

It's not where you're from,
it's where you're going.

(And how you get there)

The magic numbers.

Overall revenue growth for the top 200 UK law firms last year was just 2.4%. A quarter of firms saw their turnover remain static or decline. Interestingly, the groups of firms that struggled the most were at opposite ends of the spectrum. The largest international firms grew by just 1.1% and the smallest regional firms by 0.8%. So much for the flight to scale.

Over and above the disappointing figures, what strikes you most looking back at the legal market in 2015 is how consolidation is leading to a different kind of fragmentation. Firms are starting to cluster in different groupings. Mini-markets are beginning to appear. US firms are making their presence felt outside of their home turf. The Magic Circle want to be known as the Global Elite.

Some firms are failing. Mergers and acquisitions are continuing as firms assume position. But what positions are firms actually trying to assume? Is everyone being realistic in their aspirations? And when you finally get to where you're going, what then?

So, on a no names basis...

Two tribes.

For the biggest firms - both domestically and internationally - the battle lines are clear and there are only two camps to be in.

On one side are the firms that claim to be able to do everything for their clients, wherever they may be. On the other are the firms that say they only focus on the biggest and most difficult market-first type work. For both camps questions abound.

First, do you really have the geographic and service scope to be a genuinely full service national or global firm? Many firms are masquerading. What about the structural issues? Are you actually one business or just a hotel for lawyers?

Second, do you really only do the most complex transactions and disputes? How many deals and cases can you point to for experience? How bold are you about turning away work?

In both cases, how many of these firms do we really need? Probably not as many as lots of law firm leaders seem to think.

I've got five on it.

So where does that leave the firms that don't have the size and scale to do everything everywhere or the experience do the most difficult and complex work? Where and how should they compete?

I would suggest five basic areas as a starting point:

1. Sector

At the moment real sector focus - specialising in a few to the exclusion of others - is most often found in firms concentrating on insurance, health and public sector (to the extent that the public sector is, or isn't, one sector). Elsewhere, some are beginning to get it right, but firms generally claim to be specialists in too many sectors. In the future, more realism will be required.

2. Market

Not unlike a sector focus, prioritising certain markets such as entrepreneurs, owner managed businesses, SMEs, family businesses or the smaller FTSE250 is a great tactic. Too often, however, firms are driven by vanity and seem to think that advising the biggest FTSE100 companies is the pinnacle, ignoring more fruitful and profitable opportunities.

3. Practice

Like their sector counterparts, many firms are best known for particular practices but insist on giving a full service message. Why? More honesty's needed about the genuine depth of capability a firm has in its various practices. Oh, and don't get me started on partners that don't know the difference between a sector and a practice...

4. Geography

A particularly strong play for domestic firms with little or no international ambition, who have a strong connection to their local communities. However, the general trend is that bigger is better - from regional to national, from national to international, from international to global. A genuine connection to particular region can be a real USP that's lost by opening elsewhere.

5. Service

This is generally the preserve of newer firms and alternative service providers - despite what most firms say about "what differentiates us is the way we work with you". Unfortunately, a lot of the

debate about service so far has focused on volume vs. value and technology. Very few of the 'traditional' firms have got to grips with what competing on service really means.

X factor.

Leading on from this, I think there are two questions that firms need to answer:

1. What space are you really in?

Do you really have the size and scale to service all your clients' needs wherever they are? Do you genuinely only focus on the most complex work? In reality, what sectors and practices are you best known for? What regions do you have the strongest profile in? What sort of work are you set up to deliver most efficiently?

Unfortunately, answering these questions requires the sort of searing honesty law firms aren't known for. Even worse, if they are honest, they'll pose themselves even more difficult questions.

What do you do about the people that don't fit with what you're really good at? Are you brave enough to resist the inevitable clamour to stretch your core competency? How long do you retain people who know they're not really core to the business? How much can you afford to invest in them?

2. How are you going to stand out?

Imagine in the future you're one of 10 firms focusing on the life sciences sector. Each of you has the requisite experience and expertise. You all have the technical capability required, reams of case studies, top tier directory rankings, great people, offices in the key jurisdictions, the right resources and infrastructure.

Your basic capability got you a ticket to the party, but what now? How will you stand out against your equally capable competitors?

Just specialising in sectors, practices, markets or geographies alone won't be enough. Firms will also have to focus on service just as much - if not more. There are plenty of options to choose from; speed; efficiency; cost; attentiveness; availability; innovation; technology; precision; resourcing; project management. The trick is picking the right service for the right market.

Many people think that as firms settle into their separate markets, competition will ease. They're wrong - competition will become more intense. The need to have a powerful brand proposition and a clear sense of how you're distinctive will be even more important.

A firm that genuinely specialises in a handful of sectors; invests in the right practices and people because their money isn't being diverted elsewhere; makes strategic decisions quickly and easily

because they know what they will and won't do; offers a clear service proposition that fits their chosen markets; communicates an authentic brand message about how they're distinctive.

That sounds pretty good to me - as a client or an employee. Best start planning now to beat the rush...

Thirteen.Be.Distinctive.