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Success = Ability + Stability + Affinity + Agility

At a time when there is pressure on law firms to deliver more than just high-quality legal services, they need to embrace and juggle four key elements of legal practice that can mean the difference between triumph and failure, writes Joel Barolsky.

It's remarkable how many law firms have flourished for years by focusing on just two things: [1] their technical legal ability, and [2] maintaining the firm's cultural stability, particularly equity partner cohesion and retention.

In my 30-plus years consulting to lawyers, accountants and other business advisors, I've come across many successful firms with undifferentiated brands, poor management disciplines and ho hum business models. Super profits were generated merely by being high-quality legal advisors and keeping things collegial. They succeeded, more or less, by just showing up!

But no more...

Power shift to clients

The biggest structural change in the Australian legal market over the past two decades has been the growth in in-house lawyers. Recent Urbis data reveals that in-house lawyer numbers increased by 67 per cent for the period 2011 to 2018.

This trend has meant that private law firms went from being briefed by CEOs or line managers, who were generally not legally trained, to expert informed purchasers. As sophisticated buyers, in-house lawyers generally brief better, negotiate harder, apply a keener eye to invoices, and find it easier to shift from one supplier to the next. There is little doubt that over time the power has shifted from firms to clients.

In this competitive context, law firms have realised that forming deep, trusted relationships based on in-depth knowledge of a client's business and industry is critical to loyalty and advocacy. Trusted relationships help the firm increase both the range and volume of work they receive and lower transactions costs.

In the 2020s, it almost goes without saying that firms that have a strong affinity with their clients have a much better chance of succeeding than those that don't.

Moving with the times

Stanford Law School 's Codex initiative reveals that there are currently more than 1730 legal technology start-ups across the globe. Many of these new businesses were created within the past five years.

Legal technology is just one area of rapid change within the legal market. Others include post-Covid-19 flexible working models, new direct and indirect competitors and ongoing regulatory developments.

If a law firm is changing slower than its environment, then it runs a serious risk of losing touch and losing ground. In this context, agility becomes another key success factor.

Agility refers to three main capabilities:

- **sensing** – picking up relevant changes in the client, talent and competitor arenas;
- **nous** – identifying creative options and making good commercial choices; and
- **adaptation** – executing changes to meet new needs and realise new opportunities.

The message around agility is not new. The problem is that many practitioners hear this message, but in their minds the call to be agile potentially contradicts with ability and stability. Typical questions/objections: how can we innovate and be stable at the time? How do we self-disrupt and retain our cohesion? How can we proclaim expertise in things we've never done before? Why should we risk the very things that have enabled our success to date?

What to conserve? What to let go?

The key leadership challenge in dealing with this issue is to discern what to conserve and what to let go. Firms need to have honest and intensive conversations around the things to protect, and the areas of change. The inherent contradictions and paradoxes of ability, stability, affinity and agility need to be explored and worked through.

At the same time, leaders need to be resolute that it's an AND argument, not an OR argument – the firm needs all four, not just one or the other.

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