



Herding Lions in a Minefield

PREPARING THE PARTNERSHIP FOR COMPETITIVE STRATEGY WORK

Group Dewey Consulting
Wise Counsel

INTRODUCTION

Law firms are complex, dynamic organizations that do not fit the traditional business models of the corporate world. With 30% to 40% of the attorneys also owners, law firms are flat, loose coalitions of entrepreneurs each pursuing their own interests and practice strategy. On top of this challenge, there are political landmines in every firm, most known but some not depending on the individual. The task of managing and directing a group of lawyers is difficult. I joke that it is akin to herding lions in a minefield. And most agree that that's not far off of the reality.

These are noisy, chaotic, risky environments requiring intense focus and superior leadership skills. But in today's quickly changing legal market, law firm leaders will need more than a whip, chair and metal detector to successfully lead the firm. They'll need a coherent competitive strategy that resonates both inside and outside of the firm. However, developing that strategy among a loose coalition of entrepreneurs is a herculean task made easier when every partner has a shared understanding of the dynamics of the industry and a common language and tools to guide the analysis and discussion. This paper presents several models useful in developing and executing competitive law firm strategy and a means to align individual and practice group initiatives in a way that supports the overall strategic direction of the firm.

THE THREE PRACTICE DISCIPLINES OF ATTORNEYS

Spend a little time in this industry and you will hear about the three types of attorneys: Finders, Minders and Grinders. To clarify the concept, 'Finders' are the attorneys in the firm who attract client prospects through personal relationships and specialized knowledge. They are the aggressive business developers and innovators in the firm. Typically, about 10-20% of the lawyers in the firm can be categorized as 'Finders'.

'Minders' are the relationship managers in the firms. They are not as good at bringing prospective clients into the firm but they are very good at maintaining client relationships, expanding work from existing clients and cross selling among practice areas. This group typically represents about 20-30% of the firm's attorneys.

'Grinders' are the work horses of the firm. These are the lawyers that produce the routine work of the firm and often represent 50% or more of the attorney population.

Law firms need all three disciplines. However, they often do not treat or reward the disciplines equally. This can present challenges for law firm leaders who must synchronize the attraction of clients and delivery of services efficiently.



THE VALUE DISCIPLINES OF LAW FIRMS

Law firms also have three main disciplines which they can use to differentiate the firm to attract and serve clients. These disciplines can be described as services innovation, client focus and organizational effectiveness.

‘Services innovation’ refers to the degree to which a firm is able to manage practice area specialization and expertise in the firm, whether that is by legal task, by practice area or by industry. It includes the firm's ability to communicate these capabilities internally and to clients and prospects. The firm's ability to identify emerging trends and issues, identify potential client risks, determine how to resolve the issue and develop methods for preventing future problems are the goals of the services innovators in the firm.

Evidence of this discipline in the firm can be seen in the firm's thought leadership, the quality of its analysis, its trends spotting capabilities, and its development of new practice specialties among other ways.

‘Client Focus’ is the firm's ability to identify, understand and respond to client interests and needs, client goals and objectives, and its ability to shape solutions to the client's business or industry. Firms which are client focused are adept at molding the firm's skills and capabilities to the client's needs on a bespoke, one-to-one basis.

Activities in the firm which evidence a firm's client focus capabilities include client feedback and interviewing programs, cross selling effectiveness, compensation systems that reward client entrenchment and/or satisfaction, firm involvement in industry trade groups, the depth of clients in firm industry segments, and close linkages with client businesses, are just a few examples.

‘Organizational Effectiveness’ refers to the firm's ability to manage work efficiently and improve the profitability of the work, have a process or project management focus, use vendors and outsourcing effectively and evolve the firm to meet the changing needs of the marketplace.

Activities which evidence a firm's grasp of organizational effectiveness include use of technology, process improvement initiatives, monitoring and reporting systems, knowledge management capabilities, e-billing services, alternative fee arrangements, budgeting and forecasting systems among others.

THE OVERLAY OF LAW FIRM AND ATTORNEY DISCIPLINES

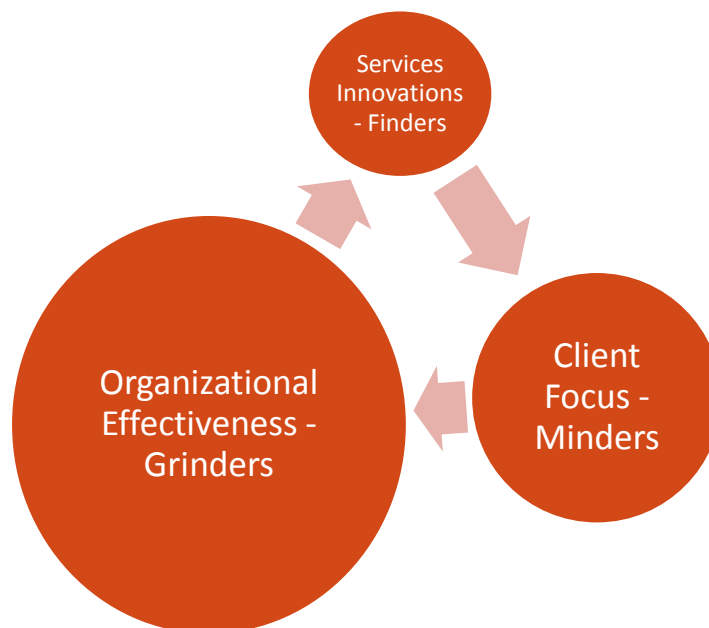
Interestingly, the three disciplines of attorneys tends to align well with the three value disciplines of law firms. Finders are, by their very nature, innovators. Minders are inherently



good at client focus. And Grinders must be organized and efficient to be most effective. Each of the disciplines are interdependent. Compensation systems though rarely reward each type of lawyer equally and often don't recognize the unique contribution of each. While each lawyer may move between the various roles depending on client needs, work demands and other factors, generally speaking, each lawyer will have one role as their predominant role in the firm.

The three value disciplines of law firms provides three different ways in which the firm can differentiate its services. Within practice areas, firms should gain a clear and shared understanding of their differentiation strategy. It is tempting, in this process, to say that the practice has elements of all three strategies. And, to some extent, that is correct. Dissecting each task within a matter demonstrates this clearly with some tasks being very routine and others requiring creativity or customization to the needs of the client. Regardless, practices must articulate the most important of the three strategies to them based on how they want to be viewed by clients and the economic benefits of each strategy. Clients are barraged, even harangued, with marketing messages from law firms. In order to be heard in the noisy din of the marketplace, a single strategy of differentiation will enable the firm to stand out.

Chart #1: Law Firm and Lawyer Disciplines



Each differentiation strategy has different growth drivers, organizational and cultural challenges and produce different competitive advantages. Clients tend to select the firms who offer the unique capabilities that solve their current problems. So, they will seek out creative strategists for new and vexing problems, or highly efficient firms for large volumes of routine matters. If firms are not easily identified with one of the three competitive strategies, they will lose work to



those that are better positioned and more well known. A summary of the growth drivers, challenges and competitive advantages of each strategy follows in Chart #2.

Chart #2: The Basic Differentiation Strategies of Law Firms

	Service innovation	Client Intimacy	Organizational Effectiveness
Growth Driver	<p>Early command of emerging issues enables premium rates and client entrance:</p> <p><i>Achieving speed is key</i></p>	<p>High cost of acquisition and low switching costs makes it imperative to gain large share of client's legal spend (wallet):</p> <p><i>Improving scope is key</i></p>	<p>High fixed costs make large volumes essential; Process improvements protect profit margins and improve predictability:</p> <p><i>Managing scale is key</i></p>
Key Cultural /Organizational Challenges	Battle for talent and expertise; low barriers to exit requires coddling of stars	Improved service orientation; need to cross sell; effective comp. sys.	Improving efficiency; improved marketing effectiveness; best strategic investments; M&A and lift outs
Competitive Advantage / Value Proposition	Specialists and Experts	Client Focused	Best Value Option

BRINGING THE TWO DISCIPLINE CHALLENGES TOGETHER

The challenge for law firm leaders is to identify the attorney types by their practice discipline, identify the value disciplines which create client and financial results for the firm and align these two in a way which optimizes the firm's return on its investment. This must be done in a dynamic market which is constantly evolving. To understand this, it's helpful to review the lifecycle of legal services. (see chart #3)

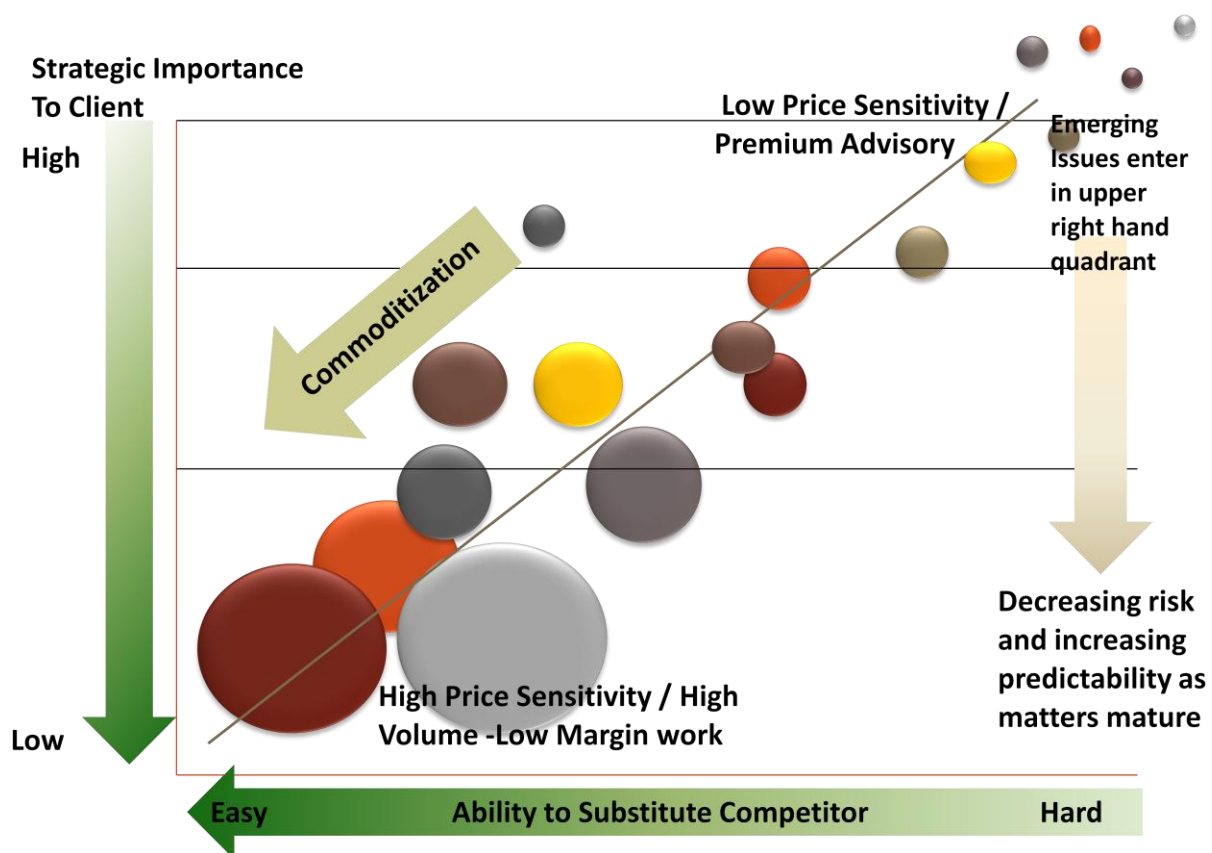
Chart #3 is a model of the legal services industry *from the perspective of clients*. Each bubble is a legal practice. The size of the bubble indicates the volume of hours (or revenues) in each practice.

In considering outside counsel, clients evaluate firms' ability to handle matters or cases at the level appropriate to the strategic importance of that issue to the company. As such, highly important issues warrant hiring firms or attorneys with demonstrated experience and reputations that provide 'the best possible insurance' against risky and unpredictable issues. The more unique the issue, the more specialized the practice of the lawyer must be. Lawyers with experience and reputations for successfully handling new or unpredictable matters can charge



the highest rates. Conversely, clients gravitate toward low cost options in highly routine matters with low strategic importance to the company.

Chart #3: The lifecycle of Legal Services



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The horizontal axis indicates how easily clients perceive their ability to substitute another lawyer or law firm to do the work. In situations where it's hard to find viable substitutes, attorneys can charge premium rates. Conversely, a high degree of competition drives prices down creating higher price sensitivity. So, the price sensitivity curve runs from high price sensitivity in the lower left hand quadrant to low price sensitivity in the upper right hand quadrant.

This model can be used to evaluate legal services at a granular level (for example specific legal tasks) as well as up through to a global perspective (such as a global client's perception of the relative position of each of its outside counsel). The bubbles can represent a specific task, an individual attorney, a practice, the firm or the industry as a whole depending on the nature of the analysis. This model is extraordinarily helpful as a strategy assessment tool to help attorneys

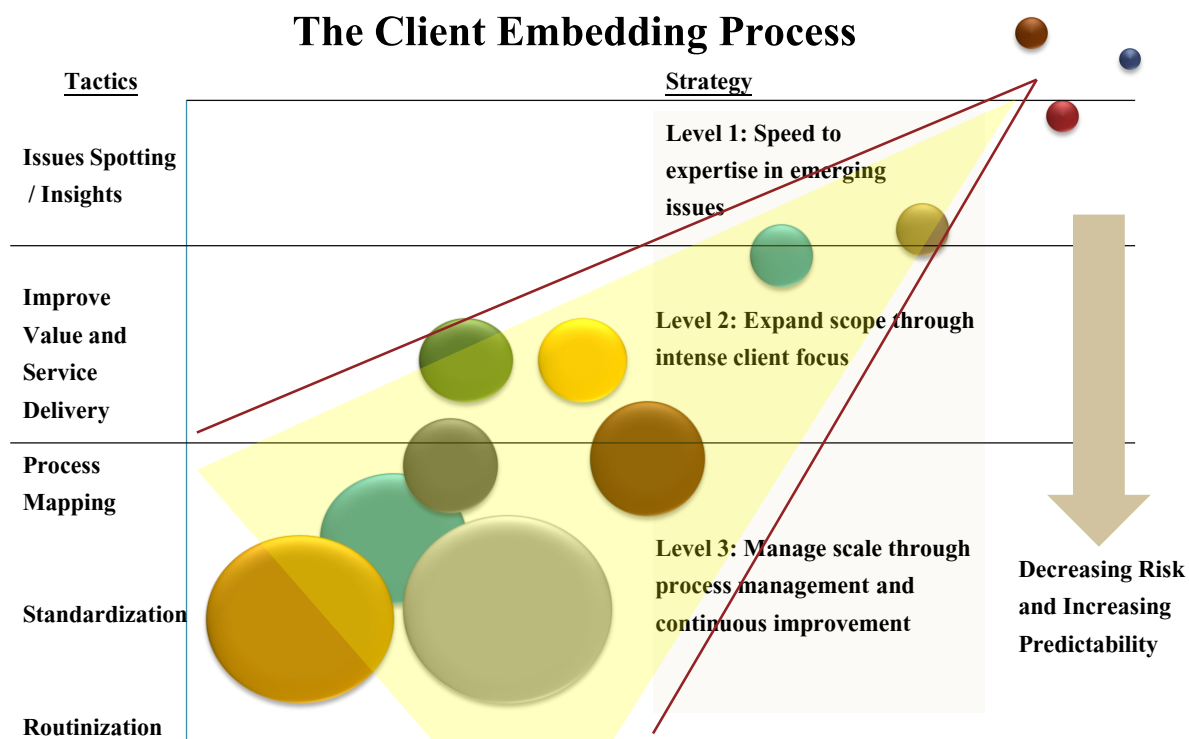


evaluate their practice by asking attorneys to plot where their clients would put their position on the graph. The second phase asks the practice group's clients to plot the practice based on the clients view of these two factors. The gap between attorney perception and the client's reality is often significant and instructive.

THE CLIENT EMBEDDING PROCESS

Law firm leaders must do three things very well. They must 1. Manage practice groups and attorneys to seek premium rates through specialization and the early mastery of emerging trends, 2. Manage client focus through client service, knowledge integration and cross servicing initiatives and, 3. Manage increasing scale through improved work flow, processes and technology improvements. When viewed against the back drop of the legal industry model, the dynamics of the industry become more apparent. The next graph depicts the Client Embedding Process and combines the three value drivers of law firms with the legal services industry model to show the interrelationships of drivers in the professional services market. (Chart #4).

Chart #4: The Client Embedding Process



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The Client Embedding Process shows how clients are motivated to manage risk and improve the predictability of the impact of legal issues on their business. (As they do so, the price sensitivity increases and rate competition intensifies.) Firms serve client needs by 1. Identifying the emerging issues and clarifying the risks and opportunities for clients, 2. Managing integration with the client as a partner through intense client focus and, 3. providing increasingly efficient services and improved value by managing the work more effectively than competitors as the issue or practice grows and matures. The graphic suggests the marketing strategy which best serves the firm or practice depending on the level of price sensitivity and competition.

The model is a snapshot in time. Issues are in constant motion and cycle through this process as legislation is enacted, judicial rulings are handed down, and demographic, political, economic and technology trends emerge. Firms can attract clients at any one of the three stages of the model using a unique set of strategic marketing tactics for each stage.

HOW MARKETING FITS IN

Communication of a firm's specialization and expertise begins by creating awareness among an audience who is in the market for its capabilities. Generating awareness leads to interest which develops into familiarity and, eventually, leads to action- that is, a signed engagement. Moving prospects through this process (called the pipeline) requires the effective use of the firm's marketing, business development and client service tools. It also requires a balancing of attorney and cost investments in the process to ensure the most efficient and effective use of resources. Here again, a model is worth a thousand words. The following graphic (see chart #5) demonstrates the three main activities of any marketing program, where these tools stand in relation to the buying cycle of clients and their relative costs in attorney time or marketing investment.

Ironically, many firms under invest in the most critical and efficient tactics in client development and overspend in the least effective tactics for attracting clients and work. Why this is so is not the purpose of this paper. However, understanding the relative weight the firm places on each is a worthwhile investigation- one that will clearly reveal ways to quickly improve the traction firms get in their marketing investments.

Marketing programs can be understood (and organized) in terms of the effectiveness of each marketing tool in moving clients through the buying process from 'awareness' of the firm's capabilities through 'purchase' of the firm's services and, eventually, into 'client loyalty' to the firm. Each tool offers a balance of cost and time with 'traditional' marketing tools (like advertising and sponsorships) requiring more cost than attorney time and more 'service-related'



activities (like client service teams and referral management) requiring more attorney time than hard cost.

Chart #5: Marketing , Business Development and Client Service



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Effectively managing each of these three disciplines improves the efficiency of the marketing program. The department can be structured to align skills in the department with each of the three main areas of the marketing tool box in order to enable each person to become expert in their area and gain knowledge in how to best impact that phase of the client's purchase cycle.

THREE QUESTIONS TO ASK YOUR PARTNERS, CLIENTS AND STAFF

Law firm leaders often see themselves as first being the consensus builders in the firm and second, as leaders of change in the firm. Both of these important roles require law firm leaders



to be exceptional communicators and educators in the strategy and business model of the firm. Most law firm leaders come well equipped in their knowledge of the culture of their firm which makes them well suited to calibrate the competitive advantages and strategic opportunities inherent in the differentiation strategies. Law firm leaders who have a vision for change are often constrained by the sheer complexity of their charge. Adopting these simple models and sharing the concepts throughout the firm will greatly assist leaders in focusing their efforts to improve the firm's services innovation, its depth of client focus and its organizational effectiveness.

Three questions can help spark the conversation and focus the firm on the drivers of the firm's growth.

1. In what areas of the law are we specialists deserving of premium rates?
2. In what ways do we bind clients and referral sources to the firm?
3. In what ways have we improved the value delivered through organizational effectiveness?

While law firm leaders will need to continue to draw on their abilities to build consensus and lead change, the above models will give them the tools to explain, examine, manage and communicate the most important drivers of value in the firm: expertise, service and efficiency.

ABOUT GROUP DEWEY CONSULTING

Group Dewey Consulting provides growth consulting and strategic solutions to law firms, practice groups and lawyers. Our core expertise is in business development training and coaching, lateral partner due diligence, client interviews, marketing strategy, and practice development. For more information, please visit our website at www.groupdewey.com or contact Eric Dewey at eric@groupdeweyconsulting.com.

