

# LEGAL MANAGEMENT

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## Member Insights

By Jeffery M. Leving



### BUSINESS ANALYSIS OF A LAW FIRM

In a legal management professional's evaluation of a law firm or any other business, at the direction of ownership, the most important area of inquiry is generally revenue generation. Where does 100 percent of the revenue come from?

You must analyze and critically listen to everything. You need to think everything through from beginning to end until you get the information needed. You also need to evaluate expenses to make sure they are appropriate and not excessive. You don't want unnecessary expenses dissipating all profits.

Start by breaking down the revenue generation in parts, and define where each part comes from. For example, in a media organization, if all their revenue comes from advertising, they may need to make an inquiry as to what percentage of this revenue generation is from which specific source. This is a key question because a business will fail if there's no effective revenue generation. A business that cannot pay its bills goes out of business.

In speaking to your firm's accountant, analyze what he or she tells you and ask follow-up questions to get the information you need. Be sure to follow up with additional questions until you get the desired information.

Understand what makes your business stand out from competitors. You will not know what makes the firm successful if you don't ask. Knowing what creates value in a business is important.

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