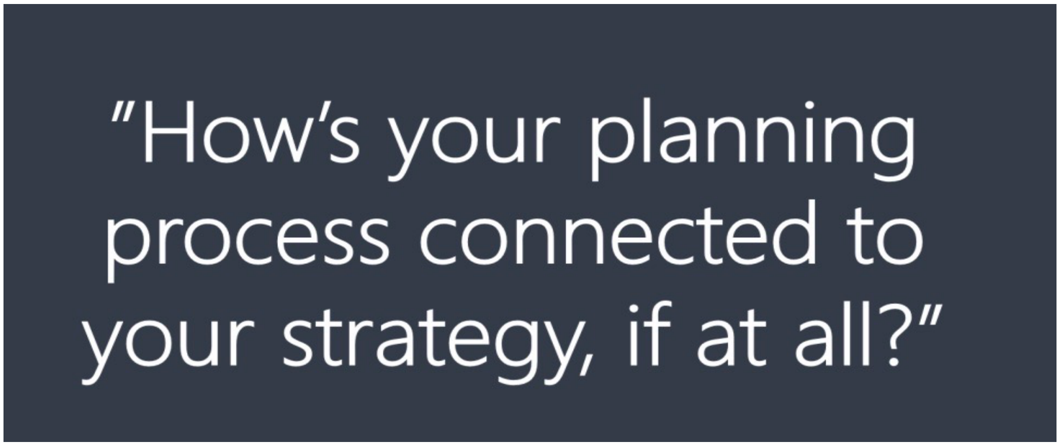
9 Reasons Why Law Firm Strategic Plans Are So Pathetic



Back in 2017, together with a colleague David Parnell, we interviewed and surveyed 68 AmLaw firm leaders on their firm's approach to strategic planning and their responses to 18 specific questions in preparation for a conference presentation we were delivering. The overall results were startling in that less than 10% of these leaders were able to confidentially admit that they might have implemented "*ALMOST all of their last strategic plan*." We regrettably had to inform a room full of attendees at a New York Summit on Law Firm Strategic Planning that our research indicated that far too many firm leaders suffer an infliction that goes by the technical term of ***seeing SPOTS***. SPOTS being an acronym for Strategic Plan On the Shelf!

Four years have elapsed and unfortunately nothing much seems to have changed.

I continue to see consultants parading processes to produce strategic plans that evidence a fetish for creating visions, missions, goals, key performance indicators and all forms of supposed best practices, all deployed as a substitute for the much tougher intellectual task of discerning market insights. As one observer astutely commented, "*If you couch strategy in terms of fluffy positives like vision, mission and values – no one's feelings are hurt, no one has to undertake the onerous work of analyzing the firm's difficult challenges, and no hard decisions have to be made*."

Meanwhile, firm leaders I've had the opportunity of speaking with tell me that as they come out of this pandemic they are interested in reviewing their firm's strategic direction. Then as they begin to explain how they might go about tackling this task, usually over a weekend meeting of their executive committee at some glamourous resort, I have to inform them that they are only going to be wasting their time, their money – and likely only result in pissing off their partners.

As was confirmed by much of the survey data we compiled, if you have any interest in "real" strategic planning, I tell leaders that there are a number of fatal traps you need to ensure you don't fall victim to. Here are nine, and not intended to be comprehensive, but in order of priority:

Fatal Trap #1: Strategic planning that is too focused on fixing internal problems

There is a fundamental distinction between being reactive versus proactive; focusing on the internal versus the external; and fixating on the operational rather than the strategic.

In our study, we found that among those firms that had a formal strategic plan, 79% of those plans, by their admission, were predominantly internal focused. These are more "operational plans." There may well be a time when they are required, but don't have everyone operating under the misapprehension that this is in any way strategic.

In far too many firms, "the strategy" seems to be either fixing problems or trying to emulate some other firm's best practices. As lawyers, 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 you seek to copy some other firms, the more indistinguishable you inevitably become from your competitors. Not a winning strategy.

Fatal Trap #2: Strategic planning that has a few wise elders going up the mountain to receive the word . . . and then having them invest enormous time trying to sell it to their fellow partners

Forgive me repeating something I talked about in one of my earlier articles. I have had a very blessed career and early on, after stumbling into consulting to law firms, I had a very senior, statesman-like individual, the founder of a major firm, take an interest in me and say to me one day, "*McKenna there is only one thing you need know about working with lawyers*." As I endeavor to always be open to learning, I quickly asked for his guidance. He said, "*Burn this into your brain!*" And over the years, whenever I have had the opportunity, I have invited my colleagues and clients to do the same: Burn this into your brain. He said, "*No lawyer, anywhere, EVER . . . gets excited, enthusiastic, willing supports or gets behind . . . any idea, initiative, change**, plan** or program . . . that they themselves have not had a PART in formulating! Your job is not to be the smartest in the room. Your job is to be the Coach, the Catalyst, the Facilitator; to help them get from where they are to where they want or need to be*."

To work, your firm's strategy must find the means of involving the partnership at various points such that each partner feels that they have had some input into the final direction - that they can see their fingerprint somewhere in your firm's final strategy. If you want your partners to get on board with your firm's aspirations, you're going to need to involve them in the process and enroll them in helping determine, what inevitably should be, ***their future***. The necessary outcome of any strategic planning effort is not analytical insight but *resolve*. What is it, that all of us as partners, are really willing to do?

Now I've been told by a couple of firm leaders when I've raised this requirement, that they attempted to involve their partners once, only to find that the partners were not really all that interested in investing any of their non-billable time. If that is the case in your firm, then from my years of experience I would respectfully suggest that it is indicative of one of two realities.

Either your strategic planning process is far too convoluted and involves too much wasted time – OR – your partners have no interest in having input into where *their firm* is going, simply because they do not see the firm as anything other than a hotel of convenience for a group of autonomous individuals to each do their own thing. So respectfully, don't bother pretending that yours is a real firm and that you even need to engage in strategic planning!

Fatal Trap #3: Strategic planning that does not involve analyzing any new trends

What are high-performing firms doing to examine how they might go about setting their strategic direction? They are exploring how they might need to adapt to new developments that foretell changes in their fundamental business models, while also figuring out how to navigate their way through a coming period of disruptive, post-pandemic uncertainty.

Put slightly differently, the executive committees of these firms are beginning to discuss and explore what new trends and issues (signals) will potentially impact their firm going forward and what actions they need to take NOW! Imagine: "*What will the nature of the clients we seek to serve, and our legal profession look like, in the year 2025 and if we had a sense of the answer, what should we be starting to do now to get to the future first*?"

In my last book, *Strategy Innovation: Getting to The Future FIRST*, I argue that strategic planning is not some process for transitioning you forward from the present to the future, but rather, from what you believe to be how your future is likely to unfold, transitioning you backwards into the present. For example, are you currently monitoring any of these external developments, how they may unfold and how they may affect your practice – your clients. their business and their legal needs going forward:

- *Virtual and augmented reality technology is set to transform remote delivery of everything from engineering support to healthcare*
- *After years of experimentation and research, drone delivery services have finally received regulatory approval and are preparing for launch*
- *Recruitment is set to get high tech with job interviews and application screening to be done increasingly by AI-powered robots*
- *An average 4.5 billion words are written daily now using GPT-3, a powerful language-prediction model capable of comprising coherent text as good as written by humans*
- *New construction technology uses recycled plastic to create durable and effective building materials*
- *Microscopic robots that can be injected into the body to deliver targeted therapies are becoming a reality*
- *Smart glass technology will soon allow windows in buildings to change color and become solar-producing surfaces on hot days*
- *Blockchain, Bitcoin, and DeFi are in the beginning stages of a deep structural transformation in society*
- *Gone are the days where an attorney would scan a continuous stream of documents determining if they were relevant or not. Now AI-powered software can scan millions of documents in the blink of an eye and determine which are the relevant ones.*

A good strategic plan should challenge you. It should push you to step out of your comfort zone. It should incentivize partners to stretch themselves and to change some of their rhythms and routines. If a strategic plan doesn't coax any kind of change, then what good is it?

London Business School Professor Gary Hamel puts it well when he observes that
"You can't outrun the future if you don't see it coming."

Fatal Trap #4: Strategic planning that is obsessed with cost-efficiency

Every firm is dealing with clients striving to get more for less. In planning your strategic direction, you can easily get stuck in an efficiency mindset and become totally reactive.

Thinking about efficiencies is easier than developing effectiveness. You simply focus on the way you do things now, like the kinds of matters and engagements you are already doing for clients – and make doing them a little bit better. It is relatively safe, measurable, and satisfying. Alternatively, effectiveness requires that we transition from an operational (internal) lens (are we doing things the right way, a managerial imperative) to the strategic (external) lens and requires that we consider the leadership imperative – are we even doing the right things in the first place?

This can be a stressful question to answer. It may mean questioning the kinds of work that we are accepting and doing for clients. It may mean questioning why we are discounting our fees, only to fill our shops with more low-margin (commodity) work. Many of your partners don't want to deal with this issue. In a difficult environment where they are being called upon to improve their revenues, they simply want to put their heads down, keep moving (not necessarily forward) and continue with what they're already doing. For these partners, thinking about effectiveness is too long term.

However, real competitive advantage is built on effectiveness, not efficiency. Consider – have you invested so much time being efficient at doing commodity legal work that you've missed the opportunity to invest some of that time in building your skillset to find and do the higher-value work. There is an intrinsic bias within many firms in favor of cutting costs and finding ways to improve efficiencies at the expense of actively exploring, investing and supporting the creation of intrapreneurial, revenue-producing opportunities. Time devoted to finding new ways to reduce costs is time stolen from the much more important activity of innovation and wealth creation.

Aiming to be able to tell clients that you can do it better, faster, and cheaper than your competitors has the perverse effect of making all competitors more alike. The more competitors pursue this kind of strategy the more they will all converge upon doing the same things. Effective strategy should put you in the position of staying one step ahead of needing to be efficient.

Fatal Trap #5: Strategic planning that treats the firm as one homogeneous entity

The norm in many firms would appear to be that the Executive or Strategic Planning Committee determines the firm's strategy and then direct the various practice and/or industry groups to develop action plans that will support the firm's overall plan – in a top-down planning process.

NEWS FLASH: What the leadership of any firm is really doing is managing not one homogeneous firm, but a "***portfolio of very different businesses***" - such that any real strategic planning needs to include having each practice and industry group *("business units*" as they are called in some firms) develop their own specific strategy with action plans identifying those market areas of opportunity that they are committed to developing and being a go-to player within.

Let's think about this for a moment. Imagine your firm has a Financial Services Industry Practice which has a sub-group serving the FinTech industry. You are likely competing with many firms outside of your geographical footprint and firms that you may not otherwise be competing with, such that it makes sense to think through how we are going to grow that practice into being one of the top ranked in the country. If you have no recognized special quality, occupy no distinctive niche, you are a commodity and you may expect to be priced accordingly. So, each practice and industry group's plan needs to specifically identify – "*what can we do better than our competition*?"

Now many firms claim to be "diversified" into a good number of very different practices and industries. So, visit with one of your larger "diversified" corporate clients are ask them how they engage in their corporate strategic planning. Do they concentrate all their efforts and time in developing a strategy just for the corporate parent, or do they also have each of their "business units" developing competitive strategies? You already know the answer! So why are you engaged in this futile top-down-only approach and ignoring the development of your various business unit strategies?

Fatal Trap #6: Strategic Planning that does not include the voice of the client

Strategic blindness comes from too much inbreeding. It is the result of having the same partners, pursuing the same conversations, about the same subjects, in the same way . . . and expecting different insights to emerge. Do seriously exciting ideas - about new services, new approaches, new methods, new niches, new ways to collaborate - bubble up with great regularity from every nook and cranny of your firm? Good enough is never good enough; it is only a sure-fire recipe for becoming yesterday's news (and you know what pet owners do with yesterday's news!)

Innovative insights only emerge from hearing NEW VOICES. Your firm needs to welcome hearing from new voices in order to hear new strategies. How might you do that? Imagine interviewing some of your largest and/or some of your most critically demanding clients and asking them questions like these:

> *"As you think about the service that your law firm(s) provide, what could an innovative law firm be doing, that clients like you, may not yet have even asked for?"*
>
> *How could we better use technology to be of service to you?*
>
> *What is the most important business issue that you believe law firms will need to address over the next two to three years?*

Are there any non-legal services that you think we are missing out on making available to companies like yours?

If you were appointed the CEO for a law firm like ours, what would you do differently?

Meeting with some of the clients is a **non-negotiable requirement** for me to work with any firm. It just makes no sense to me that you would not do that as part of your strategic planning efforts – and yet I find so few firms bother, unless forced. And I have evidenced countless times where a firm elicits some extraordinarily valuable insights and guidance that none of their people would have thought of; and advice that could shape a winning competitive position going forward. AND these clients are in the ideal position to test some of your initial thinking such that you can solicit their candid views with respect to any number of your contemplated action plans.

Remember, many of the things that made you successful in the past may now prove to be nothing more than time-worn assumptions about what clients really value, or what services remain worthwhile offerings, or what ensures quality performance. For your strategy to be sound, you need to examine your various assumptions to see if they are still viable.

Fatal Trap #7: Strategic planning that falls short of truly differentiating yourself

At a time when the demand for legal services has been flat, the root of all successful strategy lies in being differentiated. Your firm and your individual business units must all work at making themselves distinctive and intrinsically more valuable to clients. The curious irony is that most law firms go to great lengths to look like every other law firm. In fact the common response that you are most likely to elicit from the leadership of any firm when first presenting a new concept, idea, or potential market opportunity is: "*Who else is doing this?"*

Too many firms have made growth and size rather than differentiation their strategic planning priority. Rarely do I see any law firm web site that identifies: "*What Differentiates Our Firm*." By definition, if you are doing what everyone else is, you don't have any advantage. To test this thesis, let's think for a minute. *Did your last strategic plan show you doing anything meaningfully different from the three or four significant competitors in your market space or cause other competitors to see you as a leader in some particular area?*

Your firm can outperform rivals only if you can establish a difference that clients actually value. Strategy is about making difficult choices: Sorry, but you can't be all things to all people. It is about deliberately choosing to be different. 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*."

Fatal Trap #8: Strategic planning that does not address how the firm is actually going to improve profitability

The financial results you get this quarter are largely the consequence of decisions you made at least 12 months ago and probably long before then. Too many firms, when engaging in strategic planning, think in linear terms: "*We are here and we need to get there*," with "there" representing only some aggressive financial goals. In other words, the strategic plan is really nothing more than a budgetary projection of wished for profitability, increasing RPL, and lateral recruitment growth goals.

I saw one firm where they had a 5-year strategic plan that projected a 20 percent annual growth in revenues but with no REAL identified action plans intended to make that goal a reality. When you set a stretch goal and call that your strategy it usually requires building on some key practices or capitalizing on an expected change in firm direction that opens up new opportunities – something . . . other than just hoping for it to happen!

If you're so focused on some ambitious financial goal but don't look at the environment you're in, and all the contextual factors that could impact that end result, then you may find that your strategic plan is grossly inadequate.

Growth, profitability and other financial goals may be the outcome of your strategy, but they are not the insightful sources of a winning strategy. Don't assume that the delivery of a superior competitive strategy demands little more than ***a statement of intent***. Much of what passes for a "strategy" in many plans that I have reviewed is little more than a collection of aspirational targets and performance indicators. I have come to call it "*wet dream strategizing*."

Fatal Trap #9: Strategic Planning that ignores who specifically is responsible to do certain of the implementation tasks

There are two aspects of implementation that can become quite challenging.

One is the unfounded belief that you should wait until your finalized plan is totally completed before taking any action whatsoever. Logically, implementation should follow on the formulation of the plan since you cannot implement anything until a plan exists. That said, in a number of firms I'm familiar with, while going through the process, the planning committee happened upon an opportunity that required immediate action in order to properly capitalize on the situation. For example, in one firm it involved setting up a subsidiary office within an attractive new high-technology industrial park before any other firm was aware of the possibility.

The second occurs when some of your power partners believe that implementing the strategy and "*getting their hands dirty is beneath them*." They often act as if the implementation work is something best left to the less senior and non-lawyer professionals in the firm. This view holds that one group does the innovative, challenging work (planning), and then "*hands off the ball*" to lower levels for execution. If things go awry, the problem is placed squarely at the feet of the "doers," who somehow couldn't implement a perfectly sound and viable plan. For this reason, I strongly contend that your "Strategic Planning Committee" members MUST agree to also serve as your "Strategic Implementation Committee" or don't even bother proceeding.

Implementation requires enormous time. To successfully execute takes far more time than that invested in developing the plan. Don't delude yourself into believing anything less than a regular monthly meeting of your entire "Implementation Committee" to review key projects and initiatives, together with other meetings involving various Implementation Task Forces will be sufficient.

WHO'S RESPONSIBLE FOR WHAT? If you don't elicit a volunteer or assign a specific partner to each part of your strategy, no one will take charge and make sure it gets done. This slows everything down and creates confusion about how it should actually work. Ideally, your firm needs to have an identified point person to drive each element of strategic plan to ensure key milestones are met, along with assigning senior partners to overseeing different parts of the strategy. The layers of responsibility may vary but the idea is to make sure someone is taking responsibility for each piece.

FINALLY, in our knowledge economy the only path to success is to out-think (innovate), out-learn (continual knowledge development), and out-run (become a first mover in lucrative micro-niches) your competitors. Reinventing your strategy process and not falling into these 9 traps is not a 'nice to do', it is a 'must do' - and every improvement will feed directly through to your firm's bottom line.

And please remember, what I said about seeing SPOTS. Unlike fine wine, strategic plans do not have a long shelf life.