

## How Small Firms Become Great

by Arthur G. Greene



One of the most striking observations Kathy Fortin and I make in our work with small law firms is that most successful small firms share one common denominator – effective leadership. Dramatically different levels of financial success can be found

in firms of similar size and reputation. We see small firms that are well run and highly successful, returning profits to their partners that match those of large firms. We see other firms that function poorly and experience dismal results, month after month. Observing the ranges of success, first-hand, is eye-opening.

### Characteristics of Successful Firms

Effective leadership in small firms will lead to four factors which we see play a critical role in financially successful firms. The evidence is compelling. Successful small firms focus on (i) planning, (ii) goal setting, (iii) clients' needs in 2014, and (iv) a law firm "brand." Every small firm can become more successful by having a leader emerge that will implement a change of approach to these management issues.

#### Planning

Many small firms fail to achieve obtainable financial results when individual lawyers are left to "do their own thing." Whether your firm is three lawyers or ten lawyers, it has little chance of doing better without a plan for the future. In the business world,

the concept is called a "vision." With all of the changes confronting individuals, businesses and law firms, continuing with old methods and without direction will likely result in a long and painful downhill struggle.

The most successful law firms have developed a unified plan for the future, with an approach to implementation that includes each lawyer understanding his or her expected contribution to the strategy. The plan is best created in a full-day retreat session held off-site. Once in place, progress should be evaluated on a routine basis and the plan updated annually. Small firms need to understand that the strategies that may have made them successful in the 1980s and 1990s will not make them successful in the future.

#### Setting Goals

Firms that establish goals for individual lawyers and paralegals, whether stated in hours or dollars (or both), do better than firms that do not establish goals and track the results monthly. The suggestion here is not that small firms need to set unreasonably high expectations. Rather, the proposal is simply that there be goals at some level and a process for holding individuals accountable for meeting their goals.

Annual Lawyer Plans are an excellent tool for coordinating the efforts of the individual lawyers contributing to achieving the firm's goals. Each Annual Plan becomes a collaboration between the individual lawyer and the managing partner, who has an eye on what is required in order to achieve the firm's goals for the future. Categories considered in any Annual Plan should include existing or new practice areas, changes in practice methods,

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increasing skills, marketing and client development efforts, management roles, billable hour goals, and revenue goals. Each Annual Plan should be reviewed at year-end and the results considered in compensation decisions and in developing a new Annual Plan for the following year.

### Responding to Client Needs

Identifying what clients need from their lawyers is a dynamic process. Perhaps saying client needs are changing on a daily basis is an exaggeration, but no lawyer can succeed in the current marketplace without constantly evaluating the services they deliver and the prices they charge. No one needs to be told that rapid change is affecting individuals and businesses in all settings. What lawyers need to understand is that many of the changes can destabilize the client base of lawyers who are not prepared to meet their clients' 2014 needs.

The most successful small firms are those that are aware of the changes, both in the legal profession and in the public, and have a realistic idea as to how to respond. Innovative firms are more successful than firms that continue to practice with old methods. Services tailored to the clients' needs in 2014 is critical. Providing value for the dollars charged is critical. Having the pulse on your clients' needs and understanding how your competitors are addressing those needs are part of staying current.

### Promote a "Brand"

The legal marketplace is overstaffed with lawyers. There is not enough good business to go around. The most successful lawyers and law firms are those who have created a "brand." Most successful firms have abandoned promoting a general practice and have worked to become the "go to lawyer" in the community for a particular legal issue. The lawyers and law firms that are most successful are those that have distinguished themselves and can answer the questions of why a client should engage them as opposed to the many other lawyers in the community that could provide the same service.

### Achieving Success

Effective leadership, with ongoing management of key factors, is critical to the success of any small firm. A good leader has a positive attitude and by giving respect to all employees motivates each of them to excel to the extent of their abilities. A good leader is neither authoritative nor indifferent. A good leader seeks input, listens well

and invests all employees with a stake in the outcome. He or she is a person who by words and actions inspires others to work toward achieving success, both individually and for the law firm.

We have also observed that another advantage to effective leadership is that it results in a positive workplace culture. We have seen many examples of positive cultures and how that enhances financial results. We have also seen negative cultures, which are clearly a hindrance, standing in the way of meaningful improvement in the financial success of firms. There is no debate to be had: effective leadership is the most important factor improving the culture and propelling firms to new levels of financial success.

Any small firm that is committed to improving its financial results or its workplace environment needs to take a hard look at the extent to which effective leadership may be lacking. A change of approach to leadership and focused action in the areas of (i) planning, (ii) goal setting, (iii) changing client needs, and (iv) branding are the keys to turning things around.

We see small firms that are highly successful and others that are struggling to stay in business. The characteristics of successful firms that we have discussed clearly drive the positive results. As consultants who have seen both the good and the bad, we are committed to getting the message out and giving every small firm the opportunity to enjoy better financial results and improved working environments.

## AUTHOR PRESENTATION

Hear Arthur G. Greene present highlights of his book,

### **"Arthur G. Greene's Practical Guide: Succession Planning for Law Firms and Rewards for Retiring Lawyers"**

Wednesday, April 16, 2014

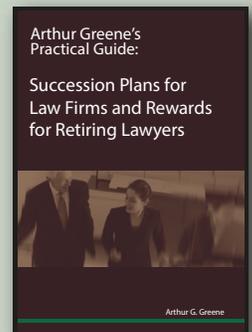
9:00-10:30 a.m.

New Hampshire Bar Center

2 Pillsbury Street, Concord, NH

Refreshments and pastries

Book purchase not required



## Why Wait for Crisis?



The topic of succession planning for lawyers seems to be everywhere. Arthur and I encounter Bar Associations throughout the country offering programs on the subject to its graying members. Solo practitioners and small and medium-sized firm members have a more heightened awareness than ever before and are taking action, making plans for their firm's succession. Baby boomers are clearly interested in controlling their destiny.

These developments are great news! Why shouldn't law firms reap the benefit of a lasting legacy for their clients, younger lawyers and staff? And, why shouldn't those entrepreneurial firm founders gain lasting benefits for their labors? But, as with all good things, there is a glitch. Here, it is the timing.

If lawyers could only plan early enough it would make a huge difference. Why is it difficult for lawyers to take action? Why is it so common that many firm founders wait until they are almost at the finish line of their marathon run, to decide they should do something

to set the firm on a future course? The problem is that the longer you procrastinate you ruin your opportunity to do anything constructive. The risk is that a firm can go asunder. We have seen this happen. It need not be the case with your firm.

The endless demands on most small and mid-sized firm's lawyers is understandable. For a solo practitioner, the pressures can be unimaginable. There is no magic cure that will create the perfect time to stop what you are doing and plan for the future, but think about it this way. Set a goal in which you will begin to think about what you want. Anyone can make time to think. To daydream, even. Commit your thoughts to paper. How do I envision retirement? Winding down over time? Setting a firm date? How will I do it? What do I want to happen to the firm? You will find the questions are not that hard to answer. It may even be fun to do this. Just put down your ideas. One critical piece of advice. Do not self-censor. Do not defeat your goals, without knowing the options. Many of our consulting clients admit to having thought about their plans for years, but have done nothing. They realized that writing it down made all the difference in elevating the priority to plan the firm's future. Take that one step. Get started and see where it takes you. Planning early will maximize your chances for a smooth succession.

Kathy Fortin

## News and Activities:

- Arthur's article, "Compensation Systems: Integrating Partner Incentives with Firm Goals" appears in the 2014 "Managing Partner" (Ark Group Conferences), a premier publication on Law Practice Management.
- A Review of Arthur's book, "Succession Plans for Law Firms and Rewards for Retiring Lawyers," was published in "The Wyoming Lawyer" (December, 2013 issue).
- Arthur G. Greene Consulting, LLC will exhibit at the NH Bar Association Mid-Winter Meeting on March 7, 2014.
- The March issue of NH Bar News will feature a Retirement Section. Watch for Arthur's article on Succession Planning for Lawyers.
- Arthur will discuss his book, "Arthur Greene's Practical Guide: Succession Plans for Law Firms and Rewards for Retiring Lawyers" on April 16, 2014 at the NH Bar Center in Concord, New Hampshire.

## Arthur's Succession Planning Checklist

Does your firm have an adequate succession plan? Factors that should be considered include:

- Structuring documents that include a process for the admission of new partners
- A provision in the structuring documents providing how the firm will be valued for purposes of transferring an interest in the firm to the next generation
- Recruiting of one or more potential successors
- Published partnership criteria
- A plan for mentoring the next generation of lawyers in managing the firm and in developing clients
- A plan for transitioning of clients
- An exit plan for retiring lawyers that rewards them for the firm they have created

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Think of Succession Planning as career planning. Depending on your stage, it can take many forms. We assist in providing a customized road map towards retirement and seeing you through transitions, recruiting successor leaders of the firm or exploring other options, like Of Counsel arrangements. The reaction of most lawyers after they start the process is that they wish they had begun earlier.

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