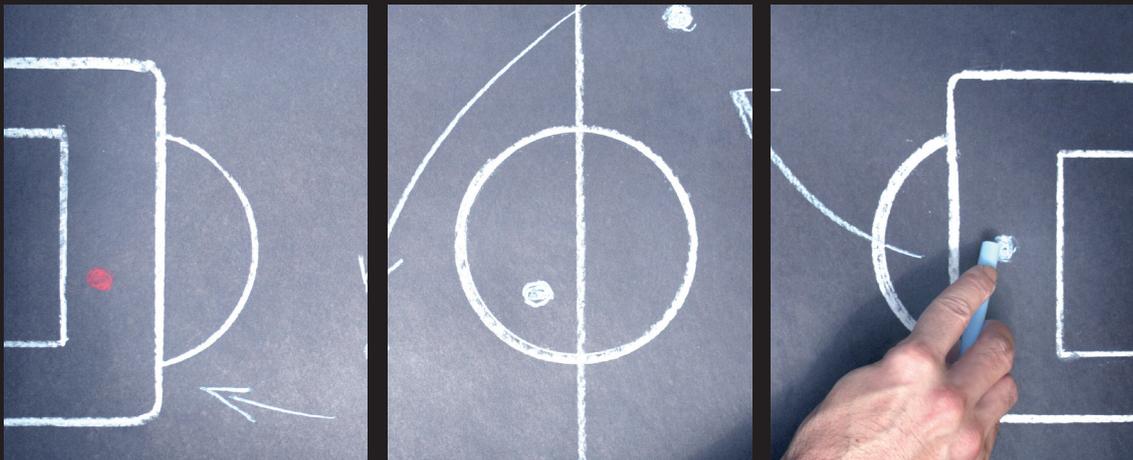


The Strategic Law Firm

DUNCAN HART



The Strategic Law Firm

is published by Ark Group



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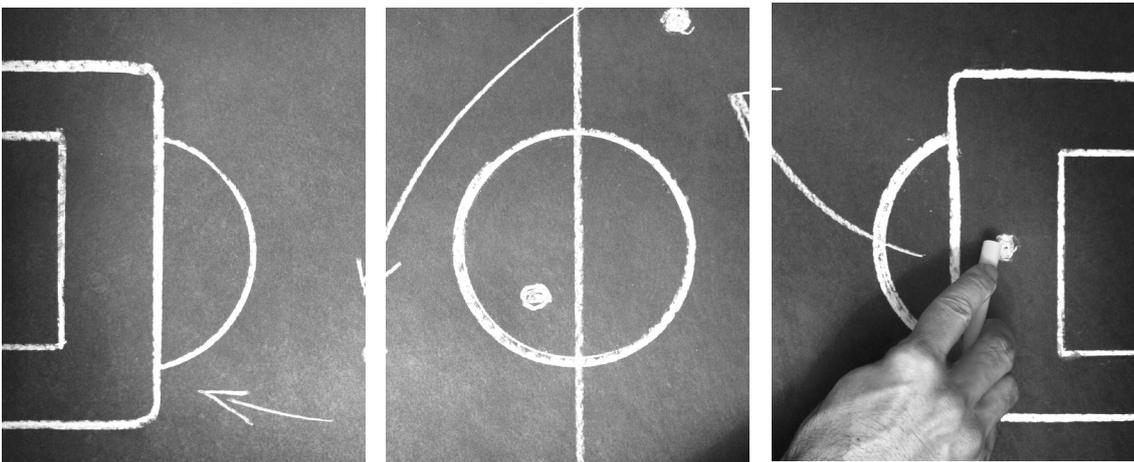
ISBN: 978-1-907787-26-3 (hard copy)
978-1-907787-27-0 (PDF)

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ARK1518

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DUNCAN HART



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Executive summary

THE VOLATILE competitive landscape for law firms requires, more than ever, a thorough appreciation of the key tools of competition, particularly strategy. In a world where the billable hour and high leverage-driven profits are increasingly difficult to maintain or justify, firms need to be far more strategic in their approach. Where and how to compete and understanding the business model (also referred to as the strategic logic in this report) of the firm is a vital skill for the leadership team. In particular, the common multi-team configuration of most firms demands a more rigorous approach than simply bigger is better.

Is it sensible to simply widen the firm's offerings by bolting on additional teams with differing capabilities, priorities and clients? Does such a configuration add value to the firm or create any tangible value for your clients? Do the complexities and rivalries between teams that usually accompany such an approach outweigh the claimed advantages? How should resources and profits be apportioned? What are the advantages of developing an industry focus or becoming more renowned for transactional excellence?

A group of multidisciplinary teams in a law firm environment operating under one brand is a particularly difficult mix to manage. The marketing, finance and HR skills, let alone the management and political expertise and the management overhead required, are usually much greater than many appreciate. Such a multiple team

business model almost always raises, or should raise, questions about a firm's stated or understood strategic position.

This report penetrates the fog of war, identifying the key assumptions that underlie the current law firm business model and questioning the validity of many of them. It also goes much further by offering clear advice, methods and tools with which to analyse your own firm and devise a more practical and productive strategy at both team and firm level.

This report is divided into two parts: Part One describes the needs and merits of examining your firm's strategic business model and demonstrates how such an approach can be critical in making vital decisions around marketing, profit distribution, pricing and capability building. The law firm strategy can then be formed based on this business model analysis and Part Two focuses on implementing that strategy using business modelling as a powerful tool to communicate and implement that strategy.

Part One Chapter 1 details the concept of a business model analysis – a technique which I have found resonates well in the law firm environment to assist in devising and implementing an appropriate strategy for your firm. It is not only a soundly-based management theory, but importantly, it provides a practical means of discussing (and visualising) key elements of how your firm now works and how a more successful or improved strategy can be devised. The

business model is not itself a strategy, but it is a metaphor and visual representation of key elements required to discuss, understand and then implement a strategy. Chapter 1 will enable a law firm to identify its strategic priorities and outlines the key ingredients of a strategy.

Part One Chapter 2 guides the reader in analysing their own firm's business model and examines the key elements through the visual representation of a business model canvas. It explains how an analysis of your current business model begins by identifying the key attributes of the firm – the major elements of the business model – and then considers how those elements interact with each other in the context of the firm's competitive and market environment

Part One Chapter 3 examines the application of the business model for different-sized firms. Business model analysis can also assist in enabling teams to understand their own team business model. This, in turn, enables the firm to construct a more credible and competitive strategy by developing a firm business model. Alternatively, you may conclude that a single firm strategy and business model is illusory or, in fact undesirable, in which case it can assist in analysing the variety of models you are utilising within the firm and the cost/benefits of such an approach.

A business model must illustrate what choices, focus and alignment the firm has made (or intends to make), in order to create and capture value from its chosen market(s). It must reveal how it has chosen to best align its capabilities and objectives with the market(s) and clients it offers its services to. Part One Chapter 4 discusses the alignment of teams to targeting the right clients and industries and looks at building the right focus for your firm (either industry/client-based or transaction-based).

Part One Chapter 5 considers the role of new legal structures permitted in many jurisdictions as well as the internal organisational roles and responsibilities (complete with role descriptions and templates) that can be critical in implementing strategy across the firm.

There are currently many trends for innovation in legal services and particularly in such areas as outsourcing which will have an impact on law firms' classic leverage-dependent business model. Part One Chapter 6 examines the so-called disruptive innovative models to avoid – the business models which threaten the viability of prevailing models while Part One Chapter 7 analyses the right type of innovation to adopt in a competitive climate.

Part One therefore deals with the complexities of understanding the inevitable trade-offs that occur in managing diverse multi-team firms and identifies how to analyse each team from an overall view of the firm's strategic objectives. The influence of leverage and contribution are also considered in depth as are the need to align key drivers in the firm's various teams to build a credible firm strategy. The concepts of client value creation and capture are considered as central elements in any business model and practical examples across a wide range of practice areas, firm types and sizes are provided to assist the reader in seeing the impact of such a strategic approach depending on the mix of work the firm might be pursuing.

While Part One of the report provides guidance on devising the strategic vision, Part Two explains how a firm can achieve that vision. Part Two is highly practical and devoted to assisting the reader in introducing and achieving a set of strategic outcomes suitable for the firm.

Part Two Chapter 1 introduces the three-part process of implementing a new

or revised strategy and business model, and explains how this is to be tackled in the second part of the report.

Part Two Chapter 2 begins with 'Before the day' and covers the practical details of how a strategy planning day should be organised, what preliminary information should be gathered and what other inputs might be useful. A series of nine potential exercises ranging across values alignment through to market segmentation and scenario analysis is discussed in detail.

Part Two Chapter 3 – 'On the day' – examines the processes on the day that are likely to enhance the day's outcome and Part Two Chapter 4 ends with a discussion of how the outcomes of any strategy planning exercise can be captured into one-page plans (on a quarterly cycle), which can be utilised at firm, team and individual level across the firm. They are designed to be utilised at partner and team level to guide ongoing agendas as well as enabling their use as a basis for peer appraisal and differential profit sharing, for example. Again, example templates are included.

The central organising theme of Part Two is the firm's business model which serves as a visual cue and central point around which the whole strategic exercise can be planned. Specific worked examples of ways to calculate team financial and other contribution measures are provided and this can be tailored to fit the largest of firms and the most complex of data. Equally, additional detail that may not readily be available can be stripped out for smaller firms. The exercises and approach can be applied at team level as well as firm-wide level. All the exercises and their potential applicability to strategy formulation and implementation are directly linked to the more theoretical discussion set out in Part One. Particular attention is given to how the

external markets and industries the firm is attempting to service should be addressed.

Part One of the report therefore provides the theoretical underpinning of Part Two. For those looking for a purely practical application of how best to reach consensus about strategic priorities using visual and other techniques as well as real-life examples, Part Two can be read and applied in isolation. For those looking for a deeper understanding of the complexities, trade-offs, assumptions and possibilities offered by a careful examination of their firm's business model and strategy, begin at Part One.

Above all, I hope to excite the reader's curiosity in exploring, understanding and experimenting with the never-ending challenge of creating and capturing value, not only for our clients, but also for ourselves.

Examples, exercises and analysis are based on 25 years' experience of the author as both a barrister, solicitor and managing partner/chair of firms ranging from five to 250 partners including partnership in one of the largest global law firms. The approaches suggested and the insights offered are also informed by ten years acting as a full-time consultant to professional service firms.

About the author



DUNCAN HART spent more than a decade as managing partner of a ten-partner legal practice and three years as regional managing director of one of Australia's largest law firms. He has particular expertise in the strategic management issues facing firms, the markets in which they operate and the development of their human and intellectual capital.

Duncan practised as a barrister and solicitor for more than 20 years before becoming a full-time management consultant. In his practice as a consultant, he has advised all of the major professional groups as well as broader industry sectors.

He has consulted widely to companies in the health, manufacturing, finance, education, IT and government sectors.

He also travels regularly to South East Asia and China as well as the Middle East. He is a director of several companies involved in supporting the export of services to those regions and the commercialisation of intellectual property.

In these roles, Duncan has developed insight into critical areas of management, including strategic planning, marketing, financial management, performance management and human resources strategy.

Duncan's educational background includes a law degree and an MBA.

He is the editor of the second edition of *Management of the Australian Law Practice* (published by Lexis Nexis) and a regular speaker at conferences dealing with management issues and strategy.

He has served as an elected city councillor, chair and non-executive director of several private companies, chair of the American Chamber of Commerce Export Group and a board member of the Mary Potter Hospice and Walk for the Cure.

He is also a member of the Intellectual Property Society of Australia and New Zealand, the Business Law Section of the Australian Law Council, the Australian Corporate Lawyers Association and the Law Societies of both Victoria and South Australia.

On weekends however, he can be found sailing at the Royal Brighton Yacht Club on the yacht 'HAIKU'.

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Introduction

“REAL BREAKTHROUGHS... happen when everybody... sees the big picture and works towards (it). But visualising the present system is not enough. We also need a vivid image of the future system we want to create.”¹

Most firms, once they expand beyond a handful of partners, create ‘strategic complexity’. They have multiple teams, with differing capabilities often serving very diverse markets and clients. One of the primary aims of this report is to critically analyse that complexity; to assist firms in making more informed decisions about their options utilising business model analysis as the basis for understanding and developing their strategy. The report then moves on to consider the practical means of implementing decisions arising from that analysis.

Business model analysis enables critical evaluation of where and how your firm is creating and capturing the value that you strive to create for your clients. Just as importantly, it is a powerful tool to not only construct that strategy, but communicate and implement it.

Whereas the firm’s strategy identifies the firm’s key objectives, its business model demonstrates the strategic logic or architecture underpinning that strategy. That architecture should demonstrate how key elements of the business interact or combine to achieve those objectives. Assuming one of the key objectives is to make a profit, for instance, then how this is to be achieved should be apparent. Will it stand up? Is it sustainable over time?

Why is business model analysis important?

The changing competitive landscape for law firms requires a more thorough appreciation of the key tools of competition, particularly strategy. In a world where the billable hour and high leverage are increasingly difficult to justify, firms need to be far more strategic in their approach. Where and how to compete as well as understanding the business model underpinning the strategic logic of the firm, is a vital skill for the leadership team to develop and apply. In particular, the common multi-team configuration of most firms demands a more rigorous approach than simply ‘bigger is better’.

The multi-team complexity

A group of teams in a law firm environment operating under one brand is a particularly difficult mix to manage. The marketing, finance and HR skills, let alone the management and political expertise required, are usually much greater than many appreciate. Such a multiple team business model, almost always, raises questions about a firm’s stated or understood strategic position. The inevitable trade-offs and balancing benefits that are assumed to underpin the model are often difficult to identify.

Business model analysis can also assist in enabling teams to understand their own team business model. This, in turn, enables the firm to construct a more credible and competitive strategy by developing

a business model to implement the firm strategy. Alternatively, you may conclude that a single firm strategy and business model is illusory or, in fact, undesirable in which case it can assist in analysing the variety of models you are utilising within the firm.

Is it sensible to simply widen the firm's offerings by bolting on additional teams with differing capabilities, priorities and clients? Does such a configuration add value or create any competitive advantage for your clients? Do the complexities and rivalries between teams that usually accompany such an approach outweigh any advantages?

The default position of many partners and their teams is one limited to advancing their personal interests even at the expense of creating any benefit for the firm as a whole. This often results from a lack of any understanding of what those wider benefits might be, or how they can be achieved through adopting a strategy and business model which encourages more constructive collaboration. Business model analysis provides a means of developing that wider

understanding and provides useful guidance on building a more collaborative, focused and profitable firm.

Using a visual business model approach in context

At its simplest, a firm's business model can be reduced to a visual representation, such as Alex Osterwalder's² (reproduced in Figure 1) which is utilised for consistency and its clarity throughout this report. It has nine key elements. In my view, those elements are capable of capturing all the essential ingredients of a law firm's business model.

Any business model must also be considered in context, i.e. the client and competitive environment in which the firm exists and in light of constant changes in that environment. A business model is then a snapshot of the firm's *modus operandi* at a given point in time in that context – a springboard from which changes are made as the firm's external environment and internal capabilities and priorities inevitably change. Such a model enables examination

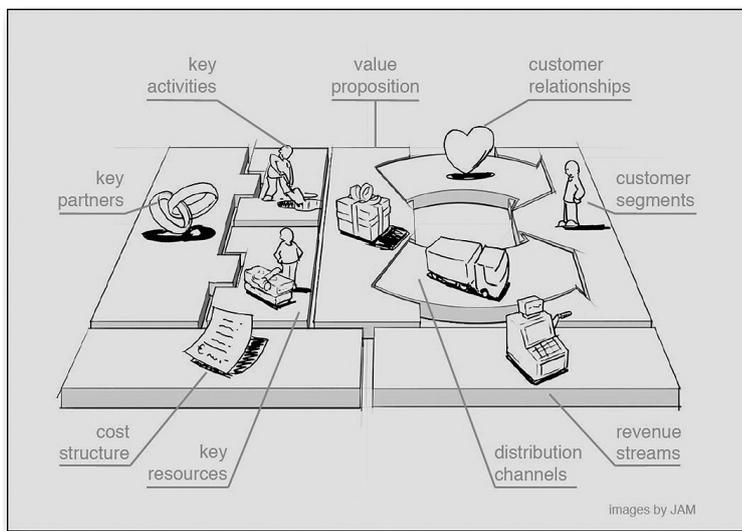


Figure 1: The Osterwalder model – a visual representation of a firm's business model (source: Osterwalder, A. and Pigneur, Y., *Business Model Generation*, self published, 2009)

of the situation both inside and outside the firm, and encourages consideration of what capabilities, activities and resources are needed by the firm to meet market needs in a competitive way.

In finding an appropriate balance between creating and capturing value, firms continually strive to define an effective strategy and then implement it consistently. At its simplest, this involves the development of a firm strategy that seeks to maximise both the value a firm creates for its clients whilst capturing optimum value for itself. Insofar as the firm is able to create a strategic purpose, which addresses a more socially inclusive, innovative or attractive ideal, then the greater the possibility of capturing more than mere economic value from such clients and hence for the firm.

Strategy and business models

A business model is not itself a strategy; it is a metaphor or visual representation of key elements required to implement a strategy. Analysis of your current business model begins by identifying the key attributes of the firm which define the major elements of that model and then considers how those elements interact with each other in the context of the firm's competitive and market environment. The model, therefore, has the capability of demonstrating the alignment between those internal elements and the external environment. It assists not only in deciding how the firm relates to its client base, but also what structure, processes, pricing, etc. best serves to enhance such alignment.

In a strategic sense, a business model must illustrate what choices, focus and alignment the firm has made (or intends to make), in order to create and capture value from its chosen market(s). It must reveal how it has chosen to best align its capabilities and objectives with the market(s) and

clients it offers its services to. What clients or industries does it target? Which can it credibly service and best aligns with the firm's capabilities?

I refer to this as the firm's strategic logic or architecture,³ the potential source of sustaining competitive advantage vis a vis your competitors over time. It should also minimise internal competition and dissension, and the need for heavy-handed management. The greater the degree of consensus and understanding between partners as to the firm's business model, the less need there should be for over-prescriptive processes and systems. All too often, those systems are in place to enforce conformity when, in fact, a lighter self-regulating approach driven by a shared consensus, is far more likely to produce the desired outcomes.

Any such advantage will not only continually be under attack externally however, but will require constant review and renewal from within the firm. Business model analysis provides a common mental and visual model – a means of, and a process around which the firm's strategic logic can be critically examined.

Such a process invites consideration of not only whether there are ways of improving what the firm does, but if some of those activities should be undertaken at all. Are such activities consistent with the other elements in the firm's business model? Do they create value in the minds of clients? Is the firm capturing that value both in the economic and wider sense?

The multi-team model

Given the common multi-team configuration found in most firms, is such a combination adding value in the sense of contributing to a common overarching strategy? What are those elements and how can they be

described and configured? Do those elements combine to offer attractive value to the clients the firm serves? What tangible and intangible value results internally from configuring the firm's business model in this way?

Various common firm configurations of such multi-team firms are considered in the critical light of the value they are said to create for clients. Do they, in fact, create any real value for clients? If insufficient strategic alignment is present, do the trade-offs that inevitably occur in managing such diversity destroy or, at the very least, dilute the ability of the firm to capture any real value from such configurations? Much of the alleged value such firms create for clients is, in fact, illusory, unappreciated by the clients and unlikely to form any basis – in the client's mind at least – for the high fees the firm charges. Value in the client's mind is far more strongly associated with their appreciating the lawyer's understanding of their business, the industry within which they operate and the relevance of the advice they seek to the success of their business.

In large part, the multi-team model has been driven by the perceived benefits of size and the profits that can be generated through leverage. This, in times past, has been facilitated by widespread usage of 'time costing', the relative abundance of work and plentiful supply of graduates. These factors have led to what could be described as the 'department store' model favoured by many firms: a store offering a multitude of products and services under a common brand at one location.

There are, of course, already new models appearing to test many long-held assumptions about specific elements of the current model. While these have focused on new pricing mechanisms and the enhanced use of technology to both create and deliver services, there are more fundamentally-

disruptive forces and structures that are emerging. Modelling your firm's business can provide useful insights into the fundamental assumptions which underpin the way in which you do business now. It is often those long-held assumptions which hold firms back in developing more innovative models which are increasingly needed to improve productivity in the professional services sector.

Value, values and vision

Creating value without capturing that value (in the form of profit and other benefits) can quickly result in tears. Conversely, attempting to capture too much of that value can rapidly convince your clients to seek alternative sources of advice.

I use the term value to primarily refer to economic value, i.e. profit. Providing value lies at the core of your firm's competitive position. It is why clients choose your services in preference to others with whom you compete.

Value should, however, be viewed more widely, both from the client and the firm's perspective. It is well recognised that what clients and key stakeholders in the firm value goes well beyond merely economic benefits – the perceived benefit, for instance, in having the best legal brand in town representing the company.⁴ Less well recognised, particularly in the professional services sphere where attracting and retaining human capital is so central to a firm's competitive position, is doing work:

- For challenging and admired clients;
- With respected 'icons' in the field and allied service providers;
- On substantial and career-advancing transactions and matters;
- Of varied and diverse origin by industry and geography;
- With fellow members of the firm whom you enjoy working with; and

- In pursuit of a vision that employees strongly identify with.

The values, vision and motivations of partners and professional staff can work to provide flexibility in the model or present real barriers to any significant change. A combination of changing expectations and motivations of lawyers and what clients and practice areas are attractive to them are, I believe, all potent forces for change. The ability, or even desire, to cling to old models is rapidly being eroded by these factors and external influences.

The urgency, therefore, is to understand where and how these changes – many of which most firms have no control over – will position the firm in the future. Visually depicting and discussing these changes as they are first anticipated and begin to impact the way the firm operates, becomes an important capability for the firm to develop and the leadership team to promote.

Many such changes will present opportunities, providing the firm adopts a willingness to experiment and utilise its capacity to change and adapt within the ever-present commercial ‘fog of war’.

Business models and innovation

Having considered the merits of a business model approach to developing a firm’s strategy, the report continues to explore, in Part Two, the path innovation might take in the future and how business model analysis can assist in exploring alternatives.

Innovation is constantly demanded in all commercial environments and is no less required in that of professional services. At its simplest, innovation is the natural consequence of commercial evolution at work. Rather than merely adapting to environmental changes, firms can adopt a more proactive approach. By seeking to

anticipate and, in some cases, creating the need for services and building capabilities in anticipation of those needs,⁵ firms can create competitive advantage.

Technology, whilst playing an increasingly important part in the delivery of legal services, does not often provide a fundamentally different product in the way a new drug or computer chip might in other industries. Research and development (R&D) in the professional services environment, therefore, needs to be focused on how such services can be better created and delivered – in short how your current business model (with all its underlying assumptions) can be creatively destroyed.⁶ Such creative destruction can be the crucible from which firms can create and capture more of that elusive value we strive to provide to attract and retain clients.

What are the factors that have led to so little innovation being evident? Where is the evidence that the impact of globalisation, technology, the rise of ‘Chindia’ and demographic change is making demonstrable changes in the law firm business model? And what about the rise in the number and power enjoyed by in-house counsel? Certainly there is ample evidence of the apparently relentless rise of large global law firms and the adoption of ever more sophisticated technology. Are law firms, in some way, relatively immune to such profound influences? Has the fundamental business model of law firms changed, or is it simply more of the same except bigger and therefore more profitable? Are the pressures that have transformed the entertainment, manufacturing, travel, finance and innumerable other industries and business models simply passing law firms by?

I examine these drivers and speculate on how the sector has effectively resisted change for so long. What might contribute

to increasing innovation, not just from the point of view of benefits to law firms, but also from the client's perspective? Is innovation limited to simply cheaper and more easily-delivered services, or something more fundamental? Are there new services and more beneficial commercial and social outcomes in potentially more rewarding fields of endeavour for firms to explore? Is there new value to be created, a more constructive and useful level of engagement with society, not in a purely altruistic sense, but by offering more substantive and beneficial commercial outcomes?

In short, is innovation in the law firm environment only a matter of 'paving over the ox tracks' and keeping the current model essentially intact, or are the 'barbarians' really at the gate? Have they already breached the walls or are they already amongst us, ready to press for change from within, not satisfied with the limited scope offered by the traditional model?

Would we recognise change even if we saw it? Surely it is more than simply new pricing mechanisms and introducing more technology? Are there perhaps more ambitious goals that might motivate employees and partners alike, broader social goals fuelled by enlightened self interest?

"The tricky part is then making the leap from seeing to behaving... strategic thinking has to involve linking the future image of the organisation with the personal choices I make, in my role within the larger system... and caring about whether that image materialises..."⁷

Having demonstrated how key elements of the business model concept can be applied to a law firm, Part Two then turns to the practical issues of reviewing, creating and implementing your chosen strategy.

Having such a discussion with partners is always problematic. There is very seldom

a common shared strategic framework let alone a shared vocabulary or an appreciation of underlying assumptions with which to progress such a discussion.

Approaching the evaluation of a firm's strategy from a business model perspective provides both. It also quickly enables partners to grasp where their differences and strengths lie and helps them understand the assumptions, values and purpose that underpin their often very differing views. Consensus is not a prerequisite for successfully implementing your preferred strategy, but a shared view of what you are attempting to achieve and why, goes a long way to improving the odds. What do the partners value and how are those values translated into the priorities demonstrated in their business model? Are these values put into practice on a day-to-day basis? A business model helps make clear what is often left lurking below the waterline – the values, emotions and key motivators that result in the culture of the firm being what it is.

A dissection of the firm's business model is not only a useful analytical process, but yields understandings and insights which are particularly useful in the strategy implementation or transition phase. Most lawyers are good at understanding and, in many cases, knowing what choices should be made. This understanding however is primarily at an intellectual, rather than at the practical level of 'how do we actually do this?' What all of us have difficulty with is the messy and (let's be honest) sometimes, boring business of implementing those choices – accepting the demands those choices impose, living with the consequences of our actions and being accountable for our part in them. Many factors contribute to this inability. Fear of failure, lack of resources and resistance to change (particularly if it impacts you personally) all play their part. Often, this

is caused by a lack of appreciation of the reasons why the partners concerned have joined a firm and what they seek to achieve from so doing and what the expectations of them are from their fellow partners.

The importance of process

I focus on processes which not only reveal those road blocks but help in surmounting them. Processes are the day-to-day tools which assist the firm in getting things done. This is about moving the firm from an intellectual appreciation of what should be done, to useful activities which drive the changes required.

Rumpole, the infamous creation of novelist John Mortimer, always liked to speak of the 'single golden thread running through the web of English justice'. Somewhat more prosaically, I like to emphasise the web of processes which connect the firm's purpose, strategy and business model to actions, which will unite and guide members of the firm in implementing that strategy.

I favour a planning and follow-up mechanism at firm, team and individual level. It is at this point that the majority of benefits of engaging in any sort of strategic review are lost. Good ideas that may have surfaced are not supported with sound processes. Staff become disaffected and withdraw their commitment, and any initial momentum is lost.

The short point is that a mere intellectual appreciation of the issues counts for nothing without a clear means to carry forward those deliberations into the day-to-day activities of the firm. In other words, linking actions and processes to modify the relevant element(s) of the firm's business model. This is, at once, the most demanding and time-consuming part of the whole process.

The key outcomes of any strategic review must be translated into bite-sized

chunks, reduced to a series of time-based steps with measurable outcomes, hopefully aligned with the firm's recognition, reward and promotion regime. They must then permeate through and be understood by the whole organisation. These steps must therefore be incorporated into plans (many of which can be reduced to one page), which become the focus of all discussions and meetings between partners and their management team, team leaders and their teams, and partners and their direct reports. Most internal meetings lack agendas and any concept of short, medium and long-term goals, let alone reference back to the firm or the team's strategy. I strongly advocate the use of those meetings to reinforce and drive the choices, focus and alignment which arose from an initial analysis of the firm's (or team's) desired business model.

Strategy is, of course, not only concerned with process. To achieve any desired set of outcomes, or simply creating or finding a consensus and commitment to take the firm one way or the other, requires answering not only the 'what' and 'how' questions, but also 'why'? This once again takes us to the vital issue of value and its creation and capture, both for client and stakeholders in the firm. The 'why' has to be compelling to internal stakeholders.

Considerable demands are made of lawyers to satisfy client needs, change their working habits, cooperate more closely with colleagues, learn new skills, etc. The business model provides a common mental and visual framework to assist the firm in answering those key questions and to keep asking them. It provides a blueprint or flight plan to guide future action.

Some key assumptions

Several key assumptions underlie the suggestions made in this report. They are

best acknowledged at this point because, in large, they are not dealt with further. Most, I hope, the reader would find obvious, but as they have all been challenged at some time during consulting assignments, I list the most fundamental of them:

- Firms are capable of providing services which create and capture value both for the firm's clients and members, or stakeholders of the firm;
- In coming and remaining together as a firm, the respective partners must believe they can benefit individually and collectively;
- The creation and capture of such value lies at the heart of the firm's competitive position, i.e. why clients choose the firm to provide services to them as well as how the firm attracts and retains its workforce;
- The concept of value is much wider than merely economic gain, both from the firm's and the client's perspectives;
- Any concept of value from a client's perspective is inevitably linked to the business context in which the legal service is provided and, is thus, highly variable;
- The inevitable friction between partners which combines to create that value is best lubricated by an understanding of the underlying values and priorities of respective partners and their clients' needs;
- That understanding is enhanced through analysis, open debate and a joint commitment to action for which partners are ultimately accountable to each other;
- Firms must be responsive to their environment, both external and internal. Adapting to changes in that environment will inevitably impact upon the firm and require changes in its business model;
- While such changes cannot be predicted with any certainty, scanning and analysis of the external environment and the firm's capabilities can assist a firm to anticipate

significant changes and develop the ability to create value from them; and

- Creating and implementing any strategy may lead to the anticipated successful outcome – more often than not there are substantial changes along the way with quite unanticipated outcomes.

This should, in no way, deflect you from embarking on the strategy process in the first place. While I have referenced and relied on the work and theories of many others in writing this report, it is not a debate about competing theories. This report is designed very much as a practical manual to assist practitioners in understanding the commercial realities of their firms and in engendering useful strategic discussion and outcomes.

This report therefore aims to assist you in:

- Evaluating your firm's current strategy using a strong visually-based business model framework;
- Identifying how and where you are creating real value for clients;
- Capturing your share of the value you create;
- Providing examples of existing law firm business models and emerging trends which may change, disrupt and necessitate change in your business model;
- Managing the process of reviewing or constructing a new strategy in conjunction with your partners;
- Providing tools and examples which will assist you craft and implement that strategy, and maintain the necessary momentum at a firm, team and individual level;
- Highlighting where your firm can look to make productive changes which manage the impact of your clients' changing needs and competitors of your firm;

- Creating a new strategic logic and story for your firm, and driving an innovation agenda; and
- Explaining some theoretical models and examples which are widely used in devising strategy and which have particular relevance to the professional service firm environment.

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