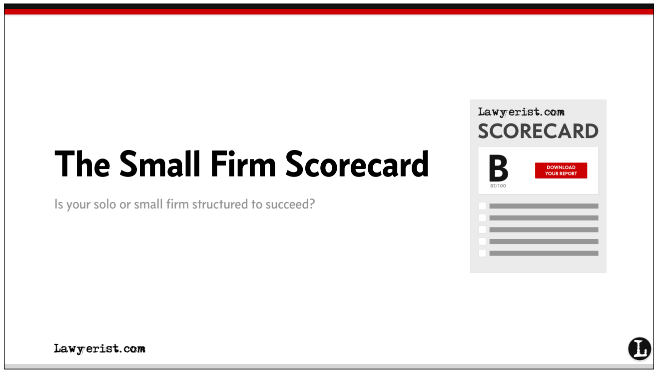
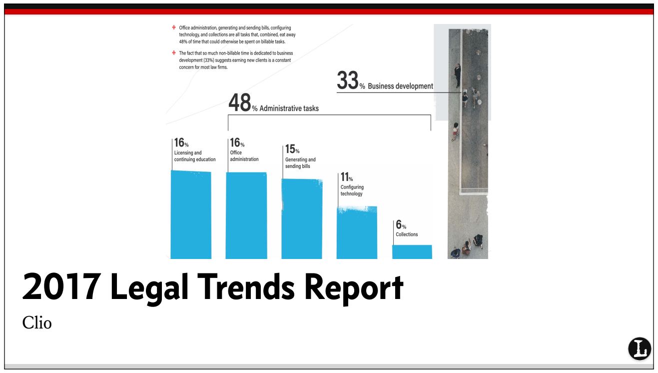


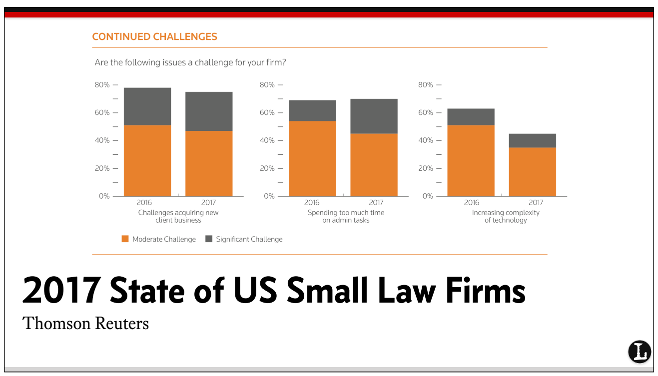
About this presentation. Our goal today is to help you take action on the challenges you face in your law firm. We're going to do that by (1) discussing the challenges solo and small firms say they face, (2) identifying the obstacles preventing firms from taking action to move past those challenges, and (3) giving you a free tool that will help you attack your challenges methodically. We'll also take the first step today so you'll leave here with a some momentum!

When asked about the challenges they face, solo and small firm lawyers tend to cite two things above all: (1) getting clients (marketing and business development), (2) getting paid (billing and collections), and (3) getting things done (administrative tasks, including keeping up with technology).



For example, here's the most recent Clio *Legal Trends Report*, which includes a survey of over 3,000 legal professionals. Respondents said they spend, on average, about three quarters of a typical work day—*6 hours*—on non-billable tasks. Of that time, respondents said they spend a third on business development. They spend another 27% of their time on office administration and configuring technology. And they spend 21% of their time on billing and collections.

Note: "billable time" doesn't necessarily mean that the time was billed by the hour.



Or let's consider the *2017 State of US Small Law Firms* report from Thomson Reuters. It asked about challenges rather than time spent, but the answers should look familiar: getting clients, getting paid, and getting things done. (The report doesn't break out the challenges in as much detail as in part years, but challenges related to getting paid are usually among the top challenges cited.) As you might expect, Thomson Reuters also found that more successful firms spent less time on administrative tasks and more time on billable tasks.

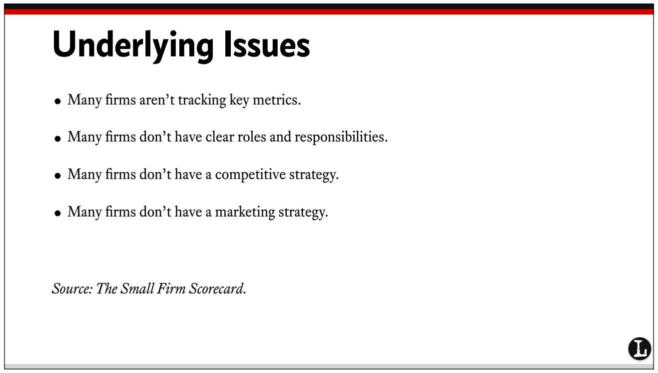
But most firms aren’t doing anything about it. Why not?

In the Thomson report, the vast majority of firms that identified a challenge were not doing anything to address it. Similarly, the Clio numbers haven’t changed much from last year. At first glance, that seems baffling, but we’ve got a theory …

They can’t.

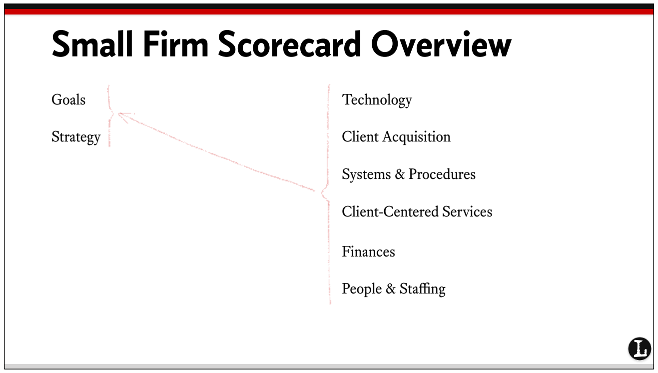
Not yet, anyway.

In order to address those challenges, you have to have a healthy, well-functioning team that can set goals, be strategic, and measure progress.

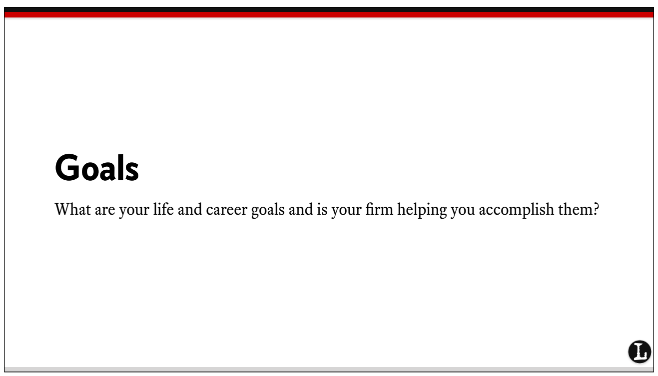


But what we now know is that many firms aren’t tracking key metrics, so they can’t measure progress. Many firms don’t have clear roles and responsibilities, so they don’t have a well-functioning team. Many firms don’t even have strategies to compete and get clients. Just to be clear: this is how solo and small firms evaluate *themselves*, and these items represent the consistently lowest scores we see on the Small Firm Scorecard.

About the Small Firm Scorecard. The Small Firm Scorecard is a tool, but it’s also our answer to the questions we’ve been getting for years about what it takes for a solo or small firm to be successful. It covers all aspects of a successful small firm. If you give your firm an A or B on the Scorecard, it is on the right track. If you don’t, you’ve got work to do, and the Scorecard can serve as your roadmap.



This is an outline of the Scorecard topics. First, the umbrella topics of goals and strategy, which every firm needs. *Strategy* is highlighted because, as we've already seen, many firms don't have some of the essential strategies (competitive and marketing). Or their strategies need work. The righthand topics get into the details. Many firms also struggle with C*lient Acquisition* and *People & Staffing*.



Goals are, ultimately, the reason you are working for your firm. We didn't include personal life and career goals in early drafts of the Scorecard, but it quickly became clear that personal goals are a necessary frame for the rest of the Scorecard questions. If you give your firm an A but it isn't helping you accomplish your personal goals, it may be time to move on. The opposite is also true. If you give your firm an F but you are accomplishing your goals, maybe it doesn't need work after all. We think the second scenario is pretty unlikely, but we admit it is possible.

Strategy

Does your firm have ambitious long-term goals and a business model built around solving clients' problems? Do you have a plan for accomplishing those goals?

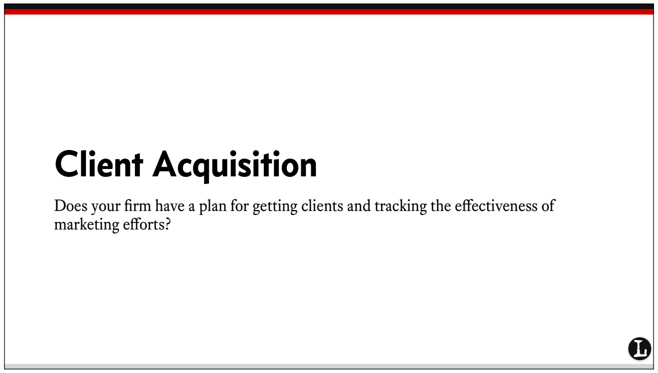
Your strategy gives you focus and clarity. It should be built around your vision and values, and measured by your goals. Imagine that instead of confronting business challenges, you need to cross a rocky stream.

- **Vision.** You standing on the other side of the stream.
- **Strategy.** Stepping from rock to rock until you are across.
- **Tactics.** Selecting flat, dry rocks whenever possible and avoiding wet, slippery rocks.
- **Goals.** Get a third of the way across without getting wet, then two thirds, then reach the opposite bank.
- **Values.** Always look before you leap.

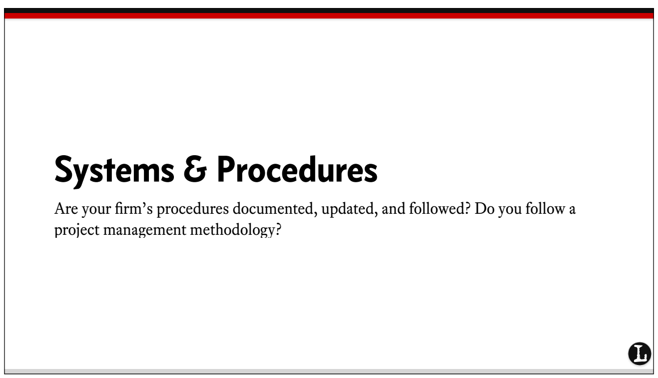
Technology

Does your firm use technology strategically? Are you paperless, mobile, and secure? Is everyone at the firm competent with your tech tools?

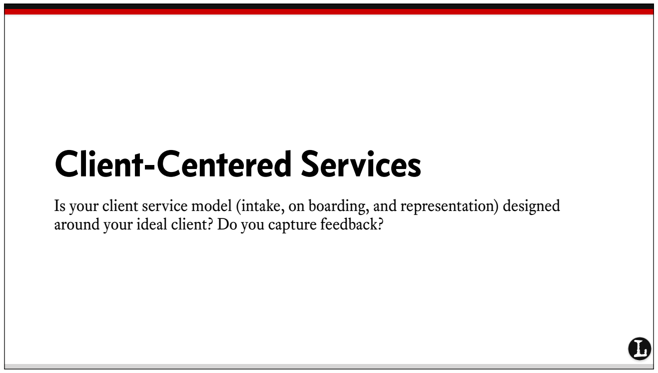
Technology is an important tool of the modern lawyer. While individual firms' technology strategies may vary, it's essential that your firm is paperless, mobile, and secure. And since technology is only effective if people know how to use it, everyone at the firm must be competent with the firm's chosen technology tools.



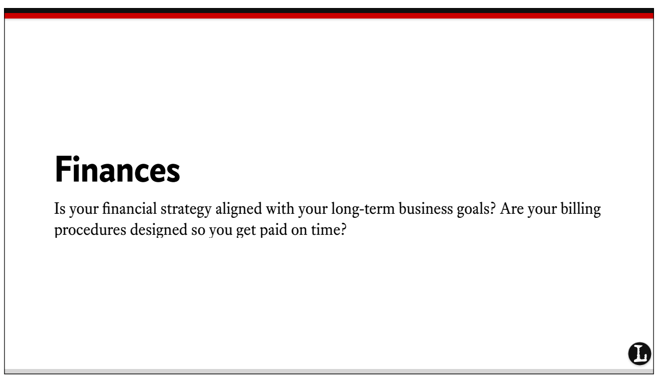
Your client acquisition plan should be deliberate, not haphazard. That means creating a plan, setting goals, and tracking the effectiveness of your efforts. Lawyers frequently ask "Does ______ work?" The truth is that *everything works*. But everything doesn't work for every firm. And badly executed experiments (like many lawyers trying out social media marketing) will always fail. The way to find out if ______ works for your firm is to learn how to do it, track key metrics, and measure your results.



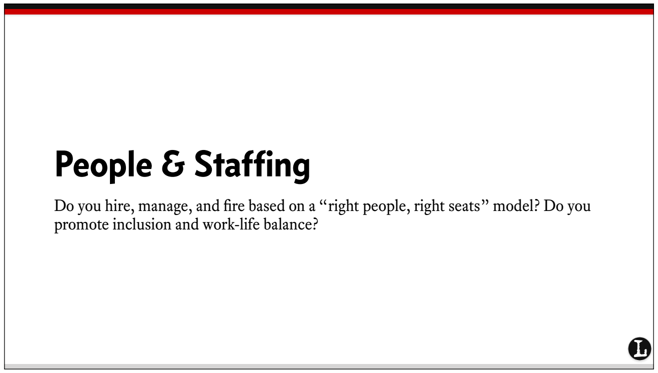
The backbone of your law firm should be a set of systems and procedures that guide everyone in their work. Treating your law firm business like a system means you can tweak the system for optimal client service. If you don't have a system, all you can do is try harder, one client at a time. You should also follow a project management methodology for managing your business projects, if not your client files.



The traditional law firm business model is *not* client-centered. It is centered around the legal issue and the lawyer's whims. Our world is built on apps and 2-day shipping, on instant messaging and selfies. Consumer expectations have changed significantly. Are you meeting those changed expectations? How do you know? Firms should use Net Promoter Score or another validated metric to find out if their clients really are happy, or if the firm's client service model needs work.

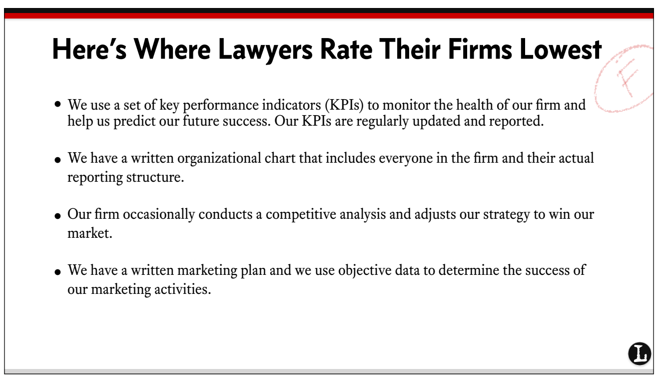


Law firm growth comes down to money, as you might expect, but not exactly in the way firms often operate. If you take all the profits out of the firm, the way firms traditionally do, there's nothing left for investing in growth. Make sure your financial plan is aligned with your long-term goals, including your billing procedures, cash flow management, and spending controls.



"Right people, right seats," means finding people who are a good fit for your company's vision and values, and a good fit for the job you need them to do. Hiring, managing, and firing based on your values makes it much easier to build an effective team and accomplish your goals, but it's hard for many firms that are reluctant to turn away any partners or associates with a big book of business. But it pays off. Speaking of values, law practice includes people of all genders, races, orientations, and abilities, and your firm should reflect that. Make sure your hiring process and firm culture are welcoming to all. If you need another reason to work on inclusion, there is increasing evidence that diverse teams have a competitive advantage over homogenous teams.

Work-life balance is just a no-brainer. Your firm will be more productive and profitable if your people aren't working themselves to the bone.



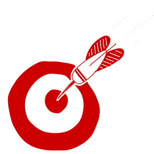
Earlier we pointed out that from the Small Firm Scorecard, we know where lawyers rate their firms lowest. These are the actual questions from the Scorecard, and the average self-assessment for each is less than 2 out of 10.

If you stop to think about it, these are fundamental questions the go right to the heart of whether your firm is a business you can improve over time, or just a place to work.

Before we tackle those, let's make sure we're putting them in context.

We're going to get you started on KPIs, your org. chart, your competitive strategy, and your marketing plan, but first let's make sure we have a context for them. To do that, we're going to spend a little time making sure you have identified your own goals for your life and career, because if you aren't clear on your goals and if your firm isn't helping you accomplish them, you probably need to work on that before you start in on things like KPIs and competitive strategy.

Goals



While the Scorecard is a great way to gauge the health of your firm, your score by itself does not really reflect whether the firm is a good fit for you. That's why the first three questions concern your goals, and whether the firm can or will help you achieve them. Because if your firm can't help you achieve your goals, it's time to change the firm, if you are in a position to do that, or find another firm. And in that case, the rest of the Scorecard may not be all that relevant until you and your firm are better suited to one another.

When setting goals, it helps to set realistic goals and to describe your goals in terms of objective criteria. The trouble with non-specific goals is knowing whether you achieved them. Did you get rich? It depends on what you meant by *rich* when you set the goal. Are you happy? That's even harder to tell. Define your terms, your metrics, and your deadline.

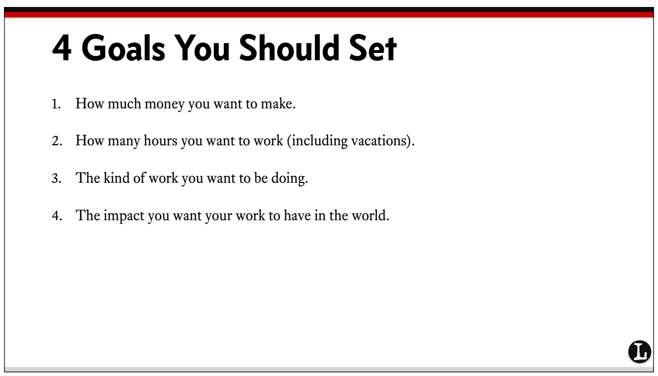
Specific. Your goals should be clear. Describe them using objective criteria.

Measurable. Define your goal in terms of numbers so you can measure whether you achieved it.

Achievable. Set ambitious goals, but not impossible ones.

Relevant. Your goals should be relevant to your firm.

Time-bound. Set a deadline for each goal.



Your work has to support your life, and that means you need to take home enough money to *have* a life. Your work also has to leave you with time to have a life. It's okay to work hard; it's not okay to work all the time. So specify the time you are willing to commit to work. Are you satisfied with your job, the people you work with, and your clients? And if you want your work to matter in the world, how will you measure its impact?

Is your firm helping you accomplish your goals?

Will it? Can it?

Asking yourself these question is a simple way to get perspective on your life and career and clarify your decision making. If your firm is helping you achieve your goals, great! If your firm isn't going to help you achieve your goals, it's time to acknowledge your firm is a dead end (or at best, a means to an end) and it's time for you to make some decisions. If you own a small firm or you are on the leadership team, a leadership retreat is probably in order. If you are solo or an employee, schedule some personal time. In either case, you need time to take stock and do some strategic planning.

KPIs

The numbers that matter to your firm.

KPIs tell the story of your firm's health, measure your progress towards your goals, and predict the future of your firm. For example, your marketing metrics should predict your intake metrics, which should predict your case load metrics, which should predict your revenue metrics. By keeping an eye on your KPIs, you identify potential problems and make adjustments before they become actual problems. And when you work on your firm, trying new systems or tools, or tweaking existing ones, your KPIs will help you figure out whether they worked or not.

Here are 6 KPIs you should probably be tracking …

Cost of acquiring a client.

Marketing time & expenses ÷ new clients = CAC

Here’s how to calculate the cost of acquiring a single client:

1. Add up all your advertising and marketing expenses over a given time period. Don’t forget to include the reasonable value of your time spent networking, speaking, and on social media. If you are doing those things instead of client work, it is costing you money and you should count it as a marketing expense.
2. Divide by the number of new clients during that same time period.

The result is your cost of acquiring a single client. It’s also a good idea to break down your marketing expenses into categories so you can identify what works and doesn’t.

Potential client contacts.

Consider breaking down client contacts into qualified/unqualified, and categorizing them by source.

Keep track of the number of potential clients who contact your firm. You may also want to keep track of qualified and unqualified potential clients. In other words, are they contacting you about your core practice area and willing to pay (qualified), or are they contacting you about a practice area you don’t handle, or looking for free advice (unqualified)?

You should also keep track of the sources of your potential client contacts, to help you identify your most effective marketing efforts. If you get a lot of potential client contacts from your speaking engagements, for example, but few of them are qualified, you might want to change your speaking strategy or spend your time and money on other marketing efforts.

New clients.

The raw number of new clients during a given time period is an especially key performance indicator. However, you may want to add context to this number. For example, if the value of your matters is highly variable but predictable at this stage, you may want to track the total or average new client value. But if your average new client value is fixed, or tends to fall in a narrow range, the raw number of new clients may be all you need.

Accounts receivable.

You can track AR in at least two important ways. (1) **Bills sent this month.** Your bills sent represent future revenue. (2) **Overdue bills.** If your bills aren't getting paid, however, you aren't getting any revenue.

Utilization and collection rates.

Utilization rate is the time billed (or its cash value) divided by the time available (or its cash value). If your firm has a billable hours requirement or target, use that in your calculation. Otherwise, use your time commitment (i.e., 40 hours per week).

Collection rate is the cash value of the time billed divided by the amount you actually collect on those bills. This will reflect any write-offs and uncollected bills.

If you don't bill by the hour, your utilization and collection rates can help you understand how well your fees are structured.

Cash on hand.

It's just good to know. Set your target so that you have enough on hand to cover any upcoming payments.

Net Promoter Score (NPS).

"On a scale of 0 to 10, how likely are you to recommend our firm to a friend or family member?"

Net Promoter Score is a single question you can use as shorthand for measuring people who are helping you grow through referrals (promoters) against the number who are slowing your growth (detractors). The question is this: "On a scale of 0 to 10, how likely are you to recommend our firm to a friend or family member?"

To calculate NPS based on the answers, use the total number of responses to calculate the percentage of promoters (9 and 10), neutrals (7–8), and detractors (6 and below). Your NPS is the percentage of detractors (0–6) minus the percentage of promoters (9–10). NPS can range from -100 to 100. If it is positive, great! If it is negative, it's a problem.

It's useful to add a second question like "Why did you give us that rating?" or "What would we have had to do in order to earn a 10 from you?" so you can learn how to improve your score.

Don't wait until the end of the representation to survey your clients, because then you can't improve their experience. Ask a month into the representation, and then every 3 months or so, including after you close the file. Then you can act on what you learn, and turn more of your clients into promoters.

More KPIs …

Once you start keeping an eye on your key metrics, you will almost certainly want to know more. For example, which marketing efforts result in the highest value clients? Do clients pay faster if you add a *Pay Now* button to your electronic invoices? Which employees, teams, or lawyers have the highest NPS? How are utilization rate and productivity related? Etc.

Try out other KPIs, but keep the total number you track to a reasonable number that actually help you determine the future health of your firm.

Organizational Chart

Yes, solos too.

In order to make decisions about your firm, you need to be clear about roles, responsibilities, and accountability. For example, many firms rate themselves poorly on having a written marketing plan. Who at your firm is responsible for doing that? Who is responsible for carrying out the plan? Who will collect the data for KPI reporting? Who will be accountable if the KPI targets are not met?

An organizational chart is useful even if you are solo and your name will be in every box. It is eye-opening to map out all the hats you wear, and it can help you spot areas where you could use some help.

Competitive Analysis

If someone with a problem you can solve doesn't contact you, who do they contact? Another lawyer? A DIY website? Their local library?

What do they offer that you don't? What do they cost compared to your fee? How do they advertise?

Doing a competitive analysis means getting answers to questions like these—and more—that help you understand your market and your firm's place in it. Once you know the answers, you can build a strategy to be competitive in your market. Here are some ways to do competitive research …

Check your target keywords.

With a third-party tool or your browser's private/incognito mode.

One of the first places people look for a lawyer is online, whether by searching for answers or searching for a lawyer. So what websites are they finding? (By the way, over 60% of searchers click one of the first three results, and the second page of search results is all but invisible. Only 5% of searchers look at the second page of search results.)

If you aren't sure what keywords to check, ask your clients what they searched for. Or use a tool like Moz or Ahrefs to see what your competitors' websites ranks for.

You aren't just competing with these firms in the search results. Take note of how they market themselves to clients, and how their strategy may be different from or similar to yours.

Check with your clients.

What other firms/options did they consider?

DON'T ASSUME LAWYERS ARE YOUR ONLY COMPETITION

Your clients are a trove of information. Ask them how they went about trying to solve their legal problem before they contacted your firm. Did they try to solve it themselves, or using forms from the office supply store? Then those are your competition, too. Did they meet with other lawyers? Why did they pick you?

Check your rates.

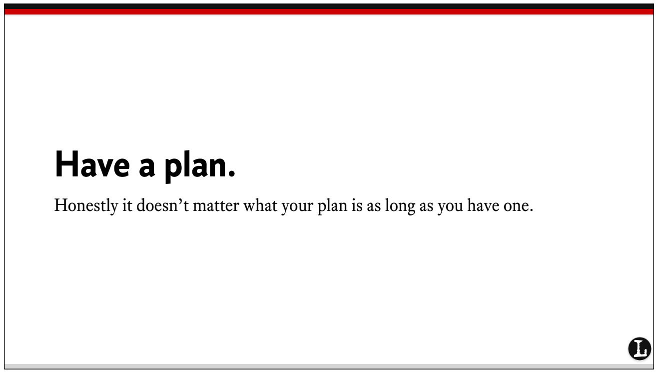
Rates are just one data point, and not the most important one. But it is useful to know how your firm's rates measure up. Clio has a useful tool that uses aggregate data from Clio users to help you figure out how your rate compares to other lawyers practicing in your market. You can find it at clio.com/compare-lawyer-rates

With all your research in hand, you should be able to identify *who* your competitors are, *what* they are doing to get clients, and *why* clients might choose them over your firm. Then, you can build a strategy to beat your competitors.

Create a marketing plan, follow it, and track your results.

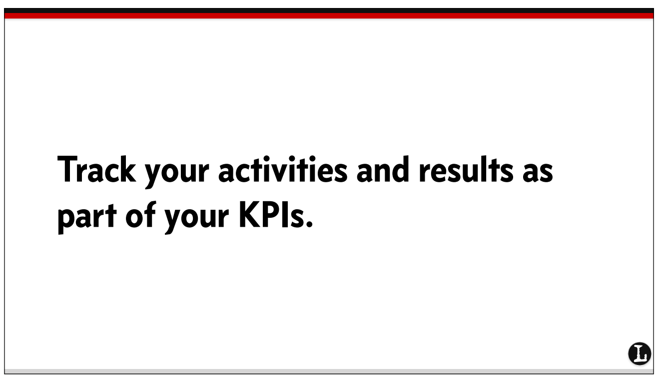
Look: everything works. Direct mail works. Networking works. SEO works. Facebook works. Heck, pinning your business cards to bulletin boards all over town works.

But not everything will work equally well for your firm, and some things may not work at all for your firm. To find out what does work best for your firm, you need a plan, you need to follow it, and you need to track your results as part of your KPIs.

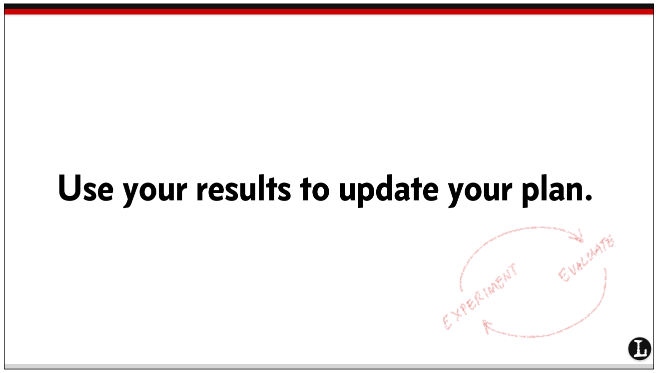


It's important to incorporate experimentation and testing into your firm's workflow, and to get started all you need to do is decide what to test, first. Keep track of your lunches and see if you can tie those lunches to referral business. Learn how Facebook advertising works and spend $100 to see if you can get anyone to download your free giveaway or sign up for a webinar. Spend a few hours trying to identify the cost of acquiring a client from your Yellow Pages ad.

Soon, your experiments will become a strategy, which you should document and train your staff to execute.



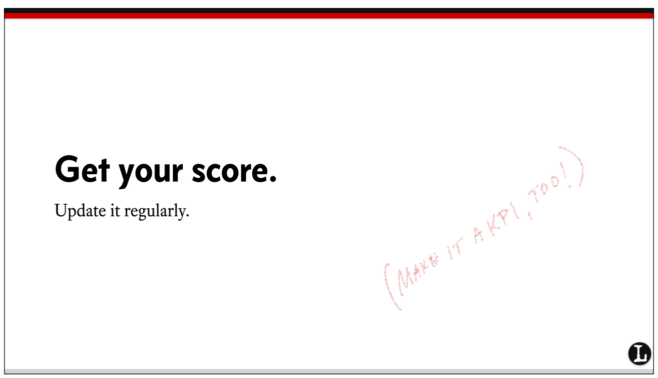
Treat each experiment as a miniature science fair project. Form a hypothesis (and write it down). Outline your experiment. Define the results you are measuring and the time frame over which you will measure them. At the end of your experiment, review your hypothesis, results, and decide what you have learned. Include your measurements in your weekly KPI scorecard. If you are in a small firm, you should actually present your results at your monthly or quarterly marketing meeting (which is a meeting you should have).



Experiment, evaluate, repeat. Take what you learned from your last experiment to propose a new one. If it helps, use the Agile retrospective framework to review each experiment:

1. What went well?
2. What could be improved?
3. What should we try next time?

(There are other ways to state the Agile retrospective questions, but these are short and to the point.)



The Small Firm Scorecard is a tool built to help you evaluate how your firm is doing, both objectively and subjectively, for you.

We recommend making your firm's score a KPI. We actually use the Scorecard ourselves. Everyone at Lawyerist takes the Scorecard every quarter, and we average the results. That's how we recommend you use it at your firm, too.

You'll also get a complete set of your responses. You can use those as a roadmap to attack your specific challenges and improve your score over time.

Thanks!

You can find all the materials for this webinar at
go.lawyerist.com/masslomap20180613