JUGGLING PRIORITIES

IN THE SECOND IN A SERIES OF ARTICLES, VISITING PROFESSOR NICK JARRETT-KERR OF NOTTINGHAM LAW SCHOOL EXAMINES HOW TO EFFECTIVELY PRIORITISE AND IMPLEMENT STRATEGIC INITIATIVES

FIVE THINGS YOU WILL LEARN FROM THIS MASTERCLASS:

1. How to implement strategic projects in an ordered and methodological manner
2. How to identify which strategic projects match up with your firm's goals
3. How to prioritise resource-competitive projects
4. How to integrate initiatives into the firm's operational plans and budgets
5. How to ensure accountability for implementing initiatives

In the first of my series of articles on strategy execution, I discussed the ways in which a firm's top management team can help to implement its strategy by promoting, sponsoring, coordinating and communicating strategic projects.[1] Here, I set out the ways in which a firm can juggle its priorities and resources to implement strategic projects in an ordered and methodological manner.

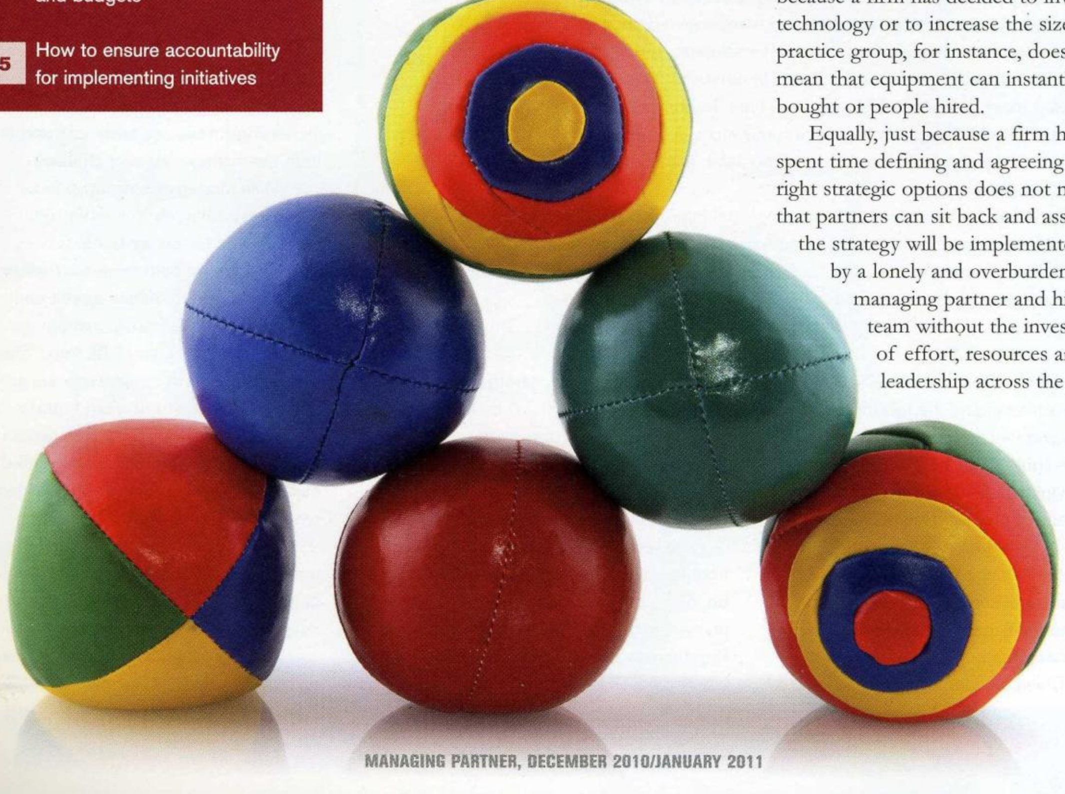
Firms can sometimes spend a huge amount of time agreeing their strategies and then proceed to implement them in a haphazard and arbitrary manner, often biting off far more than they can immediately chew. The result can be an increasing list of half-completed and abandoned initiatives, and a frustrated partnership.

Mapping strategic options

Once a firm has agreed its overall strategic plan, one key early task is to identify the strategic projects which it is hoped will lead the firm towards implementation of its strategic goals, to prioritise resource-competitive projects and then to integrate them into the firm's operational plans and budgets.

The identification of a strategic project does not automatically mean that a senior manager or practice group has any authority yet to proceed. Just because a firm has decided to invest in technology or to increase the size of a practice group, for instance, does not mean that equipment can instantly be bought or people hired.

Equally, just because a firm has spent time defining and agreeing the right strategic options does not mean that partners can sit back and assume the strategy will be implemented by a lonely and overburdened managing partner and his or her team without the investment of effort, resources and leadership across the firm.



TESTING STRATEGIC INITIATIVES

Strategic initiatives should be tested against four important criteria:

1. **Strategic alignment** – what part of our strategy is this initiative intended to support? What goals or objective is this project aimed at?
2. **Strategic benefit and outcomes** – what are the expected outcomes and results?
3. **Resources** – what resources are needed to bring the project to success, what are the costs and funding implications, and what are the time requirements?
4. **Capabilities** – how confident are we of our ability to deliver this project, what degree of change is necessary and what is the risk if things go wrong?

The various strategic initiatives can then be scored or assessed to agree the most promising set of overall initiatives. This process also helps the firm to arrive at the performance indicators, financial metrics and strategic milestones which should lead to and define success.

One way of achieving the right set of important and urgent projects is to map them on a strategy map. Figure 1, which is based on the works of Kaplan and Norton[2], forms a neat way of categorising the various elements of the firm's strategic plan into four different perspectives, each divided into sub-areas.

The first stage of mapping enables a firm to recognise the main areas where strategic work needs to be done. A firm with a growth strategy, for instance, would need to work up and down all four perspectives as it builds and develops teams, works on its systems and processes, develops new business and manages performance of its established and recently-acquired staff.

Equally, a firm which decides to introduce a new technology system or process will need to consider the following to ensure it is fully utilised:

- the impact on all four perspectives as it works through the funding requirements for the necessary capital expenditure;
- the likely return on investment;
- the anticipated benefit to clients;
- the possible impact on the firm's brand;
- the behaviours which need to be developed and reinforced if the system is to work optimally; and
- the training and development of staff.

Prioritising initiatives

Many firms do not appear to prioritise strategic initiatives sufficiently carefully. I often witness one or more of the following seven deadly sins of implementation.

1. He (or she) who shouts loudest for resources will often get them.
2. Prioritisation is decided based on positions of power or internal politics, and not on what is likely to be best for the firm.
3. Initiatives – particularly office moves – are agreed on gut instinct in an effort to outshine competitors and with little by way of cost-benefit analysis.
4. The managing partner and the top management team end up with a long list of projects and working partners avoid getting any.
5. There is no attempt at prioritisation and the firm ends up with a proliferation of half-completed and abandoned projects.
6. Overstretched partners take on projects for which, realistically, they will have little or no time. Initiatives are agreed which everybody knows will never actually happen, usually because of lack of time or proper accountability.
7. Projects are decided without proper assessment or analysis, either on a copy-cat basis or on a simple assertion that 'we must do this'.

It is, of course, true that the strategic plan is likely to generate multiple initiatives across the firm, including projects which are practice group specific and those which cross group boundaries. Priority decisions need to be made as objectively and clinically as possible (see box: 'Testing strategic initiatives').

Budgeting and funding

Budgeting and funding are vital elements in the prioritisation process. Law firms are often under-capitalised by external standards and partners are always anxious to avoid profit dilution in the current – or indeed in any – year of trading.

Funding and budgetary constraints will impact upon the array of strategic projects, with some deep-seated partner prejudices needing to be overcome. Such prejudices often concern the value of long-term strategic investments and surface in different ways. The partner nearing retirement, for example, may not be happy to invest in projects in which he is unlikely to see a return during the remainder of his practising life. Other partners may be sceptical about the value of investment in technology.

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But it is in the area of growth that the greatest chance of prejudice often lies. In principle, most partners are not against growth – particularly if it does not require them to change greatly. Hence, growth by the organic means of hiring and developing new people does not in itself cause problems, provided there is an existing stream of work which newly-arrived lawyers can tackle.

If there is likely to be an insufficient volume of internally-generated work for the new arrivals, things become trickier because many managing partners will instinctively resist hiring new people – especially laterally-hired partners – unless convinced that such partners will almost certainly be able – as the expression goes – to 'wash their faces in their first year'.

However, strategic growth almost certainly involves elements of risk.

Efforts to prime the growth pump will require firms to increasingly make strategic hiring decisions which may not break even in the first two years.

Here, the concept of Stratex is appealing. We are all used to Opex (operating expenditure) and Capex (capital expenditure). The identification of a separate line of strategic expenditure can be useful in identifying and prioritising growth initiatives in which the expected long-term benefits and returns can be fixed and monitored.

Even so, strategically sustainable options are often ignored in the face of gut instinct and even pride. The glut of office moves by many firms to expensive new 'signature' offices prior to the recession can be seen, with the benefit of hindsight, to have been ill-considered and senseless.

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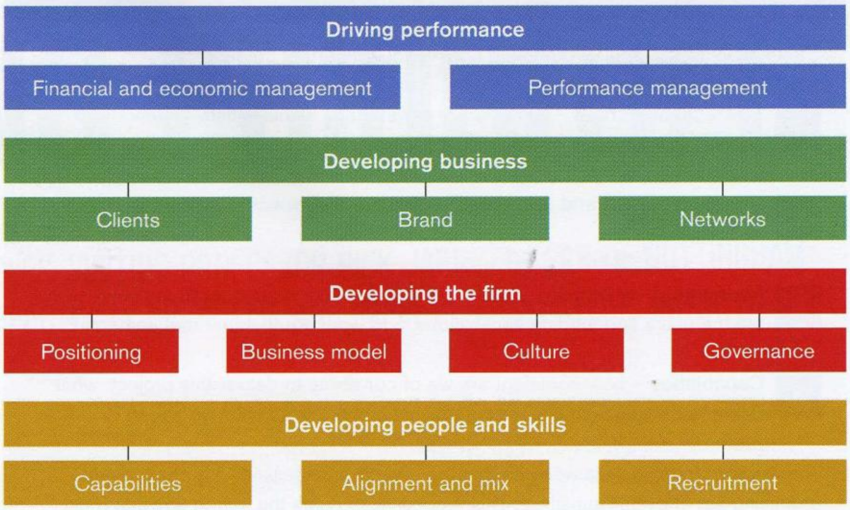
Funding options are also under strain as banks keep their lending parameters tight and restrictive which, in turn, force firms to consider increasing partners' capital or adopting innovative forms of funding.

There is a knockback here to the partnership's strategic intent. How far is the firm's shared vision and sense of purpose sufficiently strong for the partners to feel comfortable about introducing new forms of funding? Whether defined as loans or investment stakes, this will almost certainly mean a loss of power and an increase in financial risk.

Accountability for strategic initiatives

The lack of partner accountability in law firms has been much discussed in management circles in recent years. Most firms suggest that progress is being made to ensure their partners understand their responsibilities and to hold partners accountable for taking the necessary action to manage their teams and clients. Much effort has also been made throughout the legal sector to value non-chargeable activities which are seen as contributing to the firm's financial and strategic success.

FIGURE 1: MAPPING STRATEGIC INITIATIVES



Even so, the development of project management skills in law firms is very much a work in progress; the rock seems to be only halfway up the hill in most firms. This is particularly true when considering long-term projects rather than the day-to-day management of legal work.

Much progress is at last being made – particularly in North America – in legal project management (LPM). Lawyers are at last getting to grips with the project management skills and techniques needed to manage multi-lawyer complex engagements in their own teams as well as in the execution of mandates which cross jurisdictions, offices and practice groups.

All project management programmes include sequences and stages of planning, budgeting, specifying scope and outcomes, allocating resources, monitoring, supervising and coordinating teams and signing off on projects.

However, strategic project management (SPM) differs from LPM in three important ways. First, many SPM initiatives cross functions and practice groups. They may not easily fall within the existing responsibility of any partner or member of the top management team. Projects such as partner remuneration changes, or those involving the acquisition of firms or a major restructuring can therefore easily default back to the firm's managing partner who may not always be in the best position to execute those projects (though he or she will always have a responsibility for launching, sponsoring, coordinating and inspiring those projects).

Second, SPM initiatives almost always require non-chargeable time from busy lawyers who often consider client work to be their day job and management activities to be fitted in on the rare occasion client demands allow.

Third, SPM initiatives are highly operational and resource-hungry and yet do not always have easily-defined completion dates and success criteria. Partners who become involved in strategic projects find themselves faltering on a journey which seems never-ending, where the road is strewn with potholes and rocks which impede progress. This makes it all the more necessary to plan properly, report frequently and measure progress incessantly.

Increasing success

Law firms have traditionally been littered with uncompleted or failed strategic initiatives. Careful planning and prioritisation can provide the foundations for better success, whilst prudent budgeting and careful lines of accountability can transform the odds for successful strategic implementation. mp

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Endnotes

1. See 'Deliberately Strategic', Nick Jarrett-Kerr, *Managing Partner*, Volume 13 Issue 2, October 2010
2. See *The Execution Premium*, RS Kaplan and DR Norton, Harvard Business Press, 2008