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Lawyer referral Money Management



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Service

Session 1 - The Business Plan

Any Well-Run LRS should have a Business Plan

We need an LRS business plan, which is incorporated into the bar association business plan, to guide our money/resource management strategy.

Non-profit is a tax status not a business philosophy. A for-profit business can be unprofitable; they are sometimes referred to as bankrupt. Our non-profit lawyer referral services can provide a very valuable public service and be profitable - but it takes a plan.

What is a business plan and why does my LRS need one? A business plan is a written document that sets out the basic idea underlying the LRS. It is the “game plan” that crystallizes the dreams and the hopes that motivate the Bar Board, LRS Committee, and the LRS staff. A business plan provides a clear statement of goals and strategies and it serves as a selling tool when seeking support for your program.

With an established “game plan” we have the means to argue this point: If we have a great LRS program with a low profile aren't we depriving our community or state of a valuable resource? There are lots of people in our communities and our states who need our services. They do not know where to turn, and they do not know what questions to ask. It is the goal of the LRS to be sure that these people know where to find assistance and to let them know what the LRS can do for them. Therefore, to increase the number of people served by the LRS, and to serve them better, then a business plan will create the vision that our governing bodies need to support this endeavor.

What would an LRS business plan look like?

Write it Down. A written plan is essential to ensure systematic coverage of all-important features of the LRS. By identifying the variables that can affect the success or failures, the business plan becomes a model that helps the LRS focus on important issues and activities.

The written plan makes short-term and long-term strategies manageable. A business plan is nothing more complicated than a theory committed to writing about how we intend to improve our LRS. The plan will vary depending on the goals of our governing bodies but for most businesses it is about rendering a better service, for a better price at acceptable profit (or cost).

A business plan outline could include the following:

Title Page: Names and contact information of program, key personnel.

Table of Contents: Page numbers for sections of plan.

Mission Statement: Concise description of the LRS philosophy.

Executive Summary: One to three page overview of the business plan, written after other sections are finished, it highlights significant points, ideas, and creates motivation.

LRS Overview: Overview of LRS structure, oversight, history, objectives and current status.

Services Plan: Describes the services provided by the LRS and offers a description of its unique features, an analysis of customers needs, the environment in which you operate, and an analysis of your strengths and weaknesses.

Marketing Plan: Describes the user benefits, the target market audience and a plan to achieve heightened community awareness.

Staff/Management Plan: Describes management structure, Board and Committee oversight, plans for recruiting and training staff, and risks associated with the future.

Financial Plan: Specifies financial needs and sources of financing; presents projections of revenues, expenses and profit or loss. This section should provide historical financial statements for at least three years if possible, income statements and balance sheets, budget, and analysis of profits/loss.

Keep it Simple. The plan should start off simple. Since there are usually several people involved in the success of our LRS, the plan needs to be simple enough that all who have responsibility for its success can understand it.

Data Collection and Analysis. Obviously the past is not a perfect predictor of the future, but it is the best indicator that an LRS has. We use past performance to set targets and then measure performance to see whether they meet or fall short of goals. Understanding why an LRS succeeds is just as important as understanding why it fails.

What should we be measuring and how do we begin the process?

The following are items are examples of the type of data that could be collected, analyzed and measured.

- Number of cases accepted by month, quarter, year
- Dues Income, total panel membership
- Percentage fee and consultation fee income by month, quarter, year
- Volume of calls by month, quarter, and year
- Volume of calls compared to advertising schedule
- Which panel members are paying and which are not
- Client satisfaction/complaints
- Panel member satisfaction
- Staff performance/satisfaction
- Expenses

Additionally, consider tracking the progress of larger cases, e.g. investigating, case filed, in discovery, scheduled for trial, in settlement negotiations, case closed-fees paid.

We need to establish base line information in all relevant areas over a minimum of a year, so that we will be able to compare April to April, May to May. Usually the longer the duration of our data gathering the more useful it is but we all have to start somewhere. Just because we have been tracking data in a certain way, does not mean our areas of collection should not be expanded or change. What we want to ask ourselves is whether the data we are collecting gives us the information we need to know what parts of the service need to be improved.

As we establish base line information what we discover is the erratic nature of the numbers. Therefore trends will be expressed as ranges, averages with standard deviations up and down. There will probably be some seasonality to the numbers, which may have implications for efficient staffing and training.

Using the business plan to improve your LRS

Increased profitability provides the working capital to expand and improve our LRS. Once a Business Plan is in place, it provides the framework from which to work. Following the plan should help to provide the LRS with the following.

- Increased advertising/visibility
- Increased staff
- Better training
- Improved technology

How do we increase profitability?

- Increase the profit by handling more significant cases
- Increase the profit per transaction (better computers, phones, intake)
- Increase profits by handling more transactions (lowers unit cost)
- Increase profits by reducing overhead (less staff, staffing for peak hours)
- Increase profits by creating more efficient tracking procedures

How do we know if we are doing better than yesterday?

Ask these questions: Are we serving more people? Are we serving those we help better? Are we more profitable? We measure today's performance against yesterday's data. If it is not increasing and sometimes it will not be, we try to determine the strategy that will put us back on a path of growth.

In our business we have to talk to a lot of people to get a few fee generating cases. Therefore in order to be profitable we have to be efficient sorters and collector's, e.g. for

the CBA approximately 10% of calls become clients and about 3% become fee generating clients and approximately 1 in 10,000 calls is a very good case.

Therefore we can grow our business by generating more calls. To generate more calls we need to spend more money on promotion. So the marketing area of the business plan will focus on what are the optimum advertising methods for the LRS and how much we should spend on advertising and where is the best way to spend it?

Adding Value to the Lawyer Referral Service

A formal business plan should address the question “why call the bar referral instead of just taking the next name in the phonebook?” The answer is easy; we pre-screen our panel members for ethical lapses, professional liability insurance, and experience. We have the ability to recognize and refer complicated legal matters to experienced practitioners. We have the ability to guide people to other useful places (agencies, websites) in the legal system. We are more than just an oral phonebook where anyone can buy a listing. It is by making good referrals to good panel members to get good results that we will build our reputation in the community and our book of business.

Best source of business tomorrow is doing a good job for your clients today

Session 2 - Let's Do the Numbers

Although a business plan includes personnel, marketing, and office space. Most of us focus on the numbers. Have we met our financial objectives?

There are many legitimate ways to compile data and make projections. As we create numbers, we want to document our assumptions. It may become important later on if our numbers are higher or lower than expected we may be able to see a flaw in our assumptions.

At best projections are only as good as our underlying data and assumptions. We all know that life is not linear and yesterday's activity does not guarantee tomorrow's performance, but historical data is the best we have.

1. We do our best to analyze the past to predict the future
2. We know that we must monitor our performance trajectory and adjust as necessary

Depending on how your LRIS views its strategic plan, you may be required to link it to the budget. For example, if the strategic plan has a goal of implementing the collection of percentage fees during a two-year period in order to acquire funds for advertising, the

budget should include detailed revenue and expense strategies aimed at meeting the target set for each year.

INCOME:

- Dues
- Percentage Fees
- Consultation Fees
- Other

EXPENSES:

- Personnel salary and benefits
- Advertising -Yellow Pages, TV, Radio (include production costs)
- Office Supplies
- Phones
- Computers
- Office Space
- Training
- Postage
- Other

Associations most often use the *cash budget*. The cash budget tries to forecast use of the organization's cash resources. It projects anticipated cash expenditures and income for a specified period. A cash budget will depend heavily on the organization's ability to project its funding sources. Because budgets are often computed from historical data, that history is deemed credible as a forecast of what will transpire. If you have not been tracking income/expense, a little time spent compiling this data is your best chance at accurate forecasting. You can ensure the accuracy of your budget projections by performing a market analysis forecasting income, and ensuring adequate dues and percentage fee pricing policies are in place. The final product will provide a guide that estimates objectives, and in turn provides the basis for measuring performance.

Let's see a sample of a "bare bones" budget. This type of budget may be appropriate for the first few years of comparisons:

Gains/Expenses	2000	2001	Proposed 2002 Budget
Gains:			
Dues Income			
Bar Subsidy			
Misc. Income			
Expenses:			
Salaries			
Telephone Equip			
Telephone Line			
Computer Equip			
Advertising			

Postage			
Office Supplies			

Typically an LRS budget is a piece of the full bar association budget. Your budgeting philosophy must take into account the overall culture of the organization. In some associations projected income is treated as realized income and spent or committed as if it already existed. There will then be great gnashing of teeth when this target is not met because bills are due and cash may not be available. If this is your association's culture, prudence demands that your income predictions be very conservative.

Is your bar association's philosophy that "all targets must be met" or is it "you won't grow unless you reach."

Depending on your operating philosophy will depend on how the numbers should be configured and how conservative your assumptions should be. Any good plan should have contingencies because plans do go wrong. Setting goals and budgeting is not an exact science.

Resource Management

Staff and cash are our most precious resources and we never have enough of either. Thoughtful deployment of resources is always key to a successful operation.

Failing to manage cash properly can be devastating, e.g. spending all your money on advertising and then having to cut staff in half so calls that are generated by the advertising are unanswered was a waste of resources.

Staff is an equally important resource. What's the point of generating the calls if the people who answer the phones are surly or incompetent? What's the optimum level of compensation? How long before burnout? What motivates good people to stay with us?

If things go wrong, where is the "give" in the numbers? What's adjustable down if income projections are below target? Where can you or should you increase spending if expenses exceed income?

Try to Minimize Peaks and Valleys

In the Years of Plenty –
Bank reserves for rainy days

In the Lean Years –
Trim you're your overhead where you can without gutting your program. Use reserves to keeping from losing valuable staff and to maintain a steady marketing strategy

Education

Most businesses, including ours, have to include perpetual education of our stakeholders and/or governing boards about our mission, how we achieve the mission. Over time we want them to be thinking with us, to be part of the pragmatic problem solving process. Will some people meddle and be counter productive? You can count on it, but the 100% control of information reduces the problem solving talent pool to just you, is that enough?

Learn how to tell the LRS Story

Since we will be measuring performance on several levels, rarely are all of our indices down at the same time. Total call volume may be up but income may be down. Income may be down but expenses can be down also, so the margins are as predicted.

What's our Competition?

Direct solicitations by lawyers? Other lawyer referral services? Television advertising by lawyers? Internet referral programs? We want to spend our marketing dollars where we will be competitive. The goal is to establish our lawyer referral service as one of the top three places a consumer in our market niche will turn when selecting a lawyer.

We do not want to over value the competition. There are many good cases that are missed by the high volume providers, with the larger advertising budgets. We have to try harder and our intake staffs have to be a little bit better.

Opportunities

A good business plan should always be open to business opportunities, like an opportunity to develop a referral source such as a nursing home or an Employee Assistance Program. A business opportunity that is available for one LRS will not be available for another, e.g. large bars may be in a better position to create experience panels and beef up their “expert” quotient. Advertising costs are higher in major markets but the client density is higher. A successful bar association is in a better position to nurture a fledgling referral service; a bar association that’s on hard times may try to divert funds from the referral service to other parts of the operation. Some bar presidents see the LRS as a business competitor. Others see LRS as a valuable public service and others still see it as a cash cow. What is your executive director’s philosophy about LRS? Are they supportive? Is LRS a profit center that funds other public service/bar activities?

Evolution

We and our strategic volunteers need to be advocates for explaining and executing our business plan. A good plan should evolve and change to take advantage of opportunities and to regroup when confronting setbacks. Even though the first plan we put forward will probably not be our best and most accurate, over time, we will improve and we will be well on our way to running our LRS for fun and profit.

Good business is a perpetual testing of hypotheses.