



IMPROVE YOUR BOTTOM LINE

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The pandemic has not impacted all law firms equally. When firms were ordered to shut their doors, many lawyers scrambled about in a disorganized panic, trying to figure out how to continue to practice from make-shift home offices. Remote connectivity to documents and software varied greatly from firm to firm. The degree to which firms depended on paper files also varied greatly from firm to firm.

Midsized and larger firms mostly had all the kinks worked out for the majority of attorneys at the firm and for many staff. Remote connections were robust and secure. The majority of essential file content was in digital format. Essential client information — contact information, deadline information and so forth — was retrievable. Computer use policies were sufficiently developed to ensure that remote access and performance of client work would not create undue risk for ethical blunders.

Continued client demand varied greatly. It depended to a great extent on area of practice. Some lawyers experienced immediate fall-off of work. Many callers to the hotline related that their phone was silent. Other firms were struggling more with how to continue to meet client needs given changes in how most legal processes worked or didn't. Practicalities of the pandemic's impact on government and courts interfered greatly with getting work done in many practice areas, despite continued client demand.

Some lawyers became very innovative about locating opportunities that arose as a result of the pandemic. Others hunkered down, waiting it out. The resulting economic impact has varied widely from one lawyer or firm to another.

Now that lawyers and their clients are starting to reopen, no matter how tenuously, many of you will need financial triage to survive until the economy rebounds sufficiently to return healthy profit margins. The clock on that will probably not start to toll until there is a viable vaccine publicly available and there are no further limits in place on sizes of public gatherings.

Here are some strategies to employ right now to help you survive.

Right-size. There was no shame in putting employees on furlough during the lock-down. You had no choice in most cases. Many lawyers have been contacting me asking me about the “right” thing to do now. People are feeling guilty about the economic impact of those they’ve had to temporarily furlough. I get that. Loyalty means a lot to me. But bringing attorneys and staff back too soon may make economic survival impossible for the firm.

Carefully measure the work you have for people. Be as sure as you can that attorneys will have full plates. Underutilization was a real drag on profits before the pandemic. Don’t repeat that mistake. In fact, if you’ve been holding off on a difficult discussion with underproductive partners, now is the time to do so.

Similarly, reevaluate how many staff you really need. Don’t just go back to the same ratio you had before, without thinking long and hard about whether it is really necessary to get the work out the door or just a level of comfort you enjoy.

Overhead reduction. Look at any expenses that have formerly been “sacred” and think about whether it’s time for the sacred cows to go. Even if only temporarily. Do you really need the research subscription you’ve always had, or will free electronic research offered by the bar association do the trick? Are you holding on to too much office space? Consider whether some of the work can be continued to be done remotely so you can reduce your office space. Are all the branch offices really necessary or a convenience for partners who don’t want to commute? Are you actually getting a return on investment from your marketing expenditures? Is the country club a luxury or really contributing to client development efforts? Remember, this is an exceptional time and we need to take some extraordinary steps. They don’t have to be permanent. Oh, and don’t be afraid to reduce office space if the opportunity arises. There will likely be a glut of space in the future.

Improve personal business practices. The reality is that there is always room for improvement. And small improvements can have significant impact on profits. When times get tough, lawyers with bad habits need to improve how they manage their practice.

Lawyers who do not record time on a daily basis lose substantial dollars. Track your total hours in the office each day and determine how much of it actually makes it to your timesheet, whether billable or nonbillable. If you lose more than 20 – 30% of total hours in the office, you’re cheating yourself and the firm.

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Bill regularly for hourly work, not less than every month. Clients prefer smaller, more frequent billing. It's much easier on their cash flow. Don't provide "unseen" discounts. If you're going to reduce the bill, make sure the client knows you're watching the bottom line for them.

Know when to put the pen down and walk away. Don't hesitate to take your possible loss and walk away before it grows into something you can't afford to walk away from. Don't let the balance of power shift. Remember, putting the pen down has no impact when the client already has the finished product.

Get serious about managing your receivables. It's time to get someone properly trained, either someone on staff in your office or a part-time outside contractor, who can run your receivables-management program. Consider it customer service, not collections. And consider it not an expense, but a revenue generator. Because it will keep a lot of your receivables from converting to uncollectible, money you will otherwise never collect.

"Ellen, I don't work on an hourly basis . . . what should I do?" Delegate. Delegate. And delegate, even if you have to create process checklists, better templates and do some training and additional oversight for a period of time. The more work you can push downward to a lower-priced person, the better your profit margin will be. Free up your time for what you can't delegate: high-value work and developing new clients and referral sources.

These are just a few suggestions. Let's be honest, you're not hearing these for the first time, right? But have you actually done anything about it? For most of you the answer is a resounding NO. Need help with implementation? Need additional suggestions for your firm? PBA members are encouraged to contact me for assistance.

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