

Strategising in law firms

LNB News 21/05/2019 6

Practice Management analysis: How can law firms ensure they are making the best, most productive strategic decisions? With issues such as Brexit on the horizon, we look at how decision-makers in firms can ensure they improve their competitiveness through effective performance management. Peter Scott, former managing partner of Eversheds Sutherlands' London and European offices and now a consultant to UK law firms on governance, discusses the questions decision makers should be asking, and what to look out for in the near future.

What factors do law firms take into account when making strategic decisions and why is it important for firms to stay on top of these?

'The problem is that most senior lawyers think only two months ahead. They have no coherent picture of the future. The planning is not being done. And it is senior lawyers who need to be driving change.' Professor Richard Susskind (May 2009)

I am not sure whether Richard Susskind's comment is still a fair reflection of the strategic planning by all law firms, because—to my knowledge—many have over the past decade made serious efforts to plan for their futures, and these plans are now bearing fruit. However, for others there seems to be no forward planning being done, as shown by the problems around succession planning where many lawyers put their heads in the sand when it comes to 'future proofing' their firms.

What is strategy?

I have for many years working with law firms, used the following as a template to help law firms think through their future planning. Create a realistic plan or course of action:

- to gain competitive advantage
- which has clear and achievable objectives
- which uses available (but scarce) resources (existing or to be generated)

This needs to be differentiated from unrealistic and unachievable 'wish lists' and implementation—the 'making it happen'.

The above definition raises some fundamental questions which will need to be asked:

- where are we now?
- where do we want to get to?
- how are we going to get there?

The Future of Law. Since 1818.



In addition, questions such as the following need to be regularly asked and answered as part of the strategic thinking process:

- what kind of firm do we realistically want to be?
- what needs to change in this firm?

What do firms look for when strategising and horizon scanning and what do clients like to see? What are some current examples of trends that firms are taking into consideration?

The most fundamental strategic issues currently needing to be addressed include:

- the changing expectations of clients
- the attitudes of their people in relation to how they adapt to a changed legal landscape
- the need for law firms to be run as profitable businesses, with all that entails in terms of managing performance of people

Strategic planning therefore needs to be a process of finding out:

- what (current and prospective) clients value, ie what they will want in the future
- partners' values, ambitions and attitudes, ie whether a firm's people are able and willing to deliver what clients will want

Doing this will enable a law firm to identify the key skills and behaviours that will enable it to consistently deliver what its clients will require if the firm is to gain competitive advantage.

Current trends

One of the most important current trends in relation to strategic thinking relates to how to provide clients with what they really want.

[Research](#) published in April 2017 by LexisNexis in conjunction with the Judge Business School, University of Cambridge, revealed evidence of a serious disconnect between what clients expect from law firms and what they get.

Some headline findings included:

- law firms see the disconnect as primarily a 'challenge of improving service delivery' whereas clients see it as a 'need to better understand the client's perceptions of value'
- clients said they looked for solutions to business problems, while law firms saw their role as just providing advice, with clients required to convert this into solutions
- clients reported 'poor visibility' from law firms on the work being undertaken, costs and timeliness

The Future of Law. Since 1818.



To deal with this issue, a law firm should commission an external survey of:

- client/referrer opinions
- client/referrer reasons for using others
- analysis of firm's performance viewed by clients/referrers
- benchmarking against competitors

Brexit

Another trend in relation to how strategic planning is managed is scenario planning which is being driven by some of the challenges around Brexit. Law firms need to understand and plan how to be prepared for the impact of the driving forces relating to Brexit which are creating the current uncertainty.

Scenario planning was developed to deal with such uncertain futures. Traditional processes of strategic planning and decision-making require reasonably foreseeable outcomes but, at the moment in relation to Brexit, none exist. As a result, law firms now need to rethink how best to go about their planning for a post-Brexit world.

A strategic planning tool such as PESTLE (political, economic, social, technological, legal and environmental) can be used to scan external influences and help a business analyse the different forces in play to arrive at a series of different scenarios.

Who decides how funding will be invested? What is the risk of getting it wrong?

To deal with these issues, law firms must be agile and focus strongly on change management, have quick response times to threats and strategic opportunities, have streamlined decision-making processes and have people who are open-minded, flexible and prepared to learn new skills and ways of operating.

However, decision-making in law firms, particularly when it comes to making decisions regarding spending money, can be difficult. This may be partly down to the flat structure of many law firms—many are still culturally partnerships in behaviour even if they may be corporately structured. It may also be an issue that lawyers are trained to advise clients and not trained to take decisions and so they have difficulty in decision-making when it comes to their own businesses.

Are some firms more willing to take big risks in investment decisions? What are the benefits and concerns of doing this, and how would you advise the law firm who may be tentative about a particular investment decision?

It would seem that some firms have been more willing to take big risks in investment decisions which they would never advise their clients to take, and arguably without really thinking through the downside risks, as some recent law firm failures have shown. Taking on a long-term liability such as an expensive office lease without break clauses for the tenant is an example of where law firms can badly get it wrong, even though they would never advise a client to do so.

When making investment decisions, eg a new IT system, I would always advise a law firm to take the best possible independent and objective external advice. Doing so will most likely help to provide comfort to partners and ensure that they buy into the decision, as well as providing some cover for management if it ultimately goes wrong!

Interviewed by Samantha Gilbert.

The views expressed by our Legal Analysis interviewees are not necessarily those of the proprietor.

FREE TRIAL

RELX (UK) Limited, trading as LexisNexis®. Registered office 1-3 Strand London WC2N 5JR. Registered in England number 2746621. VAT Registered No. GB 730 8595 20. LexisNexis and the Knowledge Burst logo are registered trademarks of RELX Inc. © 2017 LexisNexis SA-0617-25. The information in this document is current as of June 2017 and is subject to change without notice.

The Future of Law. Since 1818.



RELX (UK) Limited, trading as LexisNexis®. Registered office 1-3 Strand London WC2N 5JR. Registered in England number 2746621. VAT Registered No. GB 730 8595 20. LexisNexis and the Knowledge Burst logo are registered trademarks of RELX Inc. © 2018 LexisNexis SA-SA-0918-035. The information in this email is current as of September 2018 and is subject to change without notice.