

Strategic Planning For Law Firms

By Steven Treharne of Mogers

The first hurdle to overcome is to accept that lawyers sometimes find it difficult to deal with uncertainty, accept risk and support an intangible concept – a vision!

Strategy is about an unknown future, while lawyers have intellectual firepower and are trained to analyse and reduce risk. It is what we do in the day job. There are many potential strategic paths to choose from and each can be argued passionately! There is no way of ascertaining the “right” answer.

Add into the mix the dynamic competitive environment that law firms find themselves operating in and the almost daily acceleration of change due to new entrants in the market. The possibilities are now, almost, endless!

David Maister dedicates his “Strategy and the Fat Smoker” book to the difficulties lawyers face in embracing strategy due to engrained patterns of behaviours, habits and attitudes. Let’s assume this hurdle has been cleared

Essentially a business plan is a vision, with specific objectives of how to develop competitive advantage, to stand out and provide something to clients that others do not or cannot. This is not easy to achieve in the legal profession where essentially everyone is selling a similar product with similar service standards.

The Start

A detailed objective analysis of the environment is crucial. A SWOT or PESTAL analysis is always a good start. Porter talks of five competitive forces, being threats of substitute products, bargaining power of clients, threats of new entrants into the market, power of suppliers (i.e. cost of talent) and the internal rivalry and squeeze within the profession itself. This can be used to produce a realistic assessment of the competition.

A useful exercise is to undertake scenario planning, which requires creative contemplation of a number of futures for the legal profession. For example, what happens if the economy is dire for the next 5 years with no growth; what happens if the new entrants flood the market place with cheap well branded legal services; what if one firm becomes a dominant player on your patch; what if the expectation is to deliver your services electronically. An assessment should be made of how the business would cope in each circumstance and more importantly what it would have to do now to survive and thrive.

Positioning

Fundamentally this is deciding which markets to compete in and then how to compete. Which clients do we act for and which clients do we want to act for? What is our value proposition – why would clients use us?

What geographical area do we want to practice in?

What services do we want to provide?

Strategic Capabilities

This part of the planning process is the reality check and it falls into two parts; a comparison of the relative strength of existing resources compared to what is required to achieve the Positioning; and an analysis of the strategic importance of each capability against the required Position. This process involves looking at tangible (finance, premises, IT etc) and intangible (human capital, client base, culture and values) resources.

A brutally honest assessment is imperative as this will help to produce a list of priorities and also act as a reality check against what can be achieved. That said, the plan must remain ambitious.

Culture

The outcomes of the above process must be aligned with the culture of the firm. A change of strategy will require a change of behaviour by all in the firm. Stephen Mayson suggests "there is a difference between strategic intent (what partners vote for) and strategic action (what they actually do)". Structures and systems have to be put in place to encourage or force a change of behaviour. An underestimation of the time and energy required to achieve this will only lead to failure.

Summary

There are many facets to the development of a business strategy, which requires the acceptance of uncertainty and the consistent fair and regular management of partners and staff. David Maister states that firms should "stop talking about the future destination and start thinking about the rules we would have to live by in order to get there". Devise your strategy; assess the strategic importance and relative strength of the firms resources and capabilities, agree and police the "rules" that are required to implement the strategy.

And then give it everything you have got!

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