

Managing the Firm Through a Recovering Economy

by Arthur G. Greene

While there are signs of an improving economy, revenue continues to be down by 5-10% for some of our clients. The difference between firms that are doing well and those that continue to struggle can be attributed to leadership and management. Although the following guiding principles are general in nature, they have served many firms well in the troubled economy.

DON'T PANIC

Lawyers often say that they love serving clients, but they hate the business aspects of the practice of law. Those lawyers are particularly vulnerable in an economic downturn because they do not pay attention to the tools necessary to evaluate the condition of their firm and take remedial action as needed. Panic is a typical response, but the better course is to recognize the importance of calm leadership that is open to making changes and embracing forward looking management strategies.

DO SOMETHING

Don't ignore the emerging issues. Too many lawyers in small firms tend to practice the same way as they did the day before...day after day after day. Over the years, many firms have lacked the leadership necessary to address issues and move the firm to a higher level or position it for greater success in the future. For these firms, the first step is to understand how the economy is affecting the firm. Then address the issues presented with both common sense and a willingness to challenge the firm's traditional business procedures and practice methods.

UNDERSTAND YOU MAY NEED TO CHANGE THE WAY YOU PRACTICE LAW

Avoid, at all costs, the belief that if your firm rides out the recession, things will be back to normal and you can continue practicing as you did five and ten years ago. Businesses are recognizing that success in the future requires an appreciation of the world as it is, not as it once was. What made you successful in the past will not make you successful in the future. It is time to re-evaluate your business model and join the 21st century.

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If Walls Could Talk



If your law firm's walls could talk, what would they say about the culture? No matter how small or large, every firm has its own culture. Is the environment positive or negative? Does everyone work together as a team or worry about themselves only? Does each person consider the firm first? And, what about the work product? Is it excellent quality or just good enough? These are only a few of the indicators of a firm's culture. But, where does culture come from? It is formed by the partners and the leadership of the firm or lack thereof. Why is it worth considering your firm's culture? A positive culture can translate into productivity, accountability and success, and most importantly, gratification and contentment both in and outside the office.

Kathy Fortin

PRESERVE A LONG TERM STRATEGY

No matter what the issue, take a balanced approach. Make no decision without weighing both the short term advantage and the long term affect on the firm. Layoffs, if necessary, should be limited to those marginal lawyers and staff personnel who are not critical to the long term success of the firm. To the extent possible, hold on to core people critical to the long term success of the firm.

Activities

- Arthur continues his activities in the ABA’s Law Practice Management Section and has agreed to serve on its Publication Board and its Council for 2010-1011
- In November, Arthur participated as a co-presenter at the New York State Bar Association Solo and Small Firm Program in New York City on the topic of Succession Planning.
- Arthur will have an article on Succession Planning appearing in the February edition of the New York State Bar Journal.
- Arthur has agreed to write a 2nd Edition of his 2003 ABA book entitled ***Increasing Revenue: Unlocking the Profit Potential of Your Firm.***
- This January, Arthur begins his fifteenth year as an adjunct Professor at Franklin Pierce Law Center (now University of New Hampshire Law School), teaching a course on Law Firm Management.

Services Offered:

What is a Profitability Study?



A Profitability Study involves a complete review of a firm’s financial data followed by an interview with the managing partner and/or administrator.

The goal is to identify opportunities for improved profits within the firm’s current structure and making use of its current resources.

The first step is a comparison of the firm’s expenses with industry standards and a determination as to whether any expenses appear out of line. However, the more important aspect of the study involves opportunities on the revenue side.

Three years of financials are reviewed to detect trends in revenue per lawyer, revenue per partner, billing realization, collection realization, work-in-process, billing turnover rate, collection turnover rate and a volume/price analysis.

The firm’s revenue capacity becomes a benchmark against which the firm’s actual revenue is compared. By comparing the financial indicators with the results of the capacity study, it is possible to see the shortfalls and thereby identify opportunities for improved revenue. In typical firms, a 10% increase in revenue can result in a substantial improvement in the bottom line.

A written report is prepared which will include the data, the resulting conclusions and specific practical step-by-step recommendations for improvement.

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