THE LAW FIRM OPERATING SYSTEM

Business Portfolio

2026

Six documents. One owner each. One plan for the year.

Law firm	
Prepared by	
Leadership team review date	
Portfolio launch date	

How to Use This Portfolio

The Business Portfolio is the series of documents that organize and disseminate the future plans of the firm. Chapter 3 of The Law Firm Operating System sets out six of them, and each one carries a named Directly Responsible Individual. Work them in order. Each document produces a figure the next one needs.

Step	Document	Owner in the System	What It Produces
1	Law Firm Goals	Director of Operations	Three to five goals, one of them the revenue goal
2	Project Plan	Director of Operations	The initiatives that serve those goals, divided into quarters
3	Marketing Plan	Marketing lead	Spend, strategy and channel allocation
4	Hiring Plan	Human resources lead	Net new, current cost, anticipated hires and hiring budget
5	Business Plan	All leaders	The eleven part written plan for the year
6	Budget	Financial department lead	The financial representation of everything above

Three Rules

1. Write a goal in every one of the eleven categories, then narrow to three to five you will pursue wholeheartedly. One must be the revenue goal.
2. Every figure is derived, not guessed. The revenue goal sets the case count, the case count sets the marketing spend, the net new case count sets the hiring dates, and the hiring plan sets the payroll budget.
3. Every document has one owner and one review date. A portfolio with no named owner is a stack of worksheets.

How the Documents Connect

Nothing in this portfolio is guessed. Each figure is produced by the line above it, which is why the documents are worked in order and why a change in one of them forces a change in the next.

The Arithmetic

Cases required	Revenue goal ÷ average fee per case
Marketing spend	Cases required × cost of acquisition
Net new cases	Cases signed − cases resolved, adjusted for attrition
Hire trigger	Net new cases ÷ caseload one position can carry
Payroll budget	Current human capital cost + anticipated hires, gated by hire month

Financial Guardrails

Measure	Standard	Ceiling Behaviour
Marketing spend	25% of revenue	Under-spending caps case volume
Employment cost	Under 40% of revenue	45% is manageable with a profit hit
Operations	Not to exceed 15%	Case costs are not operations
Real estate	5 to 7% of revenue	Inside the operations ceiling
Employee engagement	3 to 5% of payroll	Roughly $100 per employee per year
Total owner’s benefit	20 to 25% of revenue	This is the owner outcome, not net profit

Two Notes on the Guardrails

Total owner’s benefit is not net profit. It is the whole of what the ownership takes out of the firm: salary or draw, distributions, benefits the firm pays on the owner’s behalf, and what is deliberately retained for reinvestment. A firm reporting ten percent net profit may be at twenty two percent total owner’s benefit, or nowhere near it, and only the schedule in the budget section will say which.

Case costs are not operations. Medical records, process servers, depositions, mediation, investigators and outsourced work are incurred to produce revenue. Recorded as overhead they make the fifteen percent operations ceiling untestable and they hide the true cost of a case.

Portfolio Ownership

Chapter 3 assigns one Directly Responsible Individual to each portfolio document. Name a person, not a department. If one person owns more than one document, write the name twice.

Document	Directly Responsible Individual	Reports To	Draft Due	Approved On
Law Firm Goals				
Project Plan				
Marketing Plan				
Hiring Plan				
Business Plan				
Budget				

Decision and Spending Authority

Chapter 4 requires that an owner hold real decision and budget authority. Record the limit above which each owner must escalate.

Owner	Decisions They May Make Alone	Spending Limit Before Escalation

Where the Portfolio Is Reported

Chapter 7 sets four cadences. A plan is not held by the document, it is held by the meeting that reads it. Record which portfolio documents are reviewed at each cadence and who runs that meeting.

Cadence	Who Runs It	What Is Reviewed	Next Date
Yearly			
Quarterly			
Monthly			
Weekly			

The Three Questions of a Quarterly Review

Chapter 7 asks the same three questions of every miss, in this order. The third question takes three to five candidate fixes, not one, because the first idea is rarely the best one.

Where did we miss?	**Why did we miss?**	**How do we fix it?**

The Leader Report

Each leader reports for fifteen minutes against three headings: what they accomplished, what they plan to accomplish, and what they need help with. Record who reports and in what order, so the meeting does not have to be designed each time.

Leader	Portfolio Document They Own	Reports At Which Cadence

LAW FIRM GOALS

Document one of six · Chapter 3

Directly responsible individual:		**Date completed:**	

Foundation

Captured once. Every later page in this portfolio reads back from here rather than asking again.

Vision Statement

Where the firm is going. Written in the present tense, as though it were already true.

Mission Statement

What the firm does, for whom, and why that matters.

Core Values

The behaviours the firm will hire for, promote on, and part company over.

Step One: Draft a Goal in Every Category

Chapter 3 names eleven categories. Write something in all eleven before choosing between them. Goals should be specific, measurable, attainable, relevant and time bound.

Category	Draft Goal
1. Revenue	
2. Marketing	
3. Reputation	
4. New Client	
5. Culture	
6. Client Experience	

Step One: Draft a Goal in Every Category

Continued.

Category	Draft Goal
7. Employee Retention	
8. Client Retention	
9. Professional Development	
10. Innovation	
11. Expansion	

Before You Turn the Page

Eleven goals is not a plan. Chapter 11 asks you to narrow to three to five that you can pursue wholeheartedly, and one of them must be the revenue goal. Record on the next page which you chose and, in the last column, why the others were set aside. Next year that column is the fastest way back into this exercise.

Step Two: Narrow to Three to Five

Write the goal statement in the wide box. A goal with no baseline cannot be measured, and a goal with no owner will not be pursued.

Goal 1	Category:	Directly responsible individual:	
Baseline Today	**Target**	**How Measured**	**Due Date**

Goal 2	Category:	Directly responsible individual:	
Baseline Today	**Target**	**How Measured**	**Due Date**

Goal 3	Category:	Directly responsible individual:	
Baseline Today	**Target**	**How Measured**	**Due Date**

Step Two: Narrow to Three to Five

Goals four and five are optional. Stop at three if three is what the firm can carry.

Goal 4	Category:	Directly responsible individual:	
Baseline Today	**Target**	**How Measured**	**Due Date**

Goal 5	Category:	Directly responsible individual:	
Baseline Today	**Target**	**How Measured**	**Due Date**

Checks Before Sign Off

Check	Confirmed
One of the selected goals is the revenue goal	
Every selected goal carries a baseline, a target, a measure and a date	
Every selected goal carries a named Directly Responsible Individual	
The leadership team, coach or mentor has reviewed and fed back on these goals	
Categories set aside are recorded, with the reason	

Step Three: Initiatives

Initiatives come from the goals. Each initiative serves one goal, carries one owner, and is assigned to the quarter in which it will be worked. The aggregate of these initiatives is the project plan.

Goal	Initiative	Owner	Quarter	How Success Is Measured

Carry each initiative forward to the quarterly roadmap in the project plan. An initiative that never lands in a quarter will not happen.

PROJECT PLAN

Document two of six · Chapters 3 and 4

Directly responsible individual:		**Date completed:**	

Quarterly Initiative Roadmap

The project plan is the aggregate of the initiatives, divided into quarters and tackled one quarter at a time. Each initiative here has its own project planning worksheet.

FIRST QUARTER

Initiative	Owner	Start	Target	Status

SECOND QUARTER

Initiative	Owner	Start	Target	Status

Quarterly Initiative Roadmap

Continued.

THIRD QUARTER

Initiative	Owner	Start	Target	Status

FOURTH QUARTER

Initiative	Owner	Start	Target	Status

Where the Plan Lives

Chapter 10 pushes project planning software for consistency across the organization. Paper is the acknowledged fallback. Record the system of record so two versions of the plan do not compete.

Project planning system	
Reported at which meeting	

MARKETING PLAN

Document three of six · Chapter 3

Directly responsible individual:		**Date completed:**	

Part One: Spend

Spend is derived, not chosen. Work down the block. Every figure below comes from the line above it or from the firm's own history.

Driver	Figure	Source
Revenue goal for the year		Law Firm Goals
Average fee per case		Prior year actual
Cases required (revenue ÷ average fee)		Calculated
Consultation to signed case conversion rate		Prior year actual
Consultations required		Calculated
Lead to consultation conversion rate		Prior year actual
Leads required		Calculated
Cost of acquisition per case		Prior year actual
Marketing spend (cases × cost of acquisition)		Calculated

Guardrail Test

Measure	This Plan	Standard	Inside the Range
Marketing spend as a percentage of revenue		25%	

A spend materially under twenty five percent caps the case count, which caps the revenue goal that produced it. If the two disagree, one of them is wrong.

Audience

Supplementary to Chapter 3, drawn from The King of Growth. Complete it before allocating money to channels, because the answers decide which channels can work.

Who Is the Target Audience?

Practice area, matter type, geography, and the moment at which they start looking for a lawyer.

Where Can They Be Found?

The specific platforms, publications, referral sources and physical places.

How Will the Firm Reach Them?

The message and the offer, not just the channel.

Part Two: Strategy

Chapter 3 asks for a deliberate split between brand building and direct response. Direct response drives cases this year. Brand building makes next year cheaper. The split depends on the firm's current needs, market position and growth objectives.

Strategy	Share	Spend	Why This Share
Brand building			
Direct response			
Total			

What the Brand Building Half Is Expected to Achieve

Recognition and trust are measurable. Name a measure and a date.

What the Direct Response Half Is Expected to Achieve

Leads, consultations and signed cases. Use the figures from Part One.

Part Three: Allocation

The ten channels of Chapter 3 are pre-printed with their usual classification. Change a classification if the firm uses the channel differently, and record why in the notes.

Channel	Classification	Spend	Fixed or Variable	Cases Expected	Cost per Case
Customer journey	Brand				
Referral strategy	Brand				
Pay per click advertising	Direct response				
Search engine optimisation	Brand				
Local service ads	Direct response				
Lead generation platforms	Direct response				
Strategic partnerships	Brand				
Paid social media	Direct response				
Organic social media	Brand				
Mass media: television, radio, billboards	Brand				
Content marketing	Brand				
Public relations and branding assets	Brand				
Other:					

Allocation Reconciliation

The allocation has to agree with the spend it came from, and the cases it buys have to agree with the cases the revenue goal requires. This page is where the marketing plan proves itself.

Test	Figure	Must Agree With
Brand building subtotal		Part Two share
Direct response subtotal		Part Two share
Contingency reserve		Held for opportunity or threat
Total allocated		Part One marketing spend
Total cases expected		Part One cases required
Blended cost per case		Part One cost of acquisition

If the Totals Do Not Agree

Do not adjust the expected case count to make the arithmetic work. Either the spend is too low for the revenue goal, the cost of acquisition assumption is stale, or the channel mix cannot deliver the volume. Record which, and change that figure at its source.

Notes and Classification Changes

Which channel has historically delivered, which is being reduced, and why.

HIRING PLAN

Document four of six · Chapter 3

Directly responsible individual:		**Date completed:**	

Parts One and Two: Purpose and Net New Assessment

Why This Document Exists

The hiring plan prevents both understaffing and overstaffing. Chapter 3 is blunt about the second: staff will report being overwhelmed whether or not they are, and firms that hire on that report alone end up with employment costs above sixty percent. Measure workload objectively, then hire against the measurement.

Net New Assessment

Net new cases are cases signed less cases resolved. The figure is the additional workload the current team must absorb, and it comes out of the marketing plan.

Driver	Figure	Source
Cases expected to be signed this year		Marketing Plan, Part One
Cases expected to resolve this year		Prior year actual
Practice area attrition rate		Prior year actual
Net new cases for the year		Calculated
Net new cases per month		Calculated

Hire Triggers

For each position, record the caseload one person can carry. Net new divided by that caseload gives the interval between hires, which is what makes a hiring date real.

Position	Caseload per Person	Hire Every N Months	Next Hire Needed By
Attorney			
Paralegal			
Case manager			
Intake or sales			
Other:			

Work backwards from the date above: offer, interviews, sourcing. A hire needed in May does not start in May.

Part Three: Current Human Capital

Before hiring anyone, cost and measure the team you have. The workload column takes an objective metric, not an opinion: open files, cases closed, calls answered, matters per attorney.

Position	Role	Workload Measure	Base Pay	Burden	Fully Loaded

Burden means employer payroll taxes, health, retirement and any other benefit the firm pays. Fully loaded cost is the figure that feeds the payroll budget, not base pay.

Part Three: Assessment

Total Headcount	Total Fully Loaded Cost	As a Percentage of Revenue

The percentage must be measured against the ceiling: under forty percent of revenue, with forty five percent manageable at a cost to profit.

Underperformance

Which positions are not meeting expectations, and whether the answer is training or replacement.

Skills the Firm Does Not Have

As the case mix changes, which competencies are missing from the current team.

Where Efficiency, Not Headcount, Is the Answer

Roles reporting overload where the objective workload measure does not support it.

Part Four: Anticipated Human Capital and Cost

One row per planned hire. The month drives cash flow, so a hire in September carries four months of cost, not twelve.

Position	Month	Qualifications Required	Recruit Cost	Onboard Cost	Base Pay	Burden

Recruitment cost covers advertising, agency fees, background checks and interview time. Onboarding covers training, certifications and the ramp before the position is productive.

Part Five: Hiring Budget

The hiring budget is the figure the payroll section of the budget uses. Build it here so it is not rebuilt there.

Line	Amount	Source
Current team, fully loaded, for the year		Part Three
New hires, prorated from hire month		Part Four
Recruitment costs		Part Four
Onboarding and training costs		Part Four
Total employment cost for the year		Calculated

Guardrail Test

Measure	This Plan	Standard	Inside the Range
Employment cost as a percentage of revenue		Under 40%	
Employee engagement budget		3 to 5% of payroll	

If the Plan Is Over Forty Percent

Which hires move to a later quarter, which roles are filled by training rather than recruiting, and what the revenue goal would have to be for this team to be affordable.

BUSINESS PLAN

Document five of six · Chapter 3, eleven parts

Directly responsible individual:		**Date completed:**	

Prior Year Review

Preliminary to the eleven parts. This is the Chapter 7 review instrument, completed before the plan is written so that the plan answers something. Chapter 7 asks three questions of every miss.

What Was Achieved

Where Did We Miss?

Why Did We Miss?

How Do We Fix It?

Chapter 7 asks for three to five candidate fixes, not one.

Parts One and Two: Problem and Solution

1. Problem Summary

What problem does the firm solve, stated from the client's side of the desk.

2. Solution Summary

How the firm solves it, and what the client experiences while it is being solved.

Part Three: Total Available Market

This part sizes the market. A description of which segment the firm is in is not a size. Work the arithmetic, then state the share the firm intends to hold.

Measure	Figure	Source
Geographic market served		Firm
Population or business count in that market		Public data
Matters of this type arising per year		Public or industry data
Average fee per matter		Firm
Total available market in dollars		Calculated
Firm revenue last year		Prior year actual
Current share of the market		Calculated
Target share for this year		Revenue goal ÷ market

Segment the Firm Is In Today, and the Segment It Intends to Enter

Matter value, client type, referral source or geography.

Parts Four and Five: Competitors and Why Us

4. Competitors in the Market

The chapter asks what makes them better than you. Answer it honestly, then answer what the firm will do about it.

Competitor	What They Do Better	The Firm's Response

5. Why Us Statement

The unique selling proposition that pulls a client to this firm rather than to the firms above. One sentence a receptionist could repeat.

Part Six: Forecast for the Future

The narrative forecast. What the firm looks like twelve months from now if this plan is executed, and what has to be true for that to happen.

Twelve Month Forecast

Assumptions This Forecast Depends On

Market conditions, referral relationships, key personnel, and any single point of failure.

Parts Seven to Nine: Revisited

Read Back, Do Not Re-Ask

These three parts carry forward what the earlier documents already settled. If a figure here differs from the document it came from, the difference is a defect and one of the two has to change.

7. Law Firm Goals Revisited

#	Goal	Owner	Still the Right Goal?

8. Marketing Plan Revisited

Line	Figure	Agrees With Marketing Plan
Marketing spend		
Brand and direct response split		
Cases the plan is expected to produce		

9. Hiring Plan Revisited

Line	Figure	Agrees With Hiring Plan
Positions to be filled this year		
Total employment cost		
Employment cost as a percentage of revenue		

Part Ten: Sales Projections

Chapter 3 asks for three scenarios, broken down by quarter. The most likely column should reconcile to the revenue goal.

Period	Worst Case	Most Likely	Best Case	Prior Year Actual
First quarter				
Second quarter				
Third quarter				
Fourth quarter				
Year total				

What Would Produce the Worst Case

Name the two or three events, and what the firm would do in the first thirty days of each.

What the Best Case Would Require

The capacity, cash and staffing needed to serve it. A best case the firm cannot staff is a risk, not an upside.

Part Eleven: Expansion Forecast

New offices, new practice areas, new markets. Each opportunity carries a cost and a return, and both belong on the page before the decision is made.

Opportunity	First Step	Timeline	Cost	Expected Return

Market Research Still Required

What the firm does not yet know, and who will find out by when.

What Expansion Requires From the Other Documents

The hires, the marketing spend, the space and the cash this would draw on.

Physical Plant

Space follows the hiring plan. Count the seats the hiring plan creates before deciding what space is needed.

Location	Seats Today	Seats Needed	Lease Expires

Equipment and Technology the New Seats Require

Workstations, licences, phones, case management seats.

Remote and Hybrid Arrangements

Which roles do not need a seat, and what that changes about the space required.

Guardrail Test

Measure	This Plan	Standard	Inside the Range
Real estate as a percentage of revenue		5 to 7%	

Metrics

A metric with no baseline, owner or reporting cadence is a number, not a control. Chapter 6 groups metrics by function; the groups are pre-printed below.

Group	Metric	Baseline	Target	Owner	Reported
Marketing					
Intake and sales					
Case operations					
Finance					
People					
Project					

Examples by group: marketing, cost per lead and cost per case. Intake and sales, speed to lead and signed case rate. Case operations, open files per person and cycle time. Finance, the three guardrail percentages. People, turnover and time to hire. Project, the five Chapter 6 project metrics.

Business Plan Review

This Is a Living Document

Chapter 3 is explicit: the business plan is reviewed no less than every three months. In that review, identify the places the firm is behind and develop the plans to get out of them. A plan reviewed once a year is a plan that failed eleven months before anyone noticed.

Review	Date	Attended By	What Changed in the Plan
First quarter			
Second quarter			
Third quarter			
Fourth quarter			

Who Reviewed This Plan Before Launch

Chapter 3 asks that the portfolio be shared with the leadership team, a coach or a mentor, so that it can be fed back on rather than only filed.

BUDGET

Document six of six · Chapter 3

Directly responsible individual:		**Date completed:**	

The Six Components

How This Section Works

The budget is the financial representation of everything above it. These pages hold the planning summary and the guardrail tests. The month by month arithmetic, the itemised expense detail and the variance tracking live in the budget model, which is where the formulas belong. Record the version of the model this summary was taken from.

Budget model version	
Prepared on	

Component Status

Component	Derived From	Amount	Complete
Revenue forecast	Law Firm Goals		
Payroll cost	Hiring Plan, Part Five		
Marketing budget	Marketing Plan, Part Three		
Operations budget	This document		
Employee engagement budget	Payroll × 3 to 5%		
Total owner's benefit	Calculated residual		

What Does Not Belong in Operations

Case costs are direct costs, not overhead. Medical records, process servers, depositions, mediation, investigators and outsourced work are incurred to produce revenue and are recorded separately, or the fifteen percent operations ceiling cannot be tested. Employer payroll taxes and benefits belong inside payroll for the same reason.

Revenue Plan: First Half

Cases projected multiplied by average case value gives monthly revenue. The cumulative column is what a quarterly review reads.

Month	Cases	Avg. Case Value	Monthly Revenue	Cumulative	Notes
January					
February					
March					
First quarter total					
April					
May					
June					
Second quarter total					
First half total					

Revenue Plan: Second Half

Continued. The year total must reconcile to the revenue goal in the Law Firm Goals document.

Month	Cases	Avg. Case Value	Monthly Revenue	Cumulative	Notes
July					
August					
September					
Third quarter total					
October					
November					
December					
Fourth quarter total					
Year total					

Revenue by Practice Area

Growth is easier to plan by practice area than in aggregate, because the strategy differs by area.

Practice Area	Last Year	This Year	Growth	Strategy
Total				

If the total here does not equal the year total on the previous page, the practice area plan and the revenue plan disagree.

Growth Investments

One time spending that is not payroll, marketing or operations. Each line needs a funding source, because an investment funded out of the owner's benefit is a decision, not an accident.

Investment	Purpose	Cost	Timeline	Funded From	Return
Technology					
Marketing scale up					
Additional hires					
Training and development					
Office or space					
Other:					
Total					

Budget Summary and Guardrails

One page that shows whether the plan is inside the model. Every amount comes from a document in this portfolio, and every percentage is measured against the revenue on the first line.

Line	Amount	Of Revenue	Standard	Inside
Revenue		100%	The revenue goal	
Payroll, fully loaded			Under 40%	
Marketing			25%	
Operations			Up to 15%	
Of which real estate			5 to 7%	
Employee engagement			3 to 5% of payroll	
Case costs, direct			Tracked separately	
Growth investments			One time	
Total expenses				
Total owner's benefit			20 to 25%	

Total Owner's Benefit

The owner outcome in this System is total owner's benefit, not net profit. Record every component so the figure can be defended.

Component	Amount	Note
Owner salary or draw		Also inside payroll
Distributions		
Retained for reinvestment		
Owner benefits paid by the firm		
Total owner's benefit		Target 20 to 25% of revenue

Portfolio Completion

The portfolio is complete when all six documents are drafted, owned, reviewed and reconciled to each other. Reconciliation is the step that is usually skipped.

Document	Drafted	Owned	Reconciled
Law Firm Goals: three to five goals, one of them revenue			
Project Plan: every initiative in a quarter, with an owner			
Marketing Plan: allocation agrees with spend and case count			
Hiring Plan: employment cost inside forty percent			
Business Plan: all eleven parts, review dates set			
Budget: six components, every guardrail tested			

Cross-Document Reconciliation

These Two Figures Must Agree	Difference	Resolved By
Revenue goal and budget year total		
Cases required and cases expected from channels		
Marketing spend and total allocated		
Hiring plan employment cost and budget payroll		
Practice area total and revenue plan total		

Then Launch

Chapter 3 ends where Chapter 11 begins. Once the six documents agree, take the portfolio to the whole organization, give every position its role clarity and its key performance indicators, and let everyone walk into the year knowing exactly what is expected of them.