GUIDE TO LAW FIRM MANAGEMENT
BEST PRACTICES

Ideas For Managing Your Practice

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Olmstead & Associates
LEGAL MANAGEMENT CONSULTANTS
Olmstead & Associates is a practice management, marketing, and technology consulting firm that works with law and other professional service firms ranging in size from 100 professionals to firms with solo practitioners. The firm, founded in 1984 and based out of St. Louis, Missouri, serves clients across the United States assisting them with implementing change and improving operational and financial performance, management, leadership, client development and marketing.

Clients benefit from a results-orientated team approach to consulting engagements where focus is on implementing change and improvements rather than simply providing advisory services. Olmstead & Associates partners with clients and serves as a member of the clients management team and functions as an advisor, coach, teacher, and facilitator. Coaching programs provides attorneys and staff with one-on-one as well as group coaching to help them get “unstuck” and move forward on initiatives, reinventing both themselves and their law practices.

The firm’s consultants and staff have extensive backgrounds in law firm strategy and marketing, management, administration, organizational behavior and development, human resources, technology and accounting.
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Introduction

The 21st century is presenting law firms with new challenges. The general business economy is in turmoil and law firms are facing new risks and uncertainties. Clients are no longer tolerating arrogance and mediocre services. Clients are holding law firms to higher service standards. In order to prosper in the 21st century, law firms are going to have to drastically change their models for conducting business. Organizational performance, effectiveness, and leadership must rise to higher standards. General management, problem solving, and action taking skills must be enhanced. Firms will have to improve their overall marketing initiatives. This will require that many firms improve their overall management effectiveness and use every management tool available. Law firms will need to identify “best management practices” that can be employed to enhance management effectiveness.

The following trends are continuing to present firm management with even more challenges:

- Competition is intensifying and becoming more severe. Since law firms are sellers of legal services and buyers of legal talent they must compete effectively in both markets.
- Convergence and reconsolidation of legal work is continuing. Institutional clients are using fewer law firms.
- Insurance Defense firms are continuing to struggle. Many are closing their doors, merging with other firms, and reinventing their practices.
- Law firms are merging at an increasing rate, especially in New York, San Francisco and Chicago.
- While entry level associate attorney hiring is still strong, lateral hiring is outpacing entry level hiring.
- Intellectual property is still the hottest practice area and the primary target for firms looking for merger candidates.
- More law firms are implementing sophisticated branding campaigns. In a recent survey conducted by the Legal Marketing Association, fifty-one percent of the respondents reported that they had conducted comprehensive branding campaigns. Of those law firms that had not conducted a comprehensive branding campaign, more than one-half indicated that they planned to start one within the next twelve months. Many of these firms have shortened their firm name and adopted sophisticated identity programs.
- While the MDP issue is up in the air, especially since Enron, law firms are not sitting back. Ancillary businesses are being formed at an increasing rate. Examples include areas such as insurance planning, employee relations, finance and trade, healthcare, government affairs, strategic planning, technology, human resources, and wealth management.
- More firms have strategic business and marketing plans. In a recent survey conducted by the Legal Marketing Association, fifty-nine percent reported that their firms have a written strategic plan and fifty-five percent reported that they have a written marketing plan.

As the profit squeeze, competition, and the maturing marketplace for legal services continues, law firms must be on top of every opportunity and aware of every threat to survive in the changing 2000s and beyond. As markets change; approaches to the delivery of legal services must change as well. This will require strong and effective law firm management. Lawyers and administrators and other management professionals will need to continue to sharpen their management skills.

Managing partners, executive directors, legal administrators, marketing directors, and practice group leaders express common concerns regarding the lack of benchmark data and general information on “best practices.” Law firm management needs answers to questions such as:
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• How are we doing financially?
• Is our attorney/staff ratio in line with comparable firms?
• Should and how do we offer new practice areas?
• Are our billing rates competitive with other firms?
• Is our partner compensation in line with comparable firms?
• Are we paying competitive salaries to our management and staff professionals?
• How do we maximize client loyalty and the amount of business from each client?
• Should and how do we open a new office?
• What lawyers should we recruit as lateral hires?
• How do we position the firm in the market to most effectively compete for desired business?
• Which marketing tactics will be the most effective?

The Law Office Management Review Checklist provides attorneys and law firm administrators with an assessment tool designed to outline management best practices and identify the firm’s strong areas as well as areas needing improvement. The Law Office Management Review Checklist will provide attorneys and law firm administrators with the following benefits:

• An overall management self-assessment scale with guidelines on interpretation of results. This self-assessment scale (on a 1-5 rating scale), which focuses on the broader “management issues” asks the respondent to respond to questions which rates the firm in the following areas considered to be the Cornerstones of Successful Law Firms:
  - Partner Relations
  - Firm Management and Leadership
  - Firm Administration
  - Partner Compensation
  - Marketing and Planning

• Short and easy to use general operational management and administration checklist designed to outline best management and administrative practices and identify “red flags” with simple YES/NO/NA responses in the following areas:
  - Governance & Structure
  - Image
  - Long Range Planning
  - Marketing, Business Development & Client Relations
    Market Research
    Market Planning
    Pricing & Fee Setting
    Practice Management
    Client Relations
  - Business Organization
  - Business Operations
    Technology Deployment
    Purchasing
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- Library
- Supplies
- File Opening/Closing
- Docket Control and Scheduling
- Conflict of Interest
- Financial
  - Bookkeeping and Accounting
  - Client Trust Accounts
  - Cash Management
  - Financial Management & Budgeting
  - Cost Control
  - Controlling Operations
  - Property and Equipment
  - Accounts Payable and Liabilities
  - Raising Money
  - Credit and Collections
  - Dealing with Banks
  - Cost of Money
  - Special Financial Tools
  - Financial Performance
- Human Resources
  - Handling Associates
  - Hiring
  - Salary Administration
  - Training
  - Motivating
  - Communications and Policies
- Administration
  - General
  - Work Flow and Process
  - Insurance
  - Problem Solving
  - Decision Making

• Brief, quick, easy to use self-assessment scale and checklist which can be used to organize information regarding the law firm’s present management practices.
• Provides the firm’s management team with a tool which can be used to compare existing practices with industry best practices.
Completed checklists can be used to assist in formulating corrective action plans designed to streamline the firm’s present management practices.

Annual updates to the checklist reflecting new ideas and changes in law firm best practices.

How to Use the Management Review Checklist

The Management Review Checklist is a management review tool designed to be used by the law firm’s management team to access the following:

- How the firm rates in the five firm management areas considered to be the cornerstones of successful law firms. These areas are key to the long-term survival and health of the firm and are often referred to as the “management concerns” of the firm. This rating is accomplished by completing the overall management self-assessment scale.
- Is the firm aware of and taking advantage of some of the law firm management best practices that are being used by successful law firms? This analysis is accomplished by completing the short and easy to use general operational management and administration checklist designed to outline best management and administrative practices and identify “red flags” with simple YES/NO/NA responses.

The Management Review Checklist is designed to be completed by firm management which could involve the Executive Committee, Managing Partner, Administrator or other personnel with firm management responsibility.

The following sequence of activities is recommended:

- Appoint someone to complete the review.
- Complete the Overall Law Office Management Self-Assessment Scale and the Detail Operational and Management Review Checklist.
- Take notes and note ideas and improvement areas as you complete the checklist.
- Prepare a report of findings and recommendations.
- Present the report to the appropriate governing body in a meeting.
- Based upon decisions made in the meeting, prepare an action plan with both specific responsibilities and completion timetables identified. Accountability should be designed into the plan.
- Implement the plan.
- Follow-up and review.
scale completion instructions

this self-assessment scale rates firm management in the five areas considered to be the cornerstones of successful law firms. these areas are key to the long-term survival and health of the firm and are often referred to as the “management concerns” of the firm.

rate the firm in each of the five category areas by assigning a numeric rating according to the following scale:

1 – poor
2 – fair
3 – good
4 – very good
5 – excellent

i. partner relations

this area deals with the overall partnership culture of the firm and the relationships that exist among the partners in the firm.

a. partners have a high level of trust for each other
b. partners like and respect each other.

c. partners “talk” and communicate with each other on sensitive issues.
d. the firm deals with unproductive partners.
e. the firm has a program in place for retirement funding.
f. partners are accountable to each other.
g. partners put the firm first rather than themselves.

average score

ii. firm management and leadership

this area deals with the overall leadership and management of the firm which focuses on the “management issues” and not the administrative or operational areas of the firm:

a. quality of leadership skills. do people in firm management positions have leadership skills? for example,

1. fostering a firm vision.
2. provide purpose, passion and meaning.
3. firm-first attitude.
4. fosters and builds consensus.
5. communication and interpersonal skills.
6. Trusted and respected.  
7. Seizes opportunities and creative.  
8. Creates developmental opportunities for others.  
9. Bias toward action, is courageous and takes risks.  

B. Are the best managers managing the firm?  
C. Accountable?  
D. Is the firm doing a good job of associate development & retention?  
E. Is the firm doing a good job of staff development & retention?  
F. Is the firm doing a good job of partner development & retention?  

Average Score

III. Firm Administration  
This area deals with the operational or administrative areas of the firm and is concerned with all other areas not considered to be strategic in nature. Typically, these areas are the responsibility of an administrator or office manager.

A. Quality of delegation of administrative duties to non-attorney office staff?  
B. Quality of non-attorney management skills?  
C. Quality of administrative management?  

Average Score

IV. Partner Compensation  
This area deals with both attitudes toward the amount of total compensation and the process, or the system, used to determine compensation.

A. Overall satisfaction of partners with current amount of compensation.  
B. Overall satisfaction of partners with the system used to determine compensation.  
C. Effectiveness in measuring “total contribution” of partners.  
D. Effectiveness in encouraging behaviors that the firm is seeking to develop and reward.  
E. System is aligned with the firm’s business strategies, culture & personality  
F. System is perceived as fair by firm partners.  
G. System is simple and understood by partners in the firm.  
H. Rules are followed and applied in a consistent manner from partner to partner and from year to year.  

Average Score
I. Partners making compensation decisions are trusted and respected.

J. System reinforces a “firm first” attitude.

Average Score

V. Marketing and Planning

This is concerned with both long range planning and marketing program and activities of the firm. In addition, quality of client service is addressed as well.

A. Quality of the firm’s long range plan.

B. Appropriateness of the firm’s vision, mission, and goals.

C. Effectiveness of the firm’s strategic or business plan.

D. Effectiveness of the firm’s client feedback system.

E. Client satisfaction with firm’s services and processes.

F. Effectiveness of the firm’s action plans.

G. Quality of the firm’s marketing infrastructure:
   1. Marketing plans for firm, practice groups, and individual attorneys.
   2. Marketing coordinator.
   3. Integrated firm identity plan that insures consistency in all external communications collateral materials such as letterhead, business cards, web sites, powerpoint presentations, brochures, newsletters, press releases, media kits, seminar handout, etc.
   4. Quality collateral materials listed above.
   5. Content driven web site.
   6. Contact database of clients, referral sources, target and prospective clients, media sources, etc.
   7. Capabilities content such as articles, case studies, recent verdicts, that demonstrate the unique capabilities of the firm.

H. Effectiveness of the firm’s marketing plan.

I. Quality of the firm’s marketing program.

J. Firm’s innovation ability.

Average Score

Total Average Score

Interpretation of Results

Upon completion of overall rating in each of the individual categories, total the scores in the category area and divide by the total number of items in the category to determine an average score for the category. Then total the average category scores in each of the categories and divide by five to determine your total average score. Review your scores and use these to determine where you stand using the following interpretation guide:
Score of 2.5 or below
Results in a significant deficiency that needs to be addressed and developed.

Score between 2.5 & 3.5
Scores within this range are average and indicates mediocre performance. Improvement is warranted.

Score 3.5 to 5
Scores within this range indicates that the firm members perceive that the firm is performing well and that firm leadership should be mentoring others in the firm who are deficient in their performance.

Detail Operational and Management Review Checklist

Checklist Completion Instructions
This operational and management review checklist is designed to help the firm identify whether it is aware of and taking advantage of some of the law firm management best practices that are being used by successful law firms. This analysis is accomplished by completing the short and easy to use general operational management and administration checklist designed to outline best management and administrative practices and identify “red flags” with simple YES/NO/NA responses.

Respond to each of the following questions with a YES/NO/NA response. At the conclusion of each section, total your answers for YES/NO/NA. Calculate a grand total for all sections at the end of the checklist.

<table>
<thead>
<tr>
<th>YES</th>
<th>NO</th>
<th>NA</th>
</tr>
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I. Governance

A. Does the firm have a firm governance plan that identifies and outlines decisions/responsibilities for the full partnership at large, the executive committee, the managing partner, and the administrator/office manager?

B. Does the present structure seem appropriate for your firm?

C. Are partners accountable to each other and to the firm?

D. Does the firm have adequate leadership and direction?

E. Does the compensation system fit the firms culture, structure, and goals and objectives?

F. Have separate job descriptions been prepared and adopted for the partners, the executive committee, managing partner, and the firm administrator?

G. Is the firm properly delegating administrative tasks to an office manager or other staff member(s)?

H. Does the firm have an effective internal and external communications program?

I. Have boundaries and roles been established for the partners, executive committee, managing partner, and the firm administrator?

J. Is there speedy decision making?
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K. Do issues get confronted and dealt with? ☐ ☐ ☐

L. Is there clear accountability and responsibility? ☐ ☐ ☐
   Total Number of Yes Responses _____
   Total Number of No Responses _____
   Total Number of NA Responses _____

II. Firm Image
   A. Has the firm identified it’s mission, goals, philosophies, purpose and image that it desires to portray? ☐ ☐ ☐
   B. Does the firm have a firm identity plan? ☐ ☐ ☐
   C. Is the desired image presented through a consistent representation of the following:
      1. Quality of work product. ☐ ☐ ☐
      2. Consistent high level of client service as reported by the client. ☐ ☐ ☐
      3. Quality of collateral marketing materials. ☐ ☐ ☐
      5. Personnel. ☐ ☐ ☐
      6. Office facilities. ☐ ☐ ☐
      7. Presentation and informational materials. ☐ ☐ ☐
      8. Behaviors and ethical practices of attorneys in the firm. ☐ ☐ ☐
   Total Number of Yes Responses _____
   Total Number of No Responses _____
   Total Number of NA Responses _____

III. Long Range Planning
   A. Does the firm have a complete and up-to-date strategic/business plan which includes:
      1. One-year and three-year projections. ☐ ☐ ☐
      2. Executive Summary. ☐ ☐ ☐
      5. Administrative Expense Plan. ☐ ☐ ☐
      7. Staffing Plan ☐ ☐ ☐
         a. Pro Forma Fee Projection by type of service and by client. ☐ ☐ ☐
         b. Pro Forma Income Statement and Balance Sheet. ☐ ☐ ☐
         c. Budgets ☐ ☐ ☐
         d. Pro Forma Cash Flow Statements. ☐ ☐ ☐
         e. Total Revenue Dollars and charged hours. ☐ ☐ ☐
         f. Data on Accounts Receivable, Work-in-Progress, Hours (billable and non-billable), and write-offs and write-downs. ☐ ☐ ☐
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B. Has the firm analyzed the practice, client sources, trends in the community and the firm; the firm’s strengths and weaknesses, the opportunities available for the firm, and of how the firm is perceived by the clients and potential clients? □ □ □

C. Have general goals, long-term and short-term objectives been formulated? □ □ □

D. Has the business grown at least above the rate of inflation? □ □ □

E. Has the firm met its growth, income, and profit goals? □ □ □

Total Number of Yes Responses ______
Total Number of No Responses ______
Total Number of NA Responses ______

IV. Marketing, Business Development & Client Relations

A. Market Research.
   1. Has the firm identified target markets? □ □ □
   2. Has the firm identified a specific marketing niche? □ □ □
   3. Can the firm differentiate their service from their competitors? □ □ □
   4. Has the firm identified client wants/needs? □ □ □
   5. Do you know how your clients perceive your services? □ □ □
   6. Does the firm solicit feedback from clients via client surveys or focus groups? □ □ □
   7. Does the firm have a client council or advisory board? □ □ □
   8. Has the firm taken advantage of market potential? □ □ □
   9. Has the competition been analyzed? □ □ □

B. Marketing Infrastructure
   1. Does the firm have a business and marketing plan for the firm, practice groups and individual attorneys? □ □ □
   2. Is someone assigned to coordinate the marketing activities of the firm? □ □ □
   3. Does the firm have a firm identity plan that is used consistently in all external communication collateral materials such as letterhead, businesscards, web sites, powerpoint presentations, brochures, newsletters, press releases, media kits, seminar handout, etc? This plan should be developed to differentiate and reflect the image of the firm. □ □ □
   4. Quality collateral marketing materials. □ □ □
   5. A content driven web site. The web site should be database driven to facilitate easy updating. □ □ □
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6. A contact database of clients, referral sources, target and prospective clients, media sources, etc.

7. Content such as articles, case studies, recent verdicts, etc. that demonstrates the unique capabilities of the firm.

C. Market Planning

1. Does the firm’s marketing plan provide for an action/implementation plan?

2. Does the firm have a marketing budget?

3. Does the firm’s marketing plan provide for the following four marketing strategies in the marketing mix?
   a. Service Planning.
   b. Delivery Strategy.
   c. Promotional Strategy.
   d. Pricing Strategy.

4. Which of the following promotional vehicles does the firm’s plan employ?
   a. Networking and relationship building by individual attorneys.
   b. Client feedback and follow-up on action items.
   c. Firm sponsored seminars.
   d. Client industry association events.
   e. Newsletters & Quality collateral materials.
   f. Personal Selling/Presentations.
   g. Advertising.
   h. Promotions.
   i. Public Relations.

5. Does the firm spend 2% or more of the firm’s gross fees on marketing?

6. Does the firm maintain a contact database?

7. Has the firm developed an adequate marketing mix?

8. Does the firm’s marketing plan provide for adequate diversification?

9. Does the firm’s marketing plan provide for adequate resources?

10. Do all firm attorneys submit annual personal marketing plans?

11. Do all practice groups submit marketing plans?

12. Does the firm have an effective marketing training program in place for attorneys and staff?

13. Does the firm have an effective client service training program in place for attorneys and staff?

D. Pricing and Fee Setting

1. Does the firm review fee structures annually?
2. Are fees in line with what other firms are charging?  □  □  □
3. Is your fee structure based upon your cost structure?  □  □  □
4. Have you conducted fee sensitivity studies?  □  □  □
5. Is the firm employing value or alternative billing?  □  □  □
6. Has the firm considered other methods of packaging and pricing a particular set of services?  □  □  □
7. Has the firm taken an innovative approach to alternative pricing?  □  □  □

E. Practice Management
1. Is client service a priority?  □  □  □
2. Is there a rational balance between serving your client’s needs and good business practice?  □  □  □
3. Is the firm managing the flow of work within the firm?  □  □  □
4. Has the firm put quality control systems in place?  □  □  □
5. Are paralegals being used?  □  □  □
6. Are practice systems being used and developed?  □  □  □
7. Is the firm’s equipment up-to-date?  □  □  □
8. Have standardized forms, checklists and procedural guides been developed?  □  □  □
9. Has an appropriate work product retrieval system been developed?  □  □  □
10. Is the firm’s organizational structure appropriate?  □  □  □
11. Is the appropriate CLE program in place?  □  □  □
12. Are attorneys and staff appropriately trained and supervised?  □  □  □
13. Is the level of specialization appropriate?  □  □  □

F. Business Development
1. Are your business development efforts and practices satisfactory?  □  □  □
2. Are attorneys and staff properly directed in their firm marketing responsibilities?  □  □  □
3. Are new client prospects quickly followed-up?  □  □  □
4. Has a new client prospect screening system been formulated?  □  □  □
5. Has the firm developed appropriate handout materials such as business cards, brochures, folders, etc.? What is the appearance?  □  □  □
6. Do you establish individual business development goals for the attorneys?  □  □  □
7. Do you adequately support and reward business development efforts?  □  □  □
8. Are the attorneys trained in marketing and the art of sales presentations?  □  □  □

G. Client Relations
1. Does the firm do an annual legal checkup of its continuing clients affairs?  □  □  □
2. Is there a procedure to deal with client complaints? □ □ □
3. Is there a procedure to test the attitude of clients toward the firm? □ □ □
4. Is each lawyer of the firm knowledgeable as to the firm’s range of services offered and able to discuss these service opportunities with both clients and potential clients? □ □ □
5. Does the firm have a policy to send clients a copy of all documents, letters, etc., to project effort? □ □ □
6. With respect to existing clients, does the firm’s practice development require the partners to maintain contact with key executives of business clients? □ □ □
7. Is a procedure in effect for periodic review of:
   a. Corporate Minutes? □ □ □
   b. Wills? □ □ □
   c. Other legal documents? □ □ □
8. Do the lawyers of the firm:
   a. Make “house calls”? □ □ □
   b. Visit the client’s place of business to understand his/her business? □ □ □
   c. Go with the client to the scene of the accident in personal injury and workers’ compensation cases? □ □ □
9. Do the firm lawyers take telephone calls with the the client in the office? □ □ □
10. Is the office clean and neat, and does it reveal a friendly atmosphere? □ □ □
11. Are telephone calls and other client inquiries to the firm promptly answered? □ □ □
Total Number of Yes Responses ______
Total Number of No Responses ______
Total Number of NA Responses ______

V. Business Organization
A. Does the firm’s legal form or organization suit the business? □ □ □
B. Is the firm’s fiscal year its natural business year? □ □ □
Total Number of Yes Responses ______
Total Number of No Responses ______
Total Number of NA Responses ______

VI. Business Operations
A. Technology Deployment
1. Does the firm have a long range technology plan? □ □ □
2. Have attorneys and staff been properly trained on equipment and software? □ □ □
3. Does the firm have someone responsible for keeping abreast of new technological developments and changes? □ □ □
4. Is the firm making full use of its technology investment? □ □ □
5. Is the firm staying up with client demands for technology deployment? □ □ □
6. Is the firm using
   a. Word processing software. □ □ □
   b. Billing software. □ □ □
   c. General ledger. □ □ □
   d. Accounts payable. □ □ □
   e. Trust accounting. □ □ □
   f. Document management. □ □ □
   g. Case management. □ □ □
   h. Litigation support. □ □ □
   i. Voice recognition. □ □ □
   j. Palm devices. □ □ □
   k. Docket control. □ □ □
   l. Conflict of Interest. □ □ □
   m. Marketing/relationship software. □ □ □
   n. On-line legal research. □ □ □
   o. Internet. □ □ □
   p. Intranet. □ □ □
   q. Extranet. □ □ □
   r. Web site. □ □ □
   s. E-mail. □ □ □
   t. Application Service Providers. □ □ □
7. Does the firm have an ongoing technology training program? □ □ □
8. Does the firm have access to qualified outside technical expertise and
    relationships with qualified professionals? □ □ □
9. Does the firm have adequate in-house support expertise? □ □ □
10. Is the firm up to date in technology? □ □ □
11. Does the firm have an up-to-date phone and voice mail system? □ □ □

B. Purchasing
1. Are reputable, competitive vendors used? □ □ □
2. Do you have a purchasing program? □ □ □

C. Library
1. Does the firm have central library purchasing? □ □ □
2. Does the firm conduct an annual review of the firm library? □ □ □
3. Is the firm using CD Rom and computer technology? □ □ □
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4. Is the firm using on-line research? □ □ □
5. Is the firm’s library adequate for its needs? □ □ □

D. Supplies
1. Does the firm know what the inventory turnover is? □ □ □
2. Have you established rational reordering policies? □ □ □

E. File Opening/Closing
Does the firm have an adequate system for opening and closing client files? □ □ □

F. Docket Control and Scheduling
Does the firm have an adequate docket control system? □ □ □

G. Conflict of Interest
Does the firm have an adequate system for checking conflicts of interest? □ □ □

Total Number of Yes Responses __
Total Number of No Responses __
Total Number of NA Responses __

VII. Financial

A. Bookkeeping and Accounting
1. Does the client have a formalized descriptive chart of accounts? □ □ □
2. Are the categories in the chart of accounts meaningful for management purposes? □ □ □
3. Does the client have a standard entry journal for monthly recurring entries? □ □ □
4. Is the general ledger chart of accounts arranged for ease in preparing monthly statements? □ □ □
5. Are you using a computerized billing, general ledger, accounts payable, and trust accounting system? □ □ □
6. Are records easy to come by? □ □ □
7. Can you get information when you need it? □ □ □
8. Do you receive monthly financial statements? □ □ □
9. Do you receive annual financial statements? □ □ □
10. Are bank accounts reconciled on a monthly basis? □ □ □
11. Is the Bank reconciled back to the computer general ledger cash account? □ □ □
12. Does the firm have a report distribution schedule? □ □ □
13. Are reports accurate and distributed on time? □ □ □

B. Client Trust Accounts
1. Does the firm have a separate bank account for client trust funds? □ □ □
2. Has firm management and staff been trained in proper client trust account practices and procedures? □ □ □
3. Is firm management and staff aware of the types of transactions that require trust accounts? □ □ □
4. Does the firm have a copy of their state’s rules and ethical guidelines regarding trust accounts? □ □ □
5. Has firm management and staff studied these rules? □ □ □
6. Does the firm maintain, either manual or on computer, a written client trust ledger for each client? □ □ □
7. Does the firm maintain, either manual or on computer, a written journal for each trust bank account? □ □ □
8. Does the firm receive and maintain all bank statements and cancelled checks? □ □ □
9. Are trust bank accounts reconciled on a monthly basis? □ □ □
10. Are retainers and unearned fees deposited in the trust account? □ □ □
11. Are Personal Injury settlements deposited in the trust account? □ □ □
12. Does the firm utilize a computerized trust accounting system? □ □ □
13. Do all firm personnel understand your state’s IOLTA trust account rules? □ □ □

C. Cash Management
1. Does management get a daily cash balance report? □ □ □
2. Are formal cash projections prepared and coordinated with forecasts and budgets? □ □ □
3. Are you receiving maximum cash discounts? □ □ □
4. Is cash managed effectively by taking cash discounts, by reducing bank loans, or by utilizing the cash for investments? □ □ □
5. Are all bank accounts necessary? □ □ □
6. Are receipts deposited promptly? □ □ □
7. Are your methods of financing the most economical under the circumstances? □ □ □

D. Financial Management & Budgeting
1. Does the firm forecast, by levels of staff required, its total chargeable time requirement necessary to service existing clients? □ □ □
2. Does the firm recruit staff on the basis of the requirements determined by the forecast of total chargeable time? □ □ □
3. Does the firm prepare a budget of salary and all other costs? □ □ □
4. Does the firm develop its billing rates on the basis of its budgeted costs plus desired remuneration of partners and associates? □ □ □
5. Are internal-use financial statements prepared:
   a. Monthly? □ □ □
   b. At some other interval? □ □ □
6. Are financial statements compared with:
   a. Prior periods? □ □ □
   b. Budgets? □ □ □

7. For internal purposes, are financial statements prepared on a total accrual basis, including valuing the work in process at standard billing rates? □ □ □

8. Do the financial statements or other firm records, provide the following information:
   a. Income by type of service or engagement. (e.g., Estates, Real Estate, etc.)? □ □ □
   b. Billing adjustments, favorable and unfavorable? □ □ □
   c. Billing adjustments identified by individual partner? □ □ □
   d. Analysis of nonchargeable time of each individual? □ □ □
   e. Comparison of chargeable and other hours to standard by individual? □ □ □

9. Are work-in-process records maintained on a current basis for each client showing:
   a. Chargeable time by individual? □ □ □
   b. Extension of chargeable time at standard billing rates? □ □ □
   c. Disbursements recoverable from client? □ □ □

10. Does the firm have a policy regarding charges for:
    a. Clerical time? □ □ □
    b. Travel time? □ □ □
    c. Billing time? □ □ □

11. Does the firm have a policy regarding fees charged to charitable and other nonprofit organizations? □ □ □

12. Does a firm have a policy regarding progress billings? □ □ □

13. Is there a procedure whereby work in progress is analyzed according to age? □ □ □

14. Are time and expense reports used as a basis for billing the firm's services? □ □ □

15. Are time reports required for nonprofessional staff? □ □ □

16. Are time reports required to be submitted:
    a. Weekly? □ □ □
    b. Semimonthly? □ □ □
    c. Monthly? □ □ □

17. Are time and expense reports designed to facilitate:
    a. Accounting for all reportable time (chargeable and non-chargeable)? □ □ □
    b. Prompt periodic preparation? □ □ □
c. Ease of recording in the firm's records?  □ □ □
d. Preparation of payroll?  □ □ □
e. Ease of accounting for, and reimbursement of, expenses?  □ □ □
f. Segregation of chargeable time into major billing classifications (e.g., Real Estate, Estates, etc.)?  □ □ □
g. Computer processing?  □ □ □

18. Do attorneys and other timekeepers enter their time directly into a computer system?  □ □ □

19. Do the standard billing rates, as reflected in the work in progress, vary according to the nature of the work?  □ □ □

20. If one rate is used for all services, varying only by the level of staff engaged, are adjustments made at the time of billing to account for a higher rate with respect to specialty areas?  □ □ □

21. Are standard billing rates reviewed and revised regularly?  □ □ □

22. On fixed fee engagements, is the time spent regularly compared to the fee to determine what increases, if any, should be suggested?  □ □ □

23. Are billings prepared promptly at the end of an interim, year end or completion of file?  □ □ □

24. Are major billing adjustments reviewed by a partner other than the one responsible for the file and its billing?  □ □ □

25. Is the firm using, or experimenting with, alternative billing?  □ □ □

26. Do bills present sufficient descriptive detail of the services performed?  □ □ □

27. Is there a policy regarding discussion of fees with clients prior to billing:
   a. New Clients?  □ □ □
   b. Established Clients?  □ □ □

28. Does the firm use engagement letters?  □ □ □

29. Are receivable statements prepared and sent regularly with respect to unpaid balances?  □ □ □

30. Are the firm's accounts receivable reviewed regularly as to age?  □ □ □

31. Are significant delinquent accounts reviewed periodically by a partner or partners other than the one responsible for the file?  □ □ □

32. Does the firm have an administrative staff member responsible for accounts receivable follow-up?  □ □ □

33. Does the firm have a billing committee?  □ □ □

34. Is there a review of specific performance of individual partners, for example:
   a. Contribution to profit?  □ □ □
   b. Collection and billing practice relative to the firm's norms and policies?  □ □ □

35. Does the firm use a cash flow budget?  □ □ □

36. Does the firm use deviation analysis monthly?  □ □ □

37. Are capital equipment purchases budgeted?  □ □ □
E. Cost Control
   1. Are cost items managed?  ☐  ☐  ☐
   2. Are high cost items treated separately?  ☐  ☐  ☐

F. Controlling Operations
   1. Are formal operations forecasts and budgets prepared for the next year?  ☐  ☐  ☐
   2. Are longer range forecasts also made?  ☐  ☐  ☐
   3. Are budgets used effectively to control operations?  ☐  ☐  ☐
   4. Are monthly or quarterly budget variances analyzed, and is corrective action taken?  ☐  ☐  ☐
   5. Does the firm stay abreast of new technology products and services?  ☐  ☐  ☐

G. Property and Equipment
   1. Are capital expenditures budgeted and are purchase alternatives properly evaluated?  ☐  ☐  ☐
   2. Are physical controls over fixed assets adequate?  ☐  ☐  ☐
   3. Are fixed assets records adequate?  ☐  ☐  ☐
   4. Is a periodic fixed assets inventory taken?  ☐  ☐  ☐
   5. Is equipment kept in good repair through regular maintenance?  ☐  ☐  ☐
   6. Is all equipment effectively utilized?  ☐  ☐  ☐
   7. Are depreciation and capitalization policies reasonable?  ☐  ☐  ☐
   8. Are facilities and equipment adequate to meet production demands?  ☐  ☐  ☐

H. Accounts Payable and Liabilities
   1. Is trade credit being used as a source of financing, if appropriate?  ☐  ☐  ☐
   2. Is long-term financing (should refinancing be considered)?  ☐  ☐  ☐
   3. Are payroll, payroll tax and employees’ earnings records adequate and efficient?  ☐  ☐  ☐
   4. Is leasing being used as a major source of financing?  ☐  ☐  ☐
   5. Are vendors bills being paid on a proper time frame? (Not too soon and not too late)  ☐  ☐  ☐
   6. Are vendor invoices entered into the accounts payable computer system immediately upon receipt?  ☐  ☐  ☐
   7. Are vendors paid from invoice as opposed to statements?  ☐  ☐  ☐
   8. Are invoices matched up to packing slips and properly approved prior to payment?  ☐  ☐  ☐
   9. Are 1099s filed each year where required?  ☐  ☐  ☐
  10. Are check requests used to support requested checks when no invoice exists and are they properly approved?  ☐  ☐  ☐
Guide To Law Firm Management Best Practices

<table>
<thead>
<tr>
<th>Section</th>
<th>Question</th>
<th>Yes</th>
<th>No</th>
<th>NA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I. Raising Money</strong></td>
<td>1. Has the firm been successful in raising partner capital when it was needed?</td>
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<td></td>
<td>2. Are the firm’s credit lines adequate?</td>
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<tr>
<td><strong>J. Credit and Collection</strong></td>
<td>1. Does the firm know its credit and collections costs?</td>
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<td>2. Is the current policy successful?</td>
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<td>3. Does the firm review its credit and collections policies regularly?</td>
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<td>4. Does the firm have a receivables management policy?</td>
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<td><strong>K. Dealing with Banks</strong></td>
<td>1. Is the firm’s relationship with its lead banker open and friendly?</td>
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<td>2. Does the firm have access to more than one source of financing?</td>
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<td><strong>L. Cost of Money</strong></td>
<td>1. Does the firm compare the cost of money (interest points) with your profit ratios?</td>
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<td>2. Are interest rates and loan conditions appropriate?</td>
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<td><strong>M. Specific Financial Tools</strong></td>
<td>Does the firm know and use:</td>
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<td>1. Break-even analysis?</td>
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<td>2. Cash flow projections and analysis?</td>
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<td>3. Monthly and Profit and Loss Statements?</td>
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<td>4. Balance Sheets?</td>
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<td>5. Ratio analysis?</td>
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<td>6. Legal industry financial &amp; other ratios?</td>
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<td>7. Tax planning?</td>
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<td><strong>N. Financial Performance</strong></td>
<td>1. Does the firm, on an annual basis, compare its performance against law firm industry benchmarks?</td>
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<td>2. Does the firm receive and analyze law firm industry economic surveys?</td>
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<td>3. Is the firm’s financial and operating performance within industry benchmarks?</td>
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<td>4. Is the firm satisfied with its performance?</td>
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<td>5. Is the firm’s performance improving each year?</td>
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<td>6. Is the firm’s current performance within the goals and budget for the year?</td>
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Total Number of Yes Responses: ___
Total Number of No Responses: ___
Total Number of NA Responses: ___
Guide To Law Firm Management Best Practices

VIII. Human Resources

A. Handling Associates

1. Does the firm have an associate development plan? □ □ □
2. Do you believe that the firm is effectively recruiting high quality associates? □ □ □
3. Is the firm doing a good job of retaining high quality associates? □ □ □
4. Are associates required to develop career plans? □ □ □
5. Is the associate compensation system designed to reinforce achieving firm objectives as well as individual objectives? □ □ □
6. Is the associate compensation plan working? □ □ □
7. Do the associates prepare annual business and marketing plans? □ □ □
8. Are associates trained in the business of law and in management? □ □ □
9. Are associates trained in client service skills? □ □ □
10. Does the firm have an effective mentoring program? □ □ □
11. Does the firm have associate performance guidelines? □ □ □
12. Does the firm have, in writing, an associate career progression program and what the requirements are to “make partner?” □ □ □
13. Does the firm conduct associate satisfaction surveys? □ □ □
14. Does the firm’s culture encourage a balanced work and family life? □ □ □
15. Does the firm have a performance management system which consists of a three step process which includes:
   (1) performance planning, a process carried out jointly by associate and partner;
   (2) performance coaching, an ongoing formal and informal interaction; and
   (3) performance review, an activity that emphasizes development needs and provides a final rating? □ □ □
16. Does the firm have an in-house CLE program for associates? □ □ □
17. Is the firm’s budget for CLE for associates adequate? □ □ □
18. Is the associate compensation program achieving desired outcomes? □ □ □
19. Does the firm have an associate recruiting marketing program? □ □ □

B. Hiring—General Office

1. Has the right mix of people been hired? □ □ □
2. Does the firm hire from a pool of qualified applicants? □ □ □
3. Does the firm maintain a file of qualified applicants? □ □ □
4. Are there formal hiring and firing policies? □ □ □
5. Are hirings and firings documented in accordance with the policies? □ □ □
6. Does the firm use qualified employment agencies? □ □ □
7. Does the firm properly screen employees? □ □ □
8. Does the firm check out all references? □ □ □
Guide To Law Firm Management Best Practices

C. Salary Administration
   1. Are personnel policies regarding holidays, vacation, compensation, and fringe benefits documented and communicated to employees? □ □ □
   2. Are wages and salaries competitive? □ □ □
   3. Is overtime controlled by the firm? □ □ □
   4. Are there pension and profit-sharing plans? □ □ □
   5. Are performance reviews and evaluations performed and are they conducted on schedule? □ □ □
   6. Does the firm have a performance management system which consists of a three step process which includes:
      (1) performance planning, a process carried out jointly by employee and manager;
      (2) performance coaching, an ongoing formal and informal interaction; and
      (3) performance review, an activity that emphasizes development needs and provides a final rating? □ □ □
   7. Do employees prepare annual personal plans? □ □ □

D. Training
   1. Are the firm’s employees suitably trained for their jobs? □ □ □
   2. Are training programs in effect? □ □ □
   3. In addition to legal areas, are staff trained in the following areas:
      - Communications. □ □ □
      - Management. □ □ □
      - Time management. □ □ □
      - Marketing. □ □ □
      - Client service. □ □ □
      - Speaking and writing. □ □ □

E. Motivating
   1. Do the employees appear to enjoy what they are doing? □ □ □
   2. Is the office morale high? □ □ □
   3. Does the firm environment express a concern for employees? □ □ □
   4. Are staff treated as team members? □ □ □
   5. Are employees treated fairly and in a consistent manner? □ □ □
   6. Is communication good in the firm? □ □ □
   7. Is there harmony in the office? □ □ □
   8. Does the firm have weekly staff meetings? □ □ □
   9. Does the firm measure attorney and staff turnover and compare against industry benchmarks? □ □ □
### Communications and Policies

<table>
<thead>
<tr>
<th>Number</th>
<th>Question</th>
<th>YES</th>
<th>NO</th>
<th>NA</th>
</tr>
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<tbody>
<tr>
<td>1.</td>
<td>Is the firm delegating as much as it should?</td>
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<td>2.</td>
<td>Is the delegation as complete as it could be?</td>
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<td>3.</td>
<td>How often are we interrupted with new ideas?</td>
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<td>4.</td>
<td>Are the people with growth potential placed where they have the best potential to grow?</td>
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<td>5.</td>
<td>Do the staff really know what they are trying to accomplish?</td>
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<td>6.</td>
<td>Does the firm maintain an open door policy?</td>
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<td>7.</td>
<td>Does the firm have an attitude problem?</td>
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<td>8.</td>
<td>Is credit given when it is earned?</td>
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<td>9.</td>
<td>Does the firm have a staff manual setting out administrative policies and procedures?</td>
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<td>10.</td>
<td>If the firm does not have a staff manual, are administrative policies and procedures communicated to staff in some written form?</td>
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<td>11.</td>
<td>Is the staff manual, or other written document, given to each staff member?</td>
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<td>12.</td>
<td>Is there a procedure for the prompt updating of the administrative manual?</td>
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<td>13.</td>
<td>Does the firm have established policies regarding:</td>
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<td>a. Relations with clients?</td>
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<td>b. Objectivity?</td>
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<td>c. Confidentiality?</td>
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<td>d. Investments and other financial dealings with clients?</td>
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<td>e. Outside work?</td>
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<td>f. Overtime or bonus?</td>
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<td>g. Salary review?</td>
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<td>i. Sick leave?</td>
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<td>j. Continuing education and tuition reimbursements?</td>
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<td>k. Time off to attend various training and professional functions?</td>
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<td>l. Dues for professional and other organizations?</td>
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<td>m. Allowable expenses and reimbursement procedures?</td>
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<td>n. Involvement in civic and other community organizations.</td>
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<td>o. Speeches, articles and books?</td>
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<td>14.</td>
<td>Does the firm have:</td>
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<td></td>
<td>a. A recruiting policy?</td>
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<td>b. An intelligence or aptitude testing policy for applicants?</td>
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<td>c. An evaluation procedure with staff being made aware of the evaluation?</td>
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<td>15.</td>
<td>Are staff members made aware of the firm policies and changes in policy?</td>
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<td>16.</td>
<td>Is there a procedure for feedback from staff to use knowledge and skills of all staff?</td>
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</table>
Guide To Law Firm Management Best Practices

17. Are there staff social functions? ☐ ☐ ☐
18. Are staff errors handled in a way to improve performance and maintain respect for the firm? ☐ ☐ ☐
19. Is there group effort and cooperation in the firm on specific jobs and between departments? ☐ ☐ ☐
20. Are all professional staff aware of their role in the firm’s development plans? ☐ ☐ ☐
21. Does the firm have a policy encouraging partner and staff attendance at educational functions by paying or sharing tuition costs and allowing reasonable time off for attendance during working hours? ☐ ☐ ☐
22. Does the firm have recruiting information and material? ☐ ☐ ☐
23. Does the firm maintain a historical record on each employee? ☐ ☐ ☐
24. Is the size of the office adequate, modern and conducive to good employee morale? ☐ ☐ ☐

Total Number of Yes Responses __
Total Number of No Responses __
Total Number of NA Responses __

IX Administration

A. General
1. Are office records and recordkeeping procedures adequate? ☐ ☐ ☐
2. Are all records, forms or form copies necessary? ☐ ☐ ☐
3. Are forms and records designed for overall efficiency? ☐ ☐ ☐
4. Is the physical control over records adequate? ☐ ☐ ☐
5. Is the filing system adequate? ☐ ☐ ☐
6. Are there any internal control weaknesses? ☐ ☐ ☐
7. Is the firm utilizing good legal counsel and CPAs? ☐ ☐ ☐

B. Flow and Production of Work
1. Does the firm have adequate modern equipment? ☐ ☐ ☐
2. Are there proper facilities for the storage and control of clients’ files? ☐ ☐ ☐
3. Do the file storage facilities provide adequate security from fire and theft? ☐ ☐ ☐
4. Are there retention and destruction policies for files? ☐ ☐ ☐
5. Is the scheduling of personnel the responsibility of as few individuals as possible? ☐ ☐ ☐
6. Does the firm use a new matter/new client information form? ☐ ☐ ☐
7. Are all of the firm lawyers advised of the acceptance of any new assignments? ☐ ☐ ☐
8. Does the firm have a central index of all files? ☐ ☐ ☐
9. In the process of opening a file is:
### Guide To Law Firm Management Best Practices

<table>
<thead>
<tr>
<th>Question</th>
<th>YES</th>
<th>NO</th>
<th>NA</th>
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<tbody>
<tr>
<td>a. The file opened in the computer system?</td>
<td>☐</td>
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<tr>
<td>b. A tickler created at this time?</td>
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<td>☐</td>
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<tr>
<td>c. A conflict created at this time?</td>
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<td>10. Does the filing system presently in use allow easy access and quick retrieval of client files?</td>
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<tr>
<td>11. Is there a system for retrieving and systematically filing past work products from files?</td>
<td>☐</td>
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<tr>
<td>12. Does the firm have written systems for producing substantive legal work?</td>
<td>☐</td>
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<tr>
<td>13. Does the firm employ the modern methods of word processing?</td>
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<tr>
<td>14. Do all lawyers use dictation equipment?</td>
<td>☐</td>
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<tr>
<td>15. Do lawyers use computer word processing software?</td>
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<td>16. Dictation Equipment:</td>
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<tr>
<td>a. Is it adequate for the job?</td>
<td>☐</td>
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<tr>
<td>b. Do the lawyers know how to use it properly?</td>
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<tr>
<td>17. Are guidelines established for the method of organizing materials in files?</td>
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<tr>
<td>18. Are standard agreements, letters, checklists and other systems promptly updated, where appropriate, in light of changes resulting in the statute law, common law and other source?</td>
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</table>

#### C. Insurance

1. Does the firm use a good insurance manager outside the firm? □ □ □
2. Is an annual review of insurance coverage made and is the coverage adequate? □ □ □
3. Does insurance coverage include product or service liability and business interruption insurance? □ □ □
4. Is key-person life insurance coverage carried? □ □ □

#### D. Problem Solving

Are there few unresolved problems? □ □ □

#### E. Decision Making

Is there a chain of command? □ □ □

#### F. Government Regulations

Is the firm aware of local, state, and federal regulations? □ □ □

#### G. Leadership

Do you actually take charge of the firm and its employees? □ □ □

#### H. Developing Subordinates

Is there a ready successor? □ □ □

#### I. Dealing with Professionals

1. Do you have and use an accountant, attorney and business consultant? □ □ □
Guide To Law Firm Management Best Practices

2. Do you use outside advisors?

<table>
<thead>
<tr>
<th>YES</th>
<th>NO</th>
<th>NA</th>
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</table>

Total Number of Yes Responses

Total Number of No Responses

Total Number of NA Responses

Interpretation of Results

Upon totaling the number of YES/NO/NA responses for each section and completing the calculation of the grand total, review the response totals and use these to determine whether the firm is aware of and taking advantage of some law firm management best practices that are being used by successful law firms. A high count of YES responses would indicate that the firm is aware of and taking advantage of law firm management best practices.

Taken together, the Detail Operational and Management Review Checklist and the Law Office Management Self-Assessment Scale, provide attorneys and law firm administrators with an assessment tool designed to outline management best practices and identify the firm’s strong areas as well as areas needing improvement. The Self-Assessment Scale focuses on the broader “management issues” and provides ratings in areas considered to be the Cornerstones of Successful Law Firms. The Detail Operational and Management Review Checklist focuses on general operational management and administration issues and is designed to outline best management and administrative practices and identify “red flags” with simple YES/NO/NA responses.

Case Study

The Case of the Law Firm That Was Unable to Act

By John W. Olmstead, MBA, Ph.D, CMC

Introduction

The Managing Partner of what we shall call “Smith and Jones,” approached us concerning assisting the firm in improving its organizational effectiveness. The Managing Partner and several of the other younger partners in the firm were unhappy with the firm’s ability to make and implement decisions, current level of organizational efficiency and effectiveness, existing compensation system, and the financial performance of the firm. We were advised that if changes weren’t made, some of the members of the firm might eventually leave. We worked with the firm on a change management engagement focusing on some of the broader questions related to organizational change and readiness of the firm’s members.

Background

The law firm was an old line firm, the largest in a small mid-western town of approximately 40,000 people. There were only three other firms in town close in size. All other firms were in the three to five attorney size. The firm is approximately 60 years old. The firm has a total of eleven attorneys nine of which were partners and two were associate attorneys. The age breakdown of the four top partners was as follows: 83, 60, 55, and 43 respectively.
The remainder of the partners were in their thirties. Approximately 50 percent of the firm’s practice was insurance defense work and the remainder consisted of general business and corporate representation. The firm was a well connected group of local attorneys respected in the local business community and legal community both locally and throughout the state. The firm had an excellent base of existing clients and a solid reputation in both the insurance defense and business law related fields.

The firm was a small firm in transition to a mid-sized firm with all of the inherent problems of growth. The firm has no management scheme or plan of action whatsoever. There was no long range plan, no overall goals, no production goals, no marketing plan, and no client service delivery plan. The firm was strong on ideas but weak on implementation. There was lack of management and structure and a general lack of leadership and focus. Communications was generally poor. The compensation system of both the professional staff and the support staff was not defined nor was it tied to goal attainment or performance. Formal evaluations were not conducted.

In 1990 the firm conducted a retreat which was facilitated by another law firm management consulting firm. Few results were attained. The retreat was the firm’s first. It was poorly focused and had no follow-up. In late 1991 our firm was engaged to conduct a management, marketing, and quality review. We conducted on-site interviews, observed work processes and systems, and reviewed in-house documents. We presented a written report in a partner meeting consisting of all firm partners of our findings and recommendations. The report provided numerous specific recommendations ranging from firm management and governance, to practice management, financial management, staff restructuring, and utilization of computer technology.

The firm made some progress since 1991 on management initiatives. An up-to-date computer system was implemented. Additional accounting modules were added to the computer system. An office administrator was hired. However, very little action was taken in the more strategic areas that affect firm performance and the bottom line. No work had been done in the area of firm strategy, vision, and general leadership. The firm was still suffering from not having a goal, charted sense of direction, or management scheme. The firm still had problems with accountability and implementation. An attempt was made at forming practice teams and a few team meetings were held. However, interest waned and the teams were disbanded. Redesign of staff work processes had not been done and staff productivity was still too low and the staffing ratio too high. Paralegals were still not being utilized in a way that leveraged the practice. No action had been taken with regard to the development of automated expert practice systems. In addition, no action had been taken with regard to developing an associate attorney evaluation and compensation system, staff evaluation and compensation system, and partner evaluation and compensation. Finally, very little action had been taken on improving firm profitability.

Current Situation at Time of Recent Engagement

In 1995 the managing partner left the firm and another partner assumed the responsibility for managing the firm. He also inherited all of the litigation cases from the departing partner which had to be managed in addition to his own cases. As a result of his workload the other members of the firm agreed to let him hire an office administrator. While the new office administrator was able to assist with the day to day firm operations, he failed to be able to assist the firm in areas of strategy, vision, and general leadership. He left the firm two years later voluntarily due to a general feeling of helplessness and failure. A replacement was hired and also left after a short period of time.

Financial performance worsened during the last six years. Partner earnings declined by 15% to 65% depending upon specific individual. Firm partners were working harder and earning less. The attorney compensation system was beginning to falter and attorneys were beginning to become dissatisfied. Some members were considering other employment options.

Diagnosis

Using the Management Review Checklist we focused on the 5 cornerstones of successful law firms. As we evaluated the compensation system for the partner/owners we observed that the system was basically a lock-step system
in which partners were rewarded based upon tenure and their compensation and partnership shares increased the longer they are with the firm. In essence they moved toward full partnership share status over time. The system had no direct relationship to productivity, profitability, or performance. In fact, some of the junior and lower compensated partners had higher levels of productivity, profitability and performance than some of the senior partners. Since economic performance was not at the appropriate and desired level, the pie was not what it should have been and many of the more productive and profitable junior partners were becoming frustrated with the present system. Systems for associate attorneys, paralegals, and support staff were also not defined. Performance assessments and evaluations were not conducted and there was no relationship between compensation and employee performance.

The firm was illustrative of a firm that had failed to incorporate motivational principles into formal mechanisms for reinforcing desired behaviors. Both job content and context needed work. A business strategy needed to be formulated and the firm’s current culture assessed. Competencies for partners, associates, paralegals, and support staff needed to be developed. An appropriate reward and compensation system could be developed for each group. The firm was advised to consider implementing a performance management system and move away from the lock-step tenure based system of the past.

Recommendation and Actions Taken

Prior to tackling the reward and compensation system, we advised the firm to continue on its present course until it completed a change management program. The firm proceeded with a change management program. The first step was a two-day off site session intended to create a sense of urgency. At the conclusion of that session specific action items were identified and a plan was formulated for appropriate future action items and initiatives. Formulation of a business strategy, a cultural change initiative, and appropriate change, and identification of required competencies were implemented prior to work on the reward and compensation system. Once plans for these areas were implemented, work commenced on the reward and compensation system which was integrated with the firm’s business strategy, culture, and competency requirements.

Management Resources for Improving Performance

American Bar Association Publications
http://www.abanet.org/abapubs/home.html

ABA Law Practice Management Section
http://www.abanet.org/lpm/home.shtml

Association of Legal Administrators
http://www.alanet.org/

Legal Marketing Association
http://www.legalmarketing.org/

The Law Marketing Portal
http://www.lawmarketing.com/
Guide To Law Firm Management Best Practices

West Publications
http://www.west.thomson.com/products/default.asp

The Lawyers Competitive Edge

Findlaw Lawyer Marketing Articles
http://www.marketing.lp.findlaw.com/articles

Institute of Management and Administration
http://www.ioma.com/

Law Firm Management Consultants
http://www.hgexperts.com/hg/consultants_management.asp
http://www.martindale.com/xp/Martindale/Experts_and_Services/Search_Experts_and_Services/legal_search.xml?st=OS

Altman & Weil
http://www.altmanweil.com/

Hildebrandt International
http://www.hildebrandt.com/

Joel A. Rose & Associates, Inc.
http://www.joelarose.com

LawBiz Management Company
http://www.lawbiz.com/

Olmstead & Associates Legal Management Resource Center

Practice Development Counsel
http://www.pdcounsel.com

American Management Association
http://www.amanet.org/index.htm

Center For Creative Leadership
http://www.ccl.org/index.shtml

American Marketing Association
http://www.marketingpower.com/live/wELCOME.php?Session_ID=0028322cf6b940fb2a8c75167b3929e0
About
The Author

John W. Olmstead, MBA, Ph.D, CMC is a Certified Management Consultant and president of Olmstead & Associates, a practice management, marketing, and technology consulting firm that works with law and other professional service firms ranging in size from 100 professionals to firms with solo practitioners. The firm, founded in 1984 and based out of St. Louis, Missouri serves clients across the United States assisting them with implementing change and improving operational and financial performance, management, leadership, client development and marketing.

Dr. Olmstead has over 34 years of experience working with law and other professional service firms. His assignments have ranged from marketing and strategic planning to other legal management engagements such as organizational change, firm governance, implementation of technology, financial management, staff development, partner compensation, and practice management. He has been a lecturer for the Association of Legal Administrators, Missouri Trial Attorneys, St. Louis Metropolitan Bar Association, IBM, Illinois State University, Illinois State Bar Association, Solo-Map CPA Association of St. Louis and many other state and local bar and other professional associations. He has authored numerous articles on law office management in local, regional, and national law office management publications. He is currently serving as Editor-In-Chief, West Group, The Lawyers Competitive Edge: The Journal of Law Office Economics and Management.

He received a B.A. from Park College, an MBA, in marketing and finance from Southern Illinois University, and a Ph.D from Century University in business administration with emphasis in marketing and organizational development. His doctoral dissertation “An Exploratory Approach for Addressing Leadership Characteristics in Law Firms Using the Case of a Voluntary Bar Association,” introduced an approach for addressing leadership interpersonal characteristics and interpersonal preferences for leadership roles. He is an adjunct advisor with Century University. He is President of the Institute of Management Consultants - St. Louis Chapter. He is an associate member of the American and Illinois Bar Associations, a member of the Institute of Management Consultants, National Bureau of Certified Consultants and the Association of MBA Executives. He is also a member of the Legal Marketing Association and the Association of Psychological Type. He is currently serving as an advisory member on the Illinois State Bar Association Law Office Economics Section Council, on the Legal Marketing Association Research Committee, on the board of the Institute of Management Consultants - St. Louis Chapter, and on the Executive Advisory Board of the National Bureau of Certified Consultants.
Action Plan
Action Plan