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Horizon scanning to identify and capitalise on new growth opportunities

Ted Levitt, the economist and business thinker who penned the game-changing *Marketing Myopia* in 1960, commented that “the future belongs to people who see possibilities before they become obvious”. His words capture the essence of the challenge faced by many legal professionals. In a world where the pace of change is quickening and the future appears uncertain, how can firms identify the new markets that will define their sustainability and success?

A significant area of strategic focus should be detecting markets and clients that are in the early stages of their growth curve and into which firms can invest their finite resources. The firm should be strategically positioned to take advantage of new business paradigms, both with current and future clients. Investments should be targeted at building the skills, competencies and resources that the firm will need to exploit opportunities.

One observed strategy, which has been both simple and successful for many firms, could be summarised as ‘grab newly-emerging markets by the coattails and hang on tight’. This pragmatic approach may not win awards in the strategy classroom but, in the final reckoning, what matters is the result rather than the theoretical model. The strategic question is how much of this (apparently effective) Remora-like activity should be left to chance as opposed to being part of a deliberate plan?

Prioritising investments

To create a business that is fit for the future, firms must work hard to build a good understanding of where current clients or markets are headed and where new opportunities (at both a sector and client level) are emerging. Without a clear picture of the most appropriate prioritisation of current and new resources, the firm runs the risk of squandering its investments (at best) or sending itself into a strategic cul-de-sac (at worst).

To create competitive advantage in this environment, three things are needed:

1. an assessment of the commercial catalysts and their impact on clients;
2. an awareness of what the firm’s competitors are doing to move into these spaces; and
3. the ability to speedily reconfigure structures and acquire new resources to take advantage of new opportunities.

Choosing the right horses to back will be the major determinant of success. Strategic thinking needs to be employed in deciding how such opportunities are identified at an early stage and thereafter developed so that the firm creates strong capabilities and a defensible market position.

“Client feedback systems can give the firm access to a broad base of strategic intelligence”

Adapting classical marketing strategy can be useful here. By conducting analysis through the eyes of the client (rather than the usual firm-centric approach), insights can be gleaned about macro and micro-environmental opportunities, the competitive context, and the forces that are impacting on client performance and prospects. Analysis should focus on the nexus between industries of predicted high growth, the way in which these industries use law firms, and the relevant skills or experience that the firm can offer immediately, develop quickly or acquire soon.

Positioning offerings

Having articulated market growth potential and a sensible resource fit with the firm,

it is important to identify potential clients with high relative market share, unique capabilities or strong market positions. This analysis will provide a focus for sales and client-development activity in fast-growth markets, where there will often be myriad players, many of whom will fall away as consolidation and maturation sets in. Winning a significant share of these clients will allow the firm to achieve a leadership position as the market matures.

Client feedback systems can give the firm access to a broad base of knowledge, opinion and strategic intelligence. Important insights can be gained by encouraging clients to discuss how they see the future (in terms of opportunities and threats), as well as their own plans and the broader environment that their sector faces. These perspectives can then be the subject of further, more analytical, scrutiny as the firm decides where to invest for growth.

Some firms have established advisory boards or client panels which meet on a regular basis to share views and opinions on strategic responses to market changes. Such meetings can provide an excellent mental breakout space, giving the firm’s leaders the opportunity to reflect on long-term strategy in a setting that is both challenging and supportive of their overall ambitions.

Law firms that recognise the importance of creating competitive advantage by identifying and acting upon growth opportunities will ensure they develop good long-term scanning capabilities. Coupled with excellent acuity to act on the most compelling opportunities identified, they will be the ones that see the future early and put themselves in the best position to capitalise on the openings that they have unearthed. ■■

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