Increasing Competitiveness Through Adaptive Strategy

Over a decade ago, corporate and law firm strategists developed 5 and even 10 year strategic plans. Yet years of disruptive change have rendered stagnant 5-10 year plans ineffectual. Given the rapid pace of change impacting so many industries, including legal, organizations cannot afford to settle on long term strategic plans without a built-in mechanism to re-evaluate and pivot strategy in the short term.

As a result, an increasing number of organizations are now focused on developing and implementing one year plans, in support of a clearly defined long term vision for the firm. Of course, the number of law firms with the resources, internal or external capability, and perhaps most importantly partnership appetite, to annually redevelop a strategic plan is limited at present. However, the idea is one worth real consideration for law firms. Why should firms be rethinking their strategies with increased frequency? How do firms go about developing shorter term plans which lead towards achievement of longer term goals? What are the practical implications for how such an approach might work within a law firm?

Benefits of an Adaptive Strategy

All too often, law firms develop multi-year plans which are based on the market and the firm’s position at a given point in time, without a built-in method for adapting the plan as the firm, and the world around it, changes. By virtue of maintaining stagnant and out of date plans, firms reinforce status quo thinking among their partners. If leadership doesn’t seem particularly concerned about re-evaluating a firm’s strategic direction, partners will operate under the view that the current trajectory seems to be working just fine. These firms are quick to fall behind, as more aggressive competitors develop and identify opportunities allowing for superior practice expansion, increased market share and/or growth in profitability.

By contrast, firms that periodically step back to re-examine their strategy in light of market changes are better equipped to respond to, or even anticipate, market forces. This enables them to identify emerging and declining areas of demand, to win work and talent away from sleepier competitors, and to ensure that external forces at play - other law firms, substitutes in the form of LPOs, Axiom-type entities, AI, in-house departments, technological change, legal system reform, and clients, etc. - don’t render their position less relevant or competitive tomorrow.

Characteristics of an Adaptive Strategy

An adaptive strategy is one that evolves as the organization evolves. This is not to say that it is amorphous, ill-defined or wishy-washy, and thus easily manipulated based on the whim of an individual or a group at any point in time. Instead, it is a living, breathing course of action, which is informed by a clear set of long-term goals or vision for the organization. This long-term vision outlines the firm’s desired future market position and the difficult choices and prioritization of goals required to get there. What allows the strategy to be adaptive is the way in which the organization learns and re-evaluates its strategy over time.

A look at several of the most strategically adaptive law firms reveals common themes among them:

Adaptive firms have a clearly defined long term vision. While these firms regularly re-evaluate and modify the shorter-term aspects of their strategic plan, near term strategies and actions are closely linked to a clear and compelling vision for the firm’s long range goals and desired future market position. A clearly defined long term vision requires specificity around a set of goals for the entity and future competitive position. While these must be rooted in the reality of the firm’s starting point, they should also reflect the evolution that the firm must undertake to get there. For most firms, these longer term goals provide constancy which binds the organization together and a steady course for the firm’s long term direction. Shorter term, one year plans linked to the long term vision enable firms to take action in light of current market conditions to achieve longer term goals.

Adaptive firms are market focused. These firms educate their people on the client’s perspective and changes in the
external marketplace. Their leaders and their partners are also more forward looking, open to innovation, and willing to explore the implications of broader industry shifts on the practice.

**Adaptive firms are not blinded by past success.** Strategically adaptive firms are not victims of their own success. Much has been written about the risks to businesses that have become complacent due to past success. Firms that are effective at adapting their strategy and direction in response to market changes are not fixated on past victories or superior competitive and financial performance. Partners in these firms don’t utter the phrase, “It has always worked for us in the past.”

**Adaptive firms are learning oriented.** These firms recognize that strategy implementation must be treated as a learning process – often through trial and error - and they develop a ‘learning habit.’ Learning through strategy implementation requires monitoring the outcomes of strategic actions, measuring results, and candid reporting and dialogue about why certain actions were successful, or not. This enables the firm to take action to move the entity forward in a particular direction, while learning from mistakes and adapting the strategy accordingly.

**Practical Approaches**

So, how do firms go about shifting their thinking from a stagnant 5 year plan mentality, to one of a market adaptation? Migrating towards a more adaptive strategy starts with identifying a more regular and frequent process for strategy renewal and implementation planning.

Many firms seeking to become more adaptive utilize an annual renewal process at the start of each fiscal year. Through this process, they step back and evaluate their current market position relative to their long term goals and vision, and develop a 12 month plan which maps out the actions the firm will take to implement its strategy that year in support of the longer term goals.

This annual implementation planning and renewal process enables firms to better identify and respond to emerging areas for growth, as well as areas of likely decline. They are also able to focus on the recent competitor, client and other external player moves that are likely to impact the firm in the near term – all of which may have been otherwise noted, but not necessarily acted upon, without an annual renewal effort.

In addition to an annual planning process, adaptive strategy also requires a mechanism for following up on one year plans during the course of the year, and using those conversations to highlight longer term issues which may impact future strategy. We find that one of the most effective mechanisms for accountability and follow through in plan implementation is through quarterly leadership meetings to review progress in strategy implementation, including a report out on actions taken that quarter relative to the plan. These meetings are an ideal forum for evaluating and learning from the results achieved by strategic actions, and cataloguing bigger picture market or strategy shifts for year-end consideration.

For example, in one of our client’s recent strategic planning efforts, the firm identified a particular initiative and set of actions around using Legal Project Management (LPM) to enhance client service. At the time of the planning effort, LPM was a fairly untested concept within their partnership, and the plan included only a basic introduction and piloting of LPM. However, within a matter of months, the firm had experienced material success in educating partners about LPM and was ready for broader rollout. In this particular instance, the quarterly meetings were an ideal mechanism for ensuring follow-through on the initial implementation, and then once progress had been made, identifying a second phase of implementation requirements in light of current internal and external conditions.

Every organization’s strategy must have the ability to adapt to changes in the marketplace in order to remain relevant and offer a successful pathway for ‘winning’ against competitors. An adaptive strategy is one which enables a firm to regularly review and revisit long term goals to ensure that they are appropriate and to identify the shorter term strategies and actions required to achieve those goals.

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