

# How to Draft a Law Firm Business Plan

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Law firms are something more than a business. Law firms and the lawyers within them are engaged in a profession, with obligations that go beyond purely commercial concerns.

This truth can obscure the need for lawyers to pay attention to the business management side of their practices: their finances, marketing plans, business development efforts, IT purchases, lease terms and capital needs. For the highly trained lawyer, such concerns may feel at best like an afterthought, or at worst a nuisance that steals time from their true occupation: the “practice of law.”

And yet, those annoying business details are responsible for keeping the lights on. While law firms may be *more than* a business, there is, in fact, a large and necessary business element to them. For solo practices and small firms in particular, investing time into the business management side of legal practice can make a major difference in the financial rewards they derive from it—or even their survival. Firms that have failed to do so in the past (and even those that haven’t) can get a handle on their law practice business management by taking the step of drafting a business plan.

## THE POINT OF A BUSINESS PLAN

We’ll discuss the components of a business plan in a moment, but first, let’s talk about why this exercise is valuable. For another type of business, a business plan may be useful in attracting investors or securing financing. Law firms should not think of their business plans as utilitarian documents in that sense (although someday one could prove helpful in obtaining a line of credit, say, or attracting lateral partners). Instead, the primary value of the business plan, particularly for the solo practice or small firm drafting one for the first time, lies in the fact that it forces the firm to think about business issues that it otherwise would not have considered.

As the D.C. Bar says in its [advice to startup law offices](#): “The act of planning helps you think things through thoroughly, study and research if you are not sure of the facts, and look at your ideas critically. It takes time now, but avoids costly, perhaps disastrous, mistakes later.”

Of course, a business plan does little for anyone if it is quickly forgotten. But the mere act of generating a business plan gives a firm a direction to head in and goals to point toward. If the firm makes it a practice to revisit the business plan on an annual basis (if not more regularly), its business considerations will stay top-of-mind and the firm will continually refine them in ways that improve its performance.

## THE CONTENTS OF A BUSINESS PLAN

Creating a strong business plan will require an investment of time and energy. At the same time, no one wants to write, or read, a massive document. To improve the chances that the project gets done, and gets read, it is best to keep a business plan to a reasonable length. Anything over 20 pages may stretch attention spans to the breaking point, and there’s no harm in going shorter if you have covered all the territory you need to by that point.

So, what, exactly, is the territory that you should cover? Most authorities agree that a sound business plan for a law firm should address the following broad areas:

- **Overview of the Firm**

This section should include basic information about the firm: its name, legal structure, practice areas and leadership positions. It should also contain some deeper information about the firm’s identity and aspirations.

This would include:

- o A mission statement about the firm's purpose
- o A vision statement or recitation of medium- and long-term goals for the firm
- o Important aspects of the firm's history
- o Any important philosophies that the firm brings to legal practice

- **Market Analysis**

This section should discuss the business trends affecting the firm's important practice areas and clients. It should evaluate any technologies that are affecting your practice area and consider how the firm may leverage or keep up with them. This section should also devote substantial energy to identifying the firm's major competitors in each of its important practice areas and comparing their services to the firm's.

- **Clients**

In this section, identify the firm's major clients, breaking them down by important characteristics like size, location, industry and practice groups used. Go through a similar exercise for major client prospects and targets. It's worth examining how the firm can improve its relationships with both of these groups.

- **Financials**

Important financial information includes the firm's fixed and variable costs, backward- and forward-looking revenue, realization rate, collection rate, monthly overhead, assets and liabilities. A 12-month profit and loss projection should be included and could be considered the heart of the business plan.

There is a great amount of detail that any firm could get into on this front. Don't get overwhelmed by it; at the same time, this is some of the most important information in the business plan, so it's not advisable to gloss over it.

- **Operations**

This section will address key operational issues like the office lease, equipment purchases and technology plans. You may assign roles to various staff members for operational issues.

- **Marketing**

Think about what [marketing](#) the firm currently performs, how it obtains clients and what marketing goals it wants to set for the future.

After completing these and any other sections the firm might want to address, then go back and draft an executive summary to be included at the beginning of the business plan document. The summary should be professional, but don't be afraid to give it some optimistic energy. After all, with your eyes on the business management fundamentals of your firm, things should be looking up for the future.

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