



Essential Building Blocks for a Successful Solo or Small Firm



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ELLEN FREEDMAN, CLM



Ellen serves as the Law Practice Management Coordinator for the Pennsylvania Bar Association. In that capacity she assists PBA's members with management issues and decisions on the business side of their practice, including areas like technology, financial management and profitability, human resources, marketing, risk management, setting up a practice and so forth. PBA members are encouraged to contact Ellen through the 800 "Hot Line" at PBA headquarters, (800-932-0311 x2228) or through email (lawpractice@pabar.org).

Ellen is founder and President of Freedman Consulting, which assists PA law firms with a full range of issues and projects on the business side of the practice. More

information about Ellen and her law practice management services may be obtained at <http://www.FreedmanLPM.com>. Ellen also publishes the Law Practice Management blog at www.PA-LawPracticeManagement.com.

Ellen holds the designation of Certified Legal Manager through the Association of Legal Administrators (ALA), the credentialing body for the CLM degree. Of the 11,000+ members of the ALA, approximately 260 are certified legal managers. Ellen was one of the first 20 in the nation to have achieved this designation. She holds a Certification in Computer Programming from Maxwell Institute, and a Certification in Web Site Design and a B.A. from Temple University.

Ellen managed inside law firms for twenty years. Most of that time was spent in a mid-size (35+ attorney) firm environment. She launched her consulting practice in 1998, and joined the Pennsylvania Bar Association in 1999.

Ellen is an associate member of the American Bar Association, and its Law Practice Management and General Practice & Small Firm sections. She was a member of the Association of Legal Administrators for over 20 years, and founded the Independence Chapter. She is a frequent author and speaker on law firm management issues on a national level.

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assistance for your firm in:

- Human Resources
- Technology
- Financial Mgt / Profitability
- Equipment buying
- Strategic planning
- Marketing
- Start-up / Closing / Sale
- Risk management
- and much more

We're going to cover:

- Business / strategic planning
- Identity development
- Client Development
- Financial management & oversight
- Technology
- Process and Procedures

Business & Strategic Planning



Prayer is not a business strategy!



A business plan should have

- Clear and measurable goals
 - Determine objectives
 - Identify incremental steps to achieve
 - Assign to correct person
 - Calendar the time
 - Hold folks accountable

A business plan should be

- Reviewed annually
 - Compare goals to what got accomplished
 - Assess what strategies worked and what didn't
 - Make course corrections for following year

If you DON'T have a plan

- Life happens
- Work happens
- Nothing else happens!



Clear Identity



Answer these questions:

- Who am I?
- Who are my desired clients?
 - Areas of practice I want to do the most
 - Cases which will generate the kind of income I want to earn
 - Characteristics of clients I want to represent
- Do the work, or build a well-oiled machine and concentrate on making rain?

Client Development



Laser focus is required

- Where are your ideal clients hanging out?
 - Reading, Learning, Outside activities
- Who are your ideal referral sources?
- How will you “touch” clients and referral sources

You need 10 – 20 “touches”

- How will you “touch” prospects and referral sources?
 - Speaking
 - Publishing
 - Networking
 - Collaborating
 - Participating
 - Using new and old tools

Client feedback mechanisms

- Empower employees to seek out and deliver “bad news”
- Annual on-site visit
- Satisfaction surveys
- Check your systems and procedures regularly to make sure they are client friendly and ensure responsiveness
- Make all attorneys and staff accountable for failure to be responsive

Financial management & oversight




In the absence of good data, one cannot make good business decisions!

KEY STATISTICS FOR 2004											
Current/for Current To:	Billable Hours	Fees Billed	Fees Received	WIP	AR	Costs Write Off	Fees Write Off	AR Write Off	Cash on hand	Change in cash bal.	
JAN											
FEB											
MAR											
APR											
MAY											
JUN											
JUL											
AUG											
SEP											
OCT											
NOV											
DEC											
TOTALS											
Previous Year:	Billable Hours	Fees Billed	Fees Received	WIP	AR	Costs Write Off	Fees Write Off	AR Write Off	Cash on hand	Change in cash bal.	
JAN											
FEB											
MAR											
APR											
MAY											
JUN											
JUL											
AUG											
SEP											
OCT											
NOV											
DEC											
TOTALS											


Effective Hourly Rate

$$\frac{\text{Fees received}}{\text{Hours Billed Out}} = \text{EHR}$$



Billing Turnover Rate

$$\frac{\$60,000 \text{ (Year end WIP)}}{\$20,000 \text{ (Average monthly billing)}} = 3 \text{ months}$$



Receivable Turnover Rate

$$\frac{\$500,000 \text{ (Total year's billing)}}{\$100,000 \text{ (Average monthly A/R)}} = 5 \text{ months}$$



Billing Realization

$$\frac{\text{Fees Actually Billed}}{\text{Dollar Value of Hours Billed}} = \text{BR\%}$$

$$\frac{\$90 \text{ Fees Actually Billed}}{\$100 \text{ Worked / Billed Out}} = 90\%$$



Collection Realization

$$\frac{\text{Account Receivable Collected}}{\text{Account Receivable Billed}} = \text{CR \%}$$

$$\frac{\$90 \text{ Actually Collected}}{\$100 \text{ Billed}} = 90\%$$



Debt to Asset Ratio

- Get out of debt!
- Also known as "liquidity"
- Represents your capacity to pay your debts



$$\frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$$

Budget, Benchmarking, Cost Control

- Surveys provide a guide, not an absolute
- Lots of factors influence where your firm falls on the continuum
- Where to look (anti-trust issues)

Payroll and Benefits	67.6 ¢
Occupancy	11.8 ¢
License Fees, Prof Dues, Insurance & Library	9.2 ¢
Other Expenses	11.4 ¢

Source: Results-Oriented Financial Mgt

Watch and control

- Gross margin
- Ratio lawyers to staff
- Space costs
- Marketing costs
- Staff costs
- Debt

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Required best practices

- Timekeeping
- Billing
- Receivable Management
- Alternative billing
- Cash flow management
 - Proactive
 - Know monthly nut
 - Watch Key Stats

Technology

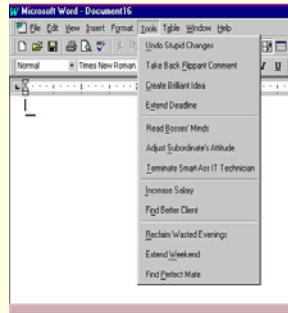


Use it!

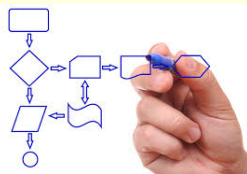
- Software: billing, timekeeping, case mgt
- Conflict and contact management
- Docket & calendaring (precedents)
- Digital dictation
- Digitized files aka paper-independence
- Remote access
- Mobile computing

Training is NOT an option or luxury – it's a necessity !!!

Today's tech environment is just too complicated to skip training . . . Unless you LIKE hiring new employees and wasting money!



Process & Procedures



Client Intake

- Be more discriminating
- Update engagement agreement
- Gather better information
- Use checklists and intake forms
- Don't dabble
- Stick to your price

Records Management

- Create written policy
- Retention language in Engagement Agmt
- Keep no originals
- File closing letter w/ originals returned
- Purge and close file
- Enter destruction date into computer
- Digitize as you go

People management

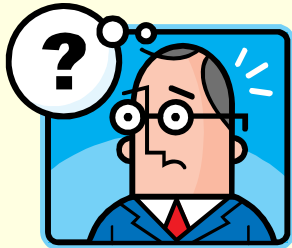
- Learn how to hire better
- Training & orientation
- Professional development / mentoring
- Two-way communications
- More face-to-face
- Meaningful, frequent, honest feedback
- Illuminate path to partnership

When should you start planning your exit?

Death / Disability	Emergency planning should be done NOW for solo or small firms
Closing	3 – 5 years ahead AND as leases are renewed
Selling	1 – 3 years ahead
Transitioning	5 – 10 years ahead

The day to really start planning is the day you open your practice!

Questions





Connect with me !

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