

PETER SCOTT CONSULTING

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Transforming your firm – where to start?

It is a good sign that many firms are now seeing more work coming through the door. However, are they going to be able not only to turn that increased business into healthy profits but at the same time to use the opportunity to reshape and grow their firms to meet the challenges they face in the legal market?

To do this will require firms to reorganise how they are structured, to use technology more effectively and to change how people work. Otherwise the potential benefits of any increased business are likely to be squandered. Complacency, driven by an upturn in work after a period of recession can easily become a block on putting in place the measures that firms now need to take if they are to build performance and growth.

The challenge now facing many firms is that even though they can identify the changes that they know need to be made to transform their businesses, they may not be sure of where to start and may be unclear about the follow up processes they will need to pursue if they are to achieve their desired changes. The starting point I would advocate to a firm now contemplating its future would be to ***recognise the need to change and build consensus within the firm that change is necessary.***

In many firms I meet there are forward – thinking partners who do understand that their firms must change if they are to survive and be successful in what is now a harsher legal environment. However their difficulty is too often that their messages are falling on deaf ears of others who say they see no need to change. Whenever there is an issue of how to take steps to change a firm for the better, then usually the starting point for that process is to get people to recognise the need to change and to then gain their consensus that change is necessary.

Today some of the changes which are going to be necessary if firms are to be more profitable and better organised for their present needs relate to matters such as –

- The way people work and how their performance is managed
- The ability to anticipate and respond to client needs
- Equity structures and succession
- How partners are rewarded
- The leadership and management of the firm
- Strategic positioning
- Consolidation – merger / demerger

When speaking to partners in firms, all of the above areas (and others) are mentioned as needing to change, but all too often nothing happens. There is, I believe a pre-requisite for achieving successful change in a firm and without which change will not happen. That pre- requisite is the need for **leadership.**

Leadership

Sometimes when partners are bemoaning the fact that their firm has no direction and is falling behind competitors, they are really trying to say that they want someone to provide that direction for them – a leader. Leadership is often discussed in terms of ‘the vision thing’ and in firms today a ‘vision’ for change is very much what is needed. The desire by partners to be led by someone with an appropriate vision for what a firm can become should not be underestimated. Ask partners what they want most from their firms and many will say that they want to be in a firm which knows where it is going and is determined to get there.

This will require ‘challenging and thinking’ leaders who can identify the ‘big issues’ by challenging everything firms currently think they stand for and then taking partners with them, by developing and communicating an inspirational vision for change and allaying fears and insecurities along the way.

Making the case for change

Managing the process of change is perhaps the greatest challenge today for leaders of law firms, and the best leaders know they must build consensus that change is necessary when it comes to transforming a law firm from what it is now into what it could become. Ideally those leading a firm should strive to get their partners to a point where the partners believe that it is they themselves who have recognised the need to change and found the answers.

It is sometimes the case that partners in a firm will not listen to others in the firm advocating that changes are needed. It often requires third parties or external events to occur to convince them.

Information gained by listening to clients and referrers of work when they comment on a firm’s quality of service and the reasons why they are likely to choose one law firm rather than another can be used to create powerful messages to support arguments for change. Here are some examples from client feedback which was used successfully by one firm to help drive a process of change shown to be necessary because of what its clients were saying about it -

Sometimes they lack polish and quality in depth

Their quality is patchy

They lack depth – if a partner is away, there is no one else

I don’t believe they have the resources

Their response times leave much to be desired

They are OK for most work but when it comes to something really important to us, we go [elsewhere]

I don’t think they show adequate interest in our businesses

We never see the partners

They are not proactive with their own clients

They never visit, and they should if they want to increase the quality of the relationship

Out of sight, out of mind! They must ensure regular communication

I am not convinced I have their message or why they are different

They would create a better impression if they acquired some decent offices

Their profile is very low – they need to create more noise in the market

They must not assume that people know what they do

They try to sell to us only on price but what we really want is good quality service at a reasonable price

It should be incumbent on the partners of any firm who are given messages such as those to take action otherwise their client base is likely to wither away.

As well as listening to clients and others from outside a firm, it can also be invaluable for building the case for change to find out how a firm's people see the need to change. Here are some of the comments given in response to a confidential partner questionnaire carried out by one firm.

We are not a united firm, but merely a collection of individuals

We are too "gentlemanly" in internal operating style

Is everyone prepared to put in the extra effort to make the difference? If not we should reward more those who are prepared to work harder

Accountability needs to be spelt out and formally accepted by every partner

Some partners are seen as blocks to our making progress

Some partners are too comfortable and not prepared to stretch themselves

We should be a bottom line driven firm where every part of the firm should make its required margin

There should be zero tolerance financial management

The only thing this firm value is personal billing!

Why should I share my clients with my partners? What good will it do for me? I will not earn any more whatever good things I do

The leadership of that firm understood that, whatever else the firm did, it could not remain as it was. As a result, a stronger management team was put in place in response to the wish by most partners that they really did want a more robust style of management, and that management team drove a process which culminated in a far reaching plan being adopted and implemented which

addressed the issues raised by the partner feedback. That firm today continues to go from strength to strength.

Using partner retreats to make progress

A partner retreat or awayday can be an ideal opportunity to achieve decisions for change. However such events need to be very well planned and orchestrated otherwise they can turn into disasters. Preparation is key and using a confidential partner questionnaire beforehand to find out from partners their values and aspirations can be invaluable when considering how to take forward a change programme.

It is also often the case that if partners believe they have themselves originated ideas then they are likely to be more willing to take those ideas to heart and agree to changes which implement those ideas. On the other hand, if they feel that someone is trying to force on them changes which they have not had an opportunity to fully digest then they may well just pull up the drawbridge and fight against such changes, even though those changes may well be to their benefit. One of the techniques I have often used when facilitating a partner retreat is to begin the day with a break out session, dividing up the partners into groups of five or six and giving them half an hour or so to consider a question such as -

What six changes would have the greatest beneficial effect on our firm?

I have found that invariably when the groups report back with their thoughts, each group arrives at more or less the same six changes which are necessary for the firm to make real progress. At that point the partners are likely to believe that they have themselves found the answers and thus will 'own' the change process. However, as part of the preparation for the retreat it is important to ensure the composition of each group is appropriately balanced so that objective views can be heard in each group discussion.

If that stage can be achieved then thereafter during the day the partners can focus on understanding what form the changes should take, what will need to change in detail and how those changes will be implemented. In particular, in order to ensure progress is achieved in relation to implementation it is often sensible to ensure that before a retreat ends a 'roadmap' is agreed as to how the process is to be taken forward, and responsibilities for taking action to progress matters are assigned to specific individuals or groups and those responsibilities are publicly accepted by them.

Those firms and their partners who refuse to change are likely to fall by the wayside in today's increasingly difficult and competitive legal market. The words of Jack Welch the former CEO of General Electric should be heeded by all law firms – ***'Change before you have to'***.