

## WILL FATE PLAN YOUR FUTURE OR WILL YOU?

Talk to lawyers in most firms about planning, and you are likely to see many eyes glaze over. That's understandable. After all, the idea of strategic planning for law firms is still a daunting task for many and too few partners see the merits of undertaking such a project. That doesn't mean that there's been no planning in law firms all these years. Some firms have been planning for years; but that is not the case for many firms.

Planning is not an easy concept to define because it goes off in so many directions. It deals with every aspect of the law firm, including, but not necessarily limited to:

- Client relations
- Work environment
- Financial performance
- Partner relations
- Ownership structure, and how new partners will be admitted
- Technology
- Marketing and practice development
- Accountability
- Compensation

The best way to learn about planning is to go through the process in your firm and continue to do it until it becomes second-nature to you so that **strategic thinking** becomes an essential part of your practice.

Think of strategic planning as formulating a vision — a blueprint of the firm you want to be. That blueprint includes the direction the firm will steer its practice to take advantage of opportunities in the marketplace and be as competitive as possible. Through an organized process (a self-analysis of your strengths, weaknesses, opportunities and threats, commonly abbreviated as a SWOT analysis), you make choices that will mold and control your future.

The alternative, to allow inaction or indecision to chart your course, is not very attractive. Yet, many firms today are doing just that. By assuming a *laissez-faire* attitude that "business as usual" will continue to keep the work flowing, these firms are taking a big gamble with their futures, or, at the very least, allowing fate to take them wherever it might.

The primary goal of planning is to position your firm for success, whatever success means to you. Regardless of firm size, it has become increasingly critical that all partners buy into a common definition of success — the group's vision for the firm. The keys are shared values and partners building a consensus regarding direction of the firm. The more closely aligned the partners' values, the easier it is to follow a course that all partners can support.

The individual goals and philosophies of the partners form the foundation for building the firm's future. Unless the partners have common goals, the firm cannot have a direction that partners will commit to achieving because each partner has a level of buy-in. Partners may all be pulling in a different direction, fighting for priority over the firm resources they need. When a firm is just starting, the common goal of "making it" from a financial standpoint is often enough to motivate partners to work together. Once the honeymoon is over, the partners need more. They need to develop a common philosophy of practice regarding:

- How hard are they willing to work?
- What level of profits is needed to satisfy partners?
- To what extent should they specialize?
- What kinds of clients do they want to serve?
- What type of work will the firm do? How sophisticated must the work be to keep the lawyers challenged?
- Can the lawyers work as a team? Does the compensation system encourage teamwork?
- What are the partners' attitudes toward marketing? Are they willing to participate in a formal marketing effort? Do they agree on who, how and what to market?

The firm must be well-organized internally to allow the partners to focus their efforts externally — dealing with the firm's competitive position in the marketplace rather than bickering about internal issues. You have to be well-managed, which means a number of things:

- Having a well-understood decision-making process that defines specifically who is responsible for, and has authority to make, which decisions. Where major decisions are delegated to a managing partner or an executive committee, a means to building consensus and communicating direction is critical. A formal decision-making structure is not enough. To be in a position to make quick decisions, the firm's culture must be one where partners support decisions with which they may not agree. Decision by veto or stonewalling can take a firm out of competition faster than anything else.
- Developing a culture in which partners are willing to be held accountable and are willing to hold their colleagues accountable for their actions. This is one of the most difficult things to achieve in many firms. Whether it is an unproductive partner, one whose quality of work is not on par with others in the firm, one who is a malpractice risk or one who is a disruptive force, many firms hesitate to take action. This can be a major obstacle in moving the firm to a position of strategic strength.
- Having partners adhere to practice management guidelines dealing with specialization, quality control, quality service to clients, work intake, billing and collection guidelines, work assignment and delegation.

- Having a financial management system to help ensure financial stability. You want to make sure that you're getting the most from your resources.
- Involving all partners in marketing, client service and the growth of the practice. Being well-managed means instituting a partner compensation system that rewards activities crucial to the firm's success.

Strategic planning does not necessarily mean a long written document, supported by pounds of statistics. For many firms, the *process* is far more important than the size of the finished document. It is the process that provides a forum for dealing with critical issues. Decisions made to address these issues provide the firm with direction and a foundation for goal-setting. Goals should not be "written in stone," however. It is critical for a strategic plan to allow flexibility so that the firm can take advantage of changing circumstances in order to accomplish the overall vision.

Strategic planning is different things to different firms at various stages of their growth and maturity. For example:

- A firm in financial trouble that is struggling to pay meet payroll, expenses, and partner draws, must focus on how to improve short-term financial performance. Once it restores financial stability, it can deal with its long-term goals.
- A new firm must concern itself with facilities, equipment, internal systems and financial stability. Partners may have to work far harder than they would in an existing firm because they must spend inordinate amounts of time in making initial management decisions in addition to spending a lot of time on marketing, practicing law and getting paid. Once the firm is established, the partners can devote more of their energy planning for the future.
- A firm that has been in existence for many years and undertakes strategic planning for the first time often must address internal issues that are obstacles in strategic planning. The first step in planning is to ensure that the firm is well-managed, as discussed above.
- A well-managed firm that has experience in strategic planning generally has a well-defined vision that allows it to concentrate on verifying its direction and updating goals. Client service, practice expansion and marketing are the focus. A firm in this position can easily adapt its goals to address changes and trends in the marketplace.

Strategic planning must have a practice focus. The partners have to understand what the law firm does best and why. Planning by law firms must be client-driven if it is to be effective.

- How well is the firm servicing clients currently?
- Are the quality of both the legal work and the service delivered satisfactory to clients?
- What will be the future needs of clients?

- Does the firm have sufficient knowledge of the clients' businesses?
- Does the firm have sufficient knowledge of the clients' industries?

To place appropriate focus on client needs and satisfaction means you need to have input and feedback from the clients themselves. Increasingly, and appropriately, firms are going right to the source for this information, asking clients what they think, through personal interviews, written surveys or a combination of the two. They are using these tools to involve clients in their planning process.

Getting feedback from clients is daunting to many lawyers who are afraid to open themselves up to criticism. As a result, they set goals in a vacuum. The goals may bear no relationship to client needs, which is a serious mistake. In fact, clients appreciate, and often expect, to be asked.

Client feedback and an analysis of its client base will allow the firm to better understand its clients and answer questions essential to good planning, including:

- Who are the firm's major clients, and how are their businesses or industries changing? How will those changes impact the firm? How can the changes be turned into opportunities? If not, how can the firm best be insulated?
- Is the firm too dependent on any client? Does the firm receive as much as 10% of its revenues from one client? As much as 30% - 35% from its top ten clients? If so, what specific steps can the firm take to dilute this dependence?
- Are the firm's practice areas susceptible to economic downturns or to legislative change? If so, is that practice so significant that an economic downturn or a legislative change would mean a large decrease in revenues? Is there a way to insulate against such as problem?
- Are clients satisfied with the service they receive? If not, what specific aspects of service are they unhappy with? What can the firm do to correct the problems?
- What other practice areas does the firm want and/or need to pursue in the future? Is there a particular area that could be cross-sold to existing clients?
- What types of clients or industries will the firm attempt to represent in the future?
- Does the firm need to increase its level of specialization in any current or potential practice areas? If so, what kinds of staffing changes (if any) will this require?
- Who are the firm's major competitors?
- What advantages do those competitors have over the firm?
- What advantages or strengths does the firm have over its competitors? Is there anything, from the clients' perspective, that distinguishes the firm from the competition?
- What are the firm's income goals and how will they be achieved?

- What image or reputation does the firm have with its clients? With the general business community? What image or reputation does the firm want to project to its clients and prospects?
- Is the firm satisfied with the commitment to, and progress in, its marketing efforts? What needs to be changed, and how should those changes be implemented or encouraged?
- What other weaknesses in the firm need to be addressed? How will they be addressed?

There are a number of obstacles that may stop the planning process in its tracks:

- Partners may be spending too much time and energy focusing on internal matters. This tends to happen when partners have not reached consensus on basic philosophic issues. If the partners can't get beyond this problem, the firm usually falls behind its competitors.
- Some partners do not fully understand the economics of their practices. They may have a tendency to set economic goals without regard to whether the firm's client base/capacity for growth can support those goals. They may focus on cutting overhead rather than on increasing gross revenues.
- They may not understand how their practice management habits impact the firm's financial success. Even if they do, they may not be willing to change those habits. These include:
  - Work selection.
  - Pricing, billing and collections, including write—downs of time and write—offs of accounts receivable.
  - Delegating to other partners and associates and properly supervising work that has been delegated.
  - Specialization.
  - Keeping time and turning it in.
  - Using systems.
  - Doing work on time.
  - Communicating with clients regularly.
- Some partners do not understand the necessity of having a strong, well-managed organization to implement strategic goals. They assume that, regardless of internal issues that are not resolved, there should be no reason that the firm would not be successful in implementing a plan.
- Some partners do not understand the importance of decisions that must be made regarding the practice itself. Even if they do, they may be unwilling to make decisions that cut or curtail a given practice, especially if they are involved in it.

There are a number of keys to planning success:

- Strong leadership is critical to successful implementation of a strategic plan to:
  - Anticipate change.
  - Know what's going on in the marketplace.
  - Do what has to be done to take advantage of opportunities in the marketplace.
  - Ensure that the firm implements policies and procedures to respond to change.
  - Build consensus for changes that must be made.
  - Motivate the firm's lawyers into doing what is necessary to prepare for the future.

Lack of leadership is a leading cause of law firm failures today. A good, strong leader is one of the most valuable resources a firm can have.

- The firm's infrastructure must support implementation of a plan. Partners must be committed to address problems and, in many instances, make significant changes.
- The management group must be accountable for development and implementation of a strategic vision and plan.
  - All partners and associates must be involved.
  - Professional guidance during the process can make the difference between success and failure. The professional can help the partners understand planning and can keep them focused and moving in the right direction.
  - The process should include several meetings (perhaps involving an outside consultant) to agree on firm direction and develop specific goals and strategies.
  - Not only must there be specific goals, but there must be specific action plans with assigned responsibilities and timetables.
  - Partners must be held accountable for specific aspects of development and implementation.
- A common "institutional" practice philosophy is essential.
  - The firm comes first.
  - Individual goals of partners are secondary to overall goals of the firm.
  - Planning must be viewed as a continuing process — it never ends.
  - A strong administrative staff plays a significant role. No firm is too small for a professional non-lawyer administrator, if the partners are willing to delegate appropriately.

For firms that want to ensure their future success, strategic planning and thinking are not an option. It takes time, effort, and commitment. Your reward is control over your future.