

# PETER SCOTT CONSULTING

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### **Profit from *disruptive change***

The legal sector has been going through *disruptive change* for more than a decade. Disruptive change involves major challenges that cause widespread disruption and upheaval and its drivers can clearly be seen in today's legal sector -

- **Government legislation**, which has opened up the legal sector to strong new competition, is transforming the administration of justice and how lawyers practice publicly - funded criminal law and has radically altered the way in which lawyers are regulated;
- **Technology** which requires law firms to transform their ways of working if they are to be able to deliver services to clients in the most efficient and cost effective manner as now demanded by clients. For many parts of legal practice, commoditisation using technology is here to stay and its impact is growing;
- **Clients** who have survived a deep recession now require more and better 'value for money' in legal markets which are becoming ever more competitive. Financial models such as the 'billable hour' are having to be re – thought or discarded as clients now demand innovation and certainty as to pricing.
- **Consolidation** is an unstoppable tide in a sector which is highly fragmented and where many law firms are no longer economically viable and able to compete due to their lack of resources and critical mass. Firms are being outmanoeuvred by rivals coming together to gain a competitive advantage.

The changes likely to be brought about by such drivers mean there can be no going back – there is a discontinuity.

How should law firms respond to such challenges?

Over 10 years ago I wrote an article in the *Gazette* in which I discussed the potentially gloomy prospects for what I referred to as 'high street firms' unless they were prepared to embrace and profit from the changes that were likely to threaten their existence in the coming years. There appeared in the next issue a letter to the Editor from a reader who said

*“As a conveyancing solicitor with 25 years' experience, I hope I am qualified to take issue with Peter Scott's gloomy but inaccurate assessment of the future for small firms.”*

*“The idea that the complexities of conveyancing can be ..... compared with high street retailing is not only laughable, it is the road to ruin.”*

*“And as for Mr Scott to say that only bigger firms can be more efficient and build in proper risk management is also wildly off the mark.”*

I quote the above reaction of that lawyer to illustrate that when disruptive changes occur, driven by such forces as I have mentioned, many lawyers will automatically go into 'denial' or fail to focus on the scale of the threat to them of such changes . Unfortunately those law firms which do not respond appropriately are likely to ultimately fall by the wayside.

Here are my thoughts on how leaders of law firms can address some of the challenges they now face.

### **Use the forces driving change to your advantage, instead of fighting or ignoring them**

Those who now have responsibility for leading their law firms will first need to clearly identify and understand the threats of the disruptive changes taking place in the legal sector and how those threats are likely to impact on their businesses. To many, these changes and the threats they pose will be all too obvious. To fail or choose not to recognise and respond to such changes should not be options.

Leadership is often said to be about '**the vision thing**' and those leaders of law firms who can understand the forces bringing about change and have the foresight to use those changes to the advantage of their firms are likely to be the most successful.

The following words quoted from Price Pritchett and Ron Pound should be a mantra for all law firm leaders who are attempting to manage change in their firms -

*"So instead of seeing change as an adversary, we should accommodate it ... align with it ... use it. Rather than treating it like an enemy, we should allow it to become our greatest ally" \**

(\*A survival guide to the stress of organisational change', Price Pritchett & Ron Pound, 1997, Pritchett & Associates, Inc.)

Once a leader has been able to accept that it is necessary to *go with* those changes rather than fight against them, it will then be necessary to challenge all assumptions which may have served a firm well in the past but which are unlikely to now be appropriate in the light of changed circumstances. No areas should be 'off limits' to such challenges, which are likely to include the following areas -

- The way people work and how their performance is managed
- The ability to anticipate and respond to clients' future needs
- Strategic positioning
- How people in the business are rewarded
- Ownership structures and succession
- Consolidation – merger / demerger
- Future leadership and management of the firm

**Find out from clients (and those you would like to have as clients) about their future plans and problems**

A law firm does not exist in a vacuum. Its continued existence will depend on its ability to find solutions to clients' problems. Listening to clients and prospective clients about their future problems, what standards of performance they will require from their lawyers, how they will want their lawyers' services delivered in the future, what issues of dissatisfaction may need to be addressed and whether new pricing models will be required, will be a vital step to take if a law firm is to successfully respond to disruptive changes affecting its markets and business.

Experience has shown that if the leader of a law firm meets with decision – makers of a client (and those it would like to make clients) to understand the challenges a client is likely to face in its business in the future, then that meeting is likely to produce multiple opportunities and possibilities for the law firm. Asking a client (or a prospective client) questions such as these below, can bear abundant fruit for the future –

*“What are the key issues and challenges you face?”*

*“What do you envisage being the main developments your business will face over the next [one to five] years?”*

*“What do you think this might mean in respect of the legal advice you will need in this period?”*

*“What would you advise us to do to improve our value to you?”*

Leaders know they must build a consensus that change is necessary when it comes to transforming a law firm from what it is now to what it will need to become, and information gained by listening to clients in this way can be used to create powerful messages to make the case for change within a firm.

### **Understand your people**

As well as listening to clients and others from outside a firm it is also necessary, if internally the case for change is to be successfully made, to understand the attitudes of a firm's people and their willingness to change by carefully canvassing and assessing their views.

Developing a consensus for change in a law firm will require its people (and in particular its owners) to focus on how disruptive change is threatening their business and what they collectively and individually want to achieve for the business and for themselves in the future. In particular, the key people will 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.

It is also often the case that if partners in a law firm believe they have themselves originated ideas then they are more likely to be willing to take those ideas to heart and agree those changes. Engineering ways to achieve this should be a priority. On the other hand, if they

feel that someone is trying to force on them change which they have not had fully explained to them, then they may well just pull up the drawbridge and fight against such changes, even though those changes may well be to their advantage. Good communication is essential.

Many people in law firms feel threatened when change is suggested. In the same way that leaders of firms need to embrace change and *go with it and not fight it*, so those within a firm who will be affected by changes should try to do likewise.

Many years ago when I was involved one summer in facilitating a change management programme in my former firm, I purchased a stock of the book I earlier quoted from ("*A survival guide to the stress of organisational change*") and gave a copy to each of my partners in the firm with the suggestion that they should include it as part of their holiday reading! (It is only a small book of 36 pages). It did the trick. Among many other 'gems' in the book is this one which can be powerfully persuasive –

*"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" \**  
(\**'A survival guide to the stress of organisational change'*, Price Pritchett & Ron Pound, 1997 Pritchett & Associates, Inc.)

Good luck on your journey.

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