

TEN KEYS TO SUCCESS IN A SMALL LAW PRACTICE

by Ward Bower

Copyright © 2002, Altman Weil, Inc., Newtown Square, PA, USA
All rights for further publication or reproduction reserved.

Solo practitioners and small firms have a daunting task in today's legal marketplace. Still, some smaller firms continue to thrive in this new environment. Careful examination of the most effective small firm competitors is instructive in structuring a firm for success in the future. Following are this author's observations and advice to solo practitioners and small firms in today's competitive environment:

#1: Learn to Say No

In today's economy, no one wants a generalist. Everyone wants a specialist for their problem, and specialists will invariably win out in competition with generalists.

Small firms and solo practitioners should specialize, even if by exclusion. That is, specialization can occur by identifying types of matters or clients which will not be accepted, possibly more easily than identifying those which will. Furthermore, specialization is possible not only by substantive areas of practice, but also by market segment — by industry or type of client. "Health care," "high tech" or "family business" practices can be equally or more marketable and profitable than "litigation," "corporate" or "domestic relations."

Solos and small firms also have to learn to say no to clients who are either unwilling or unable to pay their fees. Early qualification of clients should occur by virtue of fee counseling, engagement letters and fee memos, clearly spelling out the client's obligations. There is little or any risk in so doing, as the client who decides not to proceed with the engagement based on initial fee communication also is one who would be unlikely to pay the bill, when rendered. Thus, rather than wasting firm resources, the lawyer is free to spend the time which would be spent serving the non-paying client to develop clients who are willing and able to pay.

#2: Take a Lawyer to Lunch

Small firms which specialize should develop a network of other firms specializing in different areas, for purposes of referral of work by specialty. Inbound and outbound referrals should be monitored and tracked to assure that the implicit *quid pro quo* actually develops, and to maximize the asset value of outbound referrals for business development purposes. Everyone benefits in such an environment — your practice, other lawyers, and most important of all, clients.

#3: Show the Old School Tie

College friendships and acquaintances should be maintained as a potential source of clients. Just as importantly, law school ties should be maintained, particularly with lawyers specializing in other areas of practice and lawyers outside the jurisdiction, where there might be either jurisdictional or economic (travel expense, time) reasons to seek local counsel or refer a matter.

#4: Become Famous

Solos and small firms should get to know reporters in local newspapers and other publications which cover legal and business fields. It is entirely appropriate to volunteer to provide expert background on legal topics within the ambit of one's specialty practice. In addition, press coverage can increase visibility and profile of a lawyer or practice through articles on legal topics of interest to the public, provision of press releases regarding bar activities, speaking engagements, or other accomplishments, and through advertising of seminars and services. The purpose of press relations and coverage is to increase one's profile, achieving a level of "brand name" recognition in one's field. Recent studies have shown that "brand names" in professional service industries are worth 10% to 15% premiums in billing rates. It is the author's experience that this is true in most US legal markets.

In addition, every lawyer's obligation to provide *pro bono publico* legal services should be fulfilled, and can be employed strategically to handle cases likely to generate a high, positive profile or to further the interests of clients. For example, *pro bono* representation of indigent plaintiffs having received public recognition of egregious harm or of trade or community associations in which clients are members can be effective in this regard.

#5: Give Back to the Community

Even in a large city, but especially in a smaller community, each lawyer should select one or two activities or organizations to join and to contribute actively, preferably achieving leadership status. Furthermore, the commitment to the community organization should be genuine — overt selling is never necessary. In firms (as opposed to solo practices) lawyers should agree to pursue prominence in different organizations, to maximize penetration of the local market.

#6: Get Your Money's Worth from the Bar Association

Bar associations can be exploited as excellent referral sources. Although local and state bar activity is generally less effective in developing referrals from other lawyers (as travel time and expenses make outbound referral less compelling), they can be developed as a source of referral in highly specialized areas. In some areas (notably litigation), the ABA and other national legal organizations are better business development investments, as the economic as well as jurisdictional impetus to referral is much greater.

#7: Mine Your Clients

Marketing experts say 80% of the business development potential of a law firm comes from existing clients; conversely, only 20% of the potential rests in the remainder of the marketplace. Clients are potential sources of repeat business, plus potential selling of other specialties in a firm, and referrals. Some small firms have found an effective tool for developing clients as sources of repeat and referral business is a legal-size file folder or envelope, of high quality, imprinted with firm address and telephone, given to the client at the initial meeting to collect legal papers. Enclosed in the folder are two firm brochures. Since clients rarely throw away anything sent by their lawyers, and since most do not have a legal-size file cabinet, they keep the folder forever, and know exactly where it is. Inserted in the folder should be two copies of the firm's capabilities statement or brochure, so one is given readily to friends or acquaintances seeking a lawyer.

Business clients present a unique opportunity, and most successful business lawyers make a practice or habit of visiting the client regularly at his place of business, touring the plant, getting to know managers and employees and gaining a better understanding of the business for purposes of delivering its legal services. Obviously, this is done without charge.

#8: Don't Hang Around Lawyers

Although law school classmates and bar associations might be developed as referral sources, other local lawyers are potentially poor sources of significant referral business, unless one's practice is high specialized, or lawyers/friends are corporate counsel who cede their client's work to outside law firms. In most instances, social circles should concentrate on business people and other prospective clients. Besides, your spouse will probably find them more interesting — "shop talk" among lawyers in social situations is rarely welcome by spouses.

Trade associations in which clients are members can be excellent investments of time and resources.

#9: Reinvest in Your Practice

Solo practitioners and small firms probably should spend up to 5% of revenues in marketing, advertising, business development and promotion, to achieve a profile and brand name recognition to influence clients. Advertisements can be either "image oriented," for name recognition, or "direct response." The practice you are seeking to develop will determine which type of advertising should be used. Generally speaking, business services are not sold effectively by direct response advertising, whereas some personal services (personal injury plaintiff representation, bankruptcy, domestic relations) are.

Investment in technology is a competitive requirement in today's marketplace. Technology investments can and should be obvious to clients by their demonstration in the office environment, provision of client access to voicemail and e-mail systems, and the

like. In solo practices and small firms, it is important for lawyers to be computer literate; clients expect it.

#10: Manage Your Economics

Fundamental to financial management of any business is knowing your costs. A “rule of thumb” for computing for “break-even” costs in a law firm is to divide overhead by 1,200 hours per lawyer, per year. This gives the hourly yield necessary to provide income to lawyers, be it associate salaries or partner profits, conservatively figured. In solo practices, overhead of 50% of revenues or less should be sought. In small law firms, overhead (exclusive of associate salaries) generally should be 45% or less of revenues.

Managing a firm’s economics requires engagement discipline — strict rules regarding case acceptance and fee communications, with no compromises or exceptions. Especially, no new matters should be accepted from clients in arrears in payment on other matters. In addition, receivables (outstanding bills) should be followed up regularly and diligently, by staff.

Firms that know their costs can make flexible or alternative pricing of services available to clients, based upon experience in comparable cases and situations. Knowing one’s costs also facilitates the provision of estimates on hourly billing matters, which can be very valuable to clients.

Successful solo and small law practices require hard work. Target work years in smaller practices average 2,500 hours per year (50 to 60 hours per week), in total. Of these 2,500 hours, devotion of approximately 1,400 hours to clients (28 to 30 hours per week) should generate a healthy six-figure income. Of the remainder, approximately 600 hours should be devoted to marketing, professional activity, community service and *pro bono* work; 200 hours to management, 200 hours to writing, CLE and professional reading, and the balance (100 hours) to administrative and miscellaneous tasks. Personal time management requires that time records be kept both on billable and non-billable matters, and managed to achieve these measurable objectives.

Law has never been an easy business, particularly in small firms, and this is especially so today. However, solo practitioners and small law firms following these guidelines should find the practice more rewarding personally, professionally and economically than those who stumble along in a “business as usual” mode.