



Developing **commercial acumen** and **strategic thinking** for lawyers



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Legal expertise is now table stakes

Something curious is happening in the client-firm relationship.

43% of legal departments are very satisfied with their law firms, and yet a third (32%) are very likely to switch firms in the next year.

As clients come to expect increasingly higher levels of value and performance, relying primarily on pure-play legal expertise and advice is no longer enough to sustain existing relationships.

Macroeconomic volatility is playing its part in refocusing clients' minds on maximising value, and redefining what it means to them. And this is playing into long standing trends resulting in less work available for law firms. Greater client-side use of non-legal staff, Alternative Legal Service Providers (ALSPs), and insourcing, for example, have dramatically increased competition for firms.

The result is that lawyers and law firms need to add another string to their bow. Operational efficiency and expertise are now table-stakes for law firms. To differentiate and sustain competitive advantage, they must provide client-centric legal services backed up by strong, demonstrable commercial acumen.

They must earn clients' trust by demonstrating deep understanding of business challenges, and ability to proactively develop solutions to those challenges.

This report, produced in partnership with **Duc V. Trang, author and Managing Director of Major, Lindsey & Africa's Advisory Services**, explores the commercial acumen skills lawyers and law firms need, and how to get them.





01

What commercial acumen
looks like for lawyers

What commercial acumen looks like for lawyers

Commercial acumen can be an intangible concept. Some will say it's an instinct, others will say it can only be gained through experience. **Both are only half right.**

For lawyers and law firms, commercial acumen is best described as the ability to quickly understand and deal with a client's business situation in a manner that is likely to lead to a good outcome.

To do that, they must be able to holistically appreciate the way the business is structured (and why), its industry, its competitors, and its risks and opportunities.

This is a skillset distinct from their ability to understand the law and how it impacts clients in any given situation or decision. But it requires a similar combination of knowledge along with a level of intuition and situation recognition that come from both experience and the right kind of training.





Here are some of the ideal features of commercial acumen for lawyers.

Demonstrating an understanding of a client's whole business, inside and out

This is a **foundational layer of knowledge** required to effectively be able to put yourself in a client's shoes, **to solve their business challenges by making their problems your problems**. By understanding how a business is structured and why, lawyers can understand how decisions are made, and even what those decisions are likely to be. By understanding who a client's

customers are and their routes to market, lawyers can better understand the risks and opportunities the business is facing. It also involves an appreciation of the political — not just regulatory — environment in which the company operates. And it requires an appreciation of the expectations placed on general counsel by executive leadership when it comes to supporting business strategies.



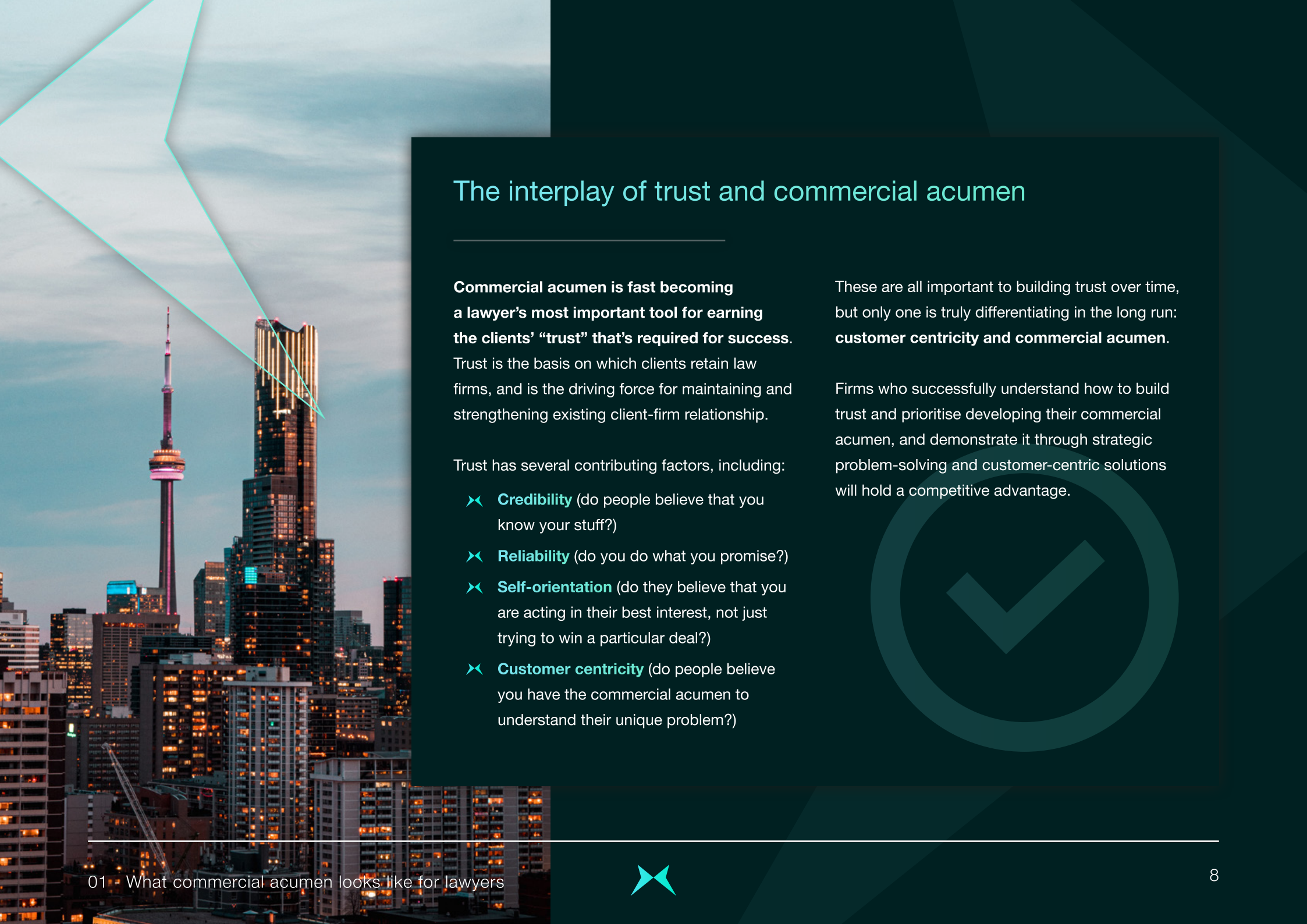
Ability to spot and act on alignments between firms' capabilities and clients' challenges

Lawyers also need the **experience and instinct** to be able to apply their understanding of a client's business by identifying alignments between the firm's capabilities (or those of its partner ecosystem) and the client's challenges, in order to **formulate appropriate services and solutions**. Effective lawyers will be able to do so in the moment, asking the right open questions at the right time.

Preempting client needs

When operating at a high level, a lawyer's commercial acumen will enable them to **anticipate client needs and challenges**, or **spot opportunities** clients didn't know they had. In an era of value-conscious clients, firms and lawyers that can achieve this level of trusted partner status will be indispensable.





The interplay of trust and commercial acumen

Commercial acumen is fast becoming a lawyer's most important tool for earning the clients' "trust" that's required for success.

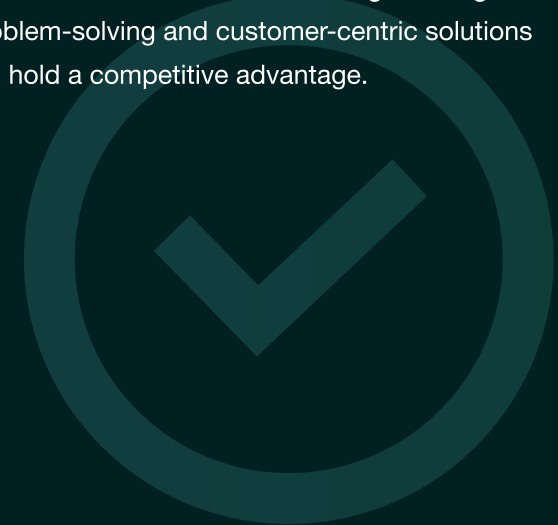
Trust is the basis on which clients retain law firms, and is the driving force for maintaining and strengthening existing client-firm relationship.

Trust has several contributing factors, including:

- ✘ **Credibility** (do people believe that you know your stuff?)
- ✘ **Reliability** (do you do what you promise?)
- ✘ **Self-orientation** (do they believe that you are acting in their best interest, not just trying to win a particular deal?)
- ✘ **Customer centricity** (do people believe you have the commercial acumen to understand their unique problem?)

These are all important to building trust over time, but only one is truly differentiating in the long run: **customer centricity and commercial acumen.**

Firms who successfully understand how to build trust and prioritise developing their commercial acumen, and demonstrate it through strategic problem-solving and customer-centric solutions will hold a competitive advantage.





02

3 things firms are
getting wrong with
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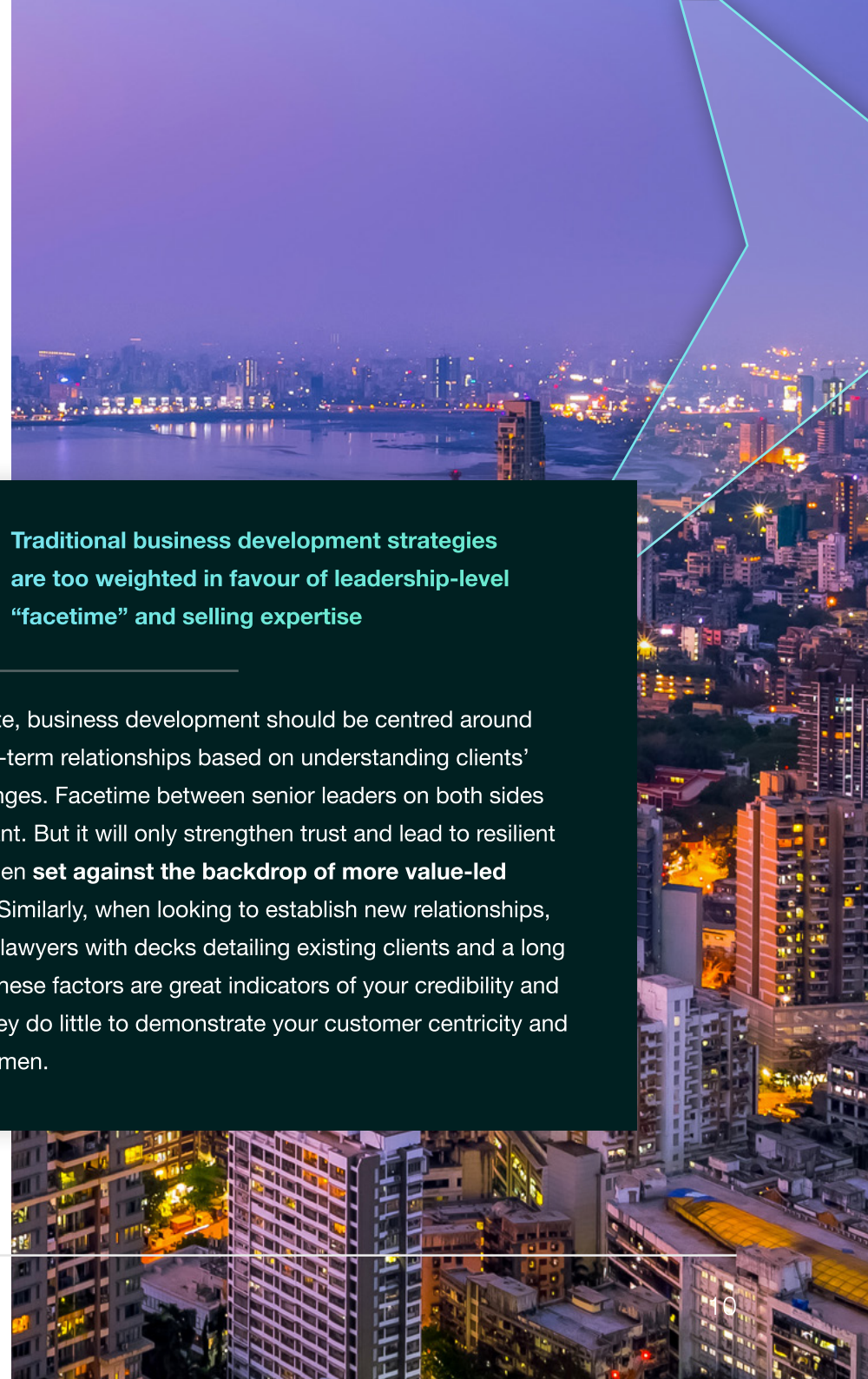
Many lawyers at firms already have many of the commercial acumen characteristics clients demand. But these skills are usually developed unevenly, in an ad hoc way. They are also often confused for commercial awareness, held back by misguided business development practices, or buried under a crushing workload.

Here are three ways in which law firms are ineffective in developing commercial acumen:

01

Traditional business development strategies are too weighted in favour of leadership-level “facetime” and selling expertise

In today’s climate, business development should be centred around developing long-term relationships based on understanding clients’ business challenges. Facetime between senior leaders on both sides remains important. But it will only strengthen trust and lead to resilient relationships when **set against the backdrop of more value-led engagements**. Similarly, when looking to establish new relationships, many firms arm lawyers with decks detailing existing clients and a long list of awards. These factors are great indicators of your credibility and reliability, but they do little to demonstrate your customer centricity and commercial acumen.



02 Training overlooks the higher cognitive soft skill of commercial acumen

Most firms don't have the right framework in place to develop commercial acumen because of a fundamental mistake – **they confuse commercial awareness or knowledge with commercial acumen.** Knowing how to read balance sheets, financial statements and the Financial Times is critical to the job. But knowing business information is different from being able to **apply it to problem-solving.** Too often, firms focus on teaching commercial knowledge and then expect – or hope and pray – their lawyers pick up along the way the commercial acumen to apply it.

03 Not affording people adequate time and space to build their skills

Many partners report learning their commercial acumen skills on the job, and cite their success as evidence of the supremacy of this approach. It's not that these leaders aren't empathetic, they wouldn't be where they are otherwise. But they are missing the point that not everyone learns the same way. The result is often "fast food training" programmes, where after occasional 45-minute sessions lawyers are left with simplistic lists of best practices. This is not how strong commercial acumen is developed.





03

How to think more practically
— and realistically — about
developing commercial acumen

How to think more practically — and realistically — about developing commercial acumen

There is lots that law firms get right about developing commercial acumen, including the time-honored practices of exposing younger lawyers to high-level discussions. But by being more intentional, firms can accelerate the development of these skills among their lawyers.



4 tactics to developing commercial acumen

Here are some practical considerations for firms when it comes to better nurturing commercial acumen and applying it to client relationships.





Start earlier and be more direct

Firms should embrace exercises and projects that encourage lawyers to flex their commercial acumen by **getting under the skin of famous brands**. For example, their remit might be to prepare for a meeting with the senior executives of a client, at which they need to demonstrate an understanding of their business model and challenges compared to that of a competitor. How can they use public information to be able to compare strategies, strengths and gaps, and discuss key choices facing the

company around technology or human capital investments?

The goal is to get lawyers more comfortable preparing for and having business-level conversations, which means taking their commercial knowledge and information and **applying it to the client's real-world business problems**. This level of understanding will also provide them with the ability to talk the client's language and focus their questioning in the right areas.





Business Development

Be more intentional and value-led

A great way to develop relationships and strengthen commercial acumen is by asking clients if they, or their colleagues, can spare a few hours to **brief your team on current business strategy**, instead of just taking the general counsel out for dinner.

When prospecting new business and relationships, keep the awards slides by

all means, but lead conversations with your focus on **understanding the business context in which clients' legal issues play out**. At this point too, offering to make an upfront investment in the relationship by sending some lawyers to meet with the business and in-house legal teams will start to build trust from the outset.





Make it a feature of account planning

By framing account planning in the context of trust, firms will have more success at **broadening stakeholder contacts and deepening client relationships**. Figure 1 shows MLA Advisory Services' trust formula. Firms can use this to evaluate existing relationships. By comparing clients with whom they have the strongest relationship to those where the ties are weaker, they can get a better understanding of what great looks like. This is a more sound basis on which to **develop account-specific strategies for driving increased revenue and referrals**.

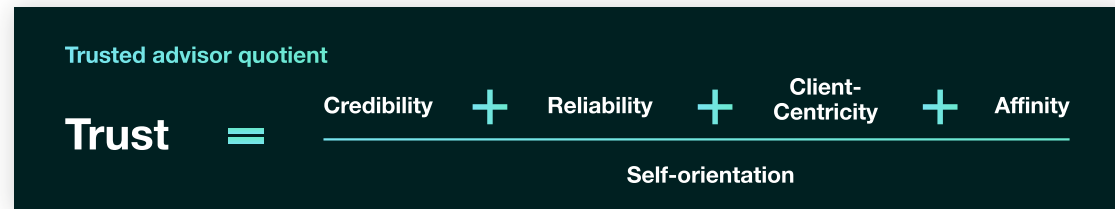


Figure 1. Enhanced Trust formula (Maister), courtesy of MLA Advisory Services

This formula represents the five key components of trust. The top row describes how lawyers must demonstrate credibility, reliability and client-centricity, and their ability to create strong relationships (affinity).

The second row describes how lawyers must work with a level of low self-orientation. In other words, they need to have a genuine, active interest in their client so that they can make decisions that are in their best interest.





Partnerships Partnerships Partnerships Partnerships

Lean into service providers to fill gaps in capacity

By maximising available resources more effectively, firms can focus more time on **delivering strategic advice based on their commercial acumen**. ALSPs have emerged as important partners to enable law firms to become more efficient, flexible,

and tech-enabled, alleviating manual tasks or providing specialist expertise in order to give firms more time to focus on delivering value-led outcomes. They also play well into prevailing operational thinking on the client side around prioritising cost-effectiveness.





04

Build trust with
commercial acumen

Build trust with commercial acumen

Lawyers and law firms' commercial acumen is increasingly coming under the microscope, as client preferences shift in favour of legal solutions and services that solve business needs, of which expert legal advice is only one part.

To build trust and establish long-term, successful client relationships, **firms must be able to understand their client's business and industry and add value by proactively developing solutions to their problems.**





Our hope is that law firms can use this report to:

- 01 Better understand the characteristics of commercial acumen required by lawyers, and evaluate where their team is strong or requires improvement.
- 02 Make an honest assessment of their approach to training, account planning and business development, and whether it reflects the importance of building and demonstrating commercial acumen.
- 03 Take the opportunity to act on that assessment, using some of the insights and tips featured in this report to begin thinking and acting more intentionally about developing their commercial acumen.





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