ECONOMIC PARAMETERS OF AN IP FIRM - APPLYING THE PRINCIPLE “WHAT GETS MEASURED GETS MANAGED” IN IP PRACTICE

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SPEAKERS

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Agenda

• Intro
• Case study – introduction
• Economic parameters
• The triple bottom line
• KPIs in IP service
• Implementation
• Case study - discussion
Measurement perspectives

**Income**

- The firm
- Partner 1
- Partner 2
- Partner 3
- Partner 4

**Clients**

- Client 1
- Client 2
- Client 3
- Client 4
- Client 5
- Client 6
- Client 7
- Client 8
- Client 9
- Client 10

**Employees**

Employment cost as % of individual income

- Team 4
- Team 3
- Team 2
- Team 1

**Costs**

- Employees
- Marketing
- IT
- Office
- Rent
- Finance
- Other

ACTING FOR THE IP PROFESSION WORLD WIDE
Product Portfolio Matrix

market growth

questiOn Marks

ZSE
ZAP pct

Opportunities that no one knows what to do with

Life cycle

STARS

ZCO

Well established and fantastic opportunities

DOGS

ZAP
ZSEA

Weak market presence, difficult to make profits

CASH COWS

ZVA
ZRE

Well established, market isn’t growing, opportunities are limited

market share
What are economic parameters or Key Performance Indicators (KPI’s) and what are they used for?
Outline

• What are economic parameters or Key Performance Indicators (KPI’s) and what are they used for?
  - What is the concept of balanced scorecard?

• How to select KPI’s for an organisation and what to avoid.

• The most common KPI’s in law firms or IP firms.

• The introduction of KPI’s or new or different KPI’s in an organisation and its effects on the organisation.
Economic parameters – KPI’s

• What are KPI’s or Key Performance Indicators?

• The metrics that companies use to measure, manage and communicate results (or success).

• It can be the result of the whole organisation, a part of an organisation, a business/practice area, an individual or a specific activity.

• KPI’s can be - and often are (too often!) - financial but can be of other types also.

• KPI’s for companies in general usually include financial measures such as sales growth and earnings per share (EPS) as well as nonfinancial measures such as loyalty and quality.
What is the Balanced Scorecard?


- The balanced scorecard is supposed to provide a comprehensive view of the business. It complements financial measures with operational measures on customer (client) satisfaction, internal processes and the organisation’s innovation and improvement activities.

- The balanced scorecard provides answers to four basic questions:
  - How do clients see us? (Client perspective)
  - What must we excel at? (Internal business perspective)
  - Can we continue to improve and create value? (Innovation and learning perspective)
  - How do we look to shareholders/partners? (Financial perspective)

- The balanced scorecard model has evolved some over time and later versions have included also strategic objectives and destination (vision) statement.
The balanced scorecard

Translating Vision and Strategy: Four Perspectives

How to select KPI’s for an organisation and what to avoid?
How do you select KPI’s for an organisation?

1. Define your governing objective
   - E.g. create shareholder value/increase profits for the partners.

2. Develop theory of cause and effect
   - Develop a theory of cause and effect to assess presumed drivers of the objective.
   - You want to find metrics that - if they are improved - really improves the performance and moves you towards the overall objective.

Source: Harvard Business Review, October 2012, ”The True Measures of Success” by Michael J. Maboussin
3. Identify specific activities

- Identify the specific activities that employees (and partners) can do to help achieve the governing objective.

- There needs to be a link between the objective and the measures that employees can control through the application of a skill.

- The relationship between the activities and the objective must be persistent and predictive.

Persistent: The outcome of an action at one time will be similar to the outcome of the same action at another time. (It is based on skill not luck.)

Predictive: The activity actually leads to the desired result.

How do you select KPI’s for an organisation?, cont’d

4. Reevaluate regularly

- It is important to regularly reevaluate the chosen metric/statistic to ensure that they continue to link employee (and partner) activities with the governing objective.

What to avoid when selecting KPI’s!

• Do not use your gut feeling or intuition!
  Intuition may be flawed for at least three reasons/biases:

  • **Overconfidence** – we are often overconfident about what factors really drive results.

  • **Availability** – we tend to overestimate the importance of information that has been encountered recently or frequently.

  • **Status quo** – we like to avoid change so when performance drivers change we tend to resist abandoning existing KPI’s.

• Many organisations use KPI’s that have little connection to increase in shareholder value.

Source: Harvard Business Review, October 2012, ”The True Measures of Success” by Michael J. Maboussin
The most common KPI’s in law firms or IP firms
Survey of top ten KPI’s in law firms in the Nordic market

- Deltek, a US enterprise software provider, has recently (made public in 2016) conducted a survey on the top 10 KPI’s in law firms in the Nordic market.

- The “survey” may not be entirely scientific and was most likely created as part of Deltek’s promotion of their software and related services. However, as information of this kind is hard to come by it should have some value for the purpose of this session and is a good overview of relevant KPI’s to law firms or IP firms.

Source (this slide and the following): ”Next Generation Legal: Managing KPI’s to Accelerate Your Business”, by Deltek, undated but received in 2016.
Top 10 KPI’s according to the survey

1. Firm revenue
   - Probably the most important KPI and rated as number one for professional services firms in general.
   - Can be broken down into matter revenue, client revenue, practice group revenue and similar.

2. Profit per partner
   - Common measurement in partner run firms and is important for deciding on structure of firm.

3. Matter schedule variance
   - Measures how closely projected deliverables match the actual deliverable and include billable time, costs and resources used.
Top 10 KPI’s according to the survey, cont’d

4. Work in progress (WIP)
   • This is about keeping a healthy level of unbilled work in WIP.

5. Days sales outstanding (DSO)
   • Measure on time between invoicing and payment. Important for cash flow.

6. Client profitability
   • Gives an indication of how profitable each client really is. It measures the revenue generated from the client against the costs associated with the work and winning the deal. Needs input that may be more difficult to obtain.
Top 10 KPI’s according to the survey, cont’d

7. From RFP to deal
   - Request for proposals (RFPs) are common. It is therefore important to measure proposal activities against accepted and agreed RFPs and time invested.

8. Write offs
   - A measure of billable time that is not invoiced to client.

9. Client retention
   - Usually a high client retention ensures stability and brand recognition.

10. Market share
    - How large share of the market do you service?
THE TRIPLE BOTTOM LINE

Improving Profitability on All Fronts
People
Planet
Profit
WHAT ARE WE USING KPI FOR

- Partner Income
- Attorney Time
WHAT ARE WE USING KPI FOR

- Partner Income
- Client Satisfaction
- Attorney Time
WHAT ARE WE USING KPI FOR

Partner Income
Client Satisfaction
Attorney Retention
Attorney Time
WHAT IS PROFITABILITY?

- Profit by matter
- Profit by client
- Profit by type of fee structure
- Profit by attorney
WHAT IS PROFITABILITY?

• Is it as simple as income minus costs?
  • How do we define income?
  • How do we define costs?
HOW DO WE MEASURE OVERHEAD?
FIRM LIFE CYCLE ANALYSIS

**INTRODUCTION**
- Products mostly unfamiliar
- Low revenue and high initial costs/development costs
- Negative profits in sales and marketing

**GROWTH**
- Growing awareness of the product
- Disproportional increase in sales
- Positive profits
- Increased competition and competitive pressure

**MATURITY**
- Maximum sales
- Declining profits
- Saturation of the market
- Maximum number of competitors

**DECLINE**
- Degeneration phase with steadily falling profits
- Low profits
- Changed customer needs
- Low demands
- Exit market

**INCREASE FAMILIARITY, EXPAND MARKET SHARE**

**FOCUS ON MARKETING PRODUCT IMPROVEMENT AND PRODUCT DIVERSIFICATION**

**DEFENSE OF MARKET SHARE AND PRODUCT MODIFICATIONS NECESSARY**

**COST CONTROL ENSURES PRODUCTIVITY**
CLIENT’S PERSPECTIVE
ALTERNATIVE FEE ARRANGEMENTS

• Fixed fee structures
• Capped fee structures
• Mixed rate structures
• Rate tiers
• Retainer agreements
• Contingency fees
• Others (cost plus, value, volume discounts, etc.)
ALTERNATIVE FEE ARRANGEMENTS

AFA Profitability vs. Billable Hours

- 36% More profitable
- 32% As profitable
- 20% Less profitable
- 12% Not sure
Effect of Rate Reduction on Profitability

- Value of Hours Billed
- Amount Billed
- Post-Bill Reduction
- Collected

Normal Rate
Reduced Rate
CUSTOMER SATISFACTION METRICS

• ACC Value Index
  • understands objectives/expectations
  • legal expertise
  • efficiency/process management
  • responsiveness/communications
  • predictable cost/budgeting skills
  • results delivered/execution
How satisfied are our customers?

<table>
<thead>
<tr>
<th>PERFORMANCE CRITERIA FROM CUSTOMER POINT OF VIEW</th>
<th>EVALUATION BY CUSTOMERS</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
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<tr>
<td>• understands objectives/expectations</td>
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<td>• legal expertise</td>
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<td>• results delivered/execution</td>
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CUSTOMER SATISFACTION METRICS

• Client retention/turnover
• New matters by client/year
• Reduction in matters by client/year
• Change in revenue by client/year
COMPETITION METRICS - FIVE FORCES ANALYSIS

- Threat of NEW ENTRY
- Threat of SUBSTITUTION
- BUYER Power
- SUPPLIER Power
- RIVALRY
## COMPETITION EFFECTS - FIVE FORCES ANALYSIS

<table>
<thead>
<tr>
<th>RIVALRY</th>
<th>SUPPLIER</th>
<th>BUYER</th>
<th>SUBSTITUTION</th>
<th>NEW ENTRY</th>
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</thead>
<tbody>
<tr>
<td>• All faced with similar issues</td>
<td>• Some leverage here due to large number of competing suppliers</td>
<td>• Highest degree of power over the relationship at any point during our existence.</td>
<td>• Non-legal firms</td>
<td>• Split offs</td>
</tr>
<tr>
<td>• Those that thrive will be the ones who are most creative/innovative about service offerings</td>
<td>• However, specialized services still command premiums (e.g. doc review)</td>
<td>• Fee demands</td>
<td>• Failure to have succession planning</td>
<td>• Virtual firms</td>
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<tr>
<td></td>
<td></td>
<td>• Efficiency demands</td>
<td>• Departure of client relationships</td>
<td>• GP firms</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• Outsourcing</td>
<td>• Online services</td>
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<td>• Insourcing</td>
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**ACTING FOR THE IP PROFESSION WORLD WIDE**
## COMPETITION EFFECTS

Analysis of internal company resources

<table>
<thead>
<tr>
<th>NO.</th>
<th>CRITERIA (OBSERVATION RANGE)</th>
<th>COMMENTS ON STRENGTH AND WEAKNESSES OF EXAMINED UNITS</th>
<th>COMPARISON TO COMPETITOR</th>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>worse (1-3)</td>
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<tr>
<td>1</td>
<td>Relative market share</td>
<td>...</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Investment intensity</td>
<td>...</td>
<td></td>
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<tr>
<td>3</td>
<td>Value creation</td>
<td>...</td>
<td></td>
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<td>4</td>
<td>Quality</td>
<td>...</td>
<td></td>
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<tr>
<td>5</td>
<td>Cost structure/cost advantage</td>
<td>...</td>
<td></td>
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<tr>
<td>6</td>
<td>Professional competence</td>
<td>...</td>
<td></td>
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<tr>
<td>7</td>
<td>Marketing know-how</td>
<td>...</td>
<td></td>
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<tr>
<td>8</td>
<td>Financial potency</td>
<td>...</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Location and other advantages</td>
<td>...</td>
<td></td>
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<tr>
<td>10</td>
<td>Efficiency of management</td>
<td>...</td>
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<td></td>
<td>OVERALL EVALUATION</td>
<td>...</td>
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KPIs in IP Services

Survey Results
Almost all survey participants use KPIs to assess business performance. But the group of firms without KPIs can be underrepresented in the survey. KPIs are mainly used for their basic purpose - assessment of financial condition of the firm.
**How?**

- Monitoring consistency:
  - Ad hoc: 31%
  - Regularly: 69%

- Measurement level:
  - Firm as a whole: 80%
  - Employee: 40%
  - Individual shareholder/partner: 40%
  - Client: 60%
  - Team: 80%
  - Service/Business Line (e.g., opposition, prosecution etc.): 0%
  - Case (e.g., costs/profits): 60%
  - Workflow steps (e.g., filing of a foreign application): 20%
  - Other: 0%

- Monitoring frequency:
  - Monthly: 0%
  - Quarterly: 20%
  - Annually: 40%
  - Other: 80%

- Data collection:
  - Deriving the KPIs from standard bookkeeping software: 0%
  - Using time keeping software: 20%
  - Using special software for this purpose: 40%
  - Manually: 60%

- Access to KPIs:
  - Owners/partners: 0%
  - Managers: 20%
  - Employees: 40%
What?

- Most popular KPIs are: income, billed hours, costs and profit
- Average KPIs matrix is complex - contains 17 measures
Sample description

- Number of participants: 16 IP firms
- Questionnaires were distributed by e-mail
- Survey was conducted in July 2016
The introduction of KPI’s or new or different KPI’s in an organisation.
How KPI’s are introduced in an organisation is important!

• The introduction of new KPI’s is usually about changing existing practice or improving the practice in some way.

• It depends on the scope of the change how the introduction of the KPI should be done. Managers may need to treat it as a change project.

• Also important that the organisation understands why the specific KPI has been chosen and why it would be beneficial to improve the KPI. Great if KPI’s are seen as help for improvement rather than control.

• A good way could be to involve the organisation in the creation of the KPI.
Beware of the ideas behind the 8 steps of leading change

<table>
<thead>
<tr>
<th></th>
<th>Establish Sense of Urgency</th>
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<tbody>
<tr>
<td>2</td>
<td>Create the Guiding Coalition</td>
<td></td>
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<tr>
<td>3</td>
<td>Develop a Change Vision</td>
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</tr>
<tr>
<td>4</td>
<td>Communicate the Vision for Buy-in</td>
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<tr>
<td>5</td>
<td>Empower Broad Based Action</td>
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<tr>
<td>6</td>
<td>Generate Short Term Win</td>
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<tr>
<td>7</td>
<td>Never Let Up</td>
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</tr>
<tr>
<td>8</td>
<td>Incorporate Change into Culture</td>
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</table>

- Create climate for change
- Engage & Enable the whole organisation
- Implement & Sustain Change
Case study – implemented solution
Classical management

**Goal**
- Making money for the firm

**Managers’ role**
- Creating standards: structure, positions, processes
- Planning work, dividing tasks, giving instructions, solving problems
- Controlling results and measuring results
- Implementing improvements

**Motivators**
- Money: increases, bonuses

**Boss**
- Manager is the only boss
Change management process

Motivation

Surprise/shock
- Surprise or shock at the event

Denial
- Disbelief; looking for evidence that it’s not true

Frustration/anger
- Recognition that things are different

Depression
- Low mood; lacking in energy

Decision
- Learning how to work in the new situation; feeling more positive

Experiment
- Initial engagement with the new situation

Integration
- Changes integrated

Create alignment
Maximize communication
Spark motivation
Develop capability
Share knowledge

ACTING FOR THE IP PROFESSION WORLD WIDE
Agile management

**Goal**
- Delivering value to customers
- Making money is the result, not a goal

**Managers’ role**
- Enabling employees to perform the tasks in such a way that they can fully utilize their talents
- Eliminating all obstacles

**Motivators**
- Mastery, belonging and autonomy
- Money as a hygiene factor

**Boss**
- Customer, not the manager, is the boss
Thank you!
Are you interested in Practice Management topics?

Your view and experience matters:
You are welcome to join the PEC meeting today at 17:30 in this room
Warsaw 2016. This case is developed solely as the basis of panel discussion. This case is not intended to serve as an endorsement, source of primary data, or illustrations of effective or ineffective management.

Monday, October 26 was going to be pretty good for M.A. Nager, managing partner at IPL (IP Law Firm). In this part of Europe, autumn days are usually gray and rainy. This morning the weather was mild. The rays of the sun fell through the blinds to his office. They emphasized the wood structure on the desk, reflected in a framed photo of a corporate event and lit up the two single papers on his desk that left after cleaning the desk before the weekend. In fact, if not for these papers and decisions connected with them, the day would have been almost perfect. Last week, as every month, M.A. received financial reports. The firm reported another increase in revenue. Although the results of the line that meets all the requirements, to put it in the BCG matrix under the heading "cash cow", fell slightly, but other business lines developed as expected. Analysis of employee productivity also looked good. Workload was at an appropriate level. Margin productivity allowed to handle the expected cases. The future of the office would be as bright as the weather, if not for the papers - the remains of two Friday meetings with key employees. Both made appointments by the assistant without stating the subject of the meeting. The course of both meetings was so similar to each other, that suspicion of arrangements between two men is reasonable. Each of them entered the office with the document to terminate the work agreement. They argued their decisions identically that despite many years of work in the office and a huge commitment to the firm, customers, co-workers, they cannot stand the atmosphere. In their view, it was impossible to work in the current conditions. Each of them said that they would not change the decision to leave because they did not believe in any change.

M.A.’s afternoon phone conversation with recruitment agency convinced him that the opinion about the atmosphere in the office got out on the market. Headhunters confirmed that it is very difficult to find good and experienced candidates that would even consider meeting with IPL - interested and valuable candidates lose interest when they hear the name of the firm.

M.A.’s mood was not improved by an electronic calendar reminder. In a moment he had another meeting with an important employee, also without a subject. It was no surprise to him that this person also entered the office with a piece of paper in his hand.

Since the beginning of his career Managing Partner wanted to build IP law firm based on long-term relationships with customers and appreciating the synergies of different competencies of employees. This model was only possible in a cooperation friendly environment, where everyone
knows the direction and purpose of the firm. IP environment owes its durability to - among others its conservatism. Changes in the firm that employs patent attorneys and lawyers require thoughtful and careful approach. For a long time, there were no signs of problems. However, the IPL practice has shown that order in finance does not mean appropriate human relations. The complexity of the latter may result in a failure of proven and obvious solutions.

**Introduction**

**IPL**

IP Law Firm was founded in 1995 by M.M. Nager – M.A.’s mother. It was created after the political changes in this part of Europe, when large resources of entrepreneurship have been released. Market brutally verified the intentions of many aspiring entrepreneurs. Mrs. Nager’s business idea has proven effective. With an interesting personality and the ability to share knowledge she attracted and built long-term relationships with valuable employees who have developed along with her law firm. She managed to interest her son in the IP business. With time, she effectively made him her successor.

M.A. was included in the operation of the firm since its startup. In the early stages of firm’s life Mrs. Nager played a dominant role in the firm. Thanks to her idea the firm was founded, gained first revenues and its own place in the market. Profile of the firm was created from the knowledge and experience of the foundress. Management style was a result of Mrs. Nager’s life experiences. After taking over the family business M.A. decided to transform the firm to take advantage of his management skills. He not only continued and developed the activities initiated by his mother, but also developed the firm in new directions. Due to combination of his legal knowledge, international relationship management - an important role was played by his excellent English - negotiation skills and the skills of combining different environments and people, he successfully developed comprehensive IP services, including handling with highly complex and contentious cases. New activities, carried out in an innovative manner required courage and many attempts. M.A. consistently looked for solutions that matched his natural leadership style and aspirations. He conducted numerous experiments. He continued actions that brought the expected effect and he gave up when that did not work. He sought inspiration for the changes in business literature, discussing with authorities during numerous business studies and analyzing the procedures of effective leaders. He was not limited by the practice of his own industry. He explained: "I believe that if something is feasible but was not tried before, you should try it. I believe you should not be afraid of failure."

**Development of the firm**

Political changes, international treaties abolishing the need to conduct separate actions against local authorities and international IP firms’ presence on the local market caused increase
in competition that resulted in the pressure on margin. It forced the firms to review the structure of costs and prospects for the future.

In response M.A. focused activities around the selected segments of clients and cases in which his firm was best. Diverse operations with different levels of margins created the circumstances for business experiments. Thanks to them M.A. could look for a business model most suitable for the selected profile.

Apart from the organic growth of the firm he decided to grow the business by the inclusion of new partners. For his partners he chose people in such a way as to maximize synergies, for example he had experience with international clients, so he selected partners who could successfully serve local customers.

**People in IPL**

Constant search for the best solutions, the abandonment of ineffective actions and turning matching mechanisms to the firm's DNA became the habits of IPL. The firm's operations were well characterized by M.A.: "At heart we all were entrepreneurs, and we were constantly transforming our business to adapt to client dynamics. We wanted each individual to be empowered to bring value to the customer, being the muscle power of the whole organization."

Concerned about the standard of service, the firm took care of the development of the skills that were currently required. The internship program was implemented, in which students and trainees learned to work under the supervision of experienced staff. The firm supported the development of employees, both substantively and financially. The rule was to assign difficult tasks, somewhat exaggerated, so that work for everyone was intellectually challenging.

**Management classic**

The consequence of the development of the law firm was an increase in the number of cases resulting in the increasing complexity of the tasks. Current coordination by partners was no longer sufficient to ensure the desired level of service quality. It became necessary to manage in a thoughtful way, so that people's efforts were directed towards achieving the goals. Tasks were assigned to teams. The teams separated the job positions according to the standard roles and responsibilities. Each of the employees knew his duties and his boss. The role of managers was to plan the work and to divide tasks between employees, so that the skills and the time of each employee has been properly used. Managers instructed employees how to perform specific tasks and they solved problems. Then controlled the employees’ performance and corrected the subordinates’ mistakes. Managers joined essential and managerial functions. Time for managerial tasks was limited and therefore they needed tools and data to facilitate their implementation.
The planning and allocation of tasks was held on the basis of experience and subjective assessment of the difficulty of individual works. Monthly productivity reports were used for the evaluation of effectiveness. One of managerial duties was work improvement. Managers, having knowledge and a certain distance to employees’ tasks proposed new methods of work. In order to evaluate the effects of improvements, the ideas for more detailed monitoring were popping up, including programs to measure each stage of the processes. M.A. noted: "We were never satisfied and comfortable with our success. We were paranoid and that had an element of fear which helped us to stay proactive."

Management was based on the following classic principles:
- managers created standards for specific tasks, based as much as possible on the objective measures,
- job positions were standardized and the staff were matched to positions based on their knowledge and skills,
- work was designed in a way to proceed in possibly smooth manner,
- the main incentive to improve efficiency was money (increases, bonuses).

The organizational structure was created gradually. The first step was to create the position of Chief Financial Officer. She took responsibility for the financial management and the team implementing repeatable and simple operational activities for clients.

**Financial transformation**

The growing role and understanding of business operations strengthened the position of the Chief Financial Officer. In addition, her good knowledge of the processes, financial mechanisms and high analytical skills caused the creation of many tools and solutions based on the figures. The director was self-sufficient in the development, implementation and management of the measures. Among humanists, who could effectively use words, financial proficiency and the ability to measure and optimize business processes became a good basis for building authority. The director gained more and more independence and the opportunity to influence the operation of the firm. Her strong personality influenced the internal relations.

She used her competencies to implement efficiency measures for each business line, team and employee. Business results became transparent. The natural tendencies of the director of competition caused that the data was presented in the form of ranking. The aim was to stimulate and encourage internal competition to improve results.

**Structure and systems**

M.A.’s business model proved itself in practice. The firm’s revenue grew. Customers expected more and more services, in more and more difficult cases. In order to ensure the quality of services it became necessary to enlarge the team. A growing number of people resulted in the need to build
a structure. Further organizational units were separated and leadership positions were established. M.A. also had to define his role. Taking into consideration the scale and complexity of activities in the firm it was no longer possible to combine: general management, business administration and coordination of core business activities. Besides the department headed by the CFO, a support team was created. Best practices developed in one business line could be passed and implemented in other teams. Business units have been divided according to their profile - a legal department and a patent department was created. The introduction of the structure was a major change in functioning of the firm. Employees, especially long-term, who still remembered the founder of the firm, were used to direct contact with the partner. They enjoyed their self-reliance, independence and decision-making abilities. The division into units with the appointment of managers required acceptance of the authority of a person other than the partner. In addition, each department received the set of indicators evaluating the results of the work, developed by the CFO. The results were presented during the joint meeting. Feedback was provided publicly to those who have achieved extraordinary results, as well as to those at the end of the ranking. Some employees, accustomed to the atmosphere of the family firm, did not accept the change. M.A. was convinced of the rightness of the firm's actions. Rational arguments for the changes were passed by the CFO. Emotional support in the process of change management was given by the heads of the new teams. The tradition of the company, the convenience of employees, accustomed to a particular course were not arguments against change. M.A. wanted to build a stable structure, which would be a blueprint for further development of the firm. He was aware that the advantages from the beginning of the firm became weaknesses at the current scale of business. M.A. commented: "I had to use brute force to implement these changes. I wanted every single person to focus on implementation directory; I did not want to debate if it was good or bad. We were breaking walls down so we could build a business together."

The new business model meant not only changes in the structure. Its purpose was to introduce mechanisms for continuous improvement. Ideas for improvements were tested in individual teams, and if brought the desired results, were implemented throughout the organization. In this way the unification was introduced to facilitate cooperation between employees and departments, eg. rules for archiving documents and for describing cases in a computer system. Changes in the structure to systematize the process of communicating of business results required the creation of rules for access to financial information. Previously, information about revenues was broadly available, each employee was able to generate any statement. Introduction of the restrictions was another change, which had to be faced by employees. Not all of them were able to accept the changes. Longing for the past – for solutions from the beginnings of the firm, caused the change resistance. After the stage of denial, some fell into the phase of anger. Change resistance was the motivation to change jobs. Several employees
decided to leave the office. M.A. used the personnel changes to make further modifications to the functioning of the company. He implemented a model successfully functioning in the legal team in the patent department. It replaced a very individualized work, which created considerable difficulties in the absence or accumulation of tasks. The introduction of teamwork, connection in patent project teams both specialists and juniors, allowed to change the organizational culture and resulted in better use of the time the most experienced employees.

Feedback
Determination in making changes and self-direction had its side effects. High flexibility, focus on solving difficult problems, the search for innovative solutions have attracted independent and entrepreneurial people. One of the effects of the implementation of the new organizational structure was limiting the availability of M.A. for all employees. Some of his responsibilities, in particular regarding the communication of business results, was delegated to the CFO - leaving her freedom to choose the style of communication. Employees felt unheard. They felt they had no influence on decisions. The need to focus on internal competition was not in line with their values. It was not the part of the business model. Additionally, it resulted in an unfriendly working environment and killed internal cooperation. Internal competition significantly restricted the exchange of information, knowledge and job sharing. Communication has been reduced to one-sided, formal orders and statements. Organization hates vacuum, so the missing information were filled-out by rumors and informal network, that enlarged the internal division. Changes in organizational culture were interpreted by employees, as expected and accepted by partners – the result of changes in the structure. In the firm there was a strong understanding of the new business model. Therefore, M.A. received very weak signals of low levels of employee engagement. So blurred that they did not cause to take any action. Lack of comfort resulted in a growing number of employees who changed their jobs. Together with the decision to leave, their openness increased. The outgoing employees described the dysfunctions of the company in a distinctive way. When key employees started leaving, M.A. decided to further adjust the operation of the firm.

From previous experience with attempts to shape leadership style of CFO, eg. through coaching and feedback, he knew that the chances for a radical change of style are limited. Therefore, after analyzing all the consequences, he decided to fire the CFO. The employees were relieved. They pledged to correct any shortcomings of the system. The atmosphere improved considerably. Cooperation between the teams flourished. Commitment and innovation increased. The firm was back on the path of continuous improvement.
Agile structure

After the personnel changes it was time to examine the effects of the implemented business model, in particular the efficiency of the organizational structure. The traditional structure in which every team performs specific tasks, and staff is supervised in accordance with a specific hierarchy, did not fit the way of work. The classic role of manager instead of support, hinder employees’ abilities to perform tasks. Difficult and complex cases required cooperation between departments. After analyzing the needs of the work environment, M.A. decided for the next experiment – he implemented an agile structure.

The plan was to change the role of manager. The agile structure was supposed to enable employees to perform the tasks in such a way that they can fully utilize their talents and the ability to generate value for customers. Eliminating all obstacles at work is one of the most important tasks of manager. The manager must trust the wisdom and judgments of people, who are in contact with the customers. Employees decide what and how they perform. The agile structure focuses on delivering value to customers. Making money is the result, not a goal. In this solution, the customer, not the manager, is the boss. In traditional management the manager's role is reversed. The main task of manager is to determine what needs to be done to inform the employee how to do this, and then verify that the task has been properly implemented. The role of the employee is to follow the instructions. The employee must trust the decisions and wisdom of the manager. The primary objective is to make money for the firm. The manager is the only boss.

The experience of large companies shows that the implementation of agile structures is not easy. This requires an agreement on the values of the company culture and beliefs. Some managers simply enjoy their traditional role. They are not able to accept the agile approach, even if the company requires it and are fixed in job descriptions or the existing management methods. Implementation of agile structures requires the consent of employees on an emotional level. Organizational culture by imposing certain behaviors of managers can effectively block the implementation.

IPL was in the perfect moment to implement agile structures. Employees were familiar with the nature and effects of traditional management. They met its dark side in practice, proved by a manifestation of joy after the departure of Chief Financial Officer. Entrepreneurship that was supported consequently, over the years, resulted in awareness of customer needs and openness to new ways of doing things.

The implementation of agile structures in the firm was based on the following principles:
- the main goal became customers' needs; there was a move away from fetishizing hard financial data;
- the tasks were carried out in a self-organizing teams, appointed to the needs of specific cases, in which individual employees can play different roles; there was an essential division into teams,
but the role of managers, rather than imposing how to perform tasks and constant control was enabling operation of employees and removing obstacles;
- work was coordinated in iterative cycles by project managers;
- working methods were continuously improved based on feedback and customer response; best practices were fixed in the form of rules; there was regular reporting, but both the rules of conduct and the report were not rigid;
- the dominant values were transparency and constantly improving; they replaced: predictability and effectiveness;
- one-way, top-down command was replaced by horizontal communication and discussions in project teams.

The change was implemented without further notice, regulations and descriptions in the form of strategies and measures. It inscribed in the needs of employees. It was based on the initial enthusiasm. Despite this it was not easy to change habits. Due to the use of moment straight after the release of the CFO, organizational culture of the office was changed fast. Despite more than twenty years of history, innovation and responsiveness to the needs of customers climbed to levels characteristic of start-ups.

**Organization transparency**

The replacement of classic management with agile solutions required to give some attention to communication. Information about customers' needs and expectations of the partners must be passed in a continuous mode. This required modifications to the management style of M.A. Communication could not be delegated. He established regular meetings with seniors, during which the most important topics were discussed such as: strategy, workflow, employees, and above all customers. In place of the rankings of the teams the analysis of the efficiency of individual business lines were introduced. Seniors were focused on maximizing the effects within the line and the customer's satisfaction, rather than internal competition.

As part of improving management methods M.A. continued to develop managerial competence. In the process of training there was feedback required in the form of 360 degrees. Employees initially shyly communicating their observations and comments, with time had the courage to propose changes in the non-anonymous surveys. The disclosure of the results of M.A.'s own assessments helped to open communication.

A growing team made it difficult to maintain a sense of influence on the decisions. In order to show employees that their opinion matters, partners asked (in an anonymous survey) the employees on their needs and preferences before making a decision to change the location of the office. The number of completed surveys (all employees responded) and the quality of response showed the engagement level.
Another step towards building a culture of transparency and open communication was the question and answer session during the annual town hall meeting. Questions were asked anonymously to encourage employees to actively participate in the session. Several days before the meeting, every employee had the opportunity to leave unsigned cards with a question. During the meeting, partners answered all questions, including the tough ones, eg. how to become a partner. Employees appreciated the honesty. They requested to add the question and answer sessions permanently to the calendar of office activities.

**Future**

The purpose of implementation of a new business model, supported by the structure, systems and culture was to create conditions for further development of the firm. Thanks to continuous improvement and automatization of repetitive tasks the firm is able to handle a growing number of customers. The use of IT solutions allows to recover the time to solve problems and communicate. Grassroots initiative, relevant ideas of changes coming directly from people performing specific tasks, make the improvements have a real impact on the functioning of the firm. Ideas tested on a small sample before enlargement, adds courage to try new things and reduces the risk of failure. One of the partners summed up the synergy of the positive work environment: "It took me some time to realize it, but our business model was not about rolling out a red carpet for employees. It was about giving power to the people so they can do their work as effectively as possible."

By focusing on customers, it is possible to build teams in such a way to collect the competencies necessary both now and in the future.

Changes in organizational culture are perceived not only within the company (the fluctuation level is significantly reduced). Good news spread through the market. The firm becomes the employer of choice. Employees who left due to unfavorable organizational culture report a desire to return to the firm.