

# PETER SCOTT CONSULTING

## Briefing Note March 2016

### **If you don't know where you are going, you will never get there!**

In today's legal markets, law firms which

- are not *listening* to their clients but instead are still attempting to sell services which clients either do not want or for which they are not prepared to pay much; or
- are inefficient, with high costs and underperforming people

are being weeded out and replaced by businesses which are able to

- successfully identify and respond quickly to threats to their businesses and strategic opportunities; and
- streamline their working practices, with open – minded and flexible people who are prepared to learn new skills and ways of operating

Radical change in the markets in which law firms operate is happening at an ever quicker pace and will not stop. **Change can however be managed.**

Law firms will need to focus strongly on change management and be ever more agile and nimble if they are to successfully think ahead, embrace new ideas and deliver business transformation. They will need to consistently do things differently and keep innovating. Law firms which do nothing will not survive.

There is now a compelling need for firms to urgently and critically review their organisations, including their governance, ownership, performance, reward and other operational structures. To do this a highly focused approach will be required, involving identifying those critical areas of the business where things must change if a firm is to increase its competitiveness to survive.

Every aspect of a firm should be challenged and measured for its effectiveness to meet present and future needs and to contribute to its competitiveness and financial success. Too often issues

requiring attention are internally recognised but no steps are taken to deal with them. To permit fundamental problems to go unresolved and to fester by doing nothing is not a route to success in today's 'dog eat dog' legal markets.

Every law firm is different and will have its specific issues and hurdles to overcome. There are however a number of common themes in today's fast changing legal environment.

## **Competitive market positioning**

Competitive market positioning requires continuous research, analysis, planning, decision-making and implementation. Understanding clients' needs is crucial for successful competitive positioning because firms face continuous judgement from their clients in terms of their skills in their core work types, their ability to anticipate and respond to market needs and their resources available, to deliver the services sought.

Undertaking client research is essential if valid answers to questions such as the following are to be obtained –

- *How do our clients perceive our strengths and weaknesses compared with our competitors?*
- *Are there any clear requested improvements or gaps in our capability against what the market needs?*
- *What services will our clients and referrers want in the future and how will they require those services to be delivered?*
- *Which types of clients should we realistically expect to be able to act for?*
- *Are we adding value to our clients in ways which they require?*

Feedback from clients and referrers (as well as from *prospective* clients and referrers) will provide invaluable information as to the markets a firm should be in, the types of clients it should be seeking and how it should be delivering its services. That feedback should also act as the catalyst for consideration of the investment and restructuring which may necessary for securing a firm's future.

A *financial appraisal* will also need to be undertaken of a firm's current and planned future operations, focusing on levels of profitability and working capital required, so that valid competitive choices can be made.

## Flexible people

A law firm, if it is to deliver continuous change and innovation to keep ahead of its rivals will need to be made up of people who are willing to innovate and work differently to achieve its objectives, including:

- **being prepared to change working habits**

It is very easy for lawyers and others in law firms to want to continue doing things in the way they have always been done. However the world has changed and now people must work more efficiently and productively if their firms are to remain competitive. They should take heed of the words I quote below from 'A survival guide to the stress of organisational change' ( Price Pritchett & Ron Pound,1997 Pritchett &Associates, Inc.)

*"The organisation is going to change – it must – if it is to survive and prosper. Rather than banging your head against the wall of hard reality and bruising your spirit, invest your energy in making quick adjustments. Turn when the organisation turns. Practice instant alignment"*

For example, there exist in many law firms, 'silos' (often brought about by targets based solely on individual billings) which inhibit sharing of work and clients and collaborative working, such as co – selling and cross – selling. Reviewing performance management and reward systems to ensure they are aligned with a firm's objectives, and ensuring people are aware of the work others are doing and the clients for whom they are acting, can help to break down silo cultures, as sharing and collaboration increasingly become the behavioural norms in modern law firms.

- **Being prepared to learn new skills**

Lawyers must not assume that they will be able to practice their chosen areas of law for their entire careers. Many of us have needed over the years to re-invent ourselves as clients' needs and markets have changed and this trend will continue as the need to learn new skills occurs more frequently during a person's career.

- **Embracing performance management**

High performance by people who are highly trained, skilled and motivated is critical for building a firm's competitiveness, but if high performance is to be achieved, it must be actively managed. A firm's people will need to be clear as to –

- The key areas in which their performance will be measured;
- their performance goals in each area;
- how their performance rates in relation to these goals; and
- how their performance will be rewarded.

Questions such as the following will begin to focus on the some of these issues which it will be essential to address –

- *What levels of performance will our clients expect?*
- *Do our people all have the skills necessary, and are they prepared to change how they work and behave, to help us to achieve our objectives?*
- *How much is underperformance costing us and what are we going to do about our 'underperforming' partners?*
- *Should all our partners be partners?*

If everyone in a law firm can embrace performance management in this sense, then they and their firm will benefit. Encouraging innovation and embracing technology and new ways of more flexible working, combined with developing agile and effective strategic responsiveness are what will create tomorrow's competitive law firms.

Some businesses will grasp these opportunities while others will fall by the wayside. To do nothing should not be an option when survival is at stake.