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Using a competitive perspective to chart your law firm's strategy

The core purpose of any strategy is to create sustainable competitive advantage. A critical strategic discussion centres on the choice of markets in which to compete and the kinds of activities which are involved in such markets.

Several models exist to chart market attractiveness and these tend to map the size and future potential of a market against the firm's relative competitive strength (i.e. its ability to take advantage of latent opportunities). What this means in practice is that the strategy team needs to be building a picture of the firm's ability to perform in the context of others targeting the same markets.

This competitive perspective is quite fundamental, yet it is often underplayed in strategic discussions in law firm boardrooms. If we accept that, in choosing a firm, a client goes through a cognitive process of weighing up the skills, capabilities and experiences of a number of possible players in order to instruct the one which is seen to offer the best fit with their requirements, then insights in these areas must be valuable.

In working with strategy groups, one of my most frequently-used idioms is that one doesn't need to be perfect, just better than the competition at the things which are of most importance to the client. Firms tend to invest far too little in understanding their competitive context.

Of course, understanding what matters to the client is not straightforward. It involves gaining insights into which aspects of the proposition are 'table stakes' (capabilities which are fundamental but which will be possessed by all competing firms, necessary but not sufficient and therefore of low weighting in the final decision-making process) versus those which are determinant.

Whilst such thinking may be applied by some at a granular level in considering how best to win individual clients, it is also critical when contemplating overall strategy. Having identified the markets in which the firm wishes to compete, what are the resources required in order to compete effectively?

Such resources may be wide

ranging and could include, for example, specific legal talent, people, locations, physical assets, technical competencies, management capabilities, process skills, relationships and financial firepower. There are potentially significant investment decisions, with the best use of scarce resources being key when seeking to achieve a strategic advantage.

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For those considering repositioning strategies, thinking must extend to the competitive map of the new markets they seek, not just those in which they currently compete. For all firms, the competitive threat of emerging competition and new entrants should be a specific discussion. A further factor is the emergence of substitutes which take away the need for engaging a law firm entirely by reshaping the way in which risks are managed and commercial outcomes achieved.

By understanding the strategies of competitors, a firm will be better positioned to counter them. Insights into competitors' value proposition and pricing means it will be better able to counter them. By dissecting their approach to client management and service delivery, a firm can evaluate where it has a competitive advantage and may be able to push home the capabilities which are of particular importance in the markets it is targeting.

Yet, in many firms, there seems to be a reluctance to explore such issues in anything more than a superficial way. The reasons stated for such an aversion range from the practical (we don't have this

information and we can't see how we can acquire it) to the antiquated (gentlemen don't do that sort of thing, do they?) to the arrogant (why on earth would that be relevant, we know we're much better than them and, if the client can't see that, then more fool the client).

Of this range of excuses, the practical barrier argument does carry some weight and bear further discussion. Of course, it is difficult to unearth detailed insights into the specific approaches adopted by competitors – much is cloaked or, conversely, exaggerated by spin doctors so as to bear little resemblance to what happens in practice. However, the acquisition of this knowledge lies at the heart of the creation of a strategy which differentiates and is sustainable.

Of course, the grapevine is one source which, if validated, can be invaluable, but so also are client listening debriefs, discussions with new joiners, commissioned or syndicated market research, tender debriefs, client contact reporting systems and better scrutiny of published information, media coverage, annual reports and LLP accounts. Taken individually, none will give the complete picture but, considered collectively, an image will emerge to usefully inform the direction and shape of a strategic discussion.

Sun Tsu wrote in *The Art of War*, over 2,500 years ago: "If you are ignorant of both your enemy and yourself, then you are a fool and certain to be defeated in every battle. If you know yourself, but not your enemy, for every battle won, you will suffer a loss. If you know your enemy and yourself, you will win every battle."

A strategic discussion which omits the competitive element is one-dimensional and very unlikely to deliver a successful outcome.

Andrew Hedley has been advising law firm leaders on strategy and change management for more than 15 years (www.hedleyconsulting.com)