



# ALPS

## Practice Management Pointers

## Managing the Business Side of Your Small Firm

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I have always felt that my law school education missed one key component because a comprehensive course on how to manage the business side of a law practice was never offered. Trust me, I had my fair share of missteps early on in my career and a course like that would have helped. Yes, I do know that now-a-days a number of law schools have developed a basic business class. In fact, I've actually been a guest lecturer in such classes at a few different law schools over the years. I just don't think that the limited number of hours typically devoted to a broad range of topics suffices. As I see it, there should be a serious year long course that delves into the ins and outs of managing a solo or small firm. Why? Because the success of any small professional services business, let alone a law firm, depends upon the business's continuing ability to deliver a quality product or service in a timely fashion and at a fair price. The more any business misses that goal, the greater the likelihood the business will eventually fail.

Here are three common examples that demonstrate the kinds of things I'm concerned about. In the first we have a solo attorney or a small firm's principal attorney who believes you can't make any money if you're not practicing law. She may eventually step in or tell someone else to address any fires, but only after it becomes absolutely necessary. In short there is a complete failure to recognize or appreciate the value of having the business side of the practice properly managed. No one is steering the ship. In the second we have a firm in which the partners decide to manage by consensus. No one is tasked with the responsibility of making any necessary business decisions because the group must first meet and try to reach consensus. The end result is that substantive decisions rarely occur and any decision that does get made often occurs long after it was needed. Finally we have a firm where the attorneys have decided to hire an office manager intending to delegate many, if not all, managerial tasks to this individual. Unfortunately, while delegating responsibility, they refuse to pass along the necessary authority and this person simply goes through the motions with little progress ever really made.

While a short article is not an appropriate place to delve into a thorough discussion of business management best practices; it is a place where I can highlight the principle areas that any successful small business does effectively manage. If your firm isn't adequately addressing one or more of the following managerial areas I would encourage you to remedy the situation as one way to further ensure the long-term success of your firm.

*Practice Management (Think **Quality Control**):* This area focuses primarily on the effective and efficient delivery of legal services. Managerial responsibilities should include things like determining the types of matters the firm will handle; setting appropriate caseloads; developing a client screening/intake process; establishing effective systems such as conflict checking and calendaring systems (which should include the ability to monitor compliance with said systems); developing calendaring guidelines; and creating file organization standards for both paper and computer files. This position might also be tasked with recommending and deploying new technologies such as mobile devices or the utilization of cloud-based services. Ignoring this area can easily result in malpractice claims, ethical missteps, lost clients, and a poor reputation in the legal community.

*Administrative Management (Think **Leadership**):* This responsibilities here are more organizational in nature. Duties would typically include assigning staff; staff training; developing policies (e.g. Internet Use Policy); and most importantly, providing firm leadership. As firm leader, this person is responsible for establishing the firm's vision, direction, and culture. Attorney and staff achievement and motivation will be impacted as a direct result of this person's efforts. Ignoring this area can result in higher than normal attorney and staff turnover, low morale, and even create a situation where the firm is forced to downsize or eventually fold.

*Financial Management (Think **Accountability**):* This area is all about being responsible for the firm's financial health. Duties would include preparing budgets; managing cash flow to cover payroll, taxes and other expenses; issuing invoices; purchasing necessary goods and services; bank account oversight, maintaining financial records to include trust account and tax records; setting fee schedules; and preparing financial statements. Ignoring this area can have catastrophic consequences not the least of which could be cash flow problems, an excessive number of accounts in arrears, and unintentionally creating a situation where someone in your firm could steal client funds.

*Human Resource Management (Think **Culture**):* Responsibilities in this area are all about recruiting, hiring, evaluating, maintaining, and directing the personnel – including lateral hires, associates, secretaries, file clerks, bookkeepers, paralegals, etc. The person serving in this role is going to be on the front line and responsible for many of the day-to-day decisions that concern personnel. Ignore this area and you basically find yourself a camper at Camp Run-A-Muck. Some of the most troubled firms I have worked with found themselves in trouble directly and solely as a result of not effectively managing personnel. I will also share that several of these firms no longer exist as a result of this misstep.

*Marketing Management (Think **Presence**):* A marketing manager is often responsible for developing and maintaining the firm's visibility and presence both within the legal community and the legal marketplace. The goal is to let those with legal needs know what services your firm provides and why your firm is best suited to meet their legal needs. Optimally this manager's efforts will generate a steady stream of business that can grow with the firm as its ability to handle additional work also grows. Not only should this person seek new business, he should also work to increase business with the firm's existing clients. This individual must also stay abreast of applicable law firm advertising rules in all jurisdictions where the firm does legal work. Ignore this area and income streams will stagnate and often decline. Ignore it long enough and the firm will eventually be forced to shut its doors for want of clients.

This list is not exhaustive by any stretch of the imagination and responsibilities certainly overlap in places. That said, I hope it begins to demonstrate the need for and value of effective firm management. Depending upon the size of your firm, there is no reason why any of the above areas of responsibility couldn't be handled by several different individuals. The trick with any of this will be in how successful you are in prioritizing the work, clarifying responsibilities, delegating sufficient authority to allow the manager/s to effectively manage, and most importantly trusting them to make decisions that are in the firm's best interests. In my experience I have found that it's either the refusal to make the managerial work a priority or the failure to delegate enough authority (often due to lack of trust) that undermines the entire effort. If your firm is doing a decent job of managing the above areas, that's great! If not, do all that you can to avoid the three examples shared above. Because in my opinion, failing to effectively manage a firm is the equivalent of having no one at the helm and I don't see that ever turning out well. How about you?



## Risk Management Questions?

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