

PETER SCOTT CONSULTING

Briefing Note May 2013

'Change before you have to' - Jack Welch

Could there be any more appropriate words to use than those of Jack Welch quoted above, when we observe the state of parts of the legal profession today?

During the past few years pressures on law firms have never been greater, but how many firms are seriously planning ahead to ensure they can successfully adapt to a changing world? Or are they just reacting, often too late, to circumstances? ***Change before you have to*** should become a mantra by which law firms take forward their businesses.

What will it take to persuade law firms into taking steps to secure their futures? -

- A crisis which could impact on the very survival of a firm?
- Changing markets where existing services will no longer be required or be profitable?
- New competitors entering their markets which have 'deep pockets' and ambitions to match?
- Further downturns in work in already shrinking markets?
- Key partners and clients being lost to more competitive firms?
- Cash calls to stave off insolvency brought about by poor financial management and underperformance?

Scenario planning exercises for such eventualities need to be regularly carried out as part of law firms' risk management programmes and to develop future competitive strategies. But how many do? Adapting to change in law firms does not have to be a painful process if it is managed well and in good time, instead of waiting for changes to be forced on them by circumstances, which is currently happening. Difficult times should act as a catalyst for firms to make changes that are long overdue.

Managing change in fast-developing legal markets requires a **continuous** process of forward planning, decision – making and implementation. But how many law firms, even if they have developed realistic plans, will succeed in implementing them?

A benefit of managing change in a pro-active manner is that instead of being unprepared, firms which do so will be better able to take advantage of the **opportunities** which will emerge as -

- clients rethink their own plans for the future;
- new markets emerge;
- technology continues to develop, enabling those firms which are innovative in their use of technology to become even more competitive;
- commoditisation of legal work continues, in relation to both consumer and business markets;

Take a reality check

The development of a strategy for the future 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.

The systematic analysis, planning and decision-making processes a law firm needs to go through to arrive at a competitive strategy will inevitably need to focus upon those factors which currently and in the future are likely to bring about beneficial change. All the forces being exerted on a firm and its marketplace need to be taken into account in order to ensure that the owners of the business really understand the reality of their situation. It is however too often the case that partners in a firm will go into denial when they are faced with difficult messages about their firm. Sometimes only a crisis will get them to deal with their problems.

If a law firm feels it is at a crossroads and is not sure how best to go forward, then it should start with the basics, by taking a 'root and branch' look at itself, rather than just tinkering at the edges of its problems and focus on –

- Which clients / types of clients should it act for?
- In which sectors should it operate?
- What services will those clients and sectors require in the future?
- What levels of performance will those clients expect?

If a strategy for future development 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.

Listen to your clients

If client satisfaction is really paramount for a law firm, then that firm should make a serious effort to find out how its clients and referrers (both current and prospective), view the firm and its people and compare that with how the owners of the firm view themselves. There is often a 'perception gap'. Clients have the clearest perspective of what they value and what a firm should do to secure growth and its competitive edge.

It is clear from feedback obtained from clients of law firms that they expect partners to engage with them to find out about their needs and to seek feedback about their performance. Clients want their law firms to ask for feedback and they want them to use that information to improve service.

Some of the questions that can be asked of clients might include:

- What are the key objectives you have, and the challenges you face?
- What factors determine who you retain / continue to use for legal advice?
- How would you describe our firm? What are its strengths and weaknesses?
- How does our firm perform in key areas of client service and delivery?
- Of those key areas, which are the most important for you?

The gathering of independent client feedback on such issues was rated in a recent survey of clients of professional firms, including law firms, as the most important activity they should invest in over the next 3 years.

If a law firm is to maintain its competitive edge over rivals it will need to keep ever closer to its clients and markets and constantly review its strategic thinking in the light of the feedback it receives. There needs to be an – going process established internally whereby a law firm can continuously review and (if necessary) re-invent itself and the way in which it looks after its clients.

Internal attitudes

Levels of performance in law firms are set by clients and the marketplace. However, if the majority of the owners of a firm choose a lifestyle and working environment that is inconsistent with achieving the levels of performance necessary for it to be competitive in its market then that firm will set an uncompetitive course for its future, dictated by those values and attitudes.

Those who manage law firms may believe they know how their partners and staff think, what they value and what they aspire to, but perceptions in a law firm can be very different from reality. Identifying the attitudes of partners and staff to adapting to changed circumstances will be vital if a firm is to perform to the standards required by its clients.

If partners in a law firm are going to buy into a strategic plan, then their views should 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 the 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 difficult markets is now taking on an even higher urgency and priority as firms are forced to review their objectives. Asking questions such as the following are likely to be relevant for this purpose -

- Are all our partners 'hungry'?
- Is everyone prepared to stretch themselves?
- Are all our partners prepared to be managed?
- Are we making sufficient investment in our people to develop their skills and encourage behaviour which will help us to build future success?
- Do we have a programme in place to identify potential new partners and to help them become partners through a programme of coaching and training?
- Do we also have continuing programmes in place for partner development?

- Do we have in place a transparent and clearly defined career structure covering the complete span of the working lives of our people?

If a firm cannot provide positive answers to such questions, then it is likely to be 'at risk' of losing its competitive edge over its rivals, who will have already answered those questions in the affirmative.

Face up to issues

Firms which have issues which might be called 'sacred cows' (those issues which are often just too difficult or painful to be discussed) will not be able to move forward unless and until those issues are faced up to and tackled. To do this, firms will need to force themselves out of their 'zone of comfortable debate'. To do nothing should no longer be an option.

The need to deal with firms' 'sacred cows' brings us to arguably one of the most pressing issues for any law firm – does it have the **leadership** to help it succeed.

Facing up to the forces preventing necessary and urgent change taking place is likely to require leadership which is prepared to challenge everything about a firm. Such challenging and thinking leadership of the type required to take a law firm successfully through a process of change will also need to have -

- 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.

Take decisions

However to achieve change in a law firm will inevitably involve taking difficult decisions.

If a firm has objectives which, while clear and realistic, are only capable of being achieved if decisions and action are taken to deal with obstacles standing in the way of progress, then unless that decisive action is taken, those blockages will continue to hold back a firm.

Firms should set aside all their existing assumptions about their firms and the practice of law and challenge every aspect of their businesses, with a view to making decisions as to the future based upon tested knowledge gained from listening to their clients and their people. Some of the questions below may be appropriate to ask -

- What kind of firm are we really? An honest and realistic self - assessment is required for this which may not be easy to accept for some in a firm.
- What changes need to be implemented to make the greatest progress for our firm? Using breakout sessions at partner retreats to 'brainstorm' a question such as this tends to be a good way to bring these matters to the table for debate and decision.
- What kind of firm do we realistically want to be? This will sometimes require partners in a firm to stop 'dreaming' of 'pie in the sky' objectives and focus on what the firm can realistically make of itself.
- Do we all want to be part of that kind of firm?
- If we are determined to achieve our objectives, then what should our partners be doing –
 - More of?
 - Better?
 - Less of?
 - Differently?

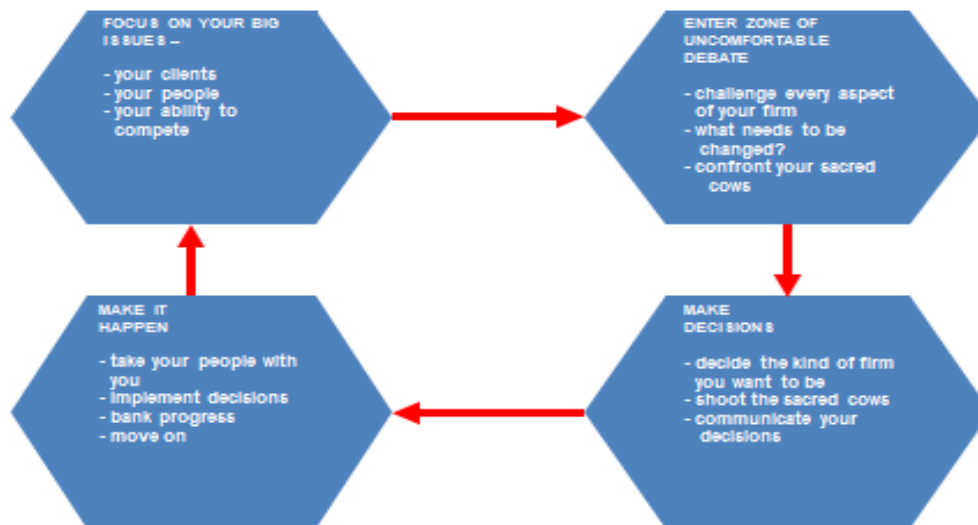
Get the firm into shape

The future for many law firms currently looks uncertain and survival is likely to depend upon how determined they are to take action *now* to get themselves into shape to meet and overcome the serious challenges facing them.

This cannot be a task to be relegated to shallow and uninformed discussion at an ill-prepared partner retreat which produces much hot air but little or no action. It will require a great deal of committed time and effort to be dedicated to resolving pressing issues if progress is to be made.

Those who lead law firms, if they are to successfully adapt to the unprecedented changes now impacting on lawyers and to lay the foundations for their firms' future competitiveness, will need to focus their efforts on challenging their firms' current thinking, on facing up to and dealing with their 'sacred cows' and by taking often difficult but necessary decisions. This process, as the flow chart below illustrates, is a continuing one.

How can we manage change in our firm?



Will you have the resources to achieve your objectives?

To achieve a law firm's strategic objectives will require *resources*. However firms are now realising that they do not have or may not be able to generate sufficient resources on their own to achieve their goals. This is particularly the case when those goals include, for example, any of the following -

- To attract and retain the best people to enable a firm to provide clients with the depth and breadth of appropriate expertise which clients now demand, where they need it and when they need it;
- To build the quality management (in terms of leadership / business development / financial, etc) which will be required in order to become and remain a successful and profitable law firm;
- To provide across the firm the necessary infrastructure and know how / expertise to underpin the effective and efficient provision of the high quality legal services which are now demanded by the market place;

To provide the resources to grow which modern law firms will need to successfully compete against rivals, will require many firms to make a 'quantum leap'. Organic growth by itself is

unlikely to be sufficient. Consolidation, by coming together with others in some form, will need to be seriously considered.

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