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Why some law firms fly – and others hit the rocks

Addressing the following three management issues will help your law firm on a journey of success year after year and separate it from rivals, writes George Beaton

At a recent seminar titled 'Why some law firms fly' I shared my experience of 25 years in consulting to law firms. I reflected on why some firms perform year after year in an all-round standout way. For my theme I used the metaphor of the play and television series *And the Big Men Fly*, which is based on an Australian rules football legend. The response of the seminar audience was overwhelmingly positive, so I thought I would share the key points.

Why some firms fly – reason #1

Very few firms have or can develop true structural advantages. That is, most firms are at parity with their competitors in what they offer to a given market. This means they cannot differentiate themselves by what they do (i.e. in their services) or through whom they serve. (i.e. their target markets).

Firms that fly find competitive advantage more in *how* they conduct themselves and not in *what* they do and *who* they serve. Conduct (the *how*) revolves around being cost conscious, easy to work with and demonstrating a deep understanding of the clients' business and the industry in which they compete.

There are, of course, exceptions to these general statements. Unique (in the true sense of the word) offerings are possible; these are usually firms with one or more specialisations in service lines or client sectors. A good test of specialisation is the answer to the question: 'How many competing firms will a client pass in travelling to see you?' The further a client is prepared to go, the more likely you are to be perceived as specialised.

Why some firms fly – reason #2

Managing the capital structure and reward system, while critically important, is not sufficient to drive superior sustainable performance. Firms that fly realise this and invest in a reward system that is *trusted* by partners and staff alike. Trusted reward systems are transparent and perceived as fair.

The practical approach to a trusted reward system is a continuous conversation that addresses key questions about the firm's goals ('*Where do we want to go?*'); strategy ('*What are we doing to get there?*'); values ('*Why are we together in business?*'); and fairness ('*How does pay reflect the relative contributions of partners to the firm's success?*'). The conversation needs sufficient transparency to engage all stakeholders (partners, aspirant partners, management) meaningfully.

Why some firms fly – reason #3

Many firms publish a statement of their core values. But espoused values that are not consistently *lived* and applied to all without fear or favour are not values; they are simply words on the wallpaper or screensaver. Firms that fly patently live clear values. To their shared values, firms that fly add a *shared vision* driven by excellent *leadership and management*.

The pace of change in legal services confuses the unprepared firm. Are they witnessing a mere cyclical event or is it structural? Most hope for the former and believe they can ride it out. But they are actually facing the latter – a structural shift in the market. Law is being delivered differently because clients say it should. In strategy language, ‘structural’ means permanent and progressive. And here is the rub. For incumbents, ‘structural’ almost always means adverse, whereas for new entrants and substitutes it means opportunity – usually temporarily for the former and long-term for the latter.

Headlines such as ‘Thirty of the UK’s Top Law Firms in Trouble’ prove the point. Law firms that are not professionally managed as a well-run business are likely to perish. How many law firms are run with a business-based governance structure, or are they more of a commune? How many research and develop a true business plan, or do they just dust off last year’s budget and add CPI?

Too many firms that surfed the good and easy times are now starting to hit the rocks. Thankfully, there are firms that take the business of management and the management of business professionally. They will be the ones that survive law firm future shock. They will be the firms still ‘flying’ while others are foundering.

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