

Chapter 1: **Seeing the future first – analyzing strategic trends**

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In many of the most northern regions of the world, there is an old tradition whereby hunters construct blankets made of animal skins. These blankets are not for shelter but intended as a crudely improvised form of trampoline. The blanket is spread across the ground and one of the hunters steps into the middle. The remaining members of the group grab the edges, heave the blanket upward, and propel the hunter high into the air. The purpose of physically hurling the hunter into the sky is for him to see if any caribou are in the area.

While we have evolved from those humble techniques, there remains a need to look towards the horizon to see what kind of future might potentially unfold. Behind every new trend and its ensuing ramifications there is either a potential marketplace threat or a window of opportunity. Those keen enough to perceive the trends early are in a prime position to pilot their firms into a more promising future. The obvious challenge is to be the first to predict or identify that future and then to devise appropriate action plans to take full advantage of subsequent circumstances.

And isn't this precisely what engaging in strategic planning is supposed to do?

In my work, I have been exposed to dozens of different law firms' strategic plans. What I have discovered is behind different firm names there are fairly similar plans – at least from the way in which most firms over-obsess about internal issues, such as associate retention, timely billing processes, or the latest cost savings initiatives. In my experience, very few firms give anywhere near enough attention to what is going on outside of their own walls – in their external business environment.

Now, admittedly, almost every firm that goes through the conventional strategic planning process does use some form of SWOT analysis. Which means, quite simply, that as part of a strategic planning exercise,

partners briefly look at the various internal strengths and weaknesses of their firm, and then assess what particular opportunities or threats there are. That sounds sensible enough, and it is. But the process, as it is most often executed, is a complete waste of time.

The greatest handicap with the conventional SWOT process is that it implicitly assumes, whatever assertions are made to the contrary, that the future will be more or less like the present. Leading firms know that their future will not be an echo of the present. In fact, I believe your firm's executive committee needs to regularly engage in some very deep strategic thinking about trends that are currently shaping the profession.

Getting to the future first requires firms to be deliberately farsighted. Why is this important? By investing some serious time in examining trends, it can enable you to see what competitors may not, thereby allowing you to get a serious jump on exploiting new opportunities or preparing contingency plans for the possibility of any disruptive events unfolding.

I am not talking about navel-gazing or trying to predict the future. Rather, that tomorrow's potential threats and explosive opportunities are already being hinted at today. If you look closely enough, you can see the beginning of trends – often years before they become common knowledge. Seeing the future requires that you understand the potential of what is already happening. The essence of winning in a competitive marketplace is to be at the right place *before* the right time.

Scanning the future

My central premise is that there is no proprietary data about the future. Whatever you need to know about tomorrow is, to some extent, already visible. The data is there for everyone to see, but there is an enormous difference in firms' abilities to construct new opportunities out of that understanding.

Interestingly, the sophistication of professional services firms varies considerably in the discipline with which they direct consideration to their external environment. The largest and most sophisticated of the accounting and consulting firms have long devoted serious attention to what is happening outside their doors. Many law firms, however, are populated with professionals that are so preoccupied with their particular area of specialty and the client files currently burning on their desks, that they are remarkably out of touch with the wider world. Not all partners are equally up to date on what is happening. Many will be fully aware of issues that affect their particular practice area, but it is not at all uncommon for an entire practice group to lack a coherent concept

of those macro-trends affecting some of the client industries they serve, or the firm as a whole.

As our overall business environment becomes ever more complex and fluid, it becomes more critical that every member of firm management maintains a running dialogue on the meaning of significant events and trends, and that they use their understanding of those trends to develop consensus on refining the direction and strategy of the firm.

Realistically, can anyone who devotes time to exploring “*what’s going on out there*” ever fully understand all of the dimensions and interpret all of the signals? Not likely! But by thinking of your business environment in terms of its major components, we can at least make the challenge less daunting. We need to start, therefore, by dividing the external environment into more manageable categorical components so we can begin to organize our knowledge of it.

External strategic components

I have identified here a number of different environmental components. The importance of each may be quite different depending upon the practice composition of your firm. By studying the goings-on in these areas and connecting the trends in all of them, you can build a reasonable basis of fact (and speculation) about what is going to happen over the foreseeable next few years:

- Client needs and wants – this refers to the changing, unmet, and emerging needs of key existing and prospective clients (e.g. clients being ever more demanding of fee discounts, innovations and added-value enhancements);
- Technological changes – the degree to which technology is provoking new ways to practice and deliver services (e.g. IBM investing \$1 billion in its cognitive decision support tools to target the legal sector);
- Relative costs – the relationship of a firm’s key cost elements relative to those of competitors (e.g. more firms gravitating to the cloud);
- Market barriers – various factors that help keep potential competitors out of the market or profession (e.g. procurement departments now looking more favorably at “NewLaw” service providers);
- Economic volatility – the health of your marketplace with respect to consumer and business confidence (e.g. the prospect of a prolonged period of flat demand for legal services);

- Integrity – the basic trust that clients place in the profession, your firm, and your services (e.g. the impact of enhanced transparency);
- Special abilities – the competency of any one firm to significantly outperform its competitors in ways important to clients (e.g. specialist teams using AI tools or online resources to exploit ever-narrower market niches);
- Market values – that cluster of marketplace values that creates demand for specific new services (e.g. the continuing attractiveness of contract attorneys); and
- Resources – refers to all professionals, physical assets, and materials employed in running your practice (e.g. challenges in dealing with leverage, underproductive attorneys, and generational differences).

While this list of nine components may not be comprehensive, and you may wish to add your own factors, it can serve as a starting point to begin to examine some of the myriad trends and developments now emerging in each of these areas.

The process of analyzing trends

If we had known in 2020 what we will know in 2025 (only five foreseeable years into the future), how would we have changed our attitudes, actions, and the way in which we practiced law; the services we offered, the clients we targeted, and the ways in which we chose to deliver our services? That is what this process is really all about – observing the present trends to determine how we might intercept the future.

There are a number of different steps involved in going through a process of identifying and interpreting external trends. The most sophisticated firms make this a regular quarterly review item on the agenda of their management meetings. If your firm is not yet at that point, you might want to start with making this the process you engage in leading up to the next annual partner's retreat.

Step 1: Identify the relevant trends

Your first step is simply to scan the external environment for early warning signs, and for areas of new opportunity. It is my contention that the members of your firm's management or strategic planning committee are the ones who should engage in this activity. Many larger firms assign this as one of the responsibilities of their office heads.

The process of identifying trends and transforming the data into valuable insights about the future of their markets/practices is an inseparable part of the intellectual leadership that this committee needs to provide the overall partnership. While consultants might help, they should not supplant the committee's work. If the members of your committee do the job, they will own it. It will form a key part of their thinking process, and it will guide the decisions they make.

Some firms approach this by simply having each member of the committee volunteer to take one of the nine categories and devote a bit of time to researching various publications (both within the profession as well as across foreign geographies and across related professions), the internet, speaking with consultants, clients, and so forth.

The question to ask each committee member is: *“In your opinion, what would be the ten most important trends capable of impacting, both positively and negatively, the overall profession and our firm’s operations over the next five years?”*

In general, it helps to keep each identified trend reasonably concise – otherwise reading and reviewing it becomes a time-consuming chore. Drowning your colleagues in facts, figures, charts, graphs, and detailed analysis makes it difficult for busy practitioners to find the critical insights that can help them shape their personal views and ultimately your firm’s future direction. Therefore, document and distill each trend in a carefully prepared, thoughtfully written, one-paragraph statement of *“what’s going on out there”*. Also, the act of distilling the information can often lead to valuable insights. Explaining something in very concise terms forces you to get to the core of the concept.

Beware of incomplete or defective data

In one of those classic Pink Panther films, Peter Sellers is seen checking in to a quaint hotel. In a corner of the lobby, he notices a small dog. Thinking he might go over and pet this cute little animal, he inquires of the innkeeper, *“Does your dog bite?”* Hearing the elderly gentleman say *“No”*, Sellers reaches down only to have the dog snap ferociously at him. Sellers turns to the innkeeper and says, *“You said your dog didn’t bite!”* To which the gentleman calmly responds, *“That’s not my dog”*. In identifying relevant trends, you must remain keenly aware of the problem of incomplete or defective data. What you ask, whom you ask, and how you ask, can be critical to getting valid and useful information. Here are a few guidelines to consider:

- Censor incoming bits of information at their source – be constantly vigilant to the impartiality and agendas of reporters, journalists, commentators, and anyone supposedly “*in the know*”, reporting their take on some new development;
- Get as many different perspectives as possible – if you are hearing the very same predictions from a number of sources, try to find a contrarian’s view;
- Distrust your own biases – if you are hoping to find the research to support a strategic decision you have already made it is very likely that you will find the support you are looking for;
- Be willing to contradict prevailing beliefs – the majority is not always right, the conventional wisdom not always wise, and the accepted doctrine could very well be flawed – breakthrough thinking depends on it; and
- Be careful of jumping to conclusions – are you betting your future on the assumption that a particular market will materialize, grow, or disappear? Do you have enough real evidence to support your conclusions?

Step 2: Discuss and evaluate each trend

A special meeting of either the firm’s management committee or strategic planning group should provide the means for focusing attention on the business environment and building consensus about what the signals are telling us. An effective way to tackle this is for your committee to divide into small working groups of about three or four partners. These participants share their thinking about the issues at hand and thereby can help to uncover important differences in the ways each might perceive the impact of any given trend.

Each group is first assigned one of the trend categories (i.e., technological changes, market barriers, etc.) and prepares its interpretation of the data. Each group can then be given their choice of one other trend category to review. During the process, debates or differences will emerge about various aspects of these trends. Although these discussions can sometimes become rather animated, they tend to be very insightful.

To see the future first, you may need to deconstruct some old notions and ideas. It is important during this step to keep a watchful eye on a few natural tendencies that do occur:

- Denial – When a trend suggests a potentially negative consequence, some suffer from the ostrich syndrome. They would prefer to bury their heads, deny the validity of the trend they are observing, and ignore any danger signals. For example, in the billing arena, some firms do not (want to) see the trend for providing clients with complete transparency as it relates to who is working on what matter, when, and at what internal billing rate. These partners often act as though they would like to believe that the provision of a one-liner invoice at the conclusion of the client’s matter should still suffice. In other words, the firm’s billing processes will take place in the future just as it did in the past, or other partners will continue to believe that the traditional hourly rate system will continue to be the mainstay of compensation from clients, despite its well-known inefficiencies, misplaced incentives, and perceived unfairness relative to the value of the work produced.
- Blindness – What we know (or think we know) determines what we see. Unfortunately, the more experienced and the smarter we are in our particular area, the more myopic we may become. Often trends present themselves, but firm leaders do not see them. Not knowing how to look for them, or simply missing them, is the primary factor. What we see determines our destination.
- Arrogance – the late management theorist, Peter Drucker, once commented dryly, “*Whom the gods would destroy, they first grant 40 years of business success*”. Drucker believed that, sooner or later, time will turn your most precious assets into liabilities, and that the most powerful competitive advantage may eventually be neutralized by the shifting sands of the external environment. Intel’s former chairman, Andy Grove, agreed with his now famous remark, “*Only the paranoid survive*”. Ironically, one of the reasons why leaders miss trends is from what I call “*success arrogance*” – the firm is doing so well that firm leaders fail to see the danger signals.

The key point here is to make sure that all members of your committee participate on a personal and intellectual level in forming some consensus about what is going on. One of the critically important by-products of this process is that, through active participation, they will also be much better equipped to communicate any particular trend’s meaning to other partners in the firm.

Step 3: Determine the impact potential of each trend

Each of the trends that have been identified can be evaluated within the context of the *probability* of occurrence and *impact* (negative and positive) on your firm. The diagram in Figure 1 is designed to help with your analytical efforts. You can use this graph to assess the overall pattern of the trends identified.

Impact on firm

SIGNIFICANT [Positive – Negative]		Trend #3 (-)	Trend #1 (-)	
MODERATE				Trend #2 (+)
IMPERCEPTIBLE				
NONE				
0%	25%	50%	75%	100%

Probability that the trend, event, or condition will occur

Figure 1: Trends analysis assessment diagram.

Obviously, those trends judged to have a very high probability of occurrence and a very harmful impact, or that portend huge opportunities should they occur, become your top priority. Clusters of trends falling into the top-right-hand corner of this diagram are the ones I tend to label “mission critical” and are the ones that require your *urgent attention*. In those instances, I have found this assessment diagram serves as a great tool to help explain to other partners the need for urgency.

The secondary band, running diagonally through the graph, represents those trends that are likely further away time-wise, but that should nevertheless be considered *important* and needing executive committee attention by way of ongoing monitoring.

Finally, the cluster of trends that will tend to occupy the bottom-left-hand corner of the graph fall into the area best labelled as *postponable*. These trends should also be periodically monitored for changes, which could cause them to shift to a higher priority.

In spite of the graph presented here to help with your analysis, let me not create the impression that this process is scientific, systematic, or precise. If anything, sometimes seeing the future is guesswork at best. The events, trends, issues, and opportunities in the external environment are ultimately whatever we interpret them to be. Intelligent

professionals may disagree completely about what a particular trends impact may suggest.

The most valuable aspect of this process is how it can enable members of your firm to discuss, debate, interpret, and assimilate the lessons the external trends have to teach us. Out of this understanding, which must be continually updated and refreshed, they can commit energy, attention, talent, and resources for the greatest strategic value. This assessment diagram is merely intended as a practical tool that I have used with countless firms in our strategic planning endeavors, to help them make sense out of and prioritize those eternal issues deserving of some attention in their efforts to determine their best strategic direction.

Step 4: Develop your action plans

Finally, it is necessary to transform the discoveries that come from your discussions into actions. There is little point in knowing that you are heading for an iceberg if you do not determine how to course-correct and steer around it!

Your action-planning session should draw upon and involve partners from various different practice/industry areas. I have often observed that partners not normally involved with any particular issue can have very creative and useful insights relevant to that issue. I often find that their insight has never been tapped because that partner was never asked to share views outside of their particular area.

In order to be effective, some portion of your firm's strategy must concern itself with what we must be doing right now in order to be well positioned to capitalize on our future. Among other considerations, your action plan therefore should identify:

- What skills your firm should be developing (or hiring) *right now*;
- What you must do to anticipate and better serve unmet client needs *right now*;
- What new practices you should be pursuing *right now*; and
- What new experiments and field tests your firm should be engaging in *right now* in order to intercept the future.

A necessary part of your strategy process, but also an ongoing exercise

When partners sit down to think about their firm's strategy, too often they take 90 percent of "*the way things have been done in the past*" as a given, and it then becomes the major constraint. Monitoring and analyzing trends should be a continuing process of observation, reflection, and

learning. Even where it is formalized as a critical ingredient of the strategic planning process, the best firms will still need to be attuned to their external environments all year round.

It is not as if you can activate this exercise once every few years, scan the environment, and then shut it down until the next planning period. We need to have an ongoing format for staying constantly alert for the first signs of important new developments.

The American writer and humorist Mark Twain advised: “*When everybody is out digging for gold, the business to be in is selling shovels!*” And there is actually a grain of wisdom in his wisecrack.

So, what foreseeable trend do you think may represent the figurative “shovel” that every client will need tomorrow?