

WHITE PAPER #3



# **Dissecting The Processes of Law Firm Strategic Planning**

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## INTRODUCTION

We have been informed that 49% of law firm leaders indicate “*strategic planning is more important than ever.*” Another 20% say it is tremendously important.

Law firms have more money at risk than ever before. They have more attorneys in their firms to communicate with. And – they are looking at bigger markets along with a multitude of new ones. Meanwhile, the world is awash in geopolitical risk.

Strategic planning brings all this together by evaluating risk and opportunity - the plan itself defines what a law firm will and won't do. The strategic path brings about the most informed and thoughtful decisions - and with the amount of money at stake - no firm deserves less. Such is the world of law firms and their strategic planning efforts as identified in a survey we just distributed to over 200 large North American law firms. This survey defines where these law firms are in their strategic planning process and where they are headed.

We canvassed and received detailed feedback from firm leaders, all from firms of over 100 lawyers in size, on their specific approach to strategic planning and their responses to **16 sequential questions** covering everything from who was involved in developing their current strategic plan and how long it took, to how satisfied they were and the one thing they would change with respect to their efforts going into the future.

## DISSECTING VARIOUS FIRM PROCESSES

To start, we found that overall, there is no lack of formal strategic planning going on within today's law firms. That said, 15% of our firms told us that they “*have a definite strategy, but not in writing*” with another 6.5% responding that rather than having a written plan they “*preferred to remain flexible and opportunistic.*” On that same theme, from one firm leader we learned “*We have several strategies - but we recognize that the biggest changes in the delivery of legal services have not been so much a function of planning as in responding creatively to changes. E.g., Covid, AI, economic recessions, etc.*”

Among firms of every size, we concluded based on our findings, that 69.8% of all firms invest on average, at least three months in the development of a formal written strategic plan – with a few outliers being 2% who reported that they completed their task in less than 30 days and one firm of over 200 attorneys confiding in us that “*it took us five years!*”

That investment of non-billable time usually involves the members of firm leadership, participation of the executive committee or board, and 35% of firms also organize a specially constituted planning committee. (One firm claimed that they utilized their Innovation Committee for this endeavor.) In other words, some of the most senior and

expensive talent in the firm is involved in a series of lengthy meetings over a number of months, with hours of preparation and homework being required, in between each meeting.

That said, we did hear from one AmLaw 50 firm leader that *“I prepared the strategic plan myself based on my sense of firm leadership, key practices; premier firm clients and the competitive landscape.”*

When we examined this time investment, we noticed that the larger firms usually invested the most time. Specifically, for those spending more than 6 months at developing their plans, 66% were in the Over 500 Attorney grouping. By our estimates we believe that law firms, especially these larger ones, easily invest over **half a million dollars in partner time**. From the Chair of one New York-based Global firm we were informed *“I’ve been chairman for over a dozen years and strategic planning is a continual, iterative process.”*

We asked firms how they might describe their final strategic planning document as to whether it was *“brief and targeted to a few priorities”* or *“lengthy and comprehensive.”* The largest grouping, 44.2% of all respondents told us that it was brief and targeted to a few priorities. But interestingly, in the category of 301 to 500 attorneys the few priorities response dropped to 12.5%. One might conclude that with smaller firms, the volume contained in their final planning document seems to increase.

This particular question stimulated an interesting response from one firm leader who responded that *“the question assumes a finalized document. I deliver a revised strategic plan every 6 months, which builds on prior plans, and I address strategic issues and priorities every week at our partner’s lunch.”*

We then inquired as to **what techniques** were used in the creation of the firm’s plan and amongst the options we put forth were things like surveying your partners, engaging in formal market research, having a consultant facilitate the process, gathering input from the firm’s practice groups, interviewing/surveying clients and so forth. Across the board the most popular techniques included 57% employing the resources of a facilitating consultant, followed by 56.8% gathering input from their practice groups.

We were told by 52% of all firm leaders that they surveyed a **sampling** of their partners; but only 34% claimed that they interviewed or surveyed a majority of their partners (and of course, even “a majority” does **not** mean all of them); and that percentage dropped slightly to 27% amongst the larger Over 500 Lawyer category.

Another interesting result came from those firms who involved clients in their strategic planning process. On average, across firms of all sizes, 45.5% reported that they interviewed and / or surveyed **some** clients in the development of their final plan (although we did not discover how many clients these firms might have involved).

We believed that one of the more intriguing questions we posed was how these firms might categorize their plans between being “*heavily internal*” versus “*heavily external*” focused. And to help respondents differentiate between these two variations we explained that “*Internal*” could include website, human resources, pricing, billing and collection policies, and similar activities, while “*External*” would involve differentiation efforts, emerging areas of practice, enhanced client service efforts, new growth or merger possibilities, etc. It is a strongly held view that a heavily internal focused plan is really operational in nature while being externally focused defines true strategic intent. That all said, the responses we received evidenced **ONLY 7%** of these law firms having a **heavily external focus** to their final plans.

With developing a formal strategic plan that was over 3 months in the making, with the largest portion (44.2%) “*brief and targeted to a few priorities,*” and heavily weighted toward internal issues, the obvious next question might be . . . so “*how much of your last strategic plan has been implemented?*”

Now in asking this kind of question we knew that it was best to provide a broad range of responses such that a firm leader is not unduly embarrassed to have to provide an honest answer, as being the firm’s Chief Cheerleader, there is a natural tendency to exaggerate. In this question the best response was not identified as “*ALL of the plan*” but rather “*ALMOST all of the plan,*” which still allowed for some puffery, in that the term “*almost*” might represent 80% of the plan or even 60% of the plan, depending upon how the individual respondent cares to view it. Nevertheless, the “*almost all*” was identified as the most accurate response by a whopping . . . 18.6% of our firms, across all sizes.

We regret having to inform you that it would appear from our research thus far, that too many law firm leaders suffer an infliction that goes by the sophisticated technical term: **seeing SPOTS**. SPOTS being an acronym for Strategic Plan On The Shelf!

We also noted, that ironically, while 68.2% of the respondents reported having utilized an outside consultant as a facilitator in some manner, only 23.5% of firms using a consultant reported successful implementing almost all of their strategic plan.

Digging ever so deeper we canvassed our firms on “*how often had their current strategic plan been reviewed and if necessary revised?*” Again, we offered a broad range of responses from “*several times a year*” (without defining what “**several**” means or suggesting that the ideal might be monthly) to “*not until the plan is no longer relevant*” (which could be interpreted as code for “**Never**”). Not surprisingly, the average was 14.6% responses for the “*several times a year*” with another 19.5% telling us that it was an annual activity. One might then fairly assume that for the remaining **65.9%** the correct answer would be “*rarely*” or “*never.*”

We then explored whether the plan focused primarily on the firm (macro level) or did it also incorporate developing separate strategies for each practice / industry group? And in asking that question, from our experience, we know of many firms that request their practices develop strategic plans and often that simply translates into providing the group

leaders with some fill-in-the-blanks template to execute, but not necessarily involve the team members in strategizing. Nevertheless, we heard from 35% of our firm leaders, that they indeed had each group develop their own strategic plan.

One of the final but lengthier questions we posed involved listing **13 different strategic planning elements** and asking these firm leaders to critically assess their level of satisfaction with each – from the overall planning process to whether they achieved meaningful differentiation; and from whether there was partner buy-in to their overall implementation achievements.

The three elements that were rated by all firms as being areas of **Highest Satisfaction** were: “*meaningful differentiation from your competitors*” followed by “*improvements to firm profitability*” and “*enhanced client service and partnering.*”

The three most significant areas that invoked the Strongest Dissatisfaction and were consistently expressed by firms of all sizes as disappointing were “*developing entirely new practice / industry niches*” and “*targeting specific desired clients*” followed by “*implementation with designated responsibility and timelines.*”

In the final analysis, with these firm leaders grading their overall strategic planning process, we learned that **only 15%** of firm leaders found it to be Excellent, with another 11% rating it Good. We are not sure what we can say when 3 out of 4 law firm leaders are finding their strategic planning process rather mediocre!

## SOME SPECIFIC SURVEY RESPONSES

**1** One question we were most curious to elicit an answer to and expect that there may have been some anxiety over responding, was “*What one **firm accomplishment** would you attribute to directly resulting from your last written strategic plan?*”

A sampling from firms of Under 500 Attorneys (who responded):

- “*oversight of processes and procedures*”
- “*an Alumni outreach program*”
- “*retention of partner level attorneys*”
- “*greater inclusivity and diversity at the management level*”
- “*a clear understanding of our core values*”

(You should note that these responses are all very internal and operational in nature.)

And from firms of Over 500 Attorneys we were told things like:

- *“global positions in key areas”*
- *“intense focus on five core practices and client service in each”*
- *“expansion into new markets and diversification of revenue streams”*
- *“material increase in cross regional revenues*
- *“increased focus on client relationship growth”*

**2** The second question that invoked some interesting reflections on the part of every firm we polled was this one: *“What one thing would you **change** with respect to your strategic planning efforts in the future?”* What we discerned were some common themes especially when viewed by firm size:

From Firms of Under 500 Attorneys:

- *“using the last plan as a jumping off point for the new plan”*
- *“incorporating a broader subset of the partnership in the planning process”*
- *“securing genuine partnership commitment to change”*
- *“continued refinement of execution and benchmarks for periodic accountability checks”*
- *“more focused on where to win and who will be accountable for making it happen”*

From Firms of Over 500 Attorneys:

- *“even more client involvement”*
- *“timetable for implementation was too long”*
- *“more frequent updates; shorter planning process”*
- *“collect additional feedback; involve more stakeholders”*
- *“more market, industry research and diligence focus”*

**3** Our third and final question posed to these firms was *“What are the top 3 strategic issues facing your firm **today**?”*

The most common responses from firms of Under 500 Attorneys:

- *“sluggishness in firm resolve to address underperforming partners”*
- *“lateral retention in the market with larger firms present”*
- *“succession planning and leadership development”*
- *“underpricing by competitors with weak demand and more focus on profitability”*
- *“unknown impacts of AI”*

The most common responses from firms of Over 500 Attorneys:

- *“growth, differentiation and competition for clients in strategic sectors”*
- *“impact and implementation of AI and embracing new technology”*
- *“client demands, pricing pressures and improved profitability”*
- *“increasing mobility with the maintenance of bonds, loyalty and a distinctive culture”*
- *“developing our next gen business generators”*

## **SOME SURVEY CONCLUSIONS**

*“What does it take to build a successful strategic plan that has a hope of being implemented and won’t simply languish on some firm leader’s shelf?”*

Here are a number of key suggestions we would offer that seemed to radiate from what we were told, our collective survey findings, and our own professional experiences:



**Too many firms are focusing too much of their attention on internal issues.**

Internal focused plans center on making improvements; things like how does the firm enhance morale and efficiencies. They do not focus on how do we win in a competitive market. The task of conducting a regular, perhaps yearly Operational Plan should be the responsibility of the firm’s Chief Operating Officer and focus on examining your firm’s total billed hours and productivity; discounts and realized rates; leverage ratios; cost management; investments and return on knowledge management; diversity; website attractiveness; and so forth.

Will predictive analytics, artificial intelligence, robotics and automation replace many of the things that lawyers traditionally were paid to do? To remain competitive in

tomorrow's marketplace law firms may need to embrace external and disruptive innovations. From a number of the survey respondents, we heard things like: *"We need to more effectively think about the upcoming changes in the legal practice and innovation techniques to enable us to continue to hit above our weight."*

Think of it as tackling opportunities rather than simply problem solving – focusing on the future instead of just the present. Think Strategy versus Operations; External versus Internal; and being Proactive versus Reactive.



### **Too many firms are trying to plan for too long a time period.**

When we asked what the specific timeline was for firm's latest planning, we heard from only 29% of firms that they were expecting to implement in one to three years. Everyone else was trying to plan and implement in far longer time frames; but you can't plan with certainty when your environment is uncertain. One of our firm leaders was insistent that *"Five year planning makes NO sense to us in a legal services market that is changing so rapidly. We have strategic objectives which are reviewed and updated regularly. Covid changed everyone's past 3 or 5 year plan. AI will change everyone's current 3 or 5 year plan!"*

Strategic planning has long been considered the key to achieving big goals. But business corporations have been questioning its value as their long-term plans are outdated well before they've reached completion. The future can't be predicted based on the past. Rather than obsessing over some five-year time frame, having developed our strategic plan we then need to keep moving forward as we execute the various elements of that plan, helping us learn from the results so they we can do more of what is working. We need to think strategically, innovate, and be adaptive.

Planning over a shorter time frame offers flexible guidelines that allows you to adapt as needed, and as your future changes. Initiatives that last for around six to twelve months allows experimentation across different projects. It also helps prevent you from being blind-sided by unexpected trends, competitive disruptions or new technology. This type of planning allows for the fact that if some initiative isn't a huge success, there is less cost to any mistakes and less lost morale.



### **More firms need to find a method of drawing the client's voice into the development of their firm's strategy.**

We were especially pleased to see that simply by posing the question of whether your planning process involved listening to clients, we stimulated numerous firms to share insightful comments like these ones: *"We need to go back to using client surveys; as we had done with precious strategic plans but not in the most recent, which was a mistake";* and *"we actually meet with a few willing prospective clients to ask them questions about*



*the trends shaping their particular industry; what risk factors they perceived impacting their growth and whether some of our initial strategic thinking made sense – and we elicited very valuable input.”*

Your strategic plan is all about determining the firm’s direction, making choices about where you are going to invest your limited resources, and what you are going to become in the future. We believe your clients may have some important insights to share that would assist you in developing the most relevant plan.



**If the planning process could involve more of the partnership there may be better implementation success.**

One firm leader told us about how he would “*prefer to make the strategy process less democratic with the executive committee developing the plan and obtaining buy-in by the entire partnership.*” While that might sound ideal and certainly at first blush would appear to be less time consuming, the reality from our in-depth discussions with many firms over the years, is that it **rarely works**. If anything, the time is then not spent on developing the strategy but in trying to sell it to your partners.

Think back to a time when you might have purchased a little piece of supposedly easily-assembled furniture (say, from IKEA) and the hours you spent trying to put the bloody thing together. Your final result could be the wobbliest little end table in your residence but damned if you will ever part with it. Why? Because you created it; it’s your baby. And that is the natural way we all feel about something we helped create.

So too with any new idea, initiative, project or formal written strategic plan. If your partners can’t see their fingerprint somewhere on the final product, it becomes highly unlikely that you will be able to easily sell it to them.



**Your strategic planning needs to be done on both Macro (The Firm) and Micro (Individual Business Unit) levels.**

While we heard from 35% of our firm leaders, that they indeed had each practice and industry group develop their own strategic plan, **only 14%** of the Over 500 Attorney group developed strategic plans at the micro (practice / industry group) level.

Now if one were to accept the premise that firm leaders are not managing one homogeneous firm, but rather they are managing a portfolio of very, very different businesses, then the competitive position and profitability of each of those business units will dramatically impact your firm future prosperity. Think of what must happen in the corporate world, say at a Pepsico. While they would develop a strategic plan for the mother ship, they also develop separate strategic plans for their different business units from breakfast cereals to snack foods.

In a similar way, that means that each practice and industry group needs to have a formal written strategic plan developed – for their particular business unit. And indeed, not putting emphasis on developing a separate and real (not some fill-in-the-blanks) strategic plan for each of your business units, may have some pretty adverse consequences going forward.



**The implementation of strategic plans requires far more rigorous management attention and personal accountability.**

We heard it said that once your plan is developed, implementation may not be a full-time occupation, but should be a **full-time preoccupation**. The lifeblood of implementation is accountability. And accountability involves clarity on “*who is on the hook for doing what.*”

One firm we know holds monthly implementation meetings and quarterly ‘recalibration’ sessions. The monthly implementation meetings were where the initial Strategic Planning Committee (SPC), now reformatted as the Strategic Implementation Committee (SIC), reviewed the various actions, timelines, responsibilities and ensured that progress was continuing to be made. The quarterly recalibration session was intended to review the plan’s next quarter’s priorities, the external changing reality and make modifications or course corrections where and if needed. Thus, their implementation process was an ongoing work in progress.

These suggestions should help any firm avoid “*benign neglect*” and help everyone in the firm understand where the firm is going.

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