

The power of two

Partnerships are not just about individuals. The bigger picture is partnerships between law firms. Peter Scott assesses why so many of these alliances fail

The power of two Firms are constantly entering into alliances, yet why do so many fail?

It may be helpful to remind ourselves of the usual rationale put forward for expansion internationally – the opportunity to become more competitive by being able to service clients wherever they need advice. For some firms that may be a realistic strategy. For others lacking a strong home corporate base to feed their international expansion, it tends to be speculative.

Lack of resource combined with lack of knowledge and access to markets can mean that firms are unable to exploit opportunities to service clients, leading to competitive disadvantage. These factors, combining into defensive strategies driven by fear and perceived weaknesses by some ‘at risk’ firms and a ‘me too’ attitude, are what drives alliances.

So what should firms consider if seeking to build a successful alliance?

Ally for the right reasons

If a firm can achieve its objectives by itself, then it probably does not need an alliance. Allying is not an objective in its own right – it is a means to an end, to build greater competitiveness.

But will an alliance really represent a new competitive advantage, enabling the parties to steal a march on the competition? At the outset, both sides will need to identify their objectives to ensure they really do have compatible ambitions. Do they both wish to go in the same direction? What is their ultimate destination? Are their priorities for building the business the same? Unless these issues can be agreed, the alliance is likely to fail.

And, of course, both parties also need to have similar cultures. Are we like them? Can we see ourselves working with them?

If any doubts exist, then go no further.

Client added value

The successful alliance will be seen by clients to benefit them rather than just the parties involved. So how will clients benefit? What will they get out of it? And when they hear about it, will they say “wow”.

What will produce this ‘wow’ factor?

Creating client added value and communicating it to the marketplace is central to a successful alliance. So how can this be achieved?

Identify the focus

The parties need to identify those areas of their businesses that are going to be the drivers of their alliance and make them their focus to take the business forward.

We are here examining what an alliance will become known for, which will usually be what neither party can achieve on its own. The business case must be right. But are both sides' strategic ambitions likely to be achieved by this?

Territories

When constructing an alliance, firms need to be clear as to their territories. Will the alliance comprise the whole of each side's business, or just a part? They will need to establish at the outset the way in which they are going to work together and consider the following:

- If partial, how will it impact on the rest, and will they feel left out?
- How are issues of exclusivity, conflicts and competition to be dealt with?
- If the intention of the parties is to create a truly merged business from the alliance, what implications will this have on the parts of either business that may not fit in with a merged entity?

Performance issues

In an alliance, as in any other organisation, performance needs to be managed. This is particularly important between professionals in an alliance between firms from different countries, but the same issues and principles apply in any alliance.

How is performance to be defined in ways that make sense to both parties? What performance expectations should each have about the other? What will be the payback to the individuals who contributed to the success of the venture? How are the parties going to control and manage:

- Levels of service?
- Quality?
- Risk?
- Pricing?
- Branding?
- Knowhow?
- Sharing of fees?
- Regulatory issues?

If the parties are unable to manage such issues, then they risk losing credibility with clients and they are then likely to lose those clients.

They will not achieve their strategic objective of building greater competitive advantage.

Branding

In a world where branding is increasingly important, how is the alliance to be known in a way that makes sense to the clients, the alliance and to each of the member firms?

Even more importantly will be how the parties build their brand values into the alliance, because branding comes from within.

Work at it together

Alliances do not work unless worked at by everyone. They are like marriage. The world is littered with failed law firm alliances, which in some cases failed because not enough effort was put into them. The parties need to examine what steps each must take to ensure success. This must not be confined to just a few people in each firm – the relationship must be communicated throughout the firms so that everyone can buy into the relationship and work at it.

The parties must get their people working together. Law firms are people businesses and success depends upon having the trust and confidence of the people within the organisation. Effort will need to be put into integrating the people from both sides and making sure they work together well to achieve the alliance's objectives.

While allying may well be an option to be considered for those firms unable to go it alone, if it will enable them to achieve their strategic objectives and if it is to have a chance of working, then above all firms contemplating this should be clear as to their ultimate destination.

And just in case the alliance fails, they should be sure to have a clear exit route that limits the damage.

Peter Scott is head of Peter Scott Consulting and head of strategic development for the London office of Steeles.