

“Within Threats or Danger, Rest the Opportunities” – A New Perspective for Law Firms to Manage Change.

In the last few years, corporations have applied business process reengineering to deal with the rising cost of doing business. Companies, facing heavily competitive markets, have been forced to rethink the ways they conduct their business. A law practice, like any other business, must remain competitive in terms of efficiency, costs and quality in order to survive. Law firms, individually and collectively, must conduct themselves as a business, learning how to be more responsive to clients needs and market demands in a dynamic environment affected by regional and global economic trends.

The legal services industry will not be spared the force of change that is now wrecking havoc in other industries. The winds of change have only just begun, and the storm is around the corner. The next few years will be challenging ones for law firms in Singapore. Sink or swim? It is time for all in the business of providing legal services to take a long hard look at where they are now, where they want to be in 5 years time and, if they have not already done so, to start formulating and implementing an action plan for survival.

This paper is written in a context of emerging economic realities that impact on legal practice in Singapore.

I. Economic Factors

Firstly, let's take a brief look at some of the major economic factors that directly impact on the legal services industry.

1. De-regulation & Liberalization:

Deregulation of the legal sector has taken the following forms:-

- **Elimination of jurisdictional borders** – The legal profession in Singapore has enjoyed a monopoly for a long time. But we live in a world of disappearing borders. The landscape has already started to change with the introduction of joint ventures and formal law

alliances between foreign and local law firms. The dynamics of change are still being played out in each of these joint ventures and alliances. Even as the dust settles, we are likely to see a few more high impact changes from the Singapore Government's present review of its economic and business policies.

- **Deregulation of Fees** – The abolition of conveyancing scale fees has knocked out another cornerstone of legal practice. Although complete abolition will take place in a year's time, most law firms have already begun to feel the impact of the de-regulation. Do law firms know what this means for their business? What steps have they taken or are they taking to deal with this loss of revenue?

- **E-Initiatives and Simplification of Legal Procedures** – Amongst the developed nations, the Singapore Government has adopted a leading pro-active approach to using the Internet to simplify the delivery of services and reduce paperwork¹. In this process, many of the services that were formerly the domain of lawyers are now being provided by other service providers or by the clients themselves – RCB's Bizfile Initiative is an example of this. It is quite likely that other "process" type of legal services will follow suit.

2. Technological change: The IT Revolution, accelerated by the widespread adoption of the Internet, has and continues to make an impact on the practice of law. Clients expect and demand instant responses by email, lawyers are required to file papers and conduct searches at the Law courts and Government Registries electronically. Lawyers are finding legal practice increasingly more complicated as they now have to deal with both electronic and paper information.

3. Shifting of Client Perspectives: With ready access to information through the Internet, clients have become more sophisticated. They know more,

¹ Refer to the policy paper on "Accelerating, Integration, Transforming Public Services at <http://www.egov.gov.sg/publication/pdf/eGOV2001.pdf>

ask tougher questions and demand faster answers. Lawyers who feel that they cannot keep up with the pace of technological change become increasingly marginalised and pessimistic.

II. Business Opportunities

These factors affect the bottom line and the ability of the firm to remain relevant and competitive. The Chinese Adage “Within Threats or Danger, Rests the Opportunities” speaks eloquently to the more progressive and adventurous amongst us who welcome the opportunities for growth, innovation and development; while those that fear to step into the fray fall by the wayside.

We consider in turn how law firms may seize the opportunities for new business or more efficient work processes.

1. Elimination of Jurisdictional Borders

Elimination of jurisdictional borders is not a one-way invitation for foreign lawyers to encroach into the local lawyers’ domain. It is also an invitation for local lawyers to expand into new areas, geographically as well as in terms of new practice areas. We do not address this merely to the large law firms with untapped resources and skills. In fact, it is the smaller firms that would be more nimble quick in developing a good referral network.

How can the smaller law firm with limited budgets and manpower adopt this strategy? How have other successful businesses done so in the past? In the New Economy, most companies, recognizing that they do not have the resources to go at it alone, do it through networks, partnerships and alliances, joint ventures and mergers. Individual businesses form loose collaborations and networks to leverage on each other’s core strengths so that the same clientele is better served, mutually helping each other’s businesses to grow. These tactics are neither easy nor fail-proof, but they are necessary for survival. At this point, there are excellent opportunities for lawyers to develop multi-disciplinary practices (“MDP”) and cross-referral networks, both local and regional. MDP is not a new idea. The legal industry in Europe and the United States have adopted this approach readily, it is time that we, in Asia, try it out ourselves.

It requires patience and dedication to identify mutually benefitting contacts and develop the right partnerships. The economic slowdown is an excellent time to do this. Don't just seek new clients; look out also for partners with skills that complement your core competencies or resources that clearly offer synergy to your own practice.

While the legal profession is constrained by Professional Codes of Conduct that govern the types of partners, we must also recognise that the Law Society represents the collective view of the industry and exists to serve your interest.² If the legal profession, as a collective body, feels that there is a need for change, the regulatory body will have to respond accordingly. Lawyers should be pro-active to initiate change rather than have change foisted on them.

2. Deregulation of Fees

Some lawyers feel aggrieved by the deregulation of the Conveyancing Scale Fees. From another perspective and to most non-lawyers, it is a long overdue change to remove a privilege that is becoming increasingly difficult to justify³. What it means is that conveyancing firms have to be more competitive.

How does a law firm become more competitive in the provision of conveyancing services? Consider AUTOMATION. Automation of standard workflow processes are likely to yield substantial returns in terms of reducing your cost (reduce your staffing resources and costs), improving your services to clients and generally, helping you to remain on top of your competitors in this niche. Those that do so will be able to provide conveyancing services at a reduced cost and emerge more successful than their non-automated competitors.

3. E-Initiatives and Simplification of Legal Procedures

² In the March 2000 issue of the Law Gazette, the President of the Law Society, in responding to the issue on the abolition of conveyancing scale fees, commented: "We can begin by studying possible new ways that lawyers can be involved in the real estate arena. Can lawyers take active roles as both realtors and lawyers for their clients in property transactions? Can lawyers collaborate with real estate agents, interior designers, architects and/or engineers in corporate entities to supply an array of services? Indeed, incursions into the legal market by non-lawyers and business service firms will continue, Chinese Walls notwithstanding."

³ Conveyancing scale fees were the only set of professional fees in Singapore which were fixed by law. Singapore was one of the few countries that still retained a fixed scale for conveyancing fees.

Lawyers are ever mindful of the government's concerted drive to make Singapore more competitive in the service sector. Law firms can be the market leaders to make full use of these Government programmes and facilities to respond to the needs of clients and to offer clients better service.

4. Technological Change

Is your law firm losing or winning on technology. Most law firms see technology as unavoidable evil – it is unavoidable because your clients (or the government authorities) demand it, but evil because it requires change and change is often painful.

By adopting a new perspective on technology, law firms are more likely to recognise that the strategic implementation and application of appropriate IT tools will yield dramatic returns for the future. You can use technology to help you work smarter, improve your services to clients (even offer new services), and, ultimately, enhance the working life of their lawyers and staff.

Law firms have already lost the battle psychologically if they perceive that technology has merely made working life harder for them without bestowing any appreciable benefits in return. What we have discovered is that although 70% of a law firm's information is in electronic form, they do not have any system or tools to manage that information. Lawyers often print out every single piece of electronic communication and document and store them in voluminous files. The irony of course is that electronic case management systems (with their powerful search, retrieval, collaboration and security functions) offer lawyers a far superior way to organise their work within as well as outside the office.

Aside from case management, here are some specific opportunities that IT offers law firms:-

- Informational and interactive websites for clients. The most sophisticated sites offer clients access to information related to their matters in private deal rooms. Other sites provide clients self-help services in preparing simple documents such as demand letters and simple contracts. These services make you

indispensable to your clients while freeing you to concentrate on higher end work, or make new contacts.

- Obtain and analyse business data making it easier for management to monitor the state of the business and identify business opportunities. For instance, a comprehensive database on the firm's clients accessible to all your lawyers is the first step towards an effective CRM policy that will help you retain your clients.
- Automate your work processes and generate standard documents.
- Documents Management that allows storage, search and retrieval of information, leading to greater collaboration and knowledge sharing amongst lawyers in the same firm or network. The ability to re-use knowledge (precedents, forms, opinions and research) will have dramatic payoffs in the future.

Firms should review their processes and identify the areas where technology would give them the most bang for their buck. Again, the current slowdown in work is the best time for law firms to upgrade their infrastructure and services.

5. Shifting of Client Perspectives

In any business, an understanding of the client's needs is a pre-condition to providing clients with better service. Law firms that are able to adapt to client's changing needs are likely to develop closer relationships with them, and gain new clients. Law firms that are out of touch with their clients or resistant to changing the way they work to accommodate the demands of more sophisticated clientele, are likely to lose them to more progressive firms.

For example, no law firm in Singapore has implemented a system in place for collecting and analyzing client feedback. While this is standard practice for most other service industries, it is unheard of in the legal industry.

III. Business Strategies

The business strategies adopted by a large law firm would be different from those adopted by a medium size firm. For instance, a joint venture strategy may be appropriate between two large firms (or medium size firms), but may not be appropriate for a few small firms. Instead, a few small firms specialised in different practice areas may form a collaborative network to offer a wider range of legal services to their clients.

When devising your business strategy, keep these considerations in the forefront:-

1. Vision: What is the firm's vision, mission and objectives? How does the firm want to position itself and distinguish itself from the other law firms? What niche does it want to carve for itself?

The answer to this question gives the firm a foundation upon which to define:- (a) type of services and practice areas to offer, (b) the client segments to serve, (c) types of skill sets and staff competencies required to move the firm forward, and (d) type of technology appropriate to its business needs and future growth.

The truth is that most law firms do not have a vision that goes beyond servicing their present clientele. Most lawyers will not be able to provide an adequate answer to your question on their mission and vision, and even fewer have a plan for their business.

2. Internal Competencies: Corporations (the clients of law firms) have to go through the internal assessment of their strength and weaknesses in order to define the business strategies appropriate to their businesses. Law firms should undertake this challenge as knowing yourself is as important as knowing your clients.

3. Focus: What area(s) of practice does the law firm want to 'specialise' in? This will determine (a) practice and business development, (b) market segment to be serviced by the firm, and (c) the business alliances you will form with other law firms and professional service firms.

Law firms should consider the above factors in order to determine the appropriate strategy in marketing and business development that leverages on its strengths, while defining human resource strategies to eliminate its weaknesses –e.g. knowing your own capabilities will determine what kind of work you will do and refer out to your peers or network.

IV. Mindset

At the end of the day, law firms must change their mindset, work habits and attitudes in order to effectively determine a strategic response to economic realities. The words “think out of the box” have been used, it is time to “walk the talk”. Corporations are engaged in continuous development and “continuous improvement” in order to stay competitive. To maintain competitiveness, corporations constantly challenge themselves to:-

- Remain open to change and new ideas so that they can properly respond to shifts in market needs in the shortest time possible;
- Become more creative in reinventing themselves and redefining the ways in which they work and service clients –e.g. banking and financing services industry
- Adopt and apply new technology to enhance efficiency in workflow processes
- Look at new areas for business development and create strategic alliances that complements or supplements their core competences
- Take risks that are properly evaluated based on internal capability of the company, and external capabilities of their alliances;

The practice of law is a business. Like any other business, law firms are subject to the same pressures in the regional and global economic front. The only way to remain

relevant in the macro-economic picture is to rise to the challenges as they present themselves, embrace change instead of resisting it.

In the end, your firm has to ask: "Can we afford to fall behind what our clients are doing and what law firms in other jurisdictions are doing?" If the answer is "no," then that is the first step is to change your mindset, then reinvent yourself and your firm.

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