

## Developing Law-Firm Strategy in a Buyer's Market

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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.