



Business Advice for Law Firms





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Being a single practitioner or a small-firm lawyer is challenging. To be a good lawyer is just one aspect of your job. You also need to find time for marketing and growing your practice, managing relationships with existing clients, handling the billing and admin, and managing all the compliance and regulatory aspects. You'll also need to be innovative and smart, and you'll need to embrace technology in order to succeed.

At AJS we are often asked for advice on what is most important for small firm lawyers, and over the years we have put together a list of the most important critical success factors. While the list doesn't cover every aspect of law-business, we are sure that you will be far more successful if you follow these simple guidelines.





100 billable hours

If you factor in leave, illness, non-billable work, public holidays, and social activities from time to time (golf, school functions and the like), there are only about 100 billable hours in a month. (5 hours a day!) That might sound like enough, but you also need to take into account that as a single practitioner you need to allocate some of those hours to finding new business, doing admin/billing, and managing all of the compliance and regulatory tasks that lawyers have to comply with. That doesn't leave much actual billable time.



Bill for all time

With so few billable hours, you need to ensure that you bill for all of your time and disbursements, and that nothing slips through the cracks. Any forgotten time is a direct hit on your profit. To survive on your own, you need to keep a real-time record of everything you do on a client's matter. Phone calls. Emails drafted and sent. Photocopies made. All time spent on a matter. And if you leave your time-recording to the end of the month, you're bound to forget some of the things you did. You can capture time in a billing system, or simply make notes on Excel, Word, or Notepad.



The gratitude curve

While your client still needs you, they will be happy to pay your invoice. Once a case is finalised, win or lose, your client will no longer be as happy to pay your bill. So you need to invoice your client along the way to avoid "bill shock". You might also ask for a deposit up front, partly for cash flow, and partly because if your client can't afford the deposit, they won't be able to afford to pay you later. You might also set a "credit limit", where you ask for an additional deposit once the initial deposit is used up.





Discounting

Few lawyers realise just how much discounting costs. They also don't realise that a discount is a direct hit on take-home pay. And the biggest mistake lawyers make is to hold their bill until the case is finalised before presenting it to their client. When the client sees the full amount ("bill shock"), they invariably ask for a discount. And the way to avoid discounting? Smaller, interim invoices while the gratitude curve is still high. You also need to come up with your reason why you cannot offer a discount. Maybe something like "My rates are much lower than larger firms because I have already factored in a discount. If I cut my price I cannot offer you as good a service." Learn how to say no to a discount nicely, and it will make you millions throughout your career!



Engagement Letter

Most lawyers have some sort of engagement letter for new clients, but few realise that it is one of the most effective ways of ensuring payment. A good engagement letter explains to your client what you will (and won't) be doing for them, how much it is likely to cost, how they should pay you, what happens if they don't pay you, and how you get "divorced" if it comes to that. There is a good example of an engagement letter (as used in the UK) on www.xpressdox.com under "View Demo" on the first page. Feel free to re-use the parts of that document that apply to your practice.



Learn to say "no"

This isn't the same as saying no to a discount – although that is equally important. From time to time you will encounter a case that is going to cost you far more than you can bill for it. Even if work is hard to come by, learn to recognise problem cases early on, and then learn how to say "no thanks" in a way that won't offend your (future) client!





Finding clients

Growing your practice will invariably be the toughest challenge you will face. You might already have existing clients, but if not, you will need to network and use your relationships (family, friends, (ex) colleagues, and associates) to find new work. Forming associations with other niche practitioners is a great way to get referrals. While touting is forbidden, there is nothing wrong with telling all of your contacts that you are “open for business”.



Word of mouth referrals

By far your best source of new business will be through referrals from existing clients. But to get your clients to refer you to their friends and colleagues is not easy. Either you will need to be really good at what you do, or your hourly rate will need to be low, or you'll have a large network of friends and contacts. But if you want referrals, your service will have to be really good! You will also need to learn how to ask your existing clients to refer you to people they know. It might not be a natural skill, so practice how you will raise this aspect with clients.



Great service

“Talked about” service is difficult. Especially in law, because it is regarded as a “grudge” spend. You'll need to deliver a great performance at a reasonable rate, and you'll need to communicate well throughout the matter - keeping your client informed each step of the way. You might even consider a survey after the matter is finalised asking “On a scale of 1 to 5 where 5 is best, how likely would you be to refer my firm to a friend or colleague?” Then read each response, say “thanks” for the good ones and follow up on the bad ones.





Re-use of information

By creating document templates you can speed up the drafting of often-used agreements, saving time and increasing fees. You can download XpressDox Lite for MS Word for free on www.xpressdox.com. It is a great way to create more billable hours in a day.



Outsource your admin

More and more small firms are outsourcing their admin and compliance functions so that they have more time to practise law and to grow their practice. Any time spent on admin is less time for billable work. One piece of advice: If you are going to outsource your admin (billing, invoicing, collections, compliance, payroll, management reports, tax), make sure you choose a supplier who will guarantee that you get management reports within a week of your month end, since if you do need to raise a bank overdraft, your bank will insist on updated financial figures to support the overdraft. You'll also want a supplier who can give you sound business advice (like a mentor) and one that has more than one bookkeeper in case something happens.



Create a budget

It is crucial that every practice compiles a budget at the start of every financial year. Income should be based on billable hours and disbursement "income". Expenses should be based on current commitments and expected expenses. Once the expense budget is completed, this will enable the practitioner to determine the breakeven point of the practice. Every practice should aim to have three months' worth of monthly expenses in reserve as a buffer.



Niche legal work

It is widely accepted that niche legal practices are more sustainable than general purpose law firms. 'Niche' might be achieved through a geographic location (small town), a foreign language, a special client relationship, or specialisation in a particular aspect of law. Always be on the lookout for niche work. It is golden! And really hard to find.





Client relationships

As mentioned earlier, you need to build and maintain strong relationships with your clients. This might mean good service and good communication during their matter, but it also extends to providing them with useful information from time to time so they remember you when next they need legal services.



Eggs in one basket

Beware of having one or two large clients that make up most of your revenue. While that may be necessary in the beginning, you don't want to have to close your doors if you lose a major client. These large clients also have the power to dictate terms to you, whereas smaller clients are not as demanding.



Search the Internet

There are literally hundreds of thousands of legal practitioners, just like you, around the world. By searching the Internet you will find articles on virtually any topic you can imagine. And it is far cheaper to learn from others than it is to learn from one's mistakes. Whether you want ideas to find new clients, ways to improve cash flow, information on how to be more efficient and productive, or how to say no to a discount, you'll find it on the Internet.



Technology

Law firms today need to be productive and efficient. In the past that was achieved by employing more people. Going forward, the only way to remain viable will be to embrace technology. Fast computers. Good software. Use email wherever possible. Document management for easy retrieval of information. Document automation for re-use of information. Hosted servers. Work from anywhere. And VoIP telephony, for example Skype or WhatsApp.





AJS Express Web-Based Accounting

If you liked the recommendations in this booklet, you might be pleased to know that there is another way you can really improve efficiency in your practice – and that is to sign up for the innovative new web-based AJS Express system.

No Server Required

AJS Express is a hosted solution so you won't need an expensive file server. You'll be pleased to know that AJS Express is resistant to Ransomware.

Work from Anywhere

Because the system is web-based you can work from anywhere on almost any device.

We do your Backups for you

With AJS Express, we do your daily backups for you. And we keep a full 60 days of backups so your information is safe.

No Term Contract

You'll be pleased to know that we do not lock you into a term contract. You can cancel at any time without notice.

No Up-Front Costs

There is no capital outlay with AJS Express. So you won't have any risk at all. This includes installation and training.

Very Affordably Priced

You'll be amazed to know that AJS offers so much for such a small monthly instalment.

The Best Support

In addition to all the remarkable features in AJS Express, you'll be pleased to know that we have a 40-year reputation for excellent support.

Optional Bookkeeping Service

For even more efficiency you can outsource your accounting to AJS. Services include bookkeeping, financial reporting, VAT, Compliance and Payroll.

For more information visit www.ajs.co.za, email sales@ajs.co.za or phone us on 0861-265-376

This information was brought to you by AJS Software, leaders in legal accounting and practice management software for nearly 40 years.

