

# How to Start a Lean Law Practice



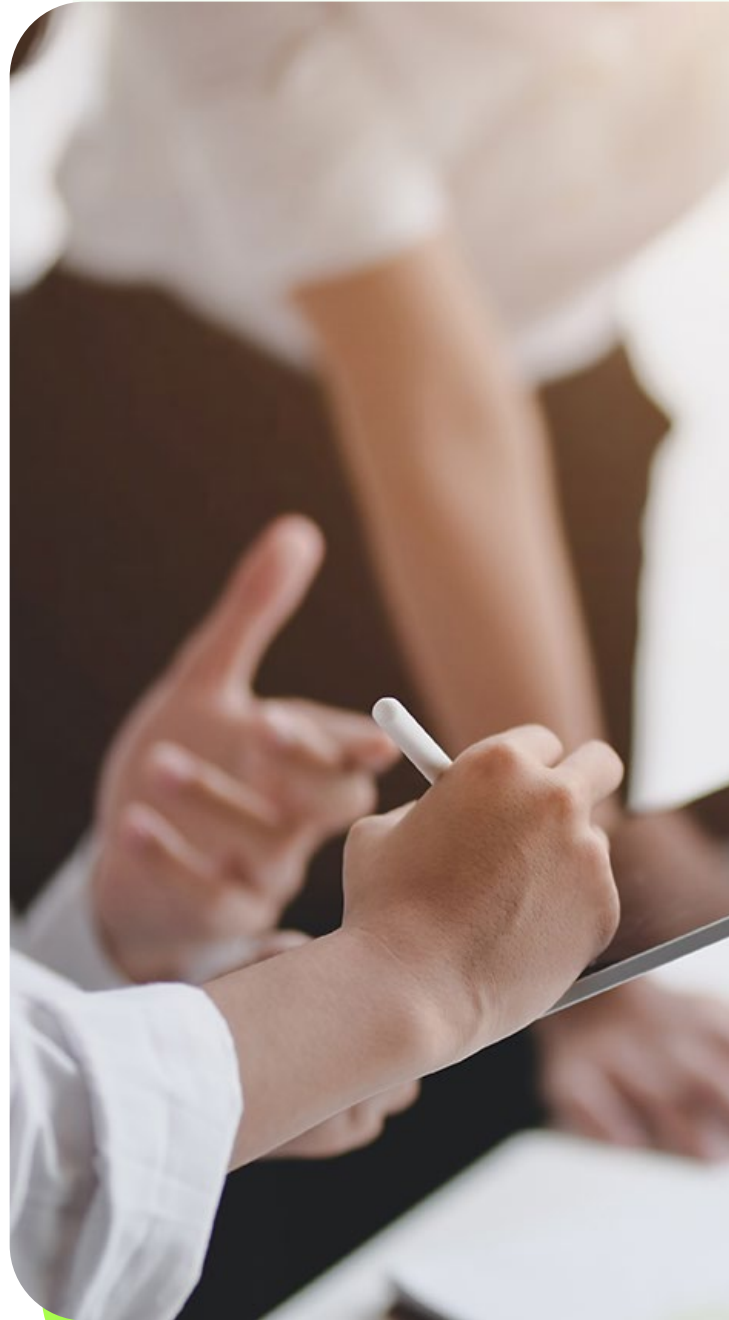
## Why did we write this guide?

LeanLaw's co-founder, Gary Allen, had a successful law practice for over 30 years. He had a bird's eye view of how pricing pressure and other changes shattered the traditional practice model centered around the billable hour and paper-intensive workflows.

Lawyers need to adapt to this new reality to achieve a healthy, lean practice. Lean Practice focuses on slashing the firm's overhead burden, which opens the door to more flexibility, greater satisfaction, and a more rewarding practice -- and survival in the marketplace. This guide is your roadmap to a Lean Practice.

## Who is this guide for?

This guide is for lawyers and support staff, especially from small and solo law practices, who want to lower costs, create efficiencies, and also have more time for what's important, whether that's family, fun, or community service. This guide will help you get in the right mindset, pick the right technology and software, and learn to use it all successfully. Don't worry, it's easier than you think, and we'll help you get there.



# | What is a Lean Law Firm?

People throw around the term “lean” -- but what does it really mean? Before we dig in deep, we thought it best to define a lean law firm.

The simplest way to answer the question is to define lean in terms of overhead:

Lean = Overhead of 20% or less as a percentage of revenue.

For example, if you have \$100,000 in annual revenue, you are lean if you have overhead of \$20,000 or less. If you have \$500,000 in revenue, you are lean if you have \$100,000 in overhead or less. It may seem like we pulled 20 percent out of the air, but we'll talk in a minute about why this number is significant.

What if you have employees who generate revenue, like paralegals? Overhead of 20% will work if you treat them as profit centers instead of overhead or cost centers. You need to know if those employees are making money for you.

You may shrug or you may wince when you compare this to your firm's finances, but we've seen it done at the unlikeliest of law firms.

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## A few of the trends that are driving attorneys to Lean Practice:

- 1. Google / AI:** People just don't come to lawyers with routine questions the way they used to. Many start to address their legal questions with a Google or ChatGPT (Artificial Intelligence) search. When they do contact a lawyer, they already have some information -- they just want the fine tuning.
- 2. Free stuff:** People are used to getting pretty good stuff for free or inexpensively on the Internet: so the expectation of value that they're going to get from a lawyer is much higher. As a result, the demand has been down for legal services since 2008: we don't think it's going to recover.
- 3. Self-service:** Websites like Rocket Lawyer and Legal Zoom, where you can create low-cost legal documents, reduce the demand for traditional legal advice. It is less likely that people will come to lawyers or pay lawyer rates for this kind of legal work in the future -- filling out forms or for routine matters in litigation. AI is only going to exacerbate these issues.
- 4. Mediation models:** for example, Wevorce, which is a different way to approach a non-contested divorce with flat fee services.



## A few of the trends that are driving attorneys to Lean Practice:

**5. Slashed budgets:** In recent years, corporations have reduced their legal budgets by 30-50%.

**6. Lean practice:** There are law firms out there that have figured out how to operate at a very low cost, offering lower rates and more affordable fixed fees.

It's also an opportunity for them to extend their practice geographically. Law firms leverage the internet to:

- Create a statewide conservatorship and guardianship practice
- Offer routine services like collections, bankruptcy, and family law.
- Conduct business from a virtual office and only rent a conference room or office when you need it.
- Outsource resources to help staff a large litigation.
- Use AI driven legal research to reduce the need for paralegals and associate attorneys
- Outsource paralegals and staff resources like, Hire an Esquire or Legal Hero






## Overhead Swamp

Overhead in a traditional law firm is 35-55% of revenue. About \$160 thousand each year per attorney for small to medium firms. That is a big load. Traditionally, lawyers have thought there was little they could do to reduce overhead. Practices were paper-intensive and required lots of staff assistance, and technology wasn't really helping. In the past, we would hear, "It is easier to increase revenue than to cut overhead." No more.

At LeanLaw, we understand that most lawyers feel dissatisfied as their overhead goes over 20%. And the higher that percentage, the bigger the dissatisfaction. This may manifest in either not making enough money or feeling like you are stuck on the hamster wheel.

In the Overhead Swamp:

- You may feel insecure about your data.
  - Your quality of life may not be what you want.
  - You may not be able to give your clients a break when you think that they may need it.
  - You may have to bill a lot.
  - You take cases for the revenue rather than what you're interested in.
  - You don't have enough time for your family or your community.
- 

There are two ways to escape the Swamp:

1. Become lean - 20% overhead
2. Increase production without increasing overhead  
(congratulations if you have this option)

Let's say you're the senior attorney in a small law firm. You can see the writing on the wall: Rates are being squeezed, legal budgets slashed, and more often, your clients are Googling their first legal questions instead of asking you. You don't have easy options to expand your practice, so if you can't cut costs, you may lose partners and clients.

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## **How do you know your costs? Do you have the data?**

First, it is important to think deeply about why you want a Lean Practice. If it's just about money, it probably won't work. For most people, you need to dig a little deeper. Also, you need to think beyond cash flow and better understand profitability. Although it sounds drastic, you may need to become lean to save your career. Remember how fast the music industry changed? That can happen to law.

Second, don't expect technology to be a magic bullet. Technology is a key asset, but the foundation for leveraging technology is the right mindset, which leads to the behavior change needed for Lean Practice. This is important to understand because behavior change can be uncomfortable and probably is not something you can turn on like a light switch.

The most successful way to change your behavior is one small step at a time and not all at once. But over the course of several months or a year, you can transform your practice. It is easier when starting a new practice than if you are transforming an existing one, but both are possible.

Third, we will offer detailed advice about laying your technology foundation and making each of the seven core workflows in your office lean.







## Why Does a Lean Law Firm Matter?

Creating a lean law firm is not just about saving money. It's about ideals like quality of life and justice for all. It's about making legal services more affordable while creating more cash flow. Yes, they are compatible. If you know why you're creating a lean law firm, you'll be more likely to follow through on the steps.

### Lean Fundamentals

Now that we understand what exactly a lean law firm is, we can delve into why it's important to get there.

Think about: Why do I want to have a lean law firm?

- Happiness
- Extra time
- IT security
- Lower overhead
- Improved cash flow
- Peace of mind

For the end result of:

- More focus on practicing law
- Creating time in your life for serving your community
- Better serving clients
- Focus on your family/personal life
- Less financial stress
- More money in your pocket
- More time for pro bono services

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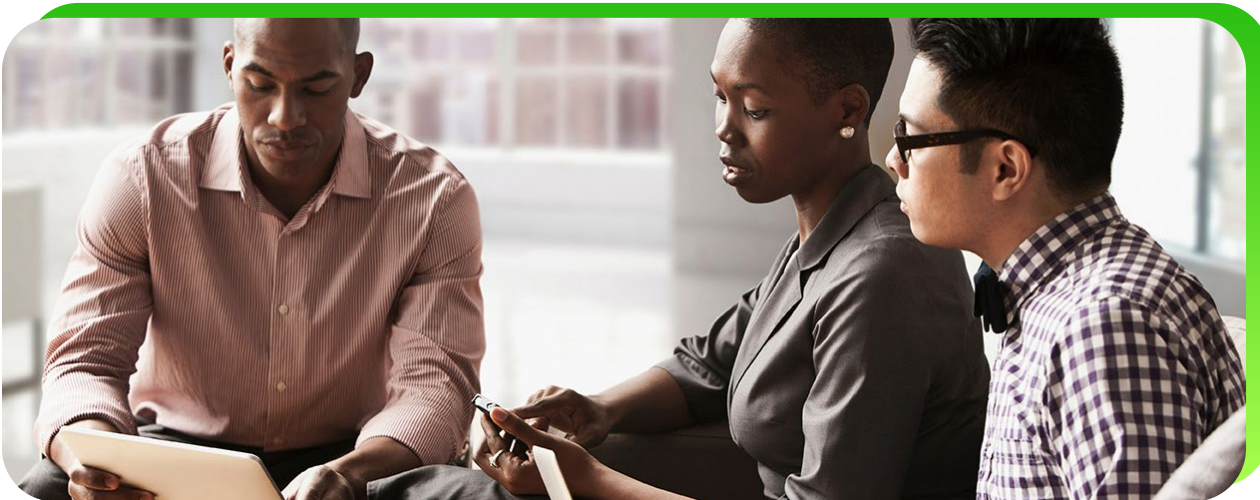
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## A Couple of Lean Stories

We have a client who used to have over \$11,000 in overhead each month. He left his big law firm and now works with a partner and has only \$2,500 in monthly expenses. He no longer has a secretary, but since he upgraded his technology and his work habits, he no longer needs one. He is hardly a techie, by the way. He has more work than he can handle and more satisfaction with that work, knowing that his overhead is extremely low. By the way, he does pro bono work and contributes significantly to his community.

Another attorney we know has kept her overhead so low that she can afford days off and much more pro bono work -- and still make the same amount she used to before going lean. This could be you.





## Long-Term Survival

Corporate legal budgets are being slashed. Legal questions can be answered with a Google or AI search or through companies like LegalZoom. Automated legal services are the future of the business. People will still need lawyers, but not as much.

Will you be on the front end of automating, or will you throw in the towel after years of pretending it's not on the horizon? What are you going to do about the falling demand for legal services?

For small law practices to survive, they need to think about the following practices and how to employ them:

- How to offer more fixed fee services
- How to outsource litigation support and transactional due diligence
- How to become a customized version of Rocket Lawyer





## **Not just for the sake of efficiency, but also ethics**

Every week, we hear about a new set of law firm breaches - the most egregious being the Panama Papers and the Paradise Papers. At LeanLaw, we believe that if a hacker wants to break through your security, they will be able to do it eventually. But the real issue that you must care for is this: have you done everything you can to keep your security up to date?

This is not for you to figure out on your own, but rather, have an expert employ best practices for your law firm security so that if you are hacked, you have a reasonable story to tell your clients. Mossack Fonseca, the law firm behind the Panama Papers, had not updated their security in years.

### ABA Model Rules Regarding Technology

- Rule 1.1 – Competence
- Rule 1.6 – Confidentiality
- Rule 5.3 – Supervision of Nonlawyers

## Bottom Line:

Data security is your ethical responsibility to your clients. Law firms must make reasonable efforts to secure client data. The good news is that it will also make your small law firm more productive and even save you money in the long run. Three birds, one stone. Go do it.

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## Who is a Lean Lawyer?

Is that you? Could it be you? For sure.

Many lawyers think that in order to manage automation and data in the cloud, one must be an IT expert. This is not so.


### **You can do it, with a little help:**

You may think that automation and technology are beyond your understanding. Perhaps you think you are too old or just not the kind of person who can deal with the cloud, technology, RAM, and more. To believe that is a choice.

LeanLaw knows that passing the bar is much more technical and complex than setting up a lean law firm and that much less capable people than ANYONE who has passed the bar can learn to use this technology. Like you.

A lean lawyer is someone who appreciates the return -- more free time, reduced overhead -- on practicing lean. You don't have to understand how the technology works, you just need it to work.

Hire a local expert to help you set up your firm this way. Whatever you pay this person will pay dividends if you're set up correctly.





### **This is a team effort.**

Your entire staff has to buy into the effort to transition into a lean law firm: it needs to be a multi-directional conversation. If you include all the stakeholders (partners, paralegals, assistants), it will become part of your law firm's culture and a piece of empowerment for everyone who works there.

### **The team needs a leader.**

By assigning a leader to the lean mission and empowering the group to do it, you create an appreciation from the staff that you're willing to change, too. A new process is imperative, and this is where you can challenge your team.

The leader does not have to be a partner or even a lawyer - just a detail-oriented person who is motivated for success. Good ideas can come from anywhere. If you enable people, it becomes an empowerment and allows them to get excited and own it. A lean team will help facilitate culture and the macro behavior change that's going to be central to success.

And if you're a solo, get a trusted tech partner.








## 80/20 Rule

There's always that one partner that won't change. What do you do about him?

One attorney who has a lot of voice, he is in his 60s and says things like, "there is absolutely no way am I going to change my process." Know this guy?

Create a one-off for that person. Don't hold back the whole firm: Twenty percent of the room is going to be inefficient, but 80% can be much more efficient.

Bad technology and legacy workflows demoralize people. Doing grunt work when you know there are good tools to manage it can zap your staff of energy. Let the minority stay with their legacy technologies.






# How to Start a Lean Law Practice

## Self-Service

Practicing lean is kind of like pumping your own gas. Unless you live in Oregon or New Jersey, you've been pumping gas yourself for decades. Sure, at first, it felt strange, but now you don't think twice about it.

This new model of practicing lean is a kind of self-service. But this kind of self-service won't take you nearly as long as it took the people who used to do it for you. This is because today's technology is far more automated -- the software has taken over much of the work and has become even more efficient than your most efficient assistant.

Now that you have some background for the mindset of what, why, and how to be lean, in the next post, we're going to talk about the first steps in getting there. Yes! Concrete examples and clear direction.





## The Approach: Comprehensive Suite or Selective Tools?

The inception of a new law firm necessitates the crucial decision of selecting suitable software. Your choice spans between comprehensive practice management solutions like Clio, and specialized tools designed for specific functions such as LeanLaw, Box.com, QuickBooks, and G Suite.



### The Benefits of A La Carte Software for Law Firms



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The final decision hinges on your individual requirements and preferences. Here are a few crucial factors to ponder:



## **The ‘Wait and See’ Strategy**


Contemplate the idea of commencing your legal practice with fundamental tools prior to settling for a practice management software. This facilitates the development of workflows tailored to your client service model. Understanding the tasks and data points of utmost value will then guide your choice of compatible tools, eliminating the need for a practice management tool.

## **Setting Priorities**

Ensure your chosen features align seamlessly with your core necessities, whether you opt for a comprehensive solution or an amalgamation of a la carte tools.

## **Essentialities**

Evaluate whether you truly need all the features offered by an all-in-one tool. Ascertain whether a full practice management suite or specialized tools for distinct functions better meet your needs. Bear in mind, most tools can easily integrate, eliminating the need for manual adjustments.





### **Adaptability**

Confirm that the all-in-one tool of your choice can effortlessly integrate with your other tools, paving the way for a smooth workflow.

### **The Ideal Match**

Ensure the selected platform or tool caters to the unique needs of your practice size.

### **The Exit Plan**

Prior to investment, assess the potential complexities of transitioning to a different platform should your chosen tool fail to meet your expectations.

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# Core Workflow Evaluations

## Timekeeping and Invoicing:

Precise timekeeping and effective invoicing are critical for a lean practice. The following factors should guide your selection of timekeeping and billing tools:

### Premier Vendors:

LeanLaw stands out as a top recommendation for timekeeping and invoicing. Although other tools can generate bills, they may not align effectively with the lean practice approach. LeanLaw sees timekeeping and invoicing as a core workflow: if you don't accurately bill for time, you don't get paid. Once you understand the data associated with timekeeping, you'll see how you can use those insights to your advantage in your law firm operations (productivity, flat fee profitability, etc.)





## Key Considerations:

- Evaluate your billing workflow, from timekeeping to tracking.
- Prioritize timekeeping capabilities, as accurate time tracking is critical for billing purposes.
- Strive for automated billing processes to eliminate duplicate entries and save time.
- Ensure seamless integration of the invoice workflow with your accounting package for comprehensive financial transparency.
- Opt for timekeeping tools accessible across multiple devices (mobile, desktop, gadgets).
- Verify the robustness of data tracking features.
- Check if the tools support full automation of invoicing processes.
- Confirm the integration of invoice delivery tools with credit card or ACH payment options, providing visibility on invoice email opens.



## Email


The following factors should guide your email provider selection:

### Premier Vendors

Contrast G Suite and Microsoft 365:

- Google: Gmail boasts a rich app store, superior mobile integration, and slightly enhanced support. It is reputable for its security features.
- Microsoft: Microsoft 365 provides an array of features bundled with secure email solutions.

### Key Considerations

- Using a browser as your main email interface simplifies IT management.
  - Determine the extent of access required for your colleagues and assistants, including calendar, email, contact delegation, and sharing capabilities.
  - Secure fully encrypted email to guarantee confidential communication with your clients.
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## Document Management

The efficiency of document management is indispensable to any law practice. The following factors should guide your document management tool selection:

### Premier Vendors

Box.com and NetDocuments stand out as primary choices. Dropbox, OneDrive, and Google Drive are also popular.

### Key Considerations:

- Assess user numbers, including external collaborators.
- Prioritize security and confirm compliance with Bar Association's recommendations.
- Evaluate accessibility and user-friendliness of the tool across tablets and phones.
- Consider storage capacity and maximum file size allowed.
- Choose between desktop sync and exclusive cloud data storage.
- Strategize effective data organization, tagging, and management.
- Ensure smooth integration with other key tools such as Microsoft 365, Practice Management, and G Suite.
- Verify data backup capabilities to secondary cloud storage.
- Confirm user rights management to control access permissions.
- Assess data migration potential, especially when an employee departs.




## Use Only Software That Delights You

The key to efficiently launching a lean law practice lies in establishing basic operational components. Opt for flexible industry-standard tools that pave the way for future adoption as your understanding of your business needs deepens. Keep the following key insights in mind:

- Avoid detrimental practices from previous law firms and envisage your preferred work model, whether virtual or physical.
- Customize your technology decisions to align with your work approach.
- Cater to the needs of your team, regardless of location.
- Delegate a team member to manage the technology aspect of your practice, ensuring comprehension of each app's functionality and administrative features.
- Thoroughly document all technical information as it will prove invaluable later.

For more personalized guidance and solutions, reach out to LeanLaw. Our extensive experience collaborating with lawyers equips us to provide insights and solutions that may not have crossed your mind.



# Articles to Consider

## Tech Stack Solutions for the Midsize Law Firm



## Case Study: 30% Savings on Software Law Firm Dumps Thomson Reuters, Creates Tech Stack

### 30% Savings on Software Law Firm Dumps Thomson Reuters, Creates Tech Stack



Case Study

## Case Study: Law firm saves \$150K+ each year by outsourcing accounting and dumping Clio and then Cosmolex

**Law firm saves \$150K+ each year**  
by outsourcing accounting and  
dumping Clio and then Cosmolex



Case Study

## Trust Accounting



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