

Chasing scale for its own sake is not a strategy

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If much of what has been written is to be believed, it could easily be assumed that strategic success simply hinges on the achievement of scale. Simply by being bigger, planting more flags in the map, increasing purchasing power over suppliers and improving the gearing ratio, all will be well.

The reality, of course, is not so straightforward. Scale may be a necessary precondition to achieving strategic objectives but, in itself, will not define a firm in the eyes of intelligent purchasers. Scale may be necessary but it will not be sufficient.

Scale can be important. For example, when serving clients across multiple jurisdictions, it may prequalify those firms considered for a particular assignment. However, it will not be the ultimate determinant of choice. Something else is required to deliver this sort of strategic advantage.

Similarly, it provides opportunities for firms to fully utilise their assets and invest in the people and systems which are crucial to ensuring longer term success. But while scale may provide the capability to invest, it is the nature of the investment that is made which matters.

Scale can provide relative advantages, but the key to ultimate success is how these are then used in a wider strategic context. Consider those firms which are acknowledged leaders in their fields and it is clear that they share a small number of key attributes that drive client loyalty.

Firstly, they have unique distinctive competencies. They offer a technical product or approach to service delivery that is desirable to clients, in scarce supply and difficult for competitors to imitate.

These provide competitive advantage: for the unique technical product, strong pricing can be maintained, while in markets which are more service oriented and price-sensitive, an efficient operational structure facilitates improved profitability.

Secondly, leading firms have a clear focus. They know which markets they are in and which they are not. They understand where they can deliver real value and where they cannot.

They focus on being the best at providing key expertise and superior service to their target markets. To do this, they identify the people, skills and systems that they will need to deliver their strategy and are single-minded in developing them.

These two attributes are linked – clarity of focus provides the courage to invest in building distinctive competencies.

Many, but by no means all, of these leading firms have size and reach too. But this scale has been developed because of their strategic focus, not the other way around.

Chasing scale for its own sake is not a strategy. It does not confer either the focus or distinctive competencies that are required to build sustainable competitive advantage. Indeed, such an approach may prove a diversionary force.

