firm values and goals will be essential to retaining the very best legal and business talent. As William Lee succinctly states, "Today and tomorrow, leaders must build a great team, delegate to them, trust them, and always support them." As a result, WilmerHale continues to grow and succeed under his keen vision and leadership.

Law firm co-founder and visionary Andrew Updegrove believes, "Large law firms will soon be in the final stages of converting from member-owned partnerships to what are, in fact, corporate entities that are closely held by an increasingly small number of equity holders. Many of the trappings of the old reality have already been jettisoned, and more and more changes, such as increasing ranks of non-equity partners, underline this new reality. At the same time, old expectations continue to live on and can



AT A GLANCE: Experienced professionals air their views and predict the technology trends for 2008 and beyond.

By **Don Philmlee**, Principal Consultant,
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Law Firm Technology Trends for 2008

Where will law firm technology be in 2008? Any discussion of trends in the fickle and fast-changing world of technology can lead to some inaccurate predictions. In order to provide a more accurate picture of what lies ahead in 2008, a variety of individuals were interviewed from large to mid-sized firms and legal vendors for this article. Their opinions and thoughts are amalgamated and summarized. To protect firm confidentiality and privacy, no specific firm or person is mentioned in relation to a particular trend.



“[Firms are becoming focused more tightly on refining work processes or best practices that tie technology choices and responsibilities to business needs and client demand.]”



Effective Spending

Over the years attorneys have come to rely on technology in their legal practice. Technology is already a large investment for any law firm.

However, sometimes technology dollars are not always spent with an eye to what law firms need or, more importantly, what their clients need. In 2008 there will be a greater and sharper focus on making sure that technology dollars are spent wisely.

To accomplish this, firms are becoming focused more tightly on refining work processes or best practices that tie technology choices and responsibilities to business needs and client demand.

Technology solutions in 2008 will not necessarily be complex or expensive; in fact many problems will likely be solved using existing technology or processes. Firms will squeeze as much as possible from existing assets and then reallocate the savings to other assets.

Some firms indicated that, while they have a multitude of technology projects planned for next year, very few of them will include groundbreaking technology. The focus will be to improve functionality and effectiveness rather than pay a premium to be on the bleeding edge of technology.

Adapting Corporate Strategies to the Law Firm

Over the years law firms have adapted methods and practices successfully from the corporate world to the law firm environment. In 2008 law firms will continue this trend with two technology management strategies from the corporate world: Information Technology Infrastructure Library (ITIL) and Project Management Body of Knowledge (PMBOK).

ITIL

In 2008, law firms will continue to discover and embrace ITIL. ITIL is a proven corporate methodology that can reduce costs, provide better technology service, and increase the understanding and involvement for technology-related projects outside the IT department. ITIL is a set of best practices that describe methods to better manage technology. Because it doesn't describe in detail how any particular process should be implemented, ITIL is an a la carte menu that can be custom fit to a firm's needs.

Implementing ITIL is a commitment that will last beyond 2008. It is not a one-time project, but a continuous, ongoing effort. ITIL can be an expensive commitment, but firms are starting to see the value—especially larger global firms wanting to gain better control of technology in new or merged offices, or firms that have complex and potentially unwieldy technology.

PMBOK

In 2008 firms are looking to apply formal project management practices in nontraditional ways.

Effective project management methodologies have long been defined by the Project Management Institute (www.pmi.org) in the Project Management Body of Knowledge. These methods and best practices have been a mainstay for rolling out technology projects on time, on budget, and with happy clients (users). However, PMBOK is not just for technology-related projects. It contains common sense for building solid lines of communication, for managing a team, and for managing complex tasks.

Traditionally, many firms look to the technology department to deliver new technology for the firm. In 2008, this focus will shift and the IT staff will not be the only department involved in delivering business value for a technology project. Staff and attorneys will take a deeper role in providing value to a technology implementation. Firms are looking at formal project management methodologies like PMBOK to draw in the required attorneys and staff, and find that value.

In 2008, some firms will also look at PMBOK methods to enhance client matter management. These firms sense an opportunity to improve broader client management issues, such as formal status



reporting, budget management, risk management, and client fulfillment. The goal is to develop consistent quality in client management as well as to provide increased client intimacy. This is a new and far-reaching application of PMBOK. While it may not be a perfect fit, firms will be exploring how it can be bring value to client management.

Virtualization

In 2008 large and mid-sized firms will continue to eliminate physical servers by migrating them to virtual servers, and consolidating onto larger and more powerful machines. Virtualization is a terrific tool to consolidate hundreds of servers on to 10 or 20. The money saved by virtualization is hard to deny. Additionally, this ability to virtualize servers will change the economics of technology architecture—new offices or merged firms can be deployed in a matter of weeks, not months. However, this new capacity can also be a problem. It is almost too easy for new virtual servers to be created—each new server requiring licensing, maintenance, and backup.

E-Discovery

The change in the Federal Rules of Civil Procedure last year got everyone's attention; and law firms and their clients are figuring out how to deal with the change. While the new federal rules primarily impact those involved in active or imminent litigation, they have caused firms and their clients to begin reviewing and adapting their document retention protocols to ensure that they will be ready and able to comply with new discovery obligations. This issue will dominate technology trends in 2008 as firms move to address this issue as quickly as possible.

Enterprise Search

In 2008 the quest for an enterprise search engine continues. Firms are confronted with an overwhelming volume of information, and it is causing them to rethink how information is organized and accessed. The changes in the Federal Rules of Civil Procedure also caused many firms to take a serious look at enterprise search solutions.

In 2008 more law firms will see the advantage in searching across enterprise data, and they will evaluate which direction to take their firm. Enterprise search is perhaps the most far-reaching technology a firm will ever install, because ideally it touches every system and every data store in the firm, but it has the capacity to transform how lawyers work with information in a very positive way.

The Eco-Friendly Law Firm

A growing trend in 2008 will be the willingness of law firms to reduce power and paper consumption to align with a growing client desire to work with environmentally conscious firms. Helping the environment may not have been a priority in the past, but it is fast getting on the agenda. Many law firms have already reduced power consumption significantly by consolidating their servers using virtualization technology. There is also a growing movement in firms to scan and store paper files electronically. While no one is calling for the long sought paperless office, the direction is definitely green in 2008.



Virtualization at the Desktop

While server consolidation using virtualization technology has gotten all the press in the past few years, desktop virtualization may be coming to a workstation near you. Most workstations only run a single operating system like Windows®. Workstation virtualization software allows a virtual computer to be run on a normal workstation. These virtual computers can be created easily with preloaded applications, stored for rapid deployment, and quickly disposed of as needed. This desktop virtualization technology has gotten cheaper (i.e., free). It is already used in many IT departments and may find its way onto the workstations of technology-savvy attorneys or paralegals.

Grassroots Technology (Web 2.0)

Many firms already employ technologies such as extranets, blogs, and instant messaging. In 2008 you can expect grassroots technologies such as team collaborative tools, social networking, wikis, RSS feeds, and podcasts to gain ground in the firm. These new grassroots technologies have a very strong appeal, and it will be hard to stop the ultimate spread of these popular and personal technologies into the mainstream of the firm.

Summary

The trends mentioned here are an amalgam of opinions from educated and experienced people working in or around law firms. However, predicting the future for technology must always be a vague affair. Law firms all have different needs and personalities, and what firms do with their technology is never easy to guess. Writer Peter Drucker put it best when he said that trying to predict the future is “like trying to drive down a country road at night with no lights while looking out the back window.”

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Over the last few decades, as the pressure to bill more hours has increased and the badge of honor has been bestowed on those who are constantly busy and over-committed, firms have been infiltrated by values that perpetuate:

- doing a lot of stuff—whether it’s meaningful or satisfying;
- production vs. innovation or breakthrough ways of doing things;
- task-orientation rather than vision-orientation or people-orientation—because that’s what people have been rewarded for.

This is especially true for Generation Xers. They have received training that is task- and data-oriented, filling their heads with facts and data rather than strategic thinking and human performance skills.

Armon suggests that the best way to learn and to prepare the next generation of creators and leaders is to give people challenges they can rally around together, what she calls “the gift of struggle.” I think that is likely to appeal to collaborative, diverse Gen Y. Among the dimensions of the “challenge-ready leader,” Armon includes:

- tolerance of ambiguity (and connecting the dots between unconnected data and events);
- recovering from failures rather than burying failures and encouraging cover-ups;
- political savvy;
- resourcefulness to deal with what you’ve got;
- organizational intellect; and knowing how to align people, especially at crucial times.

Many of these dimensions are not Gen Y’s strengths as yet. They have thrived in their young lives in environments where they were challenged intellectually and were usually overpraised and protected from failure.

Achieving the crucial alignment among generations and firm objectives will require a greater focus on people at all levels and ages, harnessing the wisdom and institutional memory of the senior professionals and executives, and capturing the hearts and imagination of the best mid-level and junior-level people a firm has.

Firms would be well advised to look beyond high salaries to what really will keep young lawyers in the fold. Grow them with increasing leadership responsibilities to meet their impatience halfway and opportunities to try out their ideas their way. Change is necessary to fix a broken operating system. Gen Y knows that. They have valuable insights regarding today and the future that the older generations are not likely to see for themselves given the pace of change.

Generation Y is not as ready to lead as some of its members think they are, but with training, coaching, opportunity to innovate, and some patience they can develop, perhaps more quickly than we expect. This Baby Boomer optimist is in their corner rooting for them to make a difference.



cause tensions when they run into hard reality. Indeed, some firms are trying to have it both ways, such as a large Chicago-based firm, whose self-perpetuating management committee sought to enforce a mandatory retirement age, taking the position that its partners were owners, and not employees.”

Updegrave continues, “For small firms, perhaps the greatest challenge is not to be too influenced by what is going on in the large firms. There is a great temptation to look only at the huge incomes reaped by smaller and smaller percentages of equity partners at large firms, and to forget what all of the non-monetary costs are that make those numbers work.”

Future Leaders and Technology

Technology is changing and will continue to change everything about the way in which law is practiced. According to Aviva Cuyler, founder of JD Supra, “The future law firm leaders will be open to embracing technology. There will be a balance between embracing technology that will help the firm to grow and that which will be a diversion. Consumers are increasingly expecting and demanding that there will be information available to them online that provides substantive information about lawyers’ practices and their work and their successes. Clients are looking for substantive legal information online, and the sources to help choose

their attorneys. Sharing information is, and will continue to be, far more valuable than holding information close to the vest. You can either be a leading part of this transition or your firm will be left behind.”

In some firms, visionary partners are productizing their services. They are employing the principles of process

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to deliver the services.”**

management and using financial accounting tools and historical billing data to better understand the cost structure of producing the services. At one point DuPont and Motorola led the charge and demanded consistency of services from their outside providers, even asking some to adhere to a variation of Six Sigma principles. Now, even emerging businesses have grasped the efficiencies of these processes and are asking more of their

outside firms. Leaders will dust off the KM documents that were shelved and revive them for competitive advantage.

Technology will play a key role when value billing finally becomes the method by which legal services will be invoiced. A few firms’ leaders have jumped ahead and taken the lead in experimenting already with what clearly seems to be where leaders will take their firms. Take the time to review the Web site of the Summit Law Group in Seattle (www.summitlaw.com). The leadership role the firm plays provides a glimpse into the future that is to be admired. Like the Summit Law Group, leaders will recognize they are in business for the clients.

In summary, Heifetz clearly states what all future law firm leaders must embrace as a guiding principle: “Mustering the courage to interrogate reality is a central function of a leader. And that requires the courage to face three realities at once. First, what values do we stand for—and are there gaps between those values and how we actually behave? Second, what are the skills and talents of our company—and are there gaps between those resources and what the market demands? Third, what opportunities does the future hold—and are there gaps between those opportunities and our ability to capitalize on them?”

We will, of course, see who rises to the ranks of future leaders. The law firm world desperately needs you.



Book Review:

Karaoke Capitalism: Daring to Be Different in a Copycat World

By Jonas Ridderstråle and Kjell A. Nordström, Westport, CT: Praeger, 2005

In this book, Ridderstråle and Nordström foresee a new economy in which competence, not capital, is the scarcest resource. In this economy, companies will be at the mercy of a small number of “core competents,” i.e., people with unique talents or abilities. They will be in demand and highly mobile internationally because their skills will be essential to any firm’s competitiveness. They will only stay with a firm as long as they are offered something desirable, and they will be quick to leave any country where they are too burdened with taxes. They will demand an increasing share of the firm’s revenues and ever-larger ownership shares. But mere money will not be enough to retain them. Firms will also have to offer a compelling shared idea of why they exist and what they do, and flexibility to let their core competents do what they are really good at.

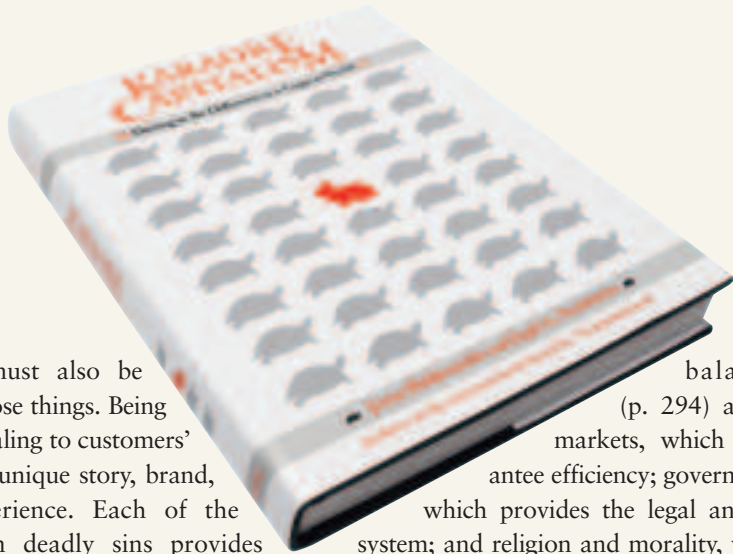
People without these special skills, whom the authors refer to as “commoditents” because their labor is commoditized, will face cutthroat competition. They will be selling an undifferentiated service in competition with billions of others. They will typically earn just enough to get by, often only be taking two jobs. As a result, the large middle class characteristic of Western societies in the 20th century, will disappear. Instead, a new double economy will emerge, divided into a small number of competents, who will have much, and a large number of commoditents, who will have little. The 20th century welfare state, a society based on nurture, is being replaced

by a return to the law of nature and the survival of the fittest. International competition and mobility of both individuals and firms reduce the influence of governments and force individuals to take more responsibility for their own lives. Citizens lose faith in the ability and willingness of their government to protect them. Displacing governments, markets become dominant. Markets divide the efficient from the inefficient, but they do not speak to values or responsibility.

In the new knowledge economy, capital is much less important and information is abundant. New firms can more easily enter markets and incumbents can add capacity; firms also compete more easily across international boundaries, resulting in chronic oversupply and “a surplus of similars.” (p. 119). Customers can more easily locate alternative suppliers and play them off against each other to demand higher quality and lower prices. Firms will find their profits squeezed between the demands of their core competents and those of their customers. To survive, they will be forced in turn to squeeze their commoditent workers and outsource work to places where labor is cheaper, and taxation and regulation less burdensome (and workers less protected). The authors refer to this world of increasing commoditization and similarity, where firms try to survive by benchmarking, adopting best practices, and using other forms of imitation, as the “karaoke bar” or the “karaoke economy.”

But imitation only gets you to the mediocre middle. Firms can only escape the karaoke bar for a time by creating temporary monopolies based on innovations, which is what makes recruiting and retaining talent so essential to a firm’s survival. Firms must also reorganize internally to encourage innovation. Decentralize power: abandon central planning for a more “delayed” approach that pushes decisions down the hierarchy and empowers the competents. Encourage education, experimentation, and communication of new ideas. Emphasize making new mistakes over making no mistakes. Encourage people to work in teams and feed off each other’s knowledge. Teams also create tacit knowledge embedded, for example, in relationships among team members and with other colleagues. Tacit knowledge is particularly valuable for the firm since departing employees can take only part of it with them. Because any knowledge that can be articulated can be imitated, firms will find themselves competing on the value of their unique tacit knowledge.

To compete in the double economy, firms will need to be “fit,” or “sexy,” or both. Being fit means using markets to produce the most value at the least cost. Choose a unique value proposition you can offer customers. Determine the few core competencies that you need to keep in-house. These can involve the concept, the customers, or unique capabilities, and they must be world class. Everything else, even essential activities, should be outsourced to



partners who must also be world class in those things. Being sexy means appealing to customers' emotions with a unique story, brand, design, or experience. Each of the traditional seven deadly sins provides themes that can be exploited. Firms competing for customers in the low end of the double economy emphasize fitness: value for money, as commoditents have little to spend. Like Southwest Airlines and Wal-Mart, they often offer a little less value for a lot less money. Firms competing in the high end, where the customers have more disposable income, emphasize sexiness: moods, experiences, designs.

For individuals, the only viable strategy is to try to join the competents by becoming "scarce," i.e., develop the skills you were born with into a unique world-class talent that will be in demand.

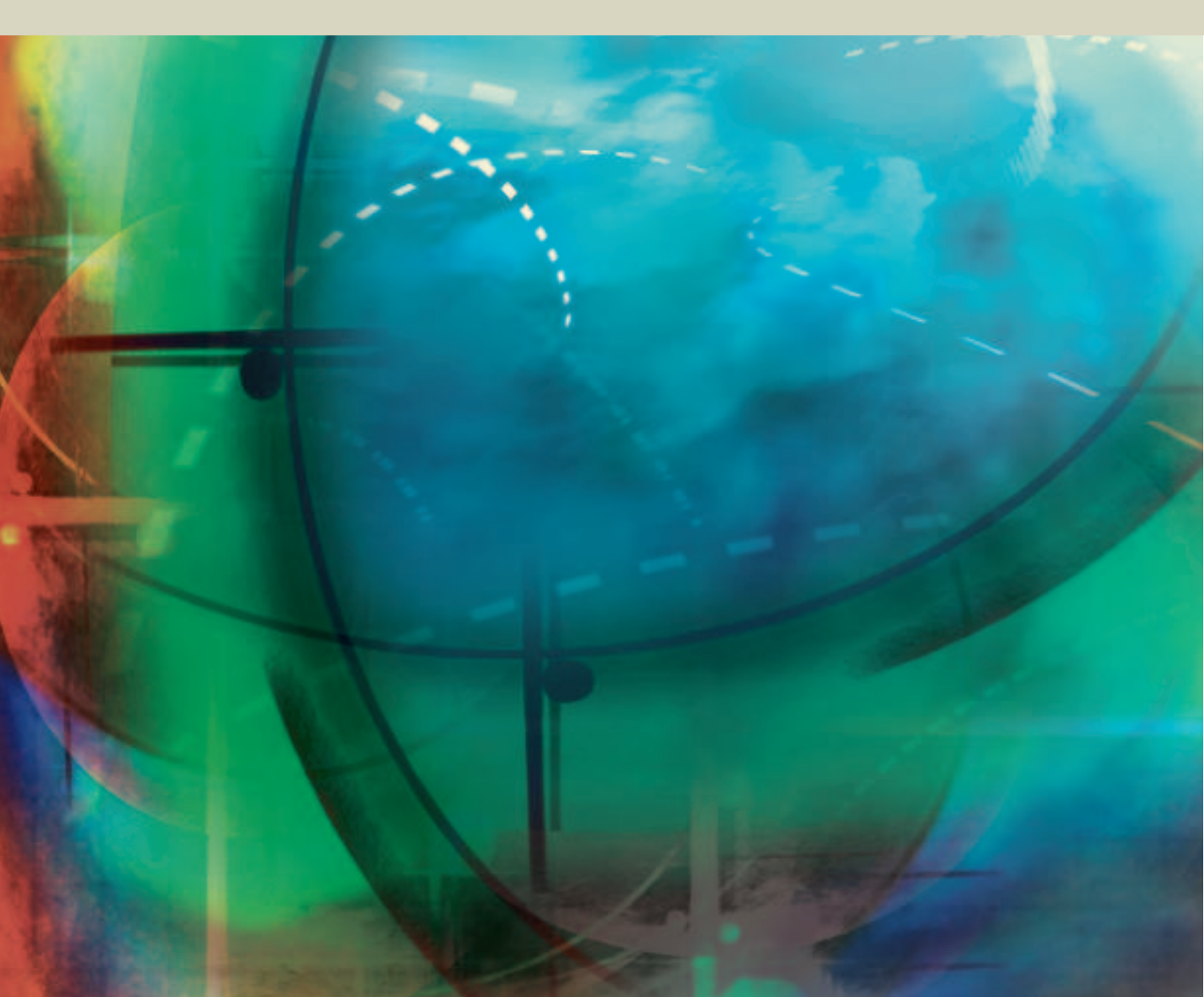
Finally, Ridderstråle and Nordström observe that we seem to be heading toward an economy characterized by excessive elite behavior, markets without meaning, and a capitalism without values. Without values, capitalism and markets will crush those without special talents. Is this what we want? Are wealth creation and poverty reduction mutually exclusive? If this is the price of prosperity, are we willing to pay it? The authors believe that "It seems reasonable that the more freedom an individual enjoys, the more he or she should accept responsibility for the totality." (p. 292). "A sustainable economy must achieve a

balance" (p. 294) among markets, which guarantee efficiency; government, which provides the legal and tax system; and religion and morality, which provide values and (hopefully) promote ethical behavior. Without the restraining influence of values and balance, there is, they believe, a real risk that the commoditents will try to overturn the system through violence.

Ridderstråle and Nordström are clear that reregulating the markets is not the solution. Reregulation only makes markets less efficient, resulting in less to share, but not a more equitable distribution. They advocate what they call "*humanization ... by participation*" (p. 302, emphasis in original) and they suggest that "farsighted firms will become more socially responsible ... because they realize that with greater liberties come even greater duties." (p. 304). But if these firms are being squeezed between greedy competents and demanding customers, can they afford to be responsible?

Some readers will be skeptical that the authors' solution is really likely to come about in the world they describe. Rather, the message they will take from this book is that, like it or not, the karaoke economy is probably inevitable, short of a violent cataclysm, and that there is little that governments, businesses, or individuals can do to mitigate its harsh reality.





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