

LAW IN BUSINESS MANAGEMENT

○ BUSINESS DEVELOPMENT ○ FINANCE ● PEOPLE

The legal sector has much to learn from other knowledge-based industries in improving the link between profitability and effective talent management, writes **Alison Gill**

Talent quest

The Government's proposed reforms published in the recent White Paper, *The Future of the Legal Services: Putting Consumers First*, have come as a strong indication that the game is changing for law firms.

The Lord Chancellor, Lord Falconer, says the new legislation will "modernise legal services, making them more responsive to the demands of the marketplace and of consumers". Although great news for consumers and legal employees, the new legislation poses a huge threat to traditional law firms, which will now have more competition for their talented employees.

Firms that want to dominate must be able to attract and successfully retain talented employees like never before. This is not a war for talent in which just the highest salary or bonus wins. Instead, the firms that will lure and keep talent are those that are prepared to take a different, more innovative approach.

Talent management is an employer practice which gives firms that are prepared to think differently the edge in the short and long term.

Emerging trends

The Getfeedback Talent in Law Benchmark report — a survey of 435 law and human resources (HR) professionals from across the top 100 law firms that we conduct each year — confirms that talented employees are increasingly aware of the importance that effective talent management and development contributes to the success of a firm. When asked to rate the most visionary firms, respondents repeatedly included talent management as a key criterion differentiating visionary from less visionary firms.

Now in its third year, the report gives insight into the changing demands of employees. For example, flexible working has consistently risen up the agenda as something that law firm employees see as a critical requirement for firms that are serious about retaining talent.

The report provides a systematic comparison of law firms to other knowledge-based practices, such as management consultancies or professional service firms, in which understanding employee opinions, 360-degree performance reviews or other behavioural feedback and long-term career management are all common practice. This is in stark contrast with the law firms questioned, where only 50% of the people surveyed said they have had regular performance reviews and, worse still, only 22% indicated that their career plans had been openly discussed.

Time for change

The results from the Talent in Law Benchmark report series clearly indicate that firms which record the highest levels of satisfaction with talent management have focused on creating a climate that fosters personal growth. Respondents consistently rate interesting and challenging work, open, two-way commu-

nication and opportunities for personalised growth and development as more important than money. Fewer than 1% of the comments made by employees highlighted money as a key driver of satisfaction.

This highlights a need for change. In particular, firms have in the past focused too much attention and budget on recruitment and financial reward. The typical cost of hiring someone is nearly twice their proposed salary, yet this is probably 50 times the amount most firms spend on their annual training and development. Focusing spend instead on ensuring that the working culture is conducive to personal growth and encouraging the behaviours that promote open, honest dialogue both performance and future opportunity is more likely to ensure that employees remain challenged and engaged, which in turn contributes to the bottom line.

People are engaged by roles that stretch them and they will perform best when they can actively discover and define the role that will tap in to their passions and inner motivation. For some, the key to feeling motivated is flexible working arrangements; for others it is the opportunity to develop deep expertise. These intrinsic motivators do not change much throughout an individual's life but what does change is the landscape in which the individual exists. We believe that addressing some of the difficult challenges such as adopting flexible working is a key challenge for law firms seeking to get ahead.

Year-on-year findings from our reports show that legal employees seek flexible working for a number of reasons. For some, the argument is a case of efficiency — for example, working from home might increase productivity and reduce unnecessary travel. For others it is more a case of balancing work and home life. We have come across numerous stories of firms that were prepared to lose talented individuals with first-rate client relationships and critical expertise rather than take on the challenge of thinking differently about attitudes to hours worked or flexible working arrangements.

Key findings, such as this give firms the opportunity to differentiate themselves on talent management. Talented employees are screaming for change and now competitive pressures will up the pace of change, forcing firms to make more of an investment in their people practices.

Our own experiences of helping law firms retain and engage their talent suggests that one barrier to systematic talent management is the lack of high-level HR to oversee an infrastructure which has not traditionally been prioritised or perceived as a key part of legal practice. Therefore there is a lack of understanding in firms of the link between profitability and effective talent management.

This is not a huge surprise considering the lack of adequate information available to law firms on this issue to benchmark themselves against. Measurement has consistently been the lowest-scoring category in



our Talent in Law Reports. While many firms collect data on attrition and cost of hire, few systematically understand the links between people development, employee engagement, productivity and profitability.

If talent metrics are systematically embedded in the firm, managing partners will be able to make decisions about their people with the same rigour, logic and confidence as the decisions they make about money, markets, customers, services and products.

Shift your focus

It is clear that law firms need a more vigorous approach to talent in order to function and retain their people, rather than losing out to banks, retail and other industry sectors where talent management is more advanced.

For this to happen, the end goal needs to be shifted to improving retention and reducing the cost of attrition, not just increasing hours billed. Both are crucially important to the commercial bottom line and link employee engagement with customer satisfaction and loyalty.

Commitment to a formal talent management strategy by firms' senior partners is vital, and already happening. Law firm clients, implementing good talent management practice, are able to find ways to shift the emphasis from partnership to retaining talent at any level. By integrating performance management, long-term career advice and support into firms'

management policies, law firms can compete not just with other law firms but also with new competition in the broader market.

An overhaul of partnership, promotion and career structures, along with the integration of senior HR, to put in place a people management strategy and oversee new performance metrics and reviews is needed.

In summary, the legal sector has much to learn from other knowledge-based firms where the financial contribution of talent is formally managed and assessed. If two otherwise comparable teams are in contest, it is the one characterised by outstanding leadership, openness, cooperation and flexibility that will succeed over the one where people believe that their talent is not being developed or where extreme internal competition abounds.

Law professionals interested in finding out more about findings from the report and talent management in law can attend the annual Talent in Law Networking Event in April. The events provide an opportunity for legal sector professionals to contribute substantially to knowledge of employee perceptions and law firms' current talent management practices. This, in turn, provides firms with access to further information, best practice, comparisons, guidelines and an overall insight into the talent issues faced by the legal sector.

Alison Gill is the co-founding director of talent management consultancy Getfeedback.