

# CHANGE MANAGEMENT IN LAW FIRMS

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# INTRODUCTION

Law firms are generally organized to avoid liability (for example complying with professional rules and deadlines) and to acquire new clients. Often, they are however not organized to monitor client satisfaction and market changes. In a constantly and rapidly changing world, adapting to these changes is essential. This guide was created to provide lawyers with key tools to better understand change and successfully modernize their practice if they wish to.

Nowadays, law firms must deal with more complex and abundant information, increased price competition and higher standards of efficiency. Adopting a “client-centered mindset” and using technology is important to address these trends. In fact, technology can help you better understand and meet your clients’ needs, manage complaints and improve price and service transparency.

Such adjustments are likely to impact client satisfaction and retention and help restore the image of the profession – which has been damaged by the current fee model, where clients pay unpredictable but substantial amounts while sometimes receiving little perceived value in exchange.

By offering legal services in a different way, lawyers can also create new markets and increase the size of existing markets. For example, today, most disputes have no practical legal remedy.

Indeed, in theory, it is possible to bring a 500 CHF claim against a defendant; but it makes no economic sense in practice. We could find a way to resolve these claims differently, as shown by eBay and PayPal’s example. eBay resolves approximately 60 million disputes per year, thanks to technology alone with claim values of 100 USD and often below.

As stated in the Wolters Kluwer Future Ready Lawyer Survey (2019) (the “Kluwer Survey”):

*“Organizations that are already leveraging technology (...) have an early-adopter advantage, compared to other organizations, across their business, including profitability and readiness to take on change. They are also better suited to engage in the emerging legal ecosystem, which includes non-traditional, legal tech players. And they plan to extend that advantage by increasing investments in emerging new technologies.” (p. 2).*

The world is too complex for the future to be predicted, and yet one thing is certain: if your firm is not changing and innovating to adapt, others are already doing it. Therefore, the question is not “*should my firm modernize?*” but “*how can it modernize?*”

If you are considering making changes in your firm’s current way of operating, this brochure will help you get started and complete those changes.

If you have already begun to change, it can provide you with some tips and tools to be efficient and effective.

# 1. ADOPTING A “CLIENT-CENTERED MINDSET”

To create new markets and be more efficient, lawyers must start by analyzing what their clients’ needs are, and by determining how these needs can best be addressed. This is what we mean by having a “client-centred mindset”.

In fact, client expectations are considered one of the driving forces for the evolution of the legal profession, with competition and fee pressure (Kluwer, 2019): actively listening to and understanding your clients’ needs is crucial for firms who want to differentiate themselves from competitors.

## Some questions you can ask yourself:

1. Do you have a global understanding of how your customers view their experience with your firm, from the moment they decide to contact you to the moment they pay your invoice and act upon your advice?
2. Have you asked them to rate you, your firm, your products and your services?

Depending on your response to these questions, you are influencing – positively or negatively – your ability to gain new clients and retain existing clients.

The Kluwer Survey provides useful information on clients’ expectations to get started with change in your firm. Clients mostly expect:

1. A price in line with the value of the service delivered; and
2. Immediate access to services.

**?** Do your clients easily understand what they are paying for and how much they will be charged?

The weight of price highlights the importance of adopting a clear pricing structure for simple products and services. This clearly sends the signal that the billable hour model is obsolete. Nobody really wants to purchase lawyer hours; instead, clients prefer to purchase deliverables.

**?** How do you deliver your services? Are there ways to improve?

Offering readily available legal services and expertise requires law firms to reorganize to better serve the client. It requires to offer services and purchasing options online as most clients are now accustomed to online shopping.

Bear in mind that the acquisition cost of new clients is about 5x higher than the cost of keeping existing customers. Therefore, keeping your existing clients happy and ensuring that they go back to you if they need more legal services is crucial.





Consequently:

- Ensure that clients can submit complaints or share dissatisfaction so that you can be aware of the issue, solve it and take this opportunity to settle – clients who can settle disputes are more likely to use your services in the future.
- Encourage clients to share their experience with your services. You can build on your clients' feedback to improve the quality of your services and identify new business opportunities.

In conclusion, adopting a client-centered mindset generates valuable information. Law firms can use this information to improve their business and increase client retention / satisfaction. It should also make lawyers appear friendlier and more approachable; we expect that this could help increase the legal market size and/or reopen markets that had disappeared.

# 3. UNDERSTANDING CHANGE

Often, law firms tend to choose stability when confronted with internal pressure to change (e.g., desire for self-growth or stimulation) or external pressure to change (e.g. new client expectations; new competitors). These forces exist, regardless of your firm's attitude towards them, and can make change inevitable. There are 2 main types of change: **incremental** or **radical**.

## Incremental or radical?

Incremental change is implemented progressively. Radical change is transformational in nature; almost everything will happen at once, over a short period.

Incremental change is typically less disruptive and stressful than radical change and it allows for a smoother transitions toward a new way of functioning. However, it requires time.

Radical change involves a fast and extensive reorganization; it can be the deciding factor between survival or death. In order to succeed, it needs excellent leadership (which does not mean authoritarian) and a clear vision.

The best way to implement change in your law firm will therefore depend on your unique set of circumstances.



- Can you progressively upgrade your legal services over time?
- Or do you need to immediately adapt to your new business environment?

## Forces for and against change

Change is often subject to ambivalence: the simultaneous presence of forces in favor and against change. Ambivalence is a normal factor and is part of the process of change.

However, it may have undesired effects. For example, some people may ponder the benefits and disadvantages forever, without being able to decide. This preserves the status quo by default (Miller & Rollnick, 2013).

We can observe 3 types of reactions towards change:

1. The early adopters, who immediately see the possible benefits of change and/or the consequences of not changing,
2. The ambivalent, who continuously ponder the pros and cons, constantly wavering between change and status quo
3. The resistants, who mainly see the disadvantages of change and the benefits of the current situation.

Where do you and your team stand with regards to becoming client-centred or modernizing your practice with new technologies?



Gaining knowledge on the process and steps of implementing change may be helpful 1) to provide early adopters with the necessary structure to embrace change, and 2) to help the ambivalent and resistant by presenting a concrete strategy to understand the change (why change and how).

## 2. EMBRACING NEW TECHNOLOGIES

What are these new technologies and how can they help you? Understanding technology is an essential skill to prepare your law firm's future. The Kluwer Survey distinguishes three types of technologies: (1) foundational, (2) enabling, and (3) transformational.

1. **Foundational technology** refers to the kind of technology that is already widely in use in most law firms, such as a third-party time and billing system, clients' portals and data security and encryption tools. These basic technologies are the groundwork of modernization.

? Is your firm already leveraging these technologies?

2. **Enabling technology** refers to digital tools (mobile app, cloud computing, client information databases, etc.) that facilitate the management of clients, contracts, and files. Many firms already rely on these technologies or plan to use them in a near future.

Do you and your firm have a plan to invest in these technologies?

3. **Transformative technology** refers to tools operated by artificial intelligence (AI) to improve efficiency and relevance of low-value administrative tasks. For example, online research software that combines analytics and AI result in algorithms that help with information research, pattern identification, and predictive analytics.

Big data, machine learning and blockchain also belong to this category. This type of technology is still rare today but is likely to grow fast soon.

? Does your firm have a plan for these technologies?

These three different types of technology help process the amount and the complexity of information, reduce costs and save time. All these benefits allow you to focus instead on your client and your business.

However, how a team and its leader(s) use this technology is as important as which technology they use. And this requires addressing *change management*: how it works, what can help it, what can hinder it.



## 4. IMPLEMENTING CHANGE

Traditionally, we use four steps and processes. Whether you are considering incremental change or transformational change, the basic steps of implementing change will be the same. The only difference is speed.

### Observing trends

The first step is to closely observe the evolution of your business context (clients' needs and challenges, trends in society and on the market, technological advances). This will allow you to challenge the goals and ways of working of the firm, and to consider its constraints and possibilities:

- What are the objectives of your firm?
- How are you going in that direction?
- What is working well and what is not?
- What are your current strengths and weaknesses?
- What are the current trends in your clients' expectations?
- Are you currently in line with that trend?
- What are the existing technological resources that you can use to improve?
- How are your competitors addressing these client expectations?

Answering these questions will lead to the second step of the process: clarifying the required changes and the available technological, organizational, cultural assets to bring about these changes.

### Clarifying the required changes

Co-constructing a vision for your firm with the support of your team:

- Who you are in your clients' perspectives
- Which needs you try to address
- What you offer and how
- What makes your perspective unique
- How do you want your culture, your organization and your use of technology to support your objectives?

Assessing the necessary changes and options to address them will help set clear objectives. These will provide the data to create an action plan with all tasks and the strategy to help you reach your goal.

### Creating an action plan

By deeply reviewing your firm's current internal functioning, identifying options and defining the roadmap, you can make the new vision a reality.







The following questions will help you lay down your objectives. Having your objectives in mind will allow you to create an action plan to reach your goal:

- What are the steps to reach your goal?
- What technology can you use to help you?
- How can you implement this technology?
- What are the appropriate change management, training and communication efforts required to successfully implement your strategy?
- What needs to be done to make these changes?
- What is the best chronology do make these changes?

Getting your action plan right will help you monitor your progress and reach your goal.

#### **Enforcement and Monitoring**

This fourth and last stage requires monitoring the progress of the project until its full completion.

You may need to adapt the strategy or the goals in response to unforeseen internal and/or external factors. It is key to be responsive to the situation on the ground.

Moreover, you can use the same questions as in the first step to monitor the progress.

In fact, implementing change is a recursive process. Therefore, the above-mentioned steps and processes should be continuously applied and reapplied, so that your firm can stay on the edge and close to its clients. This requirement is even more important considering the current fast developments of the business environment, new clients' expectations and technological advances.

## 5. CHALLENGES

When it comes to embracing technology, the Wolters Kluwer Future Ready Lawyer Survey (2019) highlights several potential factors of resistance in law firms.

According to their findings, resistance to change are commonly attributed to: (1) lack of knowledge, understanding or skills in technology, (2) organizational issues, and (3) financial issues.

Indeed, law firms are generally organized to avoid criminal, civil and administrative liability – particularly to guarantee lawyer secrecy, meet court deadlines and avoid conflicts of interests. Most law firms are therefore not organized around the client's needs. Consequently, they are not culturally equipped to detect changes in clients needs or market demands, to collect that information, to process it and to then implement it in their offer, their workflows and their culture.

### Lack of knowledge, understanding or skills in technology

This category encompasses various elements, such as lack of IT staff or skills, lack of knowledge about what is available, and lack of awareness of the competitive advantage to leverage on new technology: *“understanding technology is essential for establishing a clear strategic vision and roadmap, preparing for change and prioritizing investments”* (Kluwer, 2019, p. 5).

However, teaching technology skills is not part of traditional lawyers' education curriculum and neither are business, client-oriented, processes.

Likewise, change can be disruptive and stressful: past habits are upset, the future is uncertain, and you and your firm may be insecure about your ability to adapt to the new challenges and to thrive. Your staff may question both the rationale for change and the proposed solution, which could in turn affect the leadership. While these concerns are legitimate, it is unquestionable that adaptation is necessary for any organization and that there are good ways to adapt and to minimize the probability of these concerns' materializing. Organizations that fail to adapt ultimately begin to see their income fall.

### Organizational issues

Organizational issues mostly result from a general lack of technology strategy, inadequate change management, and/or rewarding processes that ignore innovation, fear change or resist it.

For example, because lawyers are often focused on complying with court deadlines and perfecting their submissions. Naturally, they avoid distractions and, consequently, do not take time to design change and cannot actively make it happen. Likewise, making decisions through unanimous consent of partners can act as a significant obstacle to any change.





### Financial issues

This issue refers to the difficulty to reconcile the immediate and certain cost of change with the future and uncertain benefits. There is a tendency to consider that the money is safer where it is, rather than invested in a project that may not yield the expected results.

In actual fact, if your law firm has successfully performed its analysis of the trends and has effectively determined what it wants to do and why, there should not be any surprises. (See “Implementing change” above).

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All these factors can lead to a gap between a perceived need to change and the lack of readiness by (of) the firm to address it properly. The next sections thus emphasize resources and strategies to initiate and maintain the change process.

Moreover, regardless of all these obstacles and your firm’s receptivity to change, there is a very compelling reason to adapt: the digital era requires special attention to information security. Every firm faces an increasingly high risk of a security breach that could potentially irreparably damage its reputation and expose its lawyers’ liability. As a result, beyond matters of client satisfaction, we are not facing new threats that imperatively mandate change. See SLTA brochure “Lawyer Information Security: Basic Guidelines” and the example of the “Panama Papers” for a better understanding.

## 6. RESOURCES & STRATEGIES

Resources and strategies can be found and mobilized to address each of the above-mentioned challenges in the process of change implementation.

A common step to overcome the lack of knowledge, understanding or skills in the field of technology is to hire a specialist (Kluwer, 2019). That specialist would be dedicated to the development of a customized technology strategy. If this option is not possible in your firm, you can also take steps to keep yourself and your partners informed on the current trends in legal technology service delivery. The SLTA notably provides regular information about the Legal Technology market and its trends. You can contact your local chapter for more information.

A strategy to face organizational issues could be to appoint partner of the firm to “pilot” the change process and take all the appropriate actions, with the assurance of moral and concrete support from the other partners during the change period. The change-leading partner should report to other partners on a regular basis so that all are kept up-to-date. In fact, it is important that the partners remain involved in the process of change, because if they do not adhere and enforce the change, associates, trainees and support staff will also likely ignore the change – which typically results in wasted resources and frustration.

When trying to get partners on board for conducting change, it may be important to meaningfully involve them at the four different stages of the process:

- Getting their opinions when observing trends and assessing the situation
- Getting their opinions to determine the possible goals and strategies
- Introducing them to the action
- plan and answering their questions and/or remarks
- Keeping them informed on all its advancement.

Ideally, by step 2 and 3, you will have a gathered many ideas about the challenges and the possible solutions. However, in order to meaningfully involve the partners in the change process, you may choose to raise targeted questions rather than start exposing your own views. For example, you could ask them, “How do you see the development of this firm in the future?”, “what do you think of this new legal technology?” instead of saying “We need to be more technology-friendly” or “This new device is the perfect solution for us.”

When communicating about change and introducing the plan, it is recommended to start by remembering the vision and envisioned goals (WHO we are and WHY we will do it), prior to introduce the selected strategy (HOW we will do it) and the expected short and long consequences (WHAT is hoped for). Ideally, those among the partners who also wish to contribute to the plan should be encouraged to do so.





If some partners are ambivalent or resistant to the proposed changes, it may be good to remember that when the planned change is incremental, it is worth dedicating one's efforts toward understanding and embarking everyone (especially the resisters). However, when the change is important and rapid, it is more strategic to focus one's efforts on convincing the ambivalent. In this context, it is suggested to start listening to their argument against change prior to asking them to explain in more details their arguments in favor of the change (e.g., Miller & Rollnick, 2013).

The younger generations are generally more favorable to improved ways of working, and they do not have well-established habits that they wish to maintain. Soliciting the feedback and workforce of younger lawyers or trainees during partner meetings may insufflate fresh ideas and alternative solutions. However, changing is not easy: depending on the complexity of the task for your team, you may be well advised to hire external help.

Financial objections can be met by outlining the results of the Walter Kluwer's Survey (2019) showing that law firms and business that leverage in technology report are proven to be more profitable and that "organizations gaining experience with these tools today will have a unique advantage over those that delay" (p. 5). In fact, if you find that your firm is underperforming or that it is missing out on opportunities to increase its performance due to its current inefficiency, this can be a strong incentive to change.

Finally, technology is likely to "play an important role in helping lawyers cope with the increased volume and complexity of information, improve efficiency and productivity and provide insights to meet these changing clients' needs" (Kluwer, 2019, p. 5). Thus, technology, albeit disruptive and stressful at first, may become a strong asset to help lawyers cope with stress, especially stress generated by client management and avoiding liability.

## 7. CONCLUSION

We hope that this brochure has helped you better understand how to improve your firm's practice by using the tools of change management.

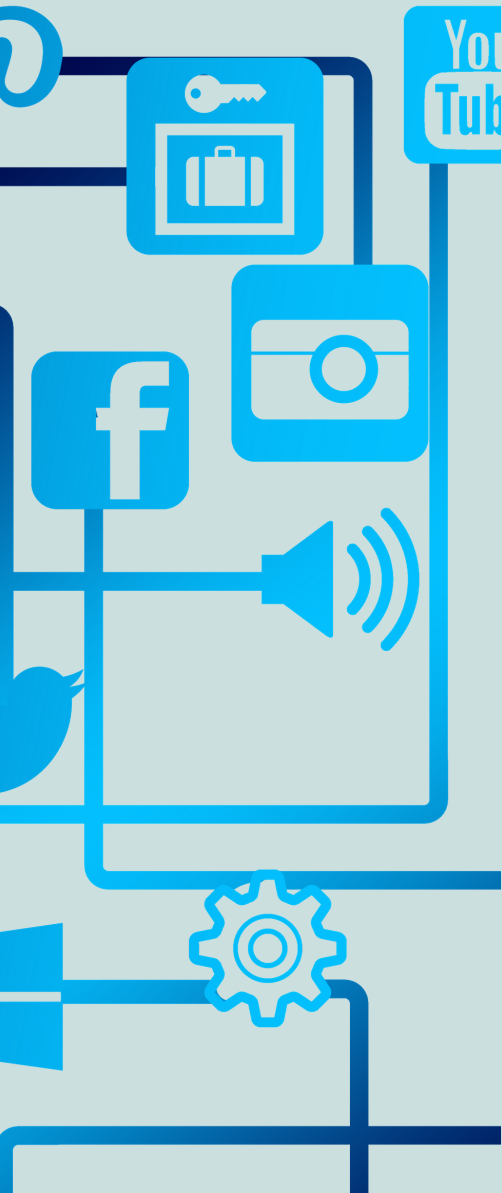
Changing how we work is a daunting task, especially when the change occurs at the company level. But it is a given that any person, natural or legal, must constantly adapt to the changing circumstances of their environment. Those who really wish to remain on the edge will even attempt to adapt and plan for changes that have not happened yet.

A law firm's clients - and society in general - will evolve in accordance with the same principles. A few decades ago, clients who could afford legal services were often visited by their attorney at home or at the office. Today, thankfully, many more clients can afford legal services and protect themselves and their rights. Among these clients however, few have the time to visit the lawyer at the firm, few will know which lawyer to contact and many are aware that they have bargaining power to negotiate rates. Clients will continue to evolve, and it is any organization's objective to remain relevant for the people it was created to serve.

In seeking to modernize, it is particularly important to remember that an organization will always allocate its resources (time, energy, money, space, staff, ...) according to its priorities (example: complying with deadlines and brainstorming strategies).

Therefore, as long as the client's satisfaction and staying relevant for the client are not in the organization's top objectives, the resources will continue to be allocated to projects that will likely not allow change to occur.





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