

SUCCESSFUL LAW FIRMS OF THE FUTURE

I frequently seek to learn lessons from other businesses that can be applied to the practice of law. After all, we represent businesses. As a result, their successes and failures are worthy of our understanding.

I am a fan of Tom Peters, who wrote *In Search of Excellence, A Passion for Excellence*, and *Thriving on Chaos*. I am also a fan of Barry Gibbons, who wrote *If You Want to Make God Really Laugh, Show Him Your Business Plan* and *Chronicles from the Planet Business* and who spoke at our shareholders retreat this year. Both authors have business-success strategies that apply to law firms.

SUCCESSFUL BUSINESSES

Businesses that thrive in today's market are specialist producers of high-value added goods and services, Mr. Peters asserts. An example he used when writing *In Search of Excellence* was the distinction between the innovative design and high quality manufacturing standards of Japanese auto companies and the "mass market/planned obsolesce" strategy of the American auto firms during the 1970s and 1980s. General Motors, in particular, failed to enter the niche markets such as SUVs and turbo even after other U.S. auto companies had caught onto to the idea, Mr. Gibbons says that we have moved from an era of mass marketing to mass customization. of mass customization instead of mass marketing What can law firms learn from Messrs. Peters and Gibbons?

To the extent that a law firm tends to be both specialized and "high value-added", the authors points are quite relevant. However, there is clear evidence that clients wish to do business with fewer rather than more law firms. According to a 2003 BTI Consulting study, "Fortune 1000 clients are going to cut their roster of law firms by 40% over the next three years." Therefore, firms need to take steps to be one of the "chosen". Firms need to concentrate and spend money to better understand their clients' needs and to be able to provide their services more efficiently.

Mr. Peters suggested in *In Search of Excellence* that the wave of the future is customer-centered specialization. He gave examples of niche stores like The Limited and The Gap. outdoing the giant retailers. All you need to do is look at a magazine rack to realize Peters was right about specialized interests.

Law firms could brainstorm ideas on what it means to be "client centered" in their work. I believe that, in part, it means defining "value" to clients, being prepared to deliver more of that value than competitors and fulfilling clients' expectations beyond the reach of competitors.

SUCCESSFUL LAW FIRMS OF THE FUTURE

I believe the successful law firms in the future will be:

- X oriented toward differentiation, producing high value added services, creating niche markets by anticipating the legal needs of the clients;

- X flexible and can easily respond to a changing legal profession and the clients' perception of value;

- X quality-conscious;
- X service-conscious;
- X efficiency-conscious;
- X more interested in understanding clients' needs;
- X better able to provide solutions to those needs;
- X spending more non-billable relationship building with clients including obtaining constant feedback;
- X much faster at innovation than their competitors; and
- X focused on gaining competitive advantage by technology and training the "best and the brightest" lawyers.

FIRMS SHOULD:

1. Learn to add value and get away from hourly billing. Value will be based on results first and efficiency in obtaining the results. (Clients do not value services as law firms do (hours x rate = value). Most clients do not have "cost plus" arrangements with their customers and they resent having to pay their law firm on that basis.
2. Adapt to ever changing environments and client needs, including new practice areas and new ways to provide service to clients.
3. Have highly trained and, thus, more flexible lawyers and staff.
4. Have the computer hardware, software and communications devices in each office that is compatible with our clients to be able to timely and adequately respond to our clients' needs and communicate with each other.
5. Develop web sites in our niche markets that provide valuable information to clients in those markets.

6. Most importantly, provide reliable service at competitive prices delivered efficiently.

CHANGES

I see the following changes occurring right now.

| | <u>OLD</u> | <u>NEW</u> |
|------------------|---|---|
| 1. Marketing | Mass Market through books, articles, seminars, etc. | Niche market targets through web sites, investment of time and money with targeted clients, focus on differentiation (how is the firm's service different and more valuable?) and cross selling clients on other services the firm can offer. |
| 2. Lawyers/Staff | Tight Control. Training occurs "on the job. Shareholders do not use computers | Highly skilled lawyers and staff are the prime source of value added, particularly when they are using advanced technology. Firms can never over train their lawyers and staff. |
| 3. Equipment | Not necessary to be compatible | Equipment is compatible with clients to be able to communicate with clients and each other. Need to be able to organize and store data and share it with clients. |
| 4. Billing | Hourly | Lump sum, task based and contingent fees. |

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|--------------------------|--|---|
| 5. Timeliness of Service | Based on Lawyer's timetable and Court dates | Based on most efficient, rapid response to meet clients needs. |
| 6. The Practice of Law | Firms provide "full services", including low end work. Associates are trained and leveraged at clients' expense. | Charges are now based on the value of the work to the client. Focus on industry specialties where industry training and experience is financially rewarded. |

**VALUE ADDING STRATEGIES/SPECIALIZATION/NICHES/
DIFFERENTIATIONS**

Some value adding strategies are not new. They simply are not well appreciated by some law firms.

- X Understand client needs. (Ask them directly.)
- X Provide top quality as perceived by the clients by understanding their business and needs. (Subscribe to their business publications.)
- X Provide superior and timely service. (Price is less of an object when service exceeds expectations.)
- X Achieve extraordinary responsiveness, through computerization and communications programs. (Clients want the work done right away.)

What does the legal profession of the next five years look like? I think it will be “client driven” and the successful firms will differentiate themselves by how well they understand their clients, the skills of their junior lawyers and staff and the speed and efficiency of their services.

Firms need to concentrate and brainstorm new ideas. They need to meet with their clients and understand their perspective of the firm’s work. What do they like? What additional work could the firm be doing for their clients? What could the firm do better? What innovations would they like to see from the firm?

QUALITY

Business clients will pay more for better, and especially best quality for certain types of legal work. Firms should focus on areas of work where quality makes a

difference to the client. However, firms must define quality from their clients' perspective. To do so, the firm's lawyers must understand and communicate to each other our clients' businesses and their needs. Quality may also involve review of work by other experienced lawyers in the firm.

SUPERLATIVE SERVICE:

Nordstrom promises same-day alterations, sparkling dressing rooms with fresh flowers, a grand pianist in each store, no thief proof wires, salespersons who can cash checks and take returns and do gift wrapping on the spot instead of putting customers in long lines. How can a law firm "redefine some of the mundane legal services it offers?" In terms of service, how can a firm be the Nordstrom of the legal profession?

BOTTOM LINE

It costs five to six times more in time and energy to go out and get a new client than it does to maintain a client the firm already has, so it pays to be focused on client service rather than billable hours. The legal profession is changing rapidly. Clients are reducing the number of law firms with whom they do business. They will focus on firms that understand their industry, business and strategy. Firms that are in tune with their clients, provide valuable services with highly trained and motivated lawyers, and use technology to improve efficiency; will be the winners. It will be an exciting ride if firms make the commitment and effort.