



Strategy in Volatile Times

Recent years of unforeseen and disruptive change coupled with intense social, political, and economic volatility have rendered long term strategic planning a challenge for law firms. As world events have unfolded over the past 36 months, firms have successfully pivoted operations many times over - from pandemic response and shifting to remote work, to virtual people management and responding to materially increased demand, to aggressive hiring and a war for talent, to dealing with attrition and reinventing retention strategies, to return to office, to exiting some markets, and the list goes on. Law firms continue to operate in an environment of uncertainty – lacking a clear picture of what the future holds in terms of client demand and potential future economic pressures.

While law firms have been necessarily preoccupied with shorter term operational requirements, ongoing evolution in the legal industry and the broader economy continues to challenge firms to rethink their strategy and overall competitive position. Many firms recognize the need for establishing a more current and coherent long term direction, but they also find the idea of long term strategic planning daunting in the midst of tumultuous change. How should law firms seek to develop a strategic plan in such a volatile environment?

Long Term Planning in a Volatile Environment

For many law firms, strategic planning in a volatile and uncertain environment requires reinventing the law firm's view of strategic planning and implementation processes. Law firms often view strategic planning as a linear process to be invested in roughly every five years. Plans developed under this construct are often based on the state of the legal industry and the firm's position at a given point in time and lack processes required to learn and adapt strategy as the firm, and the world around it, changes. While the plans may be brilliant at the time of development, linear process plans remain static, and as a result, they can quickly become partially, if not fully, irrelevant in a volatile environment. As a result, firms that infrequently evaluate strategic direction can lose ground relative to competitors and the marketplace, particularly in light of the increased pace of change in the industry.

Today's volatile environment requires law firms to shift towards more agile strategies. An agile 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 agile is the way in which the organization learns and re-evaluates its strategy over time.

Characteristics of Strategically Agile Firms

Analysis of the most strategically agile law firms reveals common themes among them:

Agile firms are market and client focused. Agile firms regularly research, analyze and monitor changes in the legal industry and in client expectations. They also regularly (i.e., annually for associates and others, and at least semi-annually for partners) educate their people on the client's perspective and changes in the external marketplace. Their leaders cultivate a culture that is forward looking, open to innovation, and willing to explore the implications of broader industry shifts on the practice. In doing so, these firms stay ahead of the changes most heavily impacting their clients and the legal industry overall and prepare their people for the strategic pivots that may be required to respond in times of market volatility.

Agile firms have a clearly defined long term vision. While agile firms regularly re-evaluate and modify the shorter term

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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.

Agile 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 key decisions and actions, measuring results, and facilitating discussions 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 accordingly. Over the past several years, a learning-orientation has been particularly valuable as firms have experimented with evolving approaches to hybrid work, sought to build collaboration in a hybrid environment, and explored a range of retention and employee engagement strategies.

Agile firms are technology forward. In spite of what might appear to some as a major evolution in law firm application of technology over the past couple of decades, technology-driven change in the legal industry has only just begun. In order for firms to effectively prepare for technology's future impact on the practice, law firms must cultivate a more forward-looking approach to technology investment and adoption. This can be challenging for more traditional law firms, particularly those that have been late adopters of technology advances, or those that have not sufficiently invested in technology in the past.

Shifting Towards a More Agile Approach

If your firm struggles with strategic planning in a volatile environment, and thinks about strategic direction in a more stagnant or linear way, how should you shift your firm to a more agile approach?

To migrate to a more adaptive strategy firms need to commit to annual strategy review and renewal. Through this process, the firm can 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 and in light of critical changes in client needs, competition, talent, or the broader economy. This annual update 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 market dynamics 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.

A second and equally valuable step towards a more agile strategy involves supporting annual strategic plan renewal through client feedback and market and competitor research and analysis. Formal, ongoing (vs. one off) client feedback programs help firms identify emerging trends in client demand and in the legal industry broadly, provide valuable information on competitors, and, perhaps most importantly of all, lead to opportunities to strengthen and build client relationships, even in volatile times. While many firms conduct client interviews periodically or dedicate resources to market research on occasion or for a specific project, too few firms do so in the context of a robust annual strategic plan renewal effort.

Every organization's strategy should adapt to changes in the market, particularly in a volatile environment. Firms who recognize the need to regularly revisit their strategy, while holding true to their long term vision, will outpace competitors.

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