The Definitive Law Firm Management Guide

2ND EDITION
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The Definitive Law Firm Management Guide

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UK/EUROPE OFFICE
Ark Conferences Ltd
6-14 Underwood Street,
London
N1 7JQ
United Kingdom
Tel +44 (0)207 549 2500
Fax +44 (0)20 7324 2373
publishing@ark-group.com

NORTH AMERICA OFFICE
Ark Group Inc
4408 N. Rockwood Drive
Suite 150
Peoria IL 61614
United States
Tel + 1 309 495 2853
Fax + 1 309 495 2858
publishingna@ark-group.com

ASIA/PACIFIC OFFICE
Ark Group Australia Pty Ltd
Main Level
83 Walker Street
North Sydney NSW 2060
Australia
Tel +61 1300 550 662
Fax +61 1300 550 663
aga@arkgroupasia.com

Ark Group
Reports Commissioning Editor
Helen Roche hrroche@ark-group.com

Reports Publisher – International
Fiona Tucker ftucker@ark-group.com

UK/Europe marketing enquiries
Robyn Macé rmacé@ark-group.com

US marketing enquiries
Daniel Smallwood dsmallwood@ark-group.com

Asia/Pacific marketing enquiries
Steve Oesterreich aga@arkgroupasia.com

Managing Partner
Editor
Manju Manglani mmanglani@waterlow.com

Marketing Manager
Bob Shearwood rshearwood@waterlow.com

Online bookshop
www.ark-group.com/bookshop

Managing Partner website
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Foreword

THE PROTRACTED global economic downturn has created a new world order for law firms. Gone are the days when firms could dictate the terms of their services and clients were forced to accept them. Corporate counsel now have the upper hand and are forcing law firms to offer new value propositions. What ‘value’ means varies from firm to firm but, for many clients, it includes fixed fees, secondments of fee-earners at no or minimal cost and speedy solutions-oriented replies to complex legal queries. Client extranets that share the firm’s know-how and provide regular updates on both work in progress and budget management are also increasingly being demanded.

Faced with the spectre of shrinking profits, law firms have been forced to re-examine their workflows and to create greater efficiencies. For many, new technologies have been an important part of this process. Practice, document and financial management systems have become must-haves to obtain greater efficiency, transparency and accountability. Some firms have also invested in capturing and sharing firmwide know-how in intranet wikis that are easily searchable and expandable, in order to reduce duplication of work and to centralise knowledge.

Legal and business process outsourcing is also being leveraged to maximise efficiencies. Many law firms have outsourced repetitive processes to low-cost third-party providers and have made staffing reductions. But this, in turn, is creating the new longer-term threat of competition from LPO providers as corporate counsel bypass law firms to obtain greater savings on process-based work. Some larger law firms have had the foresight and resources to create their own in-house centres in low-cost cities or jurisdictions to manage this potential threat and to ensure consistent service quality. However, their margins are also being put under pressure as clients increasingly demand that the cost savings be passed on to them.

With law firms being squeezed in almost every way imaginable, it is time for all stakeholders to look beyond cost-cutting measures and to fundamentally rethink each aspect of their firm’s business model. They need to re-examine their firm’s partnership structure, long-term talent development, governance, client services and target markets, with a view to creating a new kind of business that will thrive for decades to come.

Some lawyers have stuck their heads in the sand and told themselves that it will all be back to ‘normal’ soon. But, the ‘new normal’ is here to stay and it will be those who can innovate, be creative and dare to take risks who will be the leaders of the law firms of tomorrow.

This special report features a selection of forward-thinking articles from Managing Partner on how to strategically develop your law firm to thrive in the highly competitive legal marketplace. I hope it will prove to be a valuable resource.

Manju Manglani, editor, Managing Partner
Executive summary

LAW FIRMS today are under increasing pressure due to a stagnating world economy and increased competition. Added to this are the complications introduced by alternative business structures and the unprecedented demand from clients for innovative charging structures and services. Pressures from the market and clients alike means firms are evolving from being traditional and conservative service providers to becoming more client-facing, innovative, and strategic. This in turn means that law firm partners and management teams must lead effectively, plan ahead, and foster client relationships.

A recent report on professional services revealed that the strength of a firm’s management is a key client consideration in terms of which firm to instruct. Over half of the clients surveyed said that ‘the impression of being well-managed is an essential precondition of selection’. This compilation of expert views, articles and case studies, first published in Managing Partner magazine, provides comprehensive guidance and best-practice advice on crucial aspects of law firm management. The articles provide expert advice to prepare law firm leaders in the areas of leadership, motivating and developing others, strategy and business development, financial planning, fostering client relationships, risk and compliance, knowledge management, and technology.

Section A looks at the role of the law firm partner and identifies the attributes that are necessary to be an effective leader in a firm. Topics covered in this section include how to align firm strategy with leadership, setting direction, assessing what is required in potential partners, and the reasons for poor partner performance.

Section B underlines the importance of the motivation and development of the people within a law firm. Lawyers who are happy and committed to their work are more productive and as such people management is crucial. This section discusses how firms can engage partners in their strategy and how to motivate lawyers to develop new skills. Articles in this section also highlight the key issues facing firm leaders in improving partner performance, in creating a culture in which senior lawyers and partners support the development of others, and the importance of feedback and mentoring.

In what is a continuously tough economic climate, there is increasing pressure on law firms and their leaders to develop and win new business. It is important that firms retain existing clients while developing new client relationships. Section C therefore focuses on fostering successful client relationships and offers practical advice on developing a client focus within a firm. Articles included explain how to help fee-earners adopt more effective client development behaviours, and they outline the key skills required in order to develop a client-centric culture.
The articles in Section D cover strategy and business planning. It is more important now than ever that law firms have a clear business strategy in order to maintain a competitive edge and prepare for the future. The articles in this section provide insight into how to get a clear picture of your firm’s market position and guidance is given on how to develop a strategy. Additional articles discuss the issues facing firms with regards to the difficulties involved in succeeding in emerging markets and aligning compensation with firm strategy.

Section E focuses on business development for law firms. The articles provide advice on how to set business development targets, and how to set the right goals. The importance of a firm’s pitch is highlighted, and the main elements of a successful pitch are outlined. Further topics covered include business development for introverts and extroverts, and the use of effective communication for business development. A case study is also included on implementing a firmwide CRM system.

Issues surrounding risk management and compliance are covered in Section F. The articles in this section discuss ways to improve firmwide risk management. This section includes guidance on how to embed a risk management culture within a firm. The articles also detail how a risk audit can help with securing PII, tips for using IT safely and how to manage the risks associated with social media and team defections.

Many firms are under pressure to operate more efficiently and there are various factors which can impact the profitability and the long-term financial performance of law firms. Section G therefore provides articles covering financial planning, reporting, and management. These articles explore the issues facing firms regarding pricing, cost management, and controlling cash flow, and the pitfalls to avoid in managing a firm’s finances. Specific articles explain how to measure and manage fee-earner performance, and the issues surrounding embedding a fee culture within a firm. The final article in this section also gives insight into what PE investors look for in a firm.

Knowledge management (KM) for law firms is the focus in Section H. The carefully selected articles in this section show how a firm can choose a suitable KM system, as well as explaining how KM can be used to win new business. In order for any KM initiative to be successful it needs to be supported within the firm. Two of the articles therefore discuss how to secure partner engagement with KM and how to motivate lawyers to use knowledge-sharing systems.

The final section in this report provides expert analysis and guidance on the ever-changing and advancing role of technology in the legal industry. The articles in this section show how IT can be used to support costing and pricing, and the effect of technology – specifically e-disclosure – on litigation and revolutionising processes.

Reference