

How A Professionally Managed, FULL-TIME CFO will

Dramatically Improve Your Results (And Your Life)

HOW TO
MANAGE
A SMALL
LAW FIRM
HAPPY LAWYERS MAKE MORE MONEY
STAGES



ICFO

IN-SOURCING YOUR FIRM'S CFO

\$3-\$5MM

CREATING
A SUCCESSFUL LAW PRACTICE

UPGRADING
LAW PRACTICE - LAW BUSINESS

BREAKING
THE 7 FIGURE BARRIER

ICOO
IN-SOURCING YOUR FIRM'S COO

ICEO
TO BE OR NOT TO BE A FULL-TIME CEO



How A Professionally Managed, FULL-TIME CFO will *Dramatically Improve Your Results (And Your Life)*

In the FIFTH stage of growth of every law firm the volume and numbers are on such a larger scale that you absolutely need an in-house CFO or Controller to assist you with the numerous financials and in managing the business by the numbers.

See, in every successful business it is imperative to use the objective numbers to tell the story of what is happening in the firm. This raw data, untainted by personalities and subjective interpretation makes the analysis easier and the decisions to execute growth strategies easier.

ELEMENTS FOR BUILDING A SUCCESSFUL BUSINESS TO GET PAST THE 5TH STAGE OF GROWTH

1. Revamp the Business Plan.

As a firm continues to grow it is more important than ever to use the objective numbers and metrics to guide the decisions of the firm. The numbers don't lie. They are cold hard facts. That is when it becomes easier to run the business, when there are good systems in place and good reporting and the KPIs show where you are on point and where there is the need for course corrections.

There are 7 working parts in every business.

1. Marketing
2. Sales
3. Production
4. People
5. Physical Plant
6. Money/Metrics
7. YOU

A business plan fleshes out each of these 7 working parts to explain in plain English ...

How you are going to get clients in the door, how you are going to convert them timely and efficiently into paying clients, the processes for getting the work done, how you are going to hire, train and make a profit with staff to get the work done, where they are going to work and what tools they need, and how we are going to know if it is all working.

A successful business must meet the Owner's financial, professional and personal needs while allowing sufficient funds to continue to build and invest in the future of the firm. A good business plan helps develop that plan to build that future firm and a key element in a business plan at the 5th stage of growth is identifying the opportunity to bring in a CFO to work full time to help you manage the business by the numbers.

As you likely remember, at the first few stages of growth the bookkeeper sufficed for balancing the once a month, handling the accounts payables, perhaps handling the payroll and giving you your 6 Key Financial Reports Each month. But as you grew, there became greater volume and additional levels of responsibilities. Enter a CFO. In the beginning, you may have only needed a part time external CFO, but in the 5th Stage of Growth you need a FULL TIME person.

So what is a CFO? A CFO is a "C" Level Executive. A good CFO basically manages the bookkeeping department and interacts with the accountant. The CFO takes the key financial reports they get from the bookkeeper, **analyzes those reports with the Managing Partner/Owner to add some "context" to the management, marketing, staffing, strategic-planning decisions, etc.** The CFO is either the "right hand" or the "left hand" of the Managing Partner. (Depending on the Managing Partner's personal strengths the COO

may be the right hand and the CFO the left or vice-versa.) A CFO is not a bookkeeper or an accountant, they are the strategist that helps the Owner make decisions based on the numbers and the metrics.

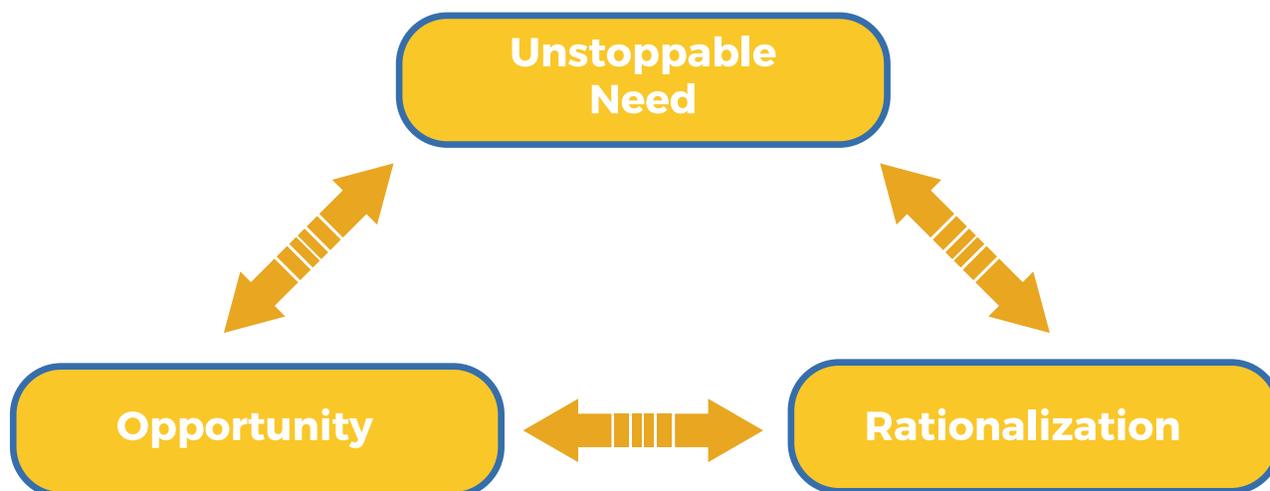
The CFO helps you review, discuss and analyze the following:

- . Monthly And Year-To-Date Revenue Variance,
- . Cash Position In Operating And Trust Accounts,
- . Budget Variance Report,
- . Balance Sheet,
- . Payables To Vendors,
- . Accounts Receivable Reports (30day/60day/90day),
- . 60-Days Cash Flow Projection,
- . Total Number Of Active Cases/Work In Progress,
- . Number Of New Cases This Month,
- . Conversion Ratio Of Prospects,
- . Monthly 'Burn Rate' Of Your Office, and
- . Reality Check Based On R.U.L.E.S. (Rates, Utilization, Leverage, Expenses, And Speed Of Collection).

A good business plan needs to identify this role and propose a timeline and a budget for onboarding a good qualified CFO.

2. The Triangle of Fraud.

At the 5th stage of growth another key element is protecting the firm from embezzlement. Embezzlement can come from a variety of angles when the firm is handling so much money each month but central to the possibility of embezzlement is the Triangle of Fraud. The Triangle of Fraud is a diagram that illustrates at the top where there is the pressure of an intense unstoppable need, on the right is a rationalization that the employee will replace the money, and finally on the left you corner of the triangle you have "opportunity". It is this 3rd corner that is the easiest for a small law firm owner to control by having good checks and balances, good systems for the financial controls and someone overseeing it to ensure that it is being abided by.



At the 5th stage of growth the Owner needs a CFO or Controller keeping tight reigns on the money and the Owner needs to have good checks and balances on the CFO/Controller.

3. **DECIDE Where You are Going Next.**

Another common element at this stage of growth is in determining what is the next “thing”. You see, the business has been the focal point for so long and as the firm transitions into fully running without you and with good profit margins and a stable team, it is natural for the owner of a \$3M or \$4M firm to be starting to wonder what is next.

In growing a small business there has been challenge after challenge to attack and solve, and the reward of seeing it get better. But at some point, the challenges are no longer there and the owner starts to wonder what is next. This is the golden moment where there are opportunities in abundance. One could position the firm for eventual sale. One could open additional law

firms. One could also expand into a business not related to the law. There are endless possibilities.

ACTION PLAN:

1. Know What You Are Looking For and Heavily Vet Candidates that are Possibilities as Your CFO.

A mistake of many entrepreneurial owners is to make a fast decision and hire the first CFO or Controller that comes along without taking the time to vet the candidate.

Knowing what you are looking for is instrumental to attracting the right kinds of candidates. Learn from others who have done it well. Take the time to assess the firm's strengths and weaknesses to pair a solid candidate with the needs of the position.

Then **spend extensive time vetting the candidate.** Remember, this person will be like a right (or left) hand to the owner so this is more like relationship building and making sure you can communicate with the person.

2. Engage in an Extensive and Planned Onboarding of the CFO.

Just because you find the perfect person does not mean instant success. The Onboarding Plan of an A+ CFO takes strategy. It is easy to taint or ruin a great candidate in those first 6 months and it is imperative you invest the time, money and energy to do it right if you want the person to last.

At this stage, the “Hire and Hope Strategy” (you know, the hire and hope they know what they are doing philosophy) **REALLY DOESN'T WORK!** So invest the time to get help bringing in the right person.

3. Learn to Strategize the Numbers with Your CFO!

Identifying areas to improve is only part of the battle. It also requires building the plan and executing to move the firm forward. Every good plan has a hypothesis and an estimated ROI which acts as an objective measurement to whether the plan should continue or if you need to pivot along the way.

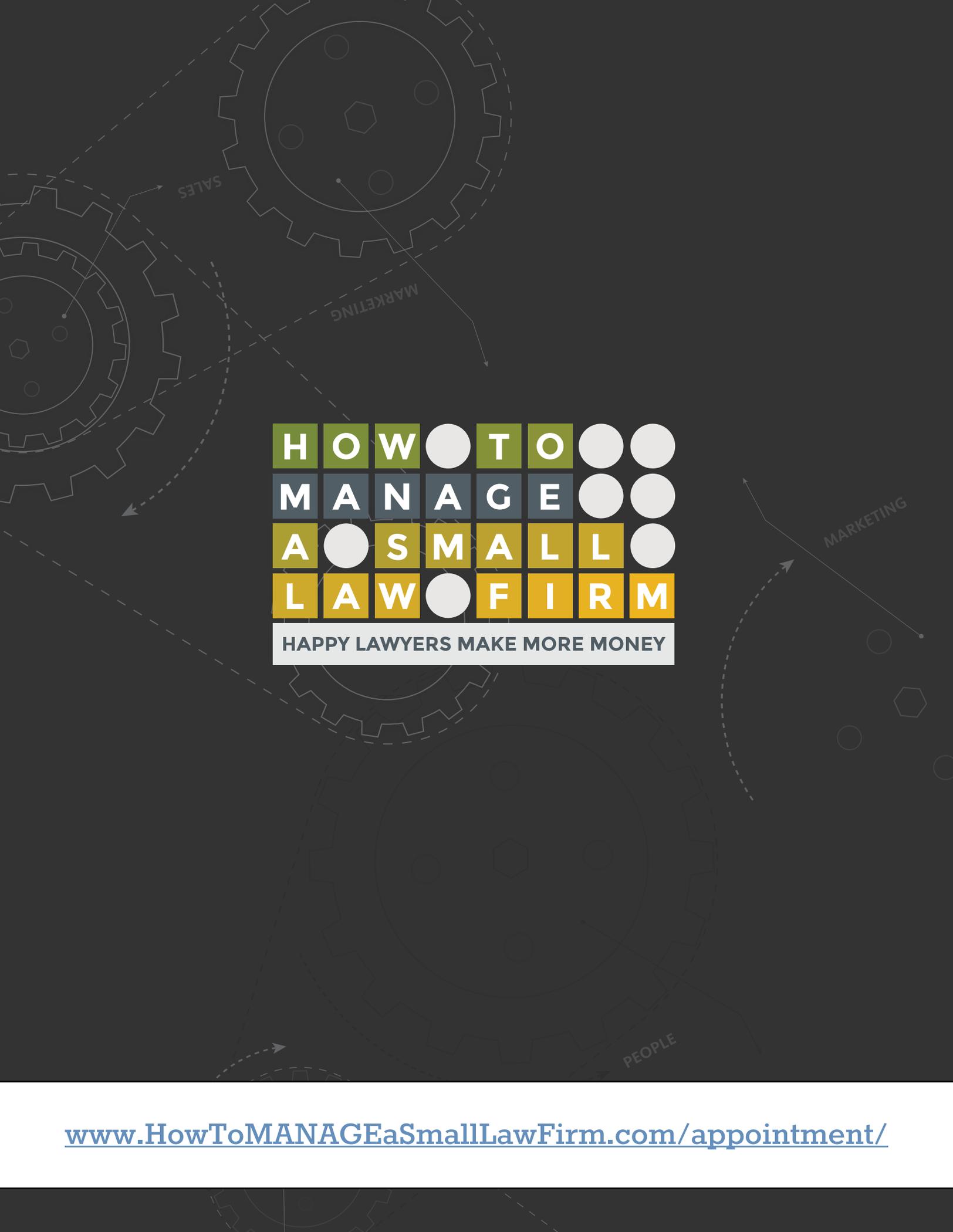
WHO IS GOING TO HELP YOU: YOUR CEO, YOUR COO & YOUR CFO

At this point you likely have an **external CEO** to help the firm navigate and be sounding board for the “big picture” items of the firm. The external CEO of a small law firm helps guide the firm in building the business plan, the budget and holding the owner accountable to do the things which will help it grow. A CEO is a blend of a mentor, a coach, an accountability partner and ass-kicker. Your CEO helps you with the big pictures views and keeps you moving forward.

At this stage you likely have an internal COO who is there to guide in running the day to day operations of the firm. The COO works with the owner to learn the vision of what the owner wants to build and then helps build it. The COO continues to build out the policies, procedures and systems to keep the firm running in a smooth fashion.

Your external CFO is there to HELP YOU HIRE, VET and ONBOARD your internal CFO. Because let’s face it, when you are the owner of a growing law firm it is hard to know the nuances and details you need to be looking for and your external CFO can help you.

If you are ready to get help and start taking control of your firm and grow it the way you want, **[CLICK HERE](#) to schedule a discover call with someone on the How To MANAGE A Small Law Firm Team.**



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