METHODOLOGIES THAT MAKE STRATEGIC PLANNING A WASTE OF TIME

by Patrick J. McKenna

Many firms that have been involved in conventional strategic planning are failing to improve their ability to differentiate themselves, their competitiveness or their relative growth, in spite of the investment of time and effort in the planning exercise. How many firms with a beautifully presented strategic plan have anything meaningful to show from their efforts? One would think that the application of strategic planning methodologies would have achieved more measurable results.

One needs to recognize that the typical strategic planning exercise now conducted and infused with massive quantitative data misses the essence of the concept of strategy and what is necessary for being innovative and differentiated. Indeed the word “strategy” has unfortunately become a devalued term, challenged only in the buzzword hall-of-shame by “synergy” or perhaps “out-of-the-box thinking.”

But the problem here for most of us isn’t with terminology. When research study after research study now suggests that the only way for your firm to grow is at the expense of competitors, the need for you to craft a truly competitive strategy could not be more acute. The real problem is one of not continuing to utilize shop-worn, tired old approaches, which simply don’t work anymore.

If you’re interested in learning how those firms who produce above-average results are doing it, it may be instructive to become conversant with what doesn’t work. Let’s delve into the typical strategic planning process as is so often practiced or proposed by outside consultants, and conduct a quick review of some of the most time-worn methodologies that are still so often employed, and explore why they are so often a waste of time.

• Firm Vision

> *“We will commence our work with you by helping to develop and communicate to the partnership, a guiding vision for where your firm is going into the future.”*

Remember mission statements? Mission statements were a single-page document filled with more platitudes than you’d find in the average prayer book, spelling out your firm’s business mission. No one remembered the darn things, it was business as usual, and the document didn’t have the profound impact on the fortunes of firms that their creators had hoped for. The mission statement exercise was quickly forgotten — except at those few firms who chose to have them laminated as cards for every attorney to keep on their desks.

Then came the hype that every firm needed a vision. It was a new name, but quickly became the same old silly exercise. All your skeptical partners exchange winks and knowing glances. The Executive Committee would have to be indulged one more time. And, unfortunately, in 99% of all cases, the results were the same — having a formal written vision statement . . . changed nothing!

• Financial Review

> *"We will review your financial data and convert it into templates that allow us to advise you on how you compare to similar firms."*

Some of us are just old enough to remember that in the early days, firms often recruited their first Law Firm Administrator from either the military or the police force. (I guess managing partners needed someone with that kind of background training and clout to help herd the cats!) Today, the Executive Director or COO is a sophisticated administrator with sophisticated financial training and access to reams of comparative statistics. Do we really think that this professional has not been doing the job?

In the course of developing a strategy, we should not forget that financial numbers are an abstraction, and often give the illusion of precision. They are largely historical and can serve to blind leaders to future changes and they rarely get partners too excited. One firm recently related to me how, as part of their strategic plan, they set a numerical target for their RPL performance over the coming three years and then wondered why their fellow partners weren't all that excited or motivated by the goal.

If you have chosen to retain the assistance of a consultant in helping with your strategic planning, then having that individual conduct a financial review, look at your firm's organizational structure, peruse your partnership agreement, and audit past business development achievements may be legitimate steps — in an "orientation process" that any consultant should just naturally take to get to know your firm. But why would you have your strategy process (that implies looking forward) include a formal step that serves to focus internally and look backward?

The top performing firms understand that the task at hand is to look outward, not inward; to craft a competitive strategy, not conduct an operational review — and this course of action doesn't exactly set the tone for a process that should be concerned with creating new revenue streams.

• Partner Interviews

> *"We will conduct one-hour, in-person interviews with the appropriate mix of partners and associates."*

We trust that everyone can fully understand the critical importance of obtaining "buy-in," especially from our partners, to any strategic planning initiative. I learned many years ago, that no partner willingly supports, gets truly enthusiastic about, or eagerly participates in implementing any plan, that they themselves have not had some part in formulating.

But I am also convinced that there are far more effective (and far less time consuming) ways of getting everyone actively involved, then having a team of consultants running around your firm giving everyone a half-hour to articulate their latest pet peeves.

• SWOT's Analysis

> *"We will develop our strategic plan in the context of market realities and the firm's strengths and weaknesses, and offer suggestions."*

Almost every firm that goes through the conventional strategic planning process uses some form of SWOT Analysis. To the uninitiated, SWOT is an acronym for "strengths, weaknesses, opportunities, and threats." It means that we will all engage in an exercise to have a look at what are the various internal strengths and weaknesses of the firm, and then look to what particular threats and opportunities there are that could be exploited. Sounds sensible enough. And it is, if you are a boutique practice or smaller firm of perhaps 30 attorneys or less. But the process, as it is currently, most often executed, is a complete waste of time for firms of any significant size. In some cases it has probably done more harm than good.

In fact, let me press this point by providing you here, with a rigorous analysis of your firm's current strength and weaknesses.

Strengths:
- Many talented attorneys
- High level of client satisfaction
- Excellent opportunities for cross-selling
- Quality of firm's legal work
- Ability to serve most client needs
- Strong reputation
- Collegial culture

Weaknesses:
- Insufficient team approach to providing services
- Trend toward too much me, not enough we
- Insufficient cross-selling
- High hourly rates for commodity legal work
- Unwillingness to make hard decisions like terminating unprofitable work
- Weak differentiation from competitors
- Unevenness of marketing efforts among partners
- Communication between management and partners

Does any of this sound familiar? So what is the relevance of all this to strategic planning you might ask. Nothing whatsoever. All too often this turns out to be an exercise in identifying the most trite descriptions of firm strengths and weaknesses.

The real question that you need to explore is: are there any attributes, which signify meaningful differentiation, that clients regard as valuable and distinct to our firm?

The proposition that I would proffer is that a SWOT's Analysis (like marketing) is irrelevant at the firm level — other than to perhaps help assess image, geographic aspirations, culture or governance. Any meaningful assessment of strengths and weaknesses is best left to the practice group level where we can instinctively understand that it is going to be far different for each practice group — which leads nicely into my next point and one of the most critical.

• Practice Group Contribution

> *"We will hold meetings with your practice groups to allow members to voice ideas and opinions about the firm's strategic plan."*

If the only contribution the practice groups are expected to make is to voice opinions about your firm's strategic plan or sit quietly by, waiting patiently, for their marching orders from on-high, then we have effectively short-circuited the audience that could make the most meaningful contribution to your firm's strategy.

It has been long debated as to whether the most effective strategic planning is a top-down process or bottom-up process. My observations and experience convinces me that it is both. The top-down process needs to be concerned with the growth and direction issues that result from looking to where the profession is evolving and how we might best allocate critical resources to take advantage of the future.

Instead of advocating a top-down approach, strategy should be set in a dialogue involving all levels. The aim is to help firms from the practice group up, create distinctive strategies to keep them ahead of the competition. Staying ahead is easier said than done. It requires a depth of insight that most firms depend on when they are young but lose when they age.

The bottom-up process is simply a recognition that the greatest opportunities for truly differentiating your firm, gaining competitive advantage and generating new revenue emanates from individual practice groups. If we recognize that a firm is comprised of discrete business units, we see that the way in which you market an employment practice is likely to be very different from how you might market a heath care practice. So too your employment group likely competes with a very different collection of firms than your health care group might compete with. What naturally follows is that the "needs" of employment clients and the emerging opportunities for the practice group to explore requires that the group develop their own strategies interdependent of the firm as a whole.

What we have learned from those firms achieving above-average performance is that they have balanced the need to develop an overall top-down strategic plan for the firm — with having multiple bottom-up plans developed by each practice group — where many of the most important growth opportunities exist.

• Client Assessments

> *"We will conduct in-person interviews with a number of your most significant clients. These interviews make it possible to assess the service levels your clients perceive as well as identify areas in which you excel or need improvement."*

How do you argue with motherhood? Yes, yes, it seems that in spite of the numerous articles written in law practice management journals, over the years, on the extraordinary merits of assessing client satisfaction, there are still those firms that have not made it an operational habit.

But . . . once again, this is an operational issue. Assessing client satisfaction should be an ongoing process and not merely relegated to being part of your (once every three years) strategic planning.

The strategy issue is not client satisfaction! The strategy issue is client (and prospective client) "needs" — and the highest performing firms clearly understand that.

I have long advocated that partners should make it their business to understand what it is that is keeping their clients awake at nights (forgive what is now a cliché). But when you are seeking to craft strategy, you have to go even beyond what is keeping them awake, to truly understand their much deeper needs.

Understanding what clients need is a whole different process. There are five levels of client needs that should be explored: explicit needs, observable needs, tacit needs, latent needs, and emerging needs. Many are satisfied if they can get a handle on their clients' current needs. But, this is not the total answer. You must also think far ahead of the curve. You must lead the pack by anticipating clients' needs before clients even know those needs exist.

Please don't misunderstand. Improving client satisfaction is a critically important issue. It's just should not be the focus for conducting in-person interviews with clients, when seeking to craft strategy.

• Implementation.

> *"The strategic planning process usually takes six to nine months to complete. We would then be pleased to help you implement your strategic plan."*

I understand that it takes nine months to give birth to a baby, but I also believe that everyone instinctively realizes that a lot can happen in nine months. It took less time for an internet service called Facebook to go from a standing start to millions of users, or for residential real estate to lose a large portion of its market value.

It's a brand new, do-more-faster age. Today's global economic dance is no Strauss waltz. It's break dancing at break-neck speed. Your success in this competitive marketplace is directly proportional to the competitive growth strategies and management sophistication that your firm can bring to bear, and how *fast* you can do so.

What is difficult to fathom is why implementation cannot be a natural part of any strategic planning process. Why can't you build ongoing implementation into various steps in the process? Rather than spending time interviewing every partner to build buy-in, why can't you engage the partners in an exercise that allows them to participate in assessing the firm's competitive position, identifying growth issues, and setting to work on some initial actions and perhaps, some small limited-risk experiments? Where is it written that you have to wait for the better pat of a year, until your plan is finalized?

In light of these glaring shortcomings is it any wonder that some of the best performing firms have concluded that strategic planning, as currently practiced, is obsolete?

And . . . if you begin to play that out, it leads inevitably to a very different kind of strategy process than you may have experienced thus far.

Patrick J. McKenna (www.patrickmckenna.com) has worked with the top management of premier law firms internationally to discuss, challenge, and escalate their thinking on how to manage and compete effectively. He is co-author of the business bestseller First Among Equals *and currently co-leads a bi-annual program entitled First 100 Days: The New Managing Partner's Master Class, usually held at the University of Chicago.*