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Episode title: Meaningful collaborations within law firms are perhaps difficult, but worthwhile

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Bill Josten: Collaborations have brought us some of the most iconic songs in the modern music canon, from Queen and David Bowie on “Under Pressure” to Run DMC and Aerosmith “On Walk This Way” to such unlikely compatriots as Eminem and Elton John. The mix of talents and perspectives can create some really amazing things. Experience tells us this and yet we struggle with the idea of collaboration in the context of the legal industry. Lawyers, and perhaps especially partners, tend to go it alone. Is that really all that detrimental? In a sense, yes and no. Lawyers, especially for the last couple of years, have had incredibly good results in terms of profitability, even during a time when financial success was not a sure thing. So, in a way, maybe a lack of collaboration hasn't been particularly detrimental, and yet when we look at it in terms of lost opportunity costs, those same lawyers and law firms who struggle with collaboration may be leaving a lot of potential money on the table. Now, as with most things we discussed here in the podcast, you don't just have to take my word for it. We've got numbers to back this up. And to help shed light on some of those numbers and just what may be at stake for law firms who can take meaningful steps to improve their ability to collaborate I've invited back my colleague Lizzy Duffy. For those who maybe haven't heard from Lizzie before, Lizzy is a senior director with the Thomson Reuters Institute, leading our global client services team, Lizzy and her team are responsible for working with law firms, legal service providers and corporate legal departments to deliver insights to clients on connecting the dots between the data and the business. Lizzy, welcome back.

Lizzy Duffy: Thanks, it's nice to be back with you, Bill. And as you were talking about those collaborations that have “oomph”, I think you and I might be one of those, can we be added to that list, please?

Bill Josten: That depends, am I Run DMC or Aerosmith?

Lizzy Duffy: Well, you know, I nearly was, I was writing down as you were talking. I was like don't forget Elton, John and Eminem and then you said it so, so much made of music heaven.

Bill Josten: Great minds, Lizzy. So, to kick things off, you know, for starters and, this this may be a pretty basic question, but you know what exactly do we mean by collaboration? You know my tongue in cheek intro aside, I imagine that our research in order to come up with a way to put metrics around this, we contemplate at least something of a specific definition. So, how exactly do we define it for the purposes of our research?

Lizzy Duffy: And that is fair and good question to start off with, Bill, because I think it can be a bit nebulous and it collaboration can come in different shapes and forms. So, let me just explain when we're talking about collaboration and we're talking about the impact that that can have on client results and revenue for law firms we're talking about the client is working with and sees that they are working with a collaborative team, a team of a mix of expertise, a mix of sector knowledge, a mix of business acumen, a mix of innovative ideas, relationship builders, even matter management or project managers. So, the client sees they're working with a team of three or more individuals who have different and unique strengths, and they're working together to create a better outcome for that client and that definition comes from, you know, you mentioned that we've got some great research and data about

the impact of collaboration. As you know, we run our General Counsel study, Market Insights or Sharp Legal where we're interviewing 2000 plus GC's on a variety of different topics and we a couple of years back we just took a moment to look at all of the different things that we had tested and measured that relate to the relationship between a client and their law firm. And that's everything from do they consider the firm to be innovative? Do they consider the firm to be a sector specialist? Do they feel favorable towards a law firm? Are they being asked for client feedback? And we tested as many different things as we could to see which of those factors when applied to that relationship, have got the strongest impact on share of wallet. So, the proportion of that clients' budget that they're spending with that law firm and there were seven factors that had significant impact. Things like working with a diverse group of lawyers. Client feedback was one, innovation. But the greatest impact on share of wallet came when the client is working with a collaborative team and so that definition of collaborative team there is a team of three or more individual lawyers that are standing out to that client for something exceptional, and those exceptional reasons in the client side came in, I think we had a list of 23 different behavioral qualities that clients would talk about in terms of this great talent they were working with, but that that the biggest impact, if you think the baseline share of wallet a firm is getting is 14%, and that's when none of those factors are applied to that relationship. When we saw the collaborative teams being in place that lifts up to a 56% share of wallet. So, more than half of the clients external legal spend which is incredible and it just shows how much potential there is, but to your point, that is how we're defining collaboration in the context of this conversation.

Bill Josten: You kind of preempted my really basic question number two, and that is really why is collaboration important? And you hinted at it that it has a pretty dramatic uplift and share of wallet from capturing 14% of on average of the clients share of wallet up to 56%, but I mean is there more to it than just there's money at stake?

Lizzy Duffy: Yes, and rightly so. There should be more to it and, you know, we often share that stat about increasing from 14% share of wallet to 56% share of wallet and it can be a bit of a crude measure, especially when we're talking about collaboration, which should by its nature be a two way street and have a valuable outcome for everybody who takes part in it and that's clients as well as the law firm team. So, I like to think about that share of wallet metric as a proxy for trust. Trust that the client has in the relationship, trust in the expertise, the law firm, the people they're working with, and that I think should be the end goal of collaboration. It should be about building enduring relationships. So, working with the collaborative team is a team that is comprised of not just one individual who's great at the things that that individual is great at. I won't say just one thing might be more than one, but by bringing in a team together, you've got a diverse and broader set of skills. Our research shows that lawyers tend to fall into one of about three categories in terms of what they're leading skills and strengths are, so it's an unrealistic to think that one individual can deliver the sector expertise be the relationship builder manage the matter and take care of efficiency and have the specialist expertise and be commercial and so on. So, you do need to bring a group of people together. What that delivers is that it's going to improve the client service experience because you're getting the expertise, but you're also getting good communication throughout. You're getting somebody taking care of the relationship, so they're listening. They're able to adjust things if it's needed. They understand the business context and so they can adjust the advice. You've also got somebody who's taking care of how well the matter is moving against budget and against plan. You've got the sector, et cetera. So, all those things. So, you're getting better client experience. But on top of that you get a better client outcome, so the impact of that

outcome for the client. is more valuable to them in whatever form that value means to them. Whatever success means to that client for that matter, they're closer to it. And that is the stuff that leads to those lasting enduring relationships. So, client loyalty and clients being likely to recommend you and clients being more likely to work with you on new areas. So, although we talk about share of wallet, it really is about trust and broadening up that relationship. So, that's why that collaboration is important. It all of that leads into securing a longer-term future for the firm in terms of working with that client. But internally collaboration has some real benefits for a law firm as well, because the other huge research project that we do every year is our Talent Insights where we're checking in and running a survey among lawyers in law firms who the clients have told us are creating that stand out experience for them, so you know that great talent we're investigating. What drives and engages them so we can feedback to law firms how to retain and motivate talent towards those behaviors that are going to achieve those positive outcomes and that increase in share of wallet with clients? And one of the things that we've learned from that study is that a collaborative environment inside the law firm is one of the key drivers of partner engagement. It's one of the key drivers of associate engagement, and when we're in a market where we've seen greater flight risk, we've seen more associate attrition than we have in previous years, any lever that you can pull as a law firm leader, any lever you can pull to retain your talent and to build a nurturing, appealing, productive environment that people want to stay and join the better. So, it's not just about the clients, but it's also having a collaborative environment at the law firm, it really helps to retain and develop that great talent who can get those results with clients.

Bill Josten: I've got to imagine that, you know, like anything with fostering talent and the other issues that go along with internal talent questions at law firms, this idea of collaboration is something that could perhaps today be a bit of a challenge in practice in this era of hybrid working. So, how does this or how can this work in this hybrid working context?

Lizzy Duffy: Yes, it's a good point because, you know, our as you know our latest data is showing that you know in Q1 we tested law firms and the majority are now hybrid. In Q3 we tested it with clients and the majority of clients are now working in a hybrid scenario, so we do believe that is here to stay in some form. But we also know that collaboration is one of the things that even for those who thrive and really enjoy the remote or hybrid environment collaboration is still one of the few things that they're finding to be challenging, and I, I think some of that is down to the fact that, you know, pre-pandemic when everybody was in the offices and sitting near each other and popping the head around the door, collaboration could happen very naturally and organically. And I think some people might call that social collaboration. I collaborate with the people that are close to me and the people that I like and get on with and know well., but true collaboration is a step on from that, and it's about collaborating with the right mix of people for that project or for that client, and that isn't necessarily just those in your direct network or who sit beside you. So, in some regards, this hybrid environment we're working in now has removed that opportunity of natural or social collaboration to happen as quickly or as easily. In another regard, it forces us into intentional collaboration where we have to ~~stop-top~~ and think ~~t~~. To get this outcome for that client, I need to bring in somebody who knows about this, I need to bring in somebody who can manage the matter and keep an eye on the various work streams and the complexity of the project plan and the urgency of the timeline while I focus on the expertise bit. So, that intentional collaboration is forced, or we are forced to consider how to collaborate more intentionally now because of that hybrid environment. And I think there are firms who already were doing some of that larger firms with multiple locations and offices up to the international ones or even where multiple firms are

working together on a mutual client, they may have some muscle memory and some previous experience of getting to grips with that and getting to set the stall for successful collaboration with people that you don't know so well. And I think that is the challenge, but I think once you realize that and plan for it and think how are we going to connect and start to build some rapport and get to know one another so that it oils the wheels of how we work together, I think that's what's needed to make collaboration work in the remote working world.

Bill Josten: I've got to imagine that. hybrid working challenges and proximity challenges aside, there's probably a little bit more standing in the way of collaboration within firms and just, you know, having worked with a lot of partners for a very long time, not to necessarily confuse collaboration with cross sell, but I think that there is probably some similarity in roadblock in terms of who gets recognition, right? I mean if you're talking about that collaborative relationship does, does compensation play a role in driving clear agriculture? And is there something you know, maybe even beyond comp, that that factors in?

Lizzy Duffy: Yes, absolutely. And compensation is not the only thing by any means that could incentivize or motivate collaboration, but the compensation system absolutely has to be aligned with rewarding, recognizing, driving the right behaviors, those collaborative behaviors. So, it's not the only thing, but if it's not aligned to driving collaboration, then that does need to be addressed.

Bill Josten: Yeah, it's kind of the old adage that compensation needs strategy for breakfast, right?

Lizzy Duffy: I have not heard that one before.

Bill Josten: Oh, really?

Lizzy Duffy: It's so true, though that you know there's so many strategic initiatives, and plans that law firms want to move ahead with, but until compensation, which is really the thing that is recognizing and enforcing behavior until that's aligned with it, it's going to be really difficult and you're relying on the goodwill of a small number to keep up the energy and the excitement and momentum around something. So, I think they, you know, the compensation piece is usually a barrier and one that does need to be addressed, but there's also the structural piece that law firms are very focused on the short term profit distribution and so usually looking for a reward every 12 months and actually collaboration may take longer to pay off. So, there is a, it's a structural piece, but there's also a mindset shift that's associated with that, and understanding that to be collaborative, it may mean that in this moment you give something and you don't get something back yet, but you have to trust in the fact that down the road will all benefit to a greater extent from what we give now, and I think that is a great idea. I think a lot of people will understand that and agree with it. But when the rubber hits the road that 12 month profit distribution cycle is really what speaks loudest. So yeah, it's not an easy one to solve for, but you know that firms have got some that firms have ownership over their own compensation systems. The changes can be made and there are firms who are getting around some of the origination credit piece by double counting or triple counting credits in order that everybody who was involved in either passing it on or then sort of opening the matter are able to be recognized for it, so it's not unsolvable, but it is a big challenge and one that usually takes longer than a year to really put in place and get people working and make it effective.

Bill Josten: Yeah, well and anytime you start talking about changing compensation, obviously that's a bit of 1/3 rail in most law firms so compensation systems aside, recognizing like we said, compensation is really going to drive strategy in a sense. What are other things that firms can do to foster kind of what you talked about with the role modeling the credibility, the environment to encourage collaborative behavior among their lawyers?

Lizzy Duffy: I think the role modelling you've just mentioned is really important, so, you know, there has to be it has to be top down as well as bottom up. So, from a leadership perspective, it's walking the walk and being credible and authentic. So, from a leadership perspective, you can't be seen to reward non collaborative behavior if you're trying to tell everybody to be collaborative. So, whether the compensation system is built that way or not, making sure that there is accountability and credibility there. In terms of getting around and sort of, you know, making collaboration work, I think firms have to recognize that not everybody can be great at everything. There's a fantastic Dutch saying, which I'll spare you my terrible Dutch, but I'll translate it to English and it's the 5-legged sheep, and so it basically means that you're expecting someone to be great at everything, and that's just impossible and recognizing that great talent comes in many different forms and our research shows that these 23 different behavioral characteristics that clients have told us make for a really standout exceptional performance from a lawyer or a team. When you look at how those 23 different qualities interrelate, three unique profiles of lawyer emerge. So, one the qualities cluster around the expertise, so they have that deep specialist knowledge they have the sector understanding and they're also commercial. Then you have the second, which is the relationship cluster and so this is a bit like the personal trainer at the gym. They work really hard to understand the client what their goals are, what success is for them, and we'll bring new ideas to help achieve those goals. And then the third one is more focused on the sort of service experience and sort of matter management. And they are all about getting the right delivering the right solution, so making sure that it's right and it's correct for the client, but making sure that's efficient, making sure that the communication is in place being highly responsive. So, what's really interesting about that is that of 23 different behavioral qualities they cluster really closely into these three profiles. It was rare. I don't think we saw one example where one individual was standing out in all three categories. So, a team will benefit from having a range of types and therefore skills. But to make that team work you do have to make sure that you're distinguishing between the roles and the team. It's clear to the individuals what their role is and what's expected of them and to each other. And making sure that there's strong communication, honest feedback, and a structure in place for that team to work together. But that's certainly something that firms could start to think about now, as distinguishing between the strengths that individuals have and building teams based on that.

Bill Josten: I think that makes a ton of sense, because we, you know, we we've talked, well, not just you and I, but the industry in general has talked about the frankly, not even our industry business in general has talked about the strength that diversity can bring because of the differences in perspectives. And I think this is really, you know, just a different reflection of that same idea. It's diversity and viewpoint, right?

Lizzy Duffy: 100% and then it means that each if when you start to look at the different strength clusters you've got, so got the relationship profile, the service profile, and the expert profile. You then overlay, so what role would each of those play in a team? And of course, you've got your expert, which is the specialist. The relationship would be relationship partner and then the service cluster would be the project or matter management rule. From a client's perspective, wouldn't that be amazing that you have

your relationship partner focused on the relationship building piece and learning your business and understanding your strategic priorities, and how and when they change. You've got the expertise coming from who you know is the right person for that job, not just the relationship partner, because they're holding on and hooking onto the relationship, and they think that that should be me, and you've got somebody whose role is solely to make sure that matter runs efficiently, that you get value from it, that the communication is right, that all the documents are in place and you've got a point person to ask any question on that too. You look at the Big Four and that's how they build their teams. You know, they have real client relationship leads who have zero billable hours and their job is just to learn the client, stay close to them, understand their business, you've got the experts, the professionals, and then you have project managers in those teams. So, it's not just playing to the strengths, but it's actually just replicating how teams are run in other industry, you know? In the in the in the real world, dare I say? I didn't say that.

Bill Josten: We're talking a lot here about, you know, collaboration and you know, within the context of how the law firm is structured. But sort of a central tenet of that too. And this goes to one of those personality types talking about the relationship it all has to be done with a focus around the client, right? It has it, all this is for not. If the client is not sort of at the center of it. How what opportunities are there to bring clients into that collaborative type of a structure?

Lizzy Duffy: I think huge opportunity and I think it's probably one of the biggest missed opportunities that law firms are facing because, you know, we were talking earlier about what collaboration really means, and I think another question we could ask ourselves is why do collaboration? Why is it so important and what's the purpose? Or what is a firm trying to achieve from it? And really, the only collaboration that firms should be focused on is the collaboration that's going to get a better outcome or add value to the client. And so first you have to find out. So, you have to ask the question to the client what's their goal for this matter? Is it just to make it go away? Quickly and spend the least or spend the least amount, money? Or is it really important that we get the absolute right outcome no matter what and then solve for that. So, you've got to focus there on improving what is the quality of the outcome and the impact that gives for the client and how it enables their business. But then you can think more broadly about what does this client really care about. What are you know, day-to-day? What are they doing at work besides this one matter, we're working on with them. How do they spend their time? What are their strategic priorities? What are they being measured on? What is what is the highest-pressure point in their day for them and asking first of all and then understanding all of that gives you a much better knowledge base of where the opportunities may be to collaborate to offer some assistance to put skills together from the clients team and from yours. And then more broadly, thinking about their business as a whole. What are they trying to achieve in terms of their strategic priorities? Some businesses are extremely purpose driven, more and more businesses are really focused on ESG. Although we do, you know, you understand that that is still a journey for many companies and I think just asking these questions to the client to understand what's important to them and what did what might they need help with? You are then in a better, more informed position to identify where we could collaborate with them, but it all starts with asking the question and there's just not enough of that happening because lawyers have billable targets, and even the relationship partners, they don't have a huge amount of off the clock time to build that relationship and really ask the and not just ask those big questions once a year, but on a regular continual basis because businesses change almost on the daily sometimes, and so it you know it, it's not a one and done scenario.

Bill Josten: You know, and that that actually leads me to a thought for what I was, what I had sort of planned to be my last question cause we're getting down to our last couple of minutes here that you talked about asking those questions constantly the phrase that came to mind for me was there's never a wrong time to do the right thing. And, you know, some firms would be in strategic planning mode now. Others may have already set their strategic plan, but you know, maybe there should be a shift made. Bottom line, there's never a wrong time to do the right thing, so if we're advising a firm who's just starting a strategic planning process right now or maybe wanting to revamp or whatever, what should they be thinking about in terms of the structures that they should put in place? The strategies that they should follow to make the investment to really drive collaboration.

Lizzy Duffy: Everything! But no, seriously, I mean, we've mentioned upfront that compensation is absolutely a structural piece of this, and it's not the only factor, but if it's not aligned with driving collaborative behaviors that you want to see, then that does need to be addressed. So, I think that's number one, but assuming that's taken care of then think about the initiatives that are going to bring people together across practices. So, think about how do we pool together multidisciplinary groups of people? How do we pool knowledge internally about our experience about our clients? It's not just always about learning about the clients, we also have to learn about our colleagues and so, part of it is learning what the client needs and the other is knowing everybody that is within your firm and what they're good at. So, you're breaking away from that social collaboration to the more intentional collaboration, and that you can pull in the right person each time, not just the best of the bunch that you know. So, that internal network and familiarity and getting to know your colleagues is so important. So, think about initiatives that are going to bring people together who aren't already working together. Pool knowledge and experience. Pool knowledge of the client and things that do that really well are the client teams. So, thinking about a key account management program that will build a multidisciplinary team. And that has clear accountability, rules and targets around specific clients and what's quite good about that is it focuses collaborative efforts on a more concentrated area, so your results can be more meaningful if everybody's just trying to collaborate a bit more, that's certainly a positive thing, but it's going to be hard to measure and hard to see a meaningful uplift. Both are great, by the way. It doesn't have to be one or the other, but that's what's nice about client teams is it's more concentrated and you get a more meaningful result. And then the other one that works really well for this when it's done well, when it's done effectively, is a sector strategy so, identifying the industry sectors which the firm has great experience and credibility in that it has a competitive advantage or can build one and that it has opportunity to grow. Identifying those sector, industry sectors and then building a team from across different disciplines and practices from across different rules as well and, you know, something we haven't really touched on today, it's probably a whole separate podcast is how you bring the younger generation and you know the associate talent pool into this because I think a lot of, you know, the current or older partner generation think that the next generation are going to solve this for them and I feel every generation thinks that this one's no different, but it's not for nothing that that is said. They you know, associates are keen to. Learn they're keen to get in front of clients. They want to learn from as many different people they want to network. They've got that energy, and that proactivity, and so there's such a great source of also learning about other people in your firm. So, I think the two, the two initiatives that can work really well are those client teams and the sector strategy, but the only thing I'll say on sector strategy is it comes back to the structural piece. If you're still not rewarding or originating by sectors then it's not going to work. Essentially, it's going to remain a sort of list of industry sectors that we've done some work in on the website, and it's not going to give you a true competitive

advantage and give you that opportunity to truly collaborate with clients and across the firm. So, that's just one piece that it's really important to get the structure and the accountability. And the rules right for that sector strategy to pay off and when it does, it really will pay off because that was the second greatest uplift that we saw going back to that share of wallet metric that we talked about right up front? Being seen as a sector specialist raises that share of wallet up to 43%, so that was the second biggest impact after the collaborative teams, so it's certainly worth doing. And worth doing well.

Bill Josten: It sounds like there's a lot of benefit in trying to build both a strong sector of focus and then encourage the collaboration around it. Definitely no, no lack of opportunity for firms looking to do that. Lizzy, it has once again been an absolute pleasure, being the Aerosmith to your run DMC. Thanks so much for being with us today.

Lizzy Duffy: Nice, nice one! Thank you. I will be your Run DMC anytime. Bill, thank you.

Bill Josten: Thank you.

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