

The Five Levels of Strategy

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Much has been written about how conventional models of strategic planning fail to achieve what is needed in today's rapidly changing world. It is obviously still critical to have a clear sense of direction and to know what the firm needs to do to ensure its ongoing competitiveness and profitability, but it is no longer enough for that to take the form only of a static 'strategic plan.' In a global survey of strategy in professional service firms conducted by the Managing Partners' Forum in August 2007, 40% of North American firm leaders reported that they had managed to execute less of their firm's strategy than they would have liked, given changing circumstances. A 2006 survey by Edge International revealed an even higher (significantly higher) North American law firms. Furthermore, according to research conducted by several other major organizations including a recent study by McKinsey & Co (Dye and Sibony, 2007) this trend is by no means limited to the legal profession.

A wide range of pressures exist today, many of which are completely new, that are inexorably driving up both the rate and intensity of change in the professions. Clearly, a new way of thinking about strategy is required.

Pressures on Profitability

According to Dan DiPietro of Citibank (DiPietro, 2007,) growth in law firm profitability over the past five years has been almost solely attributable to the ability of law firms to escalate their rates at more than the inflation rate. profitability in the "profits per partner" equation (Maister, 1997- see figure 1 below) have not fared so well..

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