

PETER SCOTT CONSULTING

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Where are you going and what do you want to be?

These questions were recently asked by a journalist about a law firm and the strategic choices it may urgently need to make if it is to stem the loss of key partners. They highlight the imperative for law firms to ensure that they continuously understand and respond to the needs of –

- their **clients** who judge them in terms of their skills in core work types, their ability to anticipate and respond to market needs, and their resources available to deliver the advice sought; and
- their **people** who judge them in terms of whether ‘they are in the right firm’ for purposes of their future career advancement and earnings.

To do this will require continuous research, analysis, forward planning and decision-making and it is clear there is currently seriously good thinking going on in many firms, judged by the clever moves now being made by some firms in relation to future identities and direction.

The external and internal pressures on law firms have rarely been greater than now and are likely to only become more demanding in the future. As PWC indicated in its 2013 Report on the UK legal market -

“Worryingly, with almost a third of law firms outside the top ten recording disappointing net profit margins, our view is that unless these firms can radically restructure their business, their short to medium – term survival must be in doubt”

A strategic plan should aim to gain a *competitive advantage* for a firm which is likely to enable it to generate greater revenue and profit and retain more clients than its competitors. But how many firms are seriously planning ahead to ensure that they can successfully adapt to a changing world and gain a competitive advantage over their rivals?

Competitive advantage matters because it involves those parts of a firm which place it ahead of its competitors such as the performance of its people, its costs structure and its service and delivery offerings, but to stay ahead means a firm has to do these things differently and keep innovating.

The development of a strategy for the future development and direction of a law firm will require its owners to think hard about their existing business, where it should be going and, in particular, what they collectively and individually want to achieve for the business and for themselves. They should take a reality check because recognising the need to change and gaining consensus within the firm that change is necessary is the first vital step to take if changes are to be successfully managed.

If a law firm feels it is at a crossroads (as many do) and is not sure how best to go forward, then it should start by taking a focused 'root and branch' look at itself. Having a 'focused' approach for this purpose means identifying those critical areas of the business where things will need to change if a firm is to build its competitiveness. To achieve this it will be necessary to begin by challenging certain aspects of the firm instead of accepting the status quo. Very often issues may have already been recognised but no steps will have been taken to deal with them. Allowing fundamental problems to fester by doing nothing is not going to be the way firms will progress in today's more aggressive and competitive markets. Focusing on questions such as the following will help to clarify issues -

- What kind of law firm do we realistically want to be?
- Which clients / types of clients should we realistically aim to act for?
- In which sectors should we realistically aim to operate?
- Which legal services will those clients and sectors require in the future?
- What levels of performance will those clients expect?
- What will we need to do differently and better if we are to become more competitive than our rivals?
- Do we have the 'right' people on board who have the appropriate skills and behaviours to help us to achieve our ambitions?

If a strategy for future identity and direction can be formulated which realistically recognises the true nature of the business and its market positioning, and ambitiously but realistically sets out a *vision* of what the business can become, given available resources, then that plan is more likely to stand a chance of being realised.

However the key people in the firm will first need to be convinced that the firm has a realistic and achievable plan for the future if they are to be persuaded to remain and to actively lend themselves to its implementation.

If partners in a law firm are going to buy into a strategic plan, then their views should first be carefully canvassed and assessed, because managing change is about the 'art of the possible'. Difficult people problems are more often than not at the heart of a law firm's problems but firms sometimes seem unable or unwilling to deal with these problems. How many 'strategic plans', which logically would seem to be the right thing to do, still sit on shelves gathering dust because those who have been trying to drive their implementation have failed to understand the limits of what is achievable?

Questions such as the following may need to be asked:

- Are the aspirations and performance levels of our partners and staff consistent with delivering what our clients will require in the future?
- Are all our partners clear as to their roles, what is required of them and prepared to embrace a culture which will require different and higher levels of performance?
- How much is partner under-performance really costing us in terms of –
 - high turnover of good partners and staff;
 - a cascading loss of morale throughout the firm;
 - wasted management time and a debilitating effect on the smooth running and well-being of the firm; and
 - an inability to recruit good lawyers and other staff;

The management of performance in today's legal market is now taking on an even higher urgency and priority as firms are forced to review their strategies to ensure their future competitiveness.

A firm is however unlikely to be able to successfully manage a process of change unless it has appropriate *leadership* at the helm. The type of leadership required will be that which is prepared to challenge everything about a firm and which has –

- an ability to develop and communicate a *vision* for the firm which partners can believe in and will follow;
- an ability to inspire people to climb aboard for the journey; and
- the determination and drive to achieve that vision for the firm.