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Overview: How to Use This Book

The purpose of this book is to help you manage and run a successful law practice. Law schools do a great job teaching attorneys about contracts, property, torts, and so on, but rarely do they teach attorneys how to operate a law firm.

The success or failure of a law firm is based as much (or more) on knowing how to run a business as knowing the law. You cannot have a successful law firm without knowing how to run a business. We wrote this book after seeing too many law firms filled with brilliant lawyers fail because they lacked basic business skills.

Your Law Firm Is a Business

We encourage you to use common business practices to operate your law firm. These business practices and strategies have been proven to be effective and can be applied without compromising your ethics or professionalism. We know that you can run a successful law firm while providing the highest level of legal work.

Many lawyers simply have never learned these practices, and therefore they are not applied in many law firms. This book is designed to help lawyers at all levels of law firm management create and implement business strategies. We believe that business strategies can and should be applied by all attorneys regardless of their role within a firm.

Creating a Business Plan

Every law firm ranging from solo practitioners to international firms should have a business plan. This book is designed to help you write a business plan for your firm one building block at a time. Each chapter covers a different section that should be included in your business plan.

A comprehensive business plan will be invaluable for those who are planning to open their own firm or attorneys who are looking for ways to improve their existing firm.

If you are a partner or an associate at an existing firm, we encourage you to develop a business plan for your part of the practice. Partners should view themselves as having a mini-practice within their firm, and a business plan will help you build and enhance that practice. Associates can use a business plan to develop strategies that will improve their practice and help them become partners.

Our goal is to give every attorney the tools necessary to develop a business plan that will help you create or improve your firm or your portion of the practice. A business plan will provide you with a foundation that will help you through the ups and downs of running a law firm. We guarantee you there will be both peaks and valleys!

Reading This Book

Of course, we would love for you to read this book from cover to cover. If you read the entire book, you will understand all the concepts associated with running a law firm and how those concepts fit together. Each chapter addresses one segment of law firm management. From our perspective, each segment is important, and therefore, all the chapters require your attention. However, because the chapters are designed to cover individual issues, it is possible to pick and choose specific topics to review. Moreover, the index can help you identify where specific issues are discussed.

How to Use This Book

At the end of each chapter, we have outlined issues that we believe should be considered for that section of your business plan. Our intent is to create a means for you to draft a business plan in manageable steps. If you address the issues raised in these outlines chapter by chapter, you will have a complete business plan by the time you reach the end of this book. We cannot emphasize strongly enough how important we believe a written business plan is to your success.

What to Expect When You Read This Book

This book focuses on the operations of small to medium-sized law firms. Certain chapters will describe a firm's operations as if there is a team member or multiple team members to fulfill certain responsibilities. We purposefully outlined the responsibilities separately to give a clear picture of how the roles and responsibilities would be handled in an ideal situation.

We understand that very few law firms operate in the ideal situation. Very few of you will have the luxury of having enough time to complete every task outlined in this book, much less to hire multiple team members to complete tasks that you delegate. This book will show you how all the roles and responsibilities within a firm fit together and allow you to make educated decisions about what you prioritize and how you allocate your limited resources.

Overview

We start by taking a look at ownership structures and discussing the pros and cons of adding partners in the ownership chapter. A firm's ownership structure will serve as the foundation for how your firm is managed and operated.

After deciding who will own and manage your firm, it is time to determine how your resources will be allocated. While some resources should be allocated to all the major firm departments (human resources, marketing, legal services, finance, technology,

management, and office environment) discussed throughout this book, every firm may allocate its resources differently.

The allocating resources chapter discusses how law firms can use their resources during different phases of operation beginning with the start-up phase. As the book progresses, it will take you through all the firm departments in detail so that you can determine which departments in your firm should be prioritized.

We start with human resources. The team members, human resources, and training chapters outline how you can build a productive team, manage them effectively, and train them to work efficiently. For those of you who do not plan to hire any team members, these chapters will help you identify what roles you must fill and how to train yourself to do them efficiently, and they will help you schedule time to fill each role.

Time is one of a lawyer's most valuable resources. We cannot overemphasize the need to properly manage your time to ensure that you are using it efficiently. Our managing your time chapter will help you design a plan to finish your work within your work week and leave your personal time free for your pleasure.

All law firms need clients. The ideal client, marketing, and managing clients chapters will help you define who you want as a client, how to attract those clients to your firm, and how to work with those clients.

All law firms provide legal services—the product that your business provides. The legal services and ethics chapters describe ways in which you can develop, expand, and maintain quality control over your legal services.

As a business owner, management of your finances is critical. Our billing and collection chapter will demonstrate how you can ensure that you are paid for the legal services you perform. Once you have collected the fees that you deserve, the finance chapter will show you how you can manage your finances.

Technology has always been important, but it plays a critical role in modern firms. Clients and team members expect top-notch technology, and often it is necessary to produce quality legal services. Our technology chapter outlines the technology issues that you should consider and how you can use technology to improve your firm.

We urge you to create systems and procedures for your firm. These will make your firm operate more efficiently and productively. Our systems and procedures chapters outline when a system or procedure is appropriate, what to consider when developing one, and examples of effective systems and procedures.

As explored in our office environment chapter, your office environment should be carefully considered whether you have a traditional physical office or a virtual one. Your office environment says a lot about you to not only your clients but also your team members.

This book encourages you to look at your law firm as a business, but we recognize that a law firm is not a run-of-the-mill business. There are special considerations to running a law firm that other businesses do not have to contend with. We take a look at these in our business versus profession chapter.

We strongly encourage you to plan for the future of your firm. Our strategic planning and emergency chapters outline how to create and implement short-term, long-term, and emergency plans.

All businesses depend on the performance of their team members, and no team member is more important than you. Our wellness chapter outlines how you can take care of yourself and your team members.

Reference Materials

Throughout the book, we reference key forms and templates that are often used in successful law firms. You should develop customized forms for your specific practice. The appendix to this book contains general forms that you can use as a starting point.

We have also provided guidance on where you can obtain more specific information about a topic or how a specific issue is handled in a particular practice area.

Our Goal

We know that opening a law firm or running one is always challenging and can be downright terrifying. Our goal is to give you the tools to overcome those challenges and fears so that you can run a successful law firm. This book provides real-world options to deal with the real-world challenges you face.

We wish all of you the best in your firms!

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Ownership: Should You Have a Partner?

Do You Want a Partner?

You will not face a more difficult or critical decision than determining who else, if anyone, will own part of your business. Partners come in all shapes and sizes, but all of them will have a significant impact on the management and operation of your firm. The first question is whether you want or need a partner.

Many of you may be thrilled about the prospect of being the only owner since that would not only allow you to do everything “your way” but also allow you to be sole beneficiary. Others may not want the responsibility of making all the decisions and being solely responsible if things do not go as well as hoped.

Characteristics of an Ideal Partner

We recommend starting this decision process by making an honest assessment of your strengths and weaknesses. In your honest assessment of yourself, you need to determine if you have the ability and willingness to work collaboratively with someone else. Can you go from making all the decisions to allowing someone else to have input in decisions or even make some decisions?

If you have to be in total control or you will not be able to listen to and discuss your partner’s position in good faith when he or she disagrees with you, you may be better off without a partner. Of course, if you decide that you are capable of this, you will want to find a partner who is also capable of sharing control and working collaboratively with you.

Regardless of how wonderful your potential new partner may be, a partnership will not work well if you cannot get along with your partner and you do not set clear expectations at the outset. We realize that this sounds simplistic, and many of you are thinking that, as individuals with advanced degrees, either we will be mature enough to focus on business issues rather than personalities or we can figure out a way to overcome any personality issues.

We disagree. A law firm may survive with partners who do not like each other and/or do not get along well with each other, but it will not thrive.

Pro Tip: Never underestimate the value of having a partner that you genuinely enjoy as a person. Your ability to get along with your partner(s) will have a significant impact on your bottom line and your overall happiness.

Ideally, you and your partner(s) will get along well. When you have a solid relationship, it is much easier to discuss sensitive issues when they arise. Do not delude yourself into thinking that there will never be a sensitive issue. Eventually, there will be discussions about compensation, how hard someone is working, whether to hire or fire someone, and so on that one or both of you feel strongly about.

Pro Tip: We spoke with an attorney who has been in practice for more than 50 years. During his career, he was a partner in several law firms that provided excellent legal services, but nevertheless the firms broke apart. When we asked him why the firms kept splitting, he told us that the one common denominator in the implosion of each firm was a disagreement over money.

If you cannot agree on the color of the sky before you start the discussion, it is not likely that you will agree on the important business decision that needs to be made. Even if you have a tie-breaking system in place, the partner who did not get his or her way will not be satisfied with the outcome if he or she feels that you reached this point because you were unwilling to listen because of your underlying dislike of one another. That dissatisfaction can manifest itself in many ways, none of which are positive.

One very important issue that you and your potential partner need to see eye to eye on is your firm's spending practices. If you cannot agree in principle on how the firm's resources will be spent, you will have at least two distinct issues. On the one hand, you will always be arguing about the firm's strategies and how the firm can be most successful. On the other hand, distributions and expenses cut into the firm's profits. When one partner thinks that his or her profit share is too low because the other partner spent firm resources recklessly or inefficiently, problems will arise.

While you do not have to agree on every single budget line item, you and your potential partner need to agree on the philosophy regarding major aspects of the budget. In a modern firm, the major aspects include human resources (Will you pay your team members top dollar, as little as you can, or market rate?), technology (What role will it play in the firm's operations, and how many resources will be allocated to it?), and marketing (How much time and effort will be put into generating revenue?).

Firms should take diversity into consideration when choosing a partner. More clients may be willing to consider hiring firms that are diverse or firms that have partners who more closely resemble them. In addition, diverse firms can also open the door to a wider range of potential team members.

An ideal partner will share your philosophy toward practicing law and managing a business, and your goals for both. The ideal partner will also compliment your strengths and/or provide a strength in an area where you have a weakness.

As this book progresses, we will describe the roles that must be filled in a successful firm in much more detail. It is highly unlikely that you will find a partner who excels at everything that must be accomplished. When choosing a partner, the most important starting point is to determine what you expect of your new partner. Are you looking for someone to lead the firm? Someone to fill a specific role within the firm?

Before you start looking for a partner, outline your expectations of one. Before you form a partnership with someone, make sure your expectations are communicated clearly and that your potential new partner agrees with them. The most successful partnerships are ones in which the partners know what to expect of each other, and those expectations are reasonable.

Invest Time and Effort to Choose the Right Partner

For those of you who want a partner, a significant investment in time and effort to find the right partner will be well worth it. Take the time to identify the qualities you are looking for in a partner and what role you expect the partner to fulfil.

When you find a good candidate, make certain that you and the prospective partner have the same or at least similar goals, philosophies, and expectations, and then memorialize them in a partnership agreement. Finding partners who fit your vision for the firm will lead to a very productive and efficient firm.

As you develop your vision for the firm, you should also be developing a vision for the role that a new partner will have within the firm. There is no single correct definition or description for a partner. As the leader(s) of your firm, you have the responsibility of defining and describing what a partner means to you.

The old-fashioned image of a partner is someone who leads the firm by having decision-making authority in all major firm policies and issues. We encourage you to shape the role of a potential partner to meet the needs of your firm rather than a traditional image.

You may want a partner who is deeply involved and invested in every meaningful firm decision, but you may also want a partner who focuses on one area of expertise, such as bringing in cases or managing a new practice area.

Choosing a Partner in a Small or Medium-Sized Firm

If you or your firm are inclined to hire a new partner, you need to determine how you will choose the partner. Most sole proprietors make the decision whether to add a partner and who that partner should be on their own. This is too big a decision to make on a whim, and as much as you may trust your own judgment, we strongly advise you to get input from others.

You can obtain valuable input from a variety of sources. If you prefer a structured process to search for and hire a partner, you should look to a recruiting company or

business coach. Recruiting companies and coaches are easy to access but will be more costly in terms of dollars than less formal approaches.

Less formal options will depend more on your diligence and persistence. Therefore, they may be harder to access and costly in terms of time but less costly in terms of dollars. The simplest approach is to seek feedback about your potential partner from other members of the legal community you trust and respect. Another option is to create a group of lawyers who meet periodically to discuss and strategize about management issues. Many larger bar organizations will have law practice management groups that can provide a ready-made group.

Pro Tip: An attorney's personal life can have a huge impact on the attorney's professional goals. The fact that all of the founding partners in David's law firm had small children and shared the same work/life goals gave them a common philosophy upon which to build the firm's business.

The selection process for small to medium-sized firms presents a complex scenario. A new partner in this size firm will impact all the existing partners personally, legally, and financially. Because there will be a significant impact on everyone, should everyone have input into whether a partnership is offered to someone?

The more people who are involved in the decision-making process, the more likely someone will object to the potential partner candidate. Nevertheless, we encourage small and medium-sized firms to involve everyone in the search and decision-making process. Your selection process should be robust, and it may well be difficult and time-consuming for the potential partner and for the firm. But it will be worth it, as you do not want just anyone to become partner.

Including everyone in the decision-making process will enable all of your partners to understand the decision to make someone partner or to reject an application. This will minimize the fallout that could ensue if someone is named a partner without unanimous support from the existing partners. The objecting partner(s) will have an opportunity to hear the positives about the candidate that led the other partners to approve the new partner, and while they may not have placed the same value on those positives, they can at least see the logic behind the decision.

Factors to Consider When Adding a Partner to a Solo or Small Firm

The smaller the firm, the greater the risk when adding a partner. As a solo practitioner, you were responsible for everything related to your firm until you added a partner. With a partner, someone else may suddenly control 50 percent of the firm for better or worse.

It may feel as if the firm you created either no longer exists or has morphed overnight into something that you do not recognize. Before you add partners, it is important that you visualize what the new partnership will look like.

Most partners in small firms expect to have a significant voice in how the firm is run. Decisions that you made unilaterally as a solo practitioner now must be discussed

and agreed upon with your partner(s). Inevitably, there will be some decisions that your partner(s) want to handle differently, and you will need to be prepared to accept that you will no longer have complete control.

Pro Tip: Partners can add value without increasing your income. A partner can reduce your stress levels, make your work environment more enjoyable, and provide a sounding board. The emotional benefits of adding a partner should not be ignored.

Many solo practitioners appreciate adding a partner because it gives them backup coverage for their cases. Even if a new partner does not add a dime of income, a new partner adds value because you as a solo practitioner no longer have to scramble to cover court dates or client emergencies when you want to take a vacation or a sick day.

In addition to having coverage for your cases, there may be other aspects of adding a partner that you find valuable. These benefits can range from personal ones such as having a companion to professional ones such as having a colleague available to discuss case strategies. While valuable to some lawyers, these benefits may not have a direct impact on the bottom line.

We encourage you not to ignore these “soft” benefits because money is not the only measure of happiness. However, the financial impact of a new partner cannot and should not be ignored.

For solo and smaller firms, the most likely benefit of adding a partner will result from an efficiency of scale. The number of calls or amount of outgoing mail generated by a solo practitioner typically does not keep an administrative team member busy all day, but most solo practitioners want to have someone full time to be available whenever the need arises. Adding one partner will not generate enough administrative work to necessitate a second administrative team member.

Therefore, the solo practitioner immediately reduced the cost of his or her administrative team member. There are numerous examples of how adding a partner can lower your expenses including, but not limited to, the following; lower overall rent because you can share a conference room, lower copier/scanner fees because you can share one machine, lower utilities bills, less time spent on non-billable work because you can share it with your partner, and so on.

The reduction in costs will enable partners in small firms to increase their income without increasing the amount of legal work they generate. It should not be too difficult for you to identify expenses that would take less out of your pocket if a partner was sharing them.

Choosing a Partner in a Large Firm

Larger firms have more resources at their disposal than small and medium-sized firms. As a result, they have the luxury of conducting a longer and more thorough search and hiring process than smaller firms. These firms can afford to have human resources teams conduct the initial screening, and their partners have enough support that they can afford to take more time away from their law practice to evaluate the partner candidates.

While we encourage you to involve as many partners as possible in significant firm decisions, there reaches a point at which it becomes impractical to involve every partner in every decision. When there are too many decision makers, it will become too difficult to reach a consensus on any issue. For this reason, the partner selection process is typically delegated to a recruiting committee or a smaller subset of the partners.

Since choosing partners is such an important decision, all partners should have input into the system or process that the firm implements to choose a partner even if they are not directly involved in each partner decision. The partners must have faith that the system or people in place are going to choose partners that they will want to work with.

Larger firms can pursue two general approaches to choosing a new partner. One option is for the firm to establish a firm-wide committee to select partners. The advantage of a firm-wide committee is that it can develop an expertise in recruiting and selecting partners, and if the committee is a fair representation of the entire firm, it will select partners that will advance the interests of the firm as a whole. The downside of a firm-wide committee is that it may not obtain as much information from the actual department where the partner will work as to whether he or she will be a good fit. As a result, the department may end up with a partner who looks good on paper but does not work well with the existing team.

Key Characteristics of a Good Partner

- Leadership skills
 - Loyalty to the firm
 - Ability to manage not only a legal team but also a business team
 - Shared goals for the firm
 - Strong work ethic
 - Ability to generate financial benefits for the firm
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The alternative to a firm-wide committee is to let each department operate like a small or medium-sized firm and make their own decisions as to who becomes partner. While this may lead to finding partners who fit well into each working group, it could also lead to a fragmented firm. The departments may start developing their own philosophies that are not aligned with other departments, and they may start operating independently from the other departments.

Ideally, the firm will be able to balance the needs of the firm as a whole with the department where the new partner will be working on a daily basis. We favor models that establish a standing firm-wide committee to select partners that is required to involve and obtain feedback from the department where the partner will work as part of the process.

Promoting an Associate to Partner

It is not uncommon to hear that a firm has made an associate a partner to reward the associate's loyalty. Many partners feel an obligation to promote associates to partner who have been with the firm for many years.