



Enemies of Agility

All too often, law firms, and law firm partners, get comfortable. In spite of dramatic shifts in the industry - the evolution in the way that clients purchase legal services, the number, size, and nature of competitors and alternative providers, the rising cost of talent, or even a global pandemic – law firms often struggle to adapt, in large part based on a strong partnership desire to maintain the status quo.

Seven years ago, we wrote the Insight below on what prevents law firms from being more agile, and how they can overcome resistance to change. While a number of firms have increased their agility over the past seven years, others continue to struggle with varying forms of inertia. In the current environment, we see a significant bifurcation between agile firms responding to both pandemic-driven and broader legal industry evolution, and other firms seeking to return to the ‘old normal’. For those firms where organizational change represents a threat instead of an achievement, this updated Insight is particularly relevant in today’s rapidly evolving environment...

Over the past several years, we have seen a growing gap between the highest performing firms and the rest of the market. In working with and observing law firms across market segments and jurisdictions, we see clear differences in how firms respond to market changes. The most agile firms benefit from a strategic advantage based on their ability to respond to change and capitalize on opportunities more effectively. This agility frequently drives superior performance relative to the rest of the market. By contrast, firms lacking agility seem to fall behind, whether through inertia or because their focus is elsewhere.

Many firms perceive themselves to be agile, when in fact they are not. Our role in advising firms often involves helping them to recognize the challenges associated with a lack of agility. So what does a strategically agile firm look like? And what are the characteristics of firms that lack agility?

The Agile Firm

The agile firm demonstrates a clear direction of travel by seeking out and responding quickly to market opportunities. Partners in these firms understand and support the firm’s strategic direction, and leadership takes action to proactively grow the firm’s practice and market share. Whether evaluating a lateral hire, forming an industry team, prioritizing a practice area for growth, or even evaluating a client at intake, these firms demonstrate an organized and systematic approach to considering market opportunities and reaching and communicating timely decisions.

Strategically agile firms are also strongly market facing. They research market trends and competitor moves; they communicate openly and frequently with clients to understand better and align with their needs; and they look for early signs of changes among competitors and in demand for the firm’s services. These firms also tend to be more active in seeking out emerging growth areas and markets while maintaining a focus on their core practices. No single strategy – global vs. domestic, multi-service vs. single practice focus – embodies strategic agility. It emanates from strategic alignment, market orientation, and effective leadership.

However, as is the case with a number of management principles, strategic agility may be best defined and understood not by describing what an agile firm looks like, but instead, identifying the forces which oppose agility in law firms.

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Firms struggling with organizational agility have historically demonstrated some variation of strong consensus dominated

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decision-making, overly decentralized or centralized management, a high degree of partner autonomy, and/or independent practices and offices. In today's environment, the most change-resistant firms also show a strong internal orientation, risk aversion and a desire to cling to the 'old normal' way of practicing law, and in particular, a lack of partner education/awareness of broader trends reshaping client demand, competitors, peers, and the legal industry overall.

Such traits restrict the pursuit of new opportunities and in some cases, directly inhibit a firm's ability to take action. For some firms, these characteristics also represent widely accepted or agreed upon behavioral or cultural norms within the partnership. This makes it virtually impossible for those charged with leading the firm to rally partners and get them on board in pursuit of a single, coherent direction.

Interestingly size and agility are often inversely related. Larger firms are often more decisive and have more management bandwidth to focus on the market and clients, while small and medium firms can get more wrapped up in internal day-to-day issues.

We also see a correlation between client size and openness to change. Law firms consistently serving mid-size and large companies often better understand trends reshaping client expectations around service delivery, staffing, technology and diversity. By contrast, firms with a more mixed client base often lack sufficient partner exposure to such perspectives, and as a result, tend to be more resistant to change and focused on preserving the past.

To ensure long run competitiveness, firms benefit from taking a critical look at themselves to test their own nimbleness. Is the partnership as externally oriented as it might be? Is 'thinking outside the box' valued or is there a strong bias towards 'The way we do things here'? If the answers to these questions are repeatedly "no", there is likely to be a strong case for the firm's leadership to seek ways to establish a more sharply defined direction, a more market-centric focus, stronger internal alignment, and a more agile culture.

For those firms where strategic agility requires cultivation, we have found the following approaches to be effective:

Develop a clear strategic focus: A well-defined strategy not only gives direction and cohesion to a partnership, but also provides context to decision making. It allows opportunities to be considered and priorities set against agreed upon goals. Moreover, it is likely to result in more efficient and effective management – and hence greater management agility – with those delegated the task of leading the firm having a clear mandate from the partnership.

Foster a more externally oriented environment: New ideas most often result from group interaction and the sharing of information across diverse teams of people. Getting lawyers together to share experiences, communicate ideas, and challenge existing norms is one of the most effective methods for brainstorming new ideas and opportunities. Focusing these discussions on external market changes and client feedback helps ensure that partners are informed about the changes in the marketplace and are actively engaged in assessing opportunities which will help build the firm's competitive position.

Build alignment: Partnership alignment represents the Holy Grail in driving strategic agility in a law firm. A first step in building alignment involves generating buy-in from key opinion leaders. By actively seeking out support from critical players and those with significant influence, management can more effectively ensure that influential partners are on board before pursuing change. Once opinion leaders support a particular approach, management will more readily garner support from the rest of the firm.

Avoid permanent thinking: One of the greatest inhibitors to agility is the fear of change and a predilection to remain at status quo. Firms most successful at cultivating strategic agility have developed an appetite for change while still preserving the core of the firm's culture. A culture more comfortable with change becomes more open to new ideas, more willing to challenge old norms, and as a result, more likely to innovate. In treating things as temporary, firms avoid attachment to a single way of thinking or doing things and promote a culture more open to change and new ideas.

Strategic agility is a valuable attribute in many of the highest performing law firms today. The most agile firms are able to out-compete others for both clients and resources, driving better financial results and market position. Given the structural and cultural norms common in law firms, being proactive and taking decisive, strategic action can represent a significant challenge. However, it can be done. Firms which cultivate agility will benefit from an advantage over others in the

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marketplace as they seize additional market opportunities.

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