

# HOW TO MANAGE A SMALL LAW FIRM

HAPPY LAWYERS MAKE MORE MONEY

GROWING LAW FIRMS IS OUR BUSINESS

## IRON SHARPENS IRON

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2018 ISSUE 6

### You and your challenges are not special

A law firm is a law firm is a law firm.

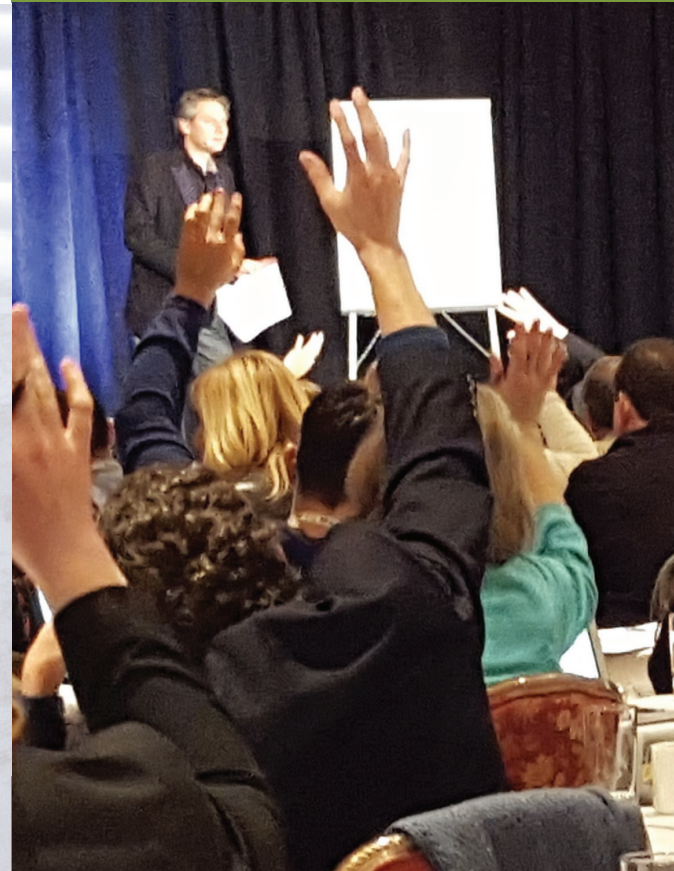
Tracking the details of what is happening in your business (remember you are no longer only an attorney, you are a business owner) allows business owners to gain a full understanding of the story your firm tells. Whatever means you use to record the business's day to day story is the one that allows the story to be told quickly and easily. A nimble means of reading results to pivot your firm when something that used to work, stops, or when a new system that is implemented, fails is like having a crystal ball that produces revelations whenever they are needed.

#### Enter: How to Manage Dashboard.

The confounding issues in your firm are instantly transformed into business intelligence truths when the numbers are clear. The HTM dashboard is a scoreboard for your firm that shines the clarifying light on your business health. The actual formula that the dashboard does for you is  $\text{Net Income/Net Profit\%}$ . Your family chugs along at \$250,000 a year, this is a figure you know. Here's what you agonize over: Will your firm produce this? The dashboard allows you to see your firm's profit health. Your target is \$250,000. Your profit percentage is 25%. Great! You know your firm must gross \$1 million. You now have something to track. At any time, you can determine your progress: On Track? Great! Off Track? Reposition.

The dashboard profit tracker is only the beginning of your firm's story. For example, you now have a goal but how much of "you" will that goal require? In other words, how many weeks per year will your firm be

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### ISSUE HIGHLIGHTS

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# GAIN MOMENTUM, BECOME A STRONG DECISION MAKER

**Decisions are friction.** They SLOW YOU Down. Stop the friction!

Have you ever thought about how the action required by the decision as fun? It is. When you focus on the results of your decision to get something done, it is powerful. Deciding, finally, really sets you up to enjoy your work or the process or whatever the decision is related to. The hard part is out of the way and you can lose yourself in your work.

Think about this: if you choose to make a decision every day, soon they become much easier. The easier it becomes to make a decision, the more actions you can begin to take. When you allow the decisions to stop your work throughout the day, your day is a constant start and stop, start and stop process. Inefficient! There is a super-efficient workflow when you deliberately attach and address decisions.

Instead, try this. Find opportunities to consolidate and batch your decisions in your business rather than allowing them to pile up.

**Step One:** Choose Your Decision Day

**Step Two:** Throughout the week, list what you must decide as the issues arise.

**Step Three:** Power Through Your Decisions, all at once.

**Result:** Glide through your days without being hindered with stops and starts!

## HTM CONNECT EVENTS

### **BUSINESS PLAN WORKSHOP**

October 17<sup>th</sup>-18<sup>th</sup> — The Westin Lake Las Vegas Resort & Spa, Henderson, NV 89011

### **BUDGET PLANNING WORKSHOP**

October 17<sup>th</sup>-18<sup>th</sup> — Lake Las Vegas

### **LAW FIRM 500 CONFERENCE**

Oct. 18<sup>th</sup>-20<sup>th</sup> — Las Vegas, NV

### **LIVE QUARTERLY MEETING**

October 19<sup>th</sup>-22<sup>nd</sup> — The Westin Lake Las Vegas Resort & Spa, Henderson, NV 89011

### **NYC BAR SYMPOSIUM SPONSORSHIP**

Nov. 8<sup>th</sup> - NYC, NY

### **HTM ANNUAL SELL-A-THON**

Dec 10<sup>th</sup>-14<sup>th</sup> - Miami, FL

### **MILLION DOLLAR CLUB PREP ACADEMY MEETING**

Dec 6<sup>th</sup> & 7<sup>th</sup>

### **LIVE QUARTERLY MEETING**

January 18<sup>th</sup>, 19<sup>th</sup> and 20<sup>th</sup> — San Antonio, TX

# HTM FORUM

As you learn more about being a business owner, and as you toil to put your systems in place, it can be a pretty lonely, isolated place. And as each issue arises, crushing whatever enthusiasm you mustered for the week, you are certain that you are the first to have encountered it. Membership at How to Manage is like having an eternal cadre of business coaches in your pocket 24/7. Seriously. More than ever, if you are not getting what you need to steer your firm, you are not trying hard enough. From Live Quarterly Meetings to one-on-one guidance from experienced coaches, to access to more minutes of instruction through the app, feeding your brain (and your soul) with precisely what you need to move your firm ahead and move your happiness forward has never been easier or more accessible. But if you are not accessing the forum regularly, you are missing the meat and potatoes of what How to Manage is all about.

## RECENT TOPICS

- Protecting Against a Chargeback
- How does house manager make me money?
- Outside Marketing Strategy Companies
- Family Law PNC in Whatcom County, WA. Looking for the right attorney
- Practive Management Software - Family Law Recommendations Needed

## FORUM STATISTICS

• Registered Users	1,259
• Forums	2
• Topics	5,650
• Replies	22,247

## Member Mindset

### *A Day in the Life of a (Plugged In) How To Manage Member*

**Mornings** – I am ALWAYS listening to a book or an LQM. When I do my makeup, when I drive to office etc.

**I get to the office just after 9** on most days. I look at my calendar, say Hi to my staff, get my coffee, and get settled, look at my email (which usually has NO emails for me to handle because they are mostly ALL triaged – this is the biggest game changer right HERE) and pow-wow with my assistant on our running list of admin tasks (events going on, ordering swag, setting up meetings etc)

**9:50** every morning our daily pump up music comes on- we write the things required for our morning huddle.

**10:00** DPC(daily power circle – our morning huddle)

**After DPC** its usually just meetings all day. The meetings that generally take up my day are:

- Consults
- MP/COO/bookkeeper meetings
- Check in phone calls with clients to see how the firm is doing (Since I am not doing the legal work for them this is the only time they talk to me)

- Staff training meetings for mindset/culture/client service etc
- Staff case status meetings
- Lunches with referral or potential referral sources
- Meeting with associate on legal strategy

#### **In between meetings I:**

- Spot check staff work role play with staff on certain areas that need improvement
- Look at lots of numbers from Clio, Lexicata and Dashboard
- Think of ways to make intake/marketing/client service better
- Fill out staff performance logs

**I leave the office** most days between 5-6.

\*\*I still go to court maybe 2-3x per month and still have legal conversations with clients that I have had for a while (maybe 2x per month).  
So there ya have it- my day in a nutshell:)

I protect professionals from unfair divorces.

# ARE YOU TRACKING REVENUE BY LEAD SOURCE?



**Paul Carlson**  
CPA, MBA, Principal

A firm that focuses on providing stellar financial and IOLTA accounting services for law firms. Their services are tailored to the needs of each client. Examples of frequently provided services:

- Financial Accounting
- Controller & Monthly Financial Meeting
- Practice Management Systems
- IOLTA & Trust Accounting
- Weekly Cash Forecast

## How much revenue did each of your referral partners provide last month?

## How much revenue did each of your marketing campaign provide last month?

Some time ago, we were working with a law firm that was not particularly excited about paying the monthly fee charged by one or their marketing campaigns. Before discontinuing the service, we helped the firm start tracking revenue by lead source. After gathering a few months of data, we realized the marketing campaign in question was providing a significant portion of the firm's revenue! With this new data, the firm and we have grown quite fond of the marketing campaign.

It's all about the numbers.

The revenue by lead source report can be used for three primary types of analysis. First, firms should maintain a list of their primary referral partners (Team 100) and track interactions with those partners. Paying attention to these numbers and comparing the list of referral partners to actual revenue received tells a big story. And, with that story, you can affect those numbers. Do some referral partners need additional attention and resources based on the revenue they are proving? Should some referral partners be removed and replaced because they are not providing revenue?

Second, does the firm have any invisible referral partners? We have seen firms receive consistent referrals from people they do not even know. These referral sources need to be quickly identified and attended to. Documenting these numbers presents an opportunity to reach out and build an even stronger relationship with that referral partner and learn how you can refer to them as well.

Third, calculate rates of return on marketing campaigns. Divide the lead source revenue by the amount paid into the campaign and calculate a multiplier. The goal is to identify the mix of marketing campaigns that provide the highest return. Marketing campaigns that are not providing a significant return must be reworked or discontinued. Firms often know exactly how much they are paying for a marketing campaign, identifying the marginal revenue from each campaign is the missing piece.

## Demystifying Tracking Your Leads

Tracking the exact source of a lead can be tricky. One way to clear the murky water, is to ask referral partners to send the firm an email when they refer someone. The communication will allow referrals to be associated with the referral partner without solely relying on leads to correctly self-report. In the age of "we found you on the internet," tracking leads for marketing campaigns is more difficult. Best practices for objectively capturing lead sources from marketing campaigns is to use recorded tracking phone numbers and dedicated website landing pages to capture lead source detail. Any leads that cannot be objectively tied to a lead source should be allocated to an "other / unknown" lead source.

## Other Lead Source Tips:

1. Record lead sources immediately for all incoming leads.
2. Tag or associate leads in the firm's CRM or database so they can be reported.
3. Review a lead source report at the weekly sales meeting.
4. Chase down leads to make sure each has a lead source and train staff.

5. Reconcile lead source/revenue by tying total revenue from the report to the total revenue on the firm income statement. Promptly attend to inaccuracies.

Tracking revenue by lead source sounds like a dream. Why doesn't everyone have this report? Some practice management systems with integrated accounting allow matters to be mapped to a specified revenue account. Once the revenue account is set on the matter, the revenue by lead source information is automatically generated. Centerbase and CosmoLex support revenue by lead source reporting. Most practice management systems do not support the needed revenue reporting due to design and accounting limitations. Your friendly accountant can make adjusting accounting entries to allocate revenue to lead source accounts, but it's a significant, manual project.

# THE LAW FIRM, PLLC

## Income Statement - Tax Basis

September 2018

Figure 1 is an example report that details revenue by lead source across two different practice areas.

	TOTAL
<b>Income</b>	
Practice Area 1 Revenue	
Avvo	5,000
Google Ads	10,000
Referral - Attorney - Referral Partner Name A	3,500
Referral - Attorney - Referral Partner Name B	4,000
Referral - Physician - Referral Partner Name C	20,000
Unknown - Unverified "Internet"	35,000
<b>Total Practice Area 1 Revenue</b>	<b>77,500</b>
Practice Area 2 Revenue	
Facebook Ads	15,000
Unknown - Unverified "Internet"	5,000
<b>Total Practice Area 2 Revenue</b>	<b>20,000</b>
<b>Total Income</b>	<b>\$97,500</b>

# LIVE QUARTERLY MEETING - LQM REFLECTIONS



## KEN CROSSON, CROSSON LAW GROUP, MARIETTA, GA

Our mission is to transform the lives affected by serious injuries. Our clients come to us after physical, emotional, and financial trauma and we take them from where they are to where they need to be. We offer security and peace of mind in challenging times, and help our clients and their families build happier, healthier, and more financially-secure futures.

The LQM content arrives when it's needed. What I experienced could not have been timelier or better tailored to address exactly the challenges immediately facing my business.

In a nutshell, a recent pipeline analysis indicated results that I've kind of accidentally — and I feel like the guy who's been sprinkled with pixie dust, tripled the total value of my caseload through RJon's formulation. The problem? At the start of the LQM, my entire law firm consisted of me and one baby lawyer associate. No support staff.

Baby Lawyer and I could probably service most of the caseload we have without any help. Maybe even all of it. I knew we would probably end up cutting corners, accepting lower values on some cases (we do PI) than we should, and pissing off (or at least not thrilling) clients and losing some. But we could probably generate double or triple the revenues of last year by the time we roll into the next year. Trouble is, we would both likely promptly collapse. In this scenario, we

would have no time for marketing and sales shouldering this kind of capacity.

The result? Next year would be a bust. What's more is if we marketed and sold anything, anything at all, we'd just make our problems worse.

The two-day LQM immersion into my business plan, followed by a long weekend of education on leadership and developing a team, topped off with a truly inspirational two-hour presentation on how to create an emotional connection with, and memorable experiences for, your clients, was EXACTLY what I needed. The content was terrific. I don't think anything could have been more helpful or encouraging as I try to take the "problem" of a suddenly-swollen caseload and use it as an opportunity to build the law firm I really want.





# THE LEADER MINDSET

## WHAT DOES IT MEAN TO BE A MANAGER?

*By: How To Manage a Small Law Firm Team*

Back in the late 60s, educator Lawrence J. Peter proposed that when a company seeks to fill a position, the leaders too often choose the candidate based on his or her performance in a current role. The Peter Principle as it has come to be known for decades is that a person performing well in a role eventually rises to their own level of incompetence.

### **Here's what it means:**

You have a paralegal. This paralegal is the best you have. He or she kills it in the office. And now, you need someone to lead and manage all the paralegals. Rather than seek a candidate that is a skilled manager, that option does not even enter the equation. Instead, you take your stellar paralegal and presume he or she will also kill it as a paralegal manager.

Pay attention: What part of being an amazing paralegal qualifies someone to be an amazing manager?

What are the skills and temperament and experience someone must possess to be a stellar paralegal?

What are the skills and temperament and experience someone must possess to be a stellar paralegal MANAGER?

Too often, in this type of scenario, the best paralegal is promoted. Hooray! The stellar paralegal moves out of the role he or she has excelled in and moves into his or her new role with high expectations.

Then, sadly, in one month, two months, or six months, that paralegal will reveal that they are a terrible manager of paralegals.

Now, the firm lost its best paralegal. What's even more disheartening, is the paralegals have a poor manager and that train wreck needs attention.

Determine a manager position's skill set and hire for that skill set. For goodness sake, lose the urge to promote your best into a position of a management role based on the person's performance in the role that is going to be managed. Two different positions, two different skill sets.

# HOW TO MANAGE A SMALL LAW FIRM

HAPPY LAWYERS MAKE MORE MONEY

## YOU AND YOUR CHALLENGES ARE NOT SPECIAL (CONT)



BY RJON ROBINS

open for business? A true solo attorney firm is open for business the same number of weeks you want to work. A firm with a larger team, will look different.

Let's break this apart. Say you want to work 46 weeks a year. If you are the solo attorney and you want to work 46 weeks annually, grossing \$1 million will require average gross receipts of \$21,739 week. And, if you are positioned with staff who can continue to generate income without you, the firm will be open 50 weeks a year since all major holidays equals two full business weeks. Your firm then must aim for \$20K/week in gross receipts.

Given either of these scenarios, any deficit realized in any week is going to require action to achieve your goals.

The dashboard revenue goal tracker reflects these numbers in real time. If you are a solo firm, and your dashboard tells you your firm fell short \$1000 for a week, a remediation plan must kick in. If your staff misses its mark when you are out, again, you put a plan in place to address the shortfall. There is no fudging the numbers with the dashboard, you have an instantaneous scoreboard to check your team's progress and, ultimately, your annual income. Knowledge + strategy equals a real-time reality check and your success.

Most law firm owners aren't keeping track of what their firm should be grossing each week for

them to reach their goals. In many if not most of these firms, the numbers are off by big numbers. If you aren't disciplining yourself and your firm to keeping track of the numbers with any regularity of whether you are ahead or behind, it is easy to lose your way. When your firm gets behind, catching up means you are stressed, you are burned out, and you are working harder than you need to. When you have the information immediately, you can huddle and create a plan to address it.

Every business needs a true scorecard for its owner to know what's happening inside. Pain in growing a business is real. Growing How to Manage, like any business has had its pain, as well as its glory. The HTM dashboard is our answer to the pain. Wisdom is the result of learning from others' pain.

An intimate relationship with your dashboard is what "being in control" looks like. When you have any blind spots in your firm, you are not fully in control. The road to \$1.5 million and then upwards to \$3 million begins to take the heat off you as you eventually add a full-time COO, and then eventually, a CFO. Until then, you are the COO and CFO and monitoring the numbers and your firm's day-to-day performance is your only real shot at accomplishing your annual income mission. Stop guessing how your firm is performing and start keeping score.