

Speculation: Why Gaining Competitive Advantage Demands More than Efficiencies

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As many traditional law firms grapple with how to do what they do now better or more efficiently, there are only a handful (read: almost none) who are truly preparing themselves for the future. Why? Because doing the same thing better or more efficiently can only take an organization so far. The key lies in doing *differently*.

Improving on existing modes of delivery, leveraging technology and creating efficiencies is essential for every law firm. In today's marketplace it is even a competitive differentiator. However, at some point in the not so distant future, law firms will have achieved a near-optimal delivery model under the current parameters. And then what? Strategic objectives tied to benchmarking performance against others and delivering the same services at a higher margin will be a formula for maintaining status quo. To compete at a higher level, law firms will need to invent new ways of approaching the business of law.

Dartmouth [Professor Vijay Govindarajan](#) recently presented at Thomson Reuters COO CFO Forum in New York City. His perspective – and one that I wholeheartedly share – is that the future of any organization lies not in the activities that give a company an edge over others in how things are done today (e.g., process improvement, six sigma), but in the way the organization invests in defining a new future. This sentiment is not new. Abraham Lincoln wisely advised that “The best way to predict the future is to create it.”

In practice, establishing a forward-looking strategic lens involves earmarking dollars in this year's budget to speculate. That's right: speculate. Yes, I recognize this is a lofty goal and one that creates a great sense of discomfort, especially among attorneys. Speculation involves taking a chance on something unproven. It involves the risk of failure and is not bound by precedent, rules, laws or regulations. It also involves possibility – the potential to invent or discover something decidedly unique or different that enables a firm to leapfrog the competition.

Professor Govindarajan suggests nearly half of a firm's annual priorities should be invested in activities that explore adjacent spaces or create new space. My recommendation is a bit less ambitious, in part because law firms still have work to do on streamlining service delivery and in part because so few firms have defined clear strategic intent to help guide their investments. (Strategic intent, as defined by Gary Hamel and C.K. Prahalad, is the heart of a firm's strategic architecture – the piece that “provides the emotional and intellectual energy.^[i]”) So let's start small. For the coming year, identify two to three areas of focus and dedicate 15% to 25% of the firm's investment resources in time and dollars to pursuit of these priorities. In 10 years, your firm can thank me... and Professor Govindarajan.

^[i] Hamel, Gary and C.K. Prahalad. [Competing for the Future](#). Harvard Business School Press, 1994.