

## **Masterclass: A virtuous circle**

*Law firms are right to expect high performance from all their partners and professionals. But what can they do to bring that about? There are various elements that need to be in place to achieve high performance in practice.*

By Peter Scott and Phil Gott

Why is performance moving to the top of the agenda?

Over the past decade it was perhaps enough to set expectations, reward high performers, tolerate moderate performers and deal with the one or two whose persistent poor performance could no longer be overlooked.

However, the recession has meant that markets have changed or disappeared altogether, clients have suffered, and if they are still in business, people's needs are likely to be very different in the future. Law firms can't assume that when the recession ends business will return to the way it was before the credit crunch.

Above all law firms will need to be even more competitive in a profession already undergoing seismic changes, driven by:

- A tougher regulatory regime;
- Which is suffering at the hands of a professional-indemnity market that year on year becomes more difficult and expensive, and;
- Which over the next few years is likely to be faced with serious commercial competitors from outside the legal profession, once non-lawyers are permitted to invest in law firms from 2011.

Services that clients are not prepared to pay for, high-cost methods of production and inefficient organisations will be weeded out and replaced by new, in-demand services, new lower-cost ways of working and more efficient organisations.

Forward planning is the key, and for a law firm to gain competitive advantage, this will involve identifying:

- What services clients will need in the future and how clients will require those services to be delivered; and
- The key skills and behaviours needed to enable the consistent delivery of those services to clients in a way that builds and reinforces client satisfaction.

## **Satisfied clients**

Client satisfaction is the only real test of success for a law firm.

The best way for a law firm to find out what clients (and also referrers of work) think about a firm and what they will need in the future is to talk to them, but above all, to LISTEN to them. A properly planned perception survey by a skilled third party is likely to be the most effective means to do this. The resulting messages may show that unless a firm takes steps to change how people work, how they deliver legal services to clients, and how they relate to clients and one another, that firm will lose clients to law firms who are prepared to make these changes to ensure client satisfaction – and in the process, gain competitive advantage.

The future for law firms will therefore be much more demanding, and achieving high performance cannot just be left to chance. Performance will need to be totally aligned with the achievement of a law firm's strategic objectives.

## **How are firms doing?**

Some firms we know of have good processes in place to cover parts of the performance cycle, but we know of no firm (not one) that ticks all the boxes and is achieving the returns that it could.

Importantly, performance will only be as good as the weakest link in the chain.

If an individual's performance is not aligned with the firm's strategy, even high performance will be misdirected, and could even be damaging. In our experience, even in firms where there is a clear strategy, it is often not well implemented and cascaded throughout the organisation so that everyone knows what is expected of them and how their contribution relates to the whole.

Moreover, unless training and development are focused on raising each individual's performance in ways that matter to clients and are regarded as valuable by them, it will be wasteful at least, and possibly counter-productive. While the past decade has seen an enormous growth in training provision, sadly we find that much of it is not focused on real needs and could be delivered more efficiently. Similarly, if the wrong things are measured and rewarded, performance can become skewed and wrongly focused. Our experience supports the view that there is still an overemphasis on billings and chargeable hours, with still too little focus on client-facing performance and building the business.

Where underperformance is tolerated, disillusionment spreads, good people leave and overall performance drops. We find that many firms tolerate underperformance for too long, and when they do take action it becomes destructive.

### **A methodology for achieving high performance**

There is a virtuous circle of high performance involving the following elements:

- Define and align individual objectives with the firm's strategy and values;
- Support development;
- Monitor and provide feedback;
- Manage underperformance;
- Reward high performance.

#### *Define and align*

Individual performance needs to be aligned with the firm's strategy and values. In particular detailed criteria and standards by which performance is to be judged will need to be carefully designed so that they are in line with the firm's objectives and in tune with the internal values the firm has decided will be required for future success. This should be a transparent process that everyone understands and against which individual performance can be measured.

Changing firms' values to the ones required if they are to survive and prosper in the fiercely competitive legal world of tomorrow may be an impossible task for some firms in the short term, or indeed at all. Unless a law firm makes high performance the priority, it is destined to fall by the wayside.

#### *Support development*

To some firms, helping people to develop has simply meant sending them on a training course. Yet the reality is, and will remain, that most learning is informal. What firms need to do is to supplement and support this informal learning, not to replace it.

New approaches, using coaching, mentoring, partner development programmes, and new web technologies, can significantly improve the quality of learning, and even lead to reduced training costs.

A paradigm shift is needed so that individuals see training and development as important to help them reap the rewards of higher performance and to progress their careers, rather than just seeing training as something they have to do for continuing professional development (CPD) purposes. Each individual needs to have a personal-development plan, which makes it clear how they should aim to develop in order to meet the needs of the firm and progress to the next stage of their careers.

Changing attitudes to training should be the highest priority for learning and development professionals. Without this change training will continue to be expensive, underused and inefficient.

#### *Monitor and provide feedback*

Most law firms are good at setting financial targets and ensuring people meet them. Unfortunately the targets set rarely help to drive performance, however, but instead overemphasise fee income and chargeable hours when this is only a small part of the picture of performance. When performance goals are not aligned with strategic goals, all kinds of counter-productive outcomes can emerge.

However, it is possible to develop imaginative metrics – a more balanced scorecard – and to measure performance against those metrics for such aspects of performance as:

- Client development (using client-service feedback, for example, and measures of the breadth and depth of the relationship that a partner develops with clients);
- Marketing and business development (looking not just at new business wins, but at the number and quality of contacts being developed);
- Leadership (using feedback from staff about the way they are led, and measuring group leaders not on their individual achievements but on the success of the group they lead);
- We are also finding a growing interest from law firms in obtaining broader-based performance feedback using 360-degree surveys to create a much more comprehensive view of performance.

What gets measured gets done. Measure the wrong things, and you get a wrongly-directed organisation. Without useful feedback people are likely to carry on doing what they have always done.

#### *Manage underperformance*

How should a firm regard its people who are failing to achieve the standards agreed by them with the firm, or who are unable or unwilling to change behaviour or attitudes?

Identifying the issue often points to the solution. If the problem relates to a lack of skills, this can usually be resolved by training or coaching. On the other hand, if the lack of performance is related to a person's behaviour, external professional help may be required to identify and resolve the problem. This can be successful, but if a person is unwilling to change despite all possible help, there is often only one solution, and it is better for everyone if that person leaves to join a firm that will accept that form of behaviour.

#### *Reward high performance*

High performance, however, should be recognised and rewarded, because what gets rewarded gets repeated. Acknowledging and saying 'thank you', celebrating successes and giving public recognition are all positive and inexpensive ways of recognising and rewarding performance. They should be used liberally to reinforce positive behaviour.

The main source of motivation for most professional people is their desire to achieve and to develop personally. The best way to recognise and reward high performance is therefore to offer evermore challenging and intrinsically satisfying work.

Of course, professional people also expect to be financially rewarded for their contribution. Performance-related pay has been criticised as a contributor to the credit crunch. This could be a sign that rewarding performance does work, but that the measures and rewards chosen need to be carefully aligned to what really matters. There is evidence that financial rewards, linked to specific performance, can help to reinforce positive behaviour.

To maximise the benefits and minimise the dangers of merit-based rewards, however, the system should be seen to be fair. The absolute level of reward seems to be less important than the perception of fairness and relative reward. Transparency is therefore important, so that people know what they have to do to succeed. The reward system should make people feel that they are not competing against one another, but rather that they are competing with themselves against concrete goals.

#### **Where should you start?**

The best starting point is usually an objective review of the firm's current approach, relative to its values, best practice and the achievement of its strategic objectives: what is working well, what could be improved, and what is absent.

For many firms, elements of the performance methodology described here will already be in place, even if they are not as effective as they could be. These can often be built on rather than introducing an alien approach.

A review will also identify the hotspots and quick wins that could easily be changed to bring about higher performance.

*Peter Scott is a solicitor, and was managing partner of the Eversheds London and European offices from 1992-2000. He can be contacted at: [pscott@peterscottconsult.co.uk](mailto:pscott@peterscottconsult.co.uk). Phil Gott is the founder of Firm Academy. He can be contacted at: [phil.gott@peopleism.co.uk](mailto:phil.gott@peopleism.co.uk)*