

### STRATEGIC PLANNING IN LAW FIRMS – FROM “NICE TO DO” TO “ESSENTIAL FOR FUTURE SUCCESS”

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This paper discusses strategic planning in the law firm management environment. Primary topics include strategic planning defined, why it is important in law firms, a brief history of strategic planning in law firms, the “do’s” and “don’ts” of effective law firm strategic planning, the key to successful planning – successful implementation, integration of the planning process, and Smock Law Firm Consultants’ strategic planning skills.

#### STRATEGIC PLANNING DEFINED

Strategic planning is a **process** by which a company (and its business units) or a law firm (and its practices and/or offices) determine their overall direction and what is important in conducting their business (the firm’s vision, its purposes, and its values), **what** must be done to achieve that defined direction (specific strategies), and **how** those strategies will be implemented (action and/or implementation planning). As such, strategic planning is part of the broader management discipline of planning, which includes operational planning, financial planning (both short term and long term), and marketing planning.

It has been our experience and our strong professional belief that effective planning (in the broader sense described above) is both the **most important management tool and discipline** and the **one that can have the most direct and positive impact** on a company’s or a law firm’s performance.

#### WHY STRATEGIC PLANNING IS SO IMPORTANT IN LAW FIRMS

Although not as prevalent as in the past, there are still a considerable number of lawyers who discount the value of strategic planning (and, often, all planning) in law firms. That assertion is wrong for the following reasons.

- If one accepts the premise that law firms must be actively managed to achieve professional and financial success, then effective firm management is virtually unachievable without a solid strategic plan that sets the direction and tone for active management.
- When competition and risk increase, planning is the discipline that best positions a firm to cope with uncertainty.
- It is the single management discipline which can dramatically and positively improve a firm’s performance – both in the short and long term.
- The “softer” parts of strategic planning – setting the firm’s overall direction, agreeing on that direction, and defining the firm’s values – are particularly important to law firms, as partners continue to become either more mobile or dissatisfied with where they are and what they are doing. The development of common agreement on direction and values helps create a “compact” – that is, a broader definition of firm being than merely a gathering together to practice law.
- The primary reason strategic planning is so important is that it **works**. In industry, study after study has proven that those companies that set direction, understand their purpose, and adhere to a common set of understood values do dramatically better than those that do not. Those firms that have done better over the last few years have demonstrably better strategic direction and purpose.
- The final reason is the reverse of a negative. Those law firms that have failed – both large and small – all demonstrated a lack of purpose and agreement on purpose and direction. Where there is no guarantee that a firm will continue to be successful because it strategically plans, it may very well be that the lack of agreement on a strategic plan is one of the prime indicators that a firm may be in danger and will have difficulty surviving.

## THE HISTORY OF LAW FIRM STRATEGIC PLANNING

The last 10 to 15 years have seen an evolution in strategic planning law firms - from virtually no planning (*"it is not professional"*) to the present (grudging) recognition that planning is an important part of a firm's management process. This is not to say that there was not effective strategic planning in the early days of law firm development. Those true entrepreneurs (those who founded and/or developed the really successful law firms) understood, naturally, the effective use of strategy and strategic principles. Their firms' development history showed a focus on difference and indirection (that is, not doing what others did) and this resulted, over time, in an established position in the marketplace.

However, effective planning, as evidenced by those firms, was *"the exception rather than the rule."* Strategic planning became a classic *"law firm management fad"* in the mid to late 1980s. In the standard approach, strategic planning was seen as something that could be accomplished in a retreat (on a weekend - to avoid cutting into billable time). The focus of this retreat was virtually all internal - on issues or concerns the partners had about each other and the firm - rather than on reflection and consideration of the broader external marketplace.

The pattern of these planning retreats was remarkably similar. Usually, they began with a *"keynote speech"* by a law firm consultant who described *"what the other firms were doing."* The retreat then evolved into a relatively unstructured discussion by the partners on internal issues and, particularly, governance. There was little, if any, focus on clients, markets, and the quality of client service. The end result was usually a listing of desired internal actions.

Very few of these *"standard"* law firm plans were ever implemented (with governance tinkering being the exception). But, in truth, it did not really matter when virtually every firm was growing faster and making more money than all thought possible. There was no crying need for effective strategic planning.

However, firms are no longer growing faster and making more money than they thought they would. Competition, uncertainty, and the realities of business risk have become accepted constants. Some firms, recognizing the importance of common direction, commitment, and values - have instituted effective strategic planning processes. They have seen that being different, not the same, is the key to success and, accordingly, have developed externally focused plans. In addition, they have ensured that their plans are implemented and that the firm and its partners actually *"do what they say they will do."*

But the firms that are beginning to plan effectively are still in a very distinct minority. The present level of effectiveness of law firm strategic planning is **not sufficient to meet the market conditions law firms are facing**. There is still a belief that planning can be accomplished quickly (on a weekend retreat) and that the focus of planning ought to be on internal issues and concerns. Further, any consideration of longer term strategic issues, even in a planning environment, takes a back seat to a focus on the short term. It has been our experience that, unless monitored and managed, short term considerations always drive out long term ones. Law firm strategic planning must dramatically improve for firms to more effectively compete and do something that virtually every partner wants his/her firm to do - control its own destiny.

## THE "DO'S" AND "DON'TS" OF EFFECTIVE LAW FIRM STRATEGIC PLANNING

Our experience has shown that there are some fairly common do's and don'ts of effective law firm planning.

### The "Do's"

- Do maintain an external focus - on clients, potential clients, and client needs
- Do ensure wide partner/associate/legal assistant/manager/staff input and participation
- Do use a discipline, methodology, or approach (*"winging it"* will not do)
- Do focus on lasting values that bind the firm together and distinguish it
- Do rely on sufficient research and information about clients and markets - a *"fact based"* plan always beats a *"factless"* one
- Do keep the end product simple and easy to understand - one page, if possible
- Do ensure wide dissemination, understanding of, and commitment to the results
- Do make the process firmwide and ensure it cascades to the practice groups - in fact, **do** make practice groups the key building blocks of the firm's direction

- Do ensure effective facilitation of the process
- Do ensure firm CEO support and direct participation
- Do provide sufficient resources and time to get it done right - but, get it over with - the length of the process does not correlate with plan effectiveness
- Do assign specific individual responsibility for implementation steps - not committees.

#### The "Don'ts"

- Don't short the process - in terms of input, participation, information, or resources (you cannot do it from a standing start in a weekend)
- Don't focus internally and be happy with governance tinkering as the primary output
- Don't abdicate strategic decisions to the facilitator/consultant
- Don't establish and use standing long range planning committees - planning is the responsibility of management (but, an ad hoc committee involving all constituencies is a very good idea)
- Don't be satisfied merely with an end product - implementation is the "*proof of the pudding*"
- Don't let the short term always force out the long term
- Don't try to determine the future of the firm and its owners in a factless way (i.e. - without objective external information)
- Don't put the entire focus on either firm planning or practice group planning - either, on its own, is "*half a loaf*" and there must be a healthy balance of resources and effort
- Don't use strategic planning to solve an acute, obvious problem (such as an unproductive partner or partners) - first solve the problem and then move on to longer term considerations.

#### THE ONLY KEY TO SUCCESS - EFFECTIVE IMPLEMENTATION

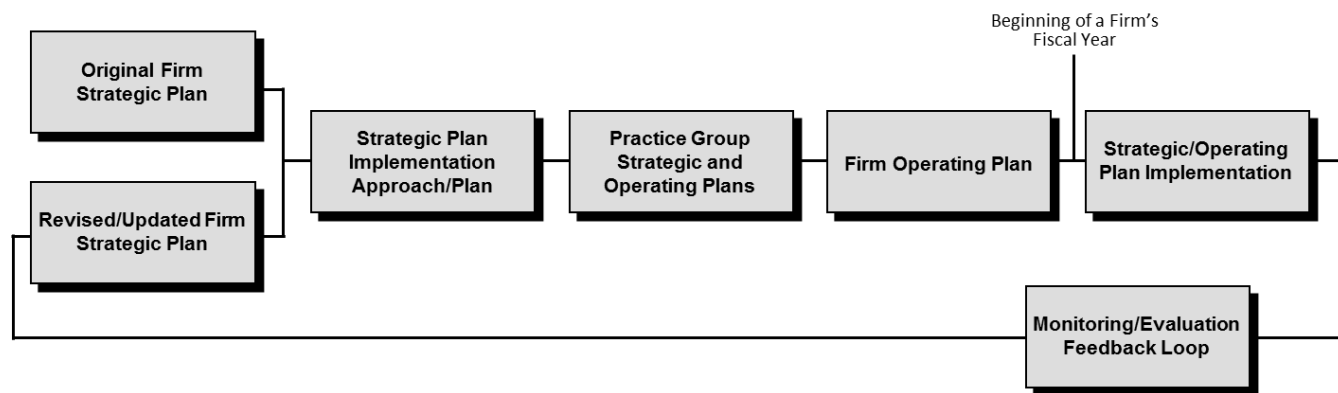
Many lawyers and, for that matter, business executives feel that the planning process is completed when the strategic plan is finished and documented. Nothing can be further from the truth - the real test of strategic planning and the real proof of its effectiveness come in its implementation and the actions that are taken to carry the plan out.

Implementation is the most difficult element of the planning process and the one on which too little attention is usually placed. Implementation is difficult in industry, but it is even more difficult in a law firm. There is often too little time available, particularly on the part of key attorneys in the firm, to do what needs to be done. Further, there is an inherent resistance to implementation activities on the part of many lawyers - often the best lawyers in the best firms have little capacity or skill in "*follow-up*." For that reason, we strongly urge firms to put the resources and commitment behind implementation in the following ways.

- There must be a plan "*champion*." In most cases, that "*champion*" should be the firm's Chairman or Managing Partner. At the practice group level, it must be the practice group leader. The "*champion*" must make a personal and visible commitment to ensuring that the plan is accomplished and that its key tenets remain in front of the firm.
- Make many of the implementation steps the responsibility of the Executive Director/Administrator. Too often he/she is left out of both the planning and implementation loops. He/she must be involved in the planning and should shoulder much of the responsibility for implementation.
- Implementation must be planned - what is going to be done, who is going to do it, and when it will be accomplished. It will not happen automatically.
- Assign specific responsibility for implementation activities to individuals in the firm - do not assign them to committees of attorneys.
- Consistently refer to the plan, the stated direction of the firm, and its values - in internal speeches, communications, and interactions. Give the plan "*life*" and "*live the plan*."

## INTEGRATION AND REPETITION OF THE PLANNING PROCESS

Planning is not a "singular event." Rather, the effectiveness of planning and the results achieved from planning dramatically increase when done again and again. We strongly believe in a planning cycle that, annually, considers strategic issues (which revises the strategic plan) and leads directly to firm and practice group operating plans. A graphical example of a "model" process is shown below.



The model is a simple one - a firm's original strategic plan leads to an approach and a plan for its implementation, practice group strategic and operating plans, and a firm operating plan. The firm needs to view how it does - the "monitoring/evaluation feedback loop" - and revise and update its strategic plan as the catalyst to begin again.

An important element of effective planning in a firm is practice group strategic planning. The firm plan must set the overall direction and values for the firm and the practice group plans must set the various marketing foci of the firm - squarely on identified client needs. Both firm strategic planning and practice group strategic planning are mutually supportive and both must be effectively accomplished.

## SMOCK LAW FIRM CONSULTANTS – STRATEGIC PLANNING SPECIALISTS

Smock Law Firm Consultants is an unusually capable firm of strategic planning specialists. We have provided strategic planning assistance to a wide range of law firms and, more importantly, continue to do so for an even wider range of industrial and commercial companies and their divisions. We employ an industry leading methodology (unique to both the law firm and commercial environments) that involves partners and managers in a firm (or its practice groups) in actually doing the planning, committing to a direction, and coming to an agreement on what a firm's or practice's focus strategies will be.

If you would like further information on our approach to law firm strategic planning, please contact our president, John Smock (847-457-6121 / [jsmock@smocklawfirmconsultants.com](mailto:jsmock@smocklawfirmconsultants.com)).