

Despite the recession, many firms across the United States have been able to cut costs – and increase profits – by making minor modifications that can have major impacts.

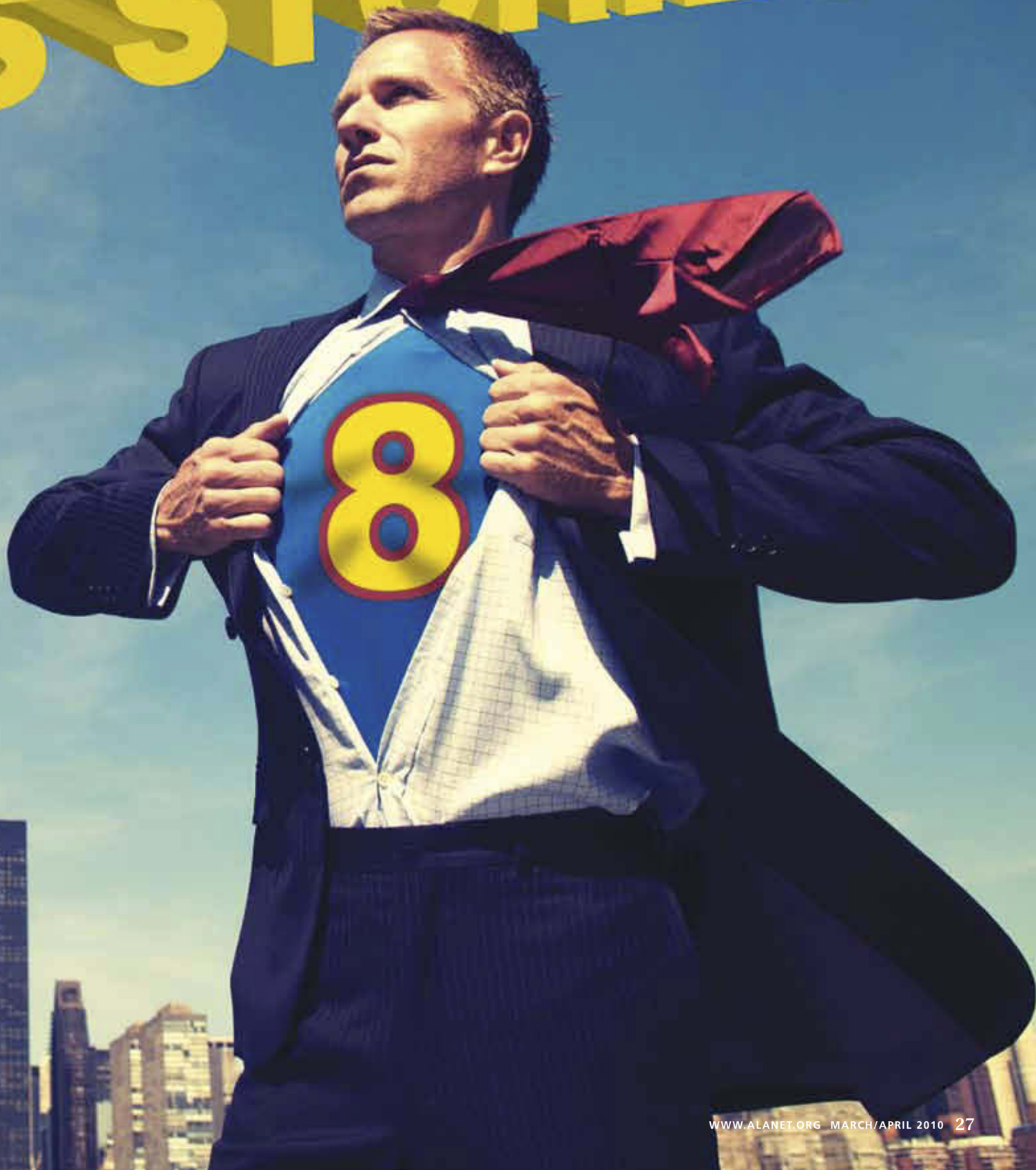
Hiring interns. Having more conference calls. Following up on outstanding invoices.

These relatively small procedural tweaks may not sound like they would have a big impact on the bottom line; however, they've helped several law firms reduce expenses and increase revenue in the past two years, despite the declining economy.

Could your firm do the same?

Consider the following cost-cutting and revenue-generating techniques – “success stories” that have worked for other firms and could prompt you to recommend similar strategies in your organization.

STORIES



Our billing manager and billing department have learned to become very **flexible** in keeping up with all of the requirements of our clients. However, we are fully aware that **flexibility in our billing structure** and our **fee arrangements** are not just the necessity of doing business in 2010, but also are required to **attract and maintain** good clients.

1. KEEP CURRENT WITH COLLECTIONS

"Collections is the No. 1 issue for improving profitability," said legal consultant Ed Poll, Principal of LawBiz Management and author of *Growing Your Law Practice: Thriving in a New Era*. "If you can make significant tweaks there, you're going to get more cash in the door."

However, according to Arthur Greene, an attorney, legal consultant and author of *The Lawyer's Guide to Increasing Revenue: Unlocking the Profit Potential in Your Firm*, firms are often slow to crack down on clients who pay late.

"Things get 30 days old, then get 60 days old and don't get attended to," said Greene. "It hits 90 days, and then they start to worry about them."

Letting outstanding invoices linger trains clients not to worry about paying on time.

"Collections have to have something happen on day 35 or 45. Let the client know it's not acceptable," said Greene.

Finding the time to focus on following up on unpaid client bills may be a challenge for busy firms that, in the wake of the recession, are already trying to do more work with fewer employees. But it can be crucial to a firm's short- and long-term financial success.

"The biggest challenge today – and always – is collections," said Poll. "If firms could increase their realization rates to 100 percent, it would probably double their profits."

2. CONSIDER ALTERNATE BILLING

If your firm has traditionally used an hourly rate system but is finding clients are paying more slowly – or not at all – a flat-fee or other alternate billing arrangement may help.

"There's a lot to be said for hourly billing, but it's like an open check," said Poll. "The sticker

shock may be so great that clients are going to slow down their payment schedules or balk altogether at paying 100 percent."

Greene, who works with several 25- to 50-attorney firms, said that many mid-sized firms lose a significant amount of money through billing issues.

"Most are recovering just 50, 60 or 70 percent of the revenue they should be receiving," he said. "And it's because of collection problems and write-offs – attorneys who look at the billing summary before it even goes out and say, 'I can't bill that much,' and write it down."

Setting a fee up front may help your firm recoup more of what it's owed.

"Several law firms are finding that, even if the alternate fee or pre-engagement negotiated fee is lower than might be the case with hourly billing, the realization rate is higher," said Poll.

Professionals at Turner Padgett Graham & Laney, P.A., a 90-attorney firm with five offices in South Carolina, sit down with a client at the beginning of every new relationship to evaluate the litigation or transactional aspects the case requires and what billing structure best suits the client's needs.

"In a growing number of scenarios, alternative billing structures can encourage efficiency, and they provide flexibility for our clients to better address their fiscal and budgeting needs," said Edward W. Laney IV, Turner Padgett's Chief Executive Officer.

However, some Turner Padgett clients also still opt for the hourly rate system. Working with different types of billing systems for different clients is all part of the job, says Chief Operating Officer Rhonda Amick.

"Our billing manager and billing department have learned to become very flexible in keeping up with all of the requirements of our clients," said Amick, who is also a member of the Association of



Instead of **sending people to conferences**, we're doing things that people can **participate in by video and audio**. Our in-house training is done by video so we **don't have to fly** everyone to an event.

Legal Administrators (ALA). "However, we are fully aware that flexibility in our billing structure and our fee arrangements are not just the necessity of doing business in 2010, but also are required to attract and maintain good clients."

3. CONSIDER TEMPORARY WORKERS

Although some firms are hesitant to hire temporary workers because of the cost, attorney Scott Cole, who heads up the Oakland, Calif.-based boutique class action litigation firm Scott Cole & Associates, says increased efficiency and the positive effects on permanent staff members can make it worthwhile.

"We have actually found that not only is that a cost-saving device – compared to otherwise hiring employees and having certain orientation and training costs – but it also helps morale," said Cole.

Cole's five-attorney firm has hired temps for administrative work and other specific projects.

"You do spend a little extra in the short-term, but you avoid the cost of hiring and laying off employees in two months," he said.

4. HIRE INTERNS

After seeing how helpful interns could be when he worked for several years as a federal prosecutor with the Brooklyn, New York, U.S. Attorney's Office, Michael Wildes, Managing Partner of the New York-based immigration law firm Wildes & Weinberg, began hiring interns for his private practice. The 15-attorney firm routinely hires summer interns and employs college and high school students who are interested in learning more about the law.

"It's good karma to show people who are interested in the field and are in the younger stages of their careers some of the resourcefulness and experiences that lawyers who are ahead of them by a few years have," said Wildes.

Internships can also help firms to scout for new talent. One intern who worked for Wildes & Weinberg for the past two summers impressed Wildes so much that he offered the intern a full-time position this summer after he takes the bar exam.

"It's always a good opportunity to see someone [at the earlier stages of their career]," he said. "Then we can make a home for [that person]."

5. INVEST IN TECHNOLOGY UPGRADES

Turner Padgett developed a conservative budget for 2010, but it still viewed new technology-related investments as necessary expenses to enhance and streamline operations.

"We have not reduced our marketing and client service plans," said Laney. "And we have added technology in 2010 that will improve performance, responsiveness and efficiency."

Scott Cole & Associates found that a proprietary billing software package, which records the hours and tasks employees perform on a case, has helped to increase staff members' productivity – which, in turn, helped the firm to increase its revenue.

"I can review efficiency reports on my entire staff and see how much time they're actually spending on casework versus administrative work and can coach them to do better," said Cole. "Through the billing software, we've increased our efficiency and refocused our attention on cases."

The office also found that going green helped it save space – and cash. Two years ago, the firm decided to add a server to store some of the data it had been keeping in 100 boxes in the office and 200 to 300 boxes in an offsite archive location.

"We were able to eliminate the offsite vendor altogether, so we no longer have that expense," said Cole. "And at this point, we have only 20 to 25 boxes in the office."

6. UTILIZE VIDEOCONFERENCING

When Steptoe and Johnson LLP, a multi-office firm with more than 450 attorneys, built its California office just over three years ago, it included video-accessible conference rooms so employees could videoconference with clients and other firm members. Replacing a portion of its in-person meetings with videoconferencing has helped the firm to reduce travel costs – and increase productivity.

“Savings are also achieved by having a greater effectiveness by people who are not wasting a day traveling,” said Mark Neubauer, a Partner in the Los Angeles, California, office of Steptoe and Johnson. “Direct flights are becoming less and less of a possibility, and the time it takes to travel is increasing substantially.”

The firm uses its videoconferencing abilities for many occasions, including client events and partner meetings.

“Instead of sending people to conferences, we’re doing things that people can participate in by video and audio,” said Neubauer. “Our in-house training is done by video so we don’t have to fly everyone to an event.”

Videoconferencing can be a good fit for firms that are looking to reduce travel costs, but still stay in close contact with clients and other firm members, according to Neubauer.

“People are looking at ways to save time and money and just be more efficient,” he said. “Phone and e-mail can be very impersonal. The visual adds a lot more than just the audio.”

Companies can procure portable videoconferencing services, but Neubauer recommends investing in professional videoconferencing equipment.

“The costs are not that substantial,” he said. “[Saving on] a couple of plane rides and a day traveling will allow you to recoup the investment.”

New Challenges. *New Solutions.*

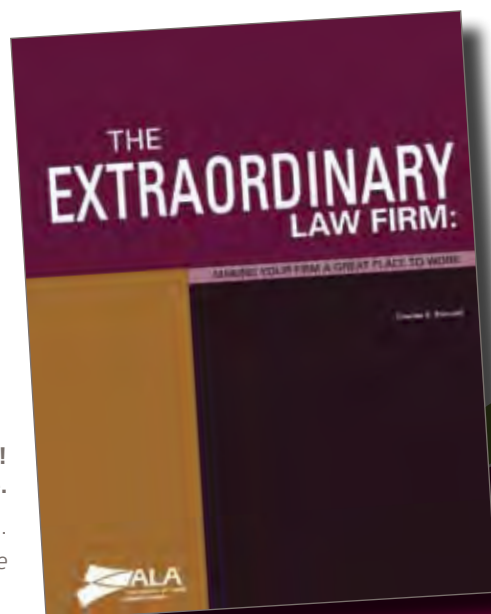


The economy is rebounding. Is your firm ready for the challenges that lie ahead? An extraordinary law firm would be. If you are looking to increase your profits and take full advantage of every opportunity that comes your way, if you can envision greatness for your firm, *The Extraordinary Law Firm: Making Your Firm a Great Place to Work*, can help turn your vision into reality.

For law firms of all sizes, *The Extraordinary Law Firm: Making Your Firm a Great Place to Work* draws upon 12 real world case studies that will help you transform your firm from ordinary to extraordinary.

ORDER YOUR COPY TODAY!
Available from the ALA Bookstore.

Member Price — \$45. Nonmember — \$55.
Visit www.alanet.org/bookstore



Your connection
to knowledge, resources and networking



People are often very surprised at how much **less expensive we are**. In fact, I'd say some people were **shocked** at how much **lower our hourly rates** were than they are at coastal firms.

7. MARKET YOUR FIRM'S BEST SELLING POINTS

Brooks Kushman, an intellectual property and commercial law firm based in Southfield, Michigan, realized that companies making staffing cuts to their in-house legal departments during the recession would need to hire legal help – which could mean opportunities for new business.

But how could a Michigan-based firm woo clients from across the United States? The firm had a big selling point: rates that are up to two-thirds less than at some major East and West Coast firms.

“For some reason, there are certain legal markets that are lower in price,” said Anessa Kramer, Shareholder and Manager of Brooks Kushman’s trademark practice. “Detroit is one of those. People are often very surprised at how much less expensive we are. In fact, I’d say some people were shocked at how much lower our hourly rates were than they are at coastal firms.”

The 65-attorney firm upped its efforts to connect with new clients and increased the focus on rates in its presentations and marketing materials. In the past year and a half, the firm has done substantial work for two well-known Fortune 500 companies, along with other companies – including some that hadn’t laid off a large portion of their in-house counsel, but were interested in moving their work to a less-expensive firm.

The firm’s geographic location wasn’t an issue.

“We asked them how often they met face to face with their counsel who are in their backyards,” said Kramer. “The nature of our practice is that it’s done mostly over the phone and e-mail. People weren’t really realizing a need for face-to-face time.”

8. CUT OR OFFSET OFFICE SPACE COSTS

Office space can be among a firm’s largest expenses. If the employee roster has shrunk in the past year, you may not need as much room.

Although Wildes & Weinberg actually expanded last year by opening a new office in Englewood,

New Jersey, the firm saw it as an opportunity to re-examine its original space.

“We find that people do not want to go into Manhattan as much, but knowing that a firm has a base in Manhattan is significant to them,” said Wildes. “We have a lease coming due for our New York office, so it seemed like a wise time for us to take smaller space in New York if we wanted to.”

The firm will be moving in a few months to new office space in the same building as its New York headquarters.

Extra office space can also help firms to generate revenue. Scott Cole & Associates has been able to rent out its three conference rooms when they’re not in use by putting up fliers in its building to advertise the space to other tenants.

“We’ve doubled, possibly tripled, use of our conference room,” said Cole.

Employees can be a valuable resource for firms that are looking to find ways to reduce or offset office space and other firm expenses. Staff members contributed many of the cost-cutting ideas at Cole’s firm; he routinely asks them to brainstorm and offer money-saving suggestions.

“Part of my office manager’s compensation package is an incentive,” he said. “By cutting costs, she actually realizes a percentage of that savings, which motivates her to think of ideas.”

about the author

Erin Brereton is a freelance writer based in Chicago, Illinois, and a frequent contributor to *Legal Management*. A specialist in legal and financial coverage, Brereton can be reached at breretonerin@gmail.com or through her website, www.chicagojournalist.com.