



THE CANADIAN BAR ASSOCIATION

L'ASSOCIATION DU BARREAU CANADIEN

# 30

## Best Practices

*Strategies  
for law firm  
management*



**CBIA** 

**CBA**financial  
SERVICES 





# 30 Best Practices: Strategies for law firm management

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## Foreword

**W**e are pleased to introduce the third edition of the Client Care Handbook: *30 Best Practices: Strategies for law firm management*.

This handbook identifies a series of guidelines and articles dealing with the efficient running of a law practice, offering tips and suggestions for how to improve your firm in four key areas: marketing, client care, office management and financial management. We also provide advice on insuring your firm's key assets and offer strategies for any lawyer operating or thinking of launching a solo practice.

Thanks to generous sponsorship from the Canadian Bar Insurance Association and CBA Financial Services, a copy of this handbook is being mailed to every member of the Canadian Bar Association.

We believe this handbook will become a valuable reference tool to help you in your day-to-day work. We welcome your feedback! E-mail us at [info@cba.org](mailto:info@cba.org) or visit our website at [www.cba.org](http://www.cba.org).

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First steps:  
*before  
hanging out  
your shingle*





## Taking care of business

*By Patricia Rogerson*

**S**tarting a solo law firm is a huge decision, so take a long look at how you would go about opening a practice before you actually make the decision to do so. Here are five tips for any solo practitioner.

### **Be flexible**

The first and probably the most important thing you need to have with you at all times is flexibility. No matter what arrangements you are making, from leasing office space to partnership arrangements, make sure that you can remain flexible, so that as things continue to change in the world and in your life, you can move on to something better or adapt what you have to fit your new circumstances.

### **Keep overhead costs low**

You will find that it is not difficult to generate business; many people have legal problems for which they would welcome your assistance. But how many of these people can afford to pay you? In order to be able to take on cases based on professional considerations rather than just financial ones, you will need to keep your costs of doing business as low as possible: use regular mail or e-mail instead of couriers, or choose to practice from home instead of renting office space. Preferring technology over staff for the day-to-day running of the practice will also keep down your overhead costs.

### **Promote growth**

Everything you do should be aimed at promoting growth in the business. To promote growth, you will need to have an idea of where you want the practice to go. If you are just waiting to see what will come in the door, after a while you will need to become selective in the cases you accept. You will know what is valuable work to you, whether in terms of income generation, goodwill generation or personal satisfaction, and you will reject what you know will drive you crazy, be uncollectable, or diminish your reputation. Ask yourself about anything you do, "will this promote the growth of the practice?"



**Don't get isolated**

Before you open up, prepare a list of sources who can help on difficult matters. Develop or join a support group of lawyers whose situations are similar to your own. Agree to meet on a regular basis and talk honestly about what has been going on in your practice. Keeping in touch with other people will keep your difficulties in perspective, get you help when you need it, and keep your spirits up.

**This is a business**


Having become qualified as a lawyer, you know that you have an excellent intellect. You now have to apply it in a different field altogether, that of running a business.

It is critical to apply good business principles to the business if you do decide to open up. Many lawyers have a tremendous knowledge of the law, but can fall down when it comes to managing finances. At all times, you must be aware of what is going on with the financial side of the practice.

Your office systems relating to your legal files are the other major factor in having the practice run on sound business lines. Make complete documentation of every action, telephone call, and meeting. Summaries of all relevant information at the front of the file will help to keep your work in good order. Do not rely on memory.

Your clients are served more effectively when you realize this is a business.

*Patricia Rogerson is a former sole practitioner. The complete text of this article can be found on CBA PracticeLink ([www.cba.org/practicelink](http://www.cba.org/practicelink)).*




- **Researching the actual and potential client base**

- 1 **Develop cost-effective systems for reviewing market possibilities** – choose cost-effective systems and techniques to identify opportunities to provide your services.
- 2 **Use external information** – assess client needs through external contacts.
- 3 **Use client feedback** – interview clients regularly to assess their needs and the practice’s services.
- 4 **Consider the use of structured feedback** – use formal interviews and questionnaires to standardize feedback results.
- 5 **Get comprehensive market analyses** – make sure the information you have on the market possibilities for the practice’s services is up-to-date, is backed by good evidence and accurately reflects current and predicted trends.
- 6 **Take into account possible future interests and activities** – your market review must take into account the future interests and activities of the practice.
- 7 **Define your market as broadly as possible** – unless your practice has decided upon a niche strategy, do not take a narrow, traditional view: recognize opportunities for diversity and diversification, but at the same time take care not to rush into an area in which the practice lacks expertise.
- 8 **Consider marketing by business sector rather than by a particular field of legal expertise** – if you have a number of clients in one business area, consider developing a sector team to provide the widest possible range of legal services to them and to potential new clients.



- **Defining the practice's mission**

- 1 **Consult all those who have a stake in the practice** – consult all those who have an interest in the practice (including partners, other members of the practice, key clients, and suppliers) to gain their views and suggestions.
- 2 **Base the mission statement upon your review of client services** – see that the mission statement reflects, in particular, the strengths and weaknesses of your practice and any opportunities and threats to competitive position revealed by a review of client services.
- 3 **Describe the practice's role and ethos** – the mission statement should capture the ethos of the practice and its role in the environment.
- 4 **Make the mission statement both challenging and realistic** – check that the mission reflects the goals of the practice and that these goals are achievable.
- 5 **Encourage creativity, innovation and justifiable risk taking** – frame the mission statement in a way which encourages innovative activity.
- 6 **Review the mission statement among members of the practice** – explain the consequences and alternatives in order to gain their support.
- 7 **Provide a vision for the future** – frame the mission statement within an overall vision of the position of the practice in the future.
- 8 **Review the mission statement regularly** – update the mission statement in response to trends and opportunities.
- 9 **Keep the mission statement short** – often a single paragraph can encapsulate the practice's mission.
- 10 **Publish the mission statement** – it will help all members of the practice to focus their contribution creatively.




- **Defining the practice's values**

- 1 **Consult all who have an interest in the success of the practice on the formulation of values** – incorporate their needs and ideas where possible.
- 2 **Be consistent** – make sure the practice's values and policies are consistent with its mission.
- 3 **Be realistic** – make sure the practice's values can be reflected in day-to-day practice and in working relationships.
- 4 **Include guidance on dealing with difficult situations** – particularly how to respond when under pressure or when interests conflict.
- 5 **Be clear yet flexible** – make sure your values are unambiguous, yet allow people to respond and adhere to them in different ways.
- 6 **Be comprehensive** – make sure your values cover all aspects of your operations, clients and suppliers.
- 7 **Keep up-to-date** – check regularly to ensure your values are up-to-date and allow for likely future circumstances and issues.
- 8 **Consider publishing** – make others aware of the practice mission and values.



- **Defining the practice's key objectives**

- 1 **Be consistent** – make sure the practice's key objectives are consistent with mission and values.
- 2 **Deliver the mission** – make sure that the key objectives are capable of delivering the practice's mission on time and on budget.
- 3 **Be specific** – include sufficient detail to allow the development of specific programs, projects and operating plans.
- 4 **Cover the essentials** – include the services you wish to offer, the client groups to be served, how services are to be provided and the way in which services are designed to meet client needs.
- 5 **Provide a framework for decisions** – the key objectives should facilitate important decisions.
- 6 **Address issues relating to the services of the practice** – these may include physical access to the premises, languages spoken, facilities for clients, electronic communication, etc.
- 7 **Acknowledge constraints** – clearly acknowledge and express any constraints upon objectives.
- 8 **Define achievable and measurable key objectives** – state the types of measures and criteria to be used.
- 9 **Consult all interested parties** – hold open and realistic discussions over the objectives.
- 10 **Revise key objectives** – to take advantage of any actual or anticipated changes in circumstances.




- **Developing a business plan**

- 1 **Be clear about the purpose of a business plan** – a good business plan will show what you intend to do and demonstrate to potential financial backers how you are going to finance the operation.
- 2 **Use professional financial help** – ask an accountant to prepare the business plan.
- 3 **Do research** – research potential market sectors, profit levels, start-up costs, etc. You will need accounting assistance to present these in financial terms.
- 4 **Calculate the costs** – show the capital requirement to get the project underway.
- 5 **Decide upon the level of detail** – if the partners are providing most of the capital and the practice is in a flourishing financial state, less detail will be required, but business plans will almost always contain certain sections:
  - summary of the proposed project, including the business objectives;
  - services to be offered and potential market;
  - fee income projection and break-even figure;
  - profit and loss account and cash flow forecasts;
  - fixed assets and assets available as security;
  - financial requirements.
- 6 **Base the plan on an existing marketing plan** – if the business plan is needed to obtain further financing for an existing practice, use an existing marketing plan as its basis.

Marketing  
your  
practice





## The small firm marketing guide

*By James Raiswell*

*“Marketing is so basic, it cannot be considered a separate function of the business. It is the whole business, seen from the point of view of its final result - that is, from the customer’s point of view.” — Peter F. Drucker, *The Practice of Management**

**M**arketing is a continual and largely cerebral process. As much as it’s about getting your name out into the market, it’s also about knowing what market you want, understanding how to reach that market, and most importantly, answering the fundamental question: “Why should a client choose my services over those of my competitors?”

Getting marketing right isn’t an option - it’s essential. And good marketing begins with good planning.

### **The marketing plan**

“As much as anything else, it’s the work a firm does in planning its marketing strategy that is the most important aspect of its marketing efforts,” says Lexcore Communications president Elizabeth Cordeau of Calgary. “Marketing isn’t just the act of selling your firm. It’s knowing what you have to sell and to whom you’re trying to sell it.”

The first step in any good marketing plan is to divest yourself of the notion that you want to practise law generally, and instead to focus on a specific area. Pick an area of law in which you’re interested and ideally one that is under-served or emerging in the marketplace.

By focusing your practice, it becomes easier to complete the second step in developing a marketing plan: deciding to whom you’re going to market your services. If your answer to the question “Who’s your market?” is “Everybody,” then you’re thinking too broadly. Narrow your focus.

To be truly successful, your firm needs to identify itself in the marketplace. Susan Van Dyke of Van Dyke Marketing and Communication in Vancouver says a lot of law firms could go a long way towards improving their standing in the market with just a few simple changes in the way in which they do busi-



ness with clients:

- Keep a well-maintained office in an accessible location.
- Train staff to be as friendly as possible.
- Return phone calls promptly.
- Greet clients with enthusiasm.
- Don't be afraid to refer matters to other specialists if you don't have the answer yourself.

The key is to make the experience as easy on the client as possible. "In the end, lawyers are in the service sector," notes Van Dyke. "*How* a lawyer responds to a client's needs — quite apart from the legal advice they provide — is critical."

Once you've established your niche and your target clientele, you need to set down a series of goals and objectives for the future development of your practice. After all, "if you don't have a destination in mind," observes Van Dyke, "then any road will take you there."

Some of your goals might include increasing your client base, reaching projections for growth, and possibly expanding your business into other practice areas. Remember to leave room for flexibility in the plan and to consult a professional if you feel out of your depth.

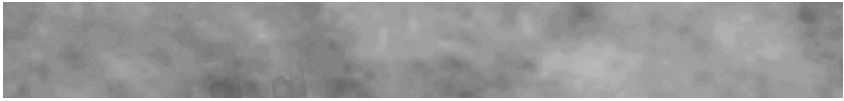
### **Implementation**

With a marketing plan in place, the actual process of implementation should follow fairly easily. Advertising through traditional media or on the World Wide Web is a great way to attract clients, while networking through business or community groups can generate valuable leads.

Going a step further, Cordeau and Van Dyke both suggest that lawyers often fail to take advantage of the mainstream media as an effective marketing tool.

"Lawyers would do well to make themselves available to the local media for comment on legal matters in their practice area, or offer to write a column or provide other materials," says Cordeau. "There is a tremendous opportunity to get your name out to the public as an expert in your practice area, and to drive business to your practice as a result."

No matter what strategies you employ to promote your firm in the market




place, it's important to remember that marketing is a fluid process. Even the best-laid marketing plans will go awry if they are not constantly revisited and updated to ensure efficiency and consistency with the firm's goals.

*The complete text of this article can be found on CBA PracticeLink ([www.cba.org/practicelink](http://www.cba.org/practicelink)).*



• **Developing a marketing plan**

- 1 **Ensure consistency with the mission and key objectives of the practice** – see that the marketing plan is derived from the practice’s mission statement and is consistent with the practice’s key objectives.
- 2 **Review the current quality and level of activity** – if this is satisfactory, a marketing plan will need to be less detailed than for a practice wishing to expand or develop a new speciality, or which is uncertain about its future client base.
- 3 **Decide whether or not the current situation is satisfactory** – for some areas of work, the marketing plan may need to describe how to contain demand at an acceptable level, rather than how to encourage more work of a defined type, taking into account that work’s profitability and the limited resources of the practice.
- 4 **Ensure the contents of the plan are complete** – describe:
  - the services to be provided and the client groups to be served;
  - how the services will be delivered and the practice’s client care policy in this regard;
  - the practice’s resources, including skills and knowledge;
  - the objectives for the clients or the activity to be developed;
  - how the practice will be developed to attain the objectives.
- 5 **Concentrate particularly on developing the existing client base** – word-of-mouth recommendations are the most effective form of marketing; therefore, client satisfaction must be the highest priority.
- 6 **Consider your communications options** – decide upon the best communications mix of public relations and practice promotion, even advertising if appropriate, taking into account the potential client audience, the relative benefit and cost, and the compatibility with the values and key objectives of your practice.
- 7 **Set up a method to implement the plan** – provide a timetable and a budget, and allocate and describe individual responsibilities for the marketing activities, with consequent variation of existing chargeable time objectives.
- 8 **Monitor the response** – ensure that there are arrangements for monitoring the results of the marketing effort; see, in particular, that there are records of the sources of referrals.




- **Evaluating marketing activities**

- 1 **Monitor activities against plans** – check regularly to ensure that marketing activities are being undertaken according to plan.
- 2 **Monitor performance against budgets** – check regularly to ensure that marketing activities are delivering the expected results.
- 3 **Clarify ambiguous information** – where information for monitoring is lacking or is unclear, take action promptly to obtain valid information.
- 4 **Provide information to authorized people** – let authorized people have the monitoring information promptly, but ensure that confidentiality is maintained.
- 5 **Evaluate marketing performance against key objectives** – check whether the key objectives defined in your strategic plan are being met.
- 6 **Consult about variances** – where there are significant variances in performance against plan, consult with appropriate colleagues and decide upon the best course of action to correct the situation and to minimize any adverse effects.
- 7 **Take action in case of variances** – take prompt corrective action where performance is significantly different from that expected.
- 8 **Inform people of the implications of variances** – let relevant people know promptly of the financial effects of variances.
- 9 **Communicate any changes of plan** – make sure that all those involved or affected are aware of the changes and their revised responsibilities.



• **Establishing and agreeing upon client requirements**

- 1 **Research your clients' needs** – use formal and informal techniques to identify the services your clients, or potential clients, need.
- 2 **Design your services to meet your clients' needs** – ensure your services meet organizational requirements and resource constraints.
- 3 **Describe your services clearly** – explain your services to clients; think about the person you are talking to, and make sure you communicate in a manner and at a pace which is appropriate.
- 4 **Understand the true objectives of the client** – draw out from the client the full extent of his or her needs, never merely process the instructions you receive.
- 5 **Communicate frequently with clients** – keep clients informed about any changes which affect them, and remember that it is often when there is nothing to report that the client would most appreciate a letter!
- 6 **Ensure that agreements meet organizational requirements** – consult specialists if you are in doubt.
- 7 **Optimize agreements** – create a situation whereby you achieve your objectives while meeting client needs.
- 8 **Draw up detailed specifications** – ensure that specifications of the services to be provided contain all the relevant information needed by the client.
- 9 **Keep accurate records** – include all relevant information about client agreements and implementation plans.
- 10 **Design client-oriented services** – organize your operations to provide the most efficient service to your clients.
- 11 **Develop helpful personnel** – encourage all members of your practice to put the clients first and to take personal responsibility for meeting client needs.



- **Reviewing client services**

- 1 **Ask the three big strategic questions:**

- Where is the practice now?
- Where do we want it to go?
- How will we get there?

- 2 **Do a SWOT analysis of the practice** – analyze:

- Strengths of the practice and how to capitalize on them;
- Weaknesses within the practice and how to overcome or minimize them;
- Opportunities available or anticipated which the practice could develop;
- Threats to the practice's competitive position.

- 3 **Use all available information** – use quantitative and qualitative data to help identify strengths, weaknesses, opportunities and threats.

- 4 **Use the feedback from members of the practice and from clients** – encourage members of the practice and clients to discuss the strengths, weaknesses, opportunities and threats.

- 5 **Be rigorous and imaginative in your diagnosis** – try to get to the essential cause in each case and consider a range of other possible causes.

- 6 **Focus on solutions** – having diagnosed the situation accurately, consider how to improve services or the practice's operations.

- 7 **Decide upon your timing** – at least every six months, review the quality of your client services.

# Client care essentials





## Legendary service for your clients

*By Gerald A. Riskin*

**A**s far as I'm aware, it's no crime to offer such extraordinary legal service that clients become addicted to it. Adding just one ingredient to your practice will keep clients coming back, and it's not on any restricted list. It is, simply, "legendary client service."

Its benefits are obvious, but why is legendary service so rare? Because our profession is fraught with barriers and obstacles that discourage us from providing what we all know would be beneficial. Almost everything about the practice of law prevents legendary client service:

- Lawyers are trained in the law, not client relations.
- The billable hour is so sacred that non-billable activities are denigrated.
- Lawyers believe clients are focused only on solutions. We therefore get to the challenge at hand without worrying about optics.
- Clients are really focused on effort. We conceal most of ours.
- Clients will happily pay fees commensurate with the value of services offered. That would allow us to "afford" some client relations time.

How do you choose to whom you should provide legendary service? My mother, may she rest in peace, always told me, "Put your wife first." If you want your marriage to last, you invest in your spouse and make him or her your sole focus.

But when it comes to clients, most of us are bigamists. We simply don't stop at one! Unless you believe you put all your clients first, then I'm going to take a risk and advocate discrimination.

Prioritize a little. Decide whom to put first. In the practice of law, our patients tend to be manifested by a creature called "File." The file most resembles the emergency room patient when the client represented by the file deigns to phone or e-mail or fax. When this occurs, one might be required to do an on-the-spot assessment like our doctor friends. However, between such 'emergencies' we might consider prioritizing our clients this way:

- Clients who have the capacity to give us future work.



- Clients who will enhance our reputation simply by being associated with them.
- Clients who have the kind of work that forces us to continuously learn.
- Clients who are in industries we enjoy serving (and know something about).
- Clients who can afford to pay for the value we give them.
- Clients we like.

The clients who do not make it to your legendary service list should be treated well - but they may not deserve of you the time and effort that it takes to really make them first.

How can we practically provide legendary service? Now that you've narrowed the field to those whom you are going to "spoil," you need to commit to spending *some* non-billable time on doing just that. Here is the starter list of five ideas that you can modify or add to:

1. Visit their place (even if an airplane is required).
2. Ensure your team knows the names of the client's key individuals.
3. Institute a rapid response procedure.
  - a. Someone on your team responds in half a business day, maximum.
  - b. The client gets pager/cell/emergency contact options.
  - c. Send regular status reports in the form preferred by the client.
  - d. Listen to the client to determine such preferences and others.
4. Learn about the industry of the client.
  - a. Subscribe to client's preferred business publication *and read it* (just one).
  - b. Attend the client's preferred industry seminar (just one annually).
  - c. Have the client in to teach you about his/her business.
5. Talk fees and fee arrangements and guarantee satisfaction.

Don't think too much and act too little! If this article has suggested a few ideas worth considering, it remains worthless unless and until you "execute" one of the ideas (just one) that appeals to you personally. Don't close the page on this article until you've thought of at least one thing you're going to *do* as a result of reading this.

*Gerald A. Riskin, B. Comm, LL.B., is a lawyer, former managing partner and member of Edge International, which consults to some of the largest law firms in the world. The complete text of this article can be found on CBA PracticeLink ([www.cba.org/practicelink](http://www.cba.org/practicelink)).*



- **Providing information on costs**

- 1 **Establish a written procedure** – this is necessary to ensure clear and regular communication in relation to costs.
- 2 **Reveal the basis of charging** – provide client with information about costs in advance.
- 3 **Estimate likely cost** – give the best information possible about likely cost, including a breakdown between fees, taxes and disbursements.
- 4 **Explain time** – where time spent is a factor in the calculation of fees, provide a clear explanation of the time likely to be spent on the matter.
- 5 **Provide a range of costs** – when agreeing on a fixed fee, give a realistic estimate; when giving a forecast, provide a range of costs.
- 6 **Inform about possible changes** – tell the client if any estimate is not intended to be fixed and if rates may be increased.
- 7 **Explain foreseeable payments** – explain to the client the reasonably foreseeable payments which may be required to be paid to the practice or to a third party, and when these payments may be needed.
- 8 **Update** – make arrangements for updating costs information and inform the client at least every six months.
- 9 **Explain legal aid funding** – if the client may be eligible for legal aid funding, explain the cost implications for the client.
- 10 **Explain insurance issues** – if the client's costs may be covered by insurance or another party, inform the client accordingly.



- **Taking instructions**

- 1 **Establish a documented procedure** – this will help ensure that cases are handled in a consistent way.
- 2 **Have regard to non-discrimination** – in accepting instructions from clients and in the provision of services, respect the guidelines issued by your local Law Society.
- 3 **Agree and record** – document the client’s instructions and objectives, a clear explanation of the issues raised and the advice given, the action to be taken by the practice and the likely time-frame, the strategy decided upon, and any case plan.
- 4 **Name the responsible person** – record the name and status of the person dealing with the matter and the name of the person responsible for its overall supervision.
- 5 **Nominate a contact in the event of a problem** – record the name of the person to contact about any problem with the service provided.
- 6 **Confirm to the client** – confirm in writing all these matters with the client and provide written information to the client about complaints procedures.
- 7 **Identify key dates** – identify and record key dates in the matter.
- 8 **Discuss expense and risk** – discuss with the client whether the likely outcome will justify the expense or risk involved, including, if relevant, the risk of having to bear an opponent’s costs.
- 9 **Consider risk to the practice** – consider whether there is any unusual degree of risk to the practice associated with the matter; record this on the office file and inform the practice’s risk manager.




- **Meeting client specifications and instructions**

- 1 **Check that specifications and instructions are clear, complete and accurate** – where there is any omission or ambiguity, seek clarification from the client.
- 2 **Draw up plans and schedules to meet the specifications and instructions** – allow for contingencies in these plans.
- 3 **Brief all relevant people** – make sure they understand how the specifications and instructions and the resulting plans and schedules affect them.
- 4 **Monitor operations** – monitor what is happening and take appropriate action to ensure specifications are met and instructions followed.
- 5 **Make best use of resources** – use human, capital and financial resources efficiently to meet the requirements.
- 6 **Encourage all members of the practice to take responsibility for meeting client requirements** – involve everyone in finding the best way to meet specifications and instructions, and gain their commitment.
- 7 **Give feedback to all members of the practice** – tell them how well they are meeting client requirements.
- 8 **Get feedback from clients** – use this feedback to improve future activities.
- 9 **Take corrective action** – implement any changes without delay and inform relevant personnel, colleagues and clients about them.
- 10 **Monitor corrective action** – make sure that changes are working, and use this experience to improve future operations.
- 11 **Keep complete and accurate records of activities** – keep records of how well you met client specifications and instructions, and make these records available within the practice.



• **Communicating effectively**

- 1 **Never presume that a message has been understood** – test everyone’s perception of a situation frequently:
  - when delegating, consider asking for instructions to be repeated;
  - when taking instructions from a client, repeat them in the course of the interview and at the end; and
  - confirm all oral understandings in writing.
- 2 **Avoid memo and e-mail wars** – if you are angry, never send a letter, memo or e-mail; wait until you feel calmer and then talk about the matter with the person concerned.
- 3 **Keep everyone informed** – spend some time deciding to whom you should send copies of each communication, and remember that information which informs one person may irritate another.
- 4 **Never tell a client that a matter is going to be easy** – to do so may reassure the client initially, but if things turn out to be more complicated than first predicted, you could lose your client’s trust.
- 5 **Avoid unnecessary deadlines** – if you miss a self-imposed deadline, your client will be disappointed; give yourself more time and be earlier than expected.
- 6 **Ask for advice as frequently as you give it** – temper your advice in the form of a question; even tough advice can be made more palatable if you seek your client’s own advice and agreement.
- 7 **Give bad news face-to-face** – we all have to break bad news; never put things in writing until you have spoken.
- 8 **Remember to say thank you** – the easiest way to motivate people is to thank them.



- **Moving matters forward**

- 1 **Establish a documented procedure** – this will help ensure that cases are handled in a consistent way.
- 2 **Inform on progress** – give the client, at appropriate intervals, information on the progress of the matter (or reasons for the lack of progress).
- 3 **Inform about changes** – promptly give the client information about changes in the action planned to be taken in the matter, strategy or case plan, its handling (including the person with conduct) and its cost.
- 4 **Inform about risk** – tell the client in writing of any circumstances which could affect the degree of risk involved or cost to the client of continuing with the matter.
- 5 **Respond** – respond in a timely manner to correspondence and telephone calls.
- 6 **Provide cost information** – give to the client in writing at least every six months information on cost, and make timely reference to the client when an agreed limit on costs or stage in the process is approached.
- 7 **Give speedy information about adverse costs orders** – in litigation matters, tell the client immediately about adverse costs orders, as payment may be required immediately.
- 8 **Consider a case plan** – in a complex matter, consider preparing a case plan, agreeing on it with the client, and periodically reviewing and updating it.



- **Billing and recovering fees**

- 1 **See that clients are informed of billing practices** – agree with the client on billing methods and, if possible, the eventual amount of the bill.
- 2 **Obtain payments on account** – you may, at the outset of a retainer, require the client to make a payment on account of costs and disbursements to be incurred, provided your local Law Society allows this.
- 3 **Send bills on time** – render a bill within a reasonable time of concluding the matter to which the bill relates.
- 4 **Provide sufficient information** – your bill must provide sufficient information to identify the matter to which it relates, and the period covered.
- 5 **Keep a record of unpaid accounts** – it may seem obvious, but always know how much money your clients owe and how long the accounts have been outstanding.
- 6 **Recover money owed to you** – do not hesitate to take action to recover moneys owed: in particular, do not write off unpaid bills automatically, and consider the relevant tax considerations involved in writing off bills.



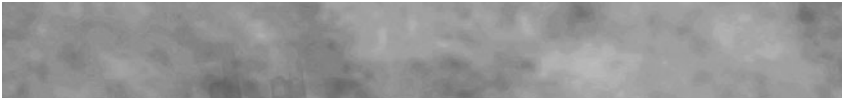
- **Closing files**

- 1 **Establish a documented procedure** – this will help ensure that cases are handled in a consistent way.
- 2 **Report the outcome** – report to the client on the outcome and explain any further action that the client is required to take in the matter and what (if anything) the practice will do.
- 3 **Account to the client** – account for any outstanding money.
- 4 **Return property** – return to the client original documents and other property belonging to the client if required (other than items which are by agreement to be stored by the practice).
- 5 **Advise about arrangements for storage** – advise the client about arrangements for storage and retrieval of papers and other items retained.
- 6 **Advise about future reviews** – advise clients whether they should review the matter in the future and, if so, when.
- 7 **Assess risk** – carry out a concluding risk assessment in relation to the case and notify, in writing, the practice's overall risk manager if the final assessment differs from the initial assessment.



- **Handling complaints**


- 1 **Establish documented arrangements** – this will help ensure that all complaints are handled in a consistent way.
- 2 **Take a positive attitude to complaint procedures** – It’s estimated that, on average, a satisfied client may tell five people of their experience, whereas a dissatisfied client may tell 23 people. It is important to deal efficiently with complaints, particularly given that referral and recommendation remain your most important sources of new work.
- 3 **Define the complaint** – see that the complaint is recorded in writing immediately, even if it is expressed orally.
- 4 **Make the procedure accessible** – see that all clients are provided with a copy of the complaints procedure on request.
- 5 **Report and record** – report and record centrally every written complaint made by a client.
- 6 **Respond** – respond appropriately to any complaint within a defined timetable.
- 7 **Identify the cause** – identify the cause of any problem of which a client has complained, and correct any unsatisfactory procedures.
- 8 **Review** – perform an annual documented review of any written complaints to establish instances where the client care may be improved, including clients’ perceptions of the procedure itself.
- 9 **Appoint a client complaints partner** – see that a senior partner or the managing partner is made responsible for all aspects of the complaints procedure.
- 10 **Avoid appearing defensive** – on receipt of a complaint, try to resolve problems or misunderstandings immediately. Do not forget that saying “I’m sorry” does not mean that you are necessarily admitting fault or liability, and that this will generally be all the client requires. Do not become defensive, and do not try to avoid the client, as this will almost certainly make matters worse.
- 11 **Keep the client informed** – tell the client how you plan to resolve the problem, and how long it will take, and give the client progress reports where appropriate.



- 12 **Implement the solution promptly** – identify and act upon solutions promptly.
- 13 **Monitor the delivery of the solution** – and make appropriate modifications to help resolve any problems that may arise again.

Office  
management





## Addressing generational diversity within law firms

*By Ginger Grant*

**F**or the first time in North America, we have four competing generations in the workforce — the Old Guard, Baby Boomers, Gen-Xers, and the Next Generation (or Gen-Y, born after 1981). The source of motivation for each generation is not only different, but in some cases can be conflicting. These four groups bring different value sets to the workplace. What motivates a call to the law in each demographic cohort may be different.

Members of each of these four generations are now in the legal workforce, creating the Herculean task of managing and motivating each generation. No one management approach is capable of handling all four generations. The question is critical: how to proceed?

To analyze the many detailed aspects of generational diversity is a huge task and won't be undertaken here. But look around you at the law office and see what generational diversity exists. Any law firm that wants to survive needs to address each of these groups, and has to integrate the belief system of each group within that of the organization.

Today more than ever before, when law firms employ a diverse and multi-generational group of knowledge workers, a living and working mythology is required to provide a prosperous environment for both individual and firm. Only a values-based approach is capable of handling such complexity. Through a system of shared values, generational diversity can be melded into a unified corporate culture.

The demographics that we currently face are unique. Approximately 80 million baby boomers in North America are approaching retirement. The cohort that follows the boomers is approximately 46 million strong. How is any firm going to handle a vacancy rate of approximately 34 million?

To compensate for this coming shortage, we need to find a way to obtain more from overworked and already stretched staff. Arguably the best approach is to focus on the strengths in our generational diversity and turn



the workforce into a collaborative enterprise. Ideas can be generated from anywhere and anyone within the firm. If you want to keep those ideas coming and encourage an innovative atmosphere, you must also acknowledge those individuals who honestly made the contribution. The old approach to management, which too often resulted in someone taking credit for something they did not do, is now tantamount to corporate suicide. Honouring generational diversity is a must to retain valuable knowledge workers.

Acknowledging that each worker is capable of making a valuable contribution to the firm is critical to effective employee retention. Working with each individual's strengths boosts morale and solidifies a productive corporate culture. It also crosses generational boundaries and can provide a solid foundation by which to implement a collaborative, values-based approach to leadership.

Only a firm that embraces a collaborative approach that is inclusive of all firm members will achieve economic prosperity and growth.

When a firm recognizes the potential inherent in all of its knowledge workers (whether or not they possess a professional designation), it will enjoy both increased profitability and a corporate culture that sustains growth.

The generational diversity present in our workforce presents a challenge, but also an incredible opportunity for those astute enough to seize on the unused and unrecognized potential within our firms.

*Ginger Grant, M.A., is the president of Creativity in Business Canada Inc., a consulting firm that specializes in corporate culture, generational diversity and change management. The complete text of this article can be found on CBA PracticeLink ([www.cba.org/practicelink](http://www.cba.org/practicelink)).*



- **Delegating authority**

- 1 **Delegate to competent personnel** – only delegate to those capable of doing what is asked of them, but remember that people develop by being stretched.
- 2 **Do not delegate accountability to the client** – accept final responsibility even if, internally, you are not responsible for any error.
- 3 **Delegate, do not dump** – do not delegate jobs which you find difficult or irksome just for that reason.
- 4 **Never presume that a message has been understood** – confirm all oral understandings in writing.
- 5 **Be prepared to provide support where needed** – encourage people to ask for support when required.
- 6 **Delegate explicitly** – be clear and unambiguous about what is delegated and to whom.
- 7 **Delegate in time** – allow sufficient time for the action to be carried out.
- 8 **Gain commitment** – delegate in a way which ensures understanding and inspires commitment and enthusiasm.
- 9 **Agree on the details** – agree with those concerned on the way in which the responsibilities will be carried out.
- 10 **Provide sufficient resources** – make sure sufficient resources are readily available.
- 11 **Provide opportunities** – as much as possible, provide equal opportunities to take on responsibilities to all members of the practice.
- 12 **Review delegation** – keep delegation under review and revise as necessary.



- **Administering the office**

- 1 **Designate and document administrative responsibilities** – including facilities management, health and safety conditions, and an annual review of liabilities.
- 2 **Establish and maintain an office manual** – collate information on office practice in the form of an office manual available to all members of the practice.
- 3 **Establish a document and filing system** – provide a system to ensure that the practice is able to trace all documents, correspondence and other information and that these are properly stored and readily accessible.
- 4 **Make arrangements for proper file management** – in order to assist in the management of individual matters, see that there is a procedure to ensure that:
  - the status of matters can be easily checked;
  - documents are arranged in an orderly way;
  - key information is shown clearly, including details of any undertakings given on behalf of the practice.
- 5 **Provide access to legal reference material** – set up a system so that lawyers have ready access to up-to-date legal reference material for the areas in which the practice offers a service, and ensure that lawyers receive timely information about changes in the law, practice, and procedure relevant to their work.



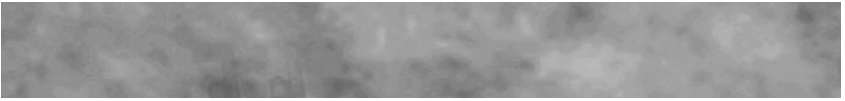
- **Planning human resource requirements**

- 1 **Identify the human resources required to achieve the mission of the practice** – you will need people to achieve its mission and key objectives.
- 2 **Prepare a personnel plan** – this will help ensure that skills, knowledge and experience within the practice are developed to meet the needs indicated in the mission statement and key objectives.
- 3 **Base your plan on current, valid and reliable information** – check that your information is sound and up to date.
- 4 **Support your plan with appropriate calculations** – estimates of the human resources required will need to be supported by calculations of the time required to complete tasks and the associated personnel costs.
- 5 **Identify the skills and personal qualities required of the team and individuals** – look for a balance of strengths within the team.
- 6 **Be clear about the practice’s organizational constraints** – specify where financial considerations, internal policy, or legal constraints affect plans.
- 7 **Consult colleagues and members of your team** – take into account the views of your colleagues, specialists and your team on how best to meet your future human resource requirements.
- 8 **Present the plan on time and with the appropriate level of detail** – make sure that plans are detailed, accurate and presented in time for the practice to take the necessary action.



- **Assessing and selecting people**

- 1 **Document the practice's procedures** – the practice should have documented procedures for evaluating the suitability of applicants for posts in the practice.
- 2 **Develop criteria against which to judge candidates** – obtain or create clear, measurable criteria against which applicants can be evaluated.
- 3 **Get sufficient information from candidates to be able to make a decision** – use a variety of assessment techniques, such as CVs, application forms, interviews, tests, and references to ensure you get all relevant information.
- 4 **Check all information concerning the candidate** – take up references, check with the local Law Society concerning any complaints, and perform bankruptcy and credit rating searches for positions of trust.
- 5 **Judge the information obtained against specified selection criteria** – you should be able to defend your decision to accept or reject a candidate. Judge candidates against the selection criteria and do not let irrelevant factors affect your decision.
- 6 **Be fair and consistent** – correct any deviations from agreed procedures before you make your selection.
- 7 **Maintain confidentiality** – tell only authorized people of your selection recommendations.
- 8 **Keep clear, accurate and complete records** – you may need to refer to them in future.
- 9 **Keep candidates informed** – tell candidates promptly and accurately of decisions following each stage of the selection process.
- 10 **Check that the choice is justifiable** – make sure you have selected the most suitable candidate.
- 11 **Review the process and make appropriate recommendations for improvement** – consider every aspect of the process on a regular basis and make recommendations for improvement.



*Investment  
and insurance*





## **Protect Your Most Valuable Asset – Your Income**

As a lawyer, you understand preparation is key to protecting your clients' legal interests. You would never walk into a courtroom, prepare a brief, or offer a legal opinion without considering all legal options and possibilities.

So why do so many lawyers walk into work each day unprepared for the financial consequences of being unable to earn an income? Why do they continue to risk their financial future because of an unforeseen illness or accident?

Why? Because it's easy to:

1. believe that becoming disabled and unable to earn a living happens to 'other' people;
2. not recognize the significant costs that accompany an interruption in income through an unforeseen accident or illness;
3. think that we can support ourselves with our savings while we are unable to work;
4. believe that we can rely solely on law firm benefits which may prove inadequate to meet a changed financial situation, and;
5. procrastinate on developing a strategy to protect your financial future.

Regardless of your current age, marital, or financial status, any interruption in your income can quickly impact your lifestyle, savings, and business, and/or leave those that depend on you facing unnecessary hardship. Whether you are a sole practitioner, a senior lawyer in a large firm, or any other member of the legal community, you must treat your income as the key to all you have today and hope to have in the future.

Here are five key steps to help you start on the path to protecting your financial future.



## **STEP 1: Understand the *Possibility* of a Disability**

No one likes to think about having careers or financial plans interrupted and being unable to earn a regular income. But studies show that people between the ages of 25 and 30 have a more than 40 per cent chance of becoming disabled for a period of greater than 90 days before they turn 65. Although these odds decrease with age, the risk of suffering a disability that impacts our ability to earn an income remains very real:

- At age 40: 36%
- At age 45: 32%
- At age 50: 28%
- At age 55: 21%
- At age 60: 13%

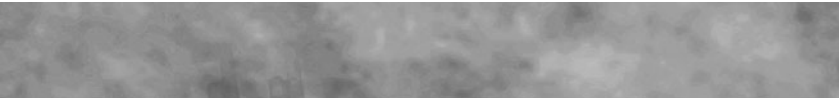
It may be human nature not to want to think about sobering statistics like these, but the mistake we can make is to seriously underestimate the all too real possibility of a life-altering event.

The Canadian Heart and Stroke Foundation reports that 300,000 Canadians live with the effects of a stroke and that 80 per cent of our country's population between the ages of 20 and 59 have at least one identified risk factor associated with cardiovascular disease.

And while constant medical advances mean that Canadians face improved survival statistics for heart attacks and other illnesses and injuries, it also means that we face a greater economic burden associated with recovery.

In fact, the average duration of disabilities lasting 90 days or greater before people can return to their full-time employment are as follows:

- At Age 23: 2.6 years disability
- At Age 30: 3.1 years disability
- At Age 35: 3.5 years disability
- At Age 40: 4.0 years disability
- At Age 45: 4.4 years disability

- 
- At Age 50: 4.7 years disability
  - At Age 55: 4.9 years disability

What these statistics illustrate is the need to recognize the very real financial difficulties that can accompany the recovery process.

## **STEP 2: Recognize What Your Financial Obligations Would Be If You Were To Become Disabled**

No matter what stage of life or career we are at, we all have fixed expenses that are necessary for our day-to-day survival. These are the expenses that will not go away if you are unable to work. These can include a home mortgage or rent, car lease or loan, and family and home expenses, just to mention a few.

If you have your own practice, you would also still be responsible for the fixed expenses associated with running it, even while you are disabled. Expenses such as rent, office equipment leases and contracts, staff salaries, and other office costs will continue while you are off work and unable to generate your normal income.

In the case of a short- or long-term disability, these expenses can be further complicated by additional unforeseen costs associated with recovery, such as:

- accommodation and travel to receive medical treatment;
- private medical treatment outside of Canada not covered by provincial or employer insurance benefits;
- altering your home to accommodate physical lifestyle changes; nursing, housekeeping or home care services;
- paying for help or equipment to facilitate regular day-to-day activities such as shopping or other personal errands;
- additional child care costs, and;
- other expenses that could help you on the road to recovery.



### **STEP 3: Understand That Your Savings Are For Your Retirement Dreams And Cannot Be Replaced Easily.**

People who have been fortunate and smart enough to have accumulated large savings often presume that they could live off these assets during a disability. While your savings certainly can help, recovering from an accident or illness should be only about your health and should not interrupt your future financial plans.

Experts tell us that just three months of disability can eat through several years of savings because:

- you may face additional disability-related expenses that you had not anticipated;
- any savings taken from RRSPs or other sheltered investments are taxable, and;
- you have no way or replacing the savings that you had put aside as your source of post-retirement income.

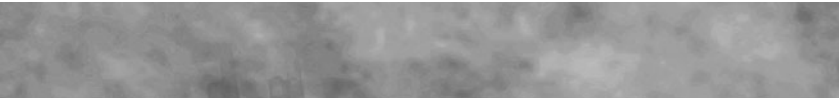
### **STEP 4: Carefully Review Any Existing Disability Coverage**

It is imperative to review any disability coverage that you currently hold to see if it would meet your financial requirements if you were to become disabled.

Remember to consider that employee benefits offered through your law firm are designed to protect the broadest group of employees possible. In law firms, these benefits are often designed to offer somewhat increased benefits to lawyers over regular employees. However, even at these increased levels, the protection offered by these plans may be inadequate for higher wage earners.

For example, some plan designs provide an 85 per cent benefit based on an income of \$30,000, and 60 per cent to an individual who earns \$60,000 a year, and only 40 per cent to an individual who earns in excess of \$150,000.

Also, remember that you do not have control over your employee benefits:

- 
- The employer or insurer may alter or withdraw benefits with as little as 30 days notice.
  - You may not be able to continue the benefits should you leave your current employer — and while you could apply for individual benefits at that time, you run the risk that a health condition could render you uninsurable.
  - Employee benefits have provisions that allow the insurer to reduce benefits by amounts received from other sources such as the Canadian Pension Plan.
  - Many such policies do not include a cost-of-living benefit, so the actual value of your monthly disability payment would be eroded by inflation.

### **STEP 5: Speak To An Insurance Specialist And Protect Yourself**

With so many Disability Income and Business Expense protection products on the market, only a sound review with a qualified insurance expert will enable you to choose which product or combination of products will meet your unique requirements. Options can include any or all of the following:

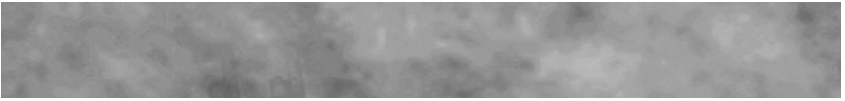
- Disability Income Protection to augment any current coverage you have through your law firm, or offer the appropriate protection if you do not currently have benefits through your firm or practice.
- Business Overhead Expense Protection, which is designed to cover the regular expenses associated with maintaining your practise during your absence and can be utilized to wind down your business if you are unable to return to work.
- Critical Illness Benefit, which provides (following a defined survival period), a lump-sum payment that can help offset unforeseen and potentially devastating costs associated with surviving a covered illness.

Most lawyers, when asked, would quickly confirm the need for life insurance in recognition of the potential financial burden on their families or estates that could result from their untimely death.



However, the same people may not be as quick to recognize the financial devastation that can accompany an illness or injury that impairs their ability to earn their regular income as a legal professional.

To help protect your financial future, contact the Canadian Bar Insurance Association (CBIA). The CBIA is a not-for-profit corporation, directed and controlled by lawyers, providing access to a comprehensive and complete line of insurance benefits tailored to the specific needs of members of the Canadian legal community. Call 1 800-267-2242 or visit [www.barinsurance.com](http://www.barinsurance.com) for more information.





## **Retirement is for you, not your money.**

### **Keep your money working for you**

Many people think that protecting their retirement nest egg in low-risk, income-generating investments is a prudent financial move. But the fact is, maintaining a portion of your portfolio in equities that have growth potential is more likely to keep your money working for you.

Statistics suggest that today's 65-year-old is probably going to live another 20 to 30 years. And investing solely in safe investments may not provide the income or growth necessary to maintain your living standard for that length of time.

That's why it's important to keep your money growing by investing it, even when you've retired. It's great to be able to stop working, but your money certainly shouldn't.

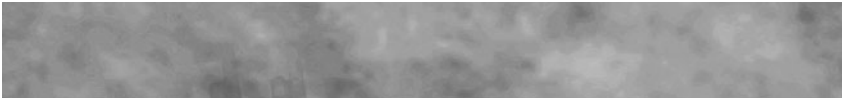
### **Sources of retirement income**

When most Canadians retire, their income is made up of government pensions, employer pensions, registered retirement savings and other personal assets.

However, the income you can pull from government and employer pensions is often times fixed and does not grow. With the rate of inflation and longer life spans, you could very well outlive your personal money.

### **What are the chances?**

Take a look at the table on the next page. Chances are you'll live longer than you thought.



		Your potential age		
		75	85	95
Male	Age 65	84.5%	56.1%	21.9%
Female	Age 65	90.7%	69.1%	31.7%
Couple	Age 65	98.5%	86.4%	46.7%

Source: *Annuity 2000 basic mortality tables, projected with Scale G.*

## **The next time you review your investments, consider the following:**

### **Balance**

- Continue to balance your investments between capital preservation (preserving the money you already have) and growth (potentially increasing the money you have).
- Keep some of your savings in a safe place, such as a GIC or other income-generating investment.
- Move a percentage of your savings into equities.
- The kind of equities you invest in will depend on your risk tolerance, investment time horizon and investment objectives.

### **Diversification**

- To diversify means to spread your portfolio over many types of investments.
- Ensure that if a portion of your portfolio is not performing optimally, there are other investments bringing in returns or paying out adequate income.
- To achieve optimum diversification and return potential, consider an asset allocation strategy.

### **Asset allocation**

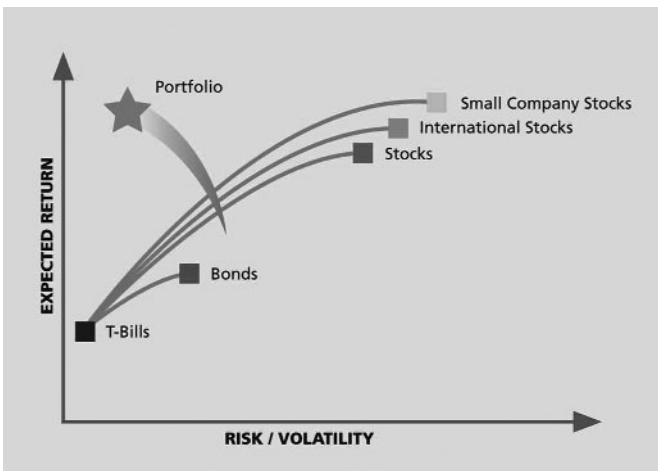
- Divides investments among different kinds of assets to optimize the risk/reward trade-off – stocks, bonds and cash.
- Commonly described as the strategy of not putting all your investing eggs in one basket while ensuring your baskets are filled with only the best-quality eggs.




- Ongoing monitoring ensures that bad eggs are replaced when necessary, leaving you with the best possible selection at all times.
- May boost returns while lowering volatility, by blending asset classes in the proper mix. When certain asset classes are not performing well, others are. This dynamic helps ensure positive returns in your portfolio, lower risk and less volatility.
- Your financial advisor can help take the guesswork out of the balancing equation and make it easy for you to invest with confidence.
- No matter what your investor style – conservative, moderate, balanced, growth or aggressive – you can choose from a number of Manulife investments at every risk level.

### Efficient frontier

- The place where returns are maximized for a given level of risk.
- As the graph shows, some asset classes such as T-bills are associated with low volatility and low returns. Others, such as shares in small companies, have much greater performance potential but tend to be more risky.
- Asset allocation adds value by blending asset classes strategically to stabilize and optimize the performance of your portfolio.





## **Make retirement about you**

Choosing the right investments to see you through retirement involves balancing risk and reward. Don't forget that your money needs to grow continuously, and you also need to keep an eye on protecting what you have.

Deciding on the ideal investments and monitoring your portfolio can be complicated and time consuming. If there are other ways you would prefer to spend your time (like playing with the grandchildren or traveling), a financial advisor can help determine the amount of money you can safely afford to invest for future growth.

## **Need help planning your retirement?**

For more information on the CBA Financial Services (CBAF) retirement savings plan and the investments that are available to you, contact your **CBIA authorized representative**, visit [www.barfinancial.com](http://www.barfinancial.com) or call **1-800-267-2242**.


## **About CBA Financial Services (CBAF)**

CBAF was incorporated through the combined efforts of the Canadian Bar Association (CBA) and the Canadian Bar Insurance Association (CBIA).

The mission of the CBAF is to offer superior, low cost financial and investment services, specifically tailored to the needs of lawyers, their spouses and law firm staff.

*Financial  
management*





## How to get paid

*By Elizabeth Raymer*

**I**t can be tough enough to win a case; it shouldn't be that hard to get paid. But either because clients can't or won't pay or they simply need to be nagged, it can be hard to extract what's owed. Here's what the smart lawyer can do to ensure clients pay up when the work is done.

Start at the beginning. Screening new clients for their ability or willingness to pay — which may include taking a retainer — should be done before any work is started.

“The time to address the collection problem is not when the bill goes overdue, but much, much earlier in the relationship,” says Paul McLaughlin, practice management advisor for the Law Society of Alberta in Edmonton.

“And you can't assume that just because a client presents himself in your office with a legal problem, that they can or want to pay your bill,” he adds. “So you have a certain amount of due diligence to do, starting with before the client comes into the office, and then throughout the file.”

McLaughlin conducts seminars across North America with Reid F. Trautz, director of the Law Practice Assistance Program in British Columbia, on “how to create a practice based on clients who want to pay your bills.”

“Our experience is that most clients who have received value, as they perceive it, are willing to pay their bills,” McLaughlin says.

Allan Adel, a litigator with Miller Adel in Montreal, says the root cause of payment problems is often a problem of communication between attorney and client.

“Right at the beginning, when the client hires the attorney, there's an important ethical obligation to inform the client as well as you can what the client can expect to pay down the line,” says Adel, secretary-treasurer of the CBA's General Practice, Solo and Small-Firm Conference (GPSSC).



In his practice, Adel has learned to give clients cost ranges from \$5,000 to \$15,000. This “opens the client’s eyes as to what the risks are,” and prevents situations where the client may complain later.

The lawyer and client should then enter into a written agreement setting out as clearly as possible the services for which the client will be responsible, such as legal fees, disbursements, court costs and taxes, as well as variables such as whether the mandate is limited to a court of first instance.

The client must also understand that the lawyer’s bill may exceed the award, but that even if the judgment is small, the lawyer has still had to devote the same amount of time and effort to the case as she would to one with a larger judgment.

And, says Adel, there should be a provision in the fee agreement to provide for interest on overdue amounts. This rate “should not be abusive, but sufficient to encourage the client to pay the account earlier rather than later.”

The lawyer also needs to determine from the start a client’s ability to pay. “This is something I discuss frankly and directly with the client,” says Adel. Where is the client working? What is the family income and revenue? Is a spouse prepared to contribute to the cost of the litigation? “It may be advisable for the lawyer to get both the client and the spouse to sign the fee agreement in the beginning.”

Whether or not a retainer is required is partly dependent on a lawyer’s area of practice, says McLaughlin. For example, retainers are recommended in criminal law and family law, less so in corporate/commercial law. “If you need a retainer [there], you don’t have a relationship of trust with the client.”

Good client communication is key to getting paid, just as it is to securing repeat business and gaining referrals. If an account isn’t being paid because the client feels she has not received good value, this needs to be discussed sooner rather than later in the relationship.

*Elizabeth Raymer is a Toronto-based journalist who has written for a number of legal publications. The complete text of this article can be found on CBA PracticeLink ([www.cba.org/practicelink](http://www.cba.org/practicelink)).*



- **Preparing budgets**

- 1 **Prepare accurate estimates of benefits, income and costs** – base your estimates on valid, reliable information; include historical data and information about trends where it is available.
- 2 **Assess alternative courses of action** – before submitting your budget and recommending expenditures, assess the relative benefits and costs of alternative courses of action.
- 3 **Encourage all relevant members of the practice to contribute** – if people are involved in the process of drawing up the budget, they will be more committed to achieving the desired results and to keeping within agreed financial limits.
- 4 **Indicate the benefits clearly** – be sure to specify the net benefit which will be gained, over time, from the expenditures.
- 5 **State your assumptions** – make it clear what assumptions you have made and why.
- 6 **Allow for contingencies** – take into account any future changes which may affect the level of fee and other income and expenditures.
- 7 **Check your budgets with others** – where other people have been involved in providing information or making suggestions, check the details with them before submitting a final budget.
- 8 **Present your budget clearly and concisely** – make use of any forms which the practice may have developed for presenting budgets.
- 9 **Be prepared to give a more detailed explanation** – have all your information and arguments at hand to counter challenges to your proposed budget.
- 10 **Learn from your experience** – compare actual costs and benefits with the budget and use this information to help you to improve the preparation of a budget in the future.



- **Monitoring budgets**

- 1 **Get people involved** – encourage members of the practice to take individual and collective responsibility to control activities in line with budgets.
- 2 **Check actual income and expenditure against budgets** – get accurate information on fee income and costs at appropriate intervals.
- 3 **Keep expenditures within agreed limits** – be clear about your budget limits and make sure you keep within them; check that all expenditures conform to the practice's policies and procedures.
- 4 **Phase expenditures according to plan** – make sure you do not overspend your budget in any period, as this will be detrimental to cash flow, even if you are still within budget for the year.
- 5 **Report any likely over- or under-spending** – let the appropriate people know as soon as possible of any potential variation from the budget.
- 6 **Report any likely variation in fee income from that identified in the budget** – let the appropriate people know as soon as possible if fee and other income is likely to be under or over budget.
- 7 **Give the reasons for any variations** – analyze the causes of variations in income or expenditure and propose corrective action.
- 8 **Take prompt corrective action** – take appropriate action where there are actual or potential significant deviations from the budget.
- 9 **Get authority for changes in allocations between budgets** – where you need to spend more from one budget and less from another, obtain any necessary authorization.
- 10 **Get approval for changes to budgets** – where you need to change your budget during the accounting period, get approval from the appropriate authority.



- **Managing cash flow**

- 1 **Prepare a cash flow forecast** – get full information on expected receipts and payments to determine the likely pattern of cash flows over the accounting period.
- 2 **Consider all the factors** – these may include regular receipts and payments, capital payments, partners' drawings, disbursements, and exceptional receipts and payments.
- 3 **Prepare cash budgets** – present your budgets in the approved format, clearly indicating the net cash required for each period.
- 4 **Monitor receipts and payments** – monitor cash receipts and payments against budgeted cash flow.
- 5 **Take prompt corrective action** – in the event of significant actual or potential deviations from the cash budget, take appropriate action such as arranging overdraft facilities, investing surplus cash or expediting debt collection.
- 6 **Manage the cash balances** – anticipate surpluses and deficits and take appropriate action, taking into account trends in the financial or economic environment.
- 7 **Invest surplus funds** – invest any surplus funds in marketable securities, following carefully any financial procedures and authorization limits the practice may have.
- 8 **Arrange overdraft or loan facilities where required** – anticipate the need to for an overdraft or loan so as to get the most favourable terms possible.
- 9 **Maintain an adequate level of liquidity** – keep sufficient cash readily available to meet known requirements and possible contingencies.
- 10 **Maintain the security of cash** – always observe the practice's financial regulations and security procedures when handling cash.



- **Credit control**

- 1 **Establish and comply with the practice's credit policy** – whenever you settle credit terms with a client, ensure that you comply with the practice's policy in this regard.
- 2 **Run credit checks** – use valid information sources to ensure that current and potential clients are creditworthy and only take new instructions from clients that are creditworthy.
- 3 **Present bills promptly** – send bills to clients on the agreed date, clearly specifying any credit terms agreed.
- 4 **Monitor your clients' accounts regularly** – analyze key indicators such as the age analysis of clients, the average periods of any credit given and received, and the incidence of bad and doubtful debts.
- 5 **Provide information** – tell relevant people in the practice about significant outstanding accounts and potential bad debts, and recommend the action to be taken.
- 6 **Recover the monies owing** – use debt recovery methods that are appropriate to each individual case and in line with the practice's procedures to recover monies owing.
- 7 **Be firm** – deal with clients firmly and courteously; write off bad or doubtful debts only after weighing all the factors and consulting relevant people within the practice.
- 8 **Use external agencies** – do not hesitate to use, where appropriate, outside specialists such as debt collection agencies to implement the practice's credit control policies effectively.



## • **Financial and management information**

- 1 **Allocate and document responsibility** – designate a specific person within the practice to exercise responsibility for financial affairs.
- 2 **Set up a financial information system** – the practice needs to have sufficient information to monitor income, expenditure and cost and to allow forward planning.
- 3 **Ensure that the financial system provides information on profitability of work** – the accurate measurement of profitability is essential.
- 4 **Link the system to the accounts** – practices need to produce:
  - an annual budget, including any proposed capital expenditure;
  - an analysis of income and expenditures against budget, on a quarterly basis;
  - an annual profit and loss account;
  - an annual balance sheet;
  - an annual cash flow forecast;
  - a quarterly variance analysis of cash flow.
- 5 **Decide about disclosure** – practices will not normally disclose financial information to third parties; but, for example, they may in appropriate cases make available an accountant's statement showing that systems to provide the relevant information within the practice are in place.
- 6 **Keep management sufficiently informed** – the practice may find it helpful to maintain more complete management information by, for example, providing:
  - a separate capital expenditure budget;
  - weekly or monthly aged lists of debts;
  - analyses of:
    - the cost of services,
    - cases, by category and client name,
    - fees by fee-earner, category or department, and
    - working capital.



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