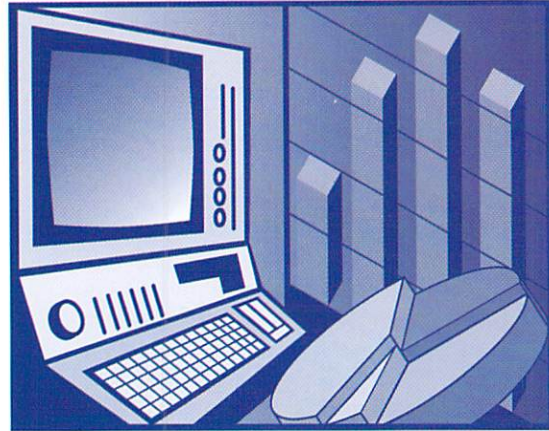


The Three "A"s of Business Planning

By Paul Sullivan



Imagine for a moment that you're on a trip. You know exactly which route to take. But a few hours down the road, you're forced to take a detour. Unfortunately, the new road isn't marked well; it winds around, and suddenly you're not sure whether you're heading in the right direction. You have three choices – keep going and hope you'll find a landmark, stop and ask directions, or look at a map. Once you've made your decision, you've invoked the three "A"s – you have Assessed the situation, Analyzed your options, and made the necessary Adjustments.

In many ways, running a business is like taking a trip. You know where you want to go (i.e., you have goals) and you think you're on the right road, but suddenly a detour throws everything into confusion. You still have goals, but now the way to them isn't so clear. In business the detour could be new competition, changes in the marketplace, or the loss of key employees. When the business detour comes along, you can trust your instincts (keep driving), seek outside help (ask directions), or consult your business plan (look at a map) and modify it if necessary.

A recent article here suggested you look at your practice as a business as well as a profession and act like an entrepreneur who makes a plan and works the plan, rather than someone who simply reacts to circumstances. The result of this way of thinking will give you an edge because you can anticipate problems and make changes in your course, rather than making knee jerk reactions, which ultimately could be bad business decisions.

A business plan or strategic plan is like a map. It lets you assess where you

If you really want to succeed as a lawyer, you need a plan.

are, analyze what alternatives you have if things don't work as you had planned, and stimulates you to make adjustments. If anything, the commitment of a plan in writing encourages realism. If you make a plan and your management style is to update it monthly, you will save time and money in the long run – and may even save your business.

Following is a checklist of 20 questions. Working on the answers will generate goals, and you can design a plan based on those goals.

1. What is your ultimate goal? This is the key to everything else. Just like when planning a trip, you must know where you want to go. Whether your goal is to retire at 50 or practice until you're 85, you must ask yourself what you really want from your law practice and what you want your practice to be.

2. What areas of practice are most profitable and why?

3. What areas are least profitable and why?

4. What changes must I make to increase the profitability of these practice areas? Because your practice is a business, you need to make a profit to survive. Some practice areas will be more lucrative for you than others. Knowing which areas are profitable and which are not is essential. Careful analysis through diligent accounting procedures may reveal that the areas you thought were profitable aren't.

Consider cash flow (are you required to cash-advance expenses for long periods, and how quickly do clients pay?), how much of your time is actually billable, and the economies inherent in high volume. Unprofitable work for one or two files can become profitable because of a large volume. Economy of scale (the ability to use more efficient procedures because of repetition) can make the difference. Assessment and then analysis is the key. Unless you document, you may be losing money without knowing it.

5. How is my practice perceived by clients in my market?

6. Why do clients purchase legal services from me or my firm?

7. Why do clients purchase legal services from others in the same market? Knowing how you are perceived by your clients could make a huge difference in your business plan. Clients come to you for specific reasons. Do you know what they are? Taking the time to survey your clients can return tremendous rewards. You can conduct a formal survey, but one-on-one contact is better. Picking up the phone or visiting a client in person and just talking about things (without the meter running, of course) can enhance your credibility with the client and give you an opportunity to discover the answers to these key questions.

8. What forces within my control could affect my law practice?

9. What forces beyond my control could affect my law practice?

10. What are current trends in these forces? Sometimes, no matter how good your plan and its execution, forces beyond your control can affect your practice. Knowing what these forces are and what the trends are can prevent surprises (detours) down the road. In the practice of law, perhaps the biggest potential force is legislation. Staying active in both your local and state bar associations can keep you abreast of these changes and give you a way to have a voice. Capitalize on the things you can control, but be prepared to adjust for the things you can't.

11. Who are my major competitors?

12. What are my competitors' strengths?

13. What are my competitors' weaknesses?

14. What are my strengths?

15. What are my weaknesses?

Every business has competition. It's the American way. Competition creates an environment where consumers end up with the greatest return on their dollars. If a business provides inferior products or services or overcharges, it's only a matter of time before someone else challenges it. To compete with oth-

ers in the same market, you must know your competitors and how you compare to them, both positively and negatively. Once you do, you can take the steps required to gain advantage. That advantage translates as direct benefits to your clients. Be sure your clients understand the benefits you can provide that your competition cannot.

16. What technology do I need to adequately serve my clients?

17. What technology will I need to adequately serve my clients? Technology is an emerging force in the practice of law. Many clients demand that general correspondence and billing be in electronic rather than paper format. Customized billing on a client-by-client basis is becoming the rule. Technology can make your practice more efficient for you and less costly for your clients, and more and more clients are demanding that you use a given technology if you want to be their lawyer. Keeping up is a full-time job that takes away from billable time. Use the resources in your community such as law office administrators, your local bar association, and the ISBA to keep you abreast of the trends in law office technology.

18. Are my profits (income less expenses) increasing or decreasing, and why?

19. What changes must I make to operate at highest efficiency?

20. How can I be a better lawyer?

Once you've made a serious attempt to answer these questions, monitor your effort at least monthly. The answers to questions 18, 19 and 20 can be found in revisiting questions 2 through 17. Profits are either up or down – they are unlikely to stay the same. There's a reason, and you need to know it.

Constantly upgrading your operational procedures will make you more efficient and thus more competitive. Constantly asking yourself what you must do to be a better lawyer and then taking the steps to do it will both satisfy you professionally and make you more appealing to clients. ▴

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