



## Ten Things to Do to Help Your Firm Survive in a Floundering Economy

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I just returned from the annual American Bar Association's TechSHOW 2009. I had the pleasure of presenting two sessions, and attending a multitude offering a wealth of information and true gems of wisdom. I explored the exhibit hall booth by booth, identifying new and returning vendors whose products and services would be of interest and benefit to PA attorneys. But undoubtedly the most beneficial part of the trip was the full day meeting the day before TechSHOW, with my law practice management peers from other state bars in the U.S. and Canada. There we compared notes on how the current state of the economy was impacting our members, and exchanged thoughts on how to help. Canada has not been nearly as adversely impacted, and some areas of the U.S. are in far worse shape than we are in PA.

Knowing that the unemployment rate is higher and attorneys are earning less in another state doesn't help those of you who are struggling to get by. And there are a lot of PA lawyers in just that situation. I get calls and emails every day from PBA members attesting to the fact that the economic downturn is hitting hard here in PA. And I want to help as much as possible. This short article is a prelude to a more detailed one which will appear this summer in *The Pennsylvania Lawyer*. These are just some thoughts to keep you busy and focused on surviving the downturn. Don't panic. Stay focused. And keep in mind that some of the basics you have mastered but long forgotten will be your key to survival and recovery.

**Number One: Renew contacts.** Take a current, past or potential referral source to lunch today. And tomorrow. And the next day. Pick up the phone. Send a handwritten note. While you're at it, contact former clients. Few activities generate more business than a quick call, note or letter to a former client. Especially if you can remind them to review their current situation to determine whether they should contact you to update the work. This is a particularly effective strategy when you've done a will, estate plan, visa, or anything which might be impacted by the passage of time or a change in the law.

What about law school or college alumni? When was the last time you got in touch, told them what you're up to, and asked them to keep you in mind for any work they can send your way?

**Number Two: Up Your Exposure.** Ok, I'll allow that despite changing this title several times, it still sounds a little nasty. But what we're talking about is getting out of the office and being seen. Or at least reaching out to people via the net. Start writing articles for publication and scheduling presentations to interested groups and organizations. Blog. Tweet. Look at your website and find out where your hits come from, and then market to that audience. Get active in the bar and/or other community-based or client-industry-based organizations. Consider putting your professional profile on the new fast-growing social-networking sites like LinkedIn, FaceBook or Plaxo, and then build your "connections" to people you know.

**Number Three: Examine Your Fee Structure and Billing Methodology.** You may need to adjust your rates downward, depending on how much competition is in the region in your practice area(s). More importantly, however, you should look for opportunities to charge premium rates for any specialized services where you hold a competitive advantage. What constitutes an advantage? More experience, limited competition, faster turnaround, and deeper resources are all examples of competitive advantage which enable one to raise rates.

Now is the right time to consider alternative billing strategies. A move to flat fee billing can improve your value proposition to clients. They appreciate the predictability, as well as the risk sharing on your part. On many routine and repetitive tasks, flat-fee billing shifts the uncertainty of a large hourly bill from the client to the lawyer, but often without any real additional risk to the lawyer. It's all about properly analyzing your client files and billing history to see where you can transition to flat fees. And then increasing efficiency to further enhance your profit margin. For additional information on this strategy I suggest you review my blog post entitled "*Increase Profit by 90%*" at [www.PA-LawPracticeManagement.com](http://www.PA-LawPracticeManagement.com).

**Number Four: Improve Your Time Recording Skills.** When times are tough you can increase your profits without working any harder just by focusing on improving your poor habits in this area. Record all your time on a daily basis, and contemporaneously as it is being worked. Lawyers who do not record time on a daily basis lose substantial dollars. All law firm consultants seem to agree that lawyers who wait until the end of the week or month to reconstruct their time sheets experience "shrinkage" of from 30 – 50% of actual time worked. Plus there are real ethical considerations concerning overcharging clients, or charging some clients for work performed for other clients, when the time is reconstructed from memory at a later date.



For those of you who do not bill on an hourly basis, you still need to record your hours. The only way to ultimately know where you are making a real profit or not is to examine the time expended against the fees captured, to determine your effective hourly rate (EHR). Don't be lulled into a false sense of security by equating a big fee with a big profit. They're not the same. Depending on the actual cost in terms of labor hours, you may actually *lose* money on a matter, despite the fat fee which eventually engorges your bank account. If you don't record your time you will never know, and will continue to take on similar cases. It's fairly easy to overwork your way into bankruptcy without proper data to enlighten you.

**Number Five: Improve Your Collection Methodology.** You need to develop a system which addresses overdue bills immediately, beginning on the day the bill comes due, and continuing until the bill is paid in full. Assign an administrative person to manage it, even if you need to hire someone part time just to do so. As the person who wears both the "sales" hat (getting the client), as well as the "hard" hat (doing the work), you cannot also effectively wear the "collection" hat. It is not the highest and best use of your time, and frankly, it confuses clients. When you call they don't know whether you are calling about their work, or their past due bill. It can change the entire dynamic with the client to one that is not conducive to a good attorney-client relationship. And let's be honest, the calls regarding past due bills are not ones you want to make anyway, and are therefore not being done consistently and systematically by you.

**Number Six: Utilize Credit Cards.** Clients actually *prefer* paying by credit card. It enables them to earn discounts and other rewards. Plus they can pay out over time, if the need arises, and without having to let you know they are experiencing a cash flow problem.

For consumer clients, consider making payment by credit card mandatory if the balance exceeds a certain number of days or a dollar threshold. Make it part of your engagement agreement. Be sure to check credit availability as part of the intake process, and obtain the charge authorization in advance of the commencement of work, along with the signed engagement agreement. Remember that credit card companies are in the business of financing expenses – you're not!

**Number Seven: The Carrot and the Stick.** Charge interest on past due bills. And charge the maximum amount allowable in PA (currently 1.5 percent per month, 18% per annum). Put it in your engagement agreement, and stick to your guns. Don't wait until the bill has been outstanding for two years to put it into effect retroactively. That doesn't get the desired result. Charge interest



immediately when the bill becomes past due, and continue until paid in full.

Offer an early-payment discount. Statistics indicate that you will begin to lose a hefty portion of your receivables from the moment they age beyond the due date. You will actually recover more money over the long term if a discount of 2, 5 or even 10% gets you your money in ten days.

If you have former clients with long overdue bills, offer a one-time discount incentive to pay their balance in full. Make it significant. Even a 20 - 30% discount will still net you more in the long term than holding the receivable for months longer. Remember, the older the receivable, the less of it you will ultimately collect.

**Number Eight: Focus on Client Satisfaction and Retention Strategies.** Clients often do not express their disappointment regarding unmet expectations. However, whether your clients are individuals or business entities, those unmet expectations eventually lead to them not returning, or to an outright firing. If you don't know about it, you can't fix it. Once they've left, it's virtually impossible to un-ring that bell.

Develop a methodology to regularly secure client feedback at all levels. Empower your staff to be bearers of "bad news" without displaying "kill the messenger" behavior. Ask a retired partner to meet with your key clients on occasion to solicit their feedback. Do a client survey.

When is the last time you did an on-site client visit, at no charge, solely to learn more about their business? How have you indicated to the client that you are vested in their success? When is the last time you asked about their challenges and what you can do to make them more successful, as opposed to just doing the job you were hired to do?

**Number Nine: Change Your Billing Habits.** There is no reason why billing can only be done once a month, or only at the end of the month. If you can send a bill after a particularly beneficial psychological event, your client will be more favorably disposed to paying sooner rather than later, while basking in the glow of victory. If you've ever heard my "Getting Paid" seminar, you know that this is referred to as the "Client Curve of Gratitude."

Consider doing a portion of your bills each week throughout the month. This will serve to even out cash flow, and lessen the demand on your billing clerk / bookkeeper.



If you can time the bill to arrive right before the client's cut-off date for issuing checks for payables, that will also increase the likelihood of prompt payment. You want the client to have ample time to look over the bill and the amount, and determine on a gut level whether the value matches the dollar charged. Beyond that, more time to peruse is detrimental, rather than beneficial.

If there is no clear high point in the gratitude curve, and you don't know or can't accommodate their payment cycle, then try to improve your billing habits in order to have your bill in the client's hand by the tenth of the month. That communicates that getting paid is important to you. It also ensures your bill arrives with all the other "important" bills, most of which arrive at the beginning of each month.

Make sure your bill communicates the *value* of your services. If it's just hours times rate, you're missing a critical client communication opportunity. Not sure how to focus on value? Read Jay Foonberg's best seller *"How to Draft Bills Clients Rush to Pay."* It's worth every penny.

Don't give unseen discounts. Record all time. Let the client see some "No Charge" items. It will make them feel they are in the hands of someone who is watching the bottom line for them, and is aware of the necessity of delivering value commensurate with cost.

**Number Ten: Turn Off Email Notification.** This applies not just to email, but also telephone calls, tweets, instant messages, and anything else which can interrupt you when you are focused on your work. One Microsoft study found that each time an individual reacted to an email notification, whether visual or sound, that on average it took 16 minutes to get back on task. If you react to just four notifications during a day, you will lose over an hour of productivity. Schedule regular times or take sufficient breaks during each day to respond to these various methods of communication. Just don't let yourself be bounced around like a ping pong ball. You can't afford the lost time and productivity.

This is certainly not a comprehensive listing, but it includes some of the immediate ways you can make a difference right now. If work is slow or profit is down, turn your lemons into lemonade by focusing on strategies which will improve things now and into the future. And keep an eye out for a more comprehensive exploration on this topic this summer in *The Pennsylvania Lawyer*.



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Page 6 of 6

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