
The Four Pillars of Legal Practice Management

White Paper by CosmoLex LLC

Your legal education probably didn't include a lot of business management courses, and that's too bad. Small law firms often struggle with practice management and that can sink the business completely. Your success as an attorney has at least as much to do with how well you run your office as it does with your knowledge of the law. However even though you understand the four key areas of practice management, if you fail to appreciate how they interconnect and how they relate to law office management software, then you are doomed to failed cases, lost revenue and even malpractice charges.

The Four Pillars of Legal Practice Management

You already know the basics of practice management so let's just briefly recap the key components: workflow management, billing and collection, and trust account administration, and document management.

Workflow Management is made up of smaller components working together. A team calendar application synchronizes individual schedules for collaboration within the firm. Docket control ensures don't miss filing deadlines, one of the leading sources of malpractice complaints; a docket control system can also get you malpractice insurance discounts. A centralized, matter-oriented tracking system organizes all appointments and events associated with a case across multiple parties in the firm. Pre-defined workflows save time when setting up a new matter, and standardize operations across the firm.

Billing and Collection is the heart of any business. Cash is life and managing your billing process through accurate invoices, timely billing, and proactive follow up on unpaid accounts ensures your law firm has a healthy cash flow.

Trust Account Administration is an issue faced by nearly every law firm. Attorneys handle fee advances (retainers), disbursements from court settlements, distribution of payments on real estate transactions and other monies that don't technically belong to the firm. Rules regarding trust and IOLTA accounts are much more stringent than those covering operating accounts, and the penalties for mistakes are more severe. And remember -- you are responsible for the trust even if you turn over operations to a bookkeeper or CPA, and you are the one who will suffer the consequences.

Document Management means organizing the dozens or hundreds of small pieces of information that go together to make a case. You must be able to look at a document and know what matter it belongs to, and look at a matter and see all the associated information. In the event of an audit or malpractice complaint, you must be able to find a given item months or years after a case is closed.

Exponential Increase in Efficiency When Practice Management Components Work Together

It's not enough to perform each of these crucial tasks individually. Imagine a group of people driving a car. One operates the gas, another the brakes, a third the steering, and a fourth looks out the windshield to see what's ahead. That sounds ridiculous and yet that's how practice management works if you don't coordinate actions among these four areas.

Each practice management area might work well but if the components don't communicate with each other you will quickly have an organizational disaster on your hands. In addition, all case information has to be associated with the appropriate matter. If you imagine these four areas as making up a wheel as we've shown above, then matter-based organization is the axle that turns the wheel. When anyone looks at a matter, all information related to that matter -- filing dates, tasks, billing and trust transactions, documents -- should be easily accessible. You shouldn't have to look in several places to piece all the data together.

Consider some typical practice management situations faced by any law firm:

- The components of Workflow have to work as an integrated whole so you can coordinate dozens of activities across multiple attorneys, paralegals and clerks to meet a court filing deadline.
- Workflow has to work with Billing so that appointments and events automatically move into the billing workflow, and you can be sure your firm bills for every billable activity associated with a matter.
- Billing has to work with Trust Account Management so that if an invoice is paid from a security retainer, then the money is taken only from the matter's trust account and not any other client funds. Trust and operating account balances are updated appropriately.
- Document Management has to work with everything so that you have everything from a form filed at the courthouse to a witness deposition to a signed retainer agreement at your fingertips.
- All of this information is linked to the matter so that if the client files a malpractice action against you, you can immediately prove your innocence by producing a list of all events, appointments, hours, expenses, invoices, payments and other data associated with a specific matter.

The Wrong Way To Do Practice Management

Attorneys tend to be resistant to technology, in part because of concerns over whether technology can threaten their obligation to their clients by undermining the security of information. Therefore many law offices still do their practice management using inefficient manual methods. Ironically, avoiding technology can be a bigger threat to professionalism. In the Lawyerist article "Luddite Lawyers Are Ethical Violations Waiting To Happen" attorney Megan Zavieh cites examples of how attorneys who avoided technology ended up losing cases and facing malpractice charges.

However not all technology is created equal. Attorneys can't just implement a technological solution without having at least a passing understanding of its impact on the practice. Some law firms turn to generic business software but these tools lack some of the specialized features attorneys need. Scheduling calendars are not true docket control systems. Time and billing software that doesn't offer matter-based billing and a robust trust accounting system isn't going to satisfy the lawyer's ethical obligations. Dropping electronic documents into a cloud-based file system isn't the same as document management that ties each file to a particular client and matter.

Using separate applications, each handling a piece of your practice management burden, leads to the absurd "four people driving a car" situation above. Attorneys struggle to export data from one application and import it into another, or they end up doing double work as they do things like enter an appointment into their calendar application and then enter the same appointment into their billing software. Working with multiple vendors adds another layer of frustration as each vendor blames the other when programs don't work together well.

Specialized Legal Office Management Software

Attorneys who use software tools tailored to the legal industry will have a much easier time than lawyers who try to adapt general business software. You could fake matter-based billing, for example, by adding a case number to the comment section of every transaction on your financial software. When you need to produce billing records you could search for that case number. That might work until someone forgets to enter a case number or enters one incorrectly. There is no automatic check like a law office billing program would have to ensure all transactions are tied to a legitimate matter.

Once again, you can find separate legal software products but that isn't going to be as efficient and accurate as using one tool that handles all aspects of practice management. When the document system provides documents needed by workflow management, which notifies the billing component, which talks to the attorney trust accounting software then you have a united solution. Just as a coordinated team of people can accomplish more than they could individually, so does a cohesive law office software tool do more for a law practice than separate applications can.

Cloud-Based Solutions Supercharge Practice Management

Timeliness greatly enhances the effectiveness of your record keeping, which in turn enhances your overall practice management efforts. Using legal software housed in the cloud lets users update calendars, billing and other aspects of a matter from any location with an internet connection. This immediate documentation of events improves the accuracy and comprehensiveness of your practice management. Cloud applications are managed by professional IT departments, meaning the law firm doesn't have the high cost of keeping their own IT people. The technical details are automatically handled.

There has been a lot of concern lately over the security of cloud applications. In a review of the 2013 American Lawyer Tech Survey, author Alan Cohen points out that 92% of law firms surveyed were worried about cloud security. However he also says this is more about lack of control, quoting corporate technology expert Brett Burney who points out that even though cloud data is "highly secured, with redundant backups" attorneys are reluctant to turn sensitive information over to a third party, no matter how safe it is.

Cloud applications are safer than you might think. Cloud security breaches are typically not a failure in the cloud servers' overall infrastructure but rather focused attacks on specific accounts. Mr. Cohen refers to people as "the weakest link in any security net" because they are much easier to fool than computers are. Just as law firms have security policies about who can access bank accounts and who has keys to specific locks in the office, so they should have policies regarding passwords, security software and use of personal devices to access case information.

A unified approach to practice management that embraces each of the four key areas, enhanced by specialized cloud-based law practice management software, will supercharge your law firm's operations. You will get the convenience of centralized, matter-based organization, the ease of collaboration across team-focused cloud applications, and improved compliance with bar association requirements. Your practice will be in a better position to help your clients, and have a competitive advantage over firms that take a piecemeal approach to organization.