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Strategic Planning for Small Law Firms

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Pressed for time and averse to business jargon, solos and small law firms may be overlooking benefits of strategic planning that include more and better business over the long term.

If a small law firm is perfectly happy with its current status and future outlook, then it does not need a strategic plan. But really, how many firms can claim to be perfectly satisfied? Most small firms want more business and better business. To achieve this goal, these small firms need a strategic plan.

If you don't know where you are going, after all, any road will get you there. Following many roads in random directions is inefficient and ineffective. If you do know where you are going, you can follow a specific and direct path to success.

When asked what their law firms should accomplish in the next few years, most small-firm leaders will say that they want to be more successful. They will say that they plan to do this by working harder and smarter. These vague aspirations, however commendable, do not constitute a plan.

It is not surprising that many small law firms lack strategic plans. Their counterparts at larger law firms have staff to manage the firm, so that the lawyers can concentrate on clients. Solos and small-firm lawyers must do it all themselves. As a result, strategic planning often takes a back seat to client matters.

WHAT IS STRATEGIC PLANNING?

When attorneys hear the term "strategic planning," their innate cynicism often takes over. They envision hours spent with a high-priced consultant who spouts arcane business jargon and then presents obvious recommendations. In other words, these attorneys envision a complete waste of their time and money.

Put these preconceptions aside. Strategic planning is not all that complicated. It is simply a process that forces a law firm to pause briefly to carefully consider where the practice has been, where it is today, where you would like it to be in the future—and how you can make this happen.

In other words, strategic planning is a process in which an organization defines its goals and then creates a plan to achieve these goals. The process forces busy lawyers, who are often scrambling to keep up with the day-to-day tasks of lawyering, to actually anticipate the future. Most plans cover one to three years.

A successful small law firm strategic plan should consider a firm's unique culture and vision, emerging trends in the legal market that might provide opportunities, emerging threats in the market that might dictate a change of course, and any needed operational changes.

Plus, a strategic plan can be simple. In fact, less is more. Law firms should not try to accomplish too much, too soon. If initial goals are too ambitious and not reached, firm members will likely get discouraged and resist future efforts. Success in achieving smaller, simpler goals can create the momentum and confidence needed to achieve more difficult goals down the road.

WHY DO LAW FIRMS RESIST?

Common obstacles to strategic planning include:

- Lack of incentive. Strategic planning requires an investment in nonbillable hours, which are not rewarded by most law firm compensation systems. Many firms resist spending time on an activity that brings no reward.
Lack of consensus. Most law firms are democratic institutions that rely on consensus in order to get things done. Strategic planning may uncover difficult issues and spark differences of opinion. Many firms resist conflict and simply hope that a problem will go away.
Lack of leadership. Strong leadership is required when dealing with difficult issues. Often, when consensus is hard to achieve, a managing partner operating alone lacks the skills and political capital to effectively manage significant changes.
Lack of execution. Once created, even the best strategic plans must be implemented. This takes time and resources. Many firms find it easier to ignore a plan and concentrate on client matters.
Lack of accountability. Strategic plans often impose no adverse consequences for inaction. Even if they do, the firm may not enforce these consequences. When lawyers fail to follow through on a plan's tactics, they must be held accountable.

STEP BY STEP PLANNING

1. Assess status and gather facts. One popular and straightforward strategic planning tool that can be used by a small law firm is a SWOT analysis, in which lawyers identify the firm's strengths, weaknesses, opportunities, and threats. Most firms will already know what these are, but have never carefully considered them all in one place. Do not get carried away. Identify only the most important elements in each category. To be more thorough, use these questions to trigger discussion.

Regarding the marketplace:

- Who are our competitors?
What do they do better than we do? What do they do worse?
What is our reputation in the marketplace? How can it be improved?
How can we distinguish our firm from our competitors?

Regarding internal issues:

- How would we describe our firm culture?
What are our core values?
Do we have the right leadership? Are there gaps?
Are we getting work out efficiently, effectively, and in a timely manner? Which improvements are needed?
Are our marketing efforts adequate, or should they be upgraded?
Do we have the right number of the right kind of employees? Are our training needs being met?
Are any of our lawyers close to retirement? What changes will this bring about?
Is the firm the right size or should it be smaller or larger?
Are professionals and staff compensated fairly and consistently with our culture?
Does our technology allow us to compete in today's culture?

Regarding external issues and trends:

- Will any practice areas be impacted by changes in the coming years in the regional economy, legislation and regulation, and/or political climate?

Regarding clients and services:

- Who are our top clients and what kind of work do we do for them?
How will their needs change in the future?
Which are our most profitable practice areas?
Should we reduce or eliminate some areas while growing or adding others, in order to meet client needs going forward?

When assessing client needs, do not rely only on lawyer perception of these needs. Lawyer and client perceptions may not be in alignment. Solicit direct client feedback via confidential interviews (usually for larger clients) and client questionnaires (usually for smaller clients). This information can also be used to identify (and plan for) future opportunities or potential loss of business.

2. Organize and rank. The above discussions will uncover a lot of information. You cannot possibly deal with all of this information at once. To keep the strategic planning process simple and focused, concentrate on perhaps three or four issues. If these issues are not immediately obvious, discuss one further question: What worries us most about the firm's future? The answer to that question will inform your list.

Some of these issues may be longstanding problems that have not yet reached crisis level, but have been neglected for too long. Thus, strategic planning not only forces small law firms to consider the future, it also motivates them to proactively tackle lingering problems that have been holding them back.

3. Create a plan. With the information gathered and priorities ranked, it is time to create an action plan. This document should be short and simple. It should address:

- What are the three or four realistic goals for this plan? Don't be tempted to expand the list. Less is more.
How will we achieve these goals? What are the specific tactics (including "to-do" lists).
Who is responsible for accomplishment of a tactic?
What are the final deadlines and interim deadlines?
How will the firm measure and reward results?
Will the firm offer disincentives to ensure accountability?

4. Just do it! The most difficult part of any small law firm strategic plan is execution. The best strategic plan will be wasted if it just sits on the lawyers' desks gathering dust. To avoid this result, progress towards meeting plan goals must be monitored regularly.

Constant monitoring is critical to hold people accountable, so everyone involved knows who is walking the talk and who is not. Results must be measured and communicated. It is also critical for making revisions. Perhaps some assumptions were incorrect or a tactic is not working as planned. Perhaps a lawyer has left the firm. A strategic plan is a flexible, living document—not etched in stone.

Most often, monitoring is best accomplished by holding regularly scheduled meetings each month. These meetings can be short, allotting just enough time for each person to give an update. If changes need to be made to the plan, a little extra time can be added.

INCLUDING OTHERS

Associates and Staff. There are pros and cons to including associate attorneys and law firm staff in the strategic planning process. On the plus side, they can provide a unique perspective on issues, providing a more accurate and well-rounded picture. Including associates and staff also sends a positive message that the firm is inclusive and values the opinions and contributions of everyone—not just the partners.

On the other hand, associates and staff do not have an ownership stake in the firm and will be less immediately affected financially by any changes that are part of the strategic plan. Also, there may be certain issues that are better kept confidential.

When it comes to inclusiveness, there are no hard-and-fast rules. In the opinion of many experts, expanded participation should be seriously considered for some parts of the process.

Outside Consultants. A disciplined small law firm should be able to work through the strategic planning process on its own, but many find this process far easier when it is facilitated by an outside consultant. A skilled consultant can:

- Keep the process moving along by avoiding side-tracks;
Rein in uncooperative partners;
As an objective outsider, obtain more accurate perceptions about the firm from the partners;
Question long-held (but possibly outdated or incorrect) assumptions and beliefs that cannot be raised by partners due to firm politics; and
Provide an independent and objective voice to the process when individual lawyers are tempted to favor their own vested interests over the firm's.

Although all types of businesses engage in the strategic planning process, law firms offer some unusual challenges. It is usually best to retain a consultant who has worked with law firms and is attuned to their economics and business development practices. In addition, an experienced consultant will have a better understanding of the unique lawyer personality and what makes lawyers tick.

For all of the reasons mentioned above, solo practitioners should also engage in the strategic planning process. On one hand, the process is simpler. On the other hand, it can be harder for a solo practitioner to stay on track without peer pressure to do so. Even solos can benefit from the discipline imposed by an outside consultant.

CONCLUSION

Small law firms that want more business and better business cannot achieve these results simply by wishful thinking. They need a direct roadmap to get from where they are today to where they want to be tomorrow. They need to follow that route without getting side-tracked. They need a strategic plan.

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