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Answering the big strategic questions with honesty and objectivity

There are a small number of key strategic questions which any firm must be prepared to discuss, honestly and objectively, if it is to best equip itself to address future opportunities and mitigate threats. This will mean engaging in a partnership-level dialogue, which will be uncomfortable for many and threatening for some. It has been my experience that the very best firms have one common characteristic – they have an unwavering focus; they know what they are in business to do and what not to do.

Absolute clarity of purpose drives decision making and ensures that investment is targeted. Clients have a clear understanding of the value proposition and the firm is able to develop a business model which is wholly aligned with its core purpose, rather than having a series of compromises to accommodate the contradictory needs of diverse bedfellows. In short, the decision to focus in itself brings competitive advantage over more diffused competitors.

Focus in practice

Focus can mean many things – it may suggest a particular segment of the market, a specific set of practice areas, a group of industry sectors, a certain geography, targeted types of client, a unique business model or a cohesive combination of a number of these components.

Greater focus can mean different things in practice. Take, for example, a firm which decides to focus on the defendant insurance market. It would need to have certain characteristics and to develop a number of core competencies in order to succeed. In addition to legal skills across core disciplines, it would also need strong process and project management capabilities, as well as IT infrastructure that supports lower-priced, lower-margin, process-rich work.

The firm would likely need a lower proportion of owners (i.e. equity partners or

external investors) and a higher proportion of non-solicitor fee earners. A need to reduce the cost of production would also imply lower-cost locations, thus defining a geographic footprint which flows logically from the decision to focus. A smaller number of high-value clients would mean that business development is based heavily on key client management and retention.

Achieving consensus

In order to arrive at a consensus on the future trajectory of the firm within the leadership team, there are a relatively small number of 'big questions' that need to be considered.

Some of these, quite naturally, relate to external factors – clients, markets, a changing economy, demographic and societal shifts, together with the actions of current competitors and threats posed by those newly emerging.

“The decision to focus in itself brings competitive advantage”

There are issues that every firm needs to discuss and decide upon which are closer to home, relating to the firm's competencies and capabilities, together with the aspirations of the partners themselves. It is only by developing a clear understanding of where the firm is trying to navigate in the longer term, and by working through the implications of such a decision, that the levels of focus can be articulated.

This means better understanding the markets in which the firm can best compete in order to create a sustainable and profitable future. To do this, it will need to understand what key value-creating activities are involved in such markets and how the firm can perform better than the

competition in areas most important to the client constituencies that are being targeted.

This, in turn, leads to an assessment of current resources (which encompass, for example, legal skills, business processes, financial management, client relationships, technological competence, facilities and geographic footprint), as well as the identification of new assets that will need to be developed or acquired in order to compete.

Such an assessment must also be contextual, and so a clear understanding of the external environmental factors that affect the firm's ability to compete will be required. These could be macro factors driven by economic changes (to which the firm will need to respond) or more micro in nature (for example, the ability to attract and retain the staff that will be required to forge the future shape of the firm). A sensible strategy would also look at key risks and conduct a sensitivity analysis to assess levels of business exposure to such factors beyond the control of the firm, including how such risks might be hedged.

All of this will be fundamentally driven by the values, expectations and ambitions of those with power in and around the firm. Without a leadership team prepared to take difficult decisions and to drive the firm to a different future, the other big questions become meaningless or tangential.

For many leaders, creating this clear and unified view, together with addressing the consequences of such a focus, is the single biggest opportunity and challenge they face. It is the elephant in the room which needs to be addressed in order to bring clarity and purpose to the business. ■■

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