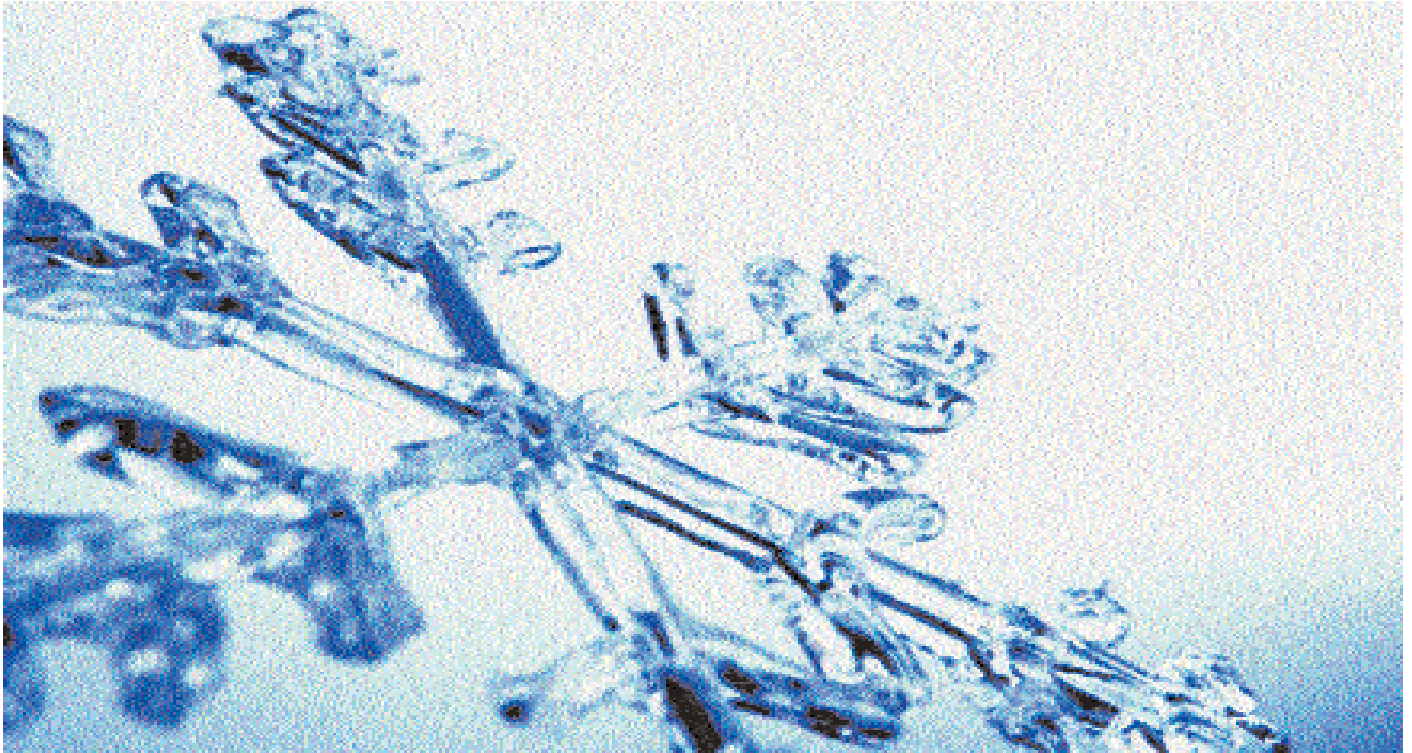

COLD WINDS OF CHANGE

Are your firm's organisational structures in shape to meet the challenges ahead, asks **Peter Scott** and **Brigid Sutcliffe**



Many law firms, however well managed in the past, are now experiencing the upheavals that change can induce. Although a broader range of legal structures is now available to law firms, internal organisational structures still often tend to be in a traditional mould and one which might just about have been capable of managing a firm in a slower moving and simpler world.

In many firms, even in some large ones, this can be characterised as a group of equity partners (even in a Limited Liability Partnership members may still regard themselves as "partners"), led by a titular senior partner and often complemented by a lawyer managing partner who most likely has had no management training, or a non-lawyer CEO who is often regarded by the partners as a kind of "administrative dogsbody".

Whilst this can be a relatively stable, successful and (for some) agreeable organisational structure in times of relative calm and stability, I would argue that such a management framework is not "fit for purpose" for the challenges now facing much of the legal profession and to manage the process of necessary change resulting from such challenges and the stress that change can induce. And I foresee such times ahead for the majority of law firms.

The factors driving change are going to cause seismic shifts in the way that law firms will have to operate and the markets they will have to compete in if they are to be successful and (for some) survive in a new and harsher environment. Key forces currently driving change include far-reaching regulatory moves by government; technology moving at such a pace that only the most profitable will be able to afford the investment required to remain competitive; moves toward greater market consolidation driven by both clients and regulators; a far heavier compliance burden; and above all, ever more demanding needs on the part of clients, who are, after all, the customers who pay the bills.

Some of these are traditional "top-down" changes, requiring analysis of new laws and regulation, followed by implementation "from the centre". However, much of the change which has to take place is "bottom-up", in the sense that it requires individuals operating in key markets to use formal and informal networks to share knowledge about market trends, customer information, competitor actions and information, threats and opportunities and to develop appropriate market strategies.

Otherwise, a firm may resemble the learned men in the Indian fable about the six blind men and the elephant. Six blind men try to make sense of a huge beast by feeling the nearest bit to each: one finds the trunk and declares it to be a snake; the next feels the tusk, which he decides must be a spear; the third thinks the ear is a fan; the fourth is convinced from feeling the leg that this must be a tree; the solid flank feels like a wall to number five; the last pulls the tail and decides that the object is a rope. They argue amongst themselves, each drawing conclusions from their own direct experiences. The moral of this story is that, in rapidly changing markets, the direct experiences of those operating in those markets, including key market developments and competitor action, needs to be consolidated in a systematic way to identify the market trends and significant competitors, both now and in the future.

Successful change management has several key elements: recognition of the need for change; visualisation of the desired future state; the need for leadership; strong project management; and effective implementation. The skills required of the senior management team, therefore, include the following:

- ◆ ability to listen to and “funnel” market intelligence etc from lower down the firm;
- ◆ willingness and ability to challenge every aspect of the way a firm works;
- ◆ ability to articulate a strategic vision for the organisation;
- ◆ ability to plan a detailed change agenda; and
- ◆ ability to influence the wider partnership group to implement the change agenda.

These skill sets may be in sharp contrast to the traditional skills that have tended in the past to propel lawyers into senior management positions, notably being regarded as a good lawyer through technical ability.

The key issue that ensures that a leadership team is able to manage the process of change is having the right balance between representing specific constituencies and having both the perceived power and the actual influence to ensure that the wider partnership group carries out actions, especially unpalatable ones, without “opting out”.

A senior partner typically may have the gravitas and partner consensus, but may be uninterested in detailed implementation; a managing partner with a non-legal background may well have the right professional management skills, but not command the respect of the key partners and, therefore, not “carry” the partnership group with him or her. A lawyer managing partner on the other hand, whilst commanding respect, may not have sufficient management skills. Accordingly, if the traditional organisational approach is inadequate for the task in hand, is there an alternative model which will work in a partnership context?

Some firms are now recognising that if they are to successfully manage the processes of change and become and remain the profitable businesses they strive to be, then it is not practical for just one or two partners to do everything. What is required is a team made up of people with the appropriate qualities and skills who can together provide the leadership and management resource to take forward the firm.

A possible alternative organisational model for a forward-looking law firm might be the use of a “top team” or for want of a better term, a board. Such a team would be comprised of those best qualified and suited to get done the job in hand and would be representative enough both to reflect the wishes of the partners and to engage them in change programmes, independent enough to be able to downplay the influence of strong factions amongst the partnership group, and experienced enough to be visionary and able to set strategic direction. The “top team” or board could be supported, in detailed implementation, by an executive committee and professional managers.

Boards work in the corporate world, so why should a suitably qualified and incentivised “top team” or board not be successful in managing the changes consequent upon the challenges now facing law firms? I mention “incentive” here because firms also now need to be prepared to pay the price needed to secure the services of people who are capable of successfully performing the necessary roles required if a firm’s objectives are to be achieved.

The primary role of such a board would be to provide the leadership and management skills necessary to steer a firm through the maelstrom that is change. Without such an able and determined hand on the tiller, a firm may easily founder.

The more traditional model of senior partner/managing partner has served many firms well over the past years as they developed and grew. However, we are now entering a new era where the forces of change are creating challenges for firms which they have not encountered before. Firms must look afresh at how they organise themselves to meet those challenges if they are to survive and prosper in the future. A suitable organisation structure would ensure that the relevant people throughout the firm are fully engaged and understand the need for change, enabling the organisation to respond quickly and effectively to changing circumstances.

Some might say that to have a “top team” or board of the nature advocated to provide leadership and management to a firm is a luxury they cannot afford. Instead, ask if firms can afford not to have such a team in place.

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