

PETER SCOTT CONSULTING

Briefing Note October 2015

Law firms need *agility* to meet the challenges ahead

In last month's Briefing Note I discussed the impact of *disruptive change* on the legal sector and suggested that lawyers should **go with** change rather than fight against it.

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

Law firms need to be agile and nimble if they are to successfully identify and respond quickly to threats to their businesses and to take advantage of strategic opportunities so as to deliver business transformation. The agility of a law firm is likely to be defined by its ability and willingness to change. There is a need to think ahead and embrace new ideas. Doing nothing is not the way law firms will survive and progress in today's more aggressive and competitive legal markets.

Agile law firms focus strongly on change management, have quick response times to threats and strategic opportunities, have streamlined decision – making processes and their people are open minded, flexible and prepared to learn new skills and ways of operating. There is however a pre-requisite if a law firm is to develop an ability and willingness to change and that is the presence of *leadership*.

Leadership

The particular type of leadership required to achieve this is, I would suggest, a **challenging** leadership, which is prepared to question every aspect of a firm's operations and every assumption on which its current plans are based, to ensure a firm's continuous improvement.

Asking the question '**Why?**' can be particularly useful for this purpose –

Why do we accept underperformance in this firm?

Why are we continuing to do this area of work which is a drain on our cash flow / profitability?

Why do we permit certain partners to be a block on our making progress?

Why are we not able to incentivise our best partners by fairly rewarding their contribution?

It is important to have a focused approach when challenging in this way, by first identifying those *critical areas of the business* where things will need to change quickly if a firm is to maintain its competitiveness.

The task for leadership is to build consensus within a firm that change is necessary and to develop a realistic and achievable vision for a firm's future. That vision and the need to change should be based on careful analysis of a firm's market research, which should

indicate the sustainability or otherwise of existing practice areas or proposed investments in new markets. Most importantly, the key people in a firm will need to be convinced that the vision is realistic and achievable.

Streamlined decision - making

However, effective leadership will also need to be an intrinsic part of a governance structure designed to ensure that speedy and effective decision – making and implementation of change happens. An effective governance structure is likely to include a **Top Team** made up of capable people who are prepared to work as a team to prepare and develop a firm for strategic change and to deliver necessary business transformation. Continuous review and re - evaluation of a firm’s plans should be a priority task and if things are not working then there should be a willingness to change direction and take whatever action is needed to ensure a firm’s future well - being.

Putting in place a Top Team for this purpose will be crucial and a firm’s governance arrangements should be reviewed and streamlined if they are currently not fit for purpose.

Flexible people

A law firm, if it is to be agile and able to deliver continuous change and innovation to ensure it keeps ahead of its rivals, will need to be made up of people who are willing to innovate and work differently to achieve its objectives.

Examples include –

- **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. People in law firms should consider the following words I quoted in my September 2015 Briefing Note –

*“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.)

For example, in many law firms there exist ‘silos’ (often created by targets based solely on individual billings) which can inhibit the sharing of work and clients and collaborative working, such as co – selling and cross – selling. Reviewing and re – evaluating 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 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 over the years had to re-invent ourselves as client needs and markets have changed and this trend is likely to continue as the need to learn new skills occurs more frequently during a person's career.

- **Embracing performance management and performance related remuneration**

The performance of its people is what determines a law firm's competitiveness. Clients and the market set performance levels and law firms must ensure that they are able to consistently meet these if they wish to remain competitive. A firm's people will need to be clear as to –

- what they will need to do;
- the levels of performance they will need to achieve;
- how their performance will be measured; and
- how their performance will be rewarded.

If everyone in a law firm can embrace performance management in this sense, then they and their firm will benefit.

- **Using IT to its full extent**

People in law firms should ideally be using the IT available to them to

- Provide better service
- Improve their productivity
- Build the firm's profitability

Firms should look at how their people are currently using the technology available to them and encourage greater use to improve productivity across a range of disciplines including

- Client service delivery
- Financial management
- Business development
- Knowledge management
- Risk and compliance management

Encouraging innovation and the embracing of technology and new ways of more flexible working, combined with developing strategic responsiveness are what will create tomorrow's agile and more competitive law firms.

For firms which currently consider they are doing well, the greatest danger can be complacency. As Jack Welch, former CEO of General Electric once said

“Change before you have to”

©PETER SCOTT CONSULTING 2015