

Towards 2018: Unlocking the Missing Link in Law Firm Management

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Today's law firms set up key client programs, cross-selling strategies and branding projects, they buy CRM software and pay for PR services. Marketing managers are as conventional to law firms as are legal dictionaries, and lawyers use words like 'selling' and 'pitching' without stuttering or blushing.

Most lawyers will argue that their profession underwent a metamorphosis and that they have made a quantum leap in management. With regard to marketing and business development, they certainly have. With regard to information technology? Probably. Governance? Maybe. But in many other management areas, human resources, pricing, project management, to name just a few, progress has merely begun. In these areas, European law firms have 'quantum leapt' from the Stone Age to the Middle Ages.

Over the last decade, mergers and defections have reshuffled the market and law firms have learned how to package and sell their services, but in the way they deliver their services to clients hardly anything has changed at all (exceptions left aside).

What will bring the next decade for European law firms?
What will 2018 look like for law firm management?

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Reassuring and disturbing

One way to guesstimate where management focus will be for law firms in the next decade, is to study their clients' needs. No one has a crystal ball, but one thing seems certain: they will not have less legal needs. Internationalisation will further boost the legal market. Local companies are swiftly exchanging their local markets for European or even global ones, facing them with a myriad of cross-border and local legal issues. The economy is globalising at light speed and regulatory authorities are desperately trying to keep up. Already in 2005, a McKinsey CEO survey highlighted that, after globalisation, regulation is considered to be the most important and toughest risks a company has to manage.

This is both reassuring and disturbing news for business lawyers. Reassuring because, clearly, they will not be out of business for a while. Disturbing because it will probably mean that clients will start to put pressure on real change in law firms. So far, lawyers were expensive but the total legal cost was relatively low compared to other company expenses. This is about to change. The legal costs will rise and will come under scrutiny of CFOs, purchase departments and ambitious in-house counsel. The era of 'pour vivre heureux, vivons cachés' (let's live happy, let's live hidden) is over.

Marc Chandler, General Counsel of Cisco often says what others think: "the greatest vulnerability of the legal industry today is a failure to drive models based on value and efficiency and to make information more accessible to clients. The present system is leading to unhappy lawyers and unhappy clients. The center will not hold."

We bet on 'efficiency' as the one theme that will dominate the next decade. No economic activity can maintain a model that rewards inefficiency, and certainly not an activity that is becoming increasingly strategic. We believe law firms will have no other choice but to become much more efficient than they are today. At some point, urgency will make law firms change. And urgency will come with the number of lawyers and clients stepping out of the system reaching a critical level. Associate attrition and companies like Cisco climbing the barricades might very well be the first symptoms of something deeper. DuPont has changed the way companies select law firms. Something similar can happen again.

The question is: how will law firms become more efficient?

Information technology

According to Chandler and famous, oracle-of-the-legal-world Richard Susskind, IT will do the trick. In his new book, 'The End of Lawyers', Susskind predicts that commoditisation and IT will shape and fundamentally change 21st century legal service, to the point that "the jobs of many traditional lawyers will be substantially eroded and often eliminated."

There is no doubt that IT will be a crucial driving force in the future. However, we believe that it will take more than a decade before it can really do what Chandler hopes and Susskind foretells.

Firstly, because it takes two to tango. Technology has not enough lawyers to dance with. Law firms have invested enormous amounts in state-of-the-art legal IT systems but most lawyers only use a fraction of their possibilities. The current generation of lawyers might not be tech-savy enough to start a revolution. And this is true for clients too. Most clients are not ready for technology to take over. We will probably have to wait for the next generation of gaming-bred lawyers.

Secondly, it is our opinion that the quality and the utility of knowledge systems currently established by law firms are largely overestimated. Let's not base the vision on the future on what law firms claim about their knowledge systems, but on what these systems are in reality. In many law firms that gap is deep and wide. A pile of legal memos is not a knowledge system. Before legal knowledge systems can replace lawyers, an enormous and complicated task awaits of establishing the content for those systems.

Missing link

It's too early for IT to overturn the way law firms and their clients operate today. There is a missing link between the marketing-era that we have just lived and the IT-era that is foretold. Good old management guru Peter Drucker unlocks it when he states that "the most important shift in business today is from 'ownership' to 'partnership' and from 'individual tasks' to 'collaboration'. The successful organisation is not the one with the most brains, but the most brains acting in concert."

Lawyers can become much more efficient if they start to get serious about working together: working together with their colleagues, working together with clients, working together across borders and working together with other service providers.

How can lawyers make their legal brains act in concert? How can law firms turn egos into 'teamos'? What can keep lawyers from hiding documents on their local disks? What can avert partners from 'sitting on clients' and preventing broad relationship development? What can stimulate lawyers to give clients direct access to knowledge systems? What will it take for lawyers to give up personal habits and commit to agreed project management principles?

The management themes of the near future are teamwork, exchanging knowledge, efficiency pricing, sharing values, project management, partnering, multidisciplinary product development, training and education, aligning behaviour, living the values of a common brand, etc. But to achieve these, law firms are facing the enormous challenge of tearing down the walls and shutters that keep lawyers from truly collaborating: protectionist compensation schemes, outdated pricing techniques, the cult of the ego, one-sided bonus allocation mechanisms, fuzzy career tracks, unfocused governance and the like.

The Financial Times published last year a refreshing magazine called 'Innovative Lawyers', ranking law firms on the basis of innovation. And even though many of the presented innovation projects still fall in the category of window-dressing, the magazine provides strong evidence of how several law firms are slowly but steadily exploring new ways of collaboration.

Boosting efficiency through collaboration is the Big Hairy Audacious Goal for law firms. It will require compelling leadership from managing partners and practice group managers and a serious upgrade of professional support staff: marketing managers involved in pricing and project management, HR managers evolving into strategic change managers, finance directors developing new measurement benchmarks and knowledge managers focusing on standardisation and value for clients. The goal is big, hairy and audacious because it's not about installing systems, establishing procedures or proclaiming policies. It's about changing values, changing a culture and changing attitudes. We know a thing or two about law firms. This will take a decade ■

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