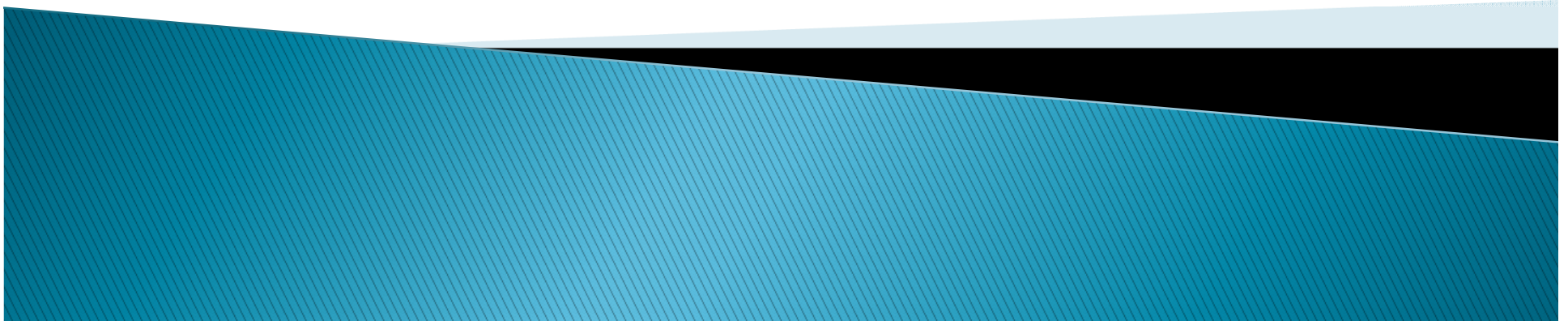


Strategic Planning for 2016 and Beyond

Primerus Business Law Institute
May 5, 2016, New Orleans
Presented by Stephen “Pete” Peterson



Agenda

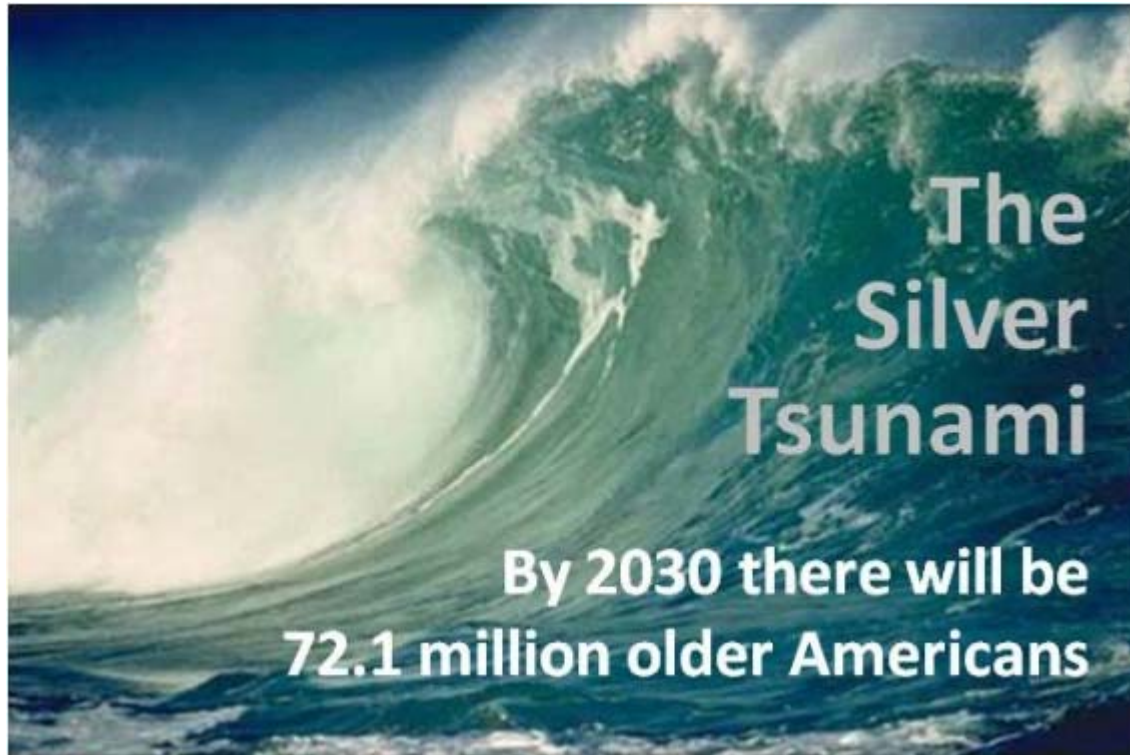
- ▶ Forces shaping trends in the industry
- ▶ What is strategic planning?
- ▶ Key areas of planning focus
- ▶ Applying business concepts in a law firm setting
- ▶ Internal dynamics impacting strategy



Forces shaping trends in the legal industry—emphasizing the need for planning

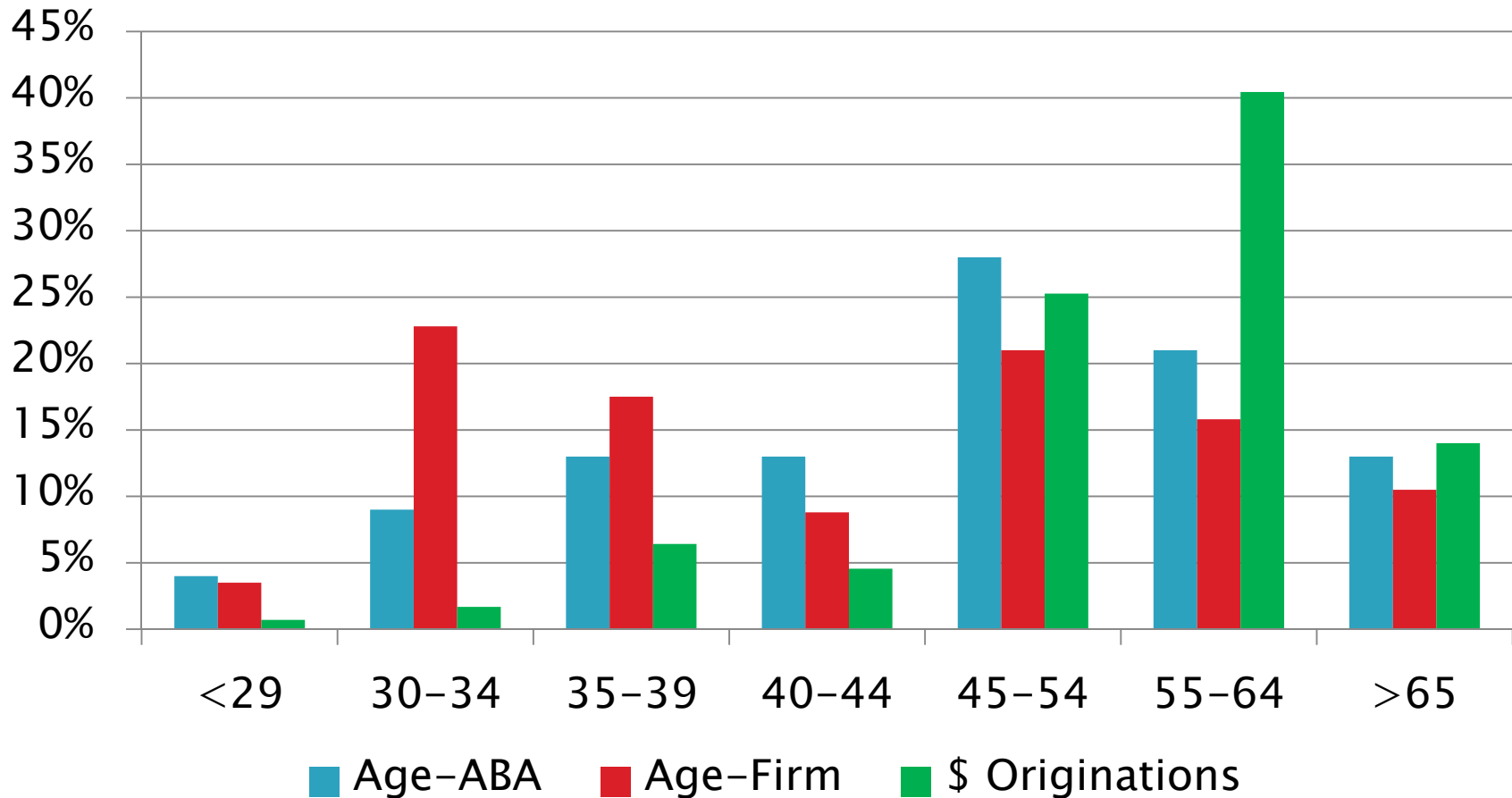
- ▶ Business model
- ▶ Invasive species
- ▶ Overcapacity
- ▶ Compensation structures
- ▶ Cost containment
- ▶ War for market share
- ▶ Succession
- ▶ Law firm failures





Sample firm demographics

(ABA median age: 49 in 2005)



PERCENTAGE OF EMPLOYEES IN THE WORKFORCE

13% = Traditionalists

26.4% = Baby Boomers

19.8% = Generation X

27.7% = Generation Y/
Millennials

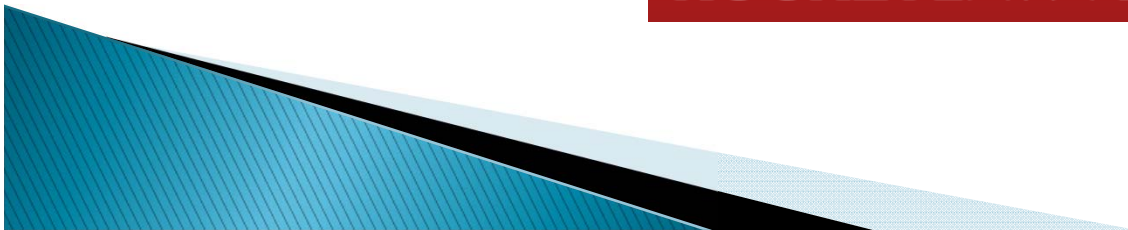


The Five Forces That Shape Industry Competition



Source: Michael E. Porter

Invasive species; part of the new normal



What we learned from the Harvard Law Innovation Symposium



John Suh, CEO

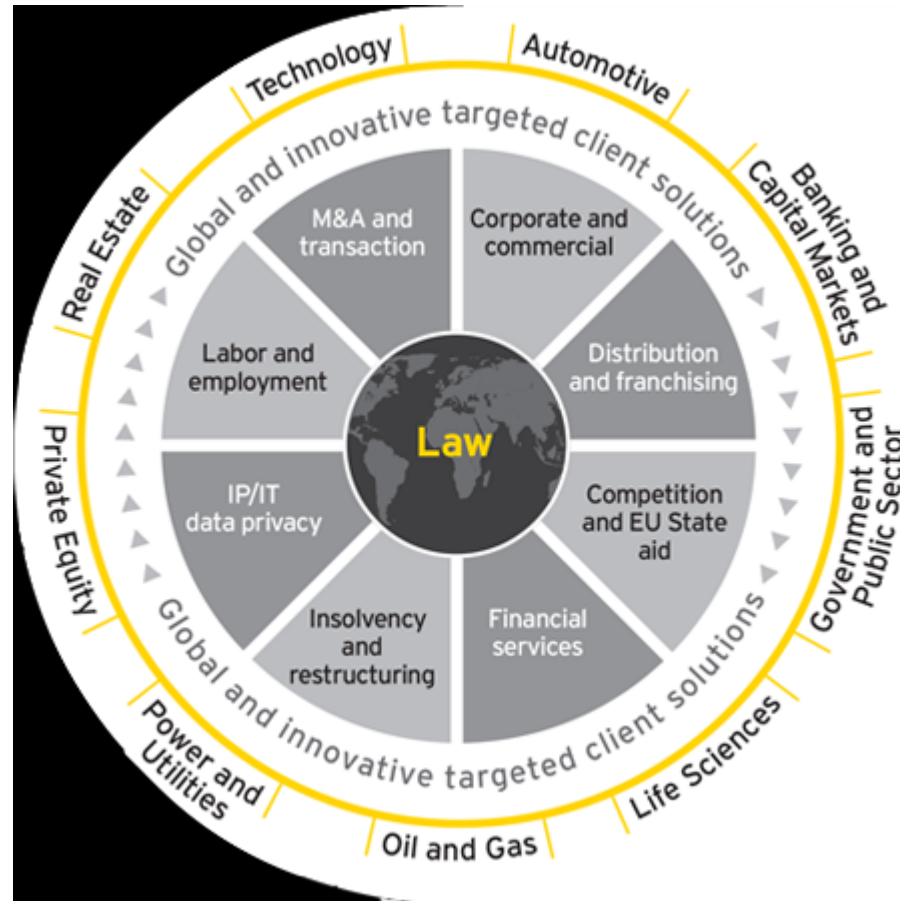
“The busiest traditional trademark firm in the U.S. filed 1,300 trademarks last year. We do 3,000 each month.”

“In many ways, we reduce the barriers to entry for startups.”



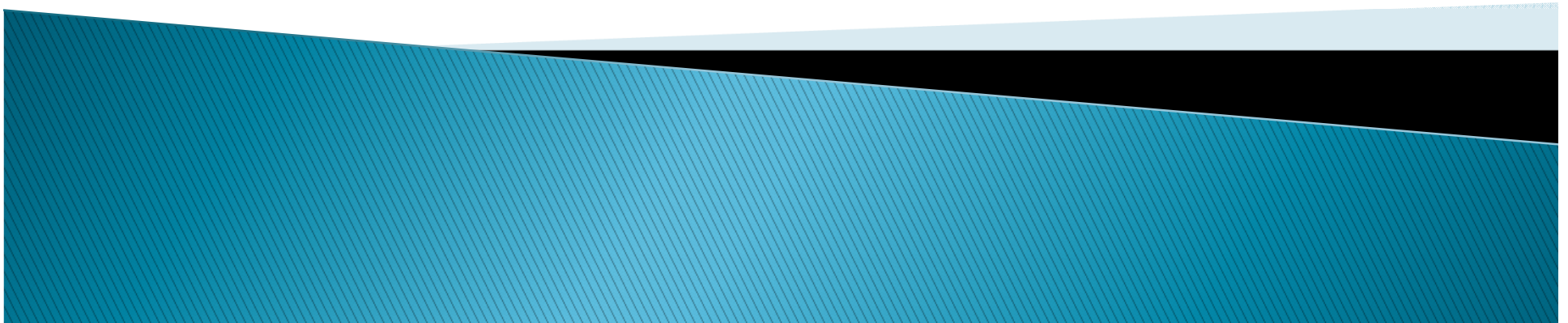
\$30 billion private equity fund; invested \$200 million in LegalZoom.

What about the Big 4?



“For whom the gods would
destroy, they first grant 40
years of business success.”

~Peter Drucker



Recent law firm failures



DICKSTEINSHAPIRO_{LLP}

BWDC LLP f/k/a Burleson LLP

DEWEY & LEBOEUF

GONZALEZ
SAGGIO
HARLAN

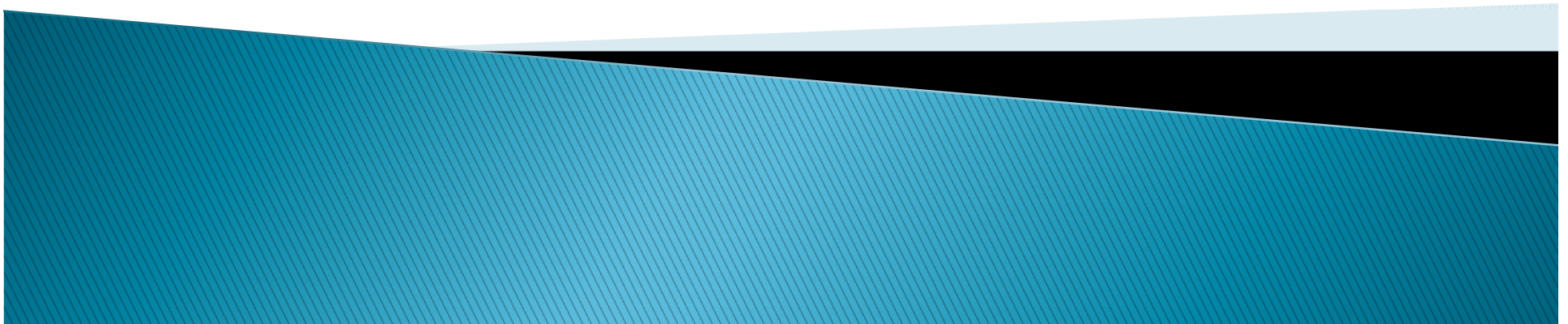
Gonzalez Saggio
& Harlan LLP

Handling legal matters throughout the nation for mid-sized to Fortune 500 corporations and public entities since 1989.



“There is nothing quite so useless, as doing with great efficiency, something that should not be done at all.”

Peter Drucker



Changing the delivery model



SEYFARTH *Lean*
Delivers | Results.

A distinctive client service model that provides a different way of thinking about and delivering legal services.

What's tangling up your legal team?

“15–50% reduction in overall cost of services”

Fees

KIRKLAND & ELLIS

Alternative Fee Arrangements and Litigation Finance

Kirkland is an industry leader in Alternative Billing Arrangements.

Person of Interest comes to the legal industry

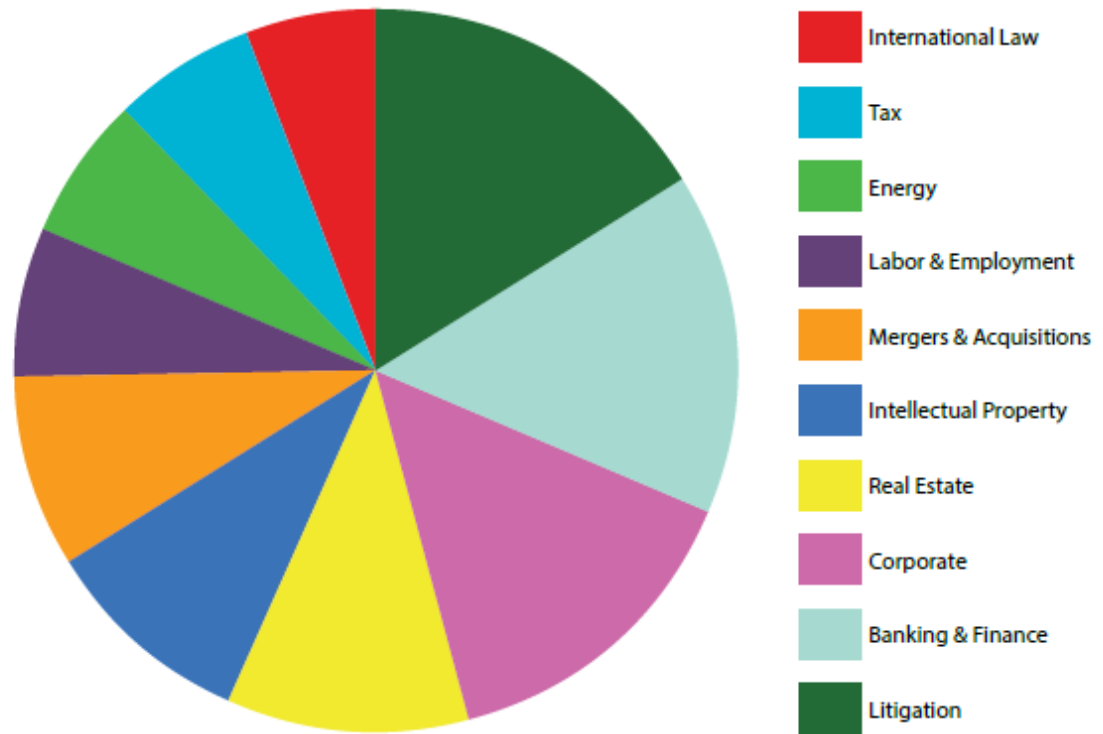


Who's listening?

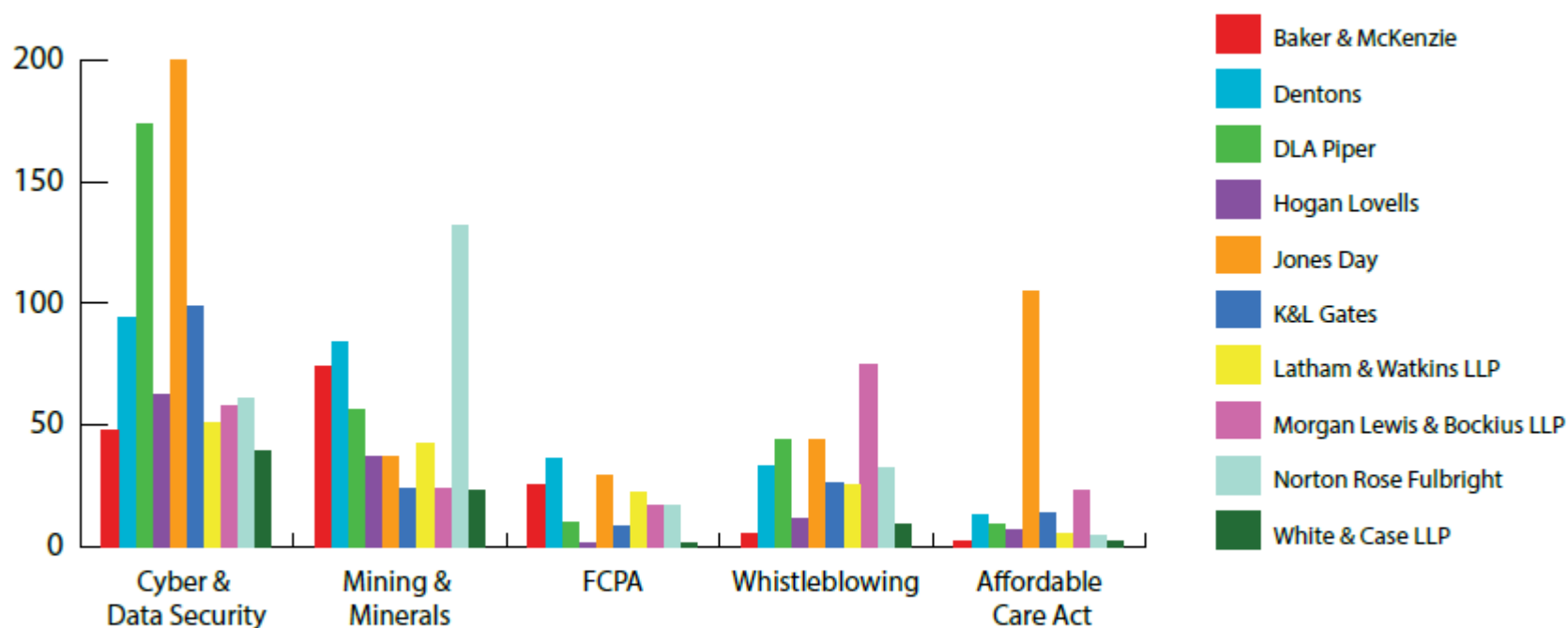
Lateral Events by Practice Area

Here Manzama analyzes the lateral events by practice area within this Competitive Set. This chart is constructed from data including only unique lateral events. Some lateral events, however, garner more media attention than others. Within the Manzama platform, overall media mentions highlight not only where the activity occurred, but how the move rippled through conversations.

In reviewing this practice area Share of Voice chart, it is clear that Corporate Law, Litigation and Banking & Finance were the most talked about Practice Areas within this Competitive Set. Beginning with these data points, we can now synthesize the Firm and Practice Area Share of Voice charts to reveal the story behind the data.



Trending Issue Analysis

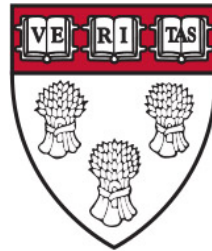


This chart represents the most talked about large issues that your competitive set are analyzing in publications, blogs, and practice alerts. Here those issues include: Cyber & Data Security, Mining & Minerals and Whistleblowing. For a more in depth understanding of this analysis, Manzama users can view the data behind this charts by using pre-configured searches from our extensive library of searches.

Business / management training



Master of Professional Studies
and Graduate Certificate in Law Firm
Management

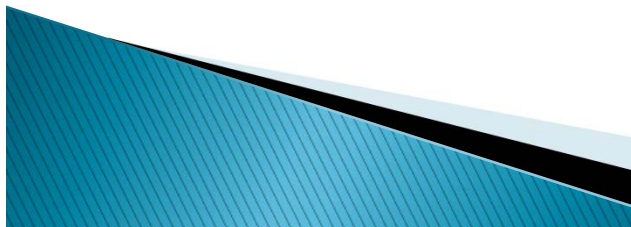


**HARVARD
LAW SCHOOL**

Globalization, Lawyers and Emerging
Economies (GLEE)

Skadden

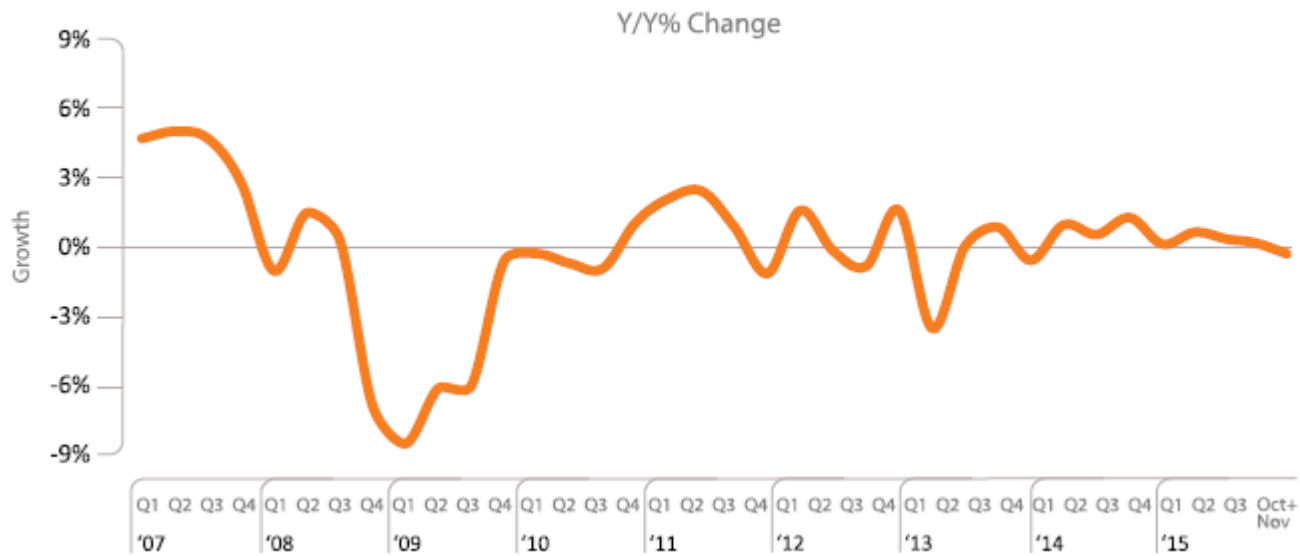
Associates Comprehensive Education (ACE)
program



2016 Report on the State of the Legal Market

Demand

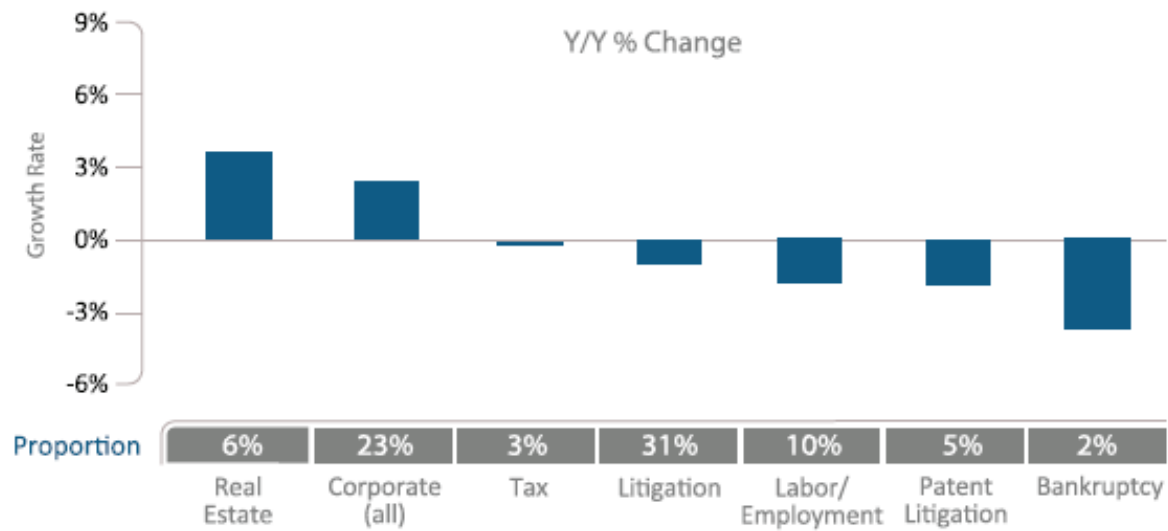
Chart 1 - Growth in Demand for Law Firm Services



Source: Thomson Reuters Peer Monitor

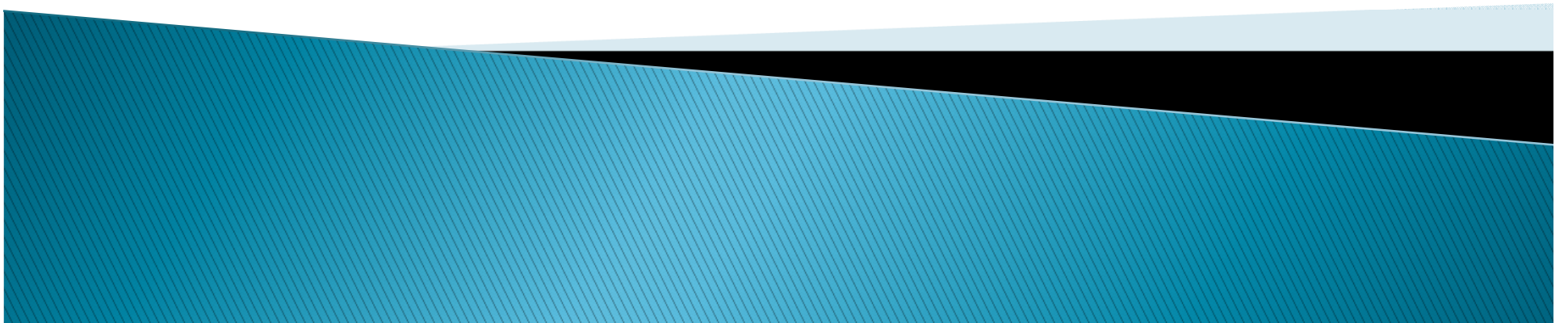
Change in demand YOY '15 v '14

Chart 2 - Demand Growth by Practices



Source: Thomson Reuters Peer Monitor

Strategic Planning



strat·e·gy

(străt' ə-jē) *n.*

**1. Plan of action
designed to achieve
a particular goal.**

Typical objectives for law firms

- ▶ Future vision;
- ▶ Improving financial performance;
- ▶ Strengthening culture;
- ▶ Planning for leadership succession;
- ▶ Recruiting, retaining, and managing top talent;
- ▶ Developing merger and acquisition strategies;



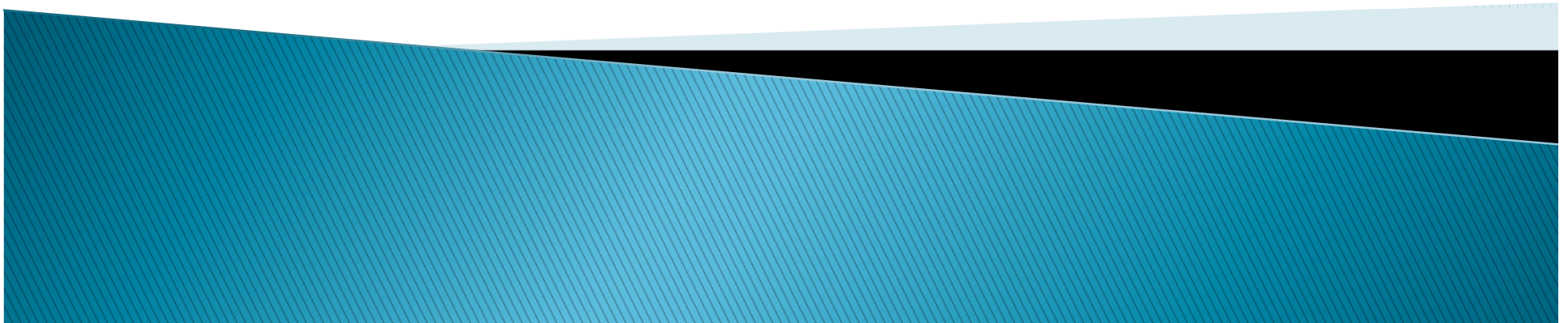
Typical objectives for law firms (cont.)

- ▶ Capturing greater market share;
- ▶ Partner succession/client retention;
- ▶ Aligning practice group strengths, industry penetration, pricing, branding, positioning, and internal and external communications with strategy;
- ▶ Distinction; building and communicating distinctive competitive advantages.

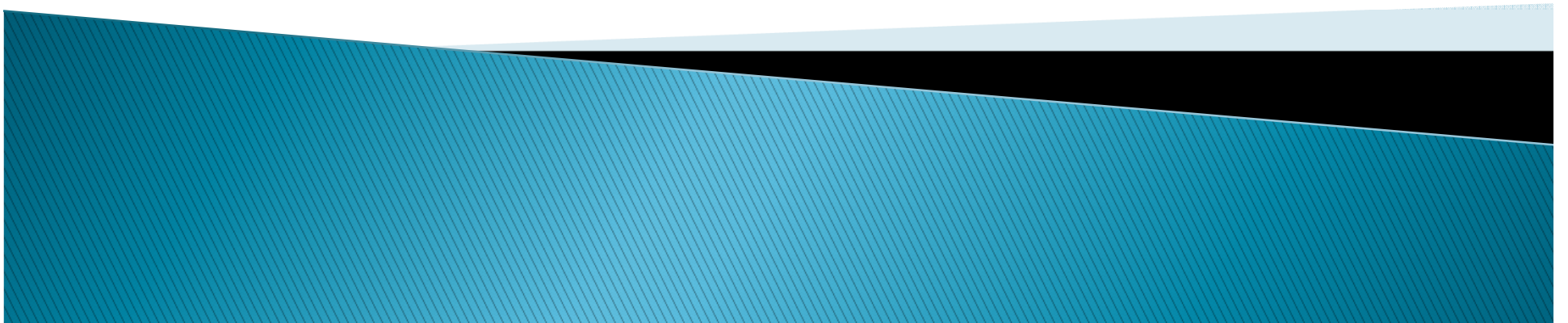


Why is Strategic Planning Important?

*Strategy is vital to creating sustainable
competitive advantage.*



**Strategy is also about
making choices**



Riding Dead Horses



- Code of tribal wisdom states best strategy is to dismount
- ▶ In law firms we try other strategies including:
 - Buying a stronger whip
 - Changing riders
 - Saying things like “this is the way we have always ridden this horse”
 - Appointing a committee to study the horse

Riding Dead Horses (cont.)

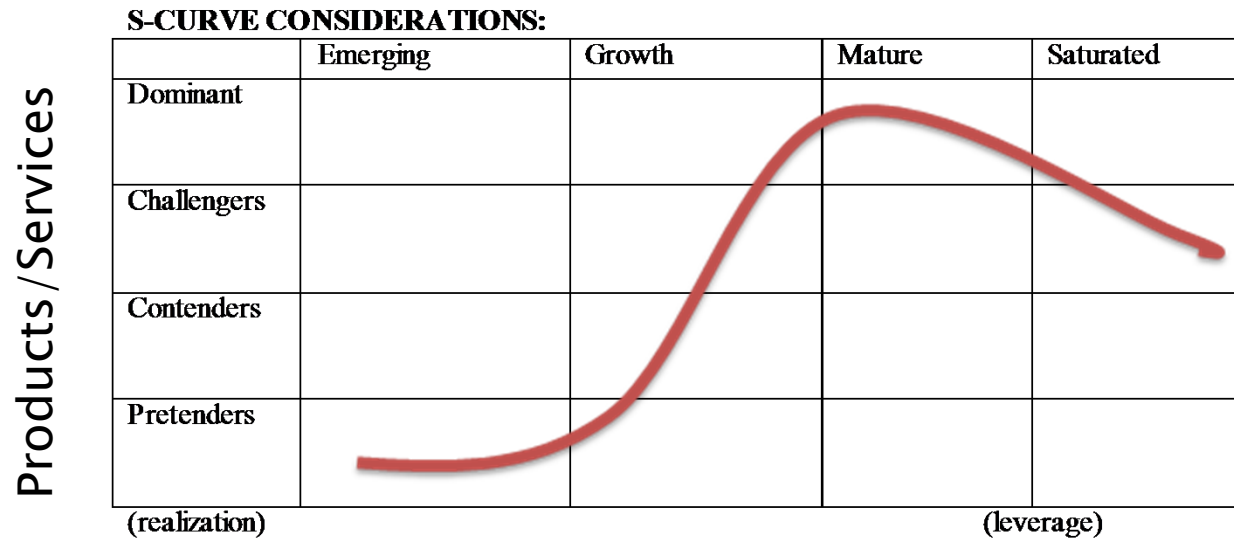


In law firms we try other strategies including:

- Arranging to visit other law firms to see how they ride dead horses
- Increasing the standards to ride dead horses
- Declaring that the horse is better, faster, and cheaper dead
- Finally, harnessing several dead horses together for increased speed

Judge Thomas Penfield Jackson

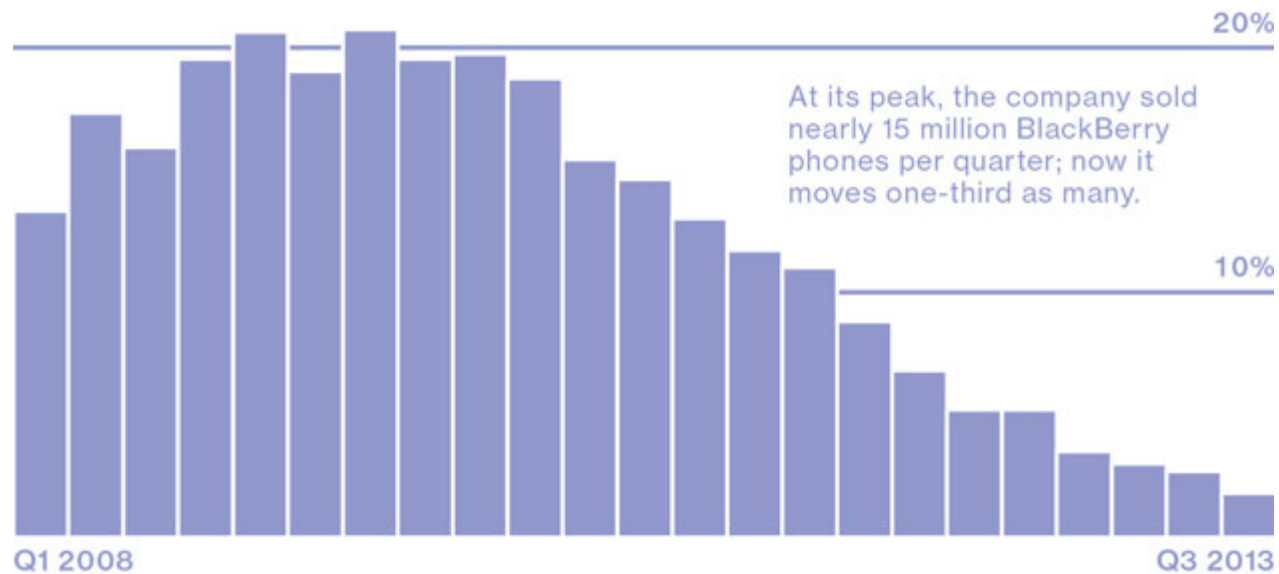
Saturation of products (and services)



Example: Blackberry

Losing Ground

BlackBerry's share of worldwide smartphone sales



GRAPHIC BY BLOOMBERG BUSINESSWEEK. DATA: GARTNER



What is Strategy? One view:

“The essence of strategy is choosing to perform activities differently than rivals do.”

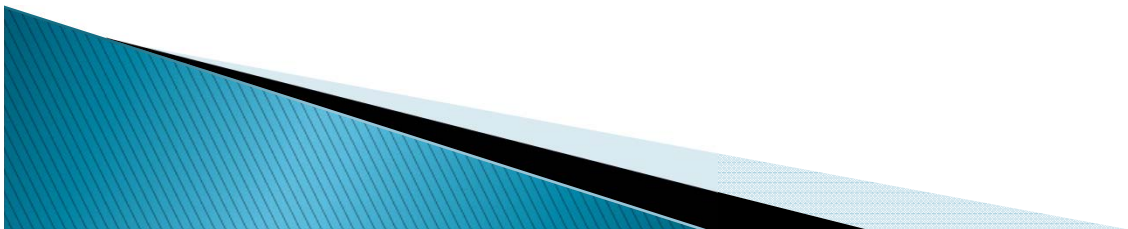
Michael E. Porter



RANK	Law firm	Score	Originality	Rationale	Impact	Description
Standout	Seyfarth Shaw	27	9	9	9	Developed SeyfarthLink, an online tool that enables better client-firm collaboration by improving flows of information.
Standout	McCarthy Tétrault	25	8	9	8	Strategic partnerships with a legal processing outsourcer and an alternative supplier combined with Lean Six Sigma processes, have created efficient delivery models that can save clients up to 30 per cent in costs. Commended: Matthew Peters.
Standout	Weil, Gotshal & Manges	24	9	8	7	Analysing daily share price movements for their effects on clients or potential clients has sharpened up the firm's business development activities.
Standout	Conduit Law	23	7	8	8	The Canadian new-model firm has moved away from the billable hour and traditional models, saving clients as much as 40 per cent on legal fees. Commended: Peter Carayiannis.
Standout	Kirkland & Ellis	23	8	8	7	A comprehensive database on the private mergers and acquisitions market enables the firm's lawyers to achieve better outcomes for clients.

Strategy and Focus

“But those were the choices we made, with the understanding that we couldn’t do everything well. And what we find is that, when you can’t do everything well, you want to continuously stay focused on doing the things you can do best and eliminate the others.”



Strategy and Core Values

“We have 3 core values that never change: a commitment to integrity, a commitment to performance, and a thirst for change. We believe that business results, performance, integrity, and commitment to change span every generation, they touch every person, and that can’t ever change.”



The Process and Steps

The self assessment:

- ▶ SWOT analysis (one common method)
 - Sometimes produces inadequate analysis—more opinion than fact
- ▶ Holistic approach
 - Includes some aspects of SWOT
 - Incorporates industry analysis
 - Focuses on external signposts



Early Tesla SWOT analysis

SWOT ANALYSIS



STRENGTHS

- Well known CEO with good track record
- Uses Tesla Stores instead of traditional distribution through dealers
- 1st company to produce a fully electric luxury car
- Proprietary technology
- Based in SF Bay Area
- Popular in younger age groups who are likely to use social media

WEAKNESSES

- CEO is also CEO/CTO of SpaceX
- Infrastructure not yet developed for electric cars
- Customers are still wary of such new innovations
- Price

OPPORTUNITIES

- Increasing awareness and support for environmentalism
- Large international market potential
- New lower-price models appealing to a wider range of customers
- Advances in tech may increase battery life; spark other innovations

THREATS

- Competition from established auto companies
- Lawsuits could inhibit/delay innovations
- Loss of government subsidies will drive up prices

23-28

SWOT analysis for hypothetical law firm

Strengths:

- Deep technical expertise
- Good reputation
- Go to firm in selected areas

Opportunities:

- Client expanding operations
- Regulatory changes
- Disruption at competing firm

Weaknesses:

- Lack of business development leaders
- Poor economics
- Training and development

Threats:

- Competition courting clients
- Fee pressure
- Succession/client retention

The Process and Steps (cont.)

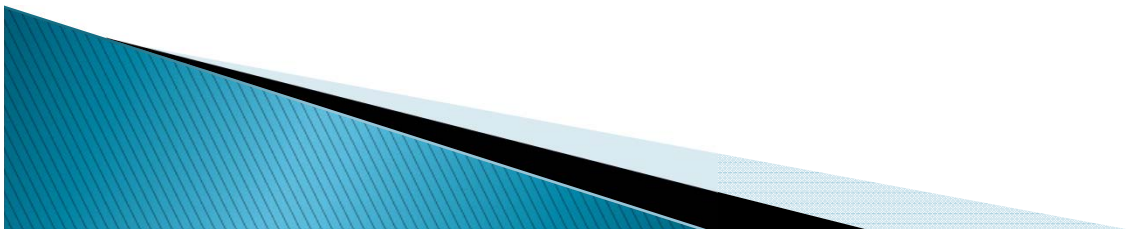
- ▶ Financial health and benchmarks
- ▶ Effectiveness of current management and leadership
- ▶ Internal issues that need to be addressed



The Process and Steps (cont.)

External factors and assessments:

- ▶ Client input and feedback
- ▶ Assessing the competitive landscape
- ▶ Forecasting other outside forces
 - Political, social, and economic trends
- ▶ Making educated guesses



External—how Cisco allocates work

POINTS OF LAW: UNBUNDLING CORPORATE LEGAL SERVICES TO UNLOCK VALUE

How Cisco Decides Who Does What

Cisco's general counsel, Mark Chandler, sorts legal activities by looking at two factors: whether they will pose a high risk if performed poorly, and whether they will contribute to competitive advantage. (This approach is borrowed from Geoffrey Moore's *Dealing with Darwin*, 2005.)

NOTE ADAPTED FROM CISCO SYSTEMS INTERNAL DOCUMENT

NOT TIED TO
COMPETITIVE
ADVANTAGE

TIED TO
COMPETITIVE
ADVANTAGE

HIGH RISK

**WORK CLOSELY
WITH OUTSIDE FIRM**

High-stakes litigation
Reputation
Compliance
HR policy

**HANDLE
INTERNALLY**

Product design,
build, and sell
Intellectual property
strategy

LOW RISK

**OUTSOURCE TO A
VARIETY OF PROVIDERS**

HR cases
Smaller litigation
Real estate

**MANAGE VIA
SELF-SERVICE,
AUTOMATION, OR
OUTSOURCING**

Routine transaction
processing



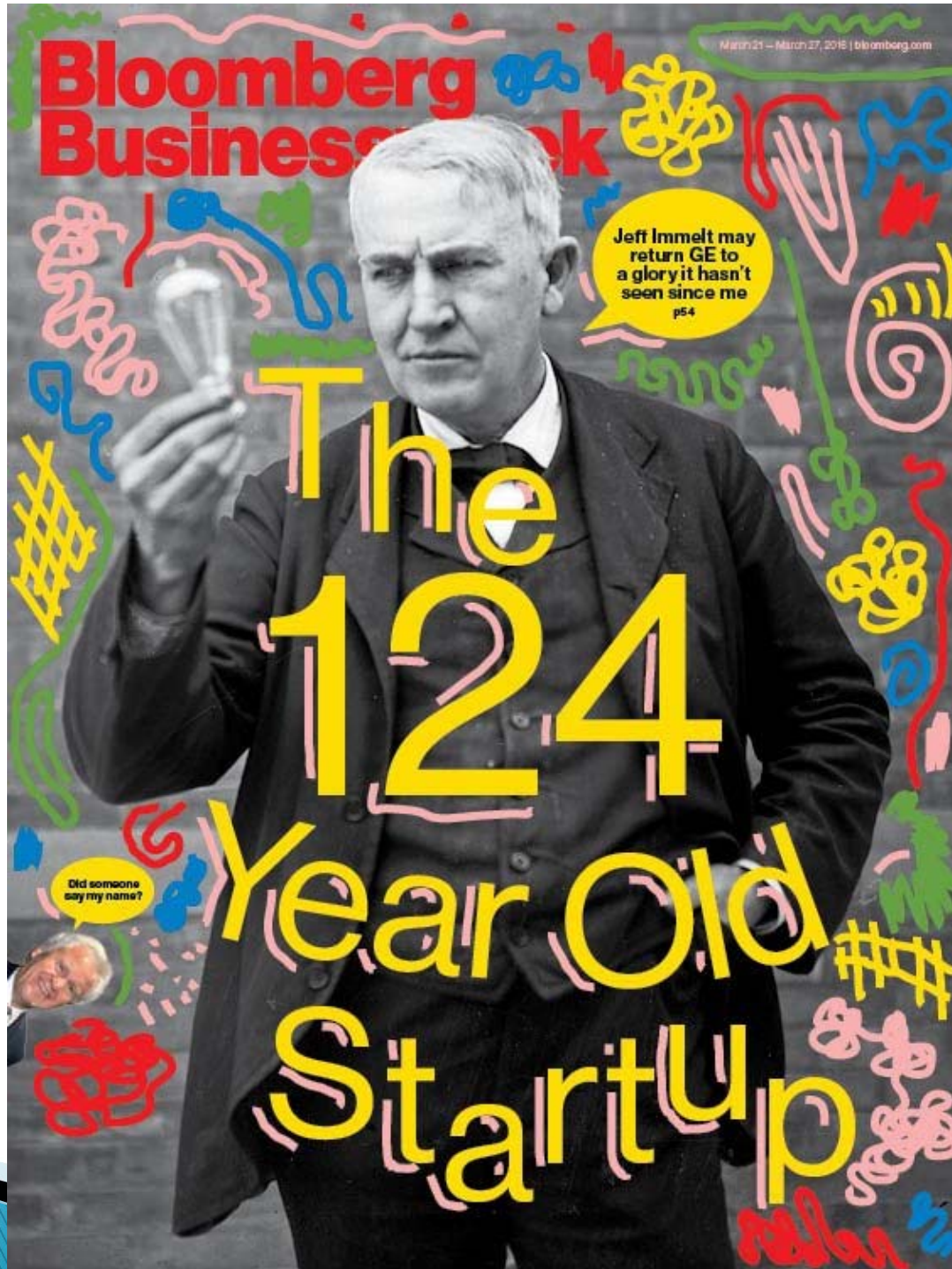
Planning flowchart



Be innovative; think like a business

- ▶ *April 14, 2014 edition of Forbes*
- ▶ “Can This Man Feed the World? Billionaire Harry Stine's Quest to Reinvent Agriculture -- Again”

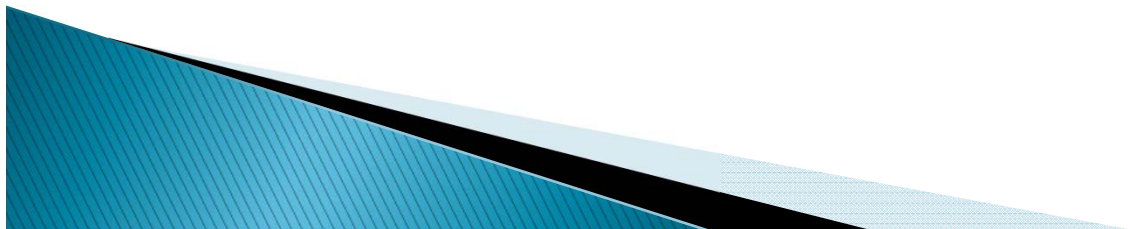




Other business examples



Focus on strengths



Business development and marketing strategy

- ▶ Strategic vs. tactical
- ▶ Strategic
 - Identifying additional client service needs
 - Identifying new industries or segments to target
 - Identifying new practice areas
- ▶ Tactical
 - Cross-selling
 - Seminars and client entertainment events
 - Newsletters
 - Branding/advertising



Targeting selected industries



Clean Technology



High Technology



Biosciences



Advanced Manufacturing



AG/Natural Resources

Greater use of social media

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About – Suggest an Edit Photos Likes Twitter Events

How many initiatives?



Barriers to effective planning

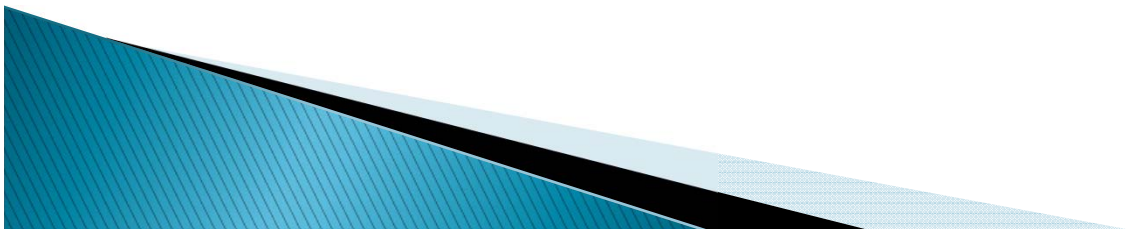
- ▶ Partner compensation systems
 - “If your compensation plan is in conflict with your strategy, then your compensation plan is your strategy.”
- ▶ Succession and shortage of “up and comers”
 - Client retention efforts
- ▶ Overly reliant on a few key rainmakers



But We've Always Been Successful!

- ▶ “One of my fears is becoming this big, slow, constipated, bureaucratic company that's happy with its success.”

▶ *Mark Parker, CEO Nike*



Other barriers

Ineffective LEADERS



If you only did one thing

- ▶ “There’s no substitute for talking, for visiting clients to find out what we’re doing right, what we’re doing wrong, where the marketplace is going, and what their needs are going to be.”

- ▶ Debora de Hoyos
 - ▶ Mayer Brown



Closing thought

The best time to
plant a tree was
20 years ago.
The second best
time is now.

~Chinese Proverb



Thank you!

