

BUSINESS PLAN WORKBOOK

QUESTIONS

- Identify your practice niche(s)
- What services will you provide and how will you price the services
- What skills and experience you bring to your enterprise
- What legal structure to use: sole proprietorship, PC, partnership, LLP, etc.
- What clients you currently have and might potentially acquire
- What clients you want
- What business and social contacts you have
- What other attorneys you can call upon to fill in practice gaps
- How your firm's records will be kept
- What equipment and supplies will be needed
- What research, library and other information sources will be needed
- What insurance will be needed
- What other resources will be needed
- How you will compensate yourself
- Review your current finances re assets, current cash flow, expenses
- What financing may be needed
- What financial assets do you have
- What banking accounts will be needed
- Review your current non non-financial resources
- Identify your market
- Describe your startup plans
- Where will your office be located
- What will you name your firm and why

The Executive Summary

Mission Statement Sample

Smith & Jones, LLC Fighting the Good Fight. We tell our clients stories. We get to know our clients, giving them courage to Fight the Good Fight. When insurance companies try to silence their voices, we stand up against oppressive and demeaning insurance practices. We examine evidence and put the puzzle pieces together. We exhaustively advocate through creative problem solving and authentic relationships. We serve our clients with compassion and gratitude which builds their faith and trust in us. In the seriousness of our practice, through openness, we create fun and find humor. We are eternal optimists.

Who is the focus of this Mission Statement? Who should be the focus?

Firm Goals and Objectives:

- Once the firm hit a critical mass of cases and cash flow, hopefully within 12 months, they will examine finding brick and mortar office space for the firm. The firm believe that a brick and mortar office will need strong cash flow and revenue to fund the office, potentially the firm holding 60 to 80 or more cases year.

Where is the focus?

- The firm believes in growing the snowball and reinvesting in the business. The firm would ultimately like to have 150 cases at any given time that are worked up by the owners and one or two other lawyers and three or six paralegals.
- 150 cases could well require \$ 150,000 a year in advertising expenses. The hope is that 150 cases would generate attorney fee revenue of \$ 1.5 million a year and that the firm would both be making each over \$ 250,000 a year in salary and bonuses

Firm Philosophy

- What is important to you in your practice?
- Describe your firm's strengths and core competencies. List your firm's specific capabilities and whatever you believe you can offer that is unique
- Describe success. What will it look like?
- We will market ethically, effectively and consistently in the following ways:

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- Our ideal client is described as follows:
- Factors that give us a competitive advantages or disadvantages are
- Describe your practice area. Is it a growth area? What changes do you foresee in the practice area both short term and long term? How will your firm be poised to take advantage of them?

Firm description

- Legal form of ownership: Sole Proprietor, Partnership, Corporation, Professional Limited liability corporation (PLLC). Why have you selected this form?
 - If you are not a solo practitioner, who is the management person in the firm and why?
 - What technology will you be using
 - What is the marketing challenge and potential

Firm strategy

- Describe your basic strategies based on the information you have learned about the legal business, your competition and applicable markets within your field.
- Provide the basis for why you believe your strategy is the right one for your firm.
- What markers will you use to change direction?
- Outline what your firm needs to know, have and do to make that strategy succeed.
 - What is unique about you or your practice?
 - Describe the areas you focus on and want to focus on.
 - What are the ancillary areas of law that often or usually involved or triggered by your focus area?
 - What need does your expertise serve?
 - What are the advantages and disadvantages of your areas of expertise?
 - Identify your own strengths and weaknesses.
 - Who is involved with your ideal client before you are needed?

Financial review

- Financial projections
- Back up the projections with assumptions (so that they can be adjusted as necessary)
- Summary of revenues by month for at least three years
- Balance sheet
- Cash flow statement
- How will you price your legal services? Is profit a factor in your pricing? Do you know the cost of your legal services? What is the value of a productive hour in your firm?

Action plan

- What actions you are going to take to carry out the plan
- What changes will be needed or skills acquired to put the plan to work

Analysis of Your Market: The Legal Business that Affects You

Purpose: an accurate understanding of trends affecting legal services in general and your specializations, client demographics, client universe.

Keep track of impact factors, obstacles, opportunities and threats to better forecast and build the strategies.

Analysis of the Legal Business – Strengths, Weaknesses, Opportunities, Challenges

Focus on strengths & weaknesses in relation to competitors rather than your own history.
Focus on current competition and potential competition.

Strengths

- What technology is available and how does it affect your business
- Describe how technology affects your kind and style of practice

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- Who controls the technologies that affect you
- Describe how you keep up with technology
- What advantages do you have over your competition
- What do you enjoy doing
- What resources do you have access to
- What do others see as your strengths
- What “edge” does your firm have?
- Do you use innovative technology
- Do you offer superior client care/service
- Is your hourly, daily, or matter pricing lower or higher than the “norm”
- Is there a small group of firms or attorneys who offer the same expertise or specialization
- Are you well known for a book, a speech, an article, news coverage, etc.
- Are you a trade association or bar association director or active participant

Weaknesses

- What can you improve
- What don't you do well
- What should you avoid
- Do others perceive a weakness you don't agree with
- Are your competitors doing better than you

Challenges

- High capital costs
- High labor costs
- High marketing costs
- Consumer acceptance and brand recognition
- Training and skills
- Unique technology

- Staffing issues
- Communication costs
- Admission issues in multi-jurisdictional areas
- How will you overcome the challenges?

Opportunities

- How do identify and engage a prospective client
- What are the good opportunities – are there new areas, new statutes & regulations, etc.
- How can changes in technology help you
- How can changes (or no changes) in applicable law or government policy affect your area of expertise
- Are there changes in social patterns or lifestyles that have impact
- What opportunities can open if a weakness is eliminated
- Identify new growth opportunities in your areas of expertise

Relationships

- What relationships are important for you to create and maintain
- How can relationships help you
- What relationships can be vital for you firm growth:
 - Colleagues and competitors
 - Family
 - Professional associations
 - Community associations
 - Social and business organizations
 - Current and former clients
 - Former employment colleagues

- Pro bono colleagues

Current Client Relationships

- What improves your standing with clients
- Does pricing affect the relationship
- What else affects the relationship
- What do current clients feel about you
- Do you survey clients about their experiences with you during and after the attorney-client relationship

Potential Client Relationships

- Profile your ideal client: who are they, where are they, what are they doing, and what is the process they have with the problem they will bring to you for solution
- Traits: geographic, demographic, psychographic factors
- What kind of follow up do you do after meeting someone who may be a prospective client or who can introduce you to a prospective client
- Does writing content and giving talks present you with prospective clients
- Do existing relationships give you access to prospective clients
- How often do you engage with prospective clients
- Do you have access to membership lists of trade or service organizations
- Do you obtain a list of conference attendees
- Do you receive and encourage referral of prospective clients by current clients
- Do you receive and encourage referral of colleagues, bar and professional association, and others
- Do you receive and encourage referrals from competitors with conflicts
- What untapped market exists
- What underserved market exists
- How sophisticated/knowledgeable are your clients
- Are your clients street smart and/or business savvy
- Do they use more than one lawyer at a time

Client Worksheet

Cover demographics, psychographics, legal service purchasing habits

- Age
- Gender
- Location
- Income level
- Social class and occupation
- Education
- Other (specific to your services)
 - When and how does the client realize they have a problem and decide to find and hire a lawyer
 - What does your ideal do to educate themselves about the problem they ultimately bring to a lawyer for solution
 - Does your ideal client use the Internet, bar association, trade association, business referral, family referral, friend referral, unique community or another method to find a lawyer
 - Does the client use more than one lawyer or law firm
 - How long does the client take to decide to use a lawyer
 - Does more than one person involved with the client make the decision to use a lawyer, and if so who are they
 - Is the person who decides who is going to provide legal services the one who is going to receive those services
 - What influences your client's decision to retain a lawyer
 - Is using a lawyer optional, a necessity or a luxury
 - Is a lawyer needed all year round, seasonal or ad hoc
 - If your client is in business, how are they doing?

Challenges

What challenges do you face from:

- Family/emotional/physical challenges

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- Technological challenges
- Experience
- Expertise
- Internal resistance

Legal Industry Threats

- Economic slowdowns
- Changing statutes, regulations and decisions
- Social pressures
- Public perception of the legal profession

How will the future affect your firm

- What are the legal (statutory, regulatory & case law) trends that will affect it
- What are the technological trends that will affect it
- What are the economic trends that will affect it
- What potential risks and opportunities do you face
- List all the things that will make it difficult for you to practice in your expertise and locale
- List the things that will make your exit from your area of expertise or your transition to a different one difficult
- What is the maximum amount of business you can handle yourself without farming it out
- To whom can you farm out business
- Who is your backup when you are too busy, traveling on business, on vacation, sick or injured. Who will notify clients if you are not able to communicate with them and how will this occur.

COMPETITION

- Identify who and what firms dominate your area and where they are
- List all major competitors you are aware of and can find out about
 - Large firms, mid size, boutiques, solo practitioners
 - In-house attorneys
 - Government attorneys
 - Divide into primary, secondary and, if necessary, tertiary levels
 - Is there substitution, e.g., do it yourself or outsourcing to India

- What new technologies have already and may yet change the way your practice is done
- What is your competition doing that you are not doing
- What laws and regulations have and may yet change your practice
- Describe the overall demand for your specialties
- What else besides price affects your client decisions to use your services
- What clients (people or companies) can influence your areas of practice

Competitive Analysis Worksheet

- List primary, secondary and tertiary competitors
- What services do they offer in addition to your services
- What do they charge
- How do competitor firms sell their services
- What are the competitor strengths
- What are the competitor weaknesses
- What size firm competes with you
- What other specialties do they offer
- Who are they representing
- What is their pricing
- What are their operational strengths and weaknesses
- Are they adequately financed
- How do your competitors advertise or promote themselves
- What are their conflicts
- How does your competition market itself

Identify Competitor Trends

- Why is this competition for you
- Direct competitor – offers the same benefit
- Indirect competitor – services the client can get instead of yours
- Visit and read competitor websites and their advertising, including separate websites by individual partners
- Subscribe to competitor law firm online or other newsletters

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What edge does your competition have?

- Does it use innovative technology
- Does it offer superior client care/service
- Is its hourly, daily, or matter pricing lower than the “norm”
- Is there a small group of firms or attorneys who offer the same expertise or specialization
- Are they well known for a book, a speech, an article, news coverage, etc.
- Are they trade association or bar association directors or active participants

Finance

- What are the costs that affect your hourly, daily or matter rates?
- What are your profit margins for the services offered
- What do suppliers of your technology, research, information, etc. offer by way of pricing, discounts
- Are there long term agreements that can be to your advantage/disadvantage
- Is your business model competitive and efficient
- How can you reduce overhead

Cost Trends and Profit Margins

- Identify where the biggest costs of your practice come from
- Identify fixed and variable costs
- How to gain economies of scale
- Identify where you can lower costs
- Is the profit margin you’re working with the right one for your practice

Market Size and Growth Potential

- Size and location of targeted market
- Current demand in target market

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- Trends in target market—growth trends, trends in consumer preferences, and trends in service development.
- Growth potential and opportunity for a practice of your size.
 - Historical, current and projected growth rates
 - What social, economic & political changes could affect it and your services
 - Describe recent developments in the law that affect your areas of expertise
 - Are there identifiable niches
 - What or will be your clients' needs and wants
 - How will prospective clients find you
 - What kind of marketing attracts your clients and prospective clients
 - What do clients like best about your services
 - Are your targeted prospective clients consumers, businesses or both
 - List the niche markets that can use your expertise
 - Is your kind of practice a growing or shrinking market

Marketing & Strategy

Once you analyze your client needs you can build a comprehensive marketing strategy

Create a Set of Marketing Strategy Goals

- What do you intend to accomplish
- What is the amount of increase in clients, client satisfaction, profit and/or billing that you want to achieve
- Make each goal measurable and explain each one specifically
- Set each goal to a planned schedule
- Be able and prepared to assess all components to revise when necessary
- Compare these goals to what you believe your competitors' goals to be

Marketing Plan: your long term plan of objectives to achieve the goals

Objectives

- Create knowledge and value for your problem solving ability
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- Recognition among your clients, prospective clients and others for the solution you offer
- Client satisfaction and retention
- Marketing Plan Development
- Create a timeline for initiatives, objectives and events
- Create your “USP” (*unique selling proposition*, a sentence, phrase or slogan describing a benefit your clients will obtain from your services)
 - Describe the need for your services from the client’s perspective
 - Define the impact of your services on the client
 - Consider whether your clients can obtain your service more cost-effectively than you can provide it
 - Describe what would compel clients to change from the lawyers they are using to you or to add you to their lawyer rosters

Action Plan

- Create the list of actions to achieve your goals
 - How do your relationships and relationship building activities accomplish your goals
 - Will you use methods other than paid media advertising, such as the internet, a web site, trade shows, catalogs, incentives, word of mouth, and your network of friends or professionals?
 - What image do you want to project? How do you want the market to see you?
 - What plans do you have for visuals and graphic image support? This includes things like logo design, cards and letterhead, brochures, signage, and interior design (if clients and others come to your office). Is it appealing and consistent.
 - How sophisticated a CRM (Customer/Client Relationship Management) system do you need? Can you manage with a spreadsheet, with Outlook, or do you need Zoho or Salesforce?

Tools: can you use:

- Newsletter (digital and/or hardcopy)
- Website
- Brochure
- Blog

- Social Media
- Inserts in papers
- Stuffers
- Email
- Postcards
- Billboards
- Bus, taxi, etc. ads
- Space in professional and trade publications
- Street banners
- New resident welcome kits
- Trade and trade association show directories and handouts
- Trade and trade association show sponsorships
- Internet
- Coupon mailers
- Press releases
- Sponsorship
- CRM (customer relationship marketing)

Develop your pricing strategy

- Cost based = cost plus profit margin
- Cost plus profit = cost plus fixed percentage markup
- Market based = use the market norm and add or subtract
- Ask what the highest price your target market can bear
- Determine the price elasticity for your kind of legal services
- Should you offer an introductory rate
- Is price tied to value

Marketing Budget Factors

- Age of business
- Premises/location
- Clients

- Competition
- Cost to acquire a client

Operational Plan

Management and Organization

Who will manage the firm on a day-to-day basis? What experience does that person bring to the firm? What special or distinctive competencies do they possess? Is there a plan for continuation of the firm if this person is lost or incapacitated?

If you'll have more than three employees, create an organizational chart showing the management hierarchy and who is responsible for key functions.

Include position descriptions for key employees. If you are seeking loans, include resumes of owners and key employees.

Professional and Advisory Support List the following:

- Accountant
- Insurance agent
- Banker
- Consultant or consultants
- Mentors and key advisors

Daily Operation

Explain the daily operation of the firm, its location, equipment, people, processes, and surrounding environment.

- Production: how and where your services are generated?
- Explain your methods of:
 - Service generation techniques and costs
 - Quality control
 - Client service
 - Cost control

- Service development

Proposed Location

- If you do not have a precise location picked out yet, this is the time to think about what you want and need in a location. Many startups run successfully from home, from an office-on-demand facility, from a virtual (website) office, or from a combination of home, office-on-demand and virtual office.
- Is your location important to your clients? If yes, how?
- If clients come to your place of business:
 - Is it safe and convenient? Parking? Interior spaces? Not out of the way?
 - Is it consistent with your image?
 - Is it what consumers want and expect?

Where is the competition located? Is it better for you to be near them or distant?

- Location: what qualities do you need in a location? Describe the type of location you'll have.
- Physical requirements:
 - Amount of space
 - Type of building
 - Zoning
 - Power and other utilities
- Access:
 - Is it important that your location be convenient to transportation or to a type of consumer?
 - Do you need easy walk-in access?
 - What are your requirements for parking and proximity to freeway, airports, railroads, and shipping centers?
- Include a drawing or layout of your proposed facility if it is important.
- Construction? Most new firms should not sink capital into construction, but if you are planning to build, costs and specifications will be a big part of your plan.
- Cost: Estimate your occupation expenses, including rent, but also including maintenance, utilities, insurance, and initial remodeling costs to make the space suit your needs. These numbers will become part of your financial plan.

- What will be your business hours?
- Licensing and bonding requirements
- Permits
- Health, workplace, or environmental regulations
- Special regulations covering your profession
- Zoning or building code requirements
- Insurance coverage
- Trademarks, copyrights, or patents (pending, existing, or purchased)

Personnel

- Number of employees
- Type of labor (skilled, unskilled, and professional)
- Where and how will you find the right employees?
- Quality of existing staff
- Pay structure
- Training methods and requirements
- Who does which tasks?
- Do you have schedules and written procedures prepared?
- Have you drafted job descriptions for employees? If not, take time to write some. They really help internal communications with employees.
- For certain functions, will you use contract workers in addition to employees?
- Suppliers Identify key suppliers:
 - Names and addresses
 - Type and amount of supplies furnished
 - Credit and delivery policies
 - History and reliability
 - Should you have more than one supplier for critical items (as a backup)?
 - Do you expect shortages or short-term delivery problems?
 - Are supply costs steady or fluctuating? If fluctuating, how would you deal with

changing costs?

Credit Policies

- Do you plan to sell services on credit?
- Do you really need to sell on credit? Is it customary in your practice area and expected by your clientele?
- If yes, what policies will you have about who gets credit and how much?
- How will you check the creditworthiness of new clients? Will you obtain a credit report?
- What terms will you offer your clients; that is, how much credit and when is payment due?
- Will you offer prompt payment discounts? (Do this only if it is usual and customary in your practice area.)
- Do you know what it will cost you to extend credit? Have you built the costs into your prices?

Managing Your Accounts Receivable

- If you do extend credit, you should do an aging at least monthly to track how much of your money is tied up in credit given to clients and to alert you to slow payment problems.
- You will need a policy for dealing with slow-paying clients.
- When do you make a phone call?
- When do you send a letter?
- Do you hire counsel to collect or collect yourself?
- Does your professional liability carrier get concerned if you file suit to collect?
- Remember, getting paid up front means you only have one thing to worry about and that is solving your client's problem.

Managing Your Accounts Payable

- You should also age your accounts payable; know what you owe to your suppliers. This helps you plan whom to pay and when. Paying too early depletes your cash, but paying late can cost you valuable discounts and can damage your

credit. (If you know you will be late making a payment, call the creditor before the due date.)

- Do your proposed vendors offer prompt payment discounts?

Personal Financial Statement

Include personal financial statements for each owner, showing assets and liabilities held outside the firm and personal net worth. Owners will often have to draw on personal assets to finance the firm, and these statements will show what is available. Bankers usually want this information.

Startup Expenses and Capitalization

You will have many startup expenses before you even begin operating your firm. It's important to estimate these expenses accurately and then to plan where you will get sufficient capital. This is a research project, and the more thorough your research efforts, the less chance that you will leave out important expenses or underestimate them.

Even with the best of research, however, opening a new firm has a way of costing more than you anticipate. There are two ways to make allowances for surprise expenses. The first is to add a little "padding" to each item in the budget. The problem with that approach, however, is that it destroys the accuracy of your carefully wrought plan. The second approach is to add a separate line item, called contingencies, to account for the unforeseeable. This is the best approach.

Talk to others who have started similar firms to get a good idea of how much to allow for contingencies. If you cannot get good information, we recommend a rule of thumb that contingencies should equal at least 20 percent of the total of all other start-up expenses.

Explain your research and how you arrived at your forecasts of expenses. Give sources, amounts, and terms of proposed loans. Also explain in detail how much will be contributed by each owner and what percent ownership each will have.

Financial Plan

The financial plan consists of a 12-month profit and loss projection, a four-year profit and loss projection (optional), a cash-flow projection, a projected balance sheet, and a break-even calculation. Together they constitute a reasonable estimate of your firm's financial

future. More important, the process of thinking through the financial plan will improve your insight into the inner financial workings of your firm.

12-Month Profit and Loss Projection Many firm owners think of the 12-month profit and loss projection as the centerpiece of their plan. This is where you put it all together in numbers and get an idea of what it will take to make a profit and be successful.

Your revenue projections will come from a revenue forecast in which you forecast revenue, cost of services provided, expenses, and profit month-by-month for one year.

Profit projections should be accompanied by a narrative explaining the major assumptions used to estimate firm income and expenses.

Research Notes: Keep careful notes on your research and assumptions, so that you can explain them later if necessary, and also so that you can go back to your sources when it's time to revise your plan.

Four-Year Profit Projection (Optional) The 12-month projection is the heart of your financial plan. The Four-Year Profit Projection is for those who want to carry their forecasts beyond the first year.

Of course, keep notes of your key assumptions, especially about things that you expect will change dramatically after the first year.

Projected Cash Flow If the profit projection is the heart of your business plan, cash flow is the life blood. Firms fail because they cannot pay their bills. Every part of your business plan is important, but none of it means a thing if you run out of cash.

The point of this worksheet is to plan how much you need before startup, for preliminary expenses, operating expenses, and reserves. You should keep updating it and using it afterward. It will enable you to foresee shortages in time to do something about them—perhaps cut expenses, or perhaps negotiate a loan. But foremost, you shouldn't be taken by surprise.

There is no great trick to preparing it: The cash-flow projection is just a forward look at your checking account.

For each item, determine when you actually expect to receive cash (for services) or when you will actually have to write a check (for expense items).

You should track essential operating data, which is not necessarily part of cash flow but allows you to track items that have a heavy impact on cash flow, such as revenues and operating expenses.

You should also track cash outlays prior to opening in a pre-startup column. You should have already researched those for your startup expenses plan.

Your cash flow will show you whether your working capital is adequate. Clearly, if your

projected cash balance ever goes negative, you will need more start-up capital. This plan will also predict just when and how much you will need to borrow.

Explain your major assumptions, especially those that make the cash flow differ from the Profit and Loss Projection. For example, if you provide services in month one, when do you actually collect the cash? When you buy equipment or supplies, do you pay in advance, upon delivery, or much later? How will this affect cash flow?

Are some expenses payable in advance? When?

Are there irregular expenses, such as quarterly tax payments, maintenance and repairs, or seasonal expenses, that should be budgeted?

Loan payments, equipment purchases, and owner's draws usually do not show on profit and loss statements but definitely do take cash out. Be sure to include them.

And of course, depreciation does not appear in the cash flow at all because you never write a check for it.

Opening Day Balance Sheet A balance sheet is one of the fundamental financial reports that any firm needs for reporting and financial management. A balance sheet shows what items of value are held by the firm (assets), and what its debts are (liabilities). When liabilities are subtracted from assets, the remainder is owners' equity.

Use a startup expenses and capitalization spreadsheet as a guide to preparing a balance sheet as of opening day. Then detail how you calculated the account balances on your opening day balance sheet.

Optional: Some people want to add a projected balance sheet showing the estimated financial position of the firm at the end of the first year. This is especially useful when presenting your proposal to a lender.

Appendices

Include details and studies used in your business plan; for example:

- Brochures and advertising materials
- Practice area studies
- Blueprints and plans
- Maps and photos of location
- Magazine or other articles
- Detailed lists of equipment owned or to be purchased
- Copies of leases and contracts

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- Letters of support from future clients
- Any other materials needed to support the assumptions in this plan
- Market research studies
- List of assets available as collateral for a loan

Refining the Plan

The business plan presented above should be modified to suit your specific type of firm and the audience for which the plan is written.

Commercial Financing

• Bankers want assurance of orderly repayment. If you intend using this plan to present to lenders, include:

- o Amount of loan
- o How the funds will be used
- o What this will accomplish—how will it make the firm stronger?
- o Requested repayment terms (number of years to repay). You will probably not have much negotiating room on interest rate but may be able to negotiate a longer repayment term, which will help cash flow.
- o Collateral offered, and a list of all existing liens against collateral

For Type of Firm: Describe The Nature of the Law Firm without Violating the Confidences and Secrets of Your Clients.

Do not disclose a client without the informed, written consent of the client

- A law firm is a service enterprise and such enterprises sell intangible services involving problem solving. They are usually more flexible than other types of businesses, but they also have higher labor costs and sometimes very little in fixed assets.
- What are the key competitive factors in this practice area?
- Your fees to consumers
- Methods used to set fees
- System of production management
- Quality control procedures. Standard or accepted industry quality standards.

- How will you measure labor productivity?
- Percent of work subcontracted to other firms. Will you make a profit on subcontracting?

Credit, payment, and collections policies and procedures

- Strategy for keeping client base