

Slater's Dozen

Collected Thoughts on
Law Firm Management

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by Simon Slater

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TO

My clients, colleagues and friends in the legal profession

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Introduction

The pieces that follow were written during a five year period after the nonsense that was the dot-com bubble. They were also published ahead of the most seismic changes facing the legal market for decades. I refer, of course, to The Legal Services Act.

What I hope they illustrate is that the transformation of this august profession is already well under way and on a scale few would have envisaged at the turn of the century.

Without exception, these articles were written to order. It is entirely possible, therefore, that you may have seen some of them before in one legal magazine or another. Occasionally, my views have raised eyebrows; other times, they have triggered emails of support. That doesn't matter. What does matter is joining the debate or better still provoking one in the first place.

In pulling together my favourite thoughts in this way, I have been keen to leave the original text untouched. So, enjoy reading (or re-reading) these articles in the sure knowledge that in another four years - by 2012 - the profession will have changed out of all recognition and we will all be basking in the glory of the 30th Olympic Games.

Simon Slater
London, Summer 2008

LEADERSHIP & SUCCESSION

The CEO & The Lead Violinist

What can Jack Welch and a world renowned concert violinist teach law firms about leadership and succession?

Contrast the approach to succession management of Jack Welch and our present Government (or any government for that matter). The former chief executive of GE made succession his key priority during the last five years of his tenure at the company he devoted so many years transforming. No other imperative came close in terms of importance.

Welch's great skill was to identify what really mattered in sustaining the success of one of the world's largest and most profitable organisations. The campaign he embarked upon to select his successor was painstaking in its detail. On the one hand, he identified a number of star individuals within the Group and set about grooming them, and on the other, he personally set the performance bar for them in their current roles, from one year to the next, and monitored their progress over a prolonged period. He also involved his main board directors in the process at an earlier stage than was required simply by dint of good corporate governance.

To begin with, there were as many as half a dozen contenders, but two years prior to his retirement, this number had diminished to three.

A year later, there were two, with one of them almost a shoe-in for the daunting job of succeeding one of the most charismatic company leaders we have ever seen. And this was partly the point: Jack Welch knew that the person to succeed him would almost certainly not be a "mini-me"; he knew that the right candidate would be the GE executive best placed to take the reigns of the company at that particular time and to take the organisation through the next phase of its development. It needed different skills.

It is said that successful prime ministers don't just leave a legacy; they also groom their parties for opposition. It is difficult to remember the last time this was achieved. Thatcher and Major left a legacy, but their party was far from ready to provide effective opposition. And eight years on, perhaps it is only now beginning to do its job. Ultimately, Tony Blair faces the same problem.

But how is it, I wonder, that one of the world's most successful democracies and economies finds itself with no choice over the person who succeeds the Prime Minister, and why is it assumed that the baton should be handed over - as if it were an inheritance - to the Chancellor of the Exchequer? Sure, John Major was chancellor at the time of Margaret Thatcher's resignation, but at least there was a contest within the party to select him. Whether this achieved the right result for the country is a moot point. Was he truly the best man for the job?

Succession planning Tony Blair style has only ever centred around one candidate. No other contenders have ever been considered by him fit enough to assume the mantle when he does choose to step down. Members of his own party don't even get a choice; meanwhile, the hot and cold relationship

between Blair and Brown has grown into a soap opera all of its own!

I only mention this because as approaches go it almost makes law firm succession planning look like best practice!

You may say that there is no comparison between lawyers and politicians. My view is that there are, in fact, many similarities between the two and that the only real difference of substance is that politicians know that they need strong leadership and actually therefore want it, whilst law firm partners generally don't value or particularly welcome good leadership. How many strong leaders are there at the helm of our largest law firms?

The largest dozen UK law firms have a combined turnover of £5.3bn (2004/05). When valued recently as brands by Intangible Business Ltd., their combined brand value was £8.9bn.

12 law firms - employing nearly 15% of the country's solicitors - worth almost £10bn: quite a responsibility. And yet all too often firms fail to elect the right partners to leadership roles. This is because the objective use of a competency framework rarely forms part of the process.

Law is one of the most remarkable of UK PLC's exports over the last 25 years. However, if our most successful law firms are to maintain their position in the global market, they have no choice but to embrace good leadership. Strong leadership will be the determining factor between sustained success and gradual decline. So, what is good leadership?

Miha Pogacnik, the "cultural entrepreneur" (and concert violinist) works with the chief executives of some of the world's leading organisations. Using music to make his point, he expresses the view

that we are no longer in the knowledge economy; we have entered the Experience Economy. When the products and services (and pricing) offered by competing companies are so similar, he argues that the only difference that matters is the emotional experience of the customer or client. What does it feel like to buy from this organisation compared to that one? It follows, he claims, that the same is true of employees - how do they feel about working within firm A or firm B?

Pogacnik espouses inspiration as the key attribute and role of the successful CEO. Indeed, he believes that they should become CIOs (chief inspiration officers). It sounds soft, until one realises that this is, in practice, precisely the role of an effective leader.

Post "Clementi", law firms will need good leadership like never before. The ongoing transition to a more corporate model will require the right kind of leadership and proper processes will need to be deployed in order to identify the right people with exactly the right attributes and skills. Some of the best and largest corporations (your clients), already use a number of quite rigorous methods to help them select the right leaders, including corporate psychologists who are employed simply to advise them who not to appoint.

Sure, the average tenure for a CEO in recent years has been lamentable (around two years), but we are now waving good-bye to the "here today, gone tomorrow", high profile, outwardly charismatic style of leader. In their place, we are seeing the return of the quietly charismatic leader, the kind of leader who will last the course and inspire "follower-ship"

amongst greater numbers of people over a longer period of time.

Effective leadership is, above all, about having a long-term vision of corporate and societal greatness; it is about stewardship. If I were the chairman of a private equity house considering taking a meaningful stake in a major law firm, as sure as eggs is eggs, I'd want to use all the tools at my disposal to ensure that we got the right woman or man for the job.

Over the last thirty years, the Americans have developed - through extensive research and testing - a new methodology to help organisations get it more right, more of the time. Predictive Assessment will be the saviour of many large companies in the years to come.

It improves the chances of success in a new role from 57% - just 7% better than 50/50 (using existing psychometric instruments) - to as much as 80%. Now that really should be music to our ears.

I don't know for sure, but I wouldn't be at all surprised to learn that Jack Welch used predictive assessment as one of the methods to identify his successor. I am also prepared to wager that your average Prime Minister and Chancellor of the Exchequer would be too arrogant even to consider it.

THE FUTURE

Apocalypse Now

The Legal Services Bill: market consolidation and its implications for the SME law firm

The next few years will see an unprecedented shake-up of the legal market. There will be winners and losers. What will it take to survive and thrive in a post-Clementi, post-Carter world?

Nine thousand legal practices, 150,000 lawyers and a £20 billion market - that is the UK legal market today. It is a world-leading, dynamic, fragmented and successful part of our service based economy. Or so you'd think. Dig a little and you'll find that this is not necessarily the case. Ask a partner in an average legal aid practice about the profitability and sustainability of their practice and you're likely to be faced with a deeply furrowed brow. Ask the finance director of a "top 20" law firm about its underlying profitability and you might be surprised. Headline profits may be better than ever due to the current M&A boom, but the ratio that really matters - revenue per lawyer - is actually now lower in real terms than it was in 2002.

The point is that the market is over-lawyered. There are now twice as many lawyers in the UK as there were in 1987. Even allowing for the remarkable growth in the industry over the last 10 years, there are too many lawyers, particularly qualified solicitors,

chasing less and less work per capita. Add to this the fact that the Government believes the consumer is being poorly served and you have two compelling triggers for a wholesale shake-up. This is what the Legal Services Bill is all about. Make no mistake.

95% of those 9,000 practices have fewer than 10 partners. They are very small businesses, employing fewer than 50% of all lawyers. That is just eight lawyers, on average, for every small practice. By contrast, fewer than 450 so-called medium to large firms, those with between 10 and 500 partners, employ 33% of all lawyers*, each with an average of 120 lawyers. The giant, “global” firms employ almost 20 times this number in the UK alone. This does not include organisations like HBOS or Countrywide Property, which also employ many hundreds of lawyers between them in the provision of consumer legal services. Has there ever been a more polarised market?

This over-capacity and polarisation, combined with the Legal Services Bill, means there will be unprecedented levels of consolidation in the next few years. Predictions vary, but between 10% and 20% of the 8,500 small practices could disappear altogether in the short-term - that's 850 - 1,700 practices; or to put it another way, 10,000 lawyers. Even the banks estimate that they could withdraw their support from as many as 1,500 firms. This is not scare-mongering; it is as clear a signal as you need to take action now. If small legal aid firms wish to retain a slice of the Government's diminishing legal aid cake they will have to accept there will be fewer legal aid contracts awarded to fewer, larger “preferred suppliers”. And these firms will win such contracts through the process of a “best value” tender.

* The remaining 20,000 lawyers are employed as in-house counsel

This is undoubtedly therefore the time to turn a threat into an opportunity. Right now, there are people plotting new ventures designed to take advantage of de-regulation (or should that be re-regulation?). Some of these new entrants are obvious - the Co-op for example. Others will take you by surprise. And they have deep pockets to go with their big brands. I cannot name them but think Virgin, Easy, AA ...

The answer is to embrace your own destiny and take control of it. There will be a good many opportunities to be a driving force of the merger and acquisition activity at the smaller end of the market. But the choice is stark: to lead the charge or become a victim of it. Whichever it is to be will, in part, be determined by the answer to the following three questions: how profitable is the firm? In which market do partners wish to operate in future? And of what sort of business do they want to be a part?

Then there is the so-called medium sized law firm, the firm with 10-30 partners. Here, the picture is much the same; there will be upward pressure over time. As groups of 5-10 partner firms merge to create larger practices - gradually shifting their market positioning - some will want to enter the domain of the medium sized law firm. They will slowly encroach on that client base. This, in turn, will cause further consolidation in the 10-30 partner section of the profession (already the fastest consolidating area in the UK). The result? A greater number of large firms with 50+ partners will appear. Competition will stiffen here too as the effects of consolidation move up the food-chain. The only firms likely to remain unaffected by all of this are the top

10-20 firms with 100 or more partners. These firms operate at an international, institutional level.

So what? I hear you ask.

SME law firms will need to have a clear and realistic medium to long-term strategy for their business. Certainly the banks will be unprepared to help unless this is the case. Firms will need to know exactly where they are now, who their competitors really are, how they intend to compete with them and how they can become truly superior to them. Above all, they will need the wherewithal to provide superlative customer service. Virgin, the Co-op, the AA - they do customer service. They also understand that value for money is determined by the consumer; not by the provider!

So, where should firms begin? As good a place as any is to take a reality check and establish how the firm compares with others. Is it as profitable and successful as peer firms? The Legal Practice Group has developed a simple diagnostic tool to help answer these questions. Armed with the answers, firms will have a clearer notion of the scale of the task ahead and the most likely strategy for growth and development.

If a practice is in good financial shape and commands a leading position in its part of the market, aggressive organic growth may be the right approach. But how will this be funded?

Can it rely on the bank or does it need to adopt an Alternative Business Structure to widen its ownership and attract new capital and management? If the business is robust and has strong management with a clear strategy, it is unlikely that a bank - increasingly discerning though it may be - wouldn't provide the financial support. So, careful thought is required

before changing the ownership structure. If a firm is not so strong, but still wishes to grow organically, it needs to put a plan in place to ensure rapid profit improvement.

Whether the firm is in good shape or not, it may be concluded that merger/acquisition is the right strategy for survival. Clearly, the dynamics would be different for the profitable, leading player than for the marginal, struggling firm. However, there are still decisions to be made: which firms are the right targets for the business? Are they likely to be smaller or indeed larger than the firm? Where are they located? Are they even a law firm? What would the merged entities bring to one another? And how does one set about starting a dialogue with those firms?

Alternatively, the strategy might be more radical. For example, the development of a franchise operation might be suitable in some parts of the market; perhaps even the development of "white label" legal services marketed through a third party. Again, however, the same question applies: which firms would be the right ones? The answer of course to all of these questions lies in careful, dispassionate research.

Now, let's assume that a firm has identified the right strategy and found what appear to be the right commercial partners with which to join forces and attack the market. Is all what it seems? Many due diligence processes focus on financial issues at the expense of other critical issues. It is absolutely vital that culture, people, strategy, clients and operational risk are also thoroughly analysed for strategic rationale, compatibility or indeed skeletons in the cupboard. This requires an holistic approach

The Future

to due diligence. Conducted properly, it will make the ultimate process of transition and integration much easier.

Prior to creating a new legal practice or a newly merged entity, it is important to establish a clear vision and a realistic plan of action. The new business will need a strong sense of momentum in order to implement change effectively. Those who underestimate the need for planning - and for consultation, patience and communication - will find it more difficult. Changes have to be prioritised. Client related changes should take precedence with other big changes - eg in technology or premises - being implemented on a phased basis over the longer-term.

For many years, research into the success of mergers has found that a significant majority of them (approximately 70%) failed to meet the expectations of the merging parties. In know-how based businesses it is therefore especially important to invest sufficient time and effort in post-merger implementation plans. One of the keys to success is the involvement of as many people as possible in the process. They must have a clear sense of what the benefits of the merger are. After all, they are the brand. If some of the investment funds are earmarked for brand awareness campaigns, the last thing a firm needs is the brand being undermined by its people at the point of purchase. Competition is set to intensify. The basis of competitive advantage will become all too apparent to more and more firms whichever part of the market they occupy. Their offering will need to be unique, positively different, or simply cheaper.

The legal market has seen a good deal of

development over the last 15 years; however, it is my belief that the next five years could bring change of a seismic nature. There may well be 40% fewer firms by 2012, possibly even half the number. There will also be fewer partners and possibly (despite current trends) fewer solicitors in the longer term, but there are certain to be more legal executives. In the words of the song: "you ain't seen nothin' yet"! What is unavoidably the case is that practices should start thinking like a business and take decisive action now to become visionary, innovative, bold, courageous and determined.

Scary? I prefer to think of it as bracing, like a swim in the English Channel at this time of year. The thing is this: there is no time to waste. The time to act was yesterday.

THE FUTURE

Corporatisation: Partner, Member, Director ... Nigh?

As a long-standing shareholder in a successful quoted professional service firm, I await the implementation of the Government's Legal Service Reforms perhaps more eagerly than others.

After incorporating and then floating at the end of the 80s, the business has since grown ten-fold and become one of the 5 Global Elite in its field. This is partially due to sheer ambition (for which they didn't need a change in legal status), but it is also significantly due to having easier access to capital and to the discipline and accountability inherent in a formal corporate management structure.

In the early 90s, I was responsible for investor relations with the company.

I was not a "fee-earner"; I was a professional manager. And it felt good.

At that time, a small proportion of the shares were held by outside investors (institutions in the main) and the majority were held by main board directors and staff. Interestingly, despite the fact that everyone had a share in the business, the directors (most of whom were by

The Future

then subsidiary company directors rather than main board directors) still behaved as if they were in “partnership”. It would take perhaps another five years for a change in behaviour to follow the change in legal entity.

I have often wondered the extent to which the fact that in the majority of law firms people other than equity partners do not have a financial stake in them holds those businesses back. Share ownership has certainly been beneficial to my former employers and there are plenty of other examples of professional service firms where this has also been the case.

It is true that some law firms have made the important first step of sharing profits with their people and seen the benefits of sharing success more widely. Surely, therefore, it is just a matter of time before the first major law firm goes the whole hog and becomes either a private or public limited company.

In an excellent paper entitled “The benefits of multiple ownership models in law services” by James Dow (London Business School) and Carlos Lapuerta (Brattle Group) in July 2005, they stated that “the international legal services market could be very different in ten years’ time, and the liberalisation of ownership structures might enable more effective competition and expansion into these markets further into the future.” This is not an overstatement.

I believe the magnitude of change in the next decade will at least match that of the last ten years. And the greatest change of all is likely to be felt by partners.

The biggest challenge facing law firms already

thinking about alternative ownership structures is achieving some kind of balance between motivation and reward in the face of partner disenfranchisement. How does a firm create a different status for its partners whilst rewarding and retaining them in the manner to which they have become accustomed? The answer lies in giving partners a new kind of accountability (as director of their own business unit perhaps) and in the skill with which a firm devises a new performance related bonus structure - one that is stringent, transparent and generous.

There are directors of operating units in a household-name, quoted surveying practice regularly clearing £1m in bonuses per year, whilst their basic salaries remain more modest (somewhere between £100,000 and £200,000). Such firms have radically altered the way in which all of their people, particularly fee-earners, are incentivised and rewarded, and reaped the benefits as a result of improved motivation and productivity. Share option and employee share schemes have played a major part in this.

My hunch, though, is that law firms will probably float a minority stake in order to attract meaningful injections of capital. The quid pro quo will, nonetheless, be an expectation on the investor’s part that the firm adopts more rigorous corporate governance and performance management methods. This will call into question once again the role of a partner/director in the legal business of the future, not to mention the career path of an associate, both as “employed lawyers”.

The Government’s desire both to improve competition and foster innovation will see law firms

adopting different economic units in future. This, in turn, will give clients and lawyers more choice about the kind of business with which they wish to work. And before you conclude that nothing very much will change, stop and think about the explosion of in-house lawyer appointments in recent years. 20,000 lawyers in the UK (20% of all solicitors) have already made such a choice about their careers and lives. They may now earn less, but they are more involved in the business of the business and probably have a better balance in terms of work and life.

Some commentators are predicting that by 2015 - one way or another - more lawyers will be employed by companies than by law firms. Suddenly, that really doesn't seem so fantastic a notion.

The opportunity for major law firms is to augment their world-class legal services with world-class management, technology and business services.

An injection of capital will enable this and, in theory, enhance both efficiency and profitability. What is certain is that my shares are now worth eight times as much as they were ten years ago and this would not have been possible without a change in legal/economic structure and frequent injections of capital for growth.

SERVICE

Hendrix

What can the world's most iconic rock guitarist teach lawyers about life?

Jimi Hendrix. Great guitarist. Some people argue that he was several decades ahead of his time. What is incontrovertible, however, is that his influence over the last 35 years has been nothing short of astonishing both in its reach and its durability. What I like about Hendrix is that he let his "axe" do the talking. He also seemed to thrive on breaking the mould. Boundary was a word that didn't appear in his vocabulary.

So what can he teach the rest of us about life? And what can he teach lawyers in particular? There is a clue in the name of his band: The Jimi Hendrix Experience. It's as if he knew that his music would have an impact on people. Lawyers are also in the business of selling an experience; not through music but through the rule of law. Granted, the subject matter is by comparison somewhat dry and certainly less emotive, but this makes the experience of providing it, or rather buying it, all the more important.

Now, turn your attention from the pyrotechnics of Jimi's guitar to the humble fried egg.

The yolk is the guitar and the white is the sound it makes when

Service

Hendrix plays it. The white of his egg is different to that of any other guitarist. Then, think of the yolk as your legal expertise. Your knowledge of the law is merely the instrument through which you make your own music, but the difference lies in the white of your egg: how you deliver that advice; or in a nutshell, service.

We all know instinctively that buyers of legal advice distinguish between law firms not on the basis of technical expertise, but on what else is added to that advice in terms of service. It's the experience. Within the white of a law firm's egg lie most of the reasons it succeeds over another firm in the eyes of a client. Jimi Hendrix may not have been the most gifted guitarist in technical terms, but it was what he did differently that won him so many admirers and followers over so many years. What is it that your firm does so differently to win not just the loyalty of your clients but also the respect of your peers? If you can't answer this question, you are not providing an experience.

Another reason I am such a fan of Hendrix can be found on the back of my business card.

These five simple words have, in recent years, become my credo for life:

"Knowledge speaks, but wisdom listens".

Having met close to 100 General Counsel and board members of FTSE 350 companies and financial institutions over the last few years, one message has shone like a beacon above all others: "lawyers should listen more intently to what we have to say about their service and then do something about it." It is a deceptively simple message and yet whilst many firms have begun to try listening actively to

their clients, the clients themselves tell me that they have yet to notice any discernible change in service delivery.

So my message to you, dear Managing Partner, CEO, Marketing, HR and Finance Director, is also very simple. Just for once, break the mould. Once you've listened to what your clients want, put a plan into action. That's all they're asking. Give them what they want; don't do what other law firms do, which is to ignore them. Stop playing your guitar the same way as everybody else and your clients will love you for it. You might even build a fan-club!

PEOPLE

Brand and the Bottom Line

Lose a partner, a senior associate and a good manager and you'll obviously see a drop in revenue; not to mention the cost of recruiting replacements and the administrative headache of juggling teams. But have you ever thought about the impact of your firm's brand on those costs and the difference it could make to your bottom line? Possibly not.

By our calculations, the cost to a major firm that unintentionally loses one good equity partner, one good associate (4 years pqe) and one senior manager in a single financial year is, conservatively, £1.25m. Broken down, we estimate that this comprises sums equivalent to twice the average profit share for an equity partner, at least two-thirds of the salary of the 4 year pqe associate, and at least a full year's salary of the senior executive. These figures allow for a realistic level of lost revenue, realistic replacement time-scales, and competitive recruitment/locum fees. Being emotive about it, if the firm in question has 50 equity partners, this represents a £25k hit per partner, just on these somewhat cautious numbers.

Meanwhile, the cost to a firm with a better record of retention

(and an attractive brand proposition) of recruiting good people is also lower than it is for the "leaky" firm. The good firm will find it easier to recruit and it will take less time. The value of having a strong (retentive) brand is the difference between the two.

Let's say that the cost of it taking the weaker firm a year to recruit the same three people is £300,000 in fees plus 12 months' lost revenue (say £600,000), and the cost to the stronger firm is £300,000 in fees plus 6 months' lost revenue (£300,000) - not an unreasonable variance, in our experience. The value (saving) to the strong firm is £900,000 less £600,000: £300,000.

Taking both scenarios together, the more retentive firm that holds on to its three key people in the first place and recruits three more key people in the same year, saves itself a total of more than £1.5m, or £30k per partner (in a 50-partner firm). On the one hand, this money provides partners with another reason to remain loyal and on the other it provides the firm with greater financial muscle, either to achieve competitive advantages in other parts of its practice or indeed to share some of its profits with its people. It's a virtuous circle.

Whether or not you agree with the figures in this simplistic example, the fact is that the majority of law firms still do not put a hard cost (or value) on retention and replacement. Yes, they will have a line or two in the P&L for recruitment fees, but as we have seen this doesn't tell even half the story. Many firms also fail to make the effort to benchmark their retention levels or recruitment costs against their competitors. And herein lies the answer to the question "how can we avoid the

financially debilitating bear-trap that is unplanned attrition?"

BerwinLeightonPaisner, DLA Piper, Macfarlanes and Travers Smith - four different law firms with two things in common. Firstly, outside of the global quartet of UK-led firms, these are four of the most profitable dozen law firms in the country. Secondly, they have what I would call brand magnetism. However, this is where the similarity ends.

BLP and DLA are noisier, larger brands than Macfarlanes and Travers Smith, which tend to go about their business rather more quietly. BLP and DLA have become "magnetic" relatively recently and now attract and retain people more effectively than they have in the past.

They are more dynamic recruitment models and so the revolving door is bound to continue spinning a bit more quickly in these firms. The hope is, of course, that they have found a formula that will help them sustain this new-found strength and stick-ability.

The smaller, bluer-blooded of these firms are perhaps more culturally idiosyncratic, but have attracted and retained the right people for decades and there is no evidence to suggest that this is diminishing in any way because of their relative size or more limited geographic reach.

Not a week goes by without one being aware of partners joining DLA and BLP, whilst Macfarlanes and Travers Smith seem to be able to grow and increase profitability more organically and therefore less publicly. But how have all four firms achieved such levels of magnetism?

There are several answers. The first is that each firm has a solid, unambiguous strategy. The second is that they have aligned much of what they do - and

People

the way that they do it - to that strategy. People understand where they are going and are clear about how to get there. This is attractive not only to prospective partners and employees, but also to existing partners and staff. These firms provide clear reasons (career benefits) to potential joiners to want to join and even clearer reasons for those already there to want to stay. Many firms fail to offer a compelling story with which to woo partners from other firms and, worse still, provide too many reasons for existing partners, and others, to want to jump ship.

There is no doubt in my mind that there is a direct correlation between brand magnetism and sustained, superior profitability. The more profitable, magnetic law firms have an acute sense of who they are and the things that make people want to stay, and use this self-awareness to inform their recruitment strategies. It is that way around. There is also no doubt in my mind that it has more to do with retention than with attraction (recruitment), however important that may be. And this is not just relevant to London based or international firms; one only has to look at the consistently high performance achieved by Walker Morris in Leeds to know that the same principle applies regionally, perhaps even more so because competition is so much more immediate and intense in such a market.

We are often asked about who it is in a firm that should own the brand agenda. There is a lot of guff spoken about this issue. It is, quite simply, an organisational matter and this means that it is a partnership issue. A stewardship thing. HR Directors, Marketing Directors and Managing Partners are pivotal to leading the transformation process, but

unless the wider partnership is united in its mission and, broadly, its behaviour, it will be a lost cause.

It's been my mantra for some time now, but bears repetition: The secret of law firm success is simple. It's about building two key assets - your people and your clients. It seems to me that the real challenge is to treat the former more as if they were the latter.

ORGANISATIONAL DESIGN

Back to Front

As many firms examine the role of business services,
they contemplate moving the back office closer
to the front line

A friend of mine in the legal market once said to me that he thought law firms were more interested in competitive parity than they were in competitive advantage. And he was right. Until recently. The Times on 30th May this year carried a piece about one of our most successful firms: "Linklaters has become more competitive everywhere in the relentless drive for additional profitability." This accompanied a 57% rise in average profit per equity partner over a two year period.

Firms like Linklaters are blazing a trail in their pursuit of lean efficiency. At First Counsel, we have seen a sharp rise during the last year in the number of major firms taking a long, hard - and sometime radical - look at their infrastructure. Those of you who have experienced the wonderful theatre of Harvard will know that one of the seven Ss is structure. You will also know about the importance of alignment to successful strategy execution.

How does your business services team look right now? Is it in good shape? Is it adding the value that it could? Does it work in harmony within itself? More importantly, does it work in harmony with your

legal practices to achieve the firm's overall business objectives?

Late last year, we conducted some research into law firm business service structures. Our sample comprised 40 of the top 100 firms in the UK. We particularly wanted to look at Human Resources, Business Development, IT and Finance. Our study did not include Facilities Management, Information Services, Professional Support Lawyers or Secretarial Resources.

What we found was mildly surprising. In truth we were not surprised so much by what we found as by the extent of polarisation we found therein. The following figures represent the number of lawyers to every business services staff member:

HR & Training 22 (25)

Business Development & Marketing 18 (22)

IT 12 (11)

Finance 10 (9)

The figures in brackets represent the largest (top 20) firms with more than 500 lawyers. Here, the difference is even more pronounced.

Think about that for a moment. Law firms have on average twice as many people in their finance and IT departments taking care of the cash and the technology as they do in their HR teams, taking care of people. In short, the management of finance and technology is markedly more resource hungry, and therefore apparently more important, than the management of people. This goes against the grain of conventional management thinking, especially when retention is such a key issue. But change is afoot.

A firm with 500 fee earners probably has around 150 professionals in these four functions. They will also have a further 275 people comprising secretaries, professional support lawyers, information services and facilities management personnel. That's 425 people in total - 46% of the total head-count. In some firms it is still 50% or one "support" professional for every lawyer. Either way, it's a lot of heads.

Drilling down, it is not unusual for a top 20 firm to have between 20 and 60 business development and marketing professionals, with the "global" UK firms having between 120 and 160. But the question on everyone's lips about all business service functions is "what do they all do?"

And this is indeed the question law firms are asking us to help them answer. But why are they asking it at all? Over the last two years we have noticed a trend emerging, which helps to shed some light on the triggers. The trend shows that there are three motivating factors driving a major law firm to embark on a review of part or all of its infrastructure. In order of importance, they are:

- **Integration** - the need to integrate (or de-centralise) management professionals more closely with the legal professionals. The word on everyone's lips is "embed"; embedding management resources with the lawyers at the coal face is seen as key to effective internal and external client service in future;
- **Quality** - the "flight to quality", which involves taking a close look at the calibre of business service personnel and in some cases pursuing an active quality versus quantity strategy;

Organisational Design

- **Efficiency** - the politically correct term here is “streamlining”; however, the bottom line is, well, the bottom line! Achieving cost savings is now central to effective law firm management as they ape their clients’ approach and climb aboard the “lean management” band-wagon. In short, law firms are now taking the management of overhead very seriously indeed.

Taken together, these factors are seen as a source of significant competitive advantage.

Some firms are taking a zero-based approach and assuming nothing. For them, the need to challenge the status quo has now become an urge to re-invent the way they do things. This can only mean one thing: change management.

What we have seen in working with some of these firms is that one size does not fit all. Sure, one of the trends is the issue of centralisation versus de-centralisation, but each firm will need to address this in a different way in order to achieve alignment with its particular strategy. And the management of change - or organisational development - requires a great deal of sensitivity. This can only be achieved by truly understanding the needs of the business and this entails talking and listening to people across the firm.

Structural alignment may be the latest step towards law firms becoming truly commercial organisations, but in truth it is an organic process. Like the strategy it supports, it needs to be revisited on a regular basis.

THE FUTURE

Outraged of Guildford

If small and medium sized law firms embrace the opportunities presented by the Legal Services Bill they will not only survive, but thrive in the changing legal landscape

“**O**utraged of Guildford” here, responding to the partner of a provincial firm with his head in the sand.

Lawyers are often accused of being arrogant. A piece written by the partner in question in The Times on 10th October 2006 is a good example of why this is the case. The article was a cynical take on a post-Legal Services Bill world focused on a high street practice called “Lawco’s Color It Is”. Get it? The last three words are an anagram of the word solicitor.

In it, the author suggests that the answer to the threats posed by the Bill is “simple: start our own supermarket. Despite the public perception, there is greater skill in running a legal practice than a supermarket.” It is not the arrogance of this as much as the ignorance of it that worries me most.

I have news for anyone who holds this view. Speaking as someone who has experience of working in the retail sector and has also spent over a decade in legal practice management, I am unshakeable in my belief that, by comparison, law firms are very simple businesses indeed.

The skills required to run a successful supermarket business are many and varied. One only has to consider the words and phrases never uttered in the corridors of a law firm to understand the relative complexity involved: demographics, demand forecasting, customer trends, footfall, supply chain, logistics, procurement, category management, merchandising, and market share. I could go on, but you get the picture.

What this illustrates is that most of the skill in running a successful supermarket is harnessed behind the scenes. The point of purchase - filling one's trolley with products and parting with cash at the till - is the tip of a very large iceberg. Much of what happens before the cashier smiles and takes your money defines the quality of the shopping experience. It is this experience that keeps one coming back. A law firm's iceberg is tiny by comparison.

The only area in which perhaps the skill required to run a law firm is on a par with a supermarket business is in people management and development. It is of course relative since the bigger supermarket businesses employ many tens of thousands of people. But I would concede that the challenge faced by even modest sized law firms in sourcing the right people, training them and maximising their potential is a match for the Sainsbury's of this world. Getting this right determines both the quality of the product (advice) and the quality of the service. In all other respects, structuring and organising the firm to deliver its services is easy.

Yes, easy.

Managing partners of progressive SME law firms are already taking action to embrace the

competitive challenges ahead. This is borne out by research recently undertaken by The Legal Practice Group (chaired by Professor Stephen Mayson, a respected academic and lawyer). The LPG spoke to numerous small firms (5-20 partners) around the country for whom the Legal Services Bill represents both an opportunity and a threat. Such law firms employ around 35% of all solicitors in the UK*.

It is estimated by The LPG and other commentators that between 500 and 1,000 of the smallest legal practices could disappear in the wake of the Legal Services Bill. This is due in large part to the recommendations of the Carter Review into Legal Aid. Therefore, it is in the SME part of the market where perhaps the biggest opportunities lie. For a start, whilst many redundant lawyers could well find themselves being employed by other "high street" organisations - banks, retailers, insurance companies and estate agents (Countrywide Property already employs 500 lawyers) - many others could join the larger and more ambitious SME law firms.

There is set to be mass consolidation in this part of the market and this is where law firms begin to get a little more difficult to manage. Some of the more enlightened firms have shared their concerns with The LPG. Their research reveals that the issues keeping the managing partners of these firms awake at night (and the concerns about which they are now seeking professional help) are:

- Mergers & Acquisitions
- Business Planning
- Commoditisation

The Future

- Change Management
- Investment and Funding
- Brand Development

employed in-house, and approximately 10% (10,000) are employed by micro-practices or are trading as sole practitioners.

The challenge many of them stress the most is that of how to build a leading brand within their immediate region. However, whilst becoming one of the law firm brands of choice in their home town is important, it cannot be achieved in isolation of the other issues. It is encouraging, however, that managing partners of such practices are beginning to recognise they need help. According to The Legal Practice Group, they want to know what to do now and how to do it.

My message, therefore, to anyone who agrees with the views expressed by the author of the piece in The Times last month is this: take your head out of the sand and open your eyes before it is too late. Listen to what's already going on and take control of your own destiny before you become a statistic.

The future looks different. It also looks bright for those small firms that are prepared to think differently. In five short years' time, there will be proportionately fewer partners in law firms and many more employed solicitors and legal executives. In some practices, lawyers will have receded into the back office leaving client service managers to own the outward facing relationship. In others, partners will have become directors responsible perhaps for little or no personal advisory work.

Either way, the opportunities for firms with courage (rather than arrogance) to survive and thrive in the new legal landscape will be considerable.

* Another 35% of lawyers are employed by the largest firms (25 partners plus), 20% are

STRATEGY

A Question of Strategy

Law firm strategy and law firm marketing - how integrated is your firm?

The most effective marketing strategy for all professional service firms is a people strategy and this is particularly true of law firms.

"A people strategy?"

"Yes, an HR strategy."

"What are you talking about?"

You could be forgiven for wondering if this particular marketing professional had lost his marbles, but it is wearing my general management and strategic planning hats that I offer this perspective; not simply as a marketer, proud though I am of our august profession. Isn't it strange, however, that some firms instinctively agree with me, knowing this to be true, whilst others - no less famous - still don't see it?

We are all aware of the potential disconnect between a firm's headline business plan ('strategy') and 'marketing'. But why should this be the case?

In a word: people. In another word: misunderstanding.

On a basic level, we have a language problem caused by people's misuse of management jargon. On another level, we have a very real

training problem - how should partners go about strategic planning? Then we have a 'role' problem - just what is the role of the professional service marketer in 2002? And on yet another level, we have a classic brand marketing problem, and I use the word brand in its truest sense here - what exactly are we selling anyway? And to whom?

All people related challenges.

I will deal with these in order and I make no apologies for spending a little time dwelling on the issue of jargon; it is good sport to offer plain English definitions, if only to celebrate the sheer absurdity of the confusion over such simple words!

JARGON

Business plan: a plan to develop the whole business with profit improvement usually as the principal aim.

Marketing: the act of anticipating, meeting and sometimes exceeding client needs, profitably.

Business development: often used as an alternative to 'marketing' in professional service firms, although in industry it can mean the development of business by means of merger, acquisition and disposal.

Objective: aim.

Strategy: a military term meaning "the means by which" or "how"... to achieve objectives, but usually misused as an alternative to 'business plan'; often also confused with the word 'objective'.

Marketing strategy: a plan that identifies how client needs will be met profitably.

Marketing communications strategy: that element of the plan which identifies the means of communication by which clients/audiences will be made aware of the firm's services (including public relations).

Promotion: sometimes used as an alternative to 'marketing communications'.

Human resources/intellectual capital: people and their knowledge.

Is it any wonder there is confusion? Put simply, the strategic marketing plan ('marketing') is an integral part of the overall business plan (or 'strategy'); indeed it is the most important part in most organisations because it addresses customer needs. However, as you will read, I believe that it is one of two vital parts of the professional service firm business plan.

TRAINING

Partners and lawyers are not trained in the art of business planning. Admittedly, this is less true now than it was, say, five years ago because many of the larger firms have, through management development programmes, provided lawyers with non-legal skills training. Alternatively, partners are sometimes non-executive directors of other businesses and in that way exposed to the more commercial aspects of management. Professional marketers have helped enormously to plug any skills gaps in recent years, but this is no longer the solution. To become well versed in strategic planning, partners need ongoing training and coaching.

Law firm business planning should be simple, concise, focused and, above all, inclusive. Once a firm has decided on its broad direction (ie. what it seeks

to become), identified its desired market position and sources of competitive advantage, and agreed a time scale, there are really only two parts of the plan which matter. With no apologies to the stray finance director who may be reading this and thinking that practice economics are where it's really at, these are - in order of importance - 'human resources' and 'marketing'.

It is a simple, unavoidable fact that the principal way in which we can meet known client needs, competitively, is to have the product which best fits those needs.

Our people are the product. So let's involve them.

It is my view, after many years of coaching partners in the art of business planning, that significantly more time should be devoted to the people part of the plan than to the marketing strategy. After all, until you actually have the product - and I mean actually have it rather than thinking that you have it - you cannot market it effectively. I call this the pursuit of substance over style.

ROLE

For some years, those of us who have driven professional service marketing from its conception some 15 years ago, through its infancy and through the 'ABC' toddler stage, nurturing it for what seemed like an interminable age through junior school, have found ourselves coaxing it towards an awkward, hormonal adolescence! During this time senior marketers have acted, increasingly, as coaches and as internal consultants to their senior, fee-earning colleagues; not just marketers. More than that, they have discovered that others of their colleagues have done likewise, particularly in HR and finance.

This 'competition' does not signal the end of life for professional service marketers. However, it does represent probably their biggest challenge yet: how can they work more closely with, say, their HR colleagues to help partners produce even better business plans for their practice groups and teams? What role should they play in training/planning? And how do they organise this whilst ensuring that the operational side of marketing still adds value?

Law firm marketing is about to grow up. It is time to review the role and organisation of marketing in such firms. The result should have just one focus: to integrate more closely the development of strategic plans with the practical implementation of them. Such a review should be accompanied by a simultaneous review of the role of HR. It is high time these functional departments became more focused on serving the client, internal and external, in a synergistic fashion than on perpetuating their pigeonholes.

The lines continue to blur, and quite rightly. There is nothing more rewarding than working closely with colleagues from all disciplines in pursuit of creating a more streamlined, more relevant business. But marketing directors beware. Do not over-promise to your teams. The nuts and bolts delivery of effective tactical support still needs to be there and only a few marketers will have both the ability and patience to make the transition to experienced strategic coach. Expectations and careers will have to be managed with ever more care.

Experience has shown that it can take someone in their late twenties, coming into professional service marketing for the first time, at least seven years (often much longer), to realise their full potential.

Before then, they are unlikely to possess not just the experience, but also the confidence and credibility, to act as trusted adviser, facilitator and leader. If they persevere, however, the rewards are significant.

Not all ambitious marketers have that much time. This will prove to be a dilemma over the next few years when trying to build a team to match the best.

BRAND

Just what are we marketing anyway?

Richard Levick was right when he compared law firm services with more tangible consumer products. Let's use Nestle as an example. Nestle is the law firm; each of its product categories - chocolate, bottled water, coffee - are the departments/practice areas; and each of the brands - Kit-Kat, Perrier, Nescafe - are the specialist partners in those departments. Three levels of brand and, very often in law firms, each targeting the same part of the same market. This alone is why business plans, and the HR/marketing strategies within them, should be integrated and consistent.

In short, the same planning model should be used throughout the practice. There should be clear links, not only to the headline business plan but also between the plans of respective departments. This will encourage a more co-ordinated approach to meeting client needs and to the development of a strong, consistent and recognisable brand proposition. Indeed, the firm that pulls this off will stand a better chance of attracting more of the 'right' business from more of the 'right' kind of clients.

The ultimate challenge is this: to bring clarity, brevity and cohesion to an area that lawyers find

nebulous and not a little foreign. It is to dispel those misunderstandings once and for all and to show them just how strategy and marketing are inextricably linked and can be integrated all the more easily with their involvement. If strategy and marketing are not integrated, we are partly to blame.

Bluntly, the word that matters most here is involvement. The sooner marketers stop writing plans for partners and start using the increasingly sophisticated management information systems at their disposal to help them write their own, the more integrated and 'owned' those plans will become. And the more partners will want to recognise their duty to become involved in the overall development of what is, after all, their business. Who knows, we might even in future begin to see brands that are not only more clearly defined and aligned, but also actually differentiated in the market place. We can but dream.

Differentiation is the big challenge for law firms, and all other professional service firms, over the next 5-10 years. Only one or two firms have yet even begun to make any headway. If strategy and marketing - and marketing and HR - remain distant cousins in firms for much longer such practices will struggle to compete because they will not be able to answer one increasingly pertinent question:

"How in future will your people differentiate your firm - and its brand proposition - not only in the minds of the clients you wish to keep but also of those you wish to attract?"

PARTNERS

Helping your Stars to Shine

Failure to be in command of improving your talent will be the single issue driving the polarisation of professional service firms in the years to come.

When the words "Our people are our greatest asset", trip off the tongues of CEOs and managing partners - as all too frequently they do - they seem to lack conviction. Jane Simms writing in Director magazine recently says, "... what they really mean is: 'Our top 50 to 150 people are our greatest asset and the rest are a disposable commodity.'" Buy one, get one free!

For some time, I have had an abiding conviction. It is one that still runs counter to common practice in professional service firms and goes like this: the best marketing strategy for any professional business is, in fact, a truly effective HR strategy. The way in which people are recruited, engaged and developed is quite simply the differentiator between firms.

2005 should be the year when, finally, the link between loyal employees, satisfied customers and profitability is realised. As I reflect on the last 16 years in professional service firm management, firms have become significantly more client oriented and market focused. They have recognised that they are service businesses first, professional firms second. This is real progress, but what happens next?

Internal marketing consultancy, Enterprise IG Business and Brand Engagement (BABE), estimates that, even in the best of companies,

only a third of staff act as 'brand champions', a third add no value to the brand because they do not engage with it, and a third act as 'brand saboteurs'. Let us go back to 'the top 50 to 150 people' who are 'our greatest assets' (our partners/directors) and take a closer look - if only because we know that, if any change is to happen at all, it has to start there. What do we find? How many fall in to the 'adding little value' or 'undermining the brand' categories? Believe me, it doesn't pay to dwell on the answer. But this is all that many firms seem to do as if in a state of suspended denial.

What we need is action and fast.

PARTNER SERVICE

Customer service must be turned on its head. Firms now need to turn their attention to understanding and meeting the needs of their stars, the very partners who are generators and custodians of the business. They must provide a level of service to their partners and future partners that helps them become more complete business men and women, allowing them to operate much more effectively. In short, this means providing an ongoing development programme for them both as individuals and in teams.

The service standards set by clients today are growing ever more stringent and the competitive pressures they are applying make it unlikely that the same high levels of profitability can be sustained by professional service firms in the long term. Firms must: (a) become much more efficient; and (b) invest in the skills of partners so that their clients continue to perceive they are buying a superior service and that there is a competitive advantage in still using them. If firms do not do this, clients will

take their business elsewhere, the firm's profits will decline and the best partners (its human capital) will gravitate to a home where such an investment is made and profitability is better aligned to their lifestyle. Simple economics.

If Clementi's recommendations are implemented and outside investment and talent is indeed attracted to the legal market, this is the least such investors would expect. They would want to be certain that their prized asset - their "product" - was as good as it possibly could be and that client adhesion was strong.

"Partner service" would be viewed simply as good stewardship.

A few firms heard the penny drop some years ago and are now reaping the benefits. Examples include Deloitte, Ernst & Young, PwC, Smith & Williamson, DLA, Eversheds, Freshfields, Herbert Smith, Wragge & Co, Cushman & Wakefield and DTZ. However, failure to address the opportunity to be in command of improving your talent will be the single issue driving the polarisation of professional service firms in the years to come.

Allied Domecq is probably a client of at least one of the firms mentioned above. We should learn from the visionary thinking of its chief executive, Philip Bowman, who last year identified the firm's people brand as one of its nine core brands and promised it the same care and attention as its prized drinks brands. As Jane Simms says: "Better HR practice has to be led from the top - and too few chief executives engage seriously with people issues throughout their organisations. Until more CEOs walk the talk, they should not be surprised when their well-honed aphorisms come back and bite them".

CLIENTS

Who put the CRM into Acronym?

What is it with Law firms? When viewed subjectively they can seem curiously complex organisations, but on any objective basis, they are simple businesses. So why do they find it necessary to complicate matters by jumping on every management band-wagon that comes along? Business is pretty straightforward as a concept. Isn't it? The most basic definition of marketing is to meet the needs of clients and customers with relevant services and products. Simple really - identify market and needs, design and supply service or product and everyone's happy. But in order to compete successfully in an increasingly discriminating world, three other elements are critical:

- Clients must have a good - if not superior - experience when they buy your service
- Your service should in some relevant way be superior to your competitors'
- You should make a superior and sustainable profit

Clients

Can you be sure that all of your clients have a good experience every time they deal with you? Is your product or service superior to those of your competitors every time? Do you make a consistently healthy margin on each matter? The answer is probably no. We're dealing with people here, bright sparks. They are the product, the experience, the source of profit. And a management acronym, or FAD (fatuous annoying distraction), is the last thing they need.

CRM (customer relationship management) is but the latest in a long line of management fads to afflict law firms over the last 15 years. It was preceded by BPR (business process re-engineering), ERP (enterprise resource planning), IIP (Investors in People), MIS (management information systems) and TQM (total quality management). Only two of these have ever had my full support - IIP and MIS. A successful firm needs to invest in its people and its information systems, but it can continue to thrive without the other distractions.

The fact is that good firms do not need to embark on complex management initiatives in order to improve their performance. They need to keep it simple by adhering to the basic principles of business. They need less complexity, not more.

Take CRM. This is a fad I have never advocated in the professional services market.

Instead, I have helped law firms develop more and better business from key clients. There's a big difference. Don't get me wrong, I'm all in favour of qualitative service reviews if they are carried out and followed through effectively. It is CRM "programmes" about which I have such grave doubts.

In my view, many firms are in danger of over-

managing their businesses by designing unwieldy, unworkable frameworks with the principle objective of exerting control. The trouble with controlling client relationships, controlling knowledge and controlling resources is that it tends to dampen all of the things that clients hold dear: initiative, flair, enterprise and good, old-fashioned service excellence. Why? Because putting a gloss on average service standards frankly doesn't wash and it is not possible for most firms to operate to the highest common denominator.

Strange, isn't it, how firms like Slaughter and May and Wachtell, Lipton, Rosen & Katz continue to confound us with the quality of their reputations? These are the last firms you would expect ever to get embroiled in these fads. Rather, they thrive on an uncompromising approach to people selection, a sharply targeted approach to market, and an uncanny ability to turn away clients. Without CRM, Slaughter and May acts for more FTSE 100 companies than any other UK firm. If anyone's relationships are institutionalised, it is theirs. Could this be because they understand better than anyone else the fundamentals of business (outlined in the bullet points above)? The answer is manifestly yes. It could also be that what they do is to do their job to such a high level of quality that they don't need a "programme"? Has this resulted in the most sustained word-of-mouth campaign the UK legal market has ever known? Yes.

Clients want to be in the Slaughter and May "club". Their lawyers too are proud to be members of a select community. And few lawyers, if any, for whatever reason now ensconced in other firms, hide the fact that they were trained by Slaughter and May.

It seems patently obvious to me that firms like Slaughter and May simply focus their attention on the client interface rather than on themselves. They appear to be fearless in their pursuit of legal and service excellence such that they have no need for a "programme". They have no use for a means by which to mask their inadequacies or shirk from their responsibilities.

Marketing sophisticated legal services successfully relies on patiently building relationships and reputation by focusing on helping clients rather than managing them. And of course firms like Slaughter and May or Wachtell, Lipton wouldn't call this marketing at all. They simply have a fantastic product meeting the needs of fantastic clients, creating unparalleled, positive "word-of-mouth" and mouth-watering profits. There is no "programme".

If such a firm were to adopt an acronym, it might indeed be CRM, but I can't help feeling that it would stand for Client Result Maximisation. If I am right, these firms probably have more than their fair share of truly client-focused people. This all goes back to selecting the right people to bring into the business in the first place. From the point of graduate intake, they are uncompromising about recruitment. They are uncompromising about retention and they are uncompromising about under-performance. At any level.

Call me strident, call me counter-intuitive, but it strikes me that all firms need to do is to enhance the client's experience of dealing with them. They can achieve this by sharpening their focus on achieving results for the client. The word-of-mouth and profits will follow.

Above all else, firms need a healthy dose of business common sense. That'll be BCS then.

EFFICIENCY

The Procurement Paradox

Just when you thought General Counsel were getting into bed with their Procurement Director colleagues, some law firms have embraced the concept themselves

Has it ever seemed odd to you that law firm partnerships remain so obsessed with their overheads and yet are still so ill-equipped to manage them? Having sat in dozens of law firm board meetings over the last 10 years you might imagine that I no longer find this pre-occupation strange, but you'd be wrong. I find it more surprising now than ever.

The reason is simple: law firms spend a disproportionate amount of time merely tinkering at the edges of their cost-base, often with the wrong objective in mind. You know the one - it involves minor financial engineering to deliver modestly enhanced short-term profits. And it's the one that avoids upsetting the apple cart at all costs. The only problem is that by relying too much on tinkering to improve partner profits, bad apples are left to rot in the cart.

Generally, lawyers have not approached this issue with long-term, sustainable benefits in mind. Until now that is. All of a sudden, a handful of major UK firms have discovered that the rules of the game are changing and have responded constructively and professionally to the challenge.

Efficiency has now become a key driver in their clients' decision making processes. Sure, they want the best advice, a first class service and a good relationship, and of course they want to know that their legal service providers have diversity, pro bono and other ethical policies in place, and yes they want added value (whatever form it may take), but all of these things are now common place in many firms. Taken together, they determine where a law firm lies on the overall value curve. As I've said many times before, when it comes to value beauty is in the eye of the beholder.

Be in no doubt, efficiency is the next "big thing". It is the next big opportunity for law firms to provide better value for money without diluting profits. Indeed, I predict that those firms who seize this imperative will enhance their profitability significantly in the long run. In order to remain competitive and relevant to their clients, a clutch of firms have already begun to take the matter seriously. These firms know that the pressure from major corporations for superior service and value is only set to increase over the next 5-10 years and that to continue providing excellence to clients whilst maintaining high levels of profitability, they can no longer increase their charge-out rates as a matter of routine. At the same time they also know that lawyers' salaries are not likely to remain static.

This new imperative efficiency - has two elements: process and procurement.

Process involves looking at the components of repetitive or standardised legal services and identifying ways in which they can be packaged, delivered and priced more efficiently, imaginatively and competitively. Procurement involves ensuring

the costs associated with the people, systems and space (facilities) that underpin legal service delivery are managed as prudently as possible. It means buying, cost-effectively, the right people, the right systems and the right facilities to meet the expectations of clients.

Whilst lawyers are best placed to deal with the former (process), expert procurement professionals can play an important part in helping with the latter. A small number of "top 30" firms that have recently pioneered the use of senior procurement managers, either by recruiting them (this is rare) or by bringing them into the business on an interim/project basis. So what is the paradox? It is this: just for a change, a few enlightened law firms are going with the flow and aping developments within the teams of their in-house counterparts, at a time when there are still pockets of resistance among some General Counsel to the inevitable rise in the influence and involvement of procurement directors in the way they buy legal services. This is good news for law firms and their clients. It means that just for once, instead of resisting change and going into denial, private practices are embracing change in order to keep abreast of the shifting legal landscape. Corporate counsel should take heart from this, because it signals that some law firms, at least, recognise that the pressure on value is here to stay and they can see the commercial rationale for adopting good procurement practices.

There are three ways in which procurement professionals can assist law firms. Firstly, they can help to streamline procurement processes and make them more efficient; secondly, they can introduce "best practice" by transferring knowledge to line managers with regard to process planning,

Efficiency

commercial awareness and negotiation skills; and thirdly, they are able to secure significant and sustainable cost savings, often running to hundreds of thousands of pounds and, in the largest firms, millions. However, the most enduring benefit lies in the second of these because it leaves a powerful legacy within the firm. This legacy is based on tried and tested methodologies; improved supply security; and sustainable economic efficiency (see diagrams). The lower the cost-base and the better the legal process, the better the value delivered to the client and the more scope for improving law firm profitability.

For the avoidance of doubt, let me be absolutely clear that I am not talking about Cost Reduction Analysts here. There is a world of difference between that animal and the one I am focusing on in this article. No, procurement professionals do not take a percentage of your savings; they charge a fee (typically a day-rate) for their independent, expert advice and for the lasting legacy they leave in terms of knowledge transfer.

Not unnaturally, cost savings are too often associated with reducing the specification of a product or service, but this is a fallacy. It need not be painful. And some people in partnerships worry about the introduction of "counter-cultural" practices, but these are unfounded too because procurement professionals have learned to be sensitive to the importance of different cultural nuances within law firms.

We have seen first hand how a significant return on investment can be delivered to our law firm clients. A return of between 5:1 and 15:1 is not uncommon at all, so that an outlay of, say £75,000,

could yield annualised savings of around £750,000, not to mention the repeat value of such savings in subsequent years. One such client has announced profits up by more than 25% this year, due in large part to its recent assault on efficiency with the guidance of our procurement expert. However, the scale of savings or improvement in profits depends on the size of the practice.

In this article I have, quite deliberately, not insulted the reader's intelligence by listing the most likely areas in which efficiencies can be made through good procurement; you know what areas concern you the most. But let me finish with another paradox: line managers in many law firms are still given the freedom to approve and sign poor or risky contracts on behalf of their firms. Yes, I'll repeat that - lawyers are still allowing senior managers, competent though they may be in their own discipline, to sign legal documents on their behalf and, as amateurs without the proper commercial training, they will one day make a costly mistake.

I will leave you some pearls of wisdom from renowned management thinker, Peter Drucker, who said some 40 years ago that "buying is as important as selling".

For many partners who don't enjoy selling, this will of course be music to their ears. I suggest you keep it to yourselves!

LISTENING

In Praise of the Humble Monologue

During the summer of 2005 I read a remarkable book that had a profound effect on me. It was written in 1940 by Carson McCullers. Her acclaimed first novel, she was just 23 at the time of its publication. "The Heart is a Lonely Hunter" is set in a small town in the deep South (of America) and is the story of John Singer, a deaf-mute, and a disparate group of people who are drawn to his kind, sympathetic nature. Each pours their heart out to their "silent confidant" and he in turn touches their lives in ways they could never imagine.

Little did I know that the book would play a part in paving the way for the Meyler Campbell business coach programme I was to begin a month or so later. You see, John Singer was on level five when it came to listening. Even though he couldn't hear, he was able to lip-read and to write; but rarely would he respond in this way. Instead, he listened with all of his remaining senses. He understood without being able to say so and without needing to say so. His "friends" - the various characters in the book - knew instinctively that he understood more deeply than anyone else ever could the issues each of them was facing.

Listening

Here are two excerpts from the book:

“She loved to go up to Mister Singer’s room. Even if he was a deaf-and-dumb mute he understood every word she said to him. Talking with him was like a game. Only there was a whole lot more to it than any game. It was like finding out new things about music. She would tell him some of her plans that she would not tell anybody else.”

And from much later on in the novel:

“She talked to him more than she had ever talked to a person before. And if he could have talked he would have told her many things. It was like he was some kind of a great teacher, only because he was a mute he did not teach.”

The secret of John Singer’s gift for empathy lay in the fact that he had an unconditional positive regard for each of the characters who confided in him. He held their trust because he respected and cared for them simply for who they were. He was big on acceptance. The secret of their success in spending time with him as and when they needed to - each often just rambling away - was that they went on a voyage of self discovery. And afterwards, they made their own choices.

I have found, during a number of coaching sessions in these past months, that some clients place a disarmingly high value on being able to unbundle, to ramble and, yes, sometimes frankly to “dump the negative”. Often, it is this process alone that heightens their self-awareness. Armed with this

they find that self-direction comes more easily. Me? I have learned simply to sit ... listen ... understand.

A group of Meyler Campbell graduates called The Alliance reminds us what Kahlil Gibran said in The Prophet: “If he is indeed wise he does not bid you enter the house of his wisdom, but rather leads you to the threshold of your own mind.”

Well, I have an icon of my own! A certain mould-breaking rock guitarist from the 60s, renowned for making a somewhat industrial noise with his instrument, put it even more poignantly: “Knowledge speaks, but wisdom listens.”

His name? Jimi Hendrix.

This quotation has occupied a space on the back of my business card since the day I started my own business a few years ago. It always rang true with me even as a consultant, but its significance has become even more compelling since I started coaching.

In fact there are four people I encountered in thinking about this article, all of whom had come to the same conclusion: Carson McCullers (at the tender age of 23), Kahlil Gibran (aged 40 at the time The Prophet was published in 1923), Jimi Hendrix (barely 28 before he died) and psychologist Gerald Corey. In his book “Theory and practice of counseling and psychotherapy”, published in 1982 he wrote: “The therapeutic relationship, then, is the critical variable, not what the therapist says or does”.

Having made a career as an adviser to high-achieving, super-intelligent, successful professionals and business leaders over the last 17 years, recently I have had to unlearn the need (my need that is) always to provide the answer, the crutch, that clients say they want.

SLATER'S DOZEN: Collected Thoughts on Law Firm Management

Now, because of Meyler Campbell, Carson McCullers and others, I am more conscious about which skills to use on different occasions - when consulting to a firm, when providing close counsel to a managing partner, or when coaching a company director. And when a business leader tells me that what they want is a coach who will tell them what to do I politely inform them that what they need is a mentor or adviser and that this is a different kind of relationship. The message seldom falls on deaf ears.

One thing that has remained constant over the years, and it has been a gradual process, is that through the experience of working with people to help them achieve their goals, I have discovered the sheer power of listening - the lasting and inestimable impact of silence.

"The Heart is a Lonely Hunter" is a classic novel. Many of you will already have read it, but if you haven't, don't delay. It shines a beacon of light on the complexity of human relationships.

SIMON SLATER

After an early career in the (sales) school of hard knocks with SmithKline Beecham and Pfizer, and a fascinating spell in business-to-business brand management with Swedish multi-national, SCA, Simon became one of the first pioneers of professional service firm management in 1989.

Over the next 15 years he worked with the boards of leading practices – DTZ Group plc, Charles Russell (where he was the first law firm COO), Eversheds and Taylor Wessing. During this time he developed a reputation for bringing a refreshingly pragmatic and progressive approach to the management of professional practices, be they publicly quoted or private partnership.

Simon was a founder and director of leading recruitment company, First Counsel, and managing director of its interim management business until 2010 when he co-founded Intelligent Office Consulting Services Limited. Simon provides strategic and operational advice to legal and other professional service firm leaders. He also has a number of non executive directorships in other walks of life.

Email: simon.slater@intelligentofficeuk.com

“Simon has a voracious appetite for law firm strategy and global legal industry issues. Interactions with Simon are always fun and intellectually stimulating. I admire his experience and tremendous energy.”

E. Leigh Dance – President, ELD International, Inc.

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The background is a solid blue color with several overlapping, semi-transparent circular shapes of varying shades of blue. A tilted, semi-transparent rectangular shape is positioned in the lower-left quadrant. The overall design is minimalist and modern.

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