THE TIMES THEY ARE A- CHANGIN'

4 Areas Law Firms Need to Rethink

PerformLaw

Do Law Firm Management Right!

Looking Ahead

At PerformLaw, we believe it is time for law firms to rethink the four essential elements of their operational models. In this ebook, we discuss each of these areas and our ideas for constructive change.

1. Physical Space

2. Marketing and Business Development

3. Attorney Performance Management and Morale

4. Financial Resources

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1. Physical Space

For many law firm lawyers and staff, their identity and sense of well-being are anchored by a physical location and the support that goes with it. Smart firms strike a balance between an office dependent culture and a distributed work environment.

Are assigned private offices necessary in all cases? Or is the ability to use an office when needed a better approach?

To better understand office needs, a firm could survey the track the unused office days during a sample period. The results could inform a space allocation and use strategy.

Do all jobs require a centralized location, or will productivity actually improve in a remote setting? Are temporary spaces off-premises better for the big new case?

In our experience, at one point or another, office space becomes an anchor around a law firm's neck and can contribute to its failure. Distributing your operations provides flexibility and allows for an averaging down of rental costs and, more importantly, flexibility in long term obligations.

A decentralized work environment with strong remote capabilities requires adequate technology. Cloud-based practice management and communication applications can function as a virtual law office. The former is an application that combines case management, document management, email and calendar, contact management, accounting, and reporting. It is accessible through a browser and fully integrates the essential business tools of a law firm in one virtual location.

To facilitate remote communication, we also suggest implementing a team communication application. The instant messaging, video call, and screen share features enable attorneys and staff to interact seamlessly and without email internally, as well as with clients.

2. Marketing and Business Development

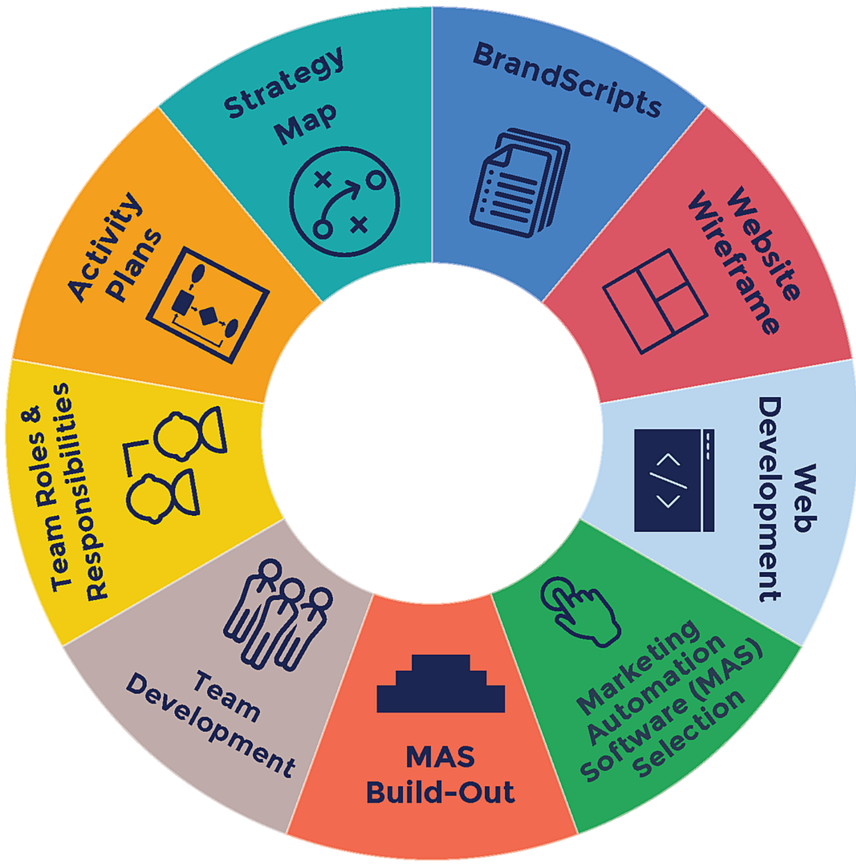
We believe that law firm marketing by defense firms misses the mark. We think it is better to create a marketing system built on a strategy map, brand strengths, a useful website, SEO credibility, automated marketing systems, and superior service delivery.

The most important benefit of a system-oriented approach is that it serves everyone, creates goodwill value, and establishes an economic benefit that will strengthen connections to the firm.

Imagine not having to rely on a lateral approach for growth and long term success. Many brilliant lawyers never learn to market but crush it when given a vital case or client. With new business coming to the firm based on brand strengths, the need for traditional in-person approaches diminishes.

The components of a system oriented approach include:

Strategy Map; BrandScripts; Website Wireframe; Web Development, Markaeting Automation Software (MAS) Selection; MAS Build-Out; Team Development; Team Roles and Responsibilities; and Activity Plans.



For most, the effectiveness of the traditional approach is overstated. If objective performance measurements continue to supplant personal relationships in the purchase of legal services, traditional marketing approaches will become even less effective. Finally, this type of marketing system is not location dependent and can provide benefits on a much broader spectrum.

3. Attorney Performance Management & Morale

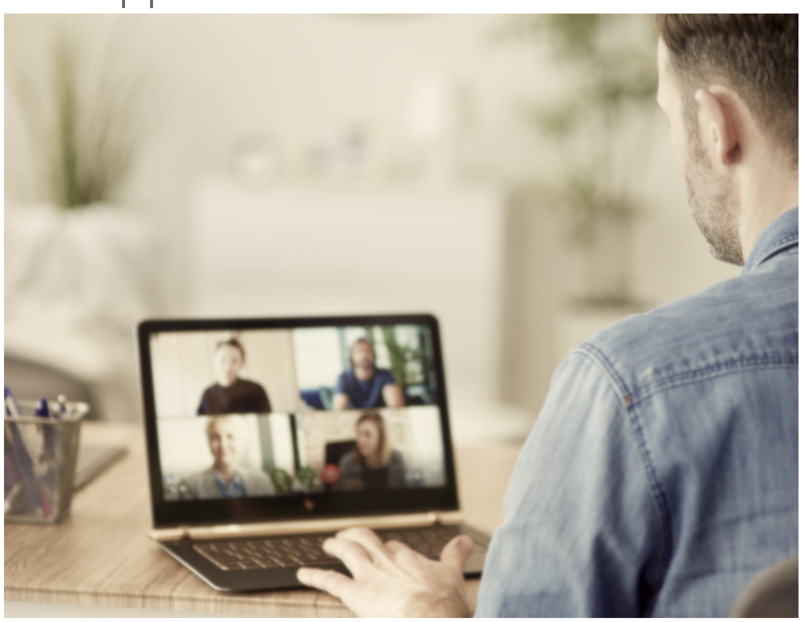
So how do we keep our talent together without the physical space and connection that a brick and mortar culture provides? For those who do not need to see you working to believe that you are working, it is easier. Those who rely on in person meetings as a main means of communication will struggle.

Better tools can help, but a change in thinking is necessary. For example, the most important elements of an attorney relationship management system include:

All these can work without in-person meetings. I am not saying in-person visits are never necessary, but we need a lot less of them, and remote communication tools, in many instances, are more effective.

For example, screen sharing a document and working real-time is more effective than trying to decipher handwritten notes or sitting in front of a busy partner who has several things going on at once.

In-person meetings often provide emotional support, which is essential, but are often overused and consume incredible amounts of time. One way to address these aspects of a more distant culture is to provide funding for a professional coach who can help sort out relationship issues. Again, this is an entirely different approach to human resources management.



4. Financial Resources

Building capital in a law firm is challenging. Most small/mid firms are taxed as partnerships, and retaining capital requires members to receive taxable income without the corresponding cash. If a firm is considering a plan to hold back earnings to build cash reserves, the easiest way is to withhold 60% of targeted profit distributions until the accumulating the desired reserve amount. In this way, partners will mostly have the cash to pay their tax liabilities. Alternatively, the equity owners can contribute cash from their private resources.

The philosophy of the partners and their financial capability often determines the capitalization methods used. It is typical to see a combination of approaches. For example, a firm might create a base capital layer by requiring owners to contribute an amount of capital (cash) commensurate with their ownership interests. Earning holdbacks and debt support capital needs beyond the base layer.

We strongly believe that a paid in capital layer of at least two months operating expenses, including a minimum draw for the owners, makes sense. A reserve in this amount will allow a firm to endure a temporary situation without incurring debt.

Capital reserves can also support expansion and other strategic initiatives. Using capital forces equity owners to more carefully consider speculative investments because their money is at risk and not the banks.

Responsible use of debt for equipment purchases or to finance client cost advances makes sense if the appropriate financial policies accompany it. For example, paying back equipment debt to coincide with the rate the equipment is written off (depreciation). Applying a bad debt reserve to client costs is also sensible.

Using debt for expansion and speculative hiring is most dangerous, and we believe this is a mistake. Firms who capitalize at the appropriate level, govern with the right policies, employ competent planning processes, and implement the right systems will create institutional value.

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How can we help your law firm? Let's talk now.

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