



# Professional Practice Solutions

Got big plans for your future?  
How about gigantic ones.



## October 2016

KPMG's Professional Practice Solutions team were again proud to host law firms for another successful dinner on Tuesday 11 October in our client suite at Number Twenty Grosvenor Street, London. The event was hosted by Paul Spicer, Head of KPMG's Professional Practice Solutions and KPMG's Managing Partner, Philip Davidson and KPMG Boxwood's Managing Partner Chris Wakerley shared insights and facilitated debate around Operational Performance and Business Transformation.

### Lessons of creating a strategy in a partnership

At the recently held KPMG dinner for managing partners in law firms, Philip Davidson, KPMG UK Managing Partner shared some of his lessons in creating a strategy. We share this insight to help you test the thinking behind the strategy and planning in your firm.

#### Drivers of change

There are many similarities of the drivers of change reflected in KPMG's strategy as there are for other professional services firms, including law. These factors include: war on talent involving poaching partners in specialised areas; governance and regulatory pressures; internationalisation opportunities opening up new jurisdictions; consolidation and M&A creating increased efficiencies and extensions to value propositions; changing revenue models placing margins under pressure; and digital disruption from new entrants.

#### Business models that worked in the past may no longer be fit for purpose

Client demands for greater value and with lower costs, combined with competitive pressures are placing new demands on the existing ways of working. Business models that have served legal firms so well in the past are increasingly not fit for purpose. The business model answers the questions: what do we want to be famous for, in which markets and what does this mean for the client value propositions. The challenge is to examine the business model to understand how to create 'sticky clients' that support longer term revenue streams with high value services that deliver the right margin. The business model review undertaken by KPMG analysed where to focus on value creation, where to create adjacent extensions with existing clients, and equally important what to drop that doesn't create value for the firm.

Whereas strategy changes regularly to reflect changing market needs, it is critical to stay true to your values. At KPMG our overriding value is 'acting with integrity', which provided us with a compass and a differentiator in that it ensured we place integrity above profitability.

#### The operating model answers how the value will be created

If the business model describes what we want to, the operating model describes how we will deliver it. To provide world class performance, it's necessary to have in place world class basics in terms of the support services (IT, finance, HR) to help our people succeed at the coal face. The operating model also answers the question of how to go from a T&M approach to an asset/platform model more suited to clients demanding fixed price contracts. The changes to the ways of working has caused us to focus on the investment required for our people. It is too easy to become addicted to recruitment which has proved to be more costly.

#### Taking your Partners with you

In answering the questions about what type of firm do we want and what does it mean for the underlying operating model, it is vital that you give your Partners a voice. To get their understanding and commitment to the change requires engagement. In our experience, the level of engagement required is usually significantly under estimated.

The challenge was raised about what to do with dissenters, who also happen to be 'silver back' big fee earners. The difficulty of keeping the business going while changing is not easy, so it is necessary to accommodate them. However, if they are not willing to adhere to the vision or your values, you need to lose them. Change always comes at a cost, but taking some of these big decisions early is typically less costly than taking them later.

#### Successfully managing transformations

Chris Wakerley, Managing Partner of KPMG Boxwood, part of the KPMG firm that specialises in transformation then gave us his insights from having supported numerous leadership teams through the complexity of transformation. He likened successfully transforming your firm to like navigating a maze, where numerous choices are required at each stage in the journey. It is more than just having the right solution. How you go about the change is equally important.

## Creating a leadership coalition

The biggest determinant in the success of the transformation will be the degree to which you have created a leadership that understands the change, is aligned around the approach, and is committed to take action. Achieving the commitment in our experience requires working together on the complex issues and options available to you that need to be addressed in the transformation. This doesn't happen in a single meeting. It will take numerous working sessions where you can start to understand where your partners are coming from and what frame of reference they have. In doing so, you start to take your leadership on an emotional and political journey, in addition to the rational solution journey. When you manage all three is when you start to have genuine commitment.

Key to this coalition is also satisfying what we call the change equation – 1) you have a compelling reason why the change is necessary (the 'burning platform'), 2) you have a clear vision of where you're going, and 3) you know with some detail what are the initial steps you need to take on the journey. What's the burning platform in your firm?

Although you may know the why, the where, and the how, it's also necessary to have the right leadership team that's up for the challenge in front of you. You need to start building this team now.

## Making change happen while simultaneously keeping the business going

If you're not careful, the change quickly become a massive distraction from day to day fee earning as people at all levels in the organisation become anxious about what the change will mean for them and how it will impact their current role.

The change strategy you adopt is instrumental in minimising this distraction and anxiety. The change strategy can vary from being consultative to be very directive. The approach used not only depends on which stakeholders are being considered (partners on the whole will not respond favourably to a directive approach, whereas as a directive approach with the opportunity to feedback may be appropriate for junior lawyers), but also on the urgency within which the change needs to happen. The strategy answers questions including who will we engage with and when, what opportunities will exist for staff to co-create the design or feedback on it, and what support will be provided to help staff transition into new ways of working.

Additionally, the change strategy should enable your firm to tap into the discretionary effort and good will of your people. Engaging them and getting them excited will start to create the capacity necessary to make the change happen. Appropriate engagement not only can create capacity, it can also help validate that the solutions make sense from the people who have to use them at the point of service delivery.

Additionally the change strategy will identify what expertise will be needed to make the transformation a success. As leader it is your responsibility to enable everybody to play their role, according their expertise and passion, and to supplement this expertise with external assistance where there is a capability gap.

## Changing ways of working

We have found that in addition to some of the tangible changes required such as new organisation structures, new systems to automate routine activities, or new processes in which to engage clients, changes to behaviours are also invariably required.

Embedding behavioural change to create a different culture is a long term aim, often taking 3-5 years. However, there are actions you can take to create more immediate climate change. It is not as deep rooted as culture change, but it starts to make a visible difference. Options you could consider include: changes to the physical environment including office space and co-locating teams; modifying the way you measure and incentivise your staff; and public demonstration of new role modelling by senior partners.

## Navigating your way through the maze

There is a way through the maze, and we in KPMG Boxwood call it 'Prepare'. Typically with clients this is an 8-12 week engagement where your leadership team is taken through a decision cycle to create clarity about the ambition for your firm, confronting and resolving issues about your current ways of working, evaluation of options, and a roadmap and structure with which to move forward. If you would like to discuss this further, please do get in contact.

## Our events in the legal sector

This dinner was in a series aimed to bring you real thought-provoking insight into realtime topical issues and challenges that you're likely to be grappling with. If you're receiving this email you're already on our invite list for this event. We will also be running events specifically aimed at CEOs, CFOs; CIOs; HRDs and NEDs so if you'd like your colleagues to be invited, do [get in touch](#).

If there are any subjects you'd like to see covered at a future event, please [let us know](#).

## KPMG in the legal sector

We have brought together some of the best professionals from across our firm with relevant insight and experience in the legal sector. We co-ordinate and deliver a collaborative approach to your business whatever challenges you encounter – looking to the future and the bigger picture with you. Our [service offering document](#) gives an overview of our specialists. Please [get in touch](#) if you would like to speak to our specialists.

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