BUSINESS PLAN
BUILDING WORKSHOP

HOW TO
MANAGE
A SMALL
LAW FIRM

HAPPY LAWYERS MAKE MORE MONEY
## I - GOALS

### PERSONAL BUDGET

**Instructions:** Figure out how much it cost to live the way you are currently living, then figure out how you want to be living, then figure out how much it cost to live the way you want to be living.

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<th>HOME</th>
<th>NOW</th>
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<td>Domestic Services</td>
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<td>Other</td>
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<tr>
<th>ENTERTAINMENT</th>
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<td>Restaurants</td>
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<td>Theater/Sporting events/etc.</td>
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<td>Hobbies</td>
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<td>Social Clubs</td>
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<td>Dues/Subscriptions</td>
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<td>Toys (ex: boat, motorcycle, etc.)</td>
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<td>Adult personal development</td>
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<td>Child 1 529 plan/current tuition</td>
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<td>Child 2 529 plan/current tuition</td>
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<td>Child 3 529 plan/current tuition</td>
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<td>Child 4 529 plan/current tuition</td>
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<td>Other</td>
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**Note:** Professional education will be a business expense.
## INSURANCE

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<th>NOW</th>
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<td>• Life</td>
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<td>• Auto</td>
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<td>• Other</td>
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## DEBT SERVICE

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<th>NOW</th>
<th>GOAL</th>
<th>% DIFFERENCE</th>
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<td>• Credit Card 2</td>
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<td>• Credit Card 3</td>
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<td>• Student Loans</td>
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<td>• Personal lines of credit</td>
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<td>• Alimony</td>
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<td>• Child support</td>
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<td>• Retirement</td>
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<td>• Other</td>
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## SAVINGS/RETIREMENT

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<th>NOW</th>
<th>GOAL</th>
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<td>• Account 2</td>
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<td>• Account 3</td>
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<td>• Other</td>
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</table>
A. Your definition of a “successful” business -

In order for me to consider my business to be successful, it must provide
$_______ per year/ $_______ per month income for me.

In order for me to consider my business to be successful, it must be able to sustain itself as a going concern with me away on “emergency access only” for _______ consecutive wks/year, so that I can ____________________.

On average, I want to be able to run my business giving it _______ hr/wk + _______ wks/year.

<table>
<thead>
<tr>
<th>Current</th>
<th>How I want to be living 18-24 months</th>
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<tbody>
<tr>
<td>Household:</td>
<td>Household:</td>
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<tr>
<td>Transportation:</td>
<td>Transportation:</td>
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<td>Education:</td>
<td>Education:</td>
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<tr>
<td>Insurance:</td>
<td>Insurance:</td>
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= Total $ Apples = Total $ Oranges

Instruction: Please keep apples with apples and oranges with oranges. To do this, convert all annual cost to a monthly expense. For example, if your family annual vacation will cost $12,000, simply divide that annual cost by 12 to get $1,000/mo.

To live the way I want to be living, 18-24 months from now, my business must produce, $_______ net profit for me and my family. This represents a difference of _______ % (oranges – apples / apples) from where my business is today. Note: Please complete this exercise for each owner who does not share household.
B. To be a “successful” business that I can be proud of, my business should help / solve / create / deliver / make the world a better place for (describe your target customer / client) by (describe how your business will accomplish this objective.)

C. In return for the value my business produces for it’s customers / clients / passengers / patients / the world, it is my goal that my family and I should enjoy the following material comforts:

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

D. Volume of Business

- Net Profit Required ÷ Profit Margin (%) = Gross Revenue Required
- Gross Revenue Required ÷ Average Case Value = # Sales Required
- # Sales Required ÷ Conversion Rate (Prospect to Client) = # Prospects Required (“At Bats”)
- # Prospects required /12 = “at bats” required each month.

Example:

$100,000 Net / 50% average profit margin (.50) = $200,000 Gross;
$200,000 Gross / $2,000 Avg sale amount = 100 Sales required;
100 Sales required / .33 conversion rate (1 out of 3) = 303 Prospects required
303 Prospects (annually) / 12 = marketing must deliver 25.5 prospects per month
II - PRODUCTION

INVENTORY YOUR SKU'S

LIST YOUR SKU'S:
- Hamburger
- Cheeseburger
- French Fries
- Milk Shake
- Supersize

“INGREDIENTS” FOR EACH SKU:
- Hamburger
  - 1/4 Beef
  - Sesame seed bun
- Ketchup
- Mustard
- Lettuce
- Tomato

“HAND-OFF” STAGES FOR EACH SKU:
- Hamburger
  - Order taken [cashier]
  - Patty to grill [cook]
- Toast bun [cook]
- Condiments [assembler]
- Final assembly [assembler]
- Order delivery [cashier]
WHERE ARE THE ASSEMBLY INSTRUCTIONS FOR YOUR LAW FIRM?

1. BOTTOM BUN
2. COOKED HAMBURGER
3. SLICE OF AMERICAN CHEESE
4. FOUR SLICES OF WHITE ONION
5. TWO SLICED TOMATOES
6. SESAME SEED BUN
# 24 KEY POLICIES

## EXTERNAL POLICIES
1. Definition of “Emergency”
2. Access to Attorneys
4. Costs vs. Fees
5. New Development in a Case

6. Treatment of Opposing Parties
7. Definition of the Word “Honesty”
8. File Retention
9. Referrals
10. Privacy & Confidentiality
11. Boundaries & Duration of Attorney-Client Privilege
12. Definition of A - F Clients

## INTERNAL POLICIES
1. Attorney-Client Confidentiality
2. Client Interactions
3. Legal Services for Staff, Friends & Family
4. Following Documented Procedures/Routine Maintenance
5. Business Hours, Holidays & Dress Code
6. Time Sheets

7. Attorney Access
8. Personal Business While at Work
9. Client Cost Advancements
10. Compensation
11. Centralized Files
12. Job Descriptions
13. BONUS: Statute of Limitations & Deadlines
24 KEY PROCEDURES

1. Answering the telephone and taking messages
2. Routine correspondence
3. Scheduling appointments
4. Calendaring, docketing and tickling deadlines with use of the electronic calendar and tickler system
5. Scheduling hearings, mediation and depositions
6. Opening a new file, case or matter for a new client

7. Opening a new file, case or matter for a current client
8. Monthly file review
9. File protocols
10. Closing files, cases and matters
11. Calculating and documenting statutes of limitations or other self-imposed deadlines
12. New client engagement

13. Pre-engagement glide path
14. Post engagement (15, 30, 60, 90, 180 days etc.)
15. Accounting for time, tasks and value
16. Preparing bills
17. Accepting Payment
18. Conflict checking and documentation

19. Declining a new case or engagement
20. Monthly book keeping
21. Computer file organization scheme
22. Computer back-up
23. Monthly maintenance meetings: policies and procedures
24. Montly Newsletter
A. SKU's

1. Our business produces and/or delivers the following products/services to its customers/clients:

_____________________________________________________________________________________

2. Is supposed to accomplish what outcome:______________________________________________

3. Complete the following exercise for your top margin deliverable:
   Step 1 -> Step 2 -> Step 3 -> Step 4 -> Step 5 -> Step 6 -> ... -> Step 10

   What happens to kick off step 1?
   1. Position (who on your team by job description):

   _________________________________________________________________________________

   2. Time to complete this step:

   _________________________________________________________________________________

   3. Tools used:

   _________________________________________________________________________________

   4. Raw materials or other resources needed:

   _________________________________________________________________________________

B. 1. Currently, our factory can output (#) _______(of) __________________________ per day/week/month/quarter/year.

2. In order to double output our factory would require _______________________________________

3. Our plan is to equip our factory to grow production by _______ %
   by ___________________________ (date) by taking the following steps:

   Step 1 ____________________________________________________________________________

   Step 2 ____________________________________________________________________________

   Step 3 ____________________________________________________________________________
In a well-run business, all work gets done by the least expensive means possible.

Deploying a highly skilled and high-cost worker to do the work that could be reasonably done by a lower cost worker if given proper training, supervision, and support is wasteful and dangerous to all stakeholders including investor, owner, management, staff, and ultimately even consumer themselves.

Management of a well-run business thinks, plans, and communicates in term of position, not the person who happens to be holding down a given job.

Positions are defined by the minimum skills/qualifications needed to do the job, not by the skills/qualifications of the person who happens to be in the job right now.

To operate at peak efficiency our business requires the following positions:

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This is how each position is meant to make the business more profitable:

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<table>
<thead>
<tr>
<th>POSITION</th>
<th>LEVEL OF SKILL NEEDED</th>
<th>NAME(S) IN POSITION NOW</th>
<th>LEVEL SKILL</th>
<th>GAP</th>
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The following positions are currently being filled by overqualified personnel:
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The following positions are currently being filled by under qualified personnel:
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We estimate each gap to be costing the business _______ per month because / in the following ways:
- 
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We plan to close the gap(s) that we know to exist by: ____________________________
IV- PHYSICAL PLANT

A. Based on our current marketing growth plan, we estimate we will have ______ people working for our business in 24 months.

We currently have space for ______ people.

Our plan to address this is to


B. We estimate we will require ______ sq.ft. 24 months from now. We estimate suitable space will cost ______ /ft. and will require ______ months to locate and prepare for use.

C. Based on current growth plans, we estimate that the business will require ______ new or replacement tools/equipment.

Major items include:

- ___________________________ $ ______
- ___________________________ $ ______
- ___________________________ $ ______

D. We do/do not have all job description(s) documented for every position and our plan is to do ___________________________ about it.

E. Policies & Procedures. The following are considered to be “mission critical” tasks of the business.
If these fail, the business fails:

1. ___________________________
2. ___________________________
3. ___________________________
4. ___________________________
5. ___________________________
The following key external policies exist:

- 
- 
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The following key internal policies exist:

- 
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The following key operational procedures exist:

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F. The business requires the following licenses/permits/inspections and all are/are not current:

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G. We believe we can predict the following about our business and industry:

- 
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H. The Business has/needs the following professional relationships:

- Banking
- Law
- Insurance
- Recruiting
- Accounting (management)
- Accounting (financial)
- Consult/Advisor
- Real Estate
- IT
- HR
- Other

I. We have plans to provide the following ongoing training:

- 
- 
- 
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- 

20
A. Answer the following

1. How many different ways does your business make sales to or for its customer clients/etc.? 

2. Identify and describe each of them like you would to a new member of your team. 
   “Our business makes sales to/for our customers/clients/etc. in the following ways:
   - 
   - 
   - 
   -

3. How do your customers/clients/etc. "profit" by doing business with your company? 
   Customers/clients profit by doing business with our company/firm by:
   -

4. Explain in plain English the objective criteria a sales person working for your business can confidently rely upon when deciding to make a or decline a sale.
   A sales person working for our business can rely upon the following ... when deciding to make or decline a sale:
   -
   -
   -

5. What are the minimum skills a person would need in order to reliably convert a prospective customer/client/etc. delivered through marketing channels into a paying customer/client/etc. of your business?
6. Describe a typical sales transaction. Be sure to address:
   a. What tools/resources does the salesperson need?
   b. How long should it take?
   c. How is the sales person on department held accountable for closing sales with A + B vs. D + F customers/clients/etc.?

A typical sales transaction should go like this: _________________________________

7. What training does a sales person for your business get before you set them loose with your potential new customers/clients?

Before setting a sales person loose with our potential new customers/clients we provide the following and ongoing training to ensure _________________________________ (does or does not happen).

B. Historically, our conversion rate has averaged _________________________________

   In order to reach our gross income sales our conversion can/must be _________________________________

   Our plan to maintain/improve conversion rate (pick one) is to _________________________________

   We estimate a 10% increase in conversion rate would produce $ ________ more net profit and/or the following additional benefits.

   We estimate a 100% increase in conversion rate would produce the following problems:

C. Our current cost of acquisition, per customer, is ________

   Our goal is to get our cost per customer to ________ by ___________________________ (date).

   Our plan to achieve our target client/customer is to _________________________________
VI - MARKETING

A. To meet the goals I have defined, marketing must produce _______ “at bats” per month.

B. Not all customers/clients should be treated the same. We will maintain an objective grading scale that everyone on our team can use to determine if a given individual prospect is someone our business should or should not be doing business with. Marketing will be calibrated to attract only A and B accounts. Marketing will be calibrated to screen out/prevent prospects for whom our business is not likely to be a good fit.

An A client is: ______________________________________________________
An A client is NOT: ____________________________________________________

An F client is: ______________________________________________________
An F client is NOT: ____________________________________________________

The presence of absence of these two qualities/characteristics will cause our firm to demote someone from an “A” to a “B”: ______________________________________________________

The presence of absence of these two qualities/characteristics will cause our firm to demote someone from a “B” to a “C”: ______________________________________________________

The presence of absence of these two qualities/characteristics will cause our firm to demote someone from a “C” to a “D” (or an “F”): ______________________________________________________
C. Methods of Marketing. It’s more profitable to pick a few methods of marketing and execute them consistently and well than to scramble around trying to do too many different things and wind up doing them all badly.

- **Stage 1 (net income under $100K).** We will focus on these two or three methods of marketing:

- **Stage 2 (net income between about $100-200,000).** We will focus on these three or four methods of marketing:

- **Stage 3 (net income between about $200-500,000).** We will focus on these five or six methods of marketing:

- **Stage 4 (net income between about $100-200,000).** We will focus on these three or four methods of marketing:

D. We estimate that a 100% increase in potential new business would produce the following problems:
To manage a successful business, you must have control your finances so you can operate with confidence. Key financial terms include:

- Chart of Accounts: Categories of anticipated revenue and expenses.
- Budget: Best educated guess for each item in Chart of Accounts for next 12 mo.
- Budget Variance Report: Comparison of best guess with reality.
- Burn Rate: The hourly figure of unproductivity in office.
- WIP: (Work in Progress) incl. all unbilled work broke down by age and type.
- Aged Accounts Receivables: 30d, 60d, 90+ d.
- Cost of Inventory: Burn Rate x WIP.

The following reports should be reviewed monthly to assist the owner of a successful business in assessing the “heartbeat” of the business and identifying where adjustments need to made for the coming months.

Do you review these reports?

- Budget Variance Report Jan 1 - Dec 31 (By month).
- Accounts Receivable Report.
- Rolling 12 Month Revenue And Expense Report.
- WIP Report.
- Weekly Cash Flow Forecast (6-8 weeks ahead).
- Balance Sheet
KEY FINANCIAL REPORTS

The 6 key financial reports every self-respecting equity owner of a business should be on top of every single month:

- Budget
- Budget Variance Report
- Cash Flow Projection (6 weeks)
- W.I.P. (Work In Progress)
- AGED A/R (30, 60, 90+ day)
- Cash Position (Operating & Trust)
- Balance Sheet

METRICS: KEY METRICS

What are the key metrics we will monitor to ensure the business is honoring its obligations to clients, shareholders and management alike?

METRICS

- # Active Clients / Projects
- New Clients / Projects (90 day)
- Closed Clients / Projects (90 day)
- Weekly Variance
- YTD Variance
- HRS Variance (weekly)
- HRS Variance (YTD)
- Prof. Satisfaction (A-F)
- % A-F Clients
How to Manage a Small Law Firm

Happy Lawyers Make More Money