



How to Maximize Your Current Practice And Position It for Sale

Presented by
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AttorneysMasterClass

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MASTERING THE BUSINESS OF THE LAW.

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Attorneys Master Class

For more than twenty years, Dustin Cole has worked with law firms to help them move successfully through changes, challenges and opportunities, and with attorneys to help them build more successful and satisfying practices. He brings more than 35 years of experience in every phase of business management, business development and team development to his work with the legal profession.

Dustin's support of the legal profession began in 1985, after more than fifteen years in private industry, when he founded his own public relations and marketing firm, Public Strategies Florida, specializing in attorneys and other professionals. From 1985 to 1993, Dustin's company served law firms across Florida, receiving numerous awards for marketing and public interest programs.

Concurrently, from 1990 to 1993, Dustin also served as Vice President of Marketing for RUMGER Insurance Company, a Florida lawyer's professional liability insurance provider, taking the startup company to a 20% market share in four years.

From 1993 to 2001, Dustin was a partner and chief trainer in an attorney training and development organization, and helped the company grow to become one of the leading legal management training companies in the nation. In that role Dustin conducted nearly 200 seminars and firm

retreats in 22 states, and worked individually with dozens of attorneys individually to help them expand their practices or deal with specific practice challenges.

In 2002 Dustin founded his own organization, Attorneys Master Class, to provide personal support for firms and attorneys in expanding their practices, dealing with professional change, or protecting quality of life.

Dustin is a frequent keynote and guest speaker at legal organizations nationwide, including the ABA, ALA, and State Bars in more than 25 states from Alaska to the Virgin Islands.

As a response to the 2008-2009 economic downturn, Dustin developed a special program designed to help smaller firms cope successfully with changing economics and client expectations. "How to Survive the Crash" has now been presented to more than 15,000 attendees in 25 state and specialty Bar associations across the country, receiving highly positive response.

Most recently, Dustin has been presenting a new program, "Ethical Risk Management," a program developed in conjunction with the Florida Bar, to Bar associations and malpractice insurers across the country.

Dustin is a native of Phoenix, Arizona, and holds a degree in Radio-Television from Arizona State University.

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Purpose of This Program

Provide a context, options and tools to accomplish a successful sale or transition of your practice.

Understanding the Value of Your Current Firm, And How To Maximize It

What are you selling?

Practically – you are selling only three things:

Inventory (current & future value)

Goodwill

Infrastructure – the “operations”

What’s your practice worth?

It depends on only a few factors:

What are you selling?

Who is buying?

Market & economic conditions

How you want to sell it

What are You Selling?

Category of Practice

Practices, or parts of practices, tend to fall into one of four categories:

Commodity firm – produces a product in which the buyer doesn’t perceive a significant value to the attorney, such as real estate closings, simple wills and uncontested divorces, traffic, etc. These firms are facing dramatically increased competition from non-attorneys, from thousands of new attorneys, and from technology, both software and the web. Traditionally operated commodity practices have little value. If very sophisticated, high-tech, high leverage with high volume and extensive marketing, the value can be significant.

Brand name firm – driven by heavy advertising, with high consumer recognition.

Value firm – focusing on fewer matters doing more complex work. Strong reputations (goodwill) means business comes almost exclusively from referrals. This type of firm is one of the most viable and valuable, because it provides an important service not readily available from other sources. Clients usually expect to pay a bit more for that firm’s services. Difficult to transition since “goodwill” – reputation and trust in the personal expertise of the attorney – is the primary value.

“Nuclear event” firm – deals with extremely critical, high value “life or death” work. Highest value, even more dependent on “goodwill” value.

Valuing Your Inventory

What is most valuable?

- Ongoing business clients

- Will files

- Long-Term specialty “Work In Progress”(WIP)

Next most valuable:

- Comprehensive, current database of past clients and prospects

Less valuable:

- Paper files of past work

Deciding factor

- Commodity, brand name or value

Valuing Your Goodwill

Reputation

Visibility & participation

- Community

- Market area

- Legal community

Client list

Referral network

Goodwill --

Has little value in the Commodity area

Is institutionalized and less personal in the Brand Name area

Is essential and 90% of the value in Value and Nuclear Event areas

Operations & Infrastructure

Question: Is it A BUSINESS – or a JOB?

Michael Gerber, in his book “The E-Myth,” talks about how the distinction between a job and a business. As long as the owner does all the work and is the center of everything, and when the attorney isn’t there, no business gets done, it is only a job. But when the owner has built an infrastructure and a team so that, even when he or she is not present, work and business is still being done, they have a true business.

“To build a great transition plan requires that you have a successful legal business, which most small firm attorneys never achieve.

Every successful non-lawyer business transforms itself every few years in its continuing quest for growth. The leaders recognize that how they did business as two or three guys with a truck doesn’t work when their client base has grown from a dozen to a hundred, and cannot work if their goal is a thousand, or ten thousand. So they seek advice from outside, and evolve their operations in light of both their present status and their future goals. How their business operates today is dramatically different from the “two guys and a truck” stage. The perfect example is literally “Two Men and a Truck,” a company that literally began as two guys and a truck and is now one of the hottest small-business franchises in the country.

The biggest obstacle for attorneys in planning the end of their legal careers was placed in their path decades ago, when law school told attorneys “you’re not a business person – you’re a professional.” They inferred that a “business” was somehow slightly dirty and inferior to the professional firm, and stunted your thinking about how to grow your practice. So most solo/small firm attorneys spend their careers working in “non-businesses.” They treat it like a job - come in, work hard, go home. They don’t plan for growth and change. They don’t plan for attracting new business – after all, law school taught them the only thing they need to know about attracting business – the “better mousetrap” theory – just do good work and clients will come. And hiring staff is resisted, and usually done only as a desperation measure, with reluctance, and with resentment of the additional expense.

The reason why so many practices stay small is that they never evolved how they operate. When the attorney gets more business they just work more hours. And when they’re working as hard as they can, both marketing and the quality of client care declines. And the practice finds its level and stays there.”

Excerpted from “*Succession and Transition Planning for the Solo & Small Firm Attorney*,” California Bar Solo & Small Firm Handbook chapter, authored by Dustin Cole

Components of the ideal “legal business”

1. A clearly definable, quality operational structure including
 - a. Forms, checklists, procedures for all phases of firm operations, from office management to basic legal processes and functions – knowledge that has been "externalized" to facilitate efficient, consistent operation of and delivery of legal services, smooth addition or changes of staff, and therefore reduced dependence on “essential” staff.
 - b. A knowledge base of standardized “boilerplate” documents, letters, etc. that create efficiency and assure quality
 - c. At least one well-trained, quality staff member who facilitates and supports firm operations
 - d. Technology that is adequate and fully functioning to accomplish firm work:
 - i. A true network with server and backup
 - ii. Internet access
 - iii. Current (and legal) software
 - iv. Functional contact & client management and/or case management software
2. Effective case, file and client management systems
 - a. Matter management procedures
 - b. Complete and well-maintained client, former client and prospect database
3. An active and clearly definable marketing program, consisting of
 - a. A basic marketing plan and list of targeted organizations and activities
 - b. A documented base of active referral sources
 - c. An effective website and web presence
 - d. A documented list of firm marketing activities and organizational involvement
4. Professionally managed finances
 - a. Financial & billing software
 - b. Accrual accounting
 - c. Financial statements and balance sheets
 - d. Collections standards and procedures

The legal business has a definable and valuable “infrastructure” beyond the attorney’s personal goodwill. It can operate effectively and produce significant client value even when the attorney is not present. It is an operation that the incoming attorney can essentially walk into and continue with little pause. As such, it has all three components of value. The “job” has only two: inventory and goodwill.

Who is Buying?

Who are the likely buyers?

If you have a huge inventory of current & long-term clients, wills, past clients –

- A successful local competitor

- A regional firm wanting to open an office in your city

- People with money.

If you have few long-term clients & little or no wills inventory –

- An attorney looking to quickly obtain some market position

- Less successful attorneys looking for a leg up

- People without money.

If you have a significant book of specialty long-term “work in progress”

- People/firms in similar practice areas, such as personal injury

Successful firms buy inventory and goodwill, not infrastructure. The value of your infrastructure is minimal and directly reduced by liabilities. Buildings, equipment and furniture – and sometimes even great staff – are usually excluded from the purchase.

If the person buying does not have an existing infrastructure, the value increases in relation to the extent of your infrastructure.

How do you find a Buyer?

- Ohio Bar website

- State & local bar publication advertising

- Talk to your competitors

Market Conditions

Key factors:

- The economic climate

- Rise of consumer legal software and web-based legal services

- Non-lawyer competition

- The flood of new lawyers – a plus & a minus

How You Want to Sell Your Practice

Immediate Sale

Bar Rules were originally set up to handle situations of death, disability or retirement.

Need to sell quickly is usually driven by life & health issues

Ohio Prof. Cond. Rule 1.17 and several related rules lay out specific and somewhat complex requirements for an ethical sale.

A straight and immediate sale seriously devalues goodwill and therefore inventory.

In a short-time frame sale, value is further decreased by limited pool of buyers.

An after-death sale of a practice, especially where there is little infrastructure, devalues it dramatically.

Buyers Due Diligence

In a true sale, Bar guidelines caution buyers to do “due diligence” before agreeing to purchase a practice. This includes:

1. Previous year revenue
 - a. Billed
 - b. Write-off
2. Accounts receivable
 - a. Current
 - b. Over 90 days
3. Inventory
 - a. Estate plans
 - b. Ongoing clients – 2 or more matters within 12 months – as % of revenues
 - c. Estimated value of work in process (WIP)
4. Assets
 - a. Furnishings & equipment – new/old
 - b. Technology new/old, quality
 - i. Hardware
 - ii. Software & systems
 - c. Staff
5. Liabilities
 - a. Leases
 - b. Service contracts
 - c. Payroll
 - d. Benefits
6. Financial systems, records & structure
7. Operating ratio - Ratio of operating expense to gross revenue

- a. Operating expense – all operating costs (including owner base salary) before dividend (profit)
 - b. Profit percentage
- 8. Grievance & malpractice history
- 9. Market & marketing issues
 - a. Size of market
 - b. Competition – growing or shrinking?
 - c. Market share
 - d. Marketing budget
 - e. Client, prospect and referral database
- 10. Current – ongoing clients
 - a. Few or many?
 - b. Contractual agreements
- 11. Brand (goodwill), reputation, awareness
 - a. Measurement: % of business from referrals
 - b. Attorney/firm presence in community

Sale with Transition Period

A longer-term transition potentially provides more benefit to the buyer and therefore increases the value for the seller, but only if the seller agrees to participate in well-defined roles, including relationship transfer, marketing, production and case advisory support.

Long-term Transition

The transition method which can deliver the highest value to the “seller” is not an actual sale, but the addition of a second attorney and the transition of that attorney from associate to partner to owner.

In the final analysis the value of anything is –

What a willing buyer is willing to pay a willing seller.

HOW TO MAXIMIZE THE VALUE OF YOUR PRACTICE

The Straight Sale

If you are committed to selling your practice outright in the next 12 months, you have limited opportunity to increase its value. Review the “due diligence” list above and develop documentation, lists and narratives to address as many of the issues as possible.

The Longer-Term Sale

If you wish to sell your practice but have a longer time frame, you have the opportunity to actually increase your revenues and personal income during the process. Focus first on the elements that distinguish a “job” from a legal business. To expedite a successful evolution of operations and marketing, seek the advice of a qualified Law Practice Advisor.

The Succession/Transition Plan

While most attorneys think in terms of a practice “sale,” that path is often disappointing, and does not result in what most attorneys would consider the ideal result.

A primary desire is certainly to “cash out” the practice value, but a straight sale seldom achieves the expected result. And it seldom achieves what is, for most attorneys, a second desire: not to “retire,” but to step back into a comfortable, slower “of counsel” role and stay involved in the practice of law.

For sole practitioners, this can only be achieved on a scale of at least five years, and involves a carefully choreographed process. With careful planning, the attorney can achieve truly outstanding results:

- Passing on a viable and bountiful practice to a successor
- Cashing out the full value of the practice over time
- Stepping back gradually from operations and management
- Remaining in practice with the firm for an extended period
- Gaining additional income for years, and being able to connected and involved with their profession.

The successful transition plan is actually a choreographed partnership plan, with an incipient associate moving into partnership, majority ownership, and finally sole ownership of the practice. The transitioning-out attorney travels in the opposite direction, from sole owner to partner, to minority partner to “of counsel” in gradual stages until the desired transition is completed.

Elements of The Ideal Transition Plan

1. Development of a timeline agreement for attorney transition

An agreement with a clear “action plan” and timeline for all elements of the transition is essential. Without a clear picture, a potential successor will be extremely difficult to attract.

The potential successor must see that there is a very specific timeline for them to achieve full ownership, and that the outgoing attorney is fully committed to the timeline. Remember, the best candidates will have more options than others, so the picture has to be clear and attractive.

The successor has to also see the long-term commitment of the transitioning attorney to support the firm during the entire transition, with revenue targets and marketing activity levels for both. What can sew up a “sale” is the purchaser’s clear understanding that they will receive full support from the transitioning-out attorney over the buy-out period, and won’t be left to fend for themselves and with a big debt partway through the process.

Parenthetically, the outgoing attorney should commit to assuring that the incoming attorney continues successfully – and is able to finish paying any long-term payout. Too many small business owners have sold their businesses on a long-term payout only to watch the buyer crash and burn the business without paying their buyout price in full.

Building the Timeline

The first step on the timeline is a first year “audition” period for the potential successor, with specific performance and skill criteria they must meet in order to move to step two.

Step two is the initial buy-in – or rather, the awarding of, say, 10% ownership – without cost. This is an attractive part of the initial offer that has the potential successor say “yes” and step into the process. Again in year two there are marks for the transitioning attorney to hit.

Step three comes at the end of year two, when the attorney is now sold another, say, 15%, again at a very reasonable cost. Again, the successor must continue to meet specific performance marks to qualify.

Step four is at the end of year three, when the successor can purchase another 15%.

Step five comes at the end of year four, which is the make-or-break year. If the successor has measured up, they now have the ability to buy another 15% and become majority owner, and take over effective control of the firm. But the original agreement contains a caveat: if at this point the outgoing attorney does not trust the rest of the process and/or the long-term viability of the incoming attorney, he or she can buy back all shares at the original purchase price and end the relationship.

This is why the best timeline is the longest. Even with the most exacting planning, false starts with wrong candidates are possible, which argues strongly for clear and frequent performance evaluations. Five years is the optimum, since it allows time to recover from false starts.

Also in year five, the outgoing attorney begins the transition into “advisor” and “of counsel” status, focusing more on the marketing and client relationships and less on the legal work, and the incoming attorney assumes the reins of operational control.

The remaining 2-3 years of the ideal transition continue the process of ownership transition until the outgoing attorney holds no ownership.

But the original agreement contains two valuable elements. First, the ability for the outgoing attorney to remain a part of the practice so long as they meet a minimum level of revenue – say, \$50-60,000. That means the outgoing attorney has a place to stay and play, and keep his or her hand in the game and the profession. So they have an agreeable place to continue to practice at a lower level, and with none of the ownership responsibility.

Second, the ability for the outgoing attorney to earn origination credit for work they bring in and pass to others in the firm – while the attorney remains with the firm, and potentially ever after.

So, the two last parts of the agreement are actually “stealth” components of the “selling price” of the practice, laid on top of the original, reasonable price which helped attract the successor in the first place.

2. Restructuring the Corporate Entity

The “sole practitioner” usually does not have an effective vehicle with which to sell shares to another. Therefore, a key part of the transition plan is to move the legal form of the firm into one which has a designated number of ownership shares, which can then be parceled out over time.

3. Development of a Compensation Structure

The compensation structure for a sole practitioner is typically a simple one: collect revenue, pay the bills, and take home what’s left.

The transitioning attorney must change the compensation structure from informal to formal for three important reasons:

First, to provide a clear picture of compensation for the incoming attorney, there must be a compensation structure which directly rewards originations, and as objectively as possible defines production compensation. Another useful piece of the compensation formula is provision to compensate non-billable roles such as managing partner. This gives the transitioning attorney objective ways to afford the incoming attorney additional compensation as they assume larger roles in the firm.

Second, the same compensation structure also facilitates the transitioning partner’s long-term objective of reducing their billable work and gaining compensation from originations.

Third, to attract the highest quality of successor attorney, they must be able to understand clearly how they will be compensated, what they must accomplish to gain their desired income, and the incentives to either work harder or smarter to achieve higher personal income. They must also have reasonable understanding that the majority of their

compensation will be objective, and not the result of the subjective decision of the transitioning attorney.

4. Pricing to Make It Attractive

To facilitate obtaining a successor, the total cost of buying into – and eventually buying out – the firm should look like a bargain. Because in the wisely planned transition, the purchase price is only a part of the outgoing attorney's compensation.

Part of the plan involves increasing the firm's revenues significantly as the succeeding attorney enters the practice. This facilitates the pay for the incoming attorney, but also potentially increases the outgoing attorney's personal income, just at a time when it would usually be declining. So the transitioning-out attorney earns more personal income even before the sale is completed. And this decreases the need to set a "sale" price so high that it scares away a potential successor.

5. Expanding the Transitioning Partner's Marketing Role

A key component of a successful transition is actually the increase of firm revenues. While the incoming attorney may provide some new business for the firm, initially the role of the incoming attorney will be to provide additional work capacity, and indeed to take over some of the transitioning partner's work to free them up to focus on origination.

For the attorney in more traditional environments, much work has simply "shown up" because of the attorney's tenure in the area, the relationship with past clients, and reputation in the community. At this point in the transition, the attorney must shift from "passive" marketing to "active" marketing, developing a program of marketing action. Without a strong focus on marketing, the practice may not be able to sustain the incoming attorney long enough to accomplish the transition, or at the least, the senior attorney will have to sacrifice personal income in the process.

6. Developing and Refining the Firm Infrastructure

Whether the eventual decision is to sell, transition or even stay in the practice, the process of evolving the firm from a "job" into a practice is immensely valuable. While the overall process is complex and long-term, major elements include:

- Developing a client and contact database to facilitate workflow, communication, matter management and marketing
- Developing a "knowledge base" of template and boilerplate documents and forms to facilitate efficient, quality work product

- Creating checklists, procedures and process information to “externalize” the knowledge of team members, to make it more efficient and consistent, and facilitate training-in of new employees
- Development of a full-featured accounting system to facilitate billing, collections, expense management, compensation and trust accounting, and which can provide a full range of reports for more effective business management
- Refinement of the management, maintenance and digital/physical storage of both current and closed files

Please refer to P. 6, components of the ideal “legal business”

7. Wading Through the Murky Job of Identifying a Successor

The traditional attorney succession plan usually begins and ends with the hiring of an associate and a hope that this person may wish to – and be qualified to – take over the firm. But this traditional process seldom creates the desired result. Few attorneys have the expertise to make the best hire under even the most normal of circumstances, and most hires are made because of work pressure, meaning the first candidate that seems to meet reasonable – but vague – criteria – is hired.

The philosophy of “hire slow and fire fast” is even more important here. The attorney must take time in the beginning to maximize the likelihood of making the right “hire” – because in the beginning it is truly a “hire.”

The process needs to include such elements as development of a detailed profile of the legal skills and personal characteristics of the ideal candidate, and the use of every tool available, such as personality profiles, test projects, background checks and multiple cross-interviews by other attorneys and trusted professionals to maximize the likelihood of making the right choice.

8. Evolving the Successor into the Leader

Part of the written transition plan must include stepping the incoming attorney into management responsibility over time. It starts with defining the roles – operations management, staff management, financial management, and eventually marketing and client management. For succession to occur in an orderly fashion, these roles must be defined, and a timeline developed for transferring key roles to the successor over time and providing mentoring.

Management and leadership are distinctly different, although irrevocably interlocked, issues. In sole practices or small firms, staff is used to viewing the attorney as “spiritual” as well as functional head of the firm.

The transition plan must also address how to effectively transition this informal role over time, so that staff accept the succeeding attorney as the authority, and do not maintain sub

rosa allegiance to the transitioning attorney. Too often, loyal staff may abandon the practice as the senior attorney steps back, damaging the practice and successful completion of the succession.

9. Transitioning the Business Development Role

The transitioning partner typically holds most of the business origination through decades of relationship development with other professionals, and during much of the transition process occupies the role of primary business developer and face of the firm.

A specific part of the written transition plan must be a scheduled transition of highly valuable referral relationships to the successor, to protect the firm's current and future health and revenue stream.

10. Transitioning Client Relationships

In assuring the short and long-term success of the firm, transfer of primary client responsibility and relationships is as essential as the transfer of referral relationships. Just as with the referral relationships, the transfer is not accomplished quickly, but through a planned shift in emphasis from the relationship of the transitioning partner to the partner assuming responsibility for the work and the relationship. Initially the senior attorney introduces the successor as a member of his team, but then allows and encourages the successor to build relationships with the client (exactly what many jealous attorneys are unwilling to do). Without this step, the future of the

The Fruits of a Successful Plan

Obviously, the best succession plan is a complex, multi-year process fraught with potential problems. It is unlikely to be fully executed without the initial planning support and long-term guidance of a professional advisor.

But the payoff is immense: many thousands of dollars more in personal income over the transition period and a reasonable "buyout" value of the firm. It can facilitate a successful, continuing firm for the buyer. And finally, it can provide a practice and role in that successful firm that allows the transitioning attorney to stay active in the profession, continue to earn money after the transition, and preserve his or her legacy.

When a Failure is NOT a Failure

There is one final – and major – payoff for undertaking this long-term succession plan. Even should the incipient partnership and transfer fail late in the game, the senior attorney is the beneficiary of a stronger, higher revenue firm with a far better infrastructure – and which is

now far more valuable in a straightforward sale. Or, in the worst case, it is a firm that still functions and is saleable in the event of the untimely death or disability of the attorney.

Advanced Tools & Skills for Successful Personal Referral Marketing

A central component of the transition plan outlined here is increasing the skills of the senior, and eventually the junior, attorneys in order to increase the revenues of the firm and the long-term compensation of the senior partner. Inextricably entwined with the marketing role is the increase and/or maintenance of the overall “goodwill” value of the firm.

The following is a brief review of fundamental personal referral marketing principles.

The Four Roles of the Attorney in the Practice

1. Owner/Shareholder

- The person the business is designed to benefit
- Captain of the ship
- Vision
- Strategy

2. Marketer

- Creates “the business” for the business

3. Manager

- Day-to-day operations
- Short view
- “Office manager”

4. Technician

- Task not people
- Process oriented
- Perfectionist
- Control freak

Hierarchy of Attorney Value in the Practice:

1. Client development
2. Client relationships

3. Strategy
4. Managing the team to obtain the result
5. High-level legal skills

Ethics and Marketing – Are They Compatible?

ABA Model Rules 7.1 – 7.4

- Rules for communication about a lawyer’s services and specialties
- Solicitation without prior contact
- Soliciting business directly from clients
- Soliciting paid referrals
- Specifically excluded: All communications with
 - Other lawyers
 - Clients or former clients

Referral marketing, *when done correctly*, is high integrity, highly professional, and completely within the bounds of all ethical rules.

Seven reasons people DO NOT refer or bring business to you

1. They don’t know you – or don’t know you well enough
2. They didn’t think of you
3. They don’t know what you do
4. They think you are too busy
5. They think you’re too expensive
6. They think you’re too inexperienced
7. They have a relative who is a lawyer

How Do Clients Find You?

Referrals – the #1 avenue

- Former clients
- Friends & colleagues
- Other professionals

Personal contact

- Professional
- Seminars & presentations
- Public & organization events
- Social events
- Personal activities

Advertising

- Website – blog
- “Social” networking sites
- Yellow Pages
- Other advertising

Public relations & publicity

- Press releases
- News articles
- Written articles
- Quotes & expertise

These are the “layers” of your marketing.

Referral Marketing -- What is it and How Does it Work?

“Networking” vs. Personal Marketing

- Networking is usually TROLLING for CLIENTS
- It is usually perfunctory, shallow and predatory.
- Referral marketing is developing RELATIONSHIPS
- With REFERRAL SOURCES
- Who can send you CONTINUING BUSINESS for years!

The Four Core Principles of Personal Marketing

- 1. Talk to the Right People**
- 2. Build Credibility and Relationship**
- 3. Educate About What You Do And Who You Work With**
- 4. Stay in Contact Consistently Over Time**

Principle One: Talk to the Right People

The most profitable practices are built on long-term referral relationships.

Referrals are sent by people who:

KNOW you

LIKE you

TRUST you

And **WANT TO SUPPORT** you.

...And importantly, people who have consistent ability to refer you the type of client you want!

Therefore, you must AVOID M-B-W-A...

...Marketing by _____!

Direct business is sent by people who

Know you

Personally

By reputation

Through the media

From a seminar or presentation

Through a professional, civic, social, or charitable event

With what types of professionals should you be building relationships with in order to generate referrals?

Who are the prospective clients you know from prior contact?

Exercise: Identify Your Referral Sources and Best Prospects

Your goal is to develop a DATABASE of everyone who is or might be a referral source or client, to facilitate relationship-building.

Name	Category	Potential 1-2-3-4	Relationship A-B-C-D	Days

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Homework:

- 1. COMPLETE your list of your contacts
- 2. Refine the list by:
 - a. Identifying those with the most potential (maximum 20-30) with whom you should be in personal contact
 - b. Identifying those with lower potential with whom you wish to stay in contact in lesser, personalized fashion
 - c. Identifying those who have no potential and should be eliminated from the list for the purpose of your professional marketing.

How to Expand Your List Through Current Contacts

Individuals who know, like and trust you – friends – naturally want to help you be successful, and are usually very willing to introduce you to others who may be able to refer you business.

Lunch Conversation:

“I’ve enjoyed working with you and appreciate your referrals...

...I’ve affiliated with a very powerful firm...

...Is there is anyone else you think I should meet who has clients who might need our help?”

Ask them if they would get you together with them over lunch to introduce you.

Exercise: Identify three “A” referral sources to take to lunch and ask for help.

<u>Colleague or referral source</u>	<u>Contact by when</u>
1. _____	_____
2. _____	_____
3. _____	_____

Lunch Conversation When Meeting New Potential Referrer

- 1. Allow your friend to do most of the talking about you.
- 2. Be sincerely interested in the new person. Ask questions about family, interests, activities, involvements, background. Focus on them.

3. Find common ground. Listen for those interests, activities, family situations, etc. which you have in common.
4. When asked about yourself, give a brief answer, then return the spotlight to them.
5. At the end of the meeting, say "I enjoyed meeting you. We should get together again soon."
6. On returning to your office, enter the new contact into your referral list or database, make some notes on the conversation, and calendar a follow-up call for 2-3 weeks.
7. On the follow-up call, ask them about something from the previous conversation and invite them to lunch again, or if possible, ask them to join you in one of the interests or activities you have in common.
8. At the follow-up meeting, again focus on the relationship, not marketing, Because trust and relationship MUST be established before the referral source will risk a referral.

Principle Two: Build Trust Relationships

"Things we value take time and nourishment. There's no "quick fix" for healthy, lasting, fruitful relationships."

-- Steven Covey, Seven Habits of Highly Effective People

Keys to Building & Maintaining Referral Relationships

Know thy referrer!

1. Develop a database of your referral sources
 - a. Case management programs with good contact & e-mail management
 - b. Contact management software
 - Case management software
 - Outlook
 - Goldmine
 - ACT!
 - Time & Chaos
 - Salesforce
2. Purpose of your database
 - a. Collect key information:
 - i. Phone numbers
 - ii. E-mail address
 - iii. Assistant's name
 - iv. Children's names, schools, sports

- v. Spouse's name & interests
- vi. Birthdays & anniversaries
- vii. School attended
- viii. Hobbies & interests
- ix. Favorite restaurants
- b. Make notes of each conversation in your database so you can remember and build relationship
- c. Review it before meeting with them
- d. Easy access to information facilitates contact
- e. Database facilitates group communication, i.e. e-mails and letters
- 3. Build "friend" relationships
 - Stop "Marketing"!
 - Send a personal note or e-mail after each lunch
- 4. Be sincerely interested in them
 - Listen
 - Remember
 - Find common ground

"Most of our listening is simply waiting for our next chance to talk."

- 5. Don't sell yourself (until asked)
- 6. Be interesting and not egotistical
- 7. BE PATIENT!

Principle Three: Educate About What You Do

And Who You Work With

Developing "Conversational Consciousness"

How you speak about yourself – and how others speak about you – begins or furthers the process of relationship, and eventually business, development. Conversely, traditional conversations often inhibit or even discourage relationship development.

Anti-Conversations: Three Ways Attorneys Hamper Their Marketing

- 1. "I'm so busy" How attorneys tell others NOT to send business
- 2. "I didn't know you did that!" Most people you know do not know what – or everything -- you do. This includes other lawyers!
- 3. "He's a lawyer." We do not give our friends the language to help us, or our prospects to know how we might help them.

The Value Statement

Changing Your Communication Regarding “What You Do”

How would your spouse or friend introduce you?

To initiate or further a positive relationship with a referral source or a prospective client, your words must create a **POSITIVE DISTINCTION** between you and the listener’s image of “LAWYER.”

To do this you must change your perspective from legalese, and process– to consumer language and value. This transformation of how you speak about yourself helps prospects quickly grasp your potential value to them, and gives your friends the language to support you in generating new business.

Value Statement Exercise:

Write your statement explaining the **BENEFIT, VALUE or RESULT** of the work you do for clients? (20 words or less, no legal jargon) Use “lawyer” as a modifier at the end, rather than a label at the beginning.

I help people _____

“...I’m an attorney.”

Storytelling

Storytelling is a refinement of the typical “war story” conversations familiar to most attorneys. It is the most powerful and least “sales” method to communicate your practice areas, high expertise and commitment to client care. The most effective personal marketers are always telling interesting stories which subtly communicate

- What they do
- What type of clients they work with
- Their high level of expertise and commitment to clients

Relationship Conversations

- Regular periodic contact
- Build friendships first
- Seek common ground
- Be sincerely interested
- Ask for advice
- Ask them to teach or show you
- Thank and acknowledge
- Be valuable
- Remember!
- End with “If I can ever help...”

Asking for Referrals

The fundamental that underlies all referrals:

PROTECT my **REPUTATION!**

Your objective:

1. To build trust and relationship
2. To explain your practice and the kinds of people you best serve
3. To understand their practice and who to refer to them
4. To encourage them to refer business to you

The referral request:

“As you know I work with people who...If you have a client or colleague who could use my help, I’m always pleased to help in any way I can.”

Principle Four: Consistent Contact Over Time

When marketing exists outside your practice and your life, it is at best sporadic and half-hearted. To develop a strong referral base, it is essential to develop systems and activities that keep marketing a constant within your practice.

“Flurry” Marketing

The typical marketing pattern of the technician is frantic activity for short periods and no activity for long periods in between. Activity generally occurs when business slows.

- The result is:
- Few strong referral relationships
- Cyclical business
- An air of desperation around marketing activities
- Frustration for those expecting “immediate gratification”
- Proof that referral marketing really doesn’t work
- Very ineffective marketing

CONSISTENT CONTACT OVER TIME is fundamental to successful referral marketing

- Regular contact maintains “Top of Mind Awareness” and continues the relationship development process

Creating the Systems for Consistent Contact and Top of Mind Awareness

The most effective attorneys do not rely on their memory or conduct their marketing in a reactive, scattergun or sporadically manner. Rather, they set up systems which remind them and drive them to consistent, focused contact over time. The following are four examples of systems the attorney can set up to assure focused, efficient and consistent contact which builds and maintains relationship and top of mind awareness.

There are several types of acknowledgment systems the attorney should install in order to maximize both the relationship and “top of mind awareness.”

System 1: Thank-you note and acknowledgement system

One of the most important steps you can take to increase or maintain relationships is to always extend a “thank you” for a referral or assistance with making a contact, or an acknowledgement note when an important contact has been in the press, has had a personal or professional milestone, or has experienced a triumph or tragedy.

The reality is that less than 50% of referrals to the average law office go unacknowledged because they do not make an appointment, they do not become a client after an interview, or simply because the attorney didn’t remember – or didn’t think it important – to say “thank you” to the referral source.

Such lack of acknowledgement is not only callous, but can also result in damage to the relationship. If the referrer was not informed of the outcome of their referral and has a continuing relationship with the referred person, it can create uncomfortable, awkward moments with that person, since the referrer doesn't know what to say to the referred person.

To assure 100% consistent “thank-you’s for ALL referrals, use the following procedures:

1. Using a form such as TP-13, Sample Prospect Screening Sheet, Every caller should be asked key questions, specifically “who can we thank for referring you?” within the first few moments of the call.
2. All forms for those who did not make an appointment are placed in a single stack and reviewed weekly.
 - a. For these, the attorney should at minimum send a quick e-mail to the identified referral source thanking them for the referral and letting them know they did not choose to make an appointment.
3. All forms for those who did make an appointment are placed in an interview file for the initial meeting.
 - a. For prospects who did not become clients, the attorney should place a brief “thank you” call, noting that they met with the referral, that they did not decide to work with the attorney, and thanking them for the referral.
4. For prospects who did become clients, the firm should have a standard File Opening Checklist which details exactly how the new file is to be opened in the computer system, and how the physical file is to be set up. The checklist should include an item as follows: “Identify referral source, hand write the address on a thank-you note, and clip the envelope and a blank note card to the front of the new file.” In this way the file will arrive on the attorney’s desk with the prepared thank-you note, and no thank-you to a referral source for a new client will ever be forgotten.

System 2: Referral/Prospect Contact System

One way to make effective use of your contact management program is to always book lunches and marketing meetings on your calendar. Then, on your return from the meeting, take three steps:

1. Always book marketing lunches, meetings, etc. on your calendar
2. Complete (close out) the scheduled activity so that you have a history of contact in the person’s file.
3. Make a few notes in their file relating to the meeting for future reference.
4. Diary a reminder to re-contact the person after an appropriate time.

System 3: The Organizations and Activities Plan

To be truly successful at business development, it is important for you to be involved with key organizations which relate to your target client and to your various categories of referral sources. This provides the opportunity to associate and connect with identified prospects or referral sources, and to meet others. Here are some of the steps to utilizing such organizations effectively.

1. Identify specific professional, charitable, civic, and business organizations which can facilitate:
 - a. Regular association with identified prospects and referral sources
 - b. Meeting qualified new contacts
 - c. Developing broader visibility with a target audience through
 - i. Involvement with committees, projects and activities
 - ii. Visibility in internal communications and publications
 - iii. Potential for broader community visibility through general media
2. Join any identified organizations where you are not a member
3. Have your assistant:
 - a. Obtain meeting and activities schedules for all organizations
 - b. Calendar all meetings and activities on your calendar
 - c. Make up a notebook with one page for each organization as per CD-20, Organizations and Activities Plan Worksheet (Appendix).
4. Take time to begin writing the names of key contacts who are members/involved with the organization or activity, as well as individuals who are not members but may be interested in being invited to attend a meeting.
5. Every Monday, review your calendar for the week to identify any upcoming activities or meetings.
6. Turn to the page in your notebook for the organization, and choose several people to call and ask if they are planning to be at the meeting. Remember, "the event is not the purpose." The purpose of your contact is to maintain or increase relationship and top of mind awareness, and generate referrals or direct business.
 - a. If the person is planning to attend, make arrangements to meet them at the event, and spend a few minutes in friendly "catch up" conversation.
 - b. If the person is NOT planning to attend, express your regret and spend a few minutes in friendly "catch up" conversation.
7. Within 10-20 minutes you will have accomplished 3-4 "relationship" contacts. Any personal meetings at the activity is a bonus.

Other Systems

- Mid-matter “progress” reports to referral source
- File Closing Checklist
 - Final thank-you notes
 - Request client to send thank-you
- Scheduled off-the clock client check-in calls

Building Your Marketing Activities Plan

Any activity you dislike – even when it’s important to your livelihood -- will usually become one that you avoid as much as possible.

When marketing is infrequent and unsophisticated, it typically shows up as an unwelcome intrusion on your practice and your life. But when approached from a different perspective, it can enhance your personal life.

The best referral relationships are based on the principles of “know, like and trust.” In other words, they are essentially friendships. And just like any relationship, shared interests strengthen referral relationships. The most effective marketing actually gives you the chance to do things you enjoy with others who enjoy them too, and result in new business being referred to you.

To be most effective, marketing activities must be compatible with your personal interests, hobbies and personality type. If not, they will usually be done only sporadically, and will be only moderately successful.

Give Marketing Your Full-Time Commitment

If marketing is always a “part-time job” which is squeezed in when work allows, it will be less than successful, because you will never be fully focused on it.

To be truly successful, you must make marketing your “full-time job” for part of your time. In other words, there must be periods when you are 100% focused on, and immersed in, your marketing.

The Initial Client Contact

Every time you touch a client or prospect you are either

INCREASING or **DECREASING** their trust.

Remember -- as much as 80% of communication is NON-VERBAL!

Every prospect or client comes into your office in some degree of **FEAR** of:

Their problem

The unknown

The cost

Lawyers

The building of trust begins with the initial impression provided by –

Referral source

Advertising

Website

And is followed by the initial contact with your office

Phone - how is the caller greeted:

Live voice vs. voice mail

Friendly, welcoming, helpful

Surly, brusque, cold

How is the caller served:

Facilitates appointment

Given specific contact time, information

Vague instruction “she’ll have to call you back”

Sent/provided helpful information

Reminded of appointment

How is the visitor greeted:

No one present to greet

Warmly or coldly

Personally or impersonally

The Effective Initial Interview / Prospect Meeting

Beyond pure money issues, the decision to hire is nearly always emotional vs. intellectual.

Most clients do not know how to evaluate a “good” vs. a “bad” lawyer.

They will make decisions on:

Other people's opinions

Referral source

Former client

Testimonials (advertising, websites, information materials)

Their own feelings and emotions relating to you, your advertising, your environment and your team:

Positive

Trust - Comfort - Understanding/empathy - Interest and concern

Desire to help - Knowledge, information and "wisdom"

Cooperation, helpfulness

Negative

Cold, detached, disinterested - Busy, stressed, distracted

Disorganized - Mercenary - Egotistical, superior

Rules for Successful Client and Prospect Meetings

1. Create an environment that builds trust
 - a. Meet in your office
 - b. Clean desk & area
 - c. Greet them at the door
 - d. Shake hands
 - e. Close the door
 - f. Offer refreshment
2. Listen fully.
 - a. Don't take calls
 - b. Don't allow interruptions
 - c. Avoid distractions
 - d. 100% attention
 - e. Make consistent eye contact
 - f. Don't fidget
 - g. Affirmative and "listening" body language
 - h. Make notes
 - i. Don't interrupt
 - j. Empathize
3. Communicate fully.

- a. Avoid legal jargon
 - b. Honor differing speeds of listening and comprehension
 - c. Answer questions simply, clearly, honestly and directly
 - d. Don't demonstrate your brilliance
 - e. Be honest and realistic. Never over-promise
4. End the meeting courteously
 - a. Stand up
 - b. Thank them
 - c. Walk them to the door
 5. Follow up promptly with any information promised
 6. Schedule additional time to make notes, dictate or take action
 7. Bill promptly and with explanation

Maximizing the Value of a Referral

Remember the value of the "transfer of relationship." If the referral source is someone the prospect knows well and/or has worked with for some time, they come into your office with a significant level of trust, already assuming they will use you, and price is not the primary concern. Your job is to affirm their initial assumption.

"I'm honored that _____ referred you to me. (S)he is someone I respect highly. I know she gave you my name because she wanted to make sure you got the best help and support available."

Most important points from this session:

- 1. _____
- 2. _____
- 3. _____
- 4. _____
- 5. _____

Actions I will take

By when

- | | |
|----------|-------|
| 1. _____ | _____ |
| 2. _____ | _____ |
| 3. _____ | _____ |
| 4. _____ | _____ |
| 5. _____ | _____ |

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