

# Navigating the Oceans on a Flat Planet

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For many law firms, the past few years have posed difficult challenges to continued robust growth, and for some, even to their survival. Those practicing commercial or transactional law are well aware that this reality also applies to most of their clients. The future will get only tougher.

Don't be lulled into complacency by this article's title. This is not about taking a well-deserved respite from the rigors of running a competitive law practice in an ever-changing world. Instead, this article is a call to serious strategic thinking. This will not be an easy task. There is no "five point checklist" with implementation that can be delegated to a dedicated subordinate. Instead, this is a process that will require rigorous thought and high level attention.

## Embracing the impossible

To get started, let's survey the world that confronts many of our clients. Geoffrey Colvin discusses the new competitive challenges faced by senior corporate executives in "Who Wants to Be the Boss?" (*Fortune*, February 20, 2006, pp. 76-78). Today's business entities must continually alter business models, respond to increased customer and investor power, deal with global competition, and, most significantly, find ways of achieving profitable growth in a world of overcapacity. As Colvin so aptly states, the "demands are more daunting than ever, and the pressure to perform is relentless. But the great CEOs embrace the impossible."

Technological and process innovations have reduced the friction of producing and providing products and services across boundaries and time zones. This offers businesses profound challenges and opportunities.

## Forces that flatten the world

As Thomas Friedman describes in his must-read book, *The World is Flat: A Brief History of the Twenty-First Century* (Farrar, Straus and Giroux, New York, 2005), ten forces have "flattened" the world. These include the rise of software and search engine standards such as Windows and Netscape, work-flow software, open-sourcing, outsourcing, off shoring, supply-chaining, in-sourcing, in-forming (e.g., research using Google and Yahoo!), and what he calls "the steroids" (digital, mobile, personal and virtual communications).

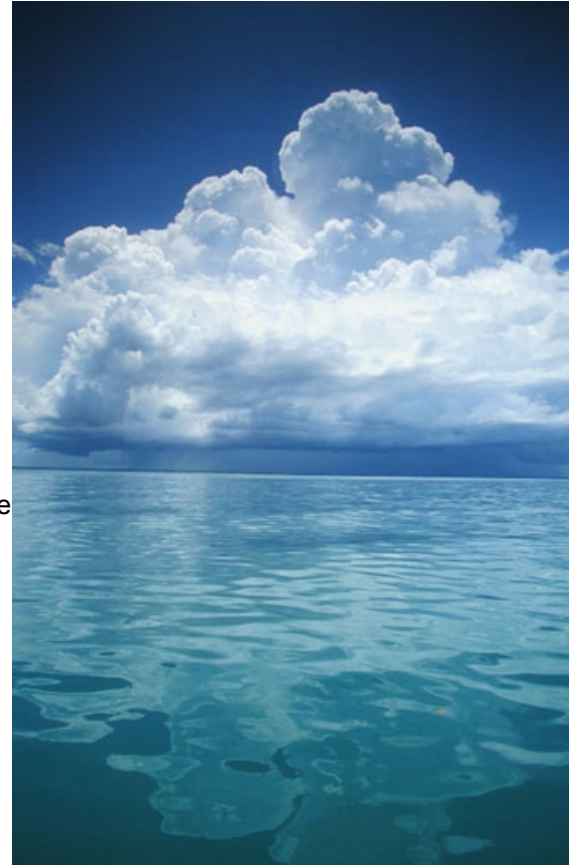
These forces have enabled businesses to engage in seamless collaboration across the world, and to source functions where they can be accomplished efficiently and at lowest cost. They also have given rise to intense new competition as millions of talented, creative, and energetic people and firms in China and India now have access to world markets, business relationships, and customers.

These developments are not limited to the production of basic products. Almost any process that can be digitized can be performed by competent people in a lower cost area than before. Friedman also discusses the impact of rising stars, such as the United Parcel Service, which have successfully implemented global supply chain processes, thereby standardizing and simplifying various components of international transactions.

These forces and competitive mandates have resulted in less organizational stability in corporate organizational form,

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function and geographic presence. Businesses pare overhead relentlessly. As corporations engage in round after round of outsourcing functions not determined to be part of their core, main or divisional headquarters no longer need to be tied geographically to production. In some cases, some former manufacturers no longer make anything. Their core capabilities shift to managing a brand and coordinating the activities of widely dispersed contractors, product and service providers, strategic partners, and joint ventures.

## Challenges to law firms in a flat world

As these forces have impacted corporate clients, they also are affecting a wide variety of legal service providers. Your role as legal adviser may be diminished as functions of your corporate clients are relocated to another geographic area or country, or outsourced to an entity with its own legal counsel. With companies like UPS providing services as comprehensive supply chain management, your clients may no longer need your insightful advice on important aspects of their international sales (e.g., export licensing and tariff requirements, customs issues, letters of credit).

Apart from the challenge of retaining a profitable client base, these forces are affecting the law firm's ability to deliver services efficiently and at a competitive cost. More legal work has been commoditized, particularly those processes that can be broken down into components, such as preparation of routine documents.

This trend is proceeding well beyond simple, routine backroom operations, and now covers activities traditionally performed by junior associates, such as patent searches, law surveys, and drafting legal briefs. (See, "The Business of Law," by Sarah Kellogg, in *Washington Lawyer*, October 2005.) Changes in commercialization and technology are also resulting in consolidation of small and medium-sized firms into larger entities, who will be better positioned to provide more comprehensive services to a sophisticated client base. (See, *The Importance of Futures Planning*, a 2006 Futures Report by the Canadian Bar Association, at [www.cba.org/futures](http://www.cba.org/futures).)

## Red oceans and blue oceans

How do law firms deal with the competitive realities of the flat world? Help is on the way from the international best seller, *Blue Ocean Strategy - How to Create Uncontested Market Space and Make the Competition Irrelevant*, by W. Chan Kim and Renée Mauborgne (Harvard Business School Press, 2005). The authors, professors of strategy at INSEAD, have captured the problem. The business world has "red oceans," where firms find themselves in a vigorous, even bloody, competition for a relatively fixed universe of work. There also are "blue oceans," where firms will find uncontested market space and the competition irrelevant.

The challenge is to develop a strategy to perform better in red oceans while navigating your firm's way to the blue oceans. This concise but content rich book provides analytical tools and innovative frameworks (value curves, strategic pricing models, etc.), with real world examples. These enable the firm's top management to reach beyond existing demand by reconstructing market boundaries and creating exceptional utility for their customers, while offering an accessible price.

The underlying principles clearly apply to the professional services firm. *Blue Ocean Strategy* will stimulate you to think about your firm and its future in ways you probably have not considered before. It will help you to think about expanding your firm's visibility and its reach to potential clients whom you have not previously considered. It will also encourage you to take steps to enhance your firm's capability to provide a unique combination of value, personalized service, and price that clients will find compelling.

## Charting the course

The current competitive environment for law firms admittedly is not very comforting. So, how does one proceed? Charting a course for your firm to a more favorable part of the red ocean you are in or, even better, for a track to uncontested market space in blue oceans will take a significant, dedicated effort. If you haven't done so already, you should read and digest the two books cited above. They will provide important tools and a framework for you to begin to analyze your firm's strategic position and to contemplate possible courses of action.

This will be a significant undertaking, demanding time and attention; but the benefits of developing and implementing a well conceived plan are enormous. The costs of not proceeding – of continuing business as usual – are even higher. Due to the critical importance of getting this right, you may wish to consider utilizing the services of an experienced

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business advisory firm that is well versed in assisting with this level and scope of strategic analysis.

What is most important, however, is that each law firms begin the intellectual journey to their own “blue ocean” today. The firm that fails to move will be left behind.



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