

## Strategic Planning and Implementation



### Using the Balanced Scorecard

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## STRATEGIC PLANNING AND IMPLEMENTATION USING THE BALANCED SCORECARD

- # Post-recession balancing act – clients/profits
- # The balanced scorecard – a tool designed for this issue
  - What it is and how it works
  - Looking at the four dimensions
- # Pragmatic steps to using the tool in a law firm
- # Case studies (time permitting)
- # Q&A



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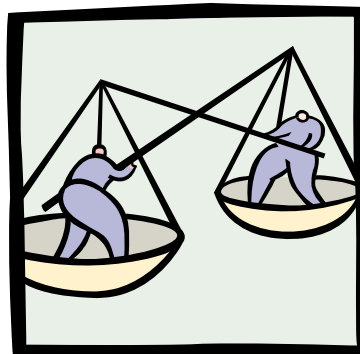
### THE BALANCING ACT



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## STRATEGIC PLANNING AND IMPLEMENTATION USING THE BALANCED SCORECARD

### The Post-Recession Balancing Act



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### The Post-Recession Balancing Act (Cont'd)

- ⌘ The recession has had an impact on clients' expectations of value (i.e., results ÷ costs)
  - Persistent rate increases drove profit growth
  - Associate starting pay – highly visible and seemingly irrational
  - Quality mid-size firms are proving to be capable...
- ⌘ Meanwhile, partner mobility has increased for a decade – following the recession it is fair to expect that mobility will return (particularly for those with strong client relationships)
  - Financial performance matters in the battle for talent
  - Thus, profit growth must return – and it is less and less likely to come simply from rate increases



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### The Post-Recession Balancing Act (Cont'd)

- ⌘ Strategic planning and implementation need to balance the needs and expectations of these two key stakeholders
  - Clients
  - Shareholders/partners
- ⌘ The balanced scorecard was developed specifically with this need in mind



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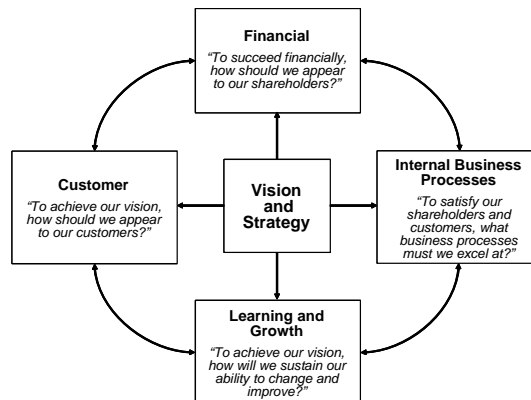
### BALANCED SCORECARD – AN INTRODUCTION



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## STRATEGIC PLANNING AND IMPLEMENTATION USING THE BALANCED SCORECARD

### The Balanced Scorecard – An Overview



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### The Balanced Scorecard – An Overview (Cont'd)



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### The Balanced Scorecard – Financial Dimensions

- The importance of (obsession with) PPEP grew steadily over the past decade
- PPEP is a legitimate measure of financial performance – and it has become the de facto yardstick
- Remember – there is a numerator and a denominator...

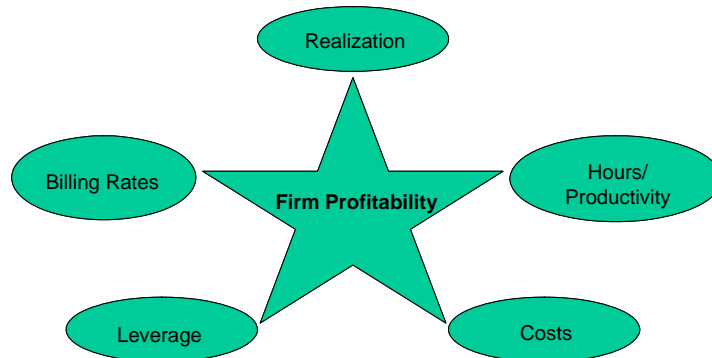


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### The Balanced Scorecard – Financial Dimensions (Cont'd)

- The numerator has many levers



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### The Balanced Scorecard – Financial Dimensions (Cont'd)

- The denominator has one lever – the number of equity partners
- The euphemism for managing the denominator – “*financial engineering*” – is just another way of saying de-equitization and/or firing partners
- It is reasonable to expect the business model to change in the coming years – and to expect equity ranks to continue to tighten
- But, the balanced scorecard (and strategy development more broadly) is not about managing the denominator



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### The Balanced Scorecard – Client Dimension

- ✦ What do we (want to) look like to our clients?
- ✦ How do we know when we have achieved that?
  - Client diversification (breadth and diversity of client relationships)
    - ✦ Number of clients at defined threshold
    - ✦ No clients representing defined percentage of fees
  - Large/Institutional relationship
    - ✦ % of fees from large transactions/cases
    - ✦ % of fees from clients over threshold level
    - ✦ Increase in number of large relationships
  - Depth and breadth of relationships
  - Client satisfaction scores/feedback
  - Third party rankings (see the Mallesons case)

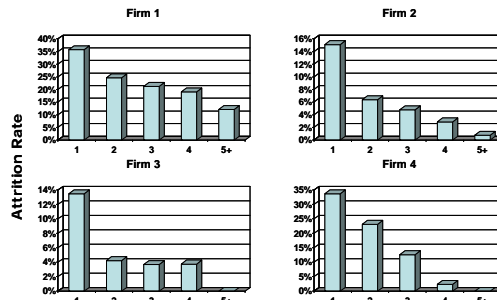


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### The Balanced Scorecard – Client Dimension (Cont'd)

Key Findings from all 4 Firms – **Area of Law Count**  
Clients with work in only one Area of Law have a much higher attrition rate than those with more breadth of work



Source: Redwood Analytics

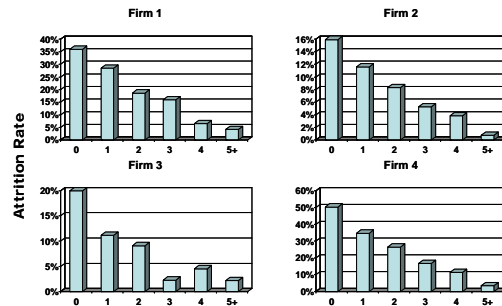


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### The Balanced Scorecard – Client Dimension (Cont'd)

Key Findings from all 4 Firms - **Partner Count**  
Clients who have more partners involved in their relationships  
have lower rates of attrition



Source: Redwood Analytics



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### The Balanced Scorecard – Client Dimension (Cont'd)

**Existing  
Clients**

**New  
Clients**

<b>Market Penetration Strategy</b> (More of the Same – Status Quo – 95%)	<b>Product Development Strategy</b> (50% Probability of Success)
<b>Market Development Strategy</b> (25% Probability of Success)	<b>Diversification Strategy</b> (5% Probability of Success)

**Existing  
Services**

**New  
Services**

Source: Stanford Research Institute



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### The Balanced Scorecard – Business Process Dimension

- ⌘ Focus should be on processes that have a genuine impact on financial performance, on client satisfaction/experiences, or – ideally – on both fronts
- ⌘ Remember the demise of TQM and “Clients First” programs
- ⌘ Most meaningful business processes occur in one of two places in a law firm
  - In practice groups – the closer to the delivery of legal services, the more meaningful the process
  - In administrative functions – accounting, procurement, technology management, etc.
- ⌘ Time capture, billing and collection cycles are often low hanging fruit and link directly to realization



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### The Balanced Scorecard – Business Process Dimension (Cont'd)

- ⌘ A brief word about alternative fee approaches
- ⌘ Understand your costs
- ⌘ Understand the clients' motivations
  - Saving money
  - Predictability
  - Shared risk
- ⌘ Business process is integral to aligning the two (costs and client motivations) – the solution is a by-product of that analysis



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### The Balanced Scorecard – People and Capabilities

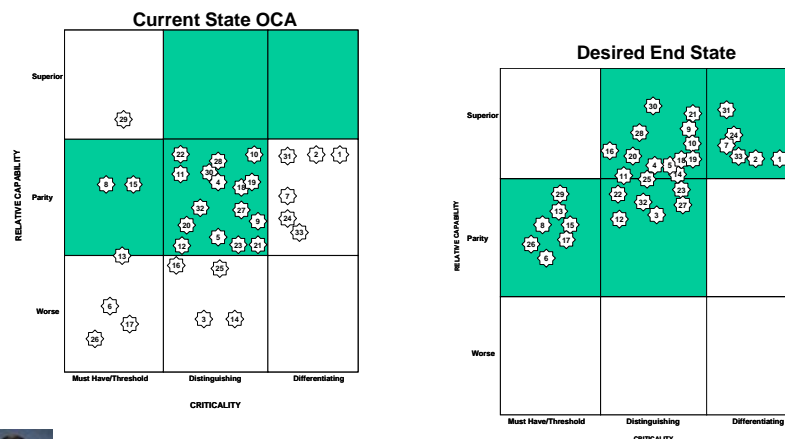
- ✦ Learning and growth is about people, capabilities and tools that support them
- ✦ People measures are often (too often) soft
- ✦ Some hard (and hard to achieve) measures
  - Associate recruiting and retention statistics/targets
  - Diversity statistics and targets (relative to competition)
  - Equity partner performance and standards
  - External recognition
- ✦ Organizational capability analyses – gap analysis can focus and prioritize resources and initiatives



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### The Balanced Scorecard – People and Capabilities (Cont'd)



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### APPLYING THE CONCEPT – A PRAGMATIC APPROACH



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### Pragmatic Approach for Law Firms

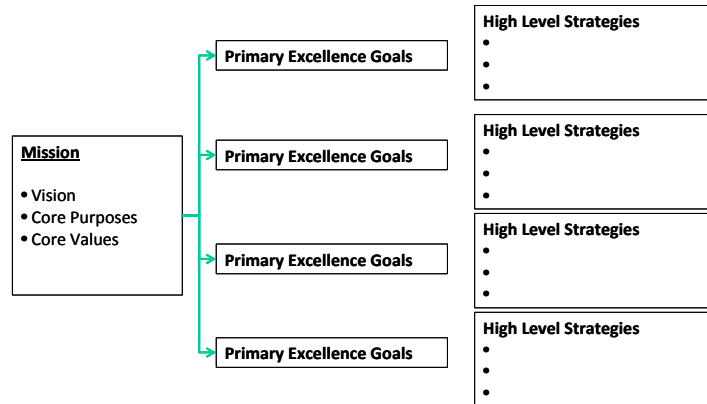
- ✦ First, get a strategic plan, then...
- ✦ Firm level planning involves some basic steps
  - Analytical rigor – internal and external environment
  - Vision and direction setting
  - Strategic positioning – where we intend to win
  - Strategy development – high level resource allocation
  - Implementation – plugging in the balanced scorecard
- ✦ Articulate high level objectives or targets for profitability and client relationships
- ✦ Express it simply – get it on one page



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### Pragmatic Approach for Law Firms – One Page Plan



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### Pragmatic Approach for Law Firms – Engage the Practices

- Ultimately, implementation must involve the practice groups
- Balanced scorecard tools were developed with business units (shared customers, shared products, shared processes) in mind
- Engage the practices by “mapping” the firm’s strategy to each practice group – this can be top down or bottom up
- Customize practice portfolio management tools to make it transparent and easy to use



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### Pragmatic Approach for Law Firms – Engage the Practices (Cont'd)

		ROLE IN ACHIEVING FINANCIAL OBJECTIVE(S)		
		Premiums	Core	Volume
ROLE IN ACHIEVING CLIENT RELATIONSHIP OBJECTIVE(S)	Innovation			
	Specialty			
	Service			



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### Pragmatic Approach for Law Firms – Engage the Practices (Cont'd)

- ✦ The practices then drive implementation via the use of balanced scorecard tools
  - Direct actions related to financial performance
  - Direct actions related to client and business development (external and cross-marketing)
  - Direct action related to people/professional development
  - Process improvement focus/initiatives
- ✦ Set near term targets in each area
- ✦ Denote champions or owners for each initiative
- ✦ Meet, monitor and discuss the results



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### Pragmatic Approach for Law Firms – A Continuing Cycle

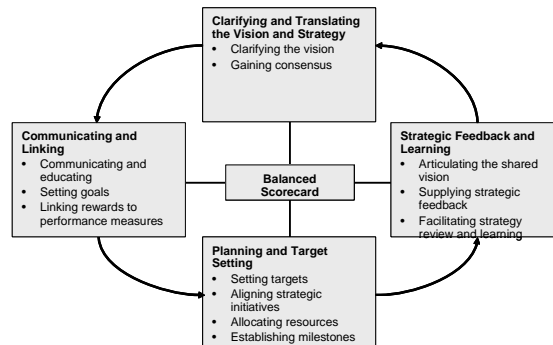
- Regular dialog and discussion – consultation to the practices and assistance from administration
- Adjustment based on outcomes – of firm strategies and underlying assumptions
- Annual planning at the practice level – in line with budgeting



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### Pragmatic Approach for Law Firms – A Continuing Cycle (Cont'd)



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## STRATEGIC PLANNING AND IMPLEMENTATION USING THE BALANCED SCORECARD

### CASE STUDIES



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### Case Studies

- ✦ Mallesons Stephen Jaques – Australia and Pacific Rim
  - Return to #1 ranking in client satisfaction
  - Objective drivers of client satisfaction identified
  - Getting a lawyer on the phone on the first call
  - Development of PeopleFinder tool
  - Results – 10,000 fewer VM, 1 million hits on PeopleFinder, #1 on BRW Client Choice Awards



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### Case Studies (Cont'd)

- ✦ Bryan Cave – US Based, global law firm
  - Balance of financial and client at center of strategy
  - Desktop tool development – right people on the matters
  - Cost control, margin management, high satisfaction
  - Results – 70% tool usage (including newly integrated PoGo lawyers); gains on every objective target



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**QUESTIONS**



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