

Practice Success 101: Important Keys to Practice Success

by Peter Roberts

I have met many Bar members who have helped me understand what does and does not work in a law practice. I want to share some of this received wisdom with you.

Be Smart About Money

Ensure there is enough money to sustain your practice by obtaining sufficient funds at the outset of the matter in an advance fee deposit or a flat fee. “Sufficient funds” depends on the size of the matter. Funds are insufficient if you have to accept any new matter to obtain an advanced fee deposit to complete the work that you already have. This spiral leads to being overwhelmed — the most serious situation to face, short of discipline, because you will risk paralysis of action.

Consider a benchmark for gross fees of \$150,000 if you have average organizational and technology skills. This assumes

1,000 collected hours of time at \$150 per hour. To collect 1,000 hours, you likely need to work 1,200 or 1,300 hours. About 70 percent (i.e., \$105,000) of the \$150,000 is your compensation. The remaining \$45,000 pays for practice overhead.

Falling below \$150,000 will typically be due to some or all of these reasons:

- Not asking for an advance fee deposit
- Not asking for enough of an advance fee deposit
- Not asking to replenish the advance fee deposit before the balance is zero
- Not keeping good time records
- Not billing all time worked
- Not charging for consultations
- Not charging for small services, such as a letter to a landlord or auto dealer
- Not billing timely
- Not insisting on payment before further work is performed

- Not following up on amounts owed
- Not accepting credit cards (repudiated charges are uncommon)
- Too often extending credit to complete strangers

For first-time clients, always use a written agreement that describes the parties, scope of representation, fees, costs, billing practices, and client obligations. Also make sure it includes signature blocks and notice that there is no guarantee of a particular result. Be cautious when estimating total fees. The client will hear the lower number of any range of fees that you quote — not the higher number.

An easy way to construct a budget is to use last year’s numbers from your tax return for this year. Budget or no budget, gross fees drive the success of the law firm. Let’s look closely at what drives gross fees, net income, and everything in between:

- Flat or fixed fee: This is your money up front. You earned it with the caveat that, if you are unable to do the work, ethics and good client relations require that you refund part or all of the fee.
- Advanced fee deposit: This is money paid to you that is not yet yours. Always insist on this payment. It tests client resolve. Cash in the bank beats an account receivable any day of the week.
- Timekeeping: You should capture as much billable effort as possible in your automated or manual system. Time not recorded is time not billed. Use of the telephone is often under-recorded. Devise better ways to record the time spent for your incoming and outgoing calls, such as using Microsoft Outlook’s® timer and journal-entry features.
- Capture soft costs: You should bill for reimbursement of copies, faxes, and telephone long-distance charges. Washington allows a flat nominal percentage of fees for this purpose that avoids the labor of keeping track of actual client soft costs.
- Billing: Billing means you are extending credit. If you extend credit, know whether the client is both capable of and willing to write a check for sufficient funds to pay your bills. “Capable” is one thing; “willing” is quite another. Be sure to assess your

overall client service and communication. Good service helps persuade the client to write the check.

- Reduce unnecessary overhead costs: Look closely at where your money goes for supporting the practice. How large of a yellow pages ad do you really need? Is there a way to pass on part of the health-plan cost to employees? Can you sublet a vacant office?

Organize Yourself

Organization means three things: a) managing your time effectively; b) keeping things in their proper place; and c) following a protocol for everything that occurs in the law office.

Managing time means prioritizing your tasks. Do the most important tasks first. Limit procrastination. Take a break when needed.

Keep things in their proper place. Files go into file cabinets or onto shelves. Limit or eliminate the number and size of paper piles. Stage current projects on tables. Organize filing to facilitate getting documents into the proper client files. Keep frequently used office supplies near at hand. If your printer is too far away, move it as close to your desk as possible to cut down on footsteps. Use PDF files to retrieve those documents needed most often during a matter.

Create and follow a protocol for every process that occurs in your office. A “protocol” means documenting the respective steps involved for handling:

- Mail
- E-mail
- Telephone notes
- Documents
- Physical files
- Electronic files
- Faxes
- Deliveries
- Other tasks related to your particular practice area

If you follow a set protocol, you will reduce error and minimize the need to assume anything.

Say No

We hear that a lot. It is often not easy to say

no, because we want to serve people in need or because we feel we need the income. When I meet a newer admittee, I always mention two important rites of passage. The first is declining new work that you otherwise could take; the second is firing an unruly client. Your law practice is yours, not the client's. Setting a boundary when it is necessary builds your confidence that you are in control, and feeling in control means lower stress.

Manage Stress Effectively

Stress is the elephant in the living room we prefer not to discuss. In any profession there

is stress. Many of us thrive under a modest level of stress, because it can motivate us to accomplishment. But the higher level of stress that I call "The Beast" is best kept in a locked cage. The Beast can ride you until you cannot endure another moment. Paralysis, error, harmed clients, substance abuse, or other addictions ensue and can lead to discipline.

Keep The Beast's cage locked by minimizing monthly practice overhead expenses. Maintain a moderate lifestyle. Manage the intake of your matters so that you can attend to them adequately. Most solo practitioners can handle 25 to 40

open matters at a time. Take regular vacations. Use consistent protocols like those described above.

The RPCs do not mention that it is okay to have fun in your law practice. I try to remind our Bar members that it is a privilege to practice law and to practice law on your own terms by following these keys to success. Know that it is also healthy to have fun. ♦

Peter Roberts is the practice management advisor with the WSBA Law Office Management Assistance Program. He can be reached at 206-727-8237 or peter@wsba.org and www.lomap.org.