

# Law Firm Finance and Your Budget

Why Firm Performance Matters to IT

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# Why are We Here?

- ◆ Introductions
- ◆ IT Department partnering with Finance
- ◆ Challenges to that relationship
- ◆ Opportunities with that relationship

# A Little About You

- ◆ Firm Size?
- ◆ Position?

# How do we make more money?

- ◆ Automation/Innovation
- ◆ People, Process then Technology
- ◆ Is there a better (faster) way?
- ◆ Look for Pain Points
  - ◆ Waiting
  - ◆ Searching
  - ◆ Frustrations

# The Power of IT

- ◆ Firm needs before IT wants
- ◆ IT has the knowledge and tools to help everyone
- ◆ Using powers for good...
  - ◆ No agenda
  - ◆ Impact on the firm carefully considered

# Law Firm Finance 101

- ◆ Understanding the Health of the Business
  - ◆ Balance Sheet
  - ◆ Income Statement
  - ◆ Liquidity/Debt Ratios
  - ◆ Statement of Cash Flows
  - ◆ Profits per Partner/Equity Partner
- ◆ Cash Management  $\neq$  Business Management

# Law Firm Finance 101

- ◆ Drivers of Profitability
  - ◆ Rates
  - ◆ Realization
  - ◆ Productivity
  - ◆ Leverage
  
- ◆ How does IT spending impact one or more of these drivers?

# Law Firm Finance 101

- ◆ Typical Expense Breakdown
  - ◆ Partners - 50% of Expenses
  - ◆ Staff Compensation - 10-15% of Expenses
  - ◆ % of IT Spend per million of revenue
- ◆ Hurdles of Partner Compensation/Distributions



# Return on Investment

- ◆ Buyer Beware
- ◆ Measures the efficiency of an investment
- ◆ Accountability

# Practical ROI Considerations

- ◆ Automation
- ◆ BYOD
- ◆ Simplified Time Capture
- ◆ Mobile Time Capture
- ◆ Doing more with less

# Practical Tips for IT

- ◆ Don't be a break/fix department
- ◆ Look for solutions - people don't know what they don't know
- ◆ Shadow the people - watch them work
- ◆ Understand TCO

# How Technology Decisions are Made

- ◆ Questions to ask
  - ◆ What factors impact how the budget is reviewed and approved?
  - ◆ Is there a bank covenant that limits firm debt?
  - ◆ Are there projects that can wait another year?
  - ◆ How are we doing this year compared to last year?
  - ◆ Is there anything in particular I should consider when preparing the budget?

# Lease or Buy

## Leasing

- ◆ Requires less out of pocket cost up front.
- ◆ Leasing does have a financial cost added to it in the form of interest
- ◆ Don't own the asset, returned to vendor
- ◆ Does tether the firm to additional financial obligation

## Purchase

- ◆ Out of pocket costs up front
- ◆ Ownership of asset
- ◆ No Liability
- ◆ Tax benefit of purchasing asset makes is potentially recognized in the year of purchase while tax benefit of leasing costs are spread out over lease term.

# Litigation Support

- ◆ In house or outsourced?
- ◆ Internal resources?
- ◆ How one firm is handling it

# Things to Consider

- ◆ Office 365/Sharepoint
- ◆ Co-Location
- ◆ Outsourced HelpDesk
- ◆ Selective use of Consultants

# Helping your firm run like a business

- ◆ Law firms have been overpaying
- ◆ Audit everything, regularly
- ◆ Negotiate everything, regularly
- ◆ When pitching a project, pitch the impact on the business



# Questions?

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