
Red rover

William Arthur speaks with Diana Bentley about serving as a non-executive director of a law firm's board

It is a sign of things to come. In June, William Arthur, a veteran of 32 years at Barclay's Bank PLC, was appointed a non-executive board director of South East firm Cripps Harries Hall LLP. It looks like a smart move by the firm, which has offices in London and Tunbridge Wells, and demonstrates that it is not only the biggest beasts of the profession that are bold about confronting the management challenges that assail the profession.

Non-lawyers are now being sought to inject commercial savvy and a fresh perspective into law firm management. At Barclays, Mr Arthur held various leadership positions: from taking over a troubled city branch, to being a senior manager of its shipping industry unit, and becoming the business centre director for northern East Anglia. However, it was his directorship of the bank's professional practices team servicing solicitors, accountants and surveyors, which he transformed from a city to an international-based organisation, that provided him with rare and valuable insight into the legal realm.

"It was the first banking team in the country to focus entirely on the professional sector," he recalled. "I got to know many senior partners of the country's top 200 firms and saw what was going on in their organisations." Keen to improve their management, and recognising his commercial expertise and overarching view of the profession, they would ask him how other sectors handled situations, and his knowledge was used as a benchmark. "We could make comparisons, and senior partners found that useful," he said.

Mr Arthur's time directing the professional practices team also coincided with a period of drastic change in the profession and wider commercial environment. "The profession has been growing up in the past decade. It wasn't long ago that

partnerships in the UK couldn't exceed 20 members," he observed. "That rule was relaxed. Simultaneously, there were regulatory changes in markets around the world. The rise of the finance industry and general globalisation stimulated great growth in the legal profession." Many opportunities arose for lawyers, especially those who dreamt of providing services across borders – on either side of the Atlantic. However, as some firms went international, others followed to compete, he said. "There was a knock-on effect throughout the sector.

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People wanted their firms to be bigger and consolidation was going on." Then, in places like England and Wales, specific changes were prompted in the legal world by developments like the Woolf reforms.

Many firms have responded well to the challenges in the market, he said. "A lot have been trying to catch up with the management of large commercial organisations. The management capability of the top 100 firms in this country has improved enormously, but more needs to be done," he insisted. "Law firms typically haven't had great depth of management

experience, and they've been in a smaller, fragmented market, and they'll need to continue to change."

While Mr Arthur knew the people at Cripps Harries Hall before his appointment, he was selected for his non-executive role after a search overseen by an independent consultant. Having left Barclays in 2006, he is adding his role at the firm to some other non-executive directorships. "I'm very pleased to be here," he said with genuine enthusiasm. His years of improving performance, creating and finessing strategy, launching new projects and managing change are what many firms need right now.

"The profession is crammed with highly qualified, intelligent people, but the sector isn't huge and is quite narrow. Few firms have recognised they need a wider view on best practice feeding into the board from the commercial world, so it's still early days for non-lawyer non-executive directors. But even before the Higgs Review, many FTSE 500 companies had non-executive directors and had recognised that independent views were crucial."

He has not been given a specific role on the executive board, which he believed was right. "I'm expected to comment on a wide range of things from leadership development, to values and behaviours, to strategy and differentiation. I hope to contribute in all these areas."

The profession is confronting particular challenges presently, he said. "Management issues change as business cycles change. But now, if you asked the managing partners of the top 100 firms what concerned them most, there'd be a consensus on several issues. Everyone would probably raise the 'war for talent'. People can't get the right caliber of lawyers or keep them long enough. Then there are inflationary pressures on salaries."

American firms in the UK, in particular, have raised the salary stakes, and the balance of power has shifted to employees, which can be problematic, he said. "Lawyers wanting to be partners can make demands, but this is where bad decisions can be made. In the late 1990s, during the dot.com boom, many partners were made up, and subsequently some promotions were regretted. Firms felt they had no choice. The question now is whether they have learnt by their mistakes."

On a strategic level, people need to anticipate what will happen if the Legal Services Bill is enacted. "This may primarily hit the high street firms, but it still raises the question of how legal services will be provided," he said. Some larger firms may go public. "You have to question why they'd want to; though it will, of course, put a value on the goodwill of the business." Medium-sized firms, too, face many challenges. "The war for talent issue affects everyone. As far as the range of services goes, the biggest firms have decided what to do – they've gone for a full service and compete on all fronts. For smaller firms, the answer must be no – otherwise they'll become average quality generalists. You have to be a specialist in some way and compete to be the best in breed."

The Bill also raises questions about the continued desirability of the partnership model. "It's been an enduring business form for smaller businesses, and whatever its drawbacks, the profession has developed very successfully using the structure," he conceded. "Partnerships tend to have a family feel and be inclusive. Then there are the tax benefits for partners, but they're not very flexible and can be difficult to manage. They're not the typical pyramid-type structure, and lawyers are independently minded."

Successful leaders of partnerships

need great strength and tact and need to find a balance between consultation with partners and getting on with the job. To be effective, partners need to delegate sufficient authority to the managing partner and the board, he said. Firms may want to consider alternative structures when they can, but even if they incorporate, lawyers will still be the same. "A partnership with a good leader will work, a company with a bad leader won't. Firms who one day want to incorporate need to consider carefully why they may want to."

They also need to concentrate on other core issues, he said. "All businesses, whether they're airlines, banks or law firms, must be well led and managed to

survive." Law firms are often not good at developing future leadership talent, he noted. "Far-sighted firms identify future leaders early and let them try things out and make mistakes," he said. Then firms must service their clients' needs well. "This especially applies to businesses in mature, competitive markets like financial services and law – there's more than enough supply to satisfy demand. It's essential for businesses in these markets to differentiate themselves by their products or capabilities to ensure that they are the ones that survive and prosper."

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