

CODEXX WHITEPAPER

Driving transformation in a mid-sized law firm

An interview with Andrew Clinton,
Managing Partner, asb law

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energizing change

Introduction

Major law firms are operating in a time of great change with significant pressures on their core business model, driven by a 'perfect storm' of factors:

- Digitisation of legal service delivery, enabled by the internet and mobile technologies
- More sophisticated and price-focused clients demanding 'more for less'
- Continuing economic austerity – impacting public and private sector legal budgets
- Deregulation to enable new entrants and new business models

The UK legal press primarily gives coverage to the large law firms – particularly the so-called 'magic' and 'silver circle' firms licensed in England and Wales – and how they are responding to market, regulatory and technology challenges. But how are mid-sized regional firms dealing with these challenges? They are typically competing for work where rates and indeed margins are significantly lower than for the large firms competing for M&A and complex litigation work – and these are being further squeezed in this challenging environment.

asb law

One such firm is asb law, operating in the South East of England and offering legal and consultancy services to both commercial and private clients, with a turnover of £12m. The firm has been on a transformation journey for the past six years, led by their Managing Partner, Andrew Clinton. As part of this transformation, the firm has reconstructed the delivery of its legal services around its four key values of *certainty, transparency, collaboration and innovation*. These values were developed in response to extensive market research and feedback from clients who expressed a desire for improved predictability and defined outcomes.

Alastair Ross, Director of Codexx, interviewed Andrew Clinton for a view of the firm's approach to transformation. Codexx worked with the firm in 2011-12, at an early stage of their transformation, to help them establish a lean programme and to re-engineer a number of legal services, so has a good understanding of the firm.

Interview with Andrew Clinton, Managing Partner

The purpose of this interview was to review the approaches taken by asb law in its programme of transformation and to identify the challenges encountered, key success factors and learning points. The interview is followed by a commentary from the author analysing the findings and identifying important guidance for other law firms embarking on major transformation.

Q1. Over the last 6 years you've made some significant changes in asb law's offerings and organisation. What was your 'burning platform' - your key reasons - for making these changes?

'It was the realisation that the business model of a traditional law firm was outdated. It is a model that was built for times of abundant demand when clients had little real choice about the way in which legal services were delivered. The pressure for structural and behavioural change came as the legal market became more competitive which opened up client choice. We decided that in order to be sustainable in the long term we needed to differentiate ourselves and the best way of achieving that differentiation was to stop acting like a traditional law firm.'

Q2. What do you consider to be the 'top three' changes you are making, as regards the expected impact on the firm's competitiveness?

1. 'Adopting a market driven outlook. We changed our organisational structure to enable us to move from a firm designed around selling existing service line expertise to one that innovates around the needs of its target clients. We are no longer constrained by our service lines and work with our target clients to create sales propositions that help them achieve their objectives. By creating a sales structure, we have brought the voice of the client into the firm.'
2. Introduction of leading measures on both sales and delivery – we spent time working out the predictive and influenceable measures that will drive new behaviours. These include dashboards and a weighted sales pipeline as well as linking the bonus to client satisfaction to drive client-focused behaviour.'
3. Being really clear about our purpose as an organisation. We exist to challenge conventional thinking and find better ways of delivering legal services for the benefit of our clients. We look to attract clients and recruit people who share that sense of purpose.'

Q3. What have been the major challenges you have faced in making these changes?

'Implementation of any new initiative is a challenge, given there will always some reluctance to change and there is the "whirlwind" of other things that distract attention. Finding people with the right skills is important. We brought in three former senior in-house lawyers to help refine our approach to that market. We also needed to overcome some of the resistance that comes because people are organised into departments, which can create a silo mentality. This was achieved by appointing a COO with an explicit brief to oversee organisational change across the entire firm. We are moving to a single operating model, which we call the *asb law way*, to ensure we deliver a consistent service and reduce inefficiencies and waste.'

Q4. From your experience, what have been the key approaches you have taken to address these challenges?

'I think it is necessary to tackle both the hard and soft barriers to change. We had to change our organisational structure and reward mechanisms as well as encourage people to look at new metrics such as the blended margin of a client relationship over time. At partner level, we have had to accept that some of the things we try will not work and not allow that to become an excuse for not trying new things.'

We have tried to play to people's strengths and create the right conditions for people to learn and change. Communication in terms of the wider context and being clear what you want from people underpins the transformation programme.'

Q5. What have you done to encourage Partners and employees to try new things without being fearful of the consequences of possible failure?

'We talk about an open loop culture which is a concept we picked up in the book 'Black Box Thinking' by Matthew Syed. The management team leads by example by talking openly about things they have tried that have not worked and what they have learned as a result.'

*Q6. How have you engaged clients in your change programme? And how would your clients consider *asb law* has changed over the past six years?*

‘We are externally focused and we therefore tested all of the main elements of our change programme in the market before implementation. I think clients would (and do) say that we are not like a typical law firm which we were 6 years ago. That is a big compliment in my book as we seek to challenge the cultural norms in terms of delivering legal services.’

Q7. One of the first programmes you launched, back in 2011, was a Lean programme. How has that programme progressed since then and how important has that been for the firm?

‘A focus on value from the client’s perspective and seeking ideas for improvement from throughout the organisation was a very positive step. We now appreciate that our business is a system and not a collection of fee earning and functional departments/silos. We mapped out certain processes and that led to the development of some fixed fee services and the shift to a single operating model. We have embraced the principles of Lean in our consultancy business. If I had my time again, I would have recruited a sponsor of sufficient seniority to ensure that a realistic work plan was drawn up and executed. This would have increased the pace of the adoption process across the firm.’

Q8. What are the measurable benefits resulting from the changes that you have made over the past six years?

‘We measure our progress both in terms of financial performance in an accounting period and by considering whether the value of the firm has increased year-on-year. We are putting on profitable growth and the transformation programme would definitely have driven a higher “share” price (if we were a corporate entity). It is a question of balancing short-term returns with investment for future value-creation and we do seem to be getting that balance right, in that:

- we have reported organic revenue growth of 15% and the key EBITDA profit metrics have increased;
- we have a robust sales pipeline of future demand and the value of our backlog (work signed up but yet to be carried out) has increased;
- we have moved to a single technology platform having transferred onto the Peppermint platform last year; and
- we are increasingly seen in the market as offering something new and different which led to a ranking in the top 50 leading innovators in Europe in the Financial Times’ report on the most innovative law firms in Europe 2016.

My main reflection is that transformation is not an easy or quick exercise as it involves profound changes to the operating model of an organisation. There are many organisational and financial challenges and the lead times to substantive performance improvement can be rather lengthy. It can be tempting to think it is all too difficult and revert to what you know best. The difficulty with that is that the biggest risk, in a maturing market, is not changing and finding that you get left behind. The good news in that there are tried and tested techniques out there from other industries that can be applied to the world of law.’

Q9. Looking back at the journey so far, what would you say are your key learning points?

- ‘Design a method of measuring progress towards the result you want and report on it regularly using a simple dashboard. Don’t start with the P&L and work backwards but focus on the right behaviours.
- Don’t be afraid to dismantle the mechanisms that defend the old ways of working.
- Be open with people and don’t assume people will buy into it just because it makes sense to you – make it real for them. You want to be energised by people, both internally and externally, who share your sense of purpose.’

Q10. What's your vision of how asb law will operate and service clients in 2020?

'As a next-generation professional services firm with a distinctive and highly efficient service delivery model. We will be known for developing solutions based on the needs of our target clients, which will include propositions in which we collaborate with other service providers. I anticipate that our range of products and services will include technology that provides benefits to our clients.'

Q11. Finally, how do you think the Brexit decision to leave the EU will affect this vision and your strategy to achieve it?

'The strategy was developed to ensure that we are more resilient to market forces and macro-economic events. If there is a downturn that significantly impacts our clients that could have an impact on the pace of change as it is likely to reduce the amount available for investment.'

Commentary - overview

The asb law transformation story illustrates very well the key requirements for an effective programme of transformation:

1. A clear vision
2. A defined strategy
3. An effective implementation programme
4. Knowing when to keep going and when to restart

1. A clear vision

An effective transformation vision is a clear, compelling and easily communicated picture of the transformation destination. asb law had the vision of a differentiated firm, that did things differently from other law firms, developing solutions based on client needs and delivering them efficiently. The vision was built on the 'burning platform' of increasing business pressures on the industry and the firm.

2. A defined strategy

There will be a number of ways of achieving the defined vision and the strategy is the agreed approach that will be taken. asb law has a clear strategy and it identified three significant changes that were necessary to support their vision: 1. Adopting a market driven outlook; 2. New performance measures for selling and delivering legal services; and 3. A clear sense of purpose.

3. An effective implementation programme

The implementation programme will define the projects required to execute the defined strategy, together with the enabling resources and time plan. In addition, the management and reporting system for the programme and the change management system will need to be established. Law firms are typically weak in execution management and in the interview Andrew Clinton recognised their need to improve in implementation management with the need to "*Design a method of measuring progress towards the result you want and report on it regularly using a simple dashboard.*"

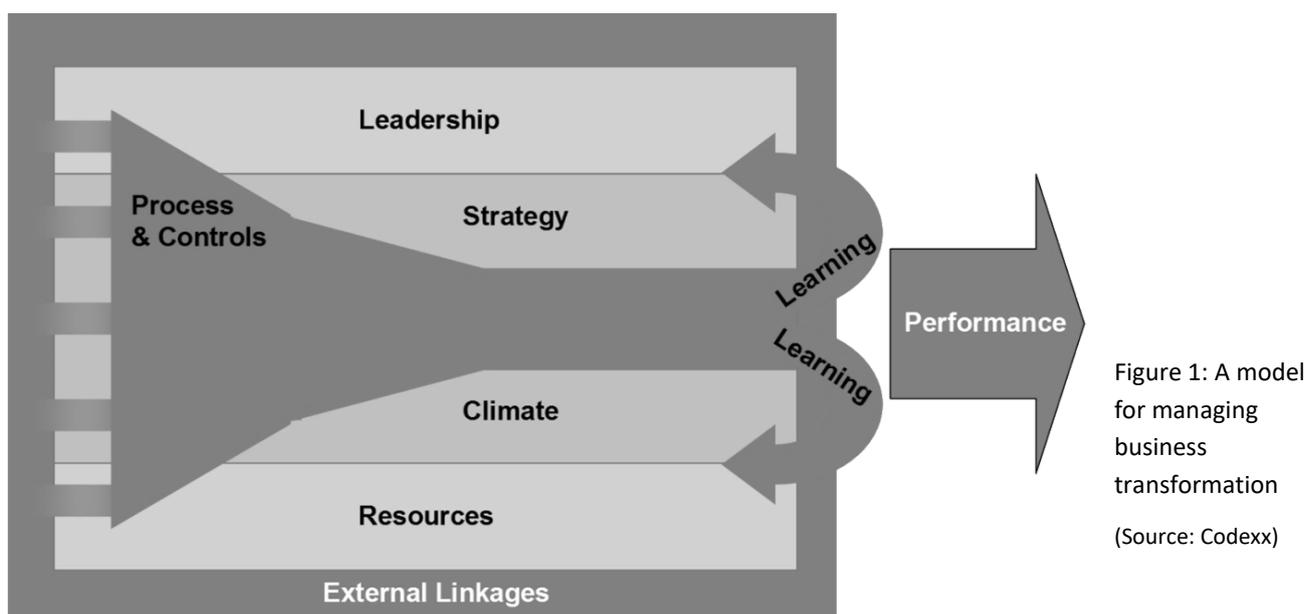
4. Knowing when to keep going and when to restart

Transformation programmes almost never run as intended. At best some benefits are delivered as the intended vision is partially realised; and then the programme is refocused, restructured and re-energised before starting again. The analogy of the farmer enjoying a mix of bountiful and also lean harvests is

appropriate for business transformation. So as a transformation leader you need to know when to keep pushing forward on an existing programme and when to step-back and restart the programme in a different way. Andrew Clinton recognised this when he said *“At partner level, we have had to accept that some of the things we try will not work and not allow that to become an excuse for not trying new things.”*

Commentary - effective operation of a transformation programme

A transformation programme is effectively an on-going programme of systematic innovation. A proven model for systematic innovation is shown in Figure 1. So for effective operation of a transformation programme, there are seven key practices that need to be considered:



1. Leadership

Transformation requires leadership from the top - this is clearly performed by the Managing Partner, Andrew Clinton, who has brought vision and executional leadership – as well as at other levels of the organisation in championing and leading individual change projects and activities. *“The management team leads by example by talking openly about things they have tried that have not worked and what they have learned as a result.”*

2. Strategy

A clear and compelling destination is needed to engage partners and employees. asb law’s leadership has defined a clear vision of a ‘solutions-focused’ firm and a strategy to realise it. And they have worked to communicate it and sell it to the partners and employees: *“Be open with people and don’t assume people will buy into it just because it makes sense to you – make it real for them.”*

3. Culture

The culture in a law firm – and indeed in any professional services firm – is aligned with the needs of the daily business (i.e. chargeable work and billing) and thus driving change programmes is challenging. asb law

have sought to address these issues by creating a structure that supports the new market-focused strategy and moving away from the traditional utilisation-focused performance measures: *“We had to change our organisational structure and reward mechanisms.”*

4. Resources

Firms have to apply sufficient resources to the defined programme (or reduce the programme scope to the available resources). These resources include ‘champions’ for the key projects, time from fee earners and support staff, the budget for new systems such as IT and the use of methods and tools for transformation projects (such as Lean and re-engineering methodologies). asb law have experience of applying Lean thinking in an early programme to improve client focus and service delivery efficiency. Andrew Clinton recognises the challenges and has taken action: *“Implementation of any new initiative is a challenge given the “whirlwind” of other things that distract attention. Finding people with the right skills is important. We brought in three former senior in-house lawyers to help refine our approach to that market.”*

5. Process and Controls

This is an important aspect of the transformation programme – to ensure that progress is made against plan and if not that appropriate actions are taken. It’s not clear how formal and structured is asb law’s management system for the transformation programme – to allocate resources, monitor progress and take actions. Certainly this was a weakness in the execution of the initial lean programme as recognised by Andrew Clinton: *“If I had my time again, I would have recruited a sponsor of sufficient seniority to ensure that a realistic workplan was drawn up and executed.”*

6. External linkages

In defining a transformation programme, input from customers, suppliers and other sources is key to ensuring that the destination and selected path is appropriate. Reviewing progress with external parties - particularly customers - is also key. asb law appears to be active here – certainly in involving its clients: *“We are externally focused and we therefore tested all of the main elements of our change programme in the market before implementation.”*

7. Learning

Over a multi-year transformation programme, learning from experience needs to be fed back into the operation of the programme, to reinforce what is working and change what is not. asb law appears to have recognised the importance of this when Andrew Clinton said *“We talk about an open loop culture,”* (which is a term coined by Matthew Syed). This is a philosophy for ‘learning from mistakes’ – where a mistake is seen as a key source of learning and must be fully utilised (rather than seeking to ‘kill the messenger’ as is the case in all too many organisations....).

Conclusions

asb law is a progressive firm which is certainly ‘punching above its weight’ when it comes to defining and sustaining an innovative transformation programme. There are certainly opportunities for improvement in the way the programme is being implemented – but execution is a common challenge in law firms and mid-sized firms such as asb law are typically constrained in their internal resources for improvement projects. But overall the firm is demonstrating visionary leadership and a long-term discipline to making significantly major changes in its culture, its business model and the value it is offering clients.

This case demonstrates that smaller law firms, if led by visionary and bold management – applying proven business improvement approaches in a sustained way – can deliver major transformation. It’s also worth noting that such transformation, if delivered by one of the larger firms would have the legal press penning multiple articles....

About the author

Alastair Ross is the founder and Director of Codexx Associates Ltd, which he established in 2002 following a career in IBM. He has consulted globally to professional service and industrial clients for over 25 years and has re-engineered over 20 legal services. He is also a visiting lecturer in Service Innovation on the University of Southampton Business School MSc in Strategy and Innovation and the University of Exeter Business School MBA programme. His latest books *‘Innovating professional services – transforming value and efficiency’* was published by Gower in May 2015 and *‘Sowing the seeds of business transformation’* was published in February 2017.

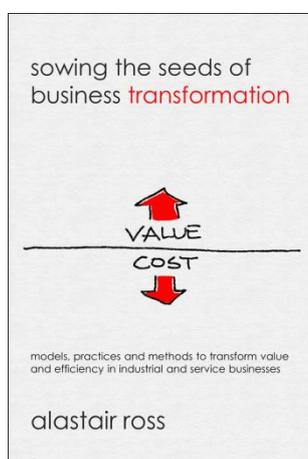
About Codexx

Codexx was established in 2002 to provide innovation and transformation services to the service and industrial sectors. It has worked extensively with a number of major UK law firms over the last decade in legal services re-engineering and to help law firms establish effective approaches to innovation. For information on Codexx services and experience go to www.codexx.com.

For more information

For further information on this paper and the subjects discussed, contact Alastair Ross via www.codexx.com or by phone on +44 (0)7766-525433.

More detailed information on methods and approaches for business transformation can be found in *‘Sowing the seeds of business transformation’* by Alastair Ross.



‘Sowing the seeds of business transformation’ is aimed at change leaders who are seeking inspiration and guidance for transformation in their own businesses. It is a practical guide, based on project work and detailed case studies and is suitable for transformation projects in a single service or process, a function or department, business unit or firm wide.

The book examines key transformation-enabling tools and methods such as Value Analysis, Systematic Innovation, Lean, User-Experience, Re-engineering, Continuous Improvement, Business Model Innovation and Digitisation.

‘Sowing the seeds of business transformation’ is available on Amazon.co.uk.