

# Management by Trust in a Democratic Enterprise: A Law Firm Shapes Organizational Behavior to Create Competitive Advantage

NISHITH DESAI

*The founder of Mumbai-based Nishith Desai Associates (NDA) built his law firm on a few powerful ideas: a trust-based, nonhierarchical, democratically managed organization that leverages research and knowledge to deliver premium services, high value, and a unique employer proposition that shatters many negative law-firm stereotypes. The author discusses the rationale behind NDA's business model and its organization and talent framework, and tracks the firm's philosophical genesis, which includes ideas from Mahatma Gandhi on democracy and from Charles Handy on trust in virtual organizations. He examines the implications of Handy's Rules of Trust for HR policies and practices, and then he describes NDA's approaches for creating challenge, growth, and rewards in a nonhierarchical structure; building behavioral competencies; balancing control with freedom; and other management practices that empower employees to act in the best interests of the firm and its clients. © 2009 Wiley Periodicals, Inc.*

Think of a profession that, by its very nature and craft, tends to ingrain such attitudes as low trust, skepticism, and dispassion; where the personal interest and goals of individualistic, ambitious, self-driven, ego-led professionals supersede any commitment to the organization's goals. Chances are that the legal profession will be at the top of your list. If not, just think of a lawyer—and the description fits effortlessly. (As a lawyer, I have no qualms making this statement.)

Now, add to that the long-held fundamentals of running a competitive law firm. Profitability is driven by leverage (number of people) and hourly rate realization, which effectively means profitability is increased by working people more hours or hiring more people. Thus, what you tend to find is a sweatshop of overworked professionals with no work-life balance, high attrition, burnout, and indifferent loyalty. That apart, hierarchy, leverage, seniority bias, formality, and conservatism largely dominate a law firm environment. And what's more, this tends to typify law firms anywhere in the world.

Consequently, dodging the traditional law-firm constraints to create a very different organizational model, employer proposition, and culture is a tall order. But in our experience, it is a tremendous opportunity for value creation. It drove us to think “out of the box” and establish afresh a compelling culture, organization, and people strategy that would ultimately attract and retain the talent that we wanted for a longer-term competitive advantage.

For the two decades since its establishment in 1989 in Mumbai, India, our firm, Nishith Desai Associates (NDA), has been conceptualizing, implementing, and refining our approach to and practice of managing a democratic, trust-led enterprise that delivers high-value, premium-positioned legal services. That our approach has made some headway is indicated by NDA's growth—about 100 members and additional offices in India (Bangalore), the United States (Palo Alto, California), and Singapore—and

the accolades NDA has garnered along the way, including “Indian Law Firm of the Year” and the *International Financial Law Review*’s “Asian Law Firm of the Year for Pro Bono Work.” More recently, NDA appears in the *Asian Legal Business* (ALB) list of “Top 10 Firms to Watch in 2009” and is ranked highest on “Quality” in a *Financial Times*/RSG Consulting survey of top Indian firms.

This article is my attempt to share the principles that guided the creation and development of NDA as a different model for a law firm—and indeed, I would argue, for any type of firm. It will also share some of the lessons and insights we gained along the way—based on experience and hindsight—with a goal of provoking further thought and innovation about creating sustainable organizations and meaningful work.

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### The Philosophical Basis for a Business

When I first set out to establish a law firm in the late 1980s, I was pitted against strongly established firms with hundred-year-old legacies. How could I competitively differentiate my new firm from these bigger, better-known firms? I spent enormous time studying and contemplating an ideal business model for the firm and determined that one competitive strategy would be to focus on high-value, premium-positioned services.

I also contemplated the philosophical and ideological roots of the firm. Early on, I was inspired by Mahatma Gandhi’s doctrine of Trusteeship, built on the ideals of nonviolence, equality, and self-rule, as well as several of Charles Handy’s ideas: the

future of work in a globalized, fluid context; how traditional structures will change; the management of communities; and the membership corporation. In light of these ideas, and given the negative perceptions about law firms in general, I chose *organization behavior* as a second source of differentiation and our strongest competitive advantage.

I hold that people, after their immediate needs are met, look for meaning and realization of higher purpose through their work. Even customers, other things being equal, prefer to work with an organization that stands for greater causes—for instance, corporate social responsibility, a cleaner environment, or avoidance of child or prison labor. An organization built on strong and inspiring values, principles, and practices instills in its stakeholders pride, commitment, and a sense of greater self-actualization, which are powerful forces for attraction and retention of talent, clients, and an extended professional network. Inspired talent, in turn, offers extraordinary performance and client service. What law firm wouldn’t benefit from that?

Experience over the years has shown me that the crux of the challenge of building a firm on the great philosophical ideas of trust and democracy is in adapting and refining their practice to a specific organizational context. The business model, our vision for the firm, and the firm’s organization and talent framework are part of that context as well as being important building blocks in NDA’s evolution.

### The Business Proposition

As mentioned above, before launching the firm, I spent a few years researching and studying successful business models among law firms (almost all the global top 100), professional service enterprises, and institutions. My search revealed some outstanding models that shaped my outlook then and over the years—the consulting firm McKinsey, the fashion company Louis Vuitton, and even the countries of Singapore and Switzerland inspired me hugely with

their highest-quality, premium-end positioning. One law firm in particular, New York-based Wachtell, Lipton, Rosen & Katz (WLRK), stood out as consistently maintaining the highest-value, lean, and profitable business model to become not the *biggest* but the *best*.

To illustrate, WLRK ranked 58th among global law firms in 2006 with about a quarter of the annual revenues of the top-ranked firm, Clifford Chance. However, WLRK achieved this revenue with less than a tenth of the number of lawyers—208 versus 2,432 at Clifford Chance. In effect, WLRK had four times the revenue per lawyer, and a profit margin of 65 percent compared with the leader’s 30 percent.

We have attempted to model our firm on the WLRK format in several ways:

- Select high-end, complex work with potential for differentiated value creation.
- Determine “right” value and exhibit complete transparency with clients in using both premium billing and hourly rates as applicable.
- Maximize revenue per associate through high-quality solutions.
- Focus on “brain count” (high-quality, highly skilled talent) instead of headcount.

That logic has led to the following elements of a client and business proposition:

- NDA is placed at the intersection of strategy, law, and tax.
- NDA takes on complex, high-value, cross-border transactions; and would be in only those practices or industries where we could be competitive (first or second).
- We are passionate about being “trusted advisors” to our clients and help them achieve their vision.
- We passionately nurture start-ups.<sup>1</sup>
- We strive to take our clients to the next level of growth by providing creative solutions.

- “Culture fit” is a vital element in our client-selection process.

#### Vision and “NDA’s DNA”

Our client and business proposition has led us to the following vision for NDA: a research-focused global organization providing strategic, legal, and tax services to entities that are or aspire to be global, irrespective of size, sector, or nationality. In short, we are a research and knowledge enterprise.

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Research has turned out to be the most distinctive feature of our firm, backed by a robust methodology and process that we term “NDA’s DNA”—our strategy for becoming a research and knowledge enterprise. Through our *Anticipate-Prepare-Deliver* research strategy, research in essence graduates to knowledge, and finally to intellectual property:

- *Anticipate* trends by tracking various emerging technologies. Every new technology brings with it a whole new range of legal issues and implications. (For example, when technology led to offshore drilling for oil, it spawned the legal problem of who would own the resources. That paved the way for the legal concept of *continental shelf*, akin to an exclusive economic zone.)
- *Prepare* by developing a deep understanding of the potential legal aspects of the emerging technology and their implications for clients.
- By the time the new issue matures to a large and active problem, we are ready with expertise to *deliver* for a first-mover advantage.

### The Organization and Talent Framework

A most significant aspect of the NDA model has been its integrated planning and implementation of business, brand, organizational, and people strategies. NDA's positioning as a research and knowledge enterprise that provides premium, high-value services rests squarely on effectively creating, deploying, and managing a high-quality pool of talent. We adopted an organizational design that is flat, matrixed, and fluid, which allows us to rapidly deploy talent into seamless project teams uniquely suited to address the client's specific and often complex needs, which often require multipractice and industry expertise. As such, technical competency is developed through the "T" principle of core vertical expertise built on a strong multidisciplinary base. The teams draw on a diverse NDA talent pool comprising lawyers, engineers, MBAs, chartered accountants, solicitors, company secretaries, and even a surgeon. We are a law firm, not a multidisciplinary firm, but our professional diversity allows us to add significant value to every transaction.

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### Democracy and Trust as Management Principles

Over its quarter-century of existence, NDA has forged its own path of management by democracy and trust. In 1995, Charles Handy published his seminal article on trust in the virtual organization. Later books fleshed out and reinforced the ideas of trust and democracy in organizations—including Ricardo Semler's *Maverick* (1993), Vijay Govindarajan and Anil K. Gupta's *The Quest for Global Dominance* (2001), and Lynda Gratton's *The Democratic Enterprise* (2003). Seeing such noted thought leaders expound along similar lines has corroborated our approach, further increased our conviction, and

helped us to conceptualize and refine our methods and practices.

### Democracy

Mahatma Gandhi promoted his Theory of Trusteeship as a modern management concept that would ensure healthy and lasting relationships among employees, employers, and management. Several ideas related to this concept of trusteeship resonated with me as I thought about the vision for NDA, most notably:

- A CEO considers himself as a "trustee" in the management of the given organization.
- The collective sustenance and maintenance of people is the objective.
- Cooperation is egoless, or at least the ego is controlled.
- Values and ideals are more critical than success.

These ideas have been embedded in NDA in several ways:

- Despite the practice of law being an "individualistic" profession, NDA is built on a premise that the firm and the collective interests of all are higher than individual self-interest.
- Our organization is "title-less" and nonhierarchical, where all have equal opportunity, choice, and voice.
- Our management practices are based on trust, complete transparency, and democracy.
- Our culture is marked by initiative, ownership, commitment, and passion.
- People are accorded the freedom to think, the freedom to act, and the freedom to earn in a team-based environment.
- We believe it is our obligation to support social projects (trusteeship) and therefore assist selected projects on a pro-bono or quasi-pro-bono basis.

### Trust

Handy's 1995 article on trust explored the idea that business has evolved to a point where the human

resources no longer work the assets of an organization but *are* the assets, and Handy contended that efficiencies and other benefits of the virtual organization, as a new mode of working, would be realized only if organizations operated on the basis of trusting rather than controlling their employees. Otherwise, employees would not put the organization's needs before their own. Organizations must understand how trust works—which Handy refers to as the Rules of Trust—and trust and technology must go hand in hand in facilitating the virtual organization.

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NDA has infused the idea of trust in many aspects of its culture and management practices:

- We use the term *intellectual capital* instead of human resources and see the “intangible value” of our people as NDA’s greatest asset.
- Employees are treated as co-owners—we trust them explicitly after defining the boundaries in which they are to operate.
- We reward for trustworthiness and loyalty.
- We employ the best technology resources to enable our people to create the greatest value for clients.
- Our workplace policies and performance measures embody many of the principles inherent in Handy’s Rules of Trust.

To this last point, **Exhibit 1** (on page 12) shows the relationships between specific aspects of NDA’s intellectual capital strategy and six of Handy’s Rules of Trust.

When I reflect on our experience of management by trust, I find Handy’s pointers to be startlingly

true. Though it wasn’t exactly drawn from Handy into our blueprint, some of what he predicted we endorse by experience. Indeed, it is most important for an organization to reckon with the boundaries of operating with trust, which might be summed up as “Trust is a two-way street.” To that we would add, “With democracy comes responsibility.” Finding these boundaries and achieving these balances has taken time and learning. Our applied values and principles of democracy and trust have shaped the organization and its policies, processes, and practices, and these principles continue to act as a compass that enables the firm to constantly renew and transform in response to external and internal factors without diluting its core values and vital cultural drivers.

#### Constant Challenge, Growth, and Rewards

Most legal professionals have a mind-set that values “rank” within a hierarchy, which reinforces their identity as professionals through position, title, and authority. The legal industry gladly obliges with hierarchical structures, in which power accrues to a few at the top, and a culture of dominance and compliance. This is antithetical to NDA’s commitment to operate as a democratic enterprise in a flat, non-hierarchical organizational structure. And so we had to find ways to replace the traditional trappings of positional power and authority with other means for personal and professional growth, achievement, and advancement as an individual gains capability and experience.

Over the years, we have evolved a number of approaches for creating constant challenge, a sense of growth, and barometers of success that will enable us to retain high-quality talent. These include:

- Provide the opportunity to perform high-quality work on challenging value-added projects with very talented teammates (NDA’s fundamental value proposition).
- Structure assignments with greater scope, freedom, and variety (including exposure to

**Exhibit 1. The Rules for Trust and Their Indications for HR Strategy**

<i>Handy's Rules for Trust*</i>	<i>Indications for NDA's Intellectual Capital Strategy</i>
#1: <i>Trust is not blind.</i> It is unwise to trust people whom you do not know well, whom you have not observed in action over time, and who are not committed to the same goals.	<ul style="list-style-type: none"> <li>• Establish shared purpose and values.</li> <li>• Retain the right people.</li> <li>• Select the right talent and induct them correctly.</li> <li>• Manage the conflict between systems of control and trust.</li> </ul>
#2: <i>Unlimited trust is unrealistic in practice.</i> By trust, organizations really mean confidence—a confidence in someone's competence and in his/her commitment to a goal.	<ul style="list-style-type: none"> <li>• Define goals clearly, and the individual/team can be left to get on with it (freedom within boundaries).</li> <li>• Control comes in when the results are assessed.</li> </ul>
#3: <i>Trust demands learning.</i> Every individual has to be capable of renewal, and all groups must be adaptable to change.	<ul style="list-style-type: none"> <li>• Create a real learning culture and leadership competencies at all levels.</li> <li>• Recruit right resources capable of relentless learning.</li> <li>• Group leaders should be carefully selected and made ready for leadership.</li> </ul>
#4: <i>Trust is tough.</i> Be prepared for mistakes. Where you cannot trust, you have to become a checker once more, with the system of controls.	<ul style="list-style-type: none"> <li>• Where people do not live up to expectations, or cannot be relied on to do what is needed, despite sincere efforts to counsel and reform, then let them go.</li> <li>• Constantly reinforce benchmarks and standards.</li> </ul>
#5: <i>Trust needs bonding and touch.</i> The goals of small units must gel with the goals of the whole. Build a common mood.	<ul style="list-style-type: none"> <li>• Create a vision and purpose that is shared and binds.</li> <li>• Align individual aspirations with those of the firm.</li> <li>• Use the smallest of activities, actions, and behaviors as opportunities to build rapport.</li> <li>• Use inclusive communication, programs, and debates to generate involvement and participation.</li> </ul>
#6: <i>Trust requires leaders and perfect team play.</i>	<ul style="list-style-type: none"> <li>• Have a common philosophy of leadership and set the standards.</li> <li>• Allow many "heroes" to coexist.</li> <li>• Recognize and drive leadership actions and behaviors.</li> </ul>

\*Adapted from C. Handy, Trust and the Virtual Organization, *Harvard Business Review*, 73(3), 40–50.

international clients and professionals and a global mind-set) that individuals are unlikely to find in many other law firms (e.g., dynamic, young team leaders have headed up some of our most significant deals, and received the highest acclaim from clients and the market).

- Offer challenging new roles and assignments as opportunities for development and advancement (e.g., we sent our finest technology lawyer to set up our Silicon Valley office).
- Provide merit-based, seniority-neutral growth through a customized approach to career development that gauges the individual's motivation and offers the platform for it.

- Afford opportunities for both internal and external recognition for outstanding work from clients, the market, and peers.
- Provide opportunities for continuous learning. (Our learning culture values ongoing training, research, and sharing of knowledge.)
- Provide opportunities to share expertise (e.g., leading internal classes, mentoring, making conference presentations, etc.).

In our egalitarian, merit-based environment, these have proven to be effective alternatives to hierarchy, status, and power as drivers of the individual's sense of achievement, recognition, and self-worth.

And we have been largely successful in retaining senior talent—turnover is in the single digits—as a result of sheer intellectual stimulation, recognition, and their growing roster of achievements at NDA.

It must be mentioned that we have lost some talented people who felt they could find better career growth opportunities elsewhere. Interestingly, several employees who left for other firms asked to rejoin NDA. For people who “grew up” in our democratic system and open culture, settling into more regimented structures and narrower roles in other law firms is typically difficult. Often, these individuals tell us it is NDA’s organizational behavior—besides, of course, the quality work—that pulls them back.

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### Building Behavioral Competencies

In most law firms, shaping technical competencies and proficiencies tend to take precedence over behavioral and attitudinal development. Most top law firms tend to have comparable technical competence—and cultures—and so pay is the dominant employer proposition, the main reason to join the firm.

At NDA, organizational behavior and culture are key differentiators in attracting both talent and clients, and we have implemented several strategies, including the following, for building and reinforcing behavioral competencies that reflect our principles and values as a firm:

- Consciously hire, grow, and retain those with a broader mind-set and outlook and who are differently motivated.
- Place equal emphasis on *behavioral* and *intangible* competencies as well as *technical* competencies in goal setting, performance assessment, and development.
- Allow ability *and* attitude to determine the “altitude” an individual attains in growth and advancement in the firm.
- Drive development of behavioral competencies through education (training), experience (different management responsibilities), exposure (to clients, conferences, media, etc.), and feedback (coaching, counseling, performance evaluation, etc.).

We strive to diffuse the emphasis on pay—while keeping it competitive—by broadening the concept of rewards beyond that of dollar compensation. Learning, culture, and quality of work, along with alternative forms of career growth and advancement mentioned earlier, are all rich rewards and part of an NDA’s employer proposition.

### Balancing Freedom and Control

Handy’s Rule #1 (Exhibit 1) cautions: *Trust is not blind*. It is unwise to trust people whom you do not know well, whom you have not observed in action over time, and who are not committed to the same goals. In a democratic enterprise where organizational behavior is a key differentiator in the marketplace, determining whom to trust and how much requires a very systematic approach. Since values drive behavior, at NDA we strive to embed the firm’s values throughout the organization and align individual aspirations with the firm’s goals.

The firm’s values as we articulate them today reflect not only NDA’s value proposition, but also the principles of democracy and trust:

- Excellence
- Knowledge sharing

- Trust
- Teamwork
- Entrepreneurialism
- Transparency
- Accountability

Employees who demonstrate over time that they understand, embrace, and act according to our shared purpose and values are given considerable freedom to grow, learn, and earn. We then use a strong performance management system as a control to assess employees' behaviors and results. Sharing a vision and purpose, and aligning individual aspirations with the goals and values of the firm, also creates a bond among members of the firm, another essential ingredient of trust (Handy's Rule #5).

#### **Instilling Shared Purpose and Values**

Unlike many other law firms that hire larger numbers of new lawyers from one or two institutions, NDA hires the best-quality individuals from a variety of leading law colleges, even from abroad, and with a range of professional backgrounds. Such diversity is an essential part of our talent strategy, but it makes the task of shaping "atypical" individual and collective behaviors and aspirations around a core set of shared values tricky and demanding.

Unlike many other law firms that hire larger numbers of new lawyers from one or two institutions, NDA hires the best-quality individuals from a variety of leading law colleges, even from abroad, and with a range of professional backgrounds.

We believe that it takes about three years to fully integrate an individual into the value system of the firm. Thus, we focus on the entry-level employee's first 1,000 days as the critical period for internalizing the shared purpose and values—and weeding out conflicting priorities—that will drive the person's behaviors as a member of the firm. We instill

a more disciplined work ethos, and the employee is subject to some control through policies and processes. Once a person can be trusted to act within that values framework, she is accorded more freedom. Control is relaxed gradually as the individual gains professional maturity, has imbibed the appropriate work discipline, and has sufficiently scaled up in competence. For instance, after three years the employee may be eligible for flexi-working, for higher benefits (such as increased leave entitlement), and so on.

During this period, we rotate employees across different practices, industries, seating places, and even mentors, not only for a well-rounded knowledge base but also to make them adaptable and prevent a "silo" mind-set. We also seek to create a *one-firm* mind-set, where location is irrelevant.

Ongoing performance feedback, including counseling by managers and mentors, facilitates this process of instilling the firm's values. An employee who has been a critic of the firm can become its best champion. If, despite all efforts, the values of the individual and the firm do not align, then we let the employee move on. We'll even let a high performer go if after repeated feedback and coaching, his attitude and demonstrated behaviors run counter to the shared culture and beliefs at NDA. And, of course, individuals can also make the decision that NDA is not a good fit for them. While turnover within the first three years is typically on par with the industry average of 25–30 percent, this number tapers to single digits for associates with more than four years of experience.

This focus on purpose and values in the employee's initial three years at NDA is fully integrated into a larger experience designed to develop and hone the individual's knowledge and skills through participation in client projects and firm activities. Employees benefit from a broad scope of work, challenging assignments, exposure to quality work, client interaction, and extensive learning opportunities.



### Accountability Through Performance Management

The freedom associated with a democracy is workable only if it comes with individual accountability—in Handy’s Rule #2 for organizations, unlimited trust is unrealistic. Under our democratic model, individuals are given freedom within the framework of shared values and goals that reflect the collective interest. Trust and confidence is earned through performance (i.e., how they use their freedom to produce the desired results) and by exhibiting behaviors and attitudes that reflect the firm’s values.

We harness accountability through a strong performance management system that includes the following elements:

- We agree on goals and then accord teams the autonomy to innovate and apply strategies, tactics, and methods that work for them.
- Results are monitored with the use of state-of-the-art technology to track firm and individual performance, productivity, work allocation, and other metrics, within the framework of NDA’s balanced scorecard (discussed later).
- We conduct a biannual performance evaluation that encompasses performance, attitude, and loyalty, and provide continuous performance feedback for immediate corrective action.

It is imperative that all are given equal opportunity to demonstrate performance and potential. Trust is unviable, however, if performance and capability are inconsistent. Those employees who do not achieve threshold levels of performance are monitored and counseled, and, if necessary, bound by policy and process, and if that is not successful, they are let go. (Handy’s Rule #4: *Trust is tough*. Be prepared for mistakes.) Good performers get the full benefits of flexibility and relaxation of control, and high performers with potential are developed faster and given greater responsibilities to enable quick growth and challenge.

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### Fueling Competency and Growth: A Learning Culture

In the context of our strategic positioning at the premium end of the spectrum, we hire high-caliber talent and invest in their fast-track development, rapidly honing their knowledge and skills to build the capabilities needed to consistently deliver the highest quality of service.

In the context of Handy’s Rule #3, *Trust demands learning and renewal*, we strive to maintain a culture in which the organization not only offers opportunities for learning but also values, expects, and rewards learning. Learning also fuels personal development and growth, and as such is a source of individual satisfaction and reward, an antidote to the excessive focus on pay in other law firms.

### Law School After Law School

We implemented a “Law School after Law School” concept to accelerate learning through several formal programs:

- a 75-minute interdisciplinary “learning” session at the beginning of every workday,
- continuing education (CE) and “catch-ups” in different practice areas,
- Yearn to Learn (Y2L), akin to tutorials, where junior associates discuss and study a subject together, and
- Read to Learn (R2L), where lessons from books are shared.

### Nonbillable Work

NDA’s associates have other important vehicles for learning and the dissemination of knowledge,

including conducting research, writing articles, speaking at seminars/law colleges, and contributing to analytical newsletters (hotlines). All represent nonchargeable work. Whereas in most law firms chargeable (billable, client-mandated) work takes center stage, thus making nonchargeable time significantly less valued, we view these kinds of non-billable work as very valuable to the firm and the individual. Thus, we make it an integral part of goal setting, with definite targets whose achievement is linked to rewards.

### **Mentoring**

Mentoring relationships help to create a learning mind-set. Such arrangements give individuals access to guidance and knowledge geared to their specific needs and interests while providing mentors with informal but rewarding opportunities to share their experience and expertise. We also frequently use “reverse mentoring,” whereby junior associates transfer their learnings and acquired expertise in a certain area to senior associates, or they lead certain initiatives with senior associates as team members.

### **The Internship Program**

Our robust internship program reflects our learning culture even at early touch points with potential new hires, enhancing NDA’s employer brand through individual experience. It has been an excellent talent resource. Most often, we select the best of our interns for a permanent position with NDA.

As a law firm that has chosen to work in a global environment, using global benchmarks and doing high-end cross-border work for global clients, it was also logical to move toward a global outlook to talent planning and sourcing. Offering NDA as a learning and exposure platform to the world’s best student talent pool made strategic sense, in terms of refining and taking our internship program to a world-class standard as well as getting crucial insights into the potential global talent pool and mind-set.

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In January 2009, six law students from Harvard Law School interned at our Mumbai office—not a common occurrence in India. It allowed the Harvard Law students, who hitherto had very limited or no access to Asian law firms, markets, or issues, opportunity to understand and apply themselves in this different legal environment and cultural context. As Titus Lin, one of the Harvard interns, puts it:

I feel strongly that the professionalism and quality of work that I have been exposed to here is of the level that can be found in top law firms the world over. I myself feel better prepared to practice as a lawyer in the States because of the lessons taught to me by my mentors and coworkers here in India. These are lessons that I will treasure forever.

### **Compensation**

Although we have worked hard to diffuse the heavy emphasis that other law firms place on compensation, it is still an important reinforcement mechanism. We have a strong pay-for-performance culture in place, but with the difference that behavior is an integral part of the reward “formula”; performance evaluations assess attitude and loyalty as well as performance. Capable performers in their first three years at NDA are typically compensated at market benchmarks, and then above market after three to five years of professional experience.

For a long time, we were completely transparent about compensation, allowing individuals to recommend their own pay in line with their

responsibilities. As NDA grew, we turned to a three-member democratically elected Compensation Committee to recommend salary reviews. (Any member with at least three years of professional experience who had been with the firm more than a year could be voted onto this committee.) With the creation of formal democratic governance mechanisms such as the Democratic Decision Pyramid (discussed later), compensation decisions are now overseen by the Executive Committee. Although we have adopted a more systematic approach to determine pay (compensation benchmarks, for instance), we still bring great transparency, inclusiveness, and effort to the process and methodology.

Creating wealth for our leadership and top talent is a priority.<sup>2</sup> Currently, we are exploring other innovations such as our Legal Equity Angel Fund (LEAF) program, a fund corpus from our investments in various start-ups and other companies, which is intended to generate wealth for employees as well. This is envisaged as an alternative to an employee stock ownership (ESOP) scheme.

#### Integrating Culture and Values Into Strategic Planning: The Balanced Scorecard

Individual goals developed as part of the performance management system are linked to NDA's balanced scorecard (BSC), our approach to strategy formulation in a three-year mid-term planning cycle. The BSC is used to track firm performance and status with metrics in line with the two core objectives of our strategic plan, high performance and operational excellence, and to mobilize action that strikes the right balance between all drivers that lead to results. As part of this, we use the BSC to reinforce a powerful organization culture, shared purpose, and higher-order behaviors that are competitive strengths for NDA.

Two of our BSC categories are what you might expect to find in any law firm: *Financial* (e.g., revenue by practice/industry/associate, etc.) and *Client*

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(e.g., number of services sold per existing client, number of new inquiries converted to assignments, etc.). To strengthen and monitor elements of our culture essential to both our competitive positioning and employer proposition, BSC has a third category of metrics, *Learning and Growth*, which includes such measures as the following:

- number of (acceptable quality) quotations or appearances in the media (thought leadership),
- number of (acceptable quality) articles, research papers, or hotlines published,
- number of (acceptable quality) speaking assignments at conferences or seminars, and
- continuing education (CE) program attendance (percent).

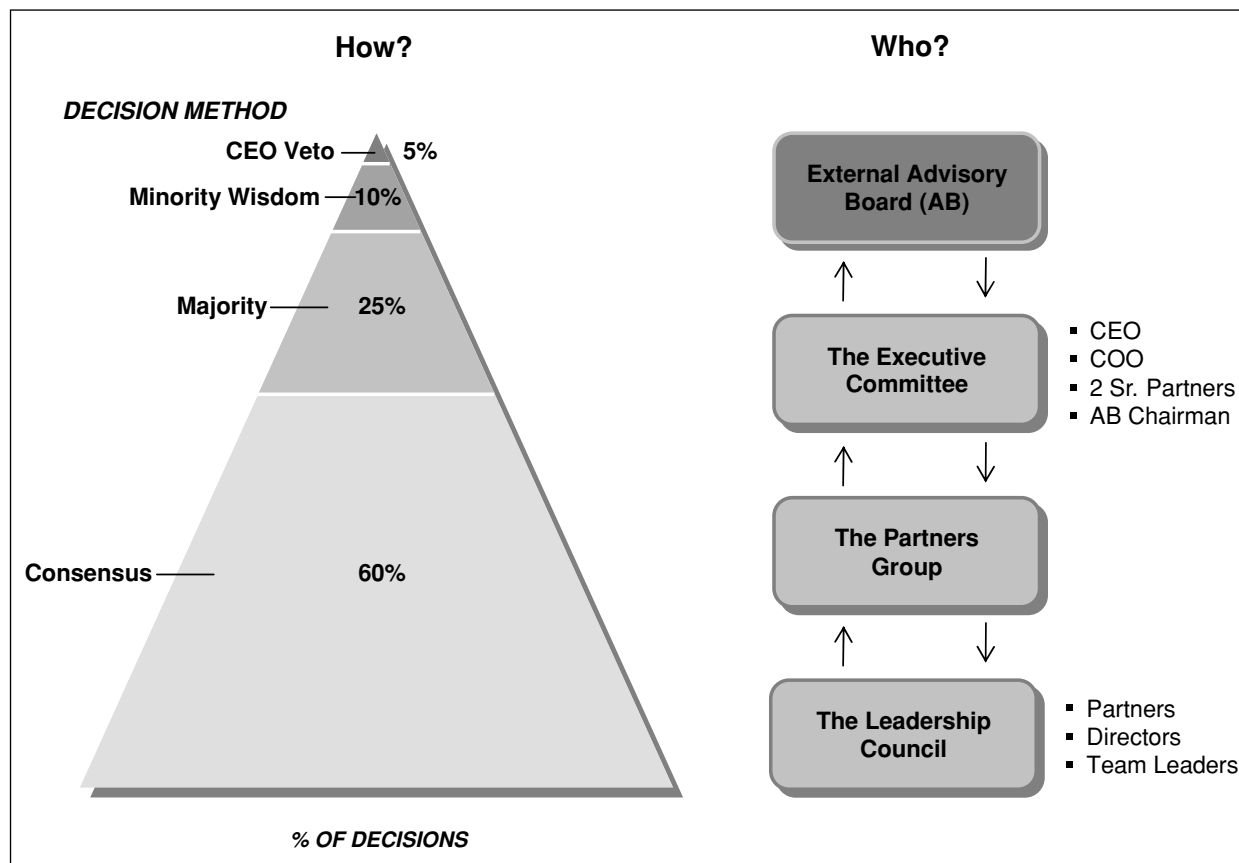
Additionally, a fourth category, *Internal Process* metrics, reinforces NDA's strategic objective of operational excellence.

#### Democratic Decision Making

A democratic system needs to pay particular attention to its decision-making processes. Early on, we sought to govern by consensus-based decisions and encourage debate among the leaders. This approach may be slower, but it results in greater ownership of decisions.

One drawback, however, was that in our encouraging but not aggressively demanding culture, people at times chose their priorities differently, with the result that certain activities and tasks would be marginalized. Handy's Rule #6 emphasizes that trust

Exhibit 2. NDA's Democratic Decision Pyramid



needs leaders *and* perfect team play, which implies some framework for prioritizing and synchronizing action. As a solution, we implemented our Democratic Decision Pyramid, shown in Exhibit 2, which provides more efficient and consistent mechanisms for governance and decision making while still emphasizing a democratic process.

As part of the Pyramid, we created three councils to align leadership processes, thought, competencies, and decision making: the Executive Committee (EC), the Partners Group,<sup>3</sup> and the Leadership Council. These councils have a planned annual calendar of meetings to ensure strategic, transformational, and transactional leadership.

An important aspect of our governance is the presence of an external board, chaired by a former partner of one of the big four accountancy firms in the United States. This board contributes to strategic and leadership direction and strengthens our governance. It keeps an eye on the overall welfare of all members of the firm, and in case of differences of opinion, acts as ombudsman.

As Exhibit 2 illustrates, the Democratic Decision Pyramid still allows for about 60 percent of decisions to be reached by consensus while providing additional modes of decision-making in specific instances—namely, majority vote, minority wisdom, and CEO veto.

### Growing Strong Leaders

Leadership and perfect team play (Rule #6 again) necessitate a common philosophy of leadership and standards for its practice. At NDA, we actively plan the development of our leaders so that they build the competencies NDA needs and share a common philosophy of how to lead in a democratic, nonhierarchical, trust-based enterprise. Deliberate lessons in leadership can range from holding a discussion on Level 5 Leadership<sup>4</sup> to giving a young professional international experience and exposure.

A democratic organization needs leaders who practice democratic behaviors, which are not always easy to inculcate in a diverse, high-performing, high-quality talent pool of senior professionals who by nature view their expertise as a source of personal authority. While freedom of expression, including criticism, is a vital element of democracy, criticism delivered inappropriately or with the wrong intention can destroy passion and positivism in others. We coach leaders in how to convey criticism in a constructive manner so that it is useful to those receiving it. We foster adult-adult relationships, in which leaders use coaching, facilitation, and mentoring rather than supervisory or directive styles of management. We teach and encourage leaders to use persuasion and suggestion instead of command and instruction. Even as we try to align collective behaviors to a harmonious democracy, however, we cannot afford to diffuse inherent leadership qualities such as decisiveness, assertiveness, and initiative in our key talent.

### Transparency and Communication

A part of building organizational bonds and, thus, trust among members and leaders (Handy's Rule #5) is through communication and information. We strive for complete transparency and open communication flows in our democratic enterprise as important ways to keep everyone informed. Billing details, revenue flows, client information, and even the logic and processes of compensation decisions are com-

municated and discussed. Some of the mechanisms for inclusive communication and information flows include the following:

- Town Halls follow Leadership Council meetings once a month.
- "The Leader's Podium" provides communication updates from the firm's leaders and shares their perspectives.
- Updates and newsletters from different locations share information as well as give a platform to different voices and dimensions around the firm.
- Insight commentaries, or hotlines, and a hard-working Web site link us to larger networks and communities.

### Strengthening Bonds and Maintaining Work-Life Balance

Given that lawyers are inherently individualistic, ambitious, and self-driven professionals, low employee commitment tends to be an organizational hazard in law firms, and a barrier to building trust (Handy's Rule #5: *Bonding and touch are necessary for trust*). To help strengthen engagement and organizational and employee bonds, NDA provides a range of opportunities for its employees to involve themselves in the firm's activities—for example, serve as an "industry anchor"; be a "buddy" to a new hire or intern; become part of a special interest group or a continuing education committee; or join other employees who find creative expression through fun management teams, contests, and the like.

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Many of these channels also support NDA's learning culture. We constantly recognize and acknowledge winning actions, achievements, and behaviors such

as “teaching” and “recognizing others,” making them desirable, even fashionable, behaviors for the rest of the organization. This is one way that we create many “heroes” throughout the organization to strengthen bonds and team play (Handy’s Rule #6).

A barrier to retention of good performers and high-potential talent at law firms is the relentless work hours, which create work-life imbalance and lead to high attrition and burnout. In contrast, NDA has adopted a number of complementary practices that reflect respect, trust, and an appreciation of the individual’s personal life:

- Seek to hire individuals with huge passion and self-drive, and inspire them with creativity and intellectual stimulation.
- Drive balance and variety by giving equal emphasis to research, learning, and other value-enhancing nonbillable work.
- Seek to create an exceptionally engaging and free work environment, interactivity, and a trustworthy “NDA family.”
- Balance work discipline with a “flexibility with responsibility” approach.
- Apply technology for “virtual” working.

These practices help to attract and retain top talent by allowing them to contribute at high levels without having to make unacceptable trade-offs.

### Bigger or Better?

In this decade, many of our competitors began pushing for scale and hired people in large numbers in a bid to grow big. We contemplated this aspect in great detail but anticipated pitfalls if we were to quickly expand. Our primary focus was to be the best in what we did—not necessarily to be the biggest.

Instead, our approach has been to ramp up each professional’s capabilities. Our multidisciplinary training gives an associate sufficient understanding of

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at least *three* practice areas, equipping him or her to take on a wider range of work. We further focus on building an associate’s industry knowledge, well-rounded technical skills, and project management skills. Thus, NDA’s capabilities match those of firms almost triple its size.

I have learned from experience that democratic models need great planning, anticipation, and preparedness for changes. We are on a growth curve but in a phased manner that enables us to adequately prepare so that greater scale does not compromise quality, and that transformation occurs within the boundaries of democracy. One major step to facilitate managed growth was to adopt the concept of shared services and bring in professional functional leaders to head up such shared services as knowledge management and intellectual capital (human resources).

### Beyond Democracy

Over the years, we have nurtured an extended professional network that we think of as NDA’s ecosystem and refer to as *Nth Sphere*. Our goal has been to drive democracy, trust, and thought leadership in NDA’s ecosystem through lasting, values-based relationships with alumni, students, clients, policy-makers, academia, industry, and the community. As a firm grounded on the concepts of trusteeship and democracy, we are conscious of our responsibility to reach out and have a positive impact on a larger community. We are keen to extend our democratic system into a form that fulfills that vision.

Much as the genesis of NDA was inspired by the enlightened thinking of Gandhi, Handy, and others

about the role of the organization in empowering its members and communities, we continue to seek new ideas and models that bring NDA ever closer to its vision. In some ways (our Democratic Decision Pyramid, for example), we may already be moving beyond some democratic concepts, such as *collective* decision making (majority rule), toward a next-stage concept of netocracy, which works in favor of society through *collaborative* decision making by people in social networks, and is based on the concepts of *virtual global mind*, *social consciousness*, and *self-consciousness*.

We already envision a number of ways as steps toward this new paradigm, including extending NDA's *Volintern* (a virtual network of interns with voluntary zeal) and *Nth Sphere* programs, to reach out and contribute as a virtual, global network of professionals who seek to learn and contribute knowledge to better society. We also plan to develop a parallel organization or subsidiary, *NDA Social*, to establish a virtual legal and paralegal network that can allow professionals to deliver services from remote locations in India and abroad.

While the jury is out on how we shape and build toward our future ambitions, one asset that stands us in good stead is the intellectual might, passion, and commitment of our outstanding and innovative professionals, who shall team together in trust to create a better future.

## Notes

1. In executing the vision described in the next section, to advise clients "that are *or aspire to be* global," NDA pays special

attention to start-ups. The firm is known for its cross-border legal expertise, and its relationships with a large proportion of our client pool began with "setting up" their operations in India. Likewise, we have helped Indian companies, both small and large, to establish their operations abroad. Over a period of time, strong relationships initiated at the start-up stage lead to some of our most sophisticated transactions and enhance both the corporate and employer brand value.

2. India has only just recently passed legislation that would allow limited liability partnerships (LLPs), and thus equity partnerships have not been available in professional services firms.

3. NDA "Partners" do not currently hold equity but have been identified for partnership once the LLP model can be adopted.

4. A concept developed by Jim Collins in his book, *Good to Great: Why Some Companies Make the Leap . . . and Others Don't* (New York: HarperCollins, 2001).

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