

INDIVIDUAL LAWYERS ATTRACT NEW CLIENTS, BUT SO CAN LAW FIRMS

By Mike White



My client shared with me recently the “insight” that “clients hire lawyers, not law firms . . .” If I had a bitcoin for the number of times I’ve been on the receiving end of that comment . . . well, let’s just say I wouldn’t be writing these articles.

I don’t mean to suggest that the opposite is true – the truth is that many clients do in fact hire individual lawyers and not the law firms for which they work. This of course begs the central question: Why should law firm leaders accept this expectation? When you think about it, it’s pretty disrespectful to your law firm as an institution – “You mean to tell me that after spending many years operating in our marketplace, our law firm can’t claim any credit for attracting business to the firm?” What are law firms doing wrong to support this expectation, and what could they be doing right to connect their entire firm to prospects and clients?

The truth is that even some of the most successful firms are an assemblage of great artists. In the eyes of clients and prospects, firms are only as good as the relationship partners they deal with. But law firms can do much better, and I spend a lot of time with Edge clients helping firms establish their own firmwide connection with prospects and clients. Building this kind of brand equity is a bit of a multi-front war and can be operationally intensive, but described below are a few example strategies firms can undertake:

- 1. Unconventional cross-functional teams within law firms create new pathways** – for example, use the collective currency that your L&E and ERISA practice groups enjoy with the corporate HR function, and have those practice groups partner with your corporate practice group on structuring HR outsourcing relationships.
- 2. Purpose can be promoted** – law firms often take for granted the way they go about their business. From onboarding lateral partners, to training younger lawyers, to managing the adoption of technology by lawyers, these are all essential and potentially compelling portions of your firm’s operating model. If your firm is purposeful about the way it goes about these things, then educate the marketplace about this important operational DNA.
- 3. Cross-disciplinary wisdom is in short supply** – train your lawyers to look for opportunities to bleed into other non-legal business advisory disciplines. For example, your litigators could become front-end risk-assessment and mitigation advisors as much as are AON and Marsh, or your corporate lawyers could get their hands as dirty with post-acquisition business and process integration issues as do your client’s outside management consultants and technology consultants.
- 4. Firmwide relationship brokerage awakens a dormant asset** – it’s one thing for your lawyers to put prospects and clients in touch with business actors the lawyers themselves know directly – tier I lawyer rainmakers do this all of the

time; however, it's quite another thing for law firms to make use of the important relationships *all* firm partners enjoy across the firm. Moreover, your firm's relationship assets extend well beyond your client roster, and include the non-client relationships with business people each partner enjoys.

5. **Process! Process! Process!** – process is the mother's milk of enterprise brand equity. For example, even if the market perceives your people to be better than the human capital at competing peer firms, it is your recruiting and professional development processes that undergird that success. You should exploit this objective asset by educating your lawyers about why your firm's professional development and recruiting processes are different – and, therefore, better.
6. **The “Playbook”** – most great companies – in fact, most great business services companies – are able to define, articulate, and reduce to writing “The XYZ Company Way.” Professionals at these special companies know what is their firm's secret sauce – the operating elements, methods, processes and incentives that make how they do what they do special, different, and better. These great companies all put together some form of “playbook,” reflecting their secret sauce. I strongly encourage my law firm clients to put together their own playbook, as it usually triggers important cultural and operating advances at the firm. When I help law firms create a playbook, I use it as an opportunity to layer in some important innovation opportunities (technologies, new processes, new fee structures, etc.). Through this process, they also begin to think of what they do as a “whole product” rather than as isolated technical legal output.

Of course, establishing firmwide relevance and brand equity with your market is no trivial endeavor – do not lament if you don't see your firm becoming the next Cravath, McKinsey, or Goldman Sachs overnight. As dynamic as we like to think the legal market is today, it's still early days and the bar is low. Firms can gain real competitive advantage by putting together a playbook and educating their sales and delivery resources – their lawyers – about what's in it. So have at it – make your own playbook!

DIGITALIZATION OF INDIAN LEGAL INDUSTRY AND ITS TRENDS

By Bithika Anand



Advancement in information technology (IT) has always been one of the transformational factors in any business industry, and the Indian legal industry has not been untouched by its impact – although the industry has been gentle to adopt digitalisation as part of its practice. But we have seen various law firms, be it family-run or contemporary, accepting the technology and also keeping themselves abreast of technological developments.

The introduction of technology in the legal industry is the outcome of echoes happening in the broader business ecosystem, where the convergence of new technologies and automation with business processes have created client and business advancements, along with the adoption of modern systems.

The impact of legal technology is rapidly changing the practice of legal departments and law firms as they become more aware

of the cost efficiencies being shaped by IT. Recent developments in legal IT are also facilitating the development of new strategies, business processes, management structures, collaborative and conducive working arrangements, delivery-oriented systems and client relationships.

The driving forces behind the interrelationship between legal-service providers and their clients are as follows:

- New entrants in the market
- Strong price competition and alternative fee structures
- Productization
- Clients' expectations
- Innovative delivery approaches

These forces have encouraged legal departments and law firms to re-strategize their practice models and operations. In such an evolving ecosystem, the technology has become an epicentre of growth by ensuring the redesign of processes, client delivery, productivity, and profitability, as well as firms' economics. IT will not only act as the enabler of the value chain but also as the value creator.

In the current scenario the following trends are emerging from the evolution of digitalisation in the legal industry:

TREND 1 – Robot Lawyers/Artificial Intelligence

Artificial intelligence (AI) has been able to adept the ecosystem of the legal industry, and has been able to minimise rote tasks. The introduction of AI to legal technology has revolutionised the industry as well as digital applications like contract management, time-sheet, research, legal analytics and more. It has been discussed that lawyers may get replaced by robots driven by artificial intelligence, and that they will play a crucial role in executing matters and transactions. Cyril Amarchand Mangaldas has taken the first step by providing a platform for the pilot artificial Intelligence project of the country. Various service providers, like Anvi Legal, have also ventured in.

TREND 2 – Client Delivery and Communication

Legal technology is defining new avenues to streamline the lawyer-client relationship. Various portals and collaborating platforms are facilitating the systems, providing faster turn around time (TAT), virtual presence and availability, transparency toward the matter status, document sharing, research and audio/video facility, along with sophisticated security technology. With advancements in communications and client interactions, which were historically driven by personal meetings, calls and letters have now taken a shift towards video conferencing, Facetime to texting, online dashboards with MIS, etc. Firms like Nishith Desai Associates have already developed systems such as data management, knowledge management and client-relationship management, along with various other in-house softwares. Hammurabi & Solomon has also adopted a system to enhance the relationship with its clients. Singh & Singh Lall & Sethi has created a benchmark by becoming India's first paperless firm.

TREND 3 – Cloud Computing

We have seen law firms showing a significant inclination towards cloud computing. Firms are procuring cloud-based firm-management software in such areas as document management, practice management, knowledge management, client-relationship management and human-resource information systems. With the advancement of digitalisation, law firms are leaning towards virtual servers to secure and archive their data. Recognising the importance of such smart technologies and cloud computing, law firms are making huge investments not only in procuring systems, but also in adopting the sophisticated tools to secure the same. Virtual computing tools are also facilitating reductions in fixed costs, and are allowing lawyers to work remotely either from courts, clients' offices, home or co-sharing spaces. Organisations such as Reliance Communication, Tata Capital, National Stock Exchange, Oriental Bank of Commerce, Khaitan & So, Fox Mandal, Saikrishna & Associates, etc. have procured cloud-based systems to facilitate their practices.

TREND 4 – Performance Mapping

Being a service industry, it is imperative and critical for law firms to track the productivity and profitability of the delivery. Factors like client generation, billings, billed hours, receipts, etc. have become essential for practice. Legal technology has made it clickable to create such reports and analyse the same. It has become assessable to benchmark the teams by mapping their performance and productivity. The legal industry has travelled from manual discretionary performance evaluation to automated human resource information systems (HRIS).

TREND 5 – Online Legal Services

We have recently witnessed various online platforms that provide opportunities to potential clients to connect with lawyers for basic services ranging from trademark registration, registration and execution of wills, leases, contracts and lease agreements, to dishonouring of cheques, consumer complaints and recovering suits. Platforms like LawRato, Path Legal, MyAdvo, Legistify, Aapka Consultant, Lexcarts, SoOLEGAL, MeraVakil, etc. have initiated the trend of bringing experts from different legal fields and locations to offer comprehensive legal solutions to the client. These online legal service providers connect legal practitioners and categorise them as per their practice areas, locations and fee schedules, making it easy for the client to do the cost evaluation vis-à-vis sensitivity of the matter.

The Indian legal industry is one of the oldest professions, and it is witnessing a transformation with the development of smart technology. From the client's perspective, the services have become cheaper and more accessible, whereas from the firm's perspective they have become more productive and profitable. The adoption of technological approaches is not only saving time and money, but also becoming a facilitator in nourishing relationships and assisting firms to achieve the next level of growth.

2018 – AUSTRALIAN AND NEW ZEALAND LEGAL PROFESSION OUTLOOK

By Sam Coupland



One of the benefits of writing an article at the end of the year is the opportunity to look over what has happened in the past 12 months and make some predictions of which trends will continue into the new year – hence the snappy title of this article.

2017 was a turnaround year in the Australian and New Zealand legal profession. Despite media predictions of doom and gloom, financially at least, most firms had their strongest year for a long time. There is no one-size-fits-all reason for this, but a number of factors are at play. On a macro level, the economies of both countries are improving, and on a micro basis, the tougher years have seen firms work hard on getting their personnel structure right, which has reduced unnecessary costs and the resultant fiscal drag.

Turning to 2018, these are my predictions regarding what the next 12 months will look like:

Improved profits

Good firms of all sizes will do well financially. Demand is increasing and so are the key drivers of profitability; namely, rates and hours.

In 2017 rack rates and realised rates for all categories of fee earner increased and the margin between rack rates and realised tightened. This was possibly helped by the 'bigger bastard' theory, where clients know (either through experience of osmosis) that other firms or a group of firms are charging a lot more. This applies to the total cost of matters, not just hourly rates

For the first time in about ten years, recorded hours have increased. I know mention of chargeable hours is anathema to many commentators, but it is still the predominant way of generating fees and is the best measure of utilisation within a firm.

With price and productivity increasing and a buoyant economy to operate in, 2018 should be a great year for good firms.

Personnel structure will continue to evolve

Leverage (the number of employed fee earners per equity principal) as a differentiator has almost disappeared. Clients are increasingly demanding senior lawyers do their work and they are prepared to pay for it. This coincides nicely with what senior lawyers want to do: after all, they trained to be lawyers not people managers.

I see the trend toward leaner teams continuing in 2018. For practices which do the high-end complex legal work, these teams will be a cluster of experienced senior lawyers with very little leverage. For the more commoditised work, firms will make greater use of technology and contractors to ensure those people on the payroll are fully utilised. Gap-filling by contractors will reduce the need for firms to have a large 'standing army' to cope with the peaks in demand.

More merger activity

There is interest at both ends of the acquisition / merger spectrum to do a deal where possible. Firms with an expansion mindset see acquiring a firm or practice group as the fastest and cheapest way to grow their business. They will usually have a support structure that can accommodate – both physically and managerially – an additional practice or two which provides economies of scale.

At the other end, an acquisition or merger can provide a firm with a circuit breaker for some of their managerial challenges or deadlocks. This could be anything ranging from succession to disparity in contribution or a hollowing out of market share.

Cash payments for equity will become increasingly scarce

For firms of all size, a lockstep entry to equity is more common than dollars changing hands from the sale of equity between partners. Similarly a merger is more likely than a trade sale between firms. The opportunity for the partners in a firm being acquired is usually the likelihood of earning more in the merged entity, plus a one-off opportunity to realise the firm's balance sheet.

Like most of the economy, sale of law firm equity is becoming a buyer's market.

Genuine innovation remains on the horizon

Conferences will continue to be built around innovation, artificial intelligence and a general theme of 'the machines are coming, so get on board now'. There is no doubt there is plenty of movement in this area but there are also limitations, least of which is widespread client acceptance. So the conference industry is safe for a few years yet.

As I write this in December, I am wishing you all the best for the Christmas break, and looking forward to what will be a prosperous 2018.

MAY 2, 3, 2018: GERRY RISKIN, ATLANTA, GEORGIA (THE MANAGING PARTNER FORUM)

By Edge International

The MPF 2018 Leadership Conference will be held on May 2-3, 2018 at the Capital City Club in Atlanta. Registration will open soon.

Further particulars to follow.

[More information](#)

TEN STEPS TOWARD A HAPPIER FIRM

By Nick Jarrett-Kerr



I have been involved in the management of professional service firms for upwards of twenty-five years, and during that time much of my effort has been directed towards helping firms to develop and build what might loosely be described as “success” – strategic success, financial success, business development success, organisational success and positioning success (relative to rivals), as well as individual career and monetary successes for the professionals involved in the enterprise.

Profit is of course key to the survival and prosperity of any business, and all the individuals in professional service firms are quite rightly focussed both on how to maximise the potential of the firm and how to achieve a sustainable, productive and effective organisation that adds value to clients and can appropriately reward its stakeholders. In this context, the topic of organisational culture, for instance, has concentrated on researching and analysing the dimensions of culture that have been found to make a difference in a firm's success. The logic is that a powerful and positive culture can bring people together, serve as the glue that turns a bunch of individualists into a team, and fire up the firm's members to perform better and more harmoniously.

Having said all that, I have not come across an enormous amount of discussion or analysis about what makes a firm happy *per se* – in other words what makes it a rich and harmonious place to work and hang out, regardless of the profit motive.

It might seem obvious that good leadership is a necessary element in any happy ship. Whilst in a crisis people respond to the imposition of martial law, a contented firm needs a more nuanced approach – a blend of determination and emotional intelligence. At the same time, nobody wants to be pampered for long or to live in an atmosphere where any sort of conduct is tolerated. Like parenthood, discipline with a lightish touch needs to balance out mere indulgence. Somebody told me quite recently that he thought that leadership and love overlapped a lot; certainly it helps enormously if the leadership group in the firm are passionate about the firm and what it does, and the leaders care deeply for the firm's members.

In this article, I attempt to list ten steps that the leadership team can take towards a happier firm. They are based on facets of contented places to work that I have experienced or observed through the years. I am sure there are more! This does not set out to be an exhaustive academic piece but instead a set of reflections and suggested steps that lean entirely on my own experiences and observations.

Step One. Equipping for the Journey

The starting point for any journey is to know where you are going, how you are going to get there and the tools and kit needed for the journey. The objective of this step is that by investing in the office “ecology”, the office can become an awesome place to work.

Whenever I walk into the offices of a professional service firm, I am always struck by the atmosphere of the place, rather than the glossiness of the reception area. Some offices seem to radiate warmth and friendliness whilst others seem more clinical and lacking in energy.

There seem to me to be three features in which the happiest firms invest time and money. First, and most obviously, a well-

trained set of reception and office staff clearly helps the visitor to the firm, so training members of the firm in soft as well as hard skills helps internally. Second, although a pleasant office may not be motivational, nevertheless an unpleasant place to work clearly demotivates. People may complain if a room is too cold but take it for granted and rarely enthuse when the temperature is just right. Hence, the obvious artifacts of office life need thought and care – the sort of attention demanded by enthusiasts of Feng Shui, for instance.

The third ecological element is the much vaunted, researched and analysed “organisational culture”, often described as “the way things are done round here”. I was once told by a managing partner of a law firm that he controlled the firm’s culture, but I think he was mistaken – the best anybody can do is to influence it (positively or negatively). A good way of doing this for the firm’s leaders to be exemplars of the sort of positive cultural traits, values and behaviours that they espouse. This is a tricky area in which to invest – soft, long term, fuzzy and almost impossible to measure quantitatively.

Step Two. Stepping up Intercommunications

One of the most often heard complaints about an unhappy workplace relates to communication: specifically when it is poor, patchy, economic with the truth, or lacking transparency. There are some significant structural and emotional barriers to good communication in law firms. Teams, practice groups and offices can easily lapse into functional silos, with poor communications even between people on different floors in the same building. In addition, the concentration on maximising the billable hour and the drive to prioritise time generally, combine to reduce interaction between staff. The use (or misuse) of email, and stilted discussion at formal team meetings become a poor substitute for the easy interchange of ideas which can often take place in a semi-social setting. What is more, many firms have grown to the extent that fewer employees know each other. Whilst communication between friends is often difficult, communication between strangers can be fraught with problems.

The truth is that the traditional structure and hierarchies of professional firms do not lend themselves to a culture of easy communication. A ‘them and us’ tradition can lead to grapevines, rumour-mongering, suspicion, cynicism and muddled goals. In such an environment, many partners have difficulty in perceiving what their tasks and roles are, and how they are expected to contribute to decision-making.

The leadership team and the partners can also often find themselves singing from different song sheets and the fragmented results almost always have an adverse effect on morale. In response, there is a temptation to increase the number and length of meetings, memos, papers and e-mails, with less likelihood that the offerings will be read and understood. Conversely, some leaders continue to act on the premise that knowledge is power and purposely under-communicate within the firm so as to protect vital information and data from slipping out of their controlled grasp. Complaints about poor communication can also act as code for a general gripe about lack of involvement. What is clear is that much of the task for the leaders is painstaking, often process-driven, and at times downright boring. The clear message to firm leaders is that they should adopt a careful and methodical approach to their strategy for discussions, interchanges and information flows.

Step Three. The Long Walk to Collegiality

The assets of a “people” business tend to enter into and out of the office every day. Partnership relationships tend to be quite long term and although they are business relationships and not necessarily personal ones, they need investment. It is easier in this context to make a long list of the many mistakes made in firms in understanding and developing people. Closed doors, hierarchical thinking, displays of arrogance and self-importance, selfishness, impatience, intolerance of mistakes, eagerness to lay blame, morale-sapping behaviours, anger issues, bullying, sarcasm, disrespectful treatment of others, exploitation, unwillingness to listen, internal politics and jealousies are all features of unhappy firms where morale is low and where careers tend to be short-term. It is vital to realise here that the positive antonyms of the above list are formed by acts of will and matters of decision rather than by a feeling or a burst of emotions. Happy firms tend to be ones where the leaders and followers have made a conscious determination to invest in relationships, moderate their behaviours, and do their best for the collective membership and to individuals at all levels.

Step Four. Walking at Different Paces.

We tend to like people to be like ourselves. This can lead to intolerance of people who are different to us, and this can breed unhappiness. Aleksandr Solzhenitsyn once observed that “it’s an universal law – intolerance is the first sign of an inadequate education”. The way in which the firm handles diversity is critical to the achievement of harmony – not just ethnic, cultural, religious or biological diversity, but diversity in views, opinions and behaviours. The key to the happy firm lies in understanding and making allowance for the very different ways in which people interact and behave as a result of their particular mixes of history, origins, upbringing, traditions and personalities.

Professional service firms are made up of many elements of diversity as well as different character types – extroverts, introverts, drivers, and thinkers are amongst them. People in firms tend to look at the world in different ways. Some constantly strive for

results, some are laid back and amiable, some are analytical and some are process-oriented. People come across vastly differently as well – for instance, as dramatic, entertaining, sociable, closed, reserved, sensitive, submissive, or indecisive. None of these different approaches are necessarily right or wrong but there are at least two issues. First, relationships between diverse personalities can easily become toxic. Too often we fall into conflict and become critical when we expect everybody else to behave and interact just like us. The second issue is that strengths can become weaknesses; laid back people can become lazy, drivers can be dictatorial and perfectionists can become paralysed by their analysis. The disciplines of self-perception (and a desire to correct one's own shortcomings) together with an attitude to others of understanding, appreciation and encouragement enable harmony to be achieved, strengths to be pooled, risks to be identified, and robust decisions to be agreed.

Step Five. Loving Curiosity

Conformity can have a somewhat deadening effect on the atmosphere of firms. All professional service firms need to have processes, systems, quality checks and compliance regimes. All of these are no doubt necessary for efficiency, risk management and regulatory control. However, I have often noticed how weighed down people often can feel because of the huge load of internal regulation, some of which can seem unnecessary. Morale suffers where there is too much unnecessary red tape. To quote Joseph Conrad, "The atmosphere of officialdom would kill anything that breathes the air of human endeavour, would extinguish hope and fear alike in the supremacy of paper and ink". It is of course easier said than done to say that the compliance touch should be as light as possible, consistent with the firm's overall objectives. Slavish and obstinate adherence to existing systems can however be avoided if firm members are encouraged (and rewarded) to be questioning, proactive and innovative in suggesting alternative approaches and new ways of doing things.

Step Six. Grinding Through the Pain Barriers

Happiness is not the absence of conflict. I have always loved the example of the grit in the oyster to illustrate the importance of constructive debate and the advantages of healthy argument on important issues. The tension between two valid points of view can often be tested and deployed to make decision-making better. Innovative ideas can be generated by the use of creative tension and energy. The problem is that in any discussion, bitterness, resentment and anger can easily set in and can be difficult to prevent when strong-minded personalities are involved. The key here is to engage with different points of view, and to tap into a spirit of healthy debate and commitment in order to find the best solution and to suspend personal stakes, ego trips and stubbornness. In meetings, this kind of engagement requires subtle and refined chairing skills. In individual instances of conflict that require i.....

Step Seven. Engaging the Mavericks

The insistence on dogmatic convictions can lead to stagnation of ideas. Clients of professional firms appreciate the long years of experience that contribute to the skill bases of their advisers. It is of course good to rely on tried and trusted solutions to problems and challenges that are similar to ones that the firm has successfully encountered in the past. Pushed too far, however, reliance on existing approaches and solutions can lead to a stultified atmosphere where change is resisted at all costs, and new ideas suppressed or ignored.

In the last few years, some firms to their credit have recognised that innovation has traditionally been in short supply in professional firms. This is often because of the straight jacket of a billable hours' philosophy that does not value time spent on exploring or creating new and different methodologies and emerging services. There is then a further question as to whether any mavericks at the firm are geniuses or jerks – many seem to have elements of both! I remember one partner who was extremely innovative and was constantly thinking up new ideas and plans, some good and some not. He was certainly not easy to get on with and, unless influenced by a moderating force, he tended to cause a lot of strife in the office. As always, there is a question of balance to be attained that cannot simply be defined by a recipe. Too much freedom and chaos (and unhappiness) results. Too much restriction of new ideas and stultification occurs.

Step Eight. Building Teamwork

Isolation breeds discontent. Law firms are one example of a professional services sector where some firms can be described as "motels for lawyers", in which lawyers carry on a largely autonomous existence as sole practitioners held together by the glue of the compliance and professional regulatory regimes mentioned at Step 5. The same may be true to a greater or less extent of other professional service sectors. Such firms are not necessarily unhappy as such, but (apart from being in most cases commercially inefficient) can breed an atmosphere in which firm members are not encouraged or forced to build close ties with fellow members. Instead, people stick in their offices with their heads down and keep to their individual routines.

I have noticed that in such an environment people can often wear a mask or outer shell to hide their inner feelings of isolation,

boredom and lack of career fulfilment. A culture can then easily grow in which everyone's mask or shell condemns others to live the same pretence and keep their dissatisfaction a secret. There are of course many ways in which teamwork can be built – such as weekly team meetings, firm retreats, and frequent face-to-face interactions. In short, firms that I have experienced that try to be a “one-firm firm” seem (with some exceptions) to be more stimulating, contented and productive places to work than are “motels for sole practitioners”.

Step Nine. Looking up to See the Horizon

Corporate narcissism – where the firm constantly looks inwards and not outwards – is unhealthy and can imperil a firm's state of well-being. I sometimes see firms where nothing seems to matter other than the firm itself. The firm lives in its own bubble and is both egotistical and egoistical – both feeling superior to others and preoccupied with itself. Clients become a tedious necessity, and the pursuit of unique or exclusive technical excellence is paramount. To some extent, these are excellent attributes if treated with moderation.

Nowadays of course firms are rightly required to embrace “corporate social responsibility” but often do so with a degree of hypocrisy or cynicism, to protect a sensitive client base or to assist in brand building. As a young lawyer, my then senior partner always encouraged us to give back something to the community by way of charitable work or towards a societal need. There are of course good business-building reasons for so doing – external involvements and networking are necessary to bring in clients and work. However, I have noticed that narcissistic firms seem to suffer a lack of oxygen and elements of claustrophobia that result from a refusal or inability to engage more than is absolutely necessary with the world outside.

The encouragement to look and act externally has three benefits of which the first is the business-development benefit of networking. The second is that relationships within the firm develop well where social and sporting activities are encouraged. Third is the point made by my former senior partner – not only is it right and proper to give back something to society, but selflessness frankly feels better than selfishness.

Step Ten. Achieving an Ethic to Work and Play Hard

“All work and no play makes Jack a dull boy,” or so the proverb goes. Some years ago, I recall asking a prospective lateral hire why he wanted to leave his firm and he replied that he regarded the firm as a “coal mine” in which the only things that mattered were chargeable hours and revenue generation. I am not sure that such a firm is ever a place of great joy and happiness, unless of course it entirely consists of workaholics.

The proverb does however have a second verse – “All play and no work makes Jack a mere toy”. Most professional service sectors – including the law and accountancy – are well paid and the expectations of hard work are accordingly and understandably very high. I would never argue for a pampering and indulgent environment where laziness is endemic and little effort is needed. I would however push for firms where – at every level – the taking of due and proper vacations is encouraged, and firm members are able to have a balanced social life and are not expected to endure an oppressive servitude.

There are good commercial reasons for seeking to make a firm a happy and rewarding place to work. After all there is a strong financial argument both that a contented firm is more productive and that the cost of people attrition can be measurably reduced by improvements in morale. There is however in my view a stronger case than commercial gain. My contention is that we all spend large proportions of our lives at work and that we owe it to ourselves and our firm that our career and the environment in which we work should be stimulating, satisfying and even fun. I would go further and suggest that the pursuit of happiness in our firms is more important than the pursuit of profit. None of the suggested steps is easy, and they all require long-term thinking, persistence and – above all – a willingness and passion to invest.

DEVELOPING LAW-FIRM STRATEGY IN A BUYER'S MARKET

By Sean Larkan



Right now, law firms of all sizes in a majority of jurisdictions are facing several serious challenges, including the following:

- Firm revenue and partner profitability in some of the larger jurisdictions have flattened or are steadily declining;
- Clients are pressing firms for lower fees and are insourcing growing numbers of tasks;
- Lower-cost alternative-service providers are taking an increasing share of client work;
- Succession crises are threatening some firms' continued viability;
- Firms are not extracting value from their brands, and there is a lack understanding around brand; and
- Firms are not optimising partner/associate teaming or offering clients service at different experience-points coupled with a range of price-points.

These and other contentious developments have arisen because of fundamental changes in the marketplace for legal services.

We've shifted from a "seller's market," in which lawyers faced limited competition, and clients had little bargaining power, to a "buyer's market" in which sophisticated, informed and now more demanding clients can choose from an array of providers, powered by new technology and advanced processes.

This wide array of non-traditional suppliers of different niche sections of legal services allows clients choice, sometimes at lower cost. Many law firms are themselves using such service providers as sub-contractors. What this has meant is that a significant chunk of work traditionally done by law firms has moved in-house to large corporates, or is being provided by alternative suppliers. As a result, in just the past decade the world-wide legal market has changed significantly.

While it is true that some markets have not been impacted to the extent of the North American and U.K. legal markets in regard to the evolution of so-called "New Law," even these markets are feeling the winds of change. Clients, particularly corporates served internally by general counsel, have been quick to adopt some of the more aggressive buying tactics so common now in the U.S.A and U.K.

This is the thrust of [Law Is a Buyer's Market](#), authored by International legal market analyst Jordan Furlong, publisher of the influential *Law21* website and former Edge International principal. It has been a timely wake-up call for the industry.

What this means is that traditional law-firm strategic thinking, developed and evolved for a seller's market, doesn't work anymore. A new market requires a new, more refined approach to strategy.

Taking account of these world-wide market forces and developments, the author has developed a streamlined law-firm strategic planning process for the 21st century, customized to firm requirements. This takes account of various important pre-strategy exercises, the strategy-development phase itself, and then strategy-implementation support.

Depending on a firm's circumstances and requirements, various tried-and-tested systems, structures and processes are brought to bear to evolve appropriate strategies for different markets, jurisdictions and practice types. While smaller firms sometimes feel these trends do not apply to the same extent to them, the author's experience has been that even these firms need to act decisively.

Some or all of the following require particular attention:

- the state of existing markets and buyer behaviours and thinking, requiring necessary research and in some cases, partnering with clients;
- appropriate leadership, management and governance structures;
- firm size, team structures and locations;
- practice and industry sector focus;
- new ways of delivering service – internally and externally;

- dynamic people strategies to ensure optimization of team performance, and looking at new ways of sourcing providers of service;
- firm culture and guiding principles to ensure new attitudes and philosophies take root, with a view to ensuring the foundational, fundamental, long-term strengthening of the firm from its core;
- reviewing information and technology systems;
- new ways of looking at lawyer participation and compensation in firms – including feedback systems, progression, diversity in the broader sense, and succession development;
- a review and understanding of requisite billing practices, financial systems and pricing models;
- truly understanding brand in its various forms, and evolving strategies to build brand;
- a new dynamism in the way strategy is developed, managed, implemented and stress-tested to ensure results are achieved much more quickly than firms are traditionally accustomed to.

In some jurisdictions, and Australasia is one, law firms have not suffered from these changes to the same extent as firms in the U.S.A. and U.K. The main reason is that they have long adopted a more businesslike approach to law firm leadership and management, and many have recognised the importance of truly putting clients and their interests first. While this is a generalization, and many firms have work to do, one can say that many of these firms have retained the trust of their key clients and worked in tandem with them in genuinely trying to source alternative, preferable ways of delivering legal services.

In some cases, this has meant out-sourcing. In others, firms have developed new methodologies, systems and structures themselves and obviated the need for clients to look elsewhere, a win-win for clients and their legal providers in these markets.

At the heart of this has been rigorous, appropriate strategy development to ensure necessary objectives are identified and new structures, systems and philosophies are adopted and implemented.

While the changes outlined above represent significant challenges, those firms which see them as an opportunity to stress-test existing strategy, or develop appropriate new strategies, are well set for the future.

ANOTHER LOOK AT PRACTICE GROUP ANALYSIS

By Nick Jarrett-Kerr



Many law firms now have sophisticated methodologies for assessing or measuring the profitability of their practice groups, and yet many stumble across one of three typical issues.

1. **Many firms do not have a clear definition of their practice and industry groups.** The issue is that firms often have too many specialised groups with some overlapping, some small, some historical and even some redundant. Partners and timekeepers can be members of more than one group and their time is sometimes difficult to classify between groups. Even where there is some objective definition of what lawyers and/or work are assigned to each group, revenue-sharing problems can also occur where timekeepers do work on engagements (or create originations) for another group. The least complex (and most popular) response to this issue is to make a clear assignment of all timekeepers to a specific group, but this usually works best in larger firms with highly specialised timekeepers who largely stick within their group. It is also possible to code each time entry for a matter or engagement to an office, practice group or industry group, but this can get very complex quite quickly – its value is only as good as the accuracy of the coding. Some firms also assign specific engagements to a specific practice group and all revenues from the engagement then fall within that group's profitability analysis. This works fine, but it does require monitoring for the possibility that the engagement may morph into another practice group.
2. **Overheads – particularly general support costs – are difficult to apportion between groups.** When analysis is carried out to a minute level of granularity, I have seen arguments break out about the fairness of allocation of some of the overheads if a group feels it does not make as much use of certain support services as others. The use of marketing and IT are typical examples. Where timekeepers work across more than one group, there is also the issue of how to

apportion their cost – the simplest method is often to distribute the cost of each timekeeper proportionately between groups according to the worked, billed and collected revenues by each timekeeper.

3. **There is no coherent allocation of the cost of partner time.** There are three typical views here. The first option is to ignore the cost of partners on the basis that partners are paid out of profits. This carries huge problems in that it understates the operating costs of the group, it works to the disadvantage of highly leveraged groups, and it makes comparisons between groups tricky. Furthermore, it does not easily drill down into individual partner profitability. The second approach is to account for the full cost of partner compensation as part of the overhead. The problem with this approach is that it overstates the operating cost of groups, since it reflects benefits of ownership beyond compensation for work (capital at risk, client origination, and management activities) and results in small marginal differences among groups. In my view, the best option is to calculate a notional “salary” for equity partners. This is usually triangulated between (1) levels of monthly drawings, (2) the highest salaries payable to non-equity partners, (3) market salaries (where evidence is available). Even this method has a disadvantage in that the element of nationality can be seen as removing accuracy from the profitability calculation.


Once the firm has resolved and defined all of the above issues, the attached table shows how a typical Contribution Analysis can provide a simpler answer than a full and detailed Practice Group Profitability Analysis. It has the great benefit of being able to compare the profitability of groups on a fair basis

Contribution Analysis
Gross Margin / Contribution to Overhead

Allocated Revenues Direct Cost for Group
 Allocated Revenues Gross Margin

Gross margin percentage (with notional salary for each equity partner)

	PG 1	PG2	PG3	PG4
Revenue	1,460,000	1,560,000	500,000	725,000
Salary costs	569,400	225,000	100,000	275,500
Equity partner	150,000	225,000	250,000	
	719,400	895,800	250,000	275,500
Profit	740,600	895,800	250,000	449,500
Percentage	51%	43%	50%	62%

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SECURE EMAIL FOR LAW FIRMS DURING CYBER ATTACKS

By Gerry Riskin



At the time of writing this, I have just survived a Category 5 hurricane that directly hit the island upon which my wife and I reside. It was life-threatening but we are safe and sound. Nonetheless, there are many things we now know that we should have done to prepare in advance, in order to make the aftermath easier.

A cyber attack on your law firm is the equivalent of a direct hit by a Category 5 hurricane. Suddenly, your systems are compromised, and they are either partially or completely disabled. You are unable to communicate safely internally to your team or with your clients. As a result, [your operations are brought to a standstill](#). Your vulnerability exists whether you are a global giant law firm or a small boutique.

Even though law firms are designed to avoid risk and to find remedies for risk when it rears its ugly head, ironically, when it comes to cyber security, law firms are quite vulnerable. Recent events are a great reminder to me of the value of planning ahead.

[Hushmail](#) is a global company that provides a secure email service. They were recently contacted by a Fortune Top 100 company to design an alternative email system that would help in the event of a cyber attack or other disabling disaster.

The Hushmail service is uniquely suited _____

The service is highly configurable so there are many ways it can be adapted to your specific needs. The basics on how it works are as follows:

1. First of all, you chose a domain to use for your email addresses. The chosen domain will be used exclusively by the users of the alternate email service. For example, if your law firm is called ABC then your secure domain might be ABCsecure.com.
2. You create your email addresses, for example john.doe@abcsecure.com. The accounts remain active and available until needed or tested as part of your disaster-preparedness.
3. The service is web-based, and can be accessed anywhere with any modern browser, or by using the iOS app. This lends itself to use by geographically dispersed teams.
4. One clever little twist is that the service is configured to prevent data leakage, meaning that no one can send email to users who are not on that system (unless specifically permitted to do so). That means that a member of the leadership team cannot inadvertently send an email meant for managing partner Phil Smith to a different "Phil Smith" because of the auto-population of an address field.
5. Depending on the size of your law firm, you might identify the key team members that need the ability to communicate securely in the event of a disaster. You would configure the service with those users in mind. However, the scale of the event you are dealing with may require expanding its use. The service is a fully functional email service, allowing your practice to provide temporary email accounts for your entire team quickly, as well as a means to import the data into to your systems when needed.

In summary then, the moment a member of the law firm's leadership team suspects that the integrity of the firm's privacy has been breached, that individual can safely and securely communicate with some or all of the remaining leadership team.

Why Your Firm? Why Now?

Q. Why should your firm be interested in such a system?

A. With the growing number of cyber attacks against law firms (and their clients), it is only a question of time. It is not "if," but rather "when."

You might suspect that an emergency system like the one I have described would cost a small fortune. In fact, such a system is quite affordable.

If you're interested in pursuing this option, [contact me personally](#). For transparency: I have no shares in Hushmail but consult to its executive team. I can assure you that they are one of the most long-standing and reputable providers of secure email in the world.

LAW FIRM MARRIAGES

By Mike White



I'm spending time with many firms these days that seem to be really interested in "combining," partnering up, or at least acquiring groups of great lateral partners. Apart from the conventional observation that these efforts to juice up growth "inorganically" often mask failed efforts to grow "organically" (i.e., acquiring new clients!), aspirations typically reflect some pretty undeveloped thinking about why another firm would want to combine with their firm.

Lawyers – that is to say, law firms – tend to be pretty narcissistic in their everyday thinking anyway. It's not surprising that firms embarking on a "combination-quest" think only about what they are looking for in a target firm, and not the converse. Now that the commercial legal services market has changed more in the past ten years than it had in the previous 100 years, law firms in search of target firms or lateral groups need to re-think and freshen up their answer to the question, "Why should a law firm seriously consider combining with us?"

Firms capable of being a good fit have to see something in your firm they want and know they need. Don't make it hard for them. Out of the gates, PLEASE express a genuine interest in their view of how they would like to – and, in fact, would – benefit from combining with the right firm. Conventional criteria still apply (geographic footprint, practice group mix, economics, etc.), but should be consulted within the "necessary but not sufficient" context. In today's legal environment, other emerging screening criteria are starting to matter a lot more and inform the best decisions about courtship and ultimate marriage.

It's the Music You'll Make Tomorrow That Matters, Not the Music You're Making Today

It is more important now than ever for serious firms to paint a detailed picture of where a combined enterprise is trying to go and how it is going to get there. The best "renderings" do a great job of isolating all of the gaps in the two firms today – both as independent firms **and** as combined firms. Bolting together two firms usually doesn't instantaneously address these gaps. In short, it's just as important to realize **how far the combined firm will be from full potential** as it is to realize **what the ultimate potential looks like**. You'll be better positioned to sell a desirable firm on the opportunity you represent if you're honest about the admitted difference between "desired state" and "present state." Additionally, have a detailed plan – articulated with conviction – for addressing that gap over the next five to seven years.

They're Buying Vision and Innovation as Much as Anything

You should put together a clear, detailed, and ambitious multi-year innovation agenda. The economy is active, and most law firms are chugging along at a solid economic clip; it's very easy for firms to get complacent about their day-to-day operating performance and their future. However, if there's one area in which many firms are exhibiting great self-awareness (and humility), it is relative to innovation. "Innovation-phobic" firms know when they're not doing anything to help their clients experiment with new ways to consume, manage, and measure legal work. These firms feel exposed, and often can be very attracted to another combination firm that has come up with a thoughtful multi-year innovation agenda, and a roadmap to become that firm of tomorrow.

That Culture Thing

Everybody talks about culture and it connotes such a fuzzy measure of a firm's composition – it's easy to be cynical about whether culture matters at all. The truth is that for firms that are built for success today, **culture is everything**. Peter Drucker famously said that “culture eats strategy for breakfast!” The challenge of course is that culture means nothing if you can't touch it, feel it, and define it. Law firms that are serious about finding the right combination partner firm should define all of the cultural attributes and features of their firm in objective, describable elements that can be measured.

Additionally, such firms **must** be able to identify what processes, structural incentives, managerial methods, and training regimes support and produce the objective elements that make up their firm's culture. It's one thing to say that we are collaborative, team-oriented, and care about the success of other partners; it's quite another thing to point to a specific bonus structure and monitoring process that activates partners to, in fact, behave this way. At Edge, we use a tool called the Edge Cultural Assessment to develop an understanding of all objective elements of firm culture; with this tool, our understanding of culture is removed from the abstract and subjective and is translated into the measurable and concrete.

Write It Down

If you're a true believer about why a target firm should be interested in combining with your firm, then you'll need to articulate all of those reasons, linkages, and benefits with conviction. It's hard to express conviction about your own combination criteria and process if you haven't taken the time to write them down on paper for prospect firms to digest. Remember, both firms are potentially placing a very big bet on an unknowable future. The only insurance policy target firms have is your intentionality about the summit, and the mountain you'll need to climb together. Bring them along – and, in so doing, seduce them – by expressing as much of your thinking on paper as possible.

“Law firm combinations” and “lateral partner recruitment” sound like easy ways to drive growth. However, seasoned law firm leaders know that it's easy to make bad decisions, and very difficult to mature and execute good decisions in this realm. My advice is to know who you are well, do your homework, and sell the plans you've authored for future success so you can get credit for being intentional and ambitious. Don't let your appreciation for the summit distract you from your respect for the mountain!

LEADERS NEED FOLLOWERS: TIPS FOR TEAM PERFORMANCE

By Sam Coupland



When it comes to maximising the performance of a firm, much of the focus is placed on leadership. This often involves

enhancing the leadership skills of the existing leaders, but we can't lose sight of the people they are supposed to be leading. Success can be attributed partly to how well the leaders lead, but probably more important is how well their followers follow.

Whether or not your firm has successful leadership and followership will be demonstrated in a number of ways.

It may be that you have a highly cohesive team whose members understand and enjoy the role they play in achieving the overall goals of the firm. People are enthused about their work, they constantly seek better ways of doing things and they service their clients – whether internal or external – with their best efforts. This situation would indicate effective leadership and followership is in place.

If developing the quality of followers in your firm will be beneficial, the first task is to identify the desired characteristics of those in a follower role. The nature of legal practice is such that most people will very likely have a leadership role and follower role during different times of the day as well as at different points during their career. Even when one has subordinates, one still has bosses.

Characteristics of Effective Followers

Those people who make the most effective followers share a number of characteristics.

Self-Management Skills

Effective followers have the ability to exercise control over their work and are comfortable operating without supervision. They are confident they have the requisite knowledge and skill set to perform all tasks asked of them.

More importantly, effective followers understand their role in the team and how their actions benefit the firm as a whole. They take an active interest in the overall well being of the team and do not focus on the hierarchy that may be in place. The difficulty for some practitioners is that they can feel uncomfortable having self-managing subordinates, as the pressure to perform as a leader is a burden they would prefer to do without.

Effective followers master the skills that will benefit both their careers and the firm for which they work. This will involve attending courses and conferences relevant to their current and future roles, with a view to making themselves a more effective member of the team.

High levels of competence also allow for these people to have responsibility delegated to them. They are able to identify potential problems and present formulated solutions for the consideration of the team and leaders.

The values and goals of effective followers are aligned with those of the firm. Satisfaction is gained from accomplishment. Effective followers will be committed to achieving a particular goal. These goals may be large or small, varying from successful outcomes in a litigation matter to completing all the word processing in the 'In' tray. It is not the size of the goal that is important, but the commitment to achieving it that sets people apart. A high level of commitment can be contagious.

Creating Effective Followers

Creating effective followership can be difficult. In many firms, a leadership role such as associate or partner is the definition of success. Leadership skills are taught and encouraged while followership is not. This gives the impression that those in a followers role are just along for the ride and the real difference is made by those at the top.

Practices wanting to perform at a higher level should espouse the notion that effective followership is essential for organisational success. These strategies can be implemented to improve the level of followership in your firm.

Role Definition

The distinguishing feature between followers and leaders is the role they play as opposed to their level of skill, intelligence or ability. Providing well-publicised role definitions will contribute significantly to ensuring that an 'us and them' mentality is

avoided.

Often leaders in a firm are solicitors who have assumed a leadership role by virtue of their legal skills and seniority as opposed to their individual leadership ability. In such a situation, a well defined role for the leader is essential. For example: if a leader's role is defined as being one to motivate others, the leader will likely react toward followers as if they need motivating. A more effective role for the leader would be to:

- set firm / department goals and strategies
- monitor performance and timelines
- effectively delegate work
- communicate enthusiasm

Similarly, the role definition of those in a follower's capacity would involve:

- having a thorough knowledge of how their actions contribute to the final outcome of a matter and the overall objectives of the firm
- having the capacity and desire to work as part of a team
- creating congruence between personal and corporate values and goals

Having defined these roles (note – these are not job descriptions), it is essential that they become part of the firm culture rather than just something to which you pay lip service.

The importance of these roles can be conveyed to all in the firm through training and by example.

Training

There is an assumption that leadership has to be taught and that following is simply a matter of doing what you are told. Providing training to all members of your team will enhance overall performance.

For those in a subordinate role, the most effective training that will improve their levels of followership are courses which increase their understanding of the firm's goals and objectives. Such courses may include:

- The cash flow cycle of a legal practice;
- How various matters are priced and selling value to clients;
- Business development skills.

Organisational Structure and Culture

The culture within the firm will have a significant bearing on the effectiveness of people within your teams. Practices that have an inclusive approach to all members report significantly higher levels of team and individual performance. Such a culture encourages people to push the boundaries of their ability. This in turn creates motivation to increase skills and accept greater responsibility.

Delegation is a significant way of encouraging the right sort of behaviour. Have the courage to push work down to subordinates. Provide assistance where necessary and allow them to learn from the experience of others.

Similarly, the involvement of members of the team in strategic planning and goal setting will quickly build commitment and enthusiasm in those you require to be committed and enthused.

At the end of the day, the best way to test the quality of your leadership is to look over your shoulder and see if anyone is following.