

SMOCK ♦ STERLING

Strategic Management Consultants

The Evolution of Law Firm Strategic Planning – Darwin Would Have Been Proud

By John Sterling and John Smock

Law firms have come a long way since strategic planning first came into vogue as a buzzword and as a management practice in the 1980's. The breadth of managerial focus has grown, strategic thinking has improved, and the relative sophistication of strategic planning and the plans themselves have increased. However, there is still considerable room for improvement – in the external focus of planning processes, in the application of appropriate strategy models, tools, and techniques, and in the ability and willingness of law firm management to make difficult strategic choices.

In this monograph we address three related topics – what has been done right in law firm strategic planning in recent years, what continues to be done poorly or is generally overlooked, and our recommendations relative to increasing the effectiveness of law firm strategic planning.

WHAT HAS BEEN DONE RIGHT

Since we first began assisting successful law firms with strategic planning in the mid-1980's at Arthur Young (our predecessor firm) the sophistication and effectiveness with which law firms approach the strategy development process has improved dramatically.

Firms Have Moved Beyond the Question of Governance

Early strategic planning was often a “Trojan Horse” designed to influence firm governance and/or internal political issues. We lived through a number of attempts by the “outs” to use the strategic planning process to either structurally oust the “ins” or limit their power.

- While governance can be a strategic issue for a law firm, it is entirely internal – and generally not the most important internal issue for most firms.
- Frankly, clients do not care if a firm is governed as a democracy, a benevolent dictatorship, or some other form.
- Further, professional development and retention, partner compensation, productivity, or other internal issues are usually much more critical to a firm's long term success.

Fortunately, the vast majority of firms we come in contact with have moved well beyond this initial set of internal concerns. Governance still gets its due in the context of firm management, but it is no longer the “be all and end all” of strategic planning for successful law firms.

Adopted a Practice Group Orientation

Firms have moved decisively toward a practice group orientation and mindset in strategic planning. Practice groups generally are the biggest single source of market strength(s) for firms of almost any size – particularly mid-size and large firms.

- There is an increasing realization that effective practice groups (and the management of practice groups) are essential for future law firm success.
- Law firms have recognized and acknowledged that some of their practices are unusually strong relative to the firm and – more importantly – to the external marketplace. They now know that differentiation can be achieved through practice group strength.

- There is a parallel (though at times unspoken) recognition that some practices in the law firm are weak and, possibly, non-competitive. Those weak practices (and the resources they command) may be limiting the firm's range of alternative strategies, its client relationships, its market potential, or worse.
- Importantly, this practice group orientation has helped firms identify, in the planning process, the highest potential market opportunities available to them.

Now Thinking More Strategically

Strategic thinking has improved markedly over the past ten to fifteen years.

- Early consideration of mergers used to be about opening an office in the state capital (Columbus, Albany, Springfield, Austin, Madison, Sacramento, Harrisburg, you name it) – now it is about market position, practice synergies, and a vision of the future.
- Thinking about practice groups used to mean thinking about “*how we can extend our firm to become full service.*” Now, strategic thinking and practice group management are migrating toward the management of a portfolio of interrelated business units.
- There has been a marked improvement on attention to key external drivers – particularly the needs of clients and prospective clients.

Involving the Right People for the Right Reasons

Firms are doing a better job of involving the right people in the strategic planning process – for the right reasons. Strategic planning committees use to be a political game of *Twister* – contorting the committee to involve every perspective, every perceived constituency, and every squeaky wheel. The key was to “*make sure no one is offended by not being included.*”

This improvement is evidenced by somewhat smaller committees (down from 30 or more people to 15-20). And, they are comprised of the right people – firm leadership (Chairman, Managing Partner, Key Department and/or Practice Leaders) and, often, a limited number of key people (the “*300 pound gorilla,*” opinion leaders, representatives of the “*the next generation*”).

Improved Attention to Firm Profitability

The final improvement we have seen is the concerted attention given, in strategic planning, to firm profitability and financial drivers. Fifteen years ago, firm planning committees (even firm management committees) usually did not understand what drives partner profitability.

WHAT CONTINUES TO BE DONE POORLY OR IS GENERALLY OVERLOOKED

Despite all the positive change we have seen over the past fifteen years, opportunities for improvement still remain in the way that firms approach strategic planning.

External Focus Still Not Sufficient

While firms have improved their external orientation, there is still room for improvement.

- There is very little market research taking place in the context of strategic planning – there is virtually no original research available within law firms upon which they can develop strategy or, for that matter, make meaningful firm and practice decisions.
- The client surveys firms do conduct often have very little depth (i.e. – they ask closed ended questions like “*on a scale of 1-5 please rate the responsiveness of your primary attorney . . .*”). These closed ended surveys need to be augmented by in-depth, qualitative interviews.
- Firms are not identifying, investigating, and documenting the major trends and issues influencing the future of key market segments served by the leading practice areas of the firm. For instance, clients’ growing use of insurance to manage the risk of employment claims directly impacts many firms’ employment law practices.

Inability to Make (and Stick with) Tough Decisions

Firms' management and/or strategic planning committees are still reticent to make tough choices – and to follow-through once tough decisions have been made. Many firms are loath to:

- Invest in selected practice areas and **not invest** in others (many firms still try to leave the impression that all practice groups are equal, when they are not);
- Confront unproductive partners, structure sunsets for fading practices and/or partners, transition attorneys into new sub-specialties as market demands change, and deal with other individual (i.e., face-to-face, partner-to-partner) issues;
- Close unprofitable and/or non-strategic offices.

The Firm's Strategic Vision Often Morphs into Describing the Act of Client Service

Many law firm's vision and/or mission statements fail to set a business goal or objective for the firm. Rather, they become an over-edited description of the actual provision of client service by the individual attorneys. While it does make lawyers feel good about this elegant description of what they do, it has little strategic value in setting a firm's direction.

Failure to Apply More Sophisticated Strategy Development Tools

There are a variety of strategic planning tools and analytical techniques – proven effective in commercial environments – which law firms have been slow to adopt.

- Perhaps the most obvious example is a firms' failure to apply straightforward portfolio management analysis tools to practice groups. Commercial entities have actively managed product lines and/or business units using portfolio analysis tools for decades. Yet, law firms are slow to adopt this tool – often for fear that the results of the analysis will force the firm to de-emphasize certain practice groups seen as “*sacred cows*.”
- Firms have also been slow to adopt organizational capability assessment and alignment techniques. Too often, organizational design still remains an exercise in copying what the other firms are doing or in keeping the “*gorillas*” happy.
- Firms have also failed to apply product and service life cycle analyses to their practices – thus, they fail to grow fast enough at some stages and too fast at other stages.
- Many of our commercial clients have become adept at integrating scenario development into the strategic planning process. Use of this tool enables a firm to test different scenarios (e.g. – a major merger) and the strategic implications of those scenarios. In too many instances, law firm strategic planners assume that year-to-year growth in partner income will continue unabated, with no outside influences impacting firm the results.

Applying Strategic Thinking to Marketing

Law firms have clearly improved their ability to think strategically. However, strategic thinking has generally not extended to their marketing function (which is the most critical element of law firm strategic plan implementation).

- Marketing resources need to be aligned with the strategic direction identified in the firm's plan, rather than spent on blanket image advertising campaigns to “*brand*” the firm. Frankly, very few firms can truly create and sustain a genuine brand.
- More critically, firms need to begin applying the basics of Marketing 101 (i.e. – The “*Four P's of Marketing*”) within the marketing function in support of the plan.
 - **Product** – defining the product (i.e. – the suite of services in a practice area) with some degree of sophistication
 - **Pricing** – not just billing rates, but creative thinking about value

- **Place** – channels of distribution – some firms are applying technology and creativity in ways that dramatically transform “*place*”
- **Promotion** – the final piece of the puzzle, but far too often promotion is mistaken for marketing in law firms.

Still Chasing Trends

Finally, we still see law firms chasing perceived trends (i.e. – what the other firms are doing).

- If you are considering a merger – why/to what end? If you have launched a branding campaign – what is the strategic objective and how will you know you have achieved it?
- Most importantly, what is it that makes your firm or your practice distinctive? That is where the emphasis must be – not on copying what the other firms are doing.

SMOCK•STERLING’S RECOMMENDATIONS

As you move forward with your next iteration of strategic planning and as you push strategic planning down to your key practice groups, we offer the following simple recommendations.

- Keep up the good work – thinking strategically, adopting a profit mindset, focusing on practice groups, involving the right people, etc.
- Take the strategy development process to the next level of sophistication – move it up a notch or two in the next iteration. Apply more sophisticated tools and analyses and gather more systematic external data.
- Stop chasing trends – define who you are. Strategy is about making choices that distinguish you above and beyond the basic “*table stakes*” in the industry. That means you must choose who you are and who you are not.
- Remember Michael Porter’s widely accepted definition of good strategy – “*doing different things differently.*” Your strategy needs to be different than other firms, not “*doing the same things better.*” In the future, non-conformity will trump conformity.
- Implement the strategic direction you define – follow-up, hold firm and practice group managers accountable, talk about the strategy and adjust with the market, and keep the strategy alive quarter-to-quarter and year-to-year.
- Upgrade your firm’s and your practice groups’ approach to marketing strategy – actively think through and apply the “*four P’s*” to marketing strategies.

* * * * *

We call ourselves Smock•Sterling Strategic Management Consultants for a reason – that is what we do! While a small firm, we have served an impressive national law firm client list in overall firm strategic planning, practice group planning, existing strategy reviews, and assistance in plan implementation. We believe our clients are not only distinguished by the quality of their final plan and their strategies, but also by their success in plan implementation.

SMOCK•STERLING

Strategic Management Consultants

725 N. McKinley, Suite 2000 Lake Forest, IL 60045

6430 N. Central Ave., Suite 207 Chicago, IL 60646

Tel: 847-615-8833

Fax: 847-615-9550

www.smocksterling.com