MPF WHITE PAPER

STRATEGIC PLANNING: KEY TO SMART GROWTH
2015 THOMSON REUTERS AND MANAGING PARTNER FORUM
MID-SIZE AND SMALL LAW FIRM SURVEY

by

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and
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OVERVIEW

In the face of ongoing change and continuous cost pressures, mid-size and small law firms are focused on investing in technology to increase efficiency and productivity, and building specialty practices to better serve the needs of clients.

Gone are the days of growth for growth’s sake. Today, it’s about modest growth, focused on profitability and delivering more value to a firm’s customers, and founded in smart investments in technology, time and talent.

Those are the key messages from a new survey of 145 mid-size and small law firm leaders, whose firms range in size from fewer than 30 attorneys to those with up to 174. The survey was conducted in March 2015 by Thomson Reuters and the Managing Partner Forum.

The survey’s respondents, managing partners (54 percent), CEOs (20 percent) and other law firm leaders (26 percent), represent law firms with five or fewer offices located throughout the United States. Most firms were identified as a full-service firm or a firm with several prominent practice areas, but not full-service. All respondents are subscribers of the Managing Partner Forum e-newsletter, and many attend the organization’s annual leadership conference conducted each year, an event organized by TheRemsenGroup, an Atlanta-based legal consulting firm.

FACING CHALLENGES AHEAD

As mid-size and small law firms wrestle with the lightning-paced changes of the digital economy, they continue to face a number of challenges, such as:

• How to deal with client pressures to reduce fees?
• How to attract more desirable clients?
• How to transition the firm to the next generation of leadership?
• How to grow the business while reducing costs?
• How to manage the expectations of a new generation of tech-savvy lawyers and paralegals?
• How to market more effectively?

The answer to these and other questions, said law firm strategic planning expert John Remsen Jr., president and CEO of the Managing Partner Forum, is a proactive approach to embracing change.

As the economy continues to build steam, now – not later – is the time for mid-size and small law firms to establish a strategic plan and wisely invest their resources in the areas of technology, marketing and business development, and talent development. Even though you may be busier than you have been in years, now is the time for law firm leaders to think ahead and start working toward embracing change.
MEETING EXPECTATIONS

Overall, the results of the Thomson Reuters/Managing Partner Forum survey show that most mid-size and small law firms are meeting the expectations they’ve set for themselves. Furthermore, most law firm leaders have a positive outlook about the prospects of their respective firms.

According to the survey results, 90 percent of mid-size and small law firms met or exceeded their profitability goals in 2014.
The top five factors cited by law firms in meeting or exceeding performance goals included:

1. Growing selected practices
2. Winning new business based on the firm’s value
3. Being more focused on efficiency
4. Improved management of expenses
5. Investing in infrastructure

“When we see these survey results,” said Remsen, “I see innovative law firms taking a smart, strategic approach to growth – a balanced approach. They’re focused on identifying new areas where they can add value to their clients, while at the same time, investing in their infrastructure with the aim of increasing productivity and efficiency, and reducing costs.”
New technology was specifically cited by surveyed law firm partners as the No. 1 factor in increasing efficiency, improving productivity and reducing cost pressures. Seventy-seven percent of law firms with 80 to 174 attorneys adopted new technology in comparison to 66 percent of small law firms with fewer than 30 attorneys.

Changes to increase lawyer efficiency in 2013-2014

New technology investments range from investing in mobile technology, allowing attorneys to have access to online productivity tools, to subscribing to powerful information technology.

“We’re seeing more mid-size and small law firms look at technology investments as a means of servicing the needs of their customers better,” commented Remsen. “What’s absolutely vital is the training that goes with new technology.”

Other factors cited in increasing efficiency were changing staff ratios and pushing work to staff with lower billable rates.

“Back 15 or 20 years ago, we saw many firms pursue a path of growth at all costs,” noted Remsen. “We think mid-size and small firms have a new mindset. You don’t have to merge with another firm or seek to be acquired by Big Law to grow smart.”
LOOKING FORWARD

Law firm leaders surveyed reported feeling confident in their ability to succeed in the current legal environment. On average, 70 percent of mid-size and small law firm leaders said they felt “very confident” or “extremely confident” in their firm’s ability to succeed in the current legal market.

The four greatest opportunities for success identified by law firm leaders included:

• Confidence in winning new business based on the value offered by the firm
• A focus on quality
• Growing selected practices
• Enhancing reputation among domestic corporations

But when asked what had the greatest impact on the firm, larger firms (80 to 174 attorneys) surveyed were more likely to identify “competing on price” as the top priority, while smaller firms identified “increasing information management challenges” as the top factor.

“In our conversations with mid-size law firm leaders,” Remsen noted, “we’re seeing more dialogue among partners who are actively talking about cross servicing their clients. Attorneys are more willing to work together to serve the broader needs of their clients.”
PLANNING THE FUTURE

While many law firms have a good grasp of what they think they need to do to succeed, according to the Thomson Reuters/Managing Partner Forum survey, only a fraction of smaller firms have a firm-wide written strategic plan to guide them. Only 16 percent of small firms with fewer than 30 attorneys have a strategic plan, compared to 63 percent of larger firms (80 to 174 attorneys).

“We firmly believe that every law firm – regardless of size – should have a strategic plan in place,” said Remsen. “You need a road map to know where you’re going. A strategic plan should capture a sense of your firm’s vision, and outline the priorities to get you there. It’s the critical link to growing smart. Of course, the key to any successful strategic plan is actually implementing it.”

For the firms that do have a strategic plan, the top five strategic goals for the coming year include:

1. Marketing and business development
2. Build a cohesive firm-first culture
3. Grow current practice areas
4. Grow business through lateral hires and/or acquisitions
5. Succession planning
For more than 75 percent of all law firms surveyed, marketing and business development ranked as the No. 1 strategic priority.

“As competition for clients becomes fiercer,” Remsen added, “it’s important for a firm to speak with one voice about what differentiates it from its competitors. Putting a strategic plan in writing is the first step for the partners of a law firm to talk about what they want to stand for.”

In terms of budget dollars, all firms, regardless of size, agree that Business Development and Technology will see the greatest increase in investment dollars in 2015 as compared to the amount spent in 2014.

To support a culture of strategic planning and goal setting, more than 50 percent of surveyed law firm leaders have a written job description, and many believed that achieving long-term strategic objectives and leading change are at the top of their lists in terms of the most important contribution they should be making as a firm leader.

Along these lines, the Thomson Reuters/Managing Partner Forum survey asked law firm leaders about the issues and topics they’re most interested in learning about. Leaders identified a wide range of topics, from marketing and business development and succession planning to productivity and law firm innovation. For small law firms with fewer than 30 attorneys, compensation systems topped their lists, while for larger law firms (80 to 174 attorneys), leading change was No. 1. Marketing/business development and succession planning were the two topics that all law firm leaders, regardless of firm size, were interested in learning more about.
ACTION ITEMS FOR LAW FIRMS

Based on the findings of the Thomson Reuters/Managing Partner Forum survey, Remsen recommended the following steps for mid-size and small law firm leaders:

• **Develop or update your firm’s strategic plan.** You’re flying blind if your law firm does not have a plan that spells out exactly where you’d like your law firm to be within the next three to five years. According to the Thomson Reuters/Managing Partner Forum survey, 63 percent of mid-size law firms (80 to 174 attorneys) have a strategic plan and of those, 84 percent report good to excellent implementation of those plans. However, 60 percent of small law firms (fewer than 30 attorneys) do not have a strategic plan, potentially putting their firms at significant long-term risk.

• **Continue to invest in law firm technology.** Law firms have not traditionally been at the forefront when it comes to investing in new technology. But today, clients expect law firms to have the technology in place to obtain the information needed to support their legal matters and efficiently service their accounts. Similarly, new attorneys – Millennial and Generation Z – have grown up with technology. Law firms that invest in the latest technology will have an easier time attracting the best new talent.

• **Assess marketing efforts.** For some firms, it can be difficult to get all of the partners on board with a unified marketing effort. One important key is to improve the firm’s marketing and business development efforts, which can start by assessing what other respected peer firms are doing in terms of their marketing. Second, put the firm’s marketing plans in writing and invest in the resources to implement them. Consider using an outside marketing resource, or hire an in-house marketing person to coordinate the effort. Whatever path you take, just do it – as one managing partner said: “Marketing isn’t essential to our growth, it’s essential to our survival!”

• **Networking still remains key.** While networking continues to remain the centerpiece of many law firm business development efforts, today’s law firms must embrace social media as a tool. Using LinkedIn®, Facebook®, Twitter® and other social channels can be critical to building awareness, engagement, and thought leadership.

• **Focus on value added.** In today’s competitively priced legal market, law firms need to differentiate themselves by building expertise in specific niche markets, and continuously look for opportunities to provide value-added services that address client pain points.

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