

# PERSPECTIVES ON FIRM STRATEGY



**In my work with firms helping them with strategic issues and strategic planning I am often asked specific questions about strategy. What follows is inspired by those questions and my experience and reflections – all intended to stimulate your own thinking.**

## NURTURE YOUR MAVERICKS

I was struck by an observation in a new book concerning how firms achieve innovation. The author explained: *“Management textbooks might suggest that innovations will flow elegantly from lengthy strategy documents and lateral thinking. The reality is that the overwhelming number of innovations evolve from the efforts of mavericks within law firms who pursue ideas that are initially regarded as peripheral, irrelevant, and even wasteful.”*

I not only *strongly* agree, but I’m reminded of a number of partner retreats wherein I had the opportunity of posing this question: *“How many of you have thought of some new idea, potential new practice or initiative, that has the potential to generate new revenues for the firm?”* The usual answer is

somewhere in the range of 69 to 83 percent to the affirmative. So, what happens to these ideas?

Aside from the usual critical responses that one would expect to elicit, the reality is that most firms do not have any formal system to nurture new ideas. If mavericks are the research and development departments of the twenty-first century law firm – then we need to find the way to commercialize their new ideas. Unfortunately there are only a handful of firms that have actually initiated an internal Venture Fund, available for lawyers to put forth their ideas and have them encouraged and financed.

Now that might have seemed frivolous during the boom times, but I think that it is just what a lot of firms need today to encourage enthusiasm, entrepreneurial spirit and innovation amidst the current obsession with AFAs, project management and process improvements!

## THE SECRET SAUCE: BEING DISTINCT IS BETTER

Strategic wisdom has it that you need to identify what you can do really well if you’re going to best the competition. This is important advice, but it’s not sufficient. Often your core competency is the same one your competitor has. One misstep that firm leaders often make is competing with rivals

by doing the very same things. You get into trouble when you attempt to compete head-on with other competitors. No one wins in that kind of protracted struggle.

You need to develop a clear strategy around developing a differentiated position in your marketplace. So unless your competency is seen as markedly better in your clients’ eyes, you have no meaningful differentiation, zip advantage, nada uniqueness.

The key to marketplace uniqueness is having some distinct capability or attribute that makes you clearly superior to competitors. Consider . . .

### ■ You need to FOCUS.

In today’s market you need to be disciplined and incredibly focused. Resources are limited and clients are discriminating. Be vigilant about what new trends are emerging, how the marketplace is evolving and how you’ll stay ahead of it. It’s not about building size. It’s about dominating selective practice niches. Dominate or leave. There’s no such thing as a ‘fast follower’.

### ■ You need to INNOVATE.

Embrace profound innovation. Push yourself to discover what you can do to mobilize your partners and inspire your clients. Ask: Is it ex-

traordinary? Does it matter to clients? Does it provide enhanced value?

#### ■ You need to **STREAMLINE**.

Restructure your processes – be lean and simplified. Figure out how long it takes your firm to: make a decision, launch a new legal service, get a client's deal completed, or get an account out the door. Now chop each number in half and force yourself to do it faster.

#### ■ You need to **LEAD**.

Move from responding to leading; from being responsive to being proactive. Smart firms aren't just responding to new trends and developments. They are leading them. Lead your clients to an entirely new market space. If your clients

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are asking for it, it's not uncharted territory anymore. You're already too late.

Every day, in every meeting, with every decision, leaders must ask themselves, “Is this merely a good operational practice or is this something that's improving on my strategic distinction?” You must keep asking, “How can we deliver a unique value to meet an important set of needs for an important set of our clients?”

Your distinct competency is the secret sauce, the get-out-of-jail-free card, the force-field that yields more and better business. It may be difficult to achieve, but I can think of no other objective more worthy.

### **ELIMINATE BARRIERS TO SWITCHING**

When you are trying to get prospects to change from

their existing law firm to yours, you need to consider a concept called “barriers to switching.” Eliminating the barriers is generally key in getting people to move their legal work to your firm. So for each new prospect, ask yourself: What keeps this person or company from becoming our client tomorrow?

Quite simply, you need to identify some motivating rationale for why this particular prospect should *even try* your services. And no, I'm sorry, assertions that you can “do it better, faster and cheaper” are rarely perceived as believable. They are possibly even insulting of the prospect's ability to choose a provider — so don't go there!

You are refreshingly strategic if you've targeted a particular client niche that other competitive firms have not. If you have a service offering that is unique in some way (“We have a specialized team that serves the needs of women entrepreneurs in this region”), then you have a much better chance of getting your target prospects to consider giving you a try.

If you're not differentiated . . . then perhaps this prospect is worried about how costly it will be for you to get up-to-speed on their matters. Devote some specific non-billable time up-front to learn about their business or situation, and inform them that you are prepared to make that investment.

Perhaps this prospect doesn't perceive you offering any real added-value. Think through (or ask) what would constitute value for this kind of client. Perhaps it's inviting them to an educational program, offering them preventative counsel, or helping them meet with influential contacts.

To dominate in your chosen market, you have to identify the most complete list of barriers and work diligently to eliminate them.

### **WHAT IS YOUR SKILLS-BUILDING STRATEGY?**

In today's world, you have to continually assess your skills and adapt them to match up to your target markets. Arm yourself with the following

information to keep pace:

**Skills are more specialized.** Rapid knowledge growth means it is increasingly difficult for lawyers to keep on top of everything they need to know. You need to specialize; knowledge niches are the reality for most professional careers.

**Skills are degradable.** The half-life of knowledge is decreasing at a furious rate. Firms are painfully discovering that many of their legal skill offerings are becoming commoditized at an ever-increasing rate.

**Skills can be transferred.** The boomer retirement issue is real. Smart firms are spending serious money to ensure that the important knowledge of senior practitioners is being captured, retained and archived.

**Skills are increasingly portable.** That's the thing we've learned with globalization. With clients sensing that certain skills are readily available, they've learned about outsourcing their legal requirements. It doesn't really matter to them where the skills are, as long as they can procure them when needed. Not exactly good news for you.

**Skills are renewable.** Fortunately, the expiry date on your skills can be extended. If you can develop a mind-set toward constant improvement and invest some portion of your non-billable time in developing new skills, you can adapt and evolve.

So, here is your personal and career building ACID-TEST: What is it that you know today, at the end of 2014 that you didn't know one year ago? Or, put slightly differently, what is it that you can actually do for your clients today, that you couldn't do at this time last year? If your answer is not much, then bless you, but you may quickly be on your way . . . to becoming obsolete!

### **DETERMINE REAL NEEDS**

Your prospects may know what they *want*, but they don't always know what they *need*. And, your job description is to identify need.

The more profound a need you identify, moving

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away from merely the “want,” the more valuable you are and the more you can charge, because your prospect’s return on their investment is so dramatically higher. Unfortunately, too many attorneys never even try to discern a prospect’s need.

The way to discern your prospect’s true need is to ask very different questions. A trivial example: if you’re an employment lawyer and your prospect says, “We want better employment contracts,” don’t rush to show them some PowerPoint that demonstrates your system for developing contracts. Instead, ask, “Why do you think you need better contracts?” You prospect may very well reply that they have to respond to competitors stealing their most talented people. There may be a much larger and more efficacious project here, aimed not at the “want” of some written contract, but rather at the “need” to enhance morale, reduce attrition or improve competitiveness.

This requires confidence to believe that you have value to offer and the diagnostic skills to determine what the actual needs are. Too often we act

as order takers, submissive beggars, hat-in-hand, hoping we’ll be selected. Instead position yourself as the objective expert and someone who can provoke ideas and novel perspectives.

If you’re not adept at helping prospects determine the real needs behind their wants, you’ll never be successful in securing larger matters, higher fees, and enduring relationships. Satisfying a “want” is non-differentiated; satisfying a “need” is a rain-making triumph!

### QUANTIFY AND COMMUNICATE REAL VALUE

Clients need and want you to identify what adds value (to them), deliver that value, and demonstrate that you have done so. Your mission is to communicate to your client what has been accomplished or achieved as a direct result of their retaining you, and how the outcome more than offsets the cost of the services.

Wherever possible, *quantify your outcome* in a meaningful framework such as potential revenue generated; better terms obtained; value of brand image or intellectual property protected; investigations, fines or litigation avoided; quicker speed in closing transactions; time or money saved; importance toward helping the company achieve it’s corporate goals; etc.

Here are a couple of examples:

- Filing for both permits now, before deciding on the project specifications enables you to be operational months sooner. An early opening could generate about \$500,000 in additional revenue and certainly justify the cost of the two applications.
- This settlement will save you up to \$1 million in protracted litigation expenses and preserve your company’s character by keeping you out of the press.
- We have reorganized the transaction to ensure that the royalty rights remain in your hands. This change should yield up to \$ 75,000 in licensing fees, annually.
- Selling these assets will reduce your onerous

debt. While seemingly drastic, the improvement in cash flow should protect you from having to declare bankruptcy.

At the end of every matter and to truly satisfy clients, your job involves identifying a specific value outcome for each legal service you deliver.

### INTERNAL EFFECTIVENESS IS NOT STRATEGY

There is a fundamental distinction between developing strategy and focusing on internal effectiveness. In a recent survey I discovered that among those law firms that have a formal strategic plan, 79% of those plans are predominantly internal focused.

Typically, “the strategy” seems to be either fixing problems or emulating best practices. We are trained to resolve the issue, put out the fire, correct the underperformance and generally fix the problem – all time spent in looking backwards rather than focusing on the future, exploiting opportunities and building on strengths. Meanwhile the more benchmarking that you do and the more you seek to copy some other firm, the more indistinguishable you are from your competitors. Admirable, but not a winning strategy.

**Shatter the mold.** Your firm can outperform rivals only if you can establish a difference that clients actually value. Strategy is about making choices: Sorry, but you can’t be all things to all people. It is about deliberately choosing to be different. So if you have a really great strategy, people are fired up: “We’re not just another law firm. We’re claiming a territory in which we can be unique and contribute something important to the profession.”

If all you are trying to do is essentially the same thing as competitive firms, then it is unlikely that you will be very successful. Malcolm McLaren, manager of the notorious rock group the Sex Pistols, once said, “There are two ways to lead your life: karaoke (copying) or authenticity.” Copy or break the mold. That’s the choice we face every day.