

Law Firm

MANAGEMENT

Thanks, but no thanks

Signs you may want to decline a prospective client

Don't let partners' relationships retire with them

Game on

Tracking trends affecting your clients helps keep them — and you — on top

Is financial danger ahead for your firm?



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Thanks, but no thanks

Signs you may want to decline a prospective client

During tough economic times, no firm wants to turn away new clients or business. But the fact is: It's never a good time to relax your client-screening process and standards. Having an effective intake process enables you to assess potential clients from a strategic, operational and risk standpoint, helping you to head off "bad business."

Risky business

Although the client intake process will vary from firm to firm, the challenge is the same for all: to balance the objective of landing new business with the need to mitigate risk. Determining when both goals are occurring in harmony is difficult, but not impossible. To find the right balance, ask questions such as:

- Is your firm capable of handling the new business successfully?
- Will the prospect create a conflict of interest with an existing client?
- Will the prospect prevent you from taking on new, more profitable business that better fits your firm's long-term strategic goals?



The idea of new revenue walking in your door is enticing, particularly if you spend little or no time finding the new client. However, the seemingly quick revenue may be detrimental to your firm's profitability. A better option is to develop effective due diligence procedures to help you expose hidden risks, such as a prospective client's sketchy credit history and financial dealings, pending legal claims, or a reputation for conducting business poorly.

Without performing this due diligence, you could end up with a greater percentage of high-risk clients who dispute fees or refuse to pay them altogether, resulting in collections nightmares and write-offs. Or you could be faced with difficult clients, which can pull your legal team away from key clients, thwart business development efforts and put a damper on office morale — not to mention damaging your firm's reputation.

Reasons to say no

There are several warning signs that may indicate when it's best to decline a prospective client's business. Here are a few:

It's an emergency. Unless you have sufficient staff or your firm specializes in crises, a prospect with a "life-and-death" situation can be risky. Working in crisis mode with insufficient time can force you to delegate work to less-experienced lawyers or other staff, which makes your firm more vulnerable to errors. Statutes of limitation and the quick turnaround time needed to complete and review your legal work for accuracy can open the door to time-element malpractice claims.

Prospective client is high maintenance. Prospects who all but insist that you put your other cases on the back burner to deal with their legal matters can spell trouble. They may use pressure tactics — such as constant phone calls and an incessant need for updates and progress reports — and make irrational demands, such as requiring that a suit be filed the same day or that a matter be closed by the end of business. Prospects who have unrealistic expectations about how much attention and handholding you're able to provide can zap your firm.

Prospective client knows it all. Does a prospective client interrupt your comments, dispute your points and turn a deaf ear to your advice? Does the prospect act as if he or she knows the legal process and how to run the case better than you do? If so, this prospect's

lack of confidence in your firm's abilities may make it impossible to service the legal matter satisfactorily. Additionally, this kind of behavior could be signs of a hidden disdain or contempt for the law or lawyers. In these instances, it's difficult to establish the bond of trust that's essential to lawyer-client relationships.

Fee phobia. Suits against clients for unpaid legal fees are a prime source of malpractice claims, so be wary of clients who make a big fuss about them or don't want to discuss fees at all. And if a prospective client refuses to sign a fee agreement or pay a retainer, he or she should be avoided altogether. Rejecting these types of clients before representation could spare you the aggravation of fee collection difficulties and future claims.

You're not the first legal representative. Be leery of prospective clients who have been represented by one or more lawyers on the same matter. This may indicate any number of problems with the prospect, such as he or she being uncooperative or difficult to satisfy, or making unrealistic or unethical demands. In addition to these concerns, there's also the matter of splitting fees. Even if you work out a fee-splitting arrangement, there's still a concern that the prospective client will seek other representation later.

The matter isn't your specialty. If you specialize in real estate or intellectual property but the prospect needs an expert in trusts and estates or environmental issues, it may be tempting to expand your practice. But doing so

can be problematic because your firm might not be ready or qualified to specialize in a particular area.

You have ethical concerns. Of course, if a prospective client has a questionable character or you have negative feelings about the business or the case, it's a good idea to pass. It's likely that many lawyers who find themselves in malpractice suits wish they'd listened to their "gut" and not taken the case in the first place.

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Think about the long term

Saying no to a prospective client can be difficult, especially during a sluggish economy when business has stalled or, in some cases, come to a grinding halt. Although your aim is to improve the bottom line with new business, turning away potentially difficult clients actually may be more profitable in the long term. It enables you to dodge costly suits and claims, conflicts of interest, collections nightmares and write-offs while steering clear of those clients who may drain your firm's time, talent and other resources. ■

Don't let partners' relationships retire with them

Partners build valuable relationships during the course of their careers — relationships with clients, businesses, community organizations and many other influential contacts. But when a partner retires, those relationships often retire with him or her and are forever lost to the firm.

Fortunately, this doesn't have to be the case. With some planning — and cooperation from the departing lawyer — you can maintain vital clients, contacts and resources after a partner leaves.

Have a transitional plan

It can take several years to fully transition a partner's practice. With an institutional client, such as a major corporation or bank where the work comes from many internal sources, it can take up to ten years. That's why it's essential to create a transition plan.

To begin, review client rosters to determine which ones may soon need transitioning because of a partner's imminent retirement. Checking client rosters regularly will give you a "heads up" regarding clients that will need to be transitioned sooner rather than later.

Next, determine the best successor within the firm for each client. Naturally, the client must feel comfortable with the new lawyer, so consider personality as well as legal knowledge and experience when determining who can best serve the client.

Finally, incorporate the lawyer-successor into the client relationship as soon as possible. He or she should start by attending client meetings with the retiring partner and managing the day-to-day communications, gradually taking over primary responsibility for the client while the retiring partner serves as an advisor. Clients should also be introduced to other lawyers within the firm to ensure that they become a *firm client* as opposed to a client of the lawyers handling their matters.

How to encourage information sharing

To ease the transfer of information and transition of clients, consider ways to encourage retiring partners to be forthcoming about information.

One way to reward efforts is to address it in your compensation plan. Rather than structuring compensation solely on billings, you can structure it to give retiring partners incentive to transfer files and contacts, share vital information and pass down the practice to succeeding lawyers.

In addition to the capital buyout that many firms offer retiring partners, you can include other financial incentives, such as residual profit sharing, a retirement allowance or pension, and some provisions for postretirement health and life insurance. Also, consider making office space and support staff available to retiring partners, offering consulting work or allowing them to work part-time, and covering membership and professional association dues.

Keeping retiring partners involved in the firm's business and social events will make them feel appreciated and connected, particularly if they're having difficulty transitioning into retirement. Assisting retiring partners with the transition will help them to be more forthcoming with essential information.



It takes time to develop the kind of trust and confidence that's necessary in a lawyer-client relationship, so make sure the client is acquainted with the successor both professionally and socially.

Maintain influential ties

It's worthwhile to maintain participation in exclusive memberships, clubs and other networking groups that the retiring partner belonged to. This is already cultivated and fertile ground for growing valuable relationships. For example, the retiring partner may be able to use his or her influence to have an exclusive club membership extended to a colleague.

The retiring partner may also be able to use his or her "pull" to get a colleague invited to important meetings, conferences and other functions where, by association, there may be a greater chance that the colleague is able to quickly and easily step into the retiring partner's role.

If possible, ask the retiring partner to recommend the successor be nominated to a key position within an organization or introduce him or her to a key contact, such as the executive director or board chair.

Stay connected with other resources

In addition to acquiring major clients, exclusive memberships and prominent leadership positions, retiring partners will have also established a number of other contacts and resources along the way — those that may have helped advance his or her career and contributed to your firm's success. You can build on several such contacts and resources by:

Capitalizing on referral sources. Find out if there are valuable sources from which the retiring partner may have consistently received quality work and then select

the appropriate successor to continue that relationship. Ask the retiring partner to be involved with transitioning the relationship to help boost the referral contact's confidence in continuing to refer work to the firm. It's then up to the successor to nurture the relationship and learn about the referral contact's interests and concerns.

Staying in touch with publishers. Articles published in legal journals and other publications lend credibility and visibility to both the lawyer and the firm. The departing partner's relationships with editors should be kept within the firm if possible. Determine which of your lawyers has the skill, talent and willingness to maintain and even expand upon these publishing opportunities.

Keeping connected with media resources. If the departing partner provided expert legal analysis and quotes for stories, choosing the appropriate successor to serve in this capacity is essential to retaining the relationship. Moreover, this type of publicity for your firm is invaluable.

Game on

Tracking trends affecting your clients helps keep them — and you — on top

As the legal industry becomes increasingly competitive, it's not enough to stay on top of your game. You must help your clients do the same by researching and tracking issues and trends that affect their businesses.

Ensuring your clients dodge potential threats and maximize opportunities within their industries will help you score big points with them and set you apart from the competition.

Finding what matters most

As you know, legislative, regulatory and legal changes can quickly and significantly affect your clients. So staying on top of their needs and learning about the issues and priorities they're most concerned about is vital. For example, would your client's dispute be strengthened by in-depth research on certain participants or organizations? Does your corporate client really know enough about his or her prospective business partner?

A number of online resources can help you answer these kinds of questions for your clients. Web-based services such as LexisNexis and Westlaw continue to be top industry-tracking resources, but there are other

Taking advantage of speaking and teaching engagements. If the retiring partner is recognized as a good speaker, his or her reputation and credibility will go a long way when recommending the appropriate successor for future speaking and teaching opportunities. Engagements that involve speaking at corporate workshops or bar association meetings or serving on panel discussions at conferences help raise awareness of your firm and its services.

Have ample lead time

Successfully transitioning a retiring partner's key relationships, contacts and other resources — all of which are necessary to your firm's growth and survival — requires ample lead time and meticulous planning. Otherwise, you may miss the opportunity to build on the partner's years of hard work and success. No firm can afford to lose the valuable resources that may retire when a partner does. ▣



important resources. They include subscription databases for press releases and software services, such as WatchThatPage.com, which enables you to automatically collect new information from your favorite sites on the Internet. Also, OneSource.com provides analyst reports, industry profiles, corporate family trees, significant developments and non-U.S. news articles.



In addition, why not help your clients find out all they can about their competitors? Competitive intelligence — the process of legally and ethically gathering information on competitors to anticipate trends, compare practices and identify opportunities — can yield valuable information for your clients about their competitors’:

- Product offerings and services,
- Financial performance,
- Market position,
- Growth or expansion plans, including closures or relocations,
- Mergers, acquisitions and strategic alliances, and
- Changes in focus or business direction.

You can start by checking out the Competitive Intelligence Resource Index at Ciseek.com. It has a search engine and an extensive list of competitive intelligence resources.

First, review your clients’ competitors’ Web sites and relevant newsgroups and associations. Next, regularly scan major daily newspapers, community papers, industry and business publications, and other general publications for other key information and to identify trends.

Also, look at Hoover’s (hoovers.com), which provides industry, market and company-specific intelligence for both public and private businesses, as well as the Securities and Exchange Commission (sec.gov)

and FreeEDGAR (freeedgar.com). And check credit-reporting agencies, such as Dun & Bradstreet. They can provide you with financial data, management and ownership information and payment histories.

Finally, chat regularly with clients, prospects, bankers and other referral sources. They will alert you early to shifting needs and market opportunities.

Competitive intelligence doesn’t end with the collection of information. The data must be compiled and analyzed to best understand everything. To help ensure you get the information you need and effectively use it, list how you plan to use the information to help your clients. Additionally, be sure you have an effective system for documenting and maintaining competitive intelligence data so that it’s easily accessible for future reference.


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Weighing the costs

Using competitive intelligence is a long-term proposition, so you must be willing to commit the time and staff (associates and professional librarians or outside consultants) to continuously gather useful information.

Besides staff salaries, there's no set cost. But be aware that some resources can be expensive. The cost varies depending on whether you get pay-as-you-go subscriptions, flat-fee agreements, or vetted and reliable nonchargeable sources. When considering service subscriptions, be sure to have a clear idea of the kind of information you need and which services will get the job done. Keep in mind that there's not one source that can be relied on solely, so a combination of databases and industry- or practice-area-specific journals should be used.

Firm benefits

Staying on top of clients' needs — including understanding the issues they face in their industries and specific businesses — provides a number of benefits to your firm. It sets you apart from other law firms while enabling your firm to develop emerging practice areas and maintain a healthy firm. What other reasons do you need? 

Is financial danger ahead for your firm?

Like the rest of the business world, the legal industry is feeling the pinch of the credit crunch and tight economy. Is your firm like others that are struggling with lagging profitability? To determine if serious financial trouble is ahead for your firm, assess its financial health. Look for key signs, such as:

- A significant decline in new business,
- Numerous increases to the line of credit, particularly at year end when cash collections should be at their highest,
- Noticeably more write-downs and write-offs,
- Aged-out receivables, and
- Changes in the marketplace, such as consolidation of clients.

By keeping a close watch on key information in your financial statements, you can spot threats early. For example, comparing current month and year-to-date results with those of previous years can help you identify a declining trend and act promptly.

Financial statements can also alert you when expenses are far exceeding revenue. In this instance, cutting "soft" costs, such as practice group retreats and out-of-state conferences, and forgoing investments in new services, markets or staff that might not garner a significant return are quick corrective actions.

Also, review major expenses, including salary costs, real estate and technology. To reduce salary costs, some firms are cutting staff or scaling back on law school recruiting. Others are centralizing

locations and reducing office space and common areas, such as conference rooms, kitchens and law libraries, to offset real estate costs. Firms are also carefully scrutinizing how to spend their technology dollars to streamline and improve processes that contribute to cost savings.

However, if your expenses are under control but your financial statements show you're having trouble growing the top line, focus on marketing and step up billing and collections efforts, such as reducing client turnover and focusing on collecting receivables. Other strategies to consider include increasing fees, divesting the firm of low-profit work and enhancing workflow efficiency.



Think of us as a specialized member of your firm



As financial and legal matters become more entwined, your success as a law firm increasingly depends on your ability to call on professionals with specialized accounting, business management and financial expertise. This is where Mallah Furman comes in.

Our highly credentialed professionals excel at helping law firms like yours increase their profitability, competitiveness and success. Our goal is to become not just your accountant, but also your trusted business advisor and strategic partner. Our services range from accounting, auditing and tax planning to practice management consulting, fraud investigations and litigation support.

Litigation support

- Expert witness
- Forensic accounting
- Reconstruction of books and records
- Evaluation of internal control systems
- Analysis of corporate records

Law firm management consulting

- Profitability enhancement
- Fraud prevention and detection
- Buy-sell agreements
- Cash management
- Partner compensation and admission

Settlements/judgments

- Timing of payments
- Tax effect on payer and payee
- Business valuations

Since our founding in 1960, we have grown to become one of the top 15 accounting firms in South Florida, respected and recognized as an affordable and quality alternative to large national and international firms. Because we place high priority on timely, responsive and effective service, we have established long-term relationships with many law firms in a variety of practice areas. They rely on us not just for forensic accounting and business valuations, but also for comprehensive accounting, tax, personal financial planning and firm management advisory services.

We are ready to assist you, your partners and your clients with our services in these and other areas:

Divorce matters

- Financial profiles
- Asset/liability inventories
- Property settlements
- Tax planning
- Alimony calculations

Accounting and tax services

- Sarbanes-Oxley (SOX) compliance
- GAAP and GAAS issues and opinions
- Financial projections
- Tax planning and compliance
- Personal financial planning

Business interruption claims

- Damage studies
- Lost profit/revenue analysis
- Lost earnings calculations