

PETER SCOTT CONSULTING

Briefing Note April 2011

Forward Planning for a competitive future

If you consider your firm is now at a crossroads, then how are you going to plan ahead so you can achieve your realistic ambitions?

As we emerge from recessionary times, it is likely that the world in which law firms will have to compete will be a very different place. Just how different legal practice will become will very much depend on the extent to which individual law firms are prepared to adapt themselves to meet the needs of this changed environment.

Instead of being unprepared, law firms need to be planning now to take advantage of the likely opportunities which will emerge. Forward planning to become competitive in an ever more competitive legal market is likely to be the key to success as a law firm in the future as

- clients will be rethinking their own plans for the future;
- markets will have disappeared or changed;
- technology continues to develop to enable those firms who can take advantage of it to become even more competitive;
- globalisation with gather pace and impact on even small firms;
- commoditisation of legal work will continue;
- the management of law firms will require more professionalism in relation to every aspect of practice. Even for a small firm, management will not be able to be left as something to be done after all the client work has been finished.

Given such drivers of change, law firms will need to keep closer to their clients and markets and constantly review their strategic plans. There will be a need on the part of law firms to re-invent themselves and the ways in which they look after clients.

What will law firms need to do compete in the future?

In order to arrive at a meaningful answer to this basic question, we need to look at what we mean when we use the word 'competitive' in a law firm context. I came across the following definition recently when researching the competitive process:

"Competition is a process by which...

- ***Services that people are not prepared to pay for***
- ***High cost methods of production and***
- ***Inefficient organisations are weeded out***

and opportunity is given for new ...services, methods and organisations to be tried" *

* (A. Seldon and F. G. Pennance – Everyman's Dictionary of Economics)

That definition of 'competition' could be said to be a description of what is happening in parts of the legal profession today and helps to define a clear path for those law firms which are prepared to take action to safeguard their futures by planning now how to build competitiveness into their businesses.

Law firms will need to focus on the fundamentals of their businesses – their clients and their people.

Future plans can only be realistically and successfully formulated if based upon sound knowledge of what is happening in the market place, with clients and in the business itself. A detailed knowledge and understanding of these things will be needed before a firm can commit with some degree of confidence to any particular course of action or direction. This is only likely to be acquired through a process of methodical research and analysis of client attitudes and the market and then *challenging* every aspect of the firm and its business.

A firm's Clients

Does your firm regularly and in an organised and methodical manner talk and listen to your clients regarding how well you are looking after them, the services they are going to want from you in the future, how they will require those services to be delivered and what prices they will be prepared to pay?

It is only when a firm listens to its clients and those who refer work to it, does it find out what they think of the firm, the way it looks after its clients and the services clients are going to need. In fast changing market conditions as we have now, it is more than ever vital to keep close to clients to understand their thinking and plans.

One of the most revealing statements to come out of a client perception survey we carried out for a law firm was:

"They always try to sell to us on price – but what we really want is to have a good job done at a reasonable price"

Establishing clients' needs and their perceptions of your firm will begin to provide a basis for realistic consideration of what you will need to do in order to get your firm into shape, and to build the foundations for a more successful long term business. Armed with the knowledge of what clients and the market are going to require, a firm will then be in a better position to take a more objective and realistic look at itself.

Who is the best person to carry out such an exercise with clients? It may be that a Senior or Managing Partner is well suited and has the skills to do so. On the other hand, whilst a firm should always be talking directly to its clients, there is a view that the exercise can sometimes be best carried out by an independent third party who is experienced in such work and who cannot be accused of 'having an axe to grind', which can happen if the matter is dealt with using internal resource. Further, clients will probably be more inclined to provide honest and frank feedback about a firm to an external party.

A firm will also need to look at its existing client base to enable it to decide which clients it will want to work with in the future. For example:

Is every client we act for profitable?

Can we measure the profitability of each client?

An analysis for example of the top and bottom 10% / 20% of clients by billings is likely to indicate where a firm may be making or losing money.

In the same way, a firm will need to look critically at every type of work it currently carries out and consider whether there will be a profitable market for that work in the future.

Is all the work we do currently profitable?

If not, are there ways to make it profitable?

If it is not capable of being made profitable, then why are we continuing to do this work?

Will there be a profitable market for this work in the longer term?

Detailed financial analysis in respect of profitability will help a firm to arrive at answers to such questions and enable valid decisions to be made for future prosperity.

A firm's people

Client feedback is also likely to provide a firm with some strong messages as to whether:

- Its people have the necessary expertise and skills to successfully provide the firm's clients with the advice and levels of service which clients will in the future require.
- The firm's 'values' (demonstrated for example, by the attitudes and behaviour of partners) will help or hinder progress in consistently delivering the levels of service which will be required by clients.

A starting point if considering a firm's values, is to ask some of these questions:

"What does it take to succeed at this firm?"

"What do we really value in our firm?"

"Do we measure and reward what we value?"

"Do we invest in what we say we value?"

Answers given in response to such questions are likely to indicate whether, in relation to the way a firm's people will need to behave and perform in the future, a firm will be able to provide its clients with the services they are going to want to buy.

In particular, in order to change behaviour and attitudes for a more competitive future, a firm may need to ask:

"What should our people be doing more of, less of, better or differently?"

Detailed consideration of some of these issues (probably in the form of an internal consultation process) is likely to begin to identify what it is that the people in the business will need to be doing and how they will need to behave in the future to make the firm successful. For example, it may emerge that a majority of partners now consider that

- all partners should be prepared to go 'the extra mile' in the interests of the firm (something that may not have been in the culture and values held by most partners in the past)
- all partners should be putting a great deal more effort into effective business development instead of expecting work to be given to them on a plate by others
- all partners should continuously be seeking to develop new and enhanced skills to enable the firm to better compete.

On the other hand, a consultation process may show that a number of partners may not wish to adapt to a changing and more demanding environment, with the result that it may not be possible for the firm to deliver to clients the kind of service they are telling the firm they want.

In that case, where the values of some of those owning the firm may not be aligned with what the existing clients (and prospective clients) are telling the firm they want, then a re-appraisal of "*what it takes to succeed at this firm*" may be called for, otherwise the firm is likely to be held back from achieving the goals to which most partners in the firm aspire.

Some useful and revealing questions may include the following:

Are all our partners 'passionate' about building our firm?

Are all our partners 'hungry'?

Is 'hunger' something that is valued and rewarded in our firm?

Are all our partners prepared to stretch themselves for the good of the firm as a whole?

Are all our partners prepared to be managed?

What sanctions should there be on a partner who refuses to comply?

Can we say we have no underperforming partners?

Is the style and structure of our management organisation appropriate to deal with the challenges which will face us in the future?

Will management be given a clear brief and authority to do what is necessary to achieve our objectives?

Currently do we have any alternative but to face up to our 'sacred cows' and deal with them?

Until such matters can be dealt with, it is unlikely a firm will make progress towards becoming competitive.

A firm will, by having found out from clients what they are going to need in the future, and having identified the skills and behaviours within the firm which will be needed to deliver to clients those services, begin to be able construct its plan to become competitive.

However, given the limited resources which are likely to be available (resources are always scarce), how will a firm be able to achieve its goals?

An *implementation* plan will bring into sharp focus the challenges for a firm and whether or not the firm's objectives are realistic or can be achieved by the firm on its own. If not, then those objectives may need to be changed, prioritised differently or alternative ways to achieve them considered.

© Peter Scott Consulting 2011