

SMALL OFFICE LAW PRACTICE

**FINESSE G. COUCH
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RATHER THAN **SMALL LAW** OFFICE PRACTICE

WHAT DO WE MEAN BY THIS TERM?

- WHAT DO WE MEAN BY
- GLAD YOU ASKED!

LAW FIRM SIZE

| <i>% of law firms with...</i> | <u>1980</u> | <u>1991</u> | <u>2000</u> | <u>2005</u> |
|-------------------------------|---------------|---------------|---------------|---------------|
| 2 – 5 lawyers | 81% | 75% | 76% | 76% |
| 6 – 10 lawyers | 12% | 13% | 13% | 13% |
| 11 – 20 lawyers | 4% | 7% | 6% | 6% |
| 21 – 50 lawyers | 2% | 3% | 3% | 3% |
| 51 – 100 lawyers | 1% | 1% | 1% | 1% |
| 101 + lawyers | * | 1% | 1% | 1% |
| Total # firms | 38,482 | 42,513 | 47,563 | 47,562 |

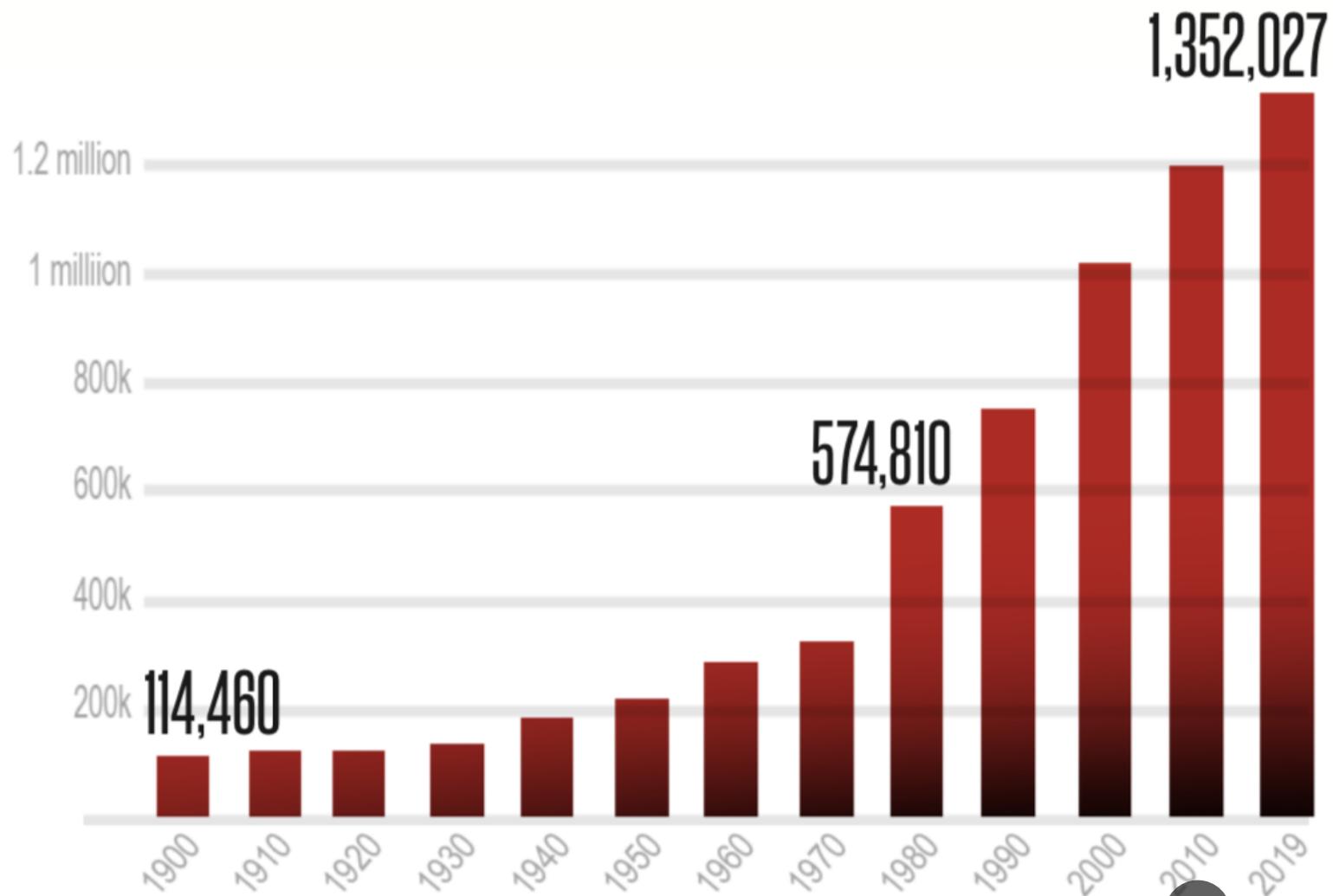
Sources: *The Lawyer Statistical Report*, American Bar Foundation, 1985, 1994, 2004, 2012 editions

* Largest firm size for 1980 data was 51+ lawyers.

SURPRISED???

**NATIONAL
STATISTICS**

▶ **Lawyer Growth: 1900 - 2019**



LEGAL TECHNOLOGY

Mobile Devices and Telecommuting

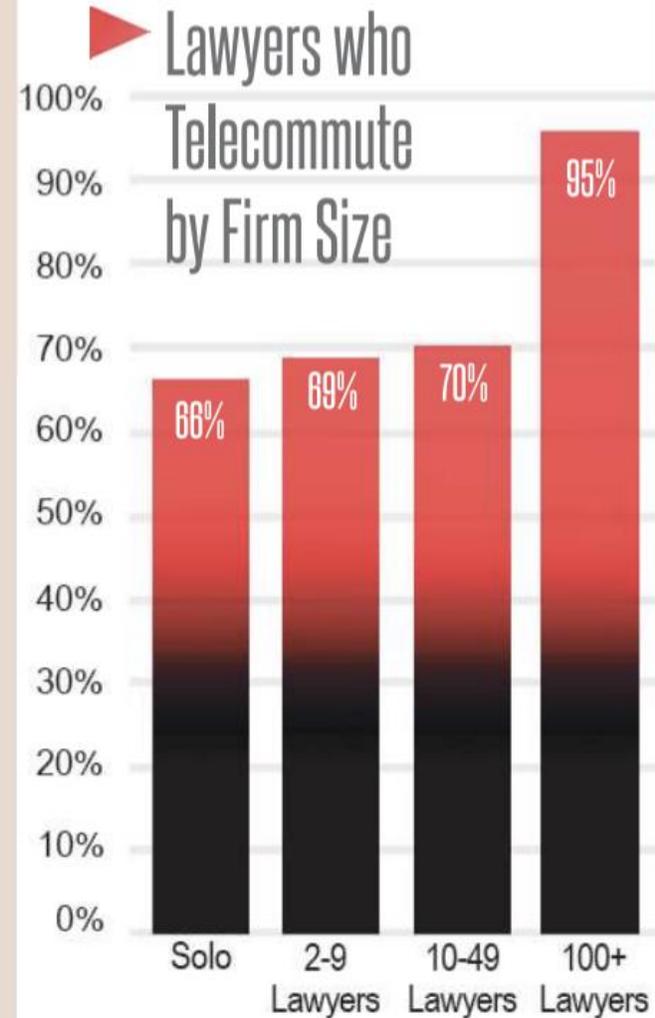
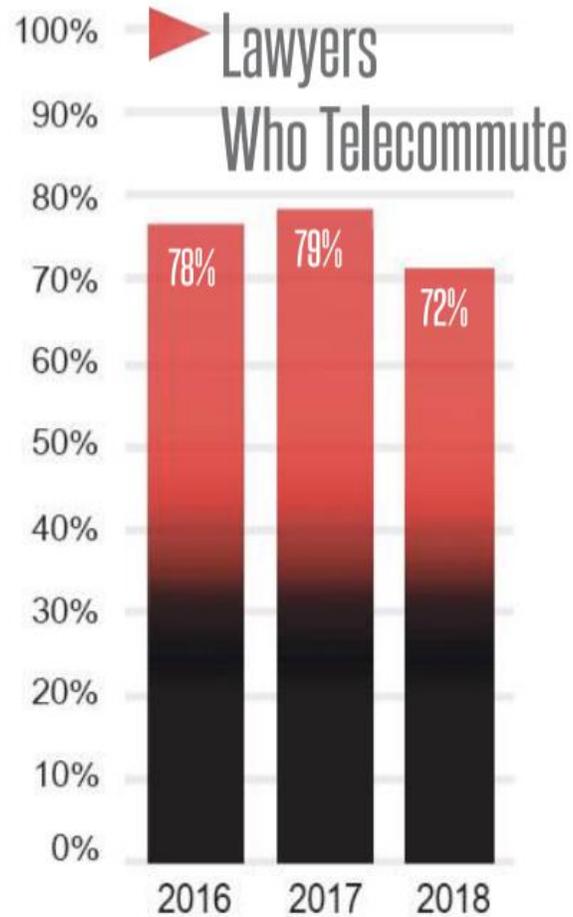
Fewer lawyers use laptops, tablets and cellphones to telecommute to work, according to the ABA 2018 Legal Technology Survey Report. The percentage of lawyers who said they telecommute dropped from 79% in 2017 to 72% in 2018.

Nearly all lawyers in large firms of 100 lawyers or more (95%) report that they sometimes telecommute, but only two-thirds of solo practitioners (66%) do it.

On average, the typical lawyer telecommutes 40 times a year, according to the survey. A third of all lawyers who telecommute (33%) do it one to three days a month. Nearly another third of lawyers who telecommute (29%) do it just three to 11 times a year.

Nearly all lawyers who work away from the office use a smartphone (95%) and the vast majority use laptops (81%). About half (49%) use a tablet. A third of all lawyers say their law firms have policies regarding the use of mobile devices outside of the main workplace.

LAWYERS TELECOMMUTE



Where Lawyers Work When They Telecommute: 2108

| | |
|------------------------|-----|
| Public places | 14% |
| Coffees shops or cafes | 15% |
| Vacation home | 17% |
| Other office | 23% |
| Hotel | 38% |
| Home | 78% |

Average Annual Pro Bono Hours Worked by Firm Size: 2018

| 1 lawyer | 2-5 lawyers | 6-10 lawyers | 11-20 lawyers | 21-50 lawyers | 51-100 lawyers | 101-300 lawyers | 301 lawyers or more |
|----------|-------------|--------------|---------------|---------------|----------------|-----------------|---------------------|
| 44.7 | 36.1 | 27.8 | 29.7 | 28 | 31.8 | 48.1 | 72.8 |

PRO BONO HOURS

Pro Bono Legal Tasks Performed: 2018

| | |
|--|-------|
| Provided advice | 74.1% |
| Reviewed or drafted documents | 66.2% |
| Interviewed or met with client | 63.7% |
| Wrote letter | 35.6% |
| Spoke with other attorney | 34.6% |
| Provided full representation in court | 29.0% |
| Negotiated a settlement | 18.0% |
| Referred to other organization | 13.6% |
| Limited scope representation in court | 6.8% |
| Represented in administrative proceeding | 8.5% |
| Represented before legislative body | 0.8% |
| Other | 7.2% |

Source: ABA Supporting Justice: A Report on the Pro Bono Work of America's Lawyers

Pro Bono Clients: 2018

| | |
|---------------------------------|-------|
| Ethnic minority | 30.4% |
| Single parent | 25.6% |
| Disabled person | 25.5% |
| Elderly person | 23.8% |
| Non- or Limited-English speaker | 22.5% |
| Student | 16.5% |
| Victim of domestic violence | 15.0% |
| Child | 14.8% |
| Veteran | 13.8% |
| Rural resident | 11.6% |
| Undocumented immigrant | 11.4% |
| Documented immigrant | 11.4% |
| Homeless | 9.9% |
| Incarcerated person | 9.0% |
| Victim of consumer fraud | 8.2% |
| LGBT person | 7.4% |
| Migrant worker | 1.8% |

Lawyers Who Say Their Law Firm Has Ever Experienced a Security Breach

| | Law Firm Size | | | | |
|------|---------------|-------------|---------------|-----------------|-------------|
| | Solo | 2-9 lawyers | 10-49 lawyers | 100-499 lawyers | 500 or more |
| 2015 | 11% | 16% | 14% | 23% | 23% |
| 2016 | 8% | 11% | 25% | 16% | 26% |
| 2017 | 11% | 27% | 35% | 17% | 23% |
| 2018 | 14% | 24% | 25% | 31% | 31% |

CLIENT MANAGEMENT

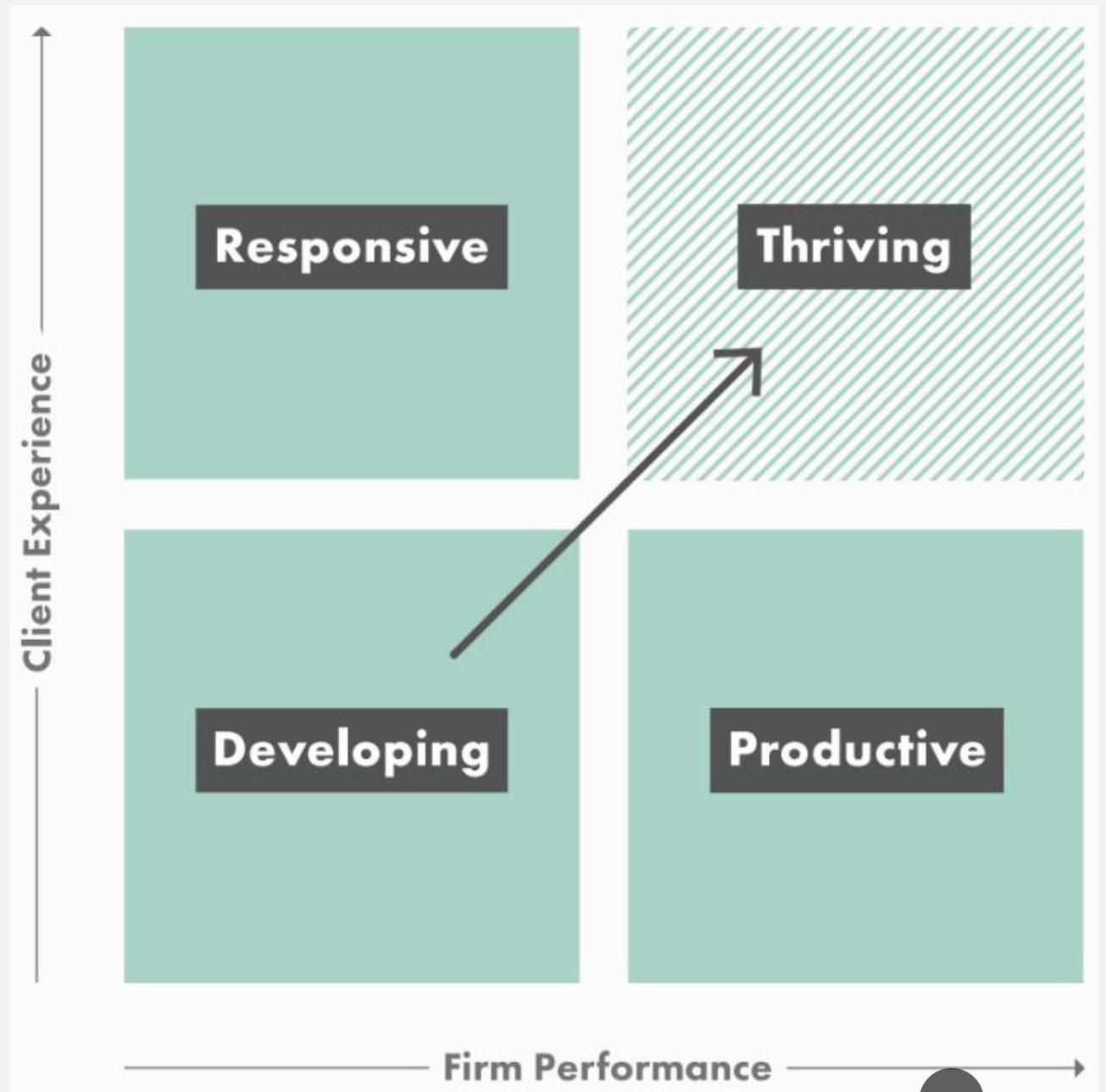
THE BUSINESS OF LAW

| | |
|-----------------------|--|
| ETHICS | |
| OFFICE MANAGEMENT | |
| CASE MANAGEMENT | |
| CALENDAR CONTROL | |
| CONFLICTS OF INTEREST | |
| TIME AND BILLING | |
| TRUST ACCOUNTS | |
| CLIENT RELATIONS | |
| CONTINUING EDUCATION | |
| SELF | |
| TOTAL SCORE | |

WINNING STRATEGIES

1

In the bottom-left quadrant are new firms or firms that have either struggled or have yet to achieve the success they want. Firms that progress along the client-experience axis are those that become responsive to client needs. These are the firms that know how to attract new business and earn strong satisfaction among their clients. Firms that progress along the firm-performance axis put more time toward revenue-generating tasks for clients, while keeping overhead costs low and investing in productivity initiatives. Thriving firms progress along both axes. These firms consistently increase the amount of business they bring in while capturing the full value from all of the client-facing, revenue-generating work they perform.



WINNING STRATEGIES - 2

Training and experience brings confidence

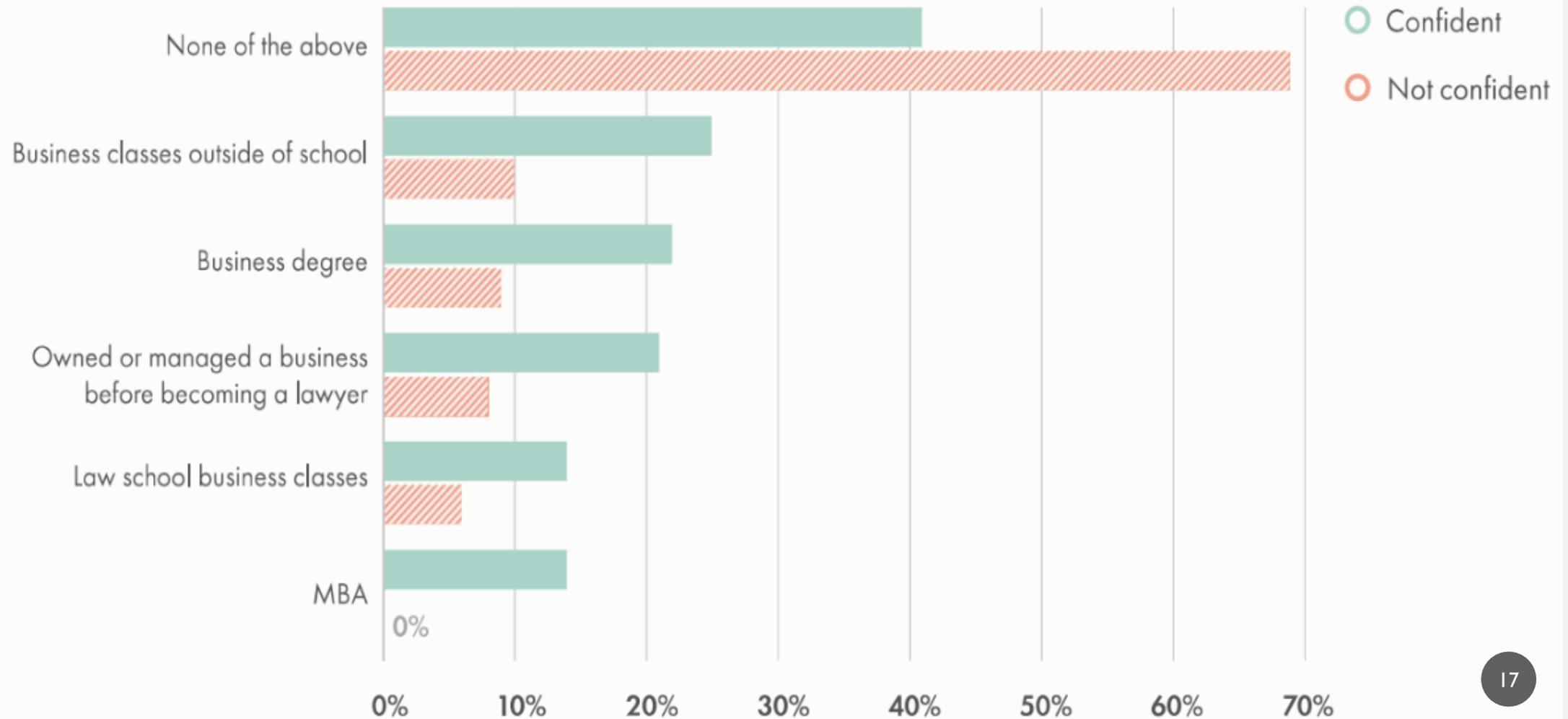
- As it turns out, **those who are confident** are much more likely to have some prior business training or experience, which may include
 - having an MBA (14%)
 - taking business-management classes in law school (14%)
 - owning or running a business prior to becoming a lawyer (21%)
 - majoring in business in college (22%)
 - taking business classes outside a formal school setting (25%)
 - (41%) say they have no prior training or experience.

WINNING STRATEGIES - 3

- Of those **who aren't confident** in running the business side of their firm,
 - **69%** report having no business training at all.
 - **72%** say they don't know enough about running a business.
- Those confident in running the business side of their practice are also much more prepared and more likely to invest time and resources into their learning.
 - **62%** of those confident in managing the business side of their firm frequently read books or articles related to running or growing a business
 - **36%** frequently take courses.
 - Only **43%** of those not confident spend time reading about running their business better
 - Only **18%** take courses

WINNING STRATEGIES - 4

Education and experience



WINNING STRATEGIES - 5

What differentiates those who know how to run a business?

- **Lawyers who are confident** about managing the business side of their firm tend to worry a lot less about it.
- Only **32%** are worried about something falling through the cracks compared to **78%** who aren't confident about their business.

WINNING STRATEGIES - 6

To get a better sense of how lawyers prioritize their work in managing their firm, we asked lawyers how often they perform various tasks or duties and compared responses **between those confident in running their firms to those who aren't.**

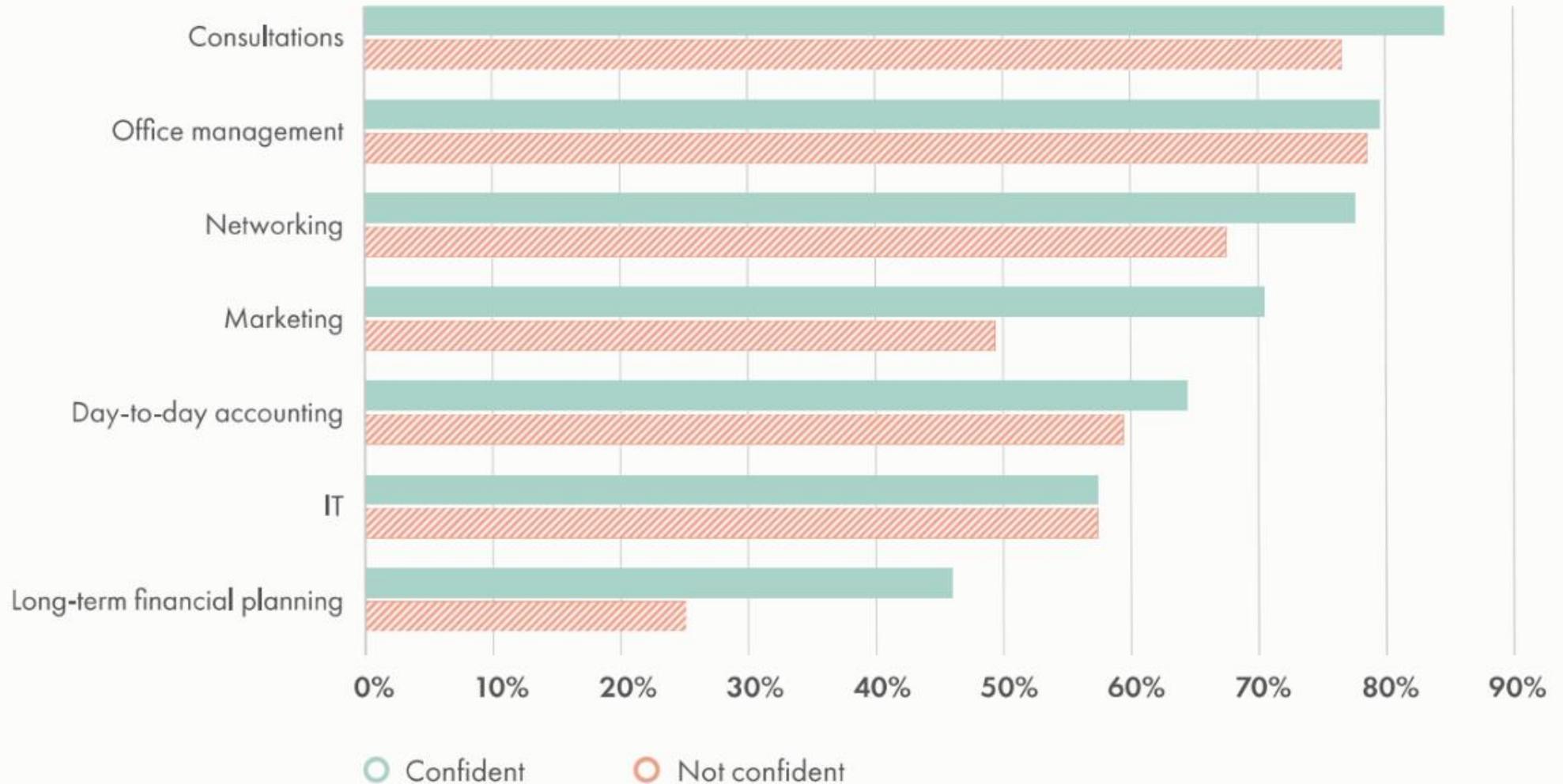
- Lawyers **confident** in running their firm are **more engaged** in **some key business aspects** of their firm than lawyers who aren't confident in managing the business aspects of their firm.
- Two areas in particular show a significant disparity in how attorneys who are confident spend their time compared to attorneys who are not confident.

WINNING STRATEGIES - 7

- Long-term financial planning: Even though both cohorts indicated they spend generally less time on long-term financial planning, **46%** of those confident in running their business confident did at least sometimes, compared to **25%** of those not confident in running their business.
- Marketing: **70%** of more confident lawyers indicated spending time, compared to **49%** for lawyers not confident.

WINNING STRATEGIES - 7

○ Business areas firm managers often engage in



LAWYER SURVEYS AND DATA TRENDS - 1

- **LEGAL TRENDS REPORT—GROUNDBREAKING INSIGHTS INTO BUSINESS OF LEGAL PRACTICE IN THE 21ST CENTURY!**
- **Determining what drives law firm success**
- Longitudinal data analysis determined how thriving firms achieve consistent, long-term growth in revenue over time, and what distinguishes them from firms that haven't seen any growth or have shrunk over the same period. By comparing growing, stable, and shrinking firms over a five-year period, we're able to show how key performance metrics impact success.
- **What clients really look for when hiring a lawyer**
- Surveyed consumers to shed more light on how they look for a lawyer, what they expect when reaching out, and what drives them away. Referrals are not the only means clients use to seek a lawyer; clients have a high bar for deciding who to reach out to—and who to ultimately hire.
- **Putting law firm responsiveness to the test**
- Shopping for a lawyer in 2019? Company emailed 1,000 law firms, and phoned 500 from the same group, to determine just how prepared lawyers are to earn the business of potential clients when they reach out. Thereby a collection of the largest primary data set on law firm responsiveness, putting a spotlight on key opportunities for law firms to be truly competitive in acquiring new clients.

LAWYER SURVEYS AND DATA TRENDS - 2

- **Clio data** *The Legal Trends Report* uses aggregated and anonymized data from tens of thousands of legal professionals in the United States. This includes data from January 1, 2013 to December 31, 2017, which was used to conduct our longitudinal analysis of law firm success. In reviewing actual usage data, we identify large-scale industry trends that would otherwise be invisible to law firms.
- **Law firm survey** We surveyed 2,507 legal professionals, representing both Clio users and non-Clio users. By assessing the existing needs and strategies of law firms, we're able to better align our data analyses with real law firm goals.
- **Consumer survey** We surveyed 2,000 consumers to understand what they look for when searching for professional legal services and what types of experiences they expect. Our sample was representative across all adult age groups, genders, and geographic regions in the United States.
- **Email and phone outreach** We emailed a random sample of 1,000 law firms in the United States, and then phoned 500 of these firms, to assess responsiveness and quality of service. Our sample had equal representation across five practice areas, including Family, Criminal, Bankruptcy, Business Formation, and Employment, and comprised firms of all sizes.
- **Aggregated and anonymized data from tens of thousands of legal professionals 2,507 legal professionals surveyed 2,000 consumers surveyed 1,000 law firms emailed for legal services 500 law firms phoned for legal services**

FINDINGS

CONCLUSION - 1

- A famous study showed that **93%** of Americans believe they are above average when it comes to driving ability (an obvious statistical impossibility, since only **50%** can be above average. The study is illustrative of a cognitive bias known as illusory superiority, which sees individuals overestimate their own abilities in relation to others.
- While **73%** of lawyers agree that they're different than most lawyers, only **56%** agree that they are better than most lawyers. In an industry where success is often dictated by the facts of a case and the judicial system outside of any one lawyer's control, it's often most practical to focus on what a lawyer can control: achieving the best possible outcome for a matter.
- The same goes for running a successful business. While **87%** of lawyers want to see their firm grow over the next three years, not every lawyer knows how.

CONCLUSION - 2

- Focusing on success and increasing revenues on their own are outcomes that may be at least partially outside of the firm's control. Instead, focusing on key inputs discussed in this report provide important leverage points that are both controllable and impactful. The client experience and firm performance axes within the Law Firm Maturity Model provide two critical vectors to prioritize.
- As discussed in the first section of this report, some firms know how to achieve year-over-year growth, while others see their prospects dwindle. Knowing how to earn clients and maintain high standards for business are two key factors to success.
- Sections 2 and 3 in this report outline a comprehensive look at how clients shop for a lawyer and what they look for when they reach out. Ultimately they're looking for clear information and responsiveness. As Section 4 shows, these are qualities that many firms lack.

CONCLUSION - 3

- Managing a business effectively means getting the most opportunity out of the resources available. Those who have training or experience in running a business are much more prepared to spend time learning about and applying themselves to the business side of their firm—for the betterment of both the firm and their clients.
- Confidence alone may not be enough to grow a firm's business, but there's a good chance that future analysis will show that improving the business side of a law firm—not just the ability to practice law—leads to greater firm success in the long term.
- Those confident in running their firm are more engaged in the business
- Key business inputs are both controllable and impactful

CONCLUSION - 4

- The market for legal services faces a critical paradox. On one hand, the vast majority of law firms say they want to increase their revenues, yet they have trouble finding business. On the other, clients struggle to get help with their legal problems.
- This paradox represents a market gap that shouldn't exist—and one that presents an enormous opportunity for firms that can build a strong business approach for their legal practice.
- Many high-growth firms are getting it right. We call these “thriving” firms because they’ve been able to achieve substantial year-over-year revenue growth that is both consistent and predictable. We believe these firms have achieved high growth over a sustained period of time due to two critical factors: a focus on client experience and firm efficiency. We’ve illustrated this growth path in a new format: the Law Firm Maturity Model.

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