

The Advantages of Setting Financial Targets...

By Patrick Bignon

As the end of the year approaches, law firms' clients are reviewing their budgets. They will compare the results with the targets they had set, review their medium-term strategic plan and prepare their business plan for the coming year...

Law firms are less inclined to plan their development in this fashion. Anticipating and making plans for the future by setting financial targets is often perceived as a waste of time. And yet... In a market that is becoming increasingly competitive, return on investment and profitability of law firms are becoming key elements of how they are perceived in terms of positioning by the market and by prospective employment applicants. Some even consider maintaining or increasing this profitability as a strategy in itself. As is the case in companies, setting financial targets is now becoming a compulsory phase for law firms. And if it is properly understood, the obligation to set these targets may become something much more than merely an artificial exercise – it can contribute to providing a solid anchorage and a *modus operandi* for strategic vision with regard to the firm's development.

In concrete terms, the financial targets should be seen as what they are, i.e. the mere consequence of what the firm wants to do.

In other words, setting targets provides the opportunity to pose the fundamental question – “how?” By asking “how are we going to achieve our targets?”, this leads to other questions concerning vital aspects of the strategy and organisation of the firm:

- How will the various practice groups contribute to achieving the targets?
- How will the partners contribute to them?
- How should we organise the firm in order to meet our targets?
- How will the firm, as an organisation, participate in achieving these targets, particularly in terms of communication and decisions concerning investments?

These questions, if they are really asked and the answers duly taken into consideration, will cause the firm to think about the position it wishes to adopt, the clients it wishes to attract and retain, the business sectors in which it believes it can provide high added value and the departments with strong development potential...

In the highly competitive business law environment, in view of their clients' growing needs in terms of organisation and proactive assistance, even highly competent law firms could find themselves losing momentum, or even be obliged to make unwanted choices simply because they failed to anticipate. Yet, the reflection process prompted by setting realistic financial targets would allow them to avoid this pitfall.

Organising a discussion about the financial targets provides an opportunity for strategic reflection on what the firm wants to do and on the means to do it. If the reflection process and analysis are properly conducted, each practice group and each partner can contribute to the process of defining a strategy for the firm as well as to its implementation. This is certainly a great advantage.