

The Key to Business Planning: Put It in Writing

Many attorneys are not convinced that having a written business plan would help their practice. Some respond that their work plans itself. Many say that they do some kind of planning either daily, weekly, or monthly; they just don't put the plan in writing.

How Could a Written Business Plan Help You?

Have you ever wanted to see what impact a change to your practice would have before implementing the change? Writing a plan is the way to do that. It can show you what the change will do to your bottom line, your marketing efforts, and your staffing so you can decide whether the effort will be worth it.

Define your practice area(s). If you have been in practice for many years, you probably already have one or two areas of law in which you specialize. Instead of mechanically accepting your choices yearly, ask yourself whether these areas are still right for you. Look for trends in each practice area. Is there something in the environment that tells you one practice area will be slow or one will really pick up this year? What impact do the trends have on your practice? What part(s) of your practice promise the most work this year? If you are a new attorney, you'll need to choose your practice area(s).

- Do you have a passion about certain areas of the law or certain types of clients?
- Do you have a network of contacts that points you in a particular direction?
- Do you have some experience in a specific area of law and a desire to build on that experience?

New attorneys often want to start their practices with whatever shows up. They are usually eager for any business. It may seem counterintuitive to set boundaries around the type of work you will do in your practice. To have a financially successful practice, however, you need to work quickly and accurately. By specializing, you will get proficient and knowledgeable in specific areas. Because your practice will require immense focus and dedication, choose work and clients you enjoy and care about.

Identify your target market, ideal client, and unique offerings. Once you know your specialty, ask yourself three important questions:

- What is the target market for your practice?
- Who is your ideal client?
- What makes your practice unique?

Your target market consists of the group that buys your services. It may or may not be the client. The more you know about your target market, the better you can predict:

- Where to find them;
- Who also works with them or sells to them;
- What publications they read;
- What media they regularly use to get information; and
- What they do for fun.

Begin by describing each target market. Get a really clear picture of the group you are targeting by describing them using demographic and psychographic (interests) information. This will help you to choose the right marketing methods for your practice.

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You may have other criteria for your ideal clients. Can they afford your services? Do they pay bills on time? Are they punctual? Do they follow through on their promises? Thinking about this now, putting it in writing, and committing to your specific profile will help save you from problem clients in the future.

What makes your practice unique? How can you distinguish your practice from others with the same specialty?

Perhaps it is a novel approach to your practice. Another possibility that can give you an edge in your practice is additional experience or training. Not sure what would make your practice unique? Talk to some members of your target market. By asking them directly about their experiences with other attorneys (what they liked and didn't like about the experience), you can find key differentiators for your practice.

Your target market must be easy to locate and large enough so that converting a small percentage to clients will result in a busy practice for you.

How to Write Your Plan

Start writing the plan. If you could have the practice of your dreams, what would it look like? What would you be doing? Who would you be working with? Where would you be working? See yourself as wildly successful. Think about how that feels. Actually feel the confidence, enthusiasm, and energy that your vision of your practice generates. Use that energy and excitement now to write down your vision. Why write it? Writing makes your vision concrete. If it is not written down, it becomes a moving target. When you confront an obstacle, it may be easier to adjust the vision than to overcome the challenge.

A business plan does not have to be elaborate. If this is your first business plan, start with this simple, three-part structure:

- Business description;
- The market and marketing plan; and
- Projected cash flow and budget.

With your vision written down, you have your business description almost complete. Your notes on target market, ideal client, and your uniqueness will help you further define your practice.

Describe the market and develop the marketing plan. What does the market look like in each of your practice areas? How are you going to develop a marketing plan? What marketing activities do you plan to do on a regular basis?

If you are already in practice, then you probably know the marketing methods that are most successful for you. Do

some analysis of past methods to determine the ones to include in this year's plan.

New lawyers will need to brainstorm a list of all the methods possible. Networking, referrals, Web sites, blogs, presentations, and writing articles are a few of many possible marketing activities. Use your target market information to help you decide the most appropriate marketing techniques to attract your ideal clients.

Put these marketing activities on a monthly calendar. Decide on both actions and follow-up actions for each month and put them into the plan.

Determine financial health using cash flow projection. In the financial data section, you will need to do a cash flow projection month by month. If you dread this part, hire an accountant to help you. The cash flow shows the incoming revenue to your business and outflows of cash. Budgeting for outflows is fairly simple. You have certain fixed expenses that you know about, and the variable expenses will be based on how much new business comes in. You will need to make some assumptions here. Always keep a record of your assumptions.

Lawyers often resist forecasting new businesses. It is, of course, impossible to know for sure, but you can make a calculated guess. If you have been in practice for a while, you can look back over the last year to get a sense of how many cases come into your firm on a monthly basis and the value in dollars of an average case. (It may be different for your different target markets.) Less experienced attorneys may need to make an estimate based on market research and conversations with other attorneys. Check to be sure the marketing activities in your plan support your forecasted revenue. Many people do three different forecasts: wildly optimistic (inspiring), middle of the road (most probable), and conservative (easy to accomplish but worst case). Again, keep track of your assumptions and write goals for yourself.

Measuring success. Go back to the list you wrote of steps that are necessary to accomplish your plan and decide which steps you need to measure regularly. Measuring success will ensure that you are staying with the plan and achieving good results.

Look once a month at your cash flow. How are you doing against the plan? Is your projected income more or less than your actual? Now is the time to take corrective action if you are behind. Although most of us might think the issue is not enough clients, it could be a billing or customer service issue, so the first step is to diagnose the root cause and then do something about it.

You will also want to check your budget at least once a

month. How are you doing against the budgeted expenses? If there were unexpected expenses, you may need to adjust your budget going forward.

The plan is a guide. Used on a monthly basis, it keeps you constantly connected to your practice in a strategic way so there are no year-end surprises.

As you get more experienced, your forecasting will be more accurate. You'll know what marketing methods bring in revenue with the least amount of effort, and you won't waste precious time using marketing actions that do not produce results.

Dream It, Write It, Do It, Measure It

At this point, you may be saying, "I do all this. I just don't write it down." I encourage you to take that extra step. Otherwise, the plan is apt to shift without your noticing. The beauty of a written plan is that you can verify your original intention. It is there in black and white in your business plan.

If you are planning on a daily, weekly, or monthly basis without a written business plan, you risk drifting into a practice that is not what you anticipated. Spending the time necessary to write a solid business plan and using it to guide your practice makes success more likely.

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Additional Resources

For more resources from the PLF to help you create a business plan, visit the PLF Web site (www.osbplf.org), select Practice Aids under Loss Prevention, then select the "Business Essentials" category. If you do not have Internet access and are interested in these practice aids, call Julie Weber at 503-639-6911 or 1-800-452-1639.