

If you always do what you have always done.....

By Nick Jarrett-Kerr

There is an old saying which goes “If you always do what you have always done, you will always get what you always got”. Until the recession, that saying worked for most firms who managed to grow and remain profitable on the back of well tried and tested business recipes and relying on a loyal client base. Now, however, client loyalties are strained and competition is growing. In this newsletter, I make the case for doing something different, something deliberate and planned in the firm’s strategy and business recipe. As always, your comments and feedback will be most welcome.

It is now brutally clear that the past benign environment for law firms is not a good guide to the chances of future prosperity. The increasingly competitive market for law firms has been well rehearsed. In brief, it is widely accepted that client and pricing pressures are combining with the increasing dominance of larger firms, service commoditisation and the possible entry of new providers, to provide for law firms everywhere a more hostile and less profitable arena in which to compete. I have three propositions which I think should compel law firms to undergo a deliberate strategy formulation process.

The first proposition is that firms can no longer get by simply by continuing on the strategic path which was created long ago –continuing to do what has always been done will lead to inevitable decline over

time. One simple reason for this is that client relationships do not last for ever. Whilst it is certainly true for most law firms that the vast majority of their work comes from long established clients, nevertheless relationships and clients need renewing and replacing over time. This can be easier said than done, as for some clients the strength of relationships often trumps other aspects of competitive positioning making it difficult to replace established clients with new clients of the same ilk. I was talking to a partner recently whose largest client had recently been acquired by a global corporation. Whilst that client had valued the relationship with the law firm, the global corporation had no such loyalty and – even more worryingly – most potential clients of similar size perceived the firm too small and insufficiently specialised for their needs. Replacing this key client looks unlikely. But it is not only client relationships which atrophy over time. Partners do not go on for ever and succession planning needs to take place for firms to continue to develop and for client relationships to be sustained. Another issue is the inexorable increase in the standardisation and commoditisation of legal work which has brought about a steady decline in the standing of lawyers as providers of expertise-driven solutions. This increase in standardised solutions has



enabled non-lawyers to attack the traditional markets of law firms both as a result of deregulation (impending and actual) in jurisdictions like the United Kingdom and the steady annexation of legal work everywhere by accountancy firms, surveyors, banks, consultants and other external competitors. This means that law firms can no longer rely on the tried and tested historical working methods and solutions and need to plan to cope with the tide of commoditisation.

The second proposition is that, if left to themselves, different office and practice groups – and even individual lawyers – within the same firm will make their own plans and without any overview the firm may end up with multiple and conflicting plans and goals. Lack of joined up thinking is asking for trouble, not least because of client demands for more value, better service, consistent quality and deep expertise. Lack of cohesion in a law firm – particularly in start-up phase – may not historically have been a strategic show-stopper, but in the face of the an increasingly hostile competitive environment, the most successful firms are those which have managed to create a so-

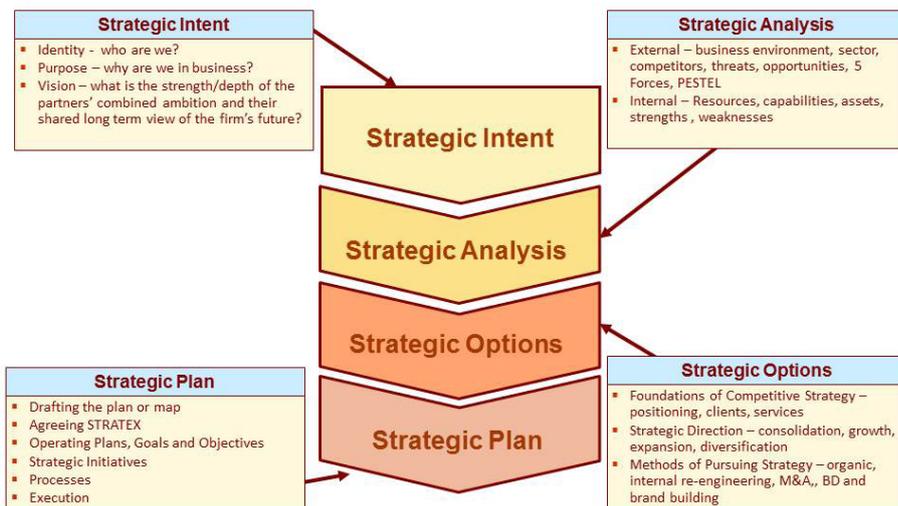
phisticated degree of overall strategic intent – that is, vision purpose and identity - and have developed into an united and harmonious fighting force with one overall strategic plan, and a successful harnessing of resources, assets and capabilities.

The final proposition is that true competitive advantage arises from the ability of law firms to mark themselves out as offering something different – maybe even unique – that clients will hopefully find meaningful. In a benign environment where there is plenty of work around for all lawyers who have a basic level of competence, it may not matter that many law firms look the same. However, in a harsher economic climate, conformist and copycat strategies are not likely to remain effective or sufficient. Furthermore, in bad times, the strategic planning horizon tends to shorten – there is less scope for strategies steadily to emerge or evolve from grass roots level. Instead, law firms need to focus hard on optimising their competitive resources and skills and developing their market positioning so as to enable them both to build market share and to develop better clients and work.

These three propositions create an imperative for deliberate and

methodical strategy formulation or review. Strategic planning – or an audit and update of existing strategy - can be time consuming, but does not need to become over-complicated. In simple terms, the process resolves down to four distinct stages, each with a set

The Strategic Planning Process



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of sub-stages, as shown in the table. Each of the four stages - establishing Strategic Intent, undertaking Strategic Analysis, assessing the firm's realistic Strategic Options and then developing a compelling Strategic Plan - should be pursued both sequentially and iteratively; it is vital to keep circling back to completed stages to retest assumptions and intentions in the light of what has been discovered and assessed. It is of course important to engage all the partners in the development and implementation of an effective roadmap for the firm. A good starting point for the process is a strategy workshop or away day at which the partners' strategic intent can be established or confirmed and at which the strategic planning and review project can be launched.

