

## LAW FIRM RESOLUTIONS FOR GOOD FINANCIAL HEALTH IN 2012

By Rob Mattern

Law firms spent the past year in a similar manner to how they have spent the last four: looking for the best ways to aggressively reduce expenses in their support service areas. Many of these law firms saw good results in 2011 with positive benefits to the firm's overall health: reduced expenses, increased services and savings large enough to avoid staff cuts. Here are some resolutions from these firms to yours for a healthy bottom line in 2012.

### 1. I will be careful about what I eat.

A healthy practice for any law firm is to regularly check contract expiration dates. Do you know when your office supply, offsite record, overnight, equipment and service contracts expire and whether there are any notification clauses? Many law firms don't — and they end up eating a lot of costs from unauthorized increases and extended renewal periods.

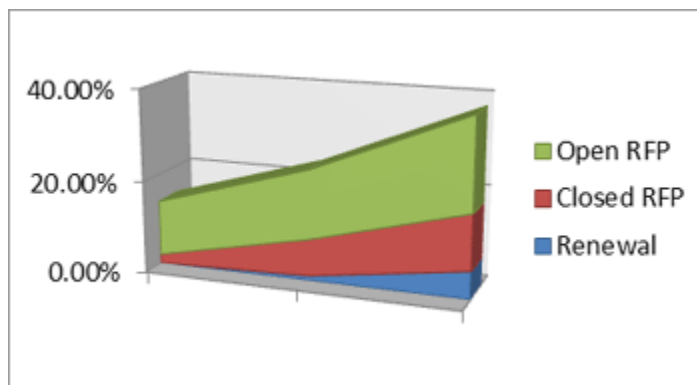
Resolve to make a firmwide calendar of contract expiration dates and annual increases. Monitor the calendar on a quarterly basis, and make sure it is documented if a notice must be given to a business partner to prevent automatic renewal of a contract.

Another option: When negotiating a contract, make it the business partner's responsibility to contact the firm prior to any built-in renewals or activation of evergreen clauses.

### 2. I will exercise.

In 2012 resolve to get healthier by exercising your competitive muscle. When it comes to contract negotiations, nothing is healthier for a firm's bottom line than a little competition. Our internal estimate of the number of firms that do not enter into competitive processes when their support service contracts are expiring is greater than 70 percent. From the graph below, you can see how much a little competition can save.

#### Average savings per process



An **open Request for Proposal (RFP)** occurs when a firm conducts a competitive application process involving multiple business partners; the **closed RFP** occurs when a firm negotiates with its current business partner by using appropriate benchmark information provided to that business partner. Finally, the **renewal percentage** calls for

negotiating with your current business partner based solely upon their renewal offer. The savings in the above chart speak for themselves.

### **3. I will make time for my health.**

In 2012 resolve to budget the appropriate amount of time for the competition process. Outsourcing an RFP from start to finish will typically take six to 18 months depending on the number of sites and business partners involved, the services being offered and negotiation of the contract. RFPs without the labor component take less time, but on average, the cycle is nine months long.

To do the job well and position the firm with the most competitive contract takes preparation and adequate time. Too often, firms do not allow the necessary time for the negotiation process to fully take place, and as a result, they end up with a weak contract that eventually hurts them, or even worse — a poor business partner.

### **4. I will take stock of myself.**

Resolve in the 2012 to take stock and review your firm's overall soft recovery strategy. With more than 50 percent of law firms charging for print, 30 percent charging for scans and the decline of legal research, facsimile and telephone recoveries, the healthiest law firms in 2011 took a comprehensive look at their firm's billable percentages, rates and net realizations. For a firm that is currently not capturing and charging for prints and scans, this volume, coupled with copy volume — even at reduced rates — will double its net billable realization. Another option can be to migrate to a hard cost model for onsite and offsite recoverables, which typically produce a higher net realization.

### **5. I will focus on the little things.**

In 2012, resolve to review the placement of network and laser printers. Every black and white print sent to a multifunctional device versus a local printer saves the firm two cents — and for color, that number increases to nearly 10 cents per impression. With an average print output of 1,500 impressions per attorney, the figures can add up to some serious savings very quickly.

The New Year is an excellent time to reflect and put personal and business goals into place to better our health and well-being. In 2012 the healthiest law firms will consider lessons learned in 2011 and resolve to trim the fat, eat right, exercise, take stock, focus and act to reduce costs in their back office and support service operations in the year to come.

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