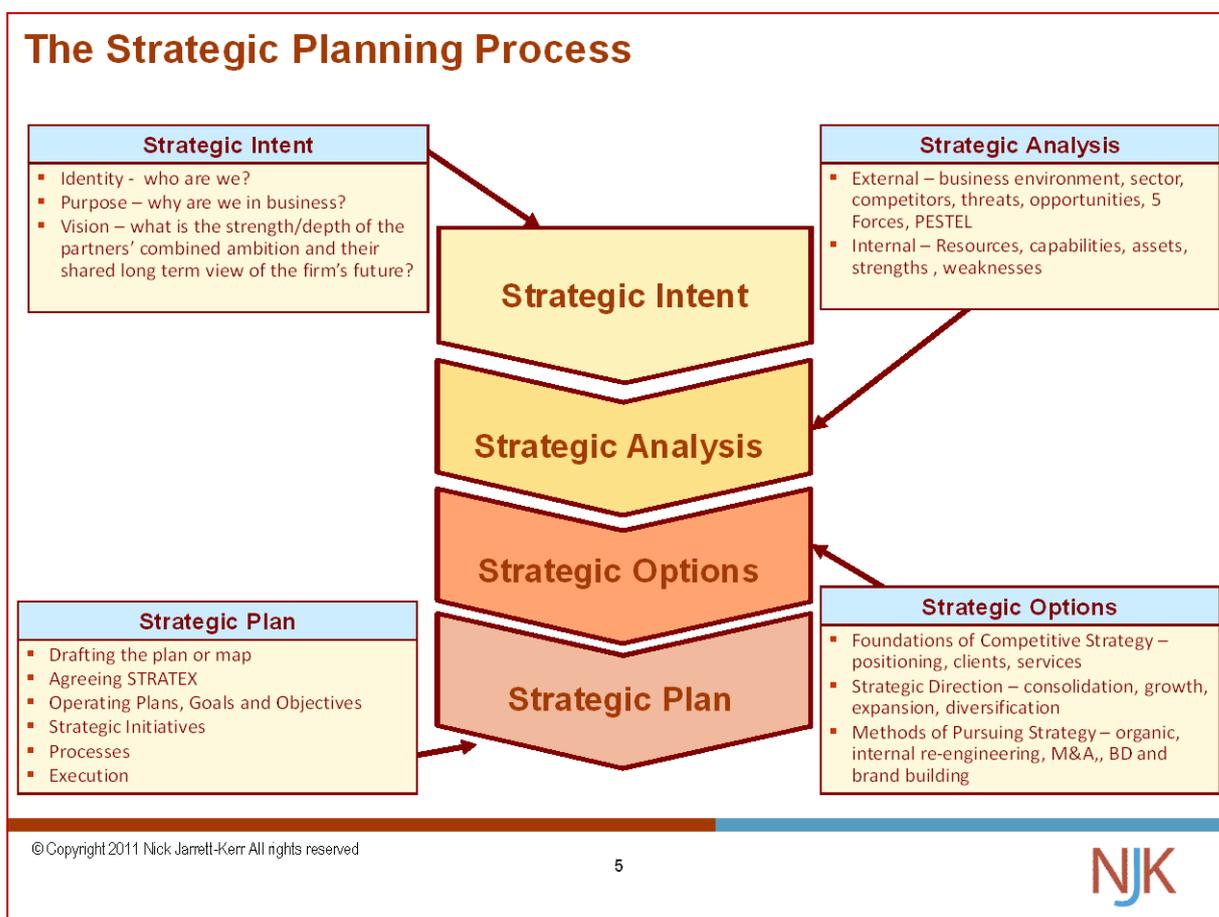


## Conducting a Strategic Review for a Law Firm or Practice Group A White Paper by Nick Jarrett-Kerr

In this White Paper, I set out my view of the strategic planning process whether this is done by the firm by itself or with my assistance.

There are many ways of attacking a strategic plan and like most strategy consultants, I have developed a particular model that I have been using for some years now. The strategic process that I tend to follow is outlined in the graphic set out below.



### Phase One. Establishing Strategic Intent

In my view, it is critical to achieve a sense of unity and direction from this phase of the Strategic Planning Process. It is important to steer the firm away from either impractical thinking coupled with impossible dreams at one extreme or reactionary do-nothing thinking at the other extreme. I find that the tendency of law firm partners is to be conservative, risk averse and rooted in past history and traditions, and careful facilitation can help a firm break out of the tendency to default to more-of-the-same types of strategy. When I look at many firms, I am never surprised to discover that strategy formulation can be slow, cautious and incremental. When considering their future plans, firms tend to start by asking where they are now and where they want to get to without necessarily asking three preliminary and



rather deeper questions "who are we (our identity as a firm), why are we in business together (our career purpose) and what is the strength and depth both of the partners' combined ambition and the shared long term view of the firm's future (our vision)?" In some firms, there are as many answers to such questions as there are partners in the firm. Establishing an overall and shared Strategic Intent is a great starting point for the development of the central part of a firm's strategy by providing and communicating an unmistakable sense of direction, identity and destiny for every person in the firm and by creating clear purposes and objectives which will drive the firm beyond its current limitations and constraints. The subject of strategic intent and its ingredients will of course need to be revisited, revised and enhanced iteratively during the planning process so as to remain achievable and sensible. Framing and stretching the firm's horizons however is the necessary first step to achieve in the strategic planning process and should then provide the firm's stable long term strategic base upon which to build and formulate the firm's shorter term plans and objectives.

An initial half day workshop or session by the firm's management committee or board can both be the launch point for the strategy review and would also gather information for Phase 2 below. At this phase, where I am involved, I often meet all the partners and practice groups to find out more about the firm and what drives and motivates partners. There is then often a workshop with partners to agree a compelling picture or vision of the firm's long term future which can be set out in a high level document

## **Phase Two – Strategic Analysis**

Phase 2 requires objective and considered assessment of the firm's current position and capabilities both externally and internally. The phase is designed to take the firm's strategic intent from something that is aspirational towards some realistic strategic options which have been carefully tested and verified. The phase breaks down into the two steps of firstly Research and secondly Analysis. It is important to appreciate that the research and analysis process is designed to assemble the necessary background information to test strategic intent and to generate a number of strategic options

**Phase Two; Step One - Research and Information Gathering.** The information gathering process makes use of the partner interviews carried out at Phase One. It is a good starting point to review a;I materials that the firm may have previously generated or used within the management committee or board when discussing the firm's strategy. This would include any Departmental or Practice Group Business Plans that the firm already has and may also include (a) any information on relevant competitors, (b) staffing details and (c) the firm's financial performance for the last three years.

Although the Strategic Analysis phase is perhaps one where some or all of the work could be done internally, external analysis and verification often reveals helpful and compelling information.

Additionally, it is extremely valuable to be able to test any initial conclusions by means of discussions with 6-8 of the firm's best clients to inform four questions (i) the client's buying intentions, (ii) the client's specific legal needs and who they use and how and (iii) specific feedback on the firm and its capabilities, (iv) clients' perspectives on the legal market in nationally and internationally. For these discussions, I generally use a structured questioning process that I have used successfully in the past.

Our analysis would include the competitive markets in all relevant geographies, but placing greater emphasis on the firm's core area of operations.



## **Phase Two; Step two**

Having gathered the information and data we then use a number of analytical tools such as

- the Five Forces Analysis” which helps the firm to look at the impact of laterals and recruited lawyers in the marketplace, the threat of entry into markets by non-traditional competitors (including the shift of work "up" and "down" stream), the power of legal service buyers at multiple client levels, the threat of outsourcing and similar substitute services and the competition of traditional rivals impacted by mergers, global practices and geographic expansion.
- SWOT analysis to consider the competitive strengths and weaknesses of the firm in its chosen markets, together with anticipated opportunities and threats.
- PESTEL Analysis which is designed to assist us with identifying issues and effects that the firm might not otherwise notice because of all of the activity around them. We have used PESTEL or "Step" analysis with several firms throughout the world particularly in areas where external factors are difficult to control and have a strong influence on law firm strategy. revenue and client analysis. This includes the plans and strategies of the clients that dictate their growth and demand for legal services, their current usage of the firm's legal services and the comparative contribution of these services to the profitability of the firm. In this analysis a sub-committee of the firm would usually deconstruct the firm's engagement for significant clients to discover the depth and breadth of their relationships.
- Legal skills analysis to determine the firm's capability as measured by experience, external recognition and internal ratings. The overall purpose is to cut through the puffery that typically clouds self-evaluations and present a realistic evaluation of the firm's core legal capabilities and experience.
- Culture and Values analysis (if appropriate) to assess and understand the firm's culture and mores to assure that the plan is sufficiently compatible with the culture to permit acceptance and implementation.

On the basis of the above, the firm can develop a considered view of the available options, as well as their implications on investments and possible paths as a tool to implement these.

## **Phase Three – Considering and Refining Strategic Options**

This is the process by which the firm validates or modifies its strategic intent for the future based upon Phase Two above. In this phase the board and/or partnership firm would often meet in an intensive workshop to review and discuss these options with you. The outcome of that meeting must be an agreed strategic path and timeline agreed by the Board and/or the partners. Work can then be done to summarize the agreed strategic path once that is agreed. In this phase the firm will lay out our best interpolation of where the firm will be in a five to ten year planning period based on Phase 2 and on current trends and projections. It is also sometimes helpful to be able to present a number of alternative options for discussion by the firm. These are brief statements of the end result that is intended if the strategic plan is successful. The purpose of having various optional visions is to provide the firm with a range of options to consider.

The defining of the firm's strategic options should be carried out under three distinctive headings or steps

### **Phase Three Step One – The Foundations for Competitive Strategy**





The firm should try to reach consensus on exactly what it is that makes or is likely to make the firm competitive. The questions here include “which of our services help us to compete, what specialist focus can we have which will win us work, and what is our pricing model that helps define us?” Where the building and maintenance of strong relationships with clients and referrers is seen as a vital part of the firm’s recipe for success, those relationships must be nurtured and renewed, not just by being nice to clients but by providing them with services that they will continue to find valuable. The basis for a firm’s competitive strategy is largely client oriented and externally focused. If the clients can see no added benefit or advantage from the firm, then the firm is not likely to develop a winning competitive edge. What is clear is that the firm must decide how it wants to be seen in its marketplace, what position in this market it wishes to occupy and what type of client will provide its core as it goes forward.

### **Phase Three Step Two – Strategic Direction**

The second area which the firm needs to consider is the overall strategic direction the firm needs to take in order to build the competitive position which it has established it needs at step one. The firm needs to consider, for instance, the extent to which it needs to grow (if at all) in order to have the depth of specialism that it needs to provide a compelling client proposition. It needs to consider the development of its resources and capabilities in order to service the clients for whom it aspires to act, and the required depth in each practice area. It needs to decide if the firm needs to expand geographically or whether it still has ample opportunities to build market share in existing areas. Furthermore, the firm needs to consider if it needs to diversify into other logical service offerings

### **Phase Three - Step Three – Methods of Pursuing Strategy**

Once the firm has established its basis for competitive differentiation and has decided its overall strategic directions, it can then turn to the final of the three areas, namely the methods by which it can best pursue its strategy. This part of the strategic thinking will need a thorough appraisal of the firm’s existing resources and momentum in order to decide whether a combination of organic growth and operational improvements will suffice to carry the firm forward. In some cases, heavy investment capability will be needed to enable the firm to hire people expansively, to acquire teams or to build the firm’s brand.

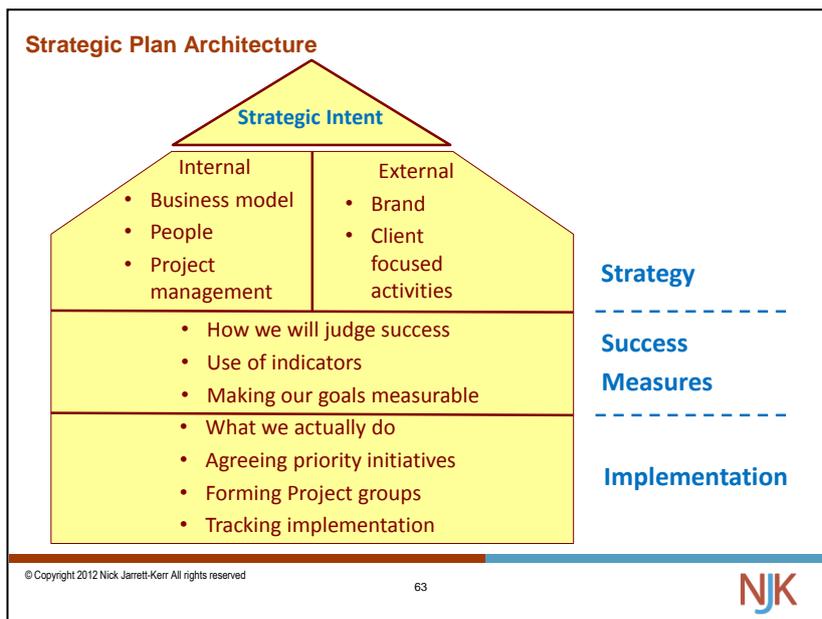
The outcome of our meetings during this Phase must be an agreed strategic path and timeline for the firm which can then at Phase 4 be converted into a strategic and operational plan

### **Phase Four – The Strategic Plan**

Phase Four is firmly linked with the previous phases and can often be completed at the same time as (or soon after) the intensive workshop mentioned in Phase Three. All of the first three phases are designed to land the firm at a point where a strategic plan together with an operational plan and a number of strategic projects or initiatives can all be agreed, put in writing and kick-started into implementation. I like to see the plans covering four levels as set out in the graphic below– the firm’s Strategic Intent, its Strategic Goals, its Critical Success Factors and its plans for Implementation. Overall, the plans must involve two results. The written plans are the implementation arm of the strategy process, designating

the specific actions which must be taken to implement the strategies, the partners who will be accountable for making sure the action occurs and fatal dates for execution. At the same time, the plans integrate the specific action plans necessary to implement the firm's strategies with the operational support required. This involves such aspects as budgetary cost impact, recruiting priorities, technology requirements, necessary training and development of attorneys and staff, required marketing support and similar logistical issues. During the course of the previous steps, a number of issues will surface regarding operational efficiencies, market opportunities, technology needs and other considerations that do not directly involve the firm's strategy for positioning itself in the marketplace.

The operational plan provides an effective means of harnessing those issues. Most importantly, once the firm has agreed its overall strategic plan, one of the key early tasks at Phase Four of the planning process is to identify the strategic projects which it is hoped will lead the firm towards implementation of its strategic goals, to prioritise resource-competitive projects and then to integrate them in to



the firm's operational plans and budgets. After all, the identification of a strategic project does not automatically mean that a senior manager or practice group has any authority yet to proceed. Just because a firm has decided to invest in technology or to increase the size of a practice group, for instance, does not mean that equipment can instantly be bought or people hired. Equally, just because a firm has spent time defining and agreeing the right strategic options, does not mean that partners can sit back and assume that the strategy will be implemented by a lonely and overburdened executive partner and his or her team without the investment of effort, resources and leadership across the firm.

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