

BRINGING YOUR STRATEGY PROCESS BACK TO LIFE

Let's look at what is now happening in advanced education and specifically with the long revered MBA degree as an example of what is happening within our own profession.

Given the need in today's competitive environment to examine carefully our directions for the future, I submit that the state of most law firm's formal strategic planning tends to be too structured (read: boiler plated). It is too unimaginative, too backward looking, too conformist (to precedent and what has gone before), too data and numbers oriented (a budget is not a strategy), too analytical, and far too similar (to plans developed by competitive firms).

In fact, in a recent discussion with the management committee members of a firm that had just completed a rather lengthy strategic planning process, I asserted, *"Let me see if I can guess the six primary elements that comprise your strategic plan. I'll bet your plan includes the following":*

- we will engage in more lateral hiring of good candidates with portable books;
- we will enhance the level of value and service we provide our clients;
- we will find more ways to improve the efficiency of the services we deliver;
- we will become more proficient in making our AFA arrangements profitable;
- we will organize our efforts to get more work from our key clients; and
- we will have our practice groups work at implementing the firm's strategies."

The committee members all laughed and asked which individual leaked a copy of their plan for me to review. In the final analysis far too many strategic plans appear to result only in massive paper, solemnly clad in three ring binders, gathering dust - their specific prognostications long forgotten. They have been of little help to firms in developing

truly innovative and differentiated strategies, or achieving above-average Revenue Per Lawyer results.

I often joke with managing partners when we talk about strategy and ask them if they suffer the affliction of seeing 'S.P.O.T.S.' – Strategic Plan On The Shelf.

With a declining demand for legal services, you must be able to challenge conventional thinking in order to grow. Conventional thinking only leads to mediocrity, being stuck in the middle of the pack. To grow you have to be willing to break the rules. You can't grow by following in the footsteps of competitors. You have to break away from the pack. Unfortunately, some firms tend to drift along with everyone else, reacting to changes in the tide, hoping that maybe things will start coming their way. From these firms, I continue to hear that *"strategy is the easy part, it's the implementation that is hard."*

Implementation is indeed challenging, but the notion that strategy is easy rests on the mistaken assumption that conventional strategic planning has anything to do with strategy-making. Of course strategy appears easy when the conventional planning process narrowly limits the scope of discovery, the breadth of involvement, and the amount of intellectual effort expended, and when the goal is something far short of growth, differentiation, and revenue generation. Little wonder, that in many firms, the

whole notion of strategic planning has been so devalued. How often has it produced any real strategic innovation?

What is your measure of success in the development of strategy — a lengthy written document that finds its eventual resting-place on the shelf of your bookcase or, a process that leads to competitive differentiation and wealth creation?

What I've learned is that the best perform-

egy process is based on some fundamentally different ingredients.

INGREDIENT #1

Get to the future first.

Forget focusing time and attention on having your partners develop some elusive firm mission or exotic vision statement. Your partner's time would be far better spent in doing some deep thinking about the trends that are currently shaping the profession. Have we even

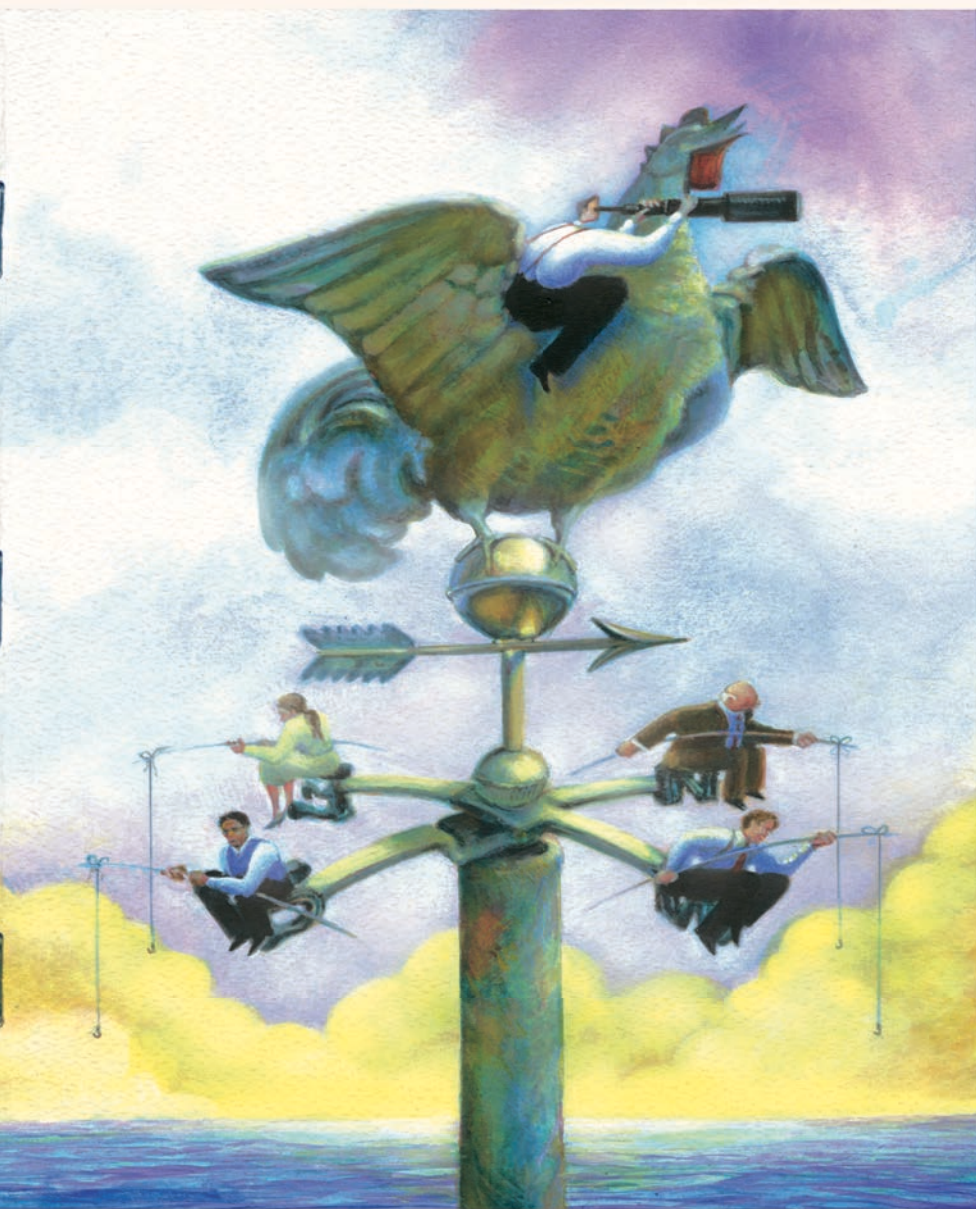
years assuming a prolonged decline in demand for legal services; assuming the continuing emergence of legaltech companies attacking every segment of the market; or assuming how the advent of artificial intelligence and big data are going to impact your practice. Now, what would be required of us as a firm to get to the future first?

Consider: What has been the most profound change in the profession over the last three years? (How long did it take your firm to figure it out and adapt accordingly?)

Now, taking that forward, if we knew today what we will know at the dawn of 2020, (only a few foreseeable years into the future) how would we change our attitudes, actions and the way in which we practiced law — the services we offered, the clients we targeted, and the ways in which we chose to deliver our services?

The greatest handicap with the conventional planning process is that it works from today forward and implicitly assumes, whatever the assertions to the contrary, that the future will be more or less like the present. The leading minds know that the future will not be an echo of the present.

Getting to the future first requires that you be deliberately farsighted. Make no mistake, I'm not talking about navel gazing or trying to predict the future. Rather, what I have learned is that crafting effective strategy is really more a question of identifying the portent of changes which are already occurring — either in other markets, or in other professions, or in other industries. Some of the best rule-breaking ideas are out there already, in someone else's profession or industry. Look at what they have done and see how it might be applied to your own situation. Seeing the future has nothing to do with speculating about what might happen. Rather, you must understand the potential of



ers are taking an entirely divergent tact. The recipe they are utilizing to approach the strat-

thought about how the future of our profession may unfold over the foreseeable next few

what is already happening. My fundamental belief is that if we want to see the future, 80 percent of what you are going to have to learn will be from outside our profession, or at least at the margins.

How many of you, as you are reading this, understand the potential influence of Blockchain or Genomics, or IoT and how any one of these will profoundly affect many of your largest client companies?

Work from the future back. Make your aim-point the future you want to create not the future you're forced to accept. Then work backwards to the present to build the glide path to get there.

INGREDIENT #2

Identify innovation as your top strategic initiatives for 2016.

The elected boards and management committees of most law firms just naturally focus their attention on that which is presented to them. What is presented to them is most often internal problems – partner performance that falls below standard, laterals that are not achieving according to promised expectation, and perhaps clients that are not being fully serviced. Firm leaders are usually given written reports on many of these issues. They will often receive a computer printout giving quantitative evidence of the performance shortfall. Then at meetings of the management committee everyone sets to work on reviewing and suggesting remedial action steps to address the problems. While these problems may consume the agenda time of firm boards and management committee meetings, they should not be on the agenda of any session concerned with crafting strategy. Your strategy sessions should only be concerned with looking externally, looking to the future, and looking for growth opportunities. To do anything less allows growth

opportunities to slowly die from neglect.

It is not sufficient for you to simply say, “*Okay, I think it is time that we developed a (new) strategic plan for our firm.*” Your firm must be made receptive to the concept of strategy, innovation, and made comfortable with perceiving change as an opportunity, rather than a threat.

“*But, how can we overcome the resistance of certain of our partners to the idea of innovation?*” is a question that is commonly asked. Even if I knew the correct answer for your unique culture, it would still be the wrong question. The better question to be considered is, “*How can we make our firm more receptive such that individual partners embrace innovation and are prepared to devote some of their precious non-billable time to working for it?*”

When strategic innovation is perceived by partners as the flavor of the month, the very concept goes against the grain and there will be no innovation. Innovation must be part and parcel of the ordinary, the norm, the routine. The concept must be communicated in such a way as to be made attractive and beneficial to partners.

Leading performers will use every opportunity to create a “sense of urgency” from which to direct their partner’s attentions to taking advantage of change. The management of these firms are telling their partners, “*we see some potential trends on the horizon that may either present an opportunity for us, or if left unattended could have an adverse effect on our collective, personal fortunes. Here is what we are seeing . . . What do you think we should do and what actions might we initiate that could have the potential to transform these changes in our favor?*”

Still some partners may say, “*Why should we do anything? Things are going sufficiently well*

without our messing around.” High performers recognize this as the opening for them to educate their partners as to what those competitors who are a little more alert might do, if we wait and miss the opportunity window. These firms work to create a clear understanding throughout the firm that innovation is the best means to preserve and perpetuate the firm’s wealth and individual partner’s continued personal success.

Turn innovation into Job One — identify and articulate, with a sense of urgency, all of the various reasons why your professionals need to come up with new ways to:

- go outside the confines of their current practices into new areas;
- offer clients entirely new services that provide unexpected value;
- apply new technologies in ways to deliver services that clients have not yet asked for;
- target new market segments and dominate niches; and
- develop new-to-the-firm ideas and new-to-the-profession innovations.

My fundamental question to any managing partner is, “*How much of your last strategic planning effort was spent in actually creating new-to-the-firm and new-to-the-profession competitive strategy options?*”

One managing partner expressed it this way: “*I used to spend most of my time worrying about the how — how we did things, how we operated, how efficient we were (the internal). Now I’ve learned to spend more of my time worrying about the what — what opportunities to pursue, what alliances to form, what technologies to back, what experiments to start (the external).*”

INGREDIENT #3

Ascertain the “Needs” of both clients and prospects.

When we are looking to the future, many tend ONLY to think in terms of improving what we currently do. As lawyers, we tend to look at our current ways of doing things and how we can improve our methodologies, rather than taking a step back and thinking about what it is that our clients may actually want. If we are concerned for our future profitability we have to increasingly think about what is it that we do as lawyers that adds value or better manages the risks that our clients face.

That sounds like a line from a screed on *"getting close to your clients,"* doesn't it? The sermon on knowing thy client is a good and worthy one. And it has been delivered so loudly and so often for the past several decades that many firms have taken it to heart. Those firms — who are the stellar performers — know quite a bit about their clients. But I'm talking about something else that they do.

Creating new wealth requires more than simply responding to market demand. I'm talking about crafting a competitive strategy based on being innovative in recognizing client needs, preferably even before the client may know that they have the need.

When we say we need to be client-focused, what we are trying to do is to better understand the articulated needs of existing clients. Your future-oriented challenge is to understand the unarticulated needs (the *"what could be"*), especially of new kinds of clients. Seeing the future first is very seldom about responding to articulated needs. It's about understanding deep-down frustrations and anxieties that people have, and creating new alternatives for them. I call this finding the "opportunity space" in which you have no competitors! Or as one firm leader recently confided, *"with our strategy we are shifting from dramatic expansion to pockets of greatness."*

Thus, the question is not, *"how might we better serve our clients?"* That is an example of working from what is. To work from what could be, the central question becomes, *"What service might we provide that clients are not yet asking for?"* Your challenge is to encourage your people to continually ask: Whom do we serve? How do we do it? What emerging service offering that clients haven't even thought to ask for yet, can we surprise and delight them with?

Some partners may think that this is the proper role of your marketing department. Unfortunately, the marketing function is about the worst possible conduit for bringing insight into this process, because marketing, particularly through the use of market research, tends to be a prisoner of existing concepts. The only solution here is to put your partners right up against current and prospective clients, to live with them, breathe their air, understand their frustrations. Only then, might you have the chance of developing deeper insights. You have to take off the blinders, as it were.

The problem with most of us in the profession is that we are all, too often, blind. The deepest reason for this is our inability to look outside of current experiences. If we think about it, most firms converge around how they perceive what business they're in and what clients they want to serve. Think about the effects of everyone going to the same legal seminars and conferences, hearing from the same pundits, reading the same gossip blogs, and trading lateral partners back and forth. As a result, is it any wonder that firms obsess and spend their time focused on what every other firm is doing, watching to see what Skadden Arps or Lathams is up to — rather than sharpening their own views of the world? Dealing with this blindness involves looking deeply within the client to find hidden knowledge.

INGREDIENT #4

Obsess about your state of differentiation.

Let's think for a minute. How different is what you are doing right now, the strategies that you are employing now, from the four or five key competitors in your marketplace?

If your answer is *"not much,"* then how are you ever expecting to surpass their performance? We all know instinctively that doing the same thing and expecting different results is futile. But that is pretty much the result that conventional strategic planning has provided.

Have you ever noticed how firms of all sizes continue to proffer themselves as a "leading full service law firm." If you take a moment and Google that term you will get no fewer than 295,000 results. Does any firm really think that using this phrase has any strategic meaning?

In my strategy sessions with groups of partners I have often posed a simple question to the entire group — a question I believe is reflective of the primary concern that occupies most prospective clients' minds, what I have come to think of as the "defining" question. It goes like this: *"Tell me please — as a prospective client, why should I choose you (your practice group / your firm); what makes you distinctive and what added-value can you bring to my business matters . . . that I cannot get anywhere else?"* (Please, do notice those last six words).

Simply continuing to improve utilization (working a bit harder) or thinking that you can ratchet-up your hourly rates every year, may have been most law firms' primary strategy in the past. But I submit that it is long past being a hopeful recipe for success. And here's a provocative **shocker** — simply focusing efforts on operating efficiencies (like learning how to project manage . . . 'commodity' legal work),

offering fee discounts, and improving your ability to deliver alternative fee arrangements will not do it for you either. That has now become expected behavior – table stakes for getting to play, if you will. The root of all successful strategy, going forward, lies in being differentiated. Your firm, your individual practice groups must all work at making themselves “meaningfully” distinctive and intrinsically more valuable to their preferred clients.

A firm simply cannot be all things to all people and do a very good job of it. Strategy requires choices. But it's not good enough just to be different. You've got to be different in ways that involves a trade-off with other ways of being different. In other words, if you want to serve a particular target group with a particular definition of value, this must be inconsistent with delivering other types of value to other clients. Firms that end up competing for the same set of clients using the same set of inducements will find that it is a loser's game.

The trouble is that firms hate making choices, because doing so always looks dangerous and limiting. They always want the best of all worlds. It is psychologically risky to narrow your range of services, to narrow the range of prospects you are targeting. And this unwillingness to make choices is one of the biggest obstacles to creating an effective strategy.

INGREDIENT #5

Articulate “stretch” targets.

“Make no small goals,” the old saw goes, “for they lack the power to stir our souls.”

Subscribe to radical goals. Imagine what might occur if you were to declare to your partners that you **wanted to achieve a 30% growth in firm revenue coming from services you were not doing just two years ago**, and then ask them to come forward with ideas as

to how each of the practice groups could contribute to making that happen.

Sound ridiculous? After all, didn't somebody recently author a book entitled, *Growth Is Dead: Law Firms On The Brink?*

Well, here's some outrageous news from the accounting profession – you might remember those folks who are slowly working their way back in to competing intensely with law firms across numerous countries. From Peter Williams at Deloitte, *“we have the target that 30% of revenue comes from stuff that we weren't doing two years before, and that is a hefty target. But right now (September 2014) we are running somewhere between 24 and 28%. That is a real innovation machine!”*

For my part, I had an interesting experience in one firm where the managing partner decided that he wanted to survey every member of the elected executive committee prior to an important meeting. Using a questionnaire, he asked each of them as to their views of what might constitute a reasonable expectation for the firm's future growth prospects. In the questionnaire that he distributed, he told these partners that *“our profits-per-partner have increased during the past three years at an average rate of around 3.5% per year. What do you think would be an acceptable annual rate of growth in profitability over the next two years?”*

Now what he did not disclose was that 3.5% was not the real number, nor did he inform them the degree to which it was less what the firm had been averaging. Quite predictably, based on the information this managing partner provided, nearly all of his partners responded that it would be reasonable to achieve a level of 3.5% growth over the next two years.

The lesson here is very clear. No organization

ever outperforms its aspirations. Our beliefs set the upper limit on what is possible.

INGREDIENT #6

Make your practice groups the key building blocks for the firm's future direction.

One of the most disastrous developments happens when firm leaders or a select committee of power partners takes it upon themselves to develop the firm's plan and then make their pitch to ‘sell’ the plan to the rest of the partnership.

That lesson became evident to me again, when observing the strategic planning process unfolding at a prominent Washington DC firm. This particular firm decided that they desperately needed to develop a new direction and as a result, the firm leader, COO and a retired McKinsey & Company partner decided to develop the firm's new strategic plan. The plan was completed and the general partnership meeting was convened. That all transpired over two years ago, and to this date the firm still does not have an agreed-upon strategic plan.

There are a number of inherent problems with developing a strategy from a top-down perspective.

First, it assumes that all wisdom reposes within the firm leadership. Now that is not meant to be a disparaging comment. Centering the process around the thinking of the firm's elected executive may certainly involve some of your best and brightest, but unfortunately it serves to harness only a portion of the firm's creative potential. Look at any emerging development, being undertaken by any law firm, anywhere, and ask yourself this question: Did that initiative develop at the executive committee? Or, did some mono-maniac, in some practice group, perceive an unmet client need, and then

make it his or her personal mission to initiate an innovative course of action? I can report, hand-on-heart, that in most every case, my observation is the later.

I find that in the best performing firms, management is looking to the practice groups to make a meaningful contribution from their particular vantage point. They are especially looking to practice groups that are doing things better and doing things differently. They single them out, celebrate their achievements, and consistently ask, *"What are you doing or not doing, that the rest of us could learn from?"*

They are also asking individual professionals for their personal ideas on how things could be done better and differently. They tell these professionals, *"I want to hear from you as to what your personal career aspirations are. I want to hear where you see the greatest opportunities for our group and for the firm. And, I want your ideas on what you would like to see us try that is new, that would develop new service offerings, and provide new ways of reaching clients."*

I can honestly report that there is nothing more exciting than to observe lawyers enthusiastically devoting their limited and precious non-billable time into developing new and potentially lucrative practice niches like: mobile wallet & crypto-currency; genetically altered agricultural produce; additive manufacturing & 3D printing; services-on-demand work; personalized DNA-based medicine; biometric recognition; shale play resturcturings; and a myriad of other exciting new legal niches. I can assure you that 'Growth Is Dead' ONLY for those with no imagination or ambition!

Secondly, if one of your goals is to differentiate your firm in a meaningful way that attracts clients — and it should be, you will find it difficult to project a differentiated position for

the entire firm, unless you are a boutique practice. Most clients will talk about the dominant strengths of a particular practice group, but rarely about the entire firm, no matter how much we invest in these silly-ass "branding" programs. Therefore, any attempt to develop strategy without looking to the practice group as the primary building block is likely to very seriously miss the mark.

INGREDIENT #7

Develop strategy in action.

When it comes to executing a strategy, the end target may be clearly visible — *"I want to climb that mountain over there"* — but much of the route may be invisible from the starting point. The only way you're going to see the path ahead is to start moving. Thus while your strategy starts with foresight, it evolves through experimentation.

The most successful strategies start as small, inexpensive, limited-risk field trials. It is often far more effective than protracted analysis or market research, and always more reliable. Your market will tell you when you get it right. Craft strategy as you go along, mixing thought and implementation into the process. True partner commitment can only be expressed in actions.

In many law firms, the quest to follow precedent and achieve perfection drives out experimentation. One question I often ask firm leaders: *"Can you point to a few small experiments going on right now that you believe could fundamentally remake your firm?"* In most cases, the answer is no, there is nothing to point to.

The more experimentation, the faster a firm can understand precisely which strategies are likely to work. The goal is not to develop "perfect" strategies, but to develop strategies that take us in the right direction, and then progressively refine them through rapid experimentation and adjustment.

"THE TIME TO ACT IS LONG BEFORE YOUR HORSE STUMBLES"

For much of this decade, many firms have been busy following conventional practices. They have been wringing every penny they can out of annual billable-hour rate increases and de-equitizing underproductive partners to increase their profitability. What first began in the gut of firm leaders as a legitimate means to improve their firm's profitability, then became an obsession and most firm's primary strategy, ultimately now resulting in firms "hitting the wall" in terms of how many more, across-the-board rate increases and equity cuts they can achieve. So what does that leave you with as a viable means for increasing your firm's growth and profitability into the future?

Strategy innovation is about rethinking the basis of competition. Strategy innovation does not depend on past success or established ways of practicing, deep pockets, or having certain types of practice. A strategy steeped in innovation should make every decision a consequence of imagination, not precedent.

I once heard an entertaining speaker describe the situation in this way: *"Dakota tribal wisdom says that when you discover you're on a dead horse, the best strategy is to dismount. Of course, there are other strategies. You can change riders (hire a lateral). You can get a committee to study the dead horse. You can benchmark (copy) how other firms ride dead horses. You can declare that it's cheaper to feed a dead horse. You can harness several dead horses together and project manage their movement. But after you've tried all these things, you're still going to have to dismount. The temptation to stay on a dead horse can be overwhelming, but, the time to begin searching for new strategies is long before your horse stumbles."*