

KNOW HOW

LEADING THROUGH UNCERTAINTY AND CHANGE

Be prepared

Paul Smith of QC Legal and Sally Dyson of Firm Sense Ltd discuss law firm leadership and how legal leaders should prepare for future uncertainty driven by technology, market forces and politics.

At first glance, the legal sector appears to be in good health and enjoying continued growth. However, a more granular analysis of law firm results indicates a highly competitive and volatile market with firms achieving success in one year and reversals in the next, and the loss of both market share and talent to non-traditional legal services providers.

A recent report by Thomson Reuters on the state of the legal market suggests that the outstanding results of global elite and differentiated niche firms that have outperformed the pack have given a rosy hue to the overall figures while disguising less impressive performances by others (www.legalexecutiveinstitute.com/2019-legal-market-report/).

It has now been over ten years since the official end of the last recession which, by any economist's reckoning, means that the next downturn is overdue. In addition, law firms in the UK are being urged to prepare for Brexit, but it is still unclear whether they should be planning for sunlit uplands or to batten down the hatches.

Predicting the future

From a thoughtful analysis of where a law firm is today and what the future is most likely to hold, a vision can be formulated from which a firm's strategy will flow (see box "A vision of the future"). David Moloney, a Director of Innovation and Transformation at PwC, argues that not knowing exactly what will happen should not prevent planning for the future. PwC's recommendations for anticipating the future are to:

- Develop comfort within uncertainty.
- Take risks.
- Promote agility.

Moloney recommends that organisations do this by hypothesising as to what might happen, waiting to be disproven and adapting continually. Firms should ask themselves constantly: if X were to happen, how would they need to change? However, firms should also consider what is not going to change. For example, law firms' clients are going to want to stay out of jail and companies are going to want to do deals. Law firms can plan services that continue to meet those enduring needs while adopting modern service delivery methods. For example, today Amazon's parcels might be delivered by van and in the future by drone, but the goal remains the same: meeting customers' needs for cheaper prices and faster delivery.

Identifying an Achilles heel

Law firms will be most at risk if they fail to think clearly about the future and react to change. Moloney explains that a firm's distinguishing feature may actually turn out to be its Achilles heel. For example, Blockbuster refused to stop its late fees, whereas Netflix removed late fees and offered a better customer experience. Similarly, Kodak once had 90% of the market share in film and 85% in cameras but, even though it invented the digital camera and so was aware of the potential disruption, Kodak loved its film technology and refused to change.

Resistance to change

Implementing change programmes can be tough in any enterprise and particularly so in law firms. Patrick McKenna, an adviser to law firms, has observed that lawyers suffer from denial, being reluctant to recognise the

A vision of the future

John Kotter, Emeritus Professor of Leadership at Harvard Business School describes vision as a "picture of the future", and explains that strategy is the "logic for how the vision can be achieved". Kotter has established the requirements for an effective vision as being that it is:

- Imaginable.
- Desirable.
- Feasible.
- Focused.
- Flexible.
- Communicable.

need for change unless there is a crisis, with many law firm leaders elected to be stewards of their firms rather than entrepreneurs. Lawyers' training inclines them towards perfectionism, which can be appropriate for handling legal matters but is the enemy of invention, which requires risk taking and experimentation. For example, relying on precedents may be a useful short cut when drafting documents but this can become an intellectual straightjacket. When a crisis looms, the typical law firm response tends to be either to do more of the same, to cut costs, or to seek a merger partner instead of taking more radical action.

Michele DeStefano of the University of Miami has said that adapting to change requires "empathy, a growth mindset, curiosity, self-awareness and humility", which she notes are not words generally used to describe

lawyers. The idea of change as a journey with different phases has been well documented in academic and management literature. When change is thrust on someone it is most common for them to deny it, then to resist it before gradually exploring what the change might mean for them and finally embracing it. Individuals vary in how long it takes them to move through each of the stages, which may overlap, but their passage along the journey can be accelerated with sensitive support from the firm, and greater involvement and ownership in the project.

Supporting people to change

There are four conditions for changing mindsets, according to McKinsey (www.mckinsey.com/business-functions/organization/our-insights/the-psychology-

of-change-management). Adapted for law firms, these requirements are that:

- Individuals should understand the rationale for the planned changes and agree with them.
- The firm's systems and structures should support the desired behaviour.
- Partners and employees should have the skills needed to discharge their duties.
- Senior leaders should act as role models for partners and staff.

These conditions may not exist at the outset and it will be part of the change leader's role to build them. Jo Owen, an expert on

leadership and management, says that the leader must act as a sales person, able to demonstrate the tangible advantages that will accrue to each individual from adopting the new strategy. However, change can only take hold if it is clear that senior leaders believe in it and demonstrate the behaviours and values that they promote. Flagrant disregard of the new strategy by those in positions of authority will give others licence to ignore them as well.

Paul Smith is Head of International Markets at QC Legal and Sally Dyson is Director of Firm Sense Ltd. Their book "The Real Deal: Law Firm Leadership that Works" will be published by Sweet & Maxwell in Autumn 2019 and is available to order from www.sweetandmaxwell.co.uk.