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The [Law] Firm of the Future

An analysis of Bain & Company's 2017 Report for Legal Service Providers





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If you haven't read Bain & Company's report 'The Firm of the Future' report, you should.

Access it here: <http://www.bain.com/publications/articles/firm-of-the-future.aspx>

I read the report several times since its publication earlier this year and allowed its messages to swim around my mind for a few weeks before drawing conclusions and committing words to a page.

Bain's report is a must-read for anyone looking to understand how the commercial world is changing. It's a vital read for legal service providers (LSPs), working within a sector that is at the same time established, mature and immature, depending on the approach and services offered.

I'm fascinated by helping LSPs navigate their own path through this changing environment and emerging on the other side as stronger, fitter and happier businesses. Here, I share my thoughts on how Bain's report applies to LSPs and offer my own ideas on how legal pioneers can apply Bain's thinking to their work.

Bain's five trends that will shape the future

- 1) Mission, not roles
- 2) Longer-term and project-based investment
- 3) Engine 1 and Engine 2
- 4) From assets to ecosystems
- 5) Scale with intimacy

Let's look at how each one applies to LSPs.



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Mission, not roles

What? The firm of the future will create a clear mission and then procure skills to achieve it. Previously, professional managers and their (often unchanging) roles lay at the centre of a firm. Now, the mission is front and centre and human resources are used solely for the purpose of achieving it. Instead of aligning skills to fixed departments which exist to control and organise people, the new organisation structure will centre on project teams, assembled purely to achieve particular aims.

“Agile teams will be the dominant organisational unit”

‘The firm of the Future’

My take: Roles are stagnant, skills are not. I am reminded of a junior lawyer I interviewed for a client project recently who, when I asked her where she saw her career in 10 years’ time, said she didn’t have a specific role in mind. Instead, she wanted to look at the skills the market would need and develop those skills to make her as useful as possible. I am hearing this more and more. Skills not roles. Competencies not job titles. Project teams not departments.

Implications for LSPs: Look at your strategy and identify the skills required to achieve it. Put aside the now artificial divide of ‘lawyer/non-lawyer’ and instead look at delivery, in whatever form it takes. Consider the full range of skills, from technical legal expertise (e.g. privacy law), to technical non-legal expertise (e.g. project management), to behavioural skills (e.g. collaboration). Work with your HR experts to develop these skills in your people and give colleagues a variety of opportunities to apply and develop them. Create a ‘T-shaped’ approach to development that combines deep expertise in one or two areas with broader delivery skills. Encourage your people to do what interests them and what they’re good at (see Landers’ positive psychology approach <http://landers.com.au/our-people/genevieve-collins/>). Take the bold step of putting departments aside in favour of skill pools that are tapped into on a project-by-project basis. This shouldn’t be as hard as it sounds. Bain’s report makes the point that professional partnerships such as law and accountancy already operate in this way when helping their clients. *“They mobilise teams of professionals to attack specific business problems. When the problem is resolved, the team disbands and the people move on to a different project. Less constrained by functional planning, this way of working has faster speed and flow”*. Find a way to apply this to your own business and you’ll be on to a winner.



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Longer-term and project-based investment

What?

The short-termism of private equity and other forms of investment is declining in favour of the longer time-frames it takes to develop products and services that are genuinely competitive. The average private equity investment horizon, for example, has already extended from 4.5 years in 2006 to 6 years in 2016 and indications are it will extend yet further. At the same time, investments are becoming increasingly project-based, with investors choosing to fund projects, rather than whole companies. New peer-to-peer communities are emerging to connect investors to these projects.

My take:

Alternative business structures have been around in Australia and the UK for some time but there has been slow uptake, albeit an acceleration in recent years. Established partnerships, nervous of wholesale change, may find it easier to consider external investment in a particular project rather than their entire business. This provides a useful way to introduce relevant skills, as well as capital, to make the project a success.

Implications for LSPs:

For established law firms, a 'hub-and-spoke' model is emerging, with the main practice at the centre and separate enterprises sitting at the spoke. These enterprises are attached to the main firm, but operate with very different funding, metrics, resources and marketing approaches. There are numerous examples of this. My own Vario (www.pinsentmasons.com/vario) is one, as is Zico Law (<http://www.zicolaw.com/>). For start-up and emerging LSPs, take note of the changing attitudes towards investment timelines to establish a relationship with your investor that works for you, with ROI being measured in a way that is relevant to your offering.

“Traditional equity and debt raising will continue to be vital to the firm of the future, but capital structures are likely to be more flexible, offering the potential to align investors more closely with the firm’s business strategies and time horizons, and to link different types of investors to different types of investments.”

The Firm of the Future



Engine 1 and Engine 2

What?

Clever organisations of the past looked ahead and continuously developed their approach to meet the market's changing needs. This is what Clayton Christensen called "sustaining innovation". Clever firms of the future will run and develop their core business while simultaneously developing an engine for growth. Bain calls this 'Engine 1' and 'Engine 2'. Engine 1 was characterised by routine, discipline and continuous improvement. Engine 2 is characterized by innovation and rapid adaptation, what one law firm partner described as "building the plane while trying to fly it". Continuous improvement of what you're already doing is now not enough. Nothing stays comfortable for long, does it?

My take:

Running my own alternative LSP showed me just how difficult it is to keep Engines 1 AND 2 fuelled and running at full potential. However, bemoaning this didn't get me far, so I set about making Engine 2 part of the way we did business, with regular formal and informal opportunities for us to discuss, formulate, create and implement Engine 2 activities. Of course, we didn't call this Engine 2 at the time, although I wish we had!

Implications for LSPs:

Let's face it, Engine 1 is not a strength of most law firms, let alone Engine 2. But to have a future in this business, both need to be. 1 and 2 require skills that aren't found in traditionally-trained lawyers. My plea to established law firms is to recognise these skills within your business, nurture and use them. It might feel uncomfortable as everything worth doing is. Be under no illusion: the talent law firms need is leaking away and the leak is fast becoming a flood. Just last week, I connected with three senior individuals who left major law firms out of frustration at the firms' unwillingness to consider proposals for change. One decided to leave after the 42nd proposal he put to the board was rejected – just like the 41 before it. All three contacts have established thriving alternative LSPs that now compete with the law firms they left. Established firms: if you take only one thing from this paper, it should be a commitment to address the fact that the brightest and best future-firm talent is leaving your business in droves. PS – I don't think an innovation committee or chief innovation officer is the answer.....

As for emerging LSPs, the temptation is for too much throttle on Engine 2 and not enough on BAU and Engine 1. In the drive for innovation and the next big move, don't forget that using you continues to be perceived as a bigger risk than using an established provider, so de-risk with a robust, evidence-based approach and sound fundamentals.

"It's also important to tap into the collective knowledge of your internal resources, particularly the front line"

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From assets to ecosystems

What?

Firms of the future will deliver value using a wide network of relationships based on trust and mutual interest. In the past, a company's assets were physical and IP-based. Then came outsourcing, so relationships came into play. The firm of the future's assets will now move on from physical goods, IP and outsourced relationships, to include the web of partnerships the firm relies on to deliver and develop its services – its ecosystem. Scale will come from participation, rather than ownership.

My take:

Running the freelance lawyer network Vario gave me first-hand experience of the power of ecosystems. By accessing Vario's hub of carefully selected lawyers, businesses of all sizes achieved the benefits of scale they needed, when they needed them, without making a permanent investment. They participated in the network, rather than owning it, turning a traditionally fixed cost into a variable one. Uber, People-Per-Hour, AirBnB, Crowd & Co, LoD.....there's a list longer than my arm of platform-based businesses out there that provide access to the kind of assets that were traditionally only the preserve of scaled businesses.

Implications for LSPs:

Emerging LSPs will no doubt already have experienced the benefit of this on-demand economy when building their own operations.

Established LSPs are beginning to understand the opportunities and threats that ecosystems offer. Using the kind of hub-and-spoke model previously mentioned offers opportunities to joint venture with organisations that provide specialist skills and insight not found within the law firm (see Norton Rose / LawPath <https://lawpath.com.au/nortonrosefulbright> or Gilbert + Tobin / LegalVision <http://www.lawyersweekly.com.au/news/17513-national-firm-invests-in-online-disruptor>). However, threats will emerge from smaller, more agile alternatives who can use the ecosystem to access the benefits of scale that were traditionally the preserve of established partnerships and, in the process, challenge these partnerships at their own game. As Richard Susskind said, "the competition that kills you may not look like you".

"Gig economy platforms will become a material force for building community and increasing bargaining power among skilled workers much as unions have done historically for lower skilled workers"

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Scale with intimacy

What?

It used to be the case that you could be big and low-cost, or small and focused. In this world, clients had to choose between scale (with its associated low risk and low cost) or small (with its associated bespoke, tailored approach). Not any more. New technology and analytics means that firms of the future won't need scale to be low cost and they won't need to be small, to be focused. Customer intimacy will lie at the heart of the firm of the future and, increasingly, intimacy in the customer's mind will be associated with speed-to-serve.

My take:

'Speed' is not a word associated with the legal profession. In fact, the opposite is often true, with value often seen as directly related to the amount of time taken to deliver it (timesheets anyone?!). The many law firms that dismiss mechanisms designed to reduce waste and increase speed as for commodity services only, should read Clayton Christensen's 'Disruptive Innovation' for a wake-up call: new technologies that deal with the commoditised end of the market rapidly improve and move up-stream to challenge traditional orthodoxies.

My experience also tells me that data-based decision-making is also not a strength of traditional law firms. Despite holding huge repository of data, few LSPs tap into it to inform future services. There are some notable exceptions, Seyfarth Shaw (www.seyfarth.com) being one and Jackson Lewis (www.prismlegal.com/2017-year-legal-data-analytics-jackson-lewis-new-team/) another. Meanwhile non law-firm competitors are offering the speed and analytical approach that traditional providers aren't, such as Xakia Technologies (www.xakiatech.com/about) which helps in-house lawyers understand their work to improve performance and Litimetrics (<https://www.litimetrics.com/>) which provides insights from the analysis of court records that helps litigants make better decisions about their case.

"Speed is now essential to customer intimacy. If people in customer-facing roles can make quick decisions and continuously improve their products and services, they will outstrip competitors"

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Implications for LSPs:

Speed is the currency of the future. In our digitally driven world, we expect things to happen at a faster-and faster pace. Take, for example, attention spans on websites, which have reduced from 12 seconds on average in 2000 to 8 seconds in 2015. Or in-house lawyers' workloads, with 66% focusing on technology to increased time and cost efficiencies, according to last year's Ashurst Advance report. Wherever you look, things are simply getting quicker and lawyers aren't immune. Get comfortable with the fact that your clients will judge you on your efficiency and that speed is the most visible metric of efficiency.

So how does an LSP deliver speed as well as customer intimacy? By investing in efficient processes and applying insight from your data. So much of what LSPs do consciously now should be automated using these tools, with the result that more can happen automatically. Instead of seeing process and data as the enemy, embrace them as a means to enabling you to do more of what you love: being a legal adviser.

Katherine Thomas Consulting provides strategy advice and implementation action to pioneering law firms.

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