

Deliberately Strategic - Linking Competitive Strategy to Effective Implementation

By Nick Jarrett-Kerr

Deliberately Strategic

Current competitive pressures should compel law firms to undergo a deliberate strategy formulation process. In recent times, many well-run firms have managed – even despite recessionary difficulties – to survive and prosper even with a minimal amount of strategic planning and despite lacklustre implementation. The past benign environment for law firms is not however a good guide to the chances of future prosperity. Client and pricing pressures combined with the increasing dominance of larger firms, service commoditisation and the possible entry of new providers provide for law firms everywhere a more hostile and less profitable arena in which to compete. Firms can therefore no longer get by just by continuing on the strategic path which was created long ago. Simply continuing to do what has always been done will lead to inevitable decline over time, not least through client and partner atrophy. The inexorable increase in the standardisation and commoditisation of legal work has also brought about a steady decline in the standing of lawyers as providers of expertise-driven solutions. Standardised solutions have enabled non-lawyers to attack the traditional markets of law firms both as a result of deregulation (impending and actual) in jurisdictions like the United Kingdom and the steady annexation of legal work everywhere by accountancy firms, surveyors, banks, consultants and other external competitors. This in turn means that law firms can no longer rely on their historical

market positioning or on traditional working methods and solutions.

A further problem is that, if left to themselves, different office and practice groups – and even individual lawyers - will make their own plans and, without an overall firm plan, the firm may end up with multiple and conflicting plans and goals. Lack of cohesion in a law firm – particularly in start-up phase – may not historically have been a strategic show-stopper, but in the face of the an increasingly hostile competitive environment, the most successful firms are those which have managed to create sophisticated degrees of overall strategic intent – that is, vision purpose and identity - and have developed into united and harmonious fighting forces with one overall strategic plan, and an integrated harnessing of resources, assets and capabilities.

Developing a formal strategy execution process

Even where a carefully crafted strategic plan is in place, its implementation is fre-



quently poorly done. I have noticed that strategic planning exercises often end up with a list of initiatives and action points which land firmly in the laps of the managing partner (MP)

The Role of the Top Management Team in Strategy Execution

Role	Examples and Definitions
Promoter	<ul style="list-style-type: none"> ▪ Initiating Strategic Projects ▪ Executing cross-firm projects ▪ Leading Cultural Change ▪ Developing Structures
Sponsor	<ul style="list-style-type: none"> ▪ Supporting group/team activities ▪ Allocating Resources ▪ Empowering people and teams
Coordinator	<ul style="list-style-type: none"> ▪ Liaison ▪ Aligning and integrating ▪ Monitoring and reviewing activities
Motivator	<ul style="list-style-type: none"> ▪ Communicating and educating ▪ Linking individual and group goals ▪ Demonstrating passion/commitment

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spirit of hope or left to chance or (worse) to the caprice and whim of a few control freaks. Instead, strategic execution should be planned operationally, and then applied methodically with a formal process. 1

or top management team (TMT). Partners then exhale a huge collective sigh of relief that they have ended up with nothing to do, no changes to make and no initiatives to pursue. The MP or TMT in turn end up with an impossible list of initiatives. Even firms with deep investment pockets or appetites find that money cannot always buy success and that most winning strategic initiatives require, throughout the organisation, substantial internal change, huge personal pain and large investments of time and effort. Put bluntly, even with the best strategic plans, strategic implementation failures often then take place for two reasons. The first problem occurs when the TMT takes on (or tries to control) too much whilst the remainder of the firm takes on too little or abrogates responsibility for anything which is not directly fee-earning. The second is when partners agree to take on action points or initiatives, and then fail to deliver. Strategic execution is so important that it should not be pursued in a

Hence the role of the MP or TMT is not just to roll up the sleeves and pursue action points themselves to the exclusion of others but should be mainly concerned with four distinctive roles. These important roles - the roles of Promoter, Sponsor, Coordinator and Motivator - together provide the foundations for building a successful strategic execution process whatever the size of the firm, but recognising that the TMT will bear a greater operational burden in smaller and medium sized firms.

Promoter

The Promoter role places the MP or TMT in the driving seat for initiating strategic projects and seeing through selected cross-firm strategic initiatives, such as mergers and acquisitions and large-scale capital investments. The TMT is primarily responsible for blue sky thinking - watching the competitive and economic landscape for trends, ideas and risks which might positively or negatively affect the firm's planning and strategic execution. Furthermore, the TMT carries the primary responsibility for protecting and leveraging the firm's brand and indeed



1 R S Kaplan and D P Norton (2008) The Execution Premium (Harvard Business Press) reports a survey conducted by them which shows that having a formal strategy execution process made success two to three times more likely than in firms which have no system

its culture. The TMT needs to ensure they all those involved in the process of strategic implementation understand and accept the practical changes required by the firm's strategy and the changes in behaviours that the firm will now need to expect. The TMT constantly needs to reflect on the values which the firm needs to espouse to ensure success – values such as hard work ethic, innovative thinking, openness to change – and should take steps to ensure that those values are established and enforced.

Sponsor

The second important task of the MP or TMT is the supportive role of Sponsor. The concept here is that the firm's project teams, practice groups, client teams, support services and individual partners all must be engaged in executing strategic projects. The TMT provides a pivotal support role in providing discipline, prioritisation and resources to the firm's portfolio of strategic initiatives as well as ensuring that all projects are supported with clear data. Arbitration may also be needed when teams or offices are competing for resources or where there is conflict between different projects, such as where two offices of the same firm are, for example, competing for a major office upgrade. The sponsorship role also requires financial and budgetary custodianship. We are all now used to the concepts of CAPEX (capital expenditure) and OPEX (operating expenditure) and I rather like the additional concept of STRATEX (strategic expenditure) – a special budgetary category to define, fund and manage the portfolios of strategic initiatives and to separate strategic investment from operational investment. In a people-heavy business, strategy execution gets largely driven throughout the right people

in the right positions doing the right things at the right time. Firms often refrain from hiring people until they have sufficient work available immediately. High level agreement over the firm's recruitment STRATEX fund can help to persuade otherwise cautious partners to kick-start a strategic recruitment campaign. The Sponsorship role also includes a responsibility to coach, mentor and encourage partners and teams to have the confidence to pursue their agenda and to develop their practices

Coordinator

The Coordinator role is largely concerned with joining up the dots, and is a familiar part of any TMT's core responsibilities. There are three main levels to the Coordinator role. First, there are aspects of operational planning that can only be done if synchronised and integrated into an overall plan. The role here is not just a copy-and-paste activity for departmental plans but is to challenge the operational units and practice groups to innovate, plan and develop added-value methodologies for service delivery, for new ways of doing things and for better ways of performing. Further to this, whilst the firm's practice groups will be primarily responsible for developing their people, their skills and their capabilities, it is the role of the TMT to ensure that the firm has a compelling balance of individuals at every level of the firm capable of driving the firm forward, of meeting service and



quality standards and meeting the firm's leverage and succession needs. The second level to the Coordinator role is as far as possible to prevent the various parts of the firm from developing into independent silos, but instead to promote harmony and correlation between the plans and operations of individual practice groups and support teams. The third level of the Coordinator role is the over-arching responsibility for the performance of the firm and its constituent parts both against budget and in achieving strategic goals.

Motivator

The Motivator role of the TMT requires great leadership skills and ability, and is perhaps the single most important role of the TMT in executing strategy. It combines the essential tasks of communication, motivation and exemplification. A recent survey of 26000 people in 31 companies² shows the flow of information through an organisation to be the top rated element in executing strategy. Execution is strongest in firms where everyone has a good idea of the decisions and actions for which they are responsible, where important information about the competitive environment gets up and down the firm quickly and where information flows freely across the firm. Information flows and motivational issues formed eight out of the ten top rated fundamental traits of organisational effectiveness in this survey. One vital piece of communication relates to the firm's strat-

2 R L Neilson, K L Martin
and E Powers The Secrets to
Successful Strategy Execution
HBR June 2008

The logo consists of the letters 'NJK' in a bold, sans-serif font. The 'N' and 'K' are dark red, while the 'J' is a vibrant blue. The letters are closely spaced and have a slight shadow effect.

egy. It is the job of the TMT to synthesise and summarise the main elements of the firm's strategy in terms which people can understand, remember and express. The Motivator role also provides and encourages links between the firm and the individual - lines of sight between the firm's goals and an individual's day to day work, and the links between strategy, performance, rewards and advancement. The final part of the Motivator role is leadership by example. In the context of strategy execution it is vital that the TMT are 'on song' with the strategy and consistently demonstrate passion and commitment to the firm's progress towards its strategic goals. Almost all strategies require change and the ability of the firm's leaders successfully to mount and develop a persuasion campaign is always a vital element in any change programme. Persuasion requires more than compulsion and management by dictat, however frequently and effectively the leaders communicate. Hence the persuasion campaign by the TMT should be not just by words and management control but by action and example.

Operational Execution

It has often been observed that strategic plans should be flexible and dynamic. Two main design or structural impediments obstruct operational efforts. The first reason arises out of bad planning -where the plan is impractical, flawed, woolly, imprecise, internally obsessed, impossible to fund or insufficiently actionable. The second structural reason is that the plan has become outdated or has already been overtaken by emerging events or competitors. In both cases, the plan needs frequently to be revisited and revised so as to be action-based, flexible and

competitive. The negative impacts caused by the unexpected loss of a key client or partner, the advent of recession, or the arrival or increased competitiveness of a main rival can and should all cause a circling back from the execution phase to the planning stage. The positive opportunities arising from new innovations, clients, major pieces of works and developing capabilities should all cause a recalibration of the firm's strategic horizons. This recircling exercise can become a healthy and virtuous circular activity of testing and adaptation as the firm develops its strategy, plans its implementation efforts, engages in operational processes and strategic initiatives, monitors and learns and then revises the plan.

A methodical approach

Statistics consistently show three things about strategic planning and execution. First, surveys tend to suggest that organisations that have undertaken some degree of deliberate strategic planning and have a set of well worked strategic targets tend to be more profitable than those who have no explicit and agreed objectives ³. Second, although nearly three quarters of law firms claim to have a written strategic plan, the planning horizon tends to be quite short – hardly any law firm looks further than five years and nearly one-third plan for three years or less ⁴. Third, when they do have a written plan, it tends not to be optimally implemented ⁵.

There has never been a greater need to take a serious and methodical approach to strategic planning and implementation. Formalising the TMT's role in strategy execution is a good starting point.

³ See for example research undertaken by Steven French, Stephen Kelly and Jennifer Harrison (The Role of Strategic Planning in the Performance of Small Professional Service Firms (2004)(Journal of Management Development Volume 23) which found a significant relationship between net profit and informal strategic planning.

⁴ See for example the Managing Partners Forum 2007 survey on strategy in professional service firms

⁵ The MPF 2007 survey shows less than 50% of law firms feel that they have managed to execute most or all of their strategies.

