

LEGAL MANAGEMENT

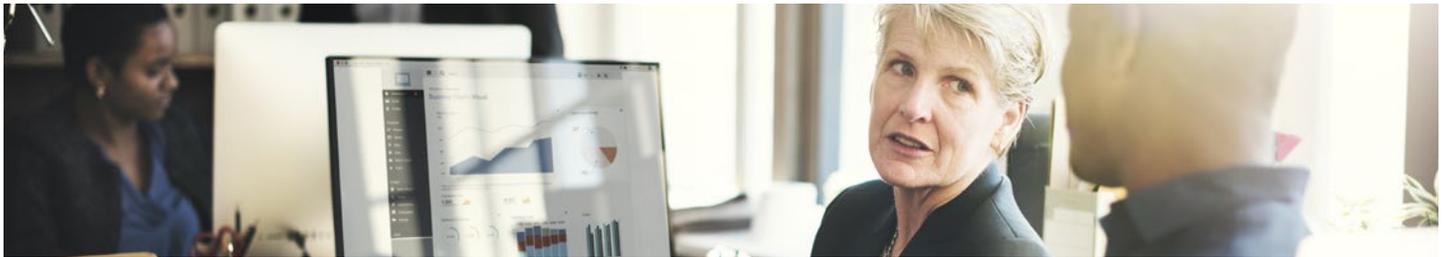
FEBRUARY 2018
VOLUME 37 • ISSUE 2

THE MAGAZINE OF THE ASSOCIATION OF LEGAL ADMINISTRATORS

WHEN A RAINMAKER RETIRES

Early preparation can help ensure uninterrupted service — and help you hold on to key clients when their main contact leaves.





FEATURES

FINANCIAL MANAGEMENT BY KYLIE ORA LOBELL

- GETTING IN THE ACCOUNTING WEEDS** 12
Cost accounting can help firms determine just how profitable they really are.

LEGAL INDUSTRY/BUSINESS MANAGEMENT BY ERIN BRERETON

- WHEN A RAINMAKER RETIRES** 16
Early preparation can help ensure uninterrupted service — and help you hold on to key clients when their main contact leaves.

FINANCIAL MANAGEMENT BY PAT SAND

- MANAGING AND MITIGATING FINANCIAL RISKS** 21
Policies and procedures legal managers need to adopt to safeguard law firm profitability.

COLUMNS

- BIG IDEAS: A MESSAGE FROM ALA'S PRESIDENT** 4
Making the Move to Retirement Planning

- BP PERSPECTIVE** 6
Costly Surprises: 4 Hidden Tax Liabilities for Law Firms

- DIVERSITY DIALOGUE** 8
The Shifting Attitudes of Workplace Millennials

- INNOVATIONS** 31
New Legal Services Delivery Models Promote Access to Justice, Leverage Technology

- TEST DRIVE** 33
A Test Drive Through the 2018 Consumer Electronics Show

DEPARTMENTS

- FACTS AND STATS** 11

- INDUSTRY NEWS** 25
Business Analysis of a Law Firm: A Breakdown of Efficient Business Planning
Legal Holds: A Primer for Legal Managers

- TIPS AND TRENDS** 29
Managing Your Retirement Savings Through Life's Transitions

ALA NOW

- ALA FACES** 36
Member and Chapter News
Rising Stars: Members Inspiring Good

- AT ALA** 41
What's Happening at Headquarters?

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Addressing such transitions can be a thorny and sensitive subject with partners. But it is a conversation that needs to happen — the long-term health of your firm depends on it.”

Making the Move to Retirement Planning

Moving is never fun. Moving an entire office? Even less fun.

Recently, the firm I work for, Clark Partington, relocated its main office to a new construction space. The space is beautiful and will be great once the dust finally settles. But right now, there are a lot of daily frustrations. The outlets are in the wrong spot. One minute, my office is hot ... then it's suddenly cold. Most recently, I've been tasked with preparing a video on how to work the new coffee machine — no lie: a video.

Like many of you, I love the legal management profession because of the variety of challenges and tasks it offers. But after months of coordinating this project, it made me wonder about what a good age to retire would be. Is 50 too early? Unfortunately for me, the answer is yes.

As individuals, it's easier for us to gauge when our retirement can realistically happen. But that's not always the case with our managing partners. Not planning for a rainmaker's retirement can leave the entire organization scrambling. Having such a plan in place is another one of those challenging tasks that falls on us as legal managers.

This month's cover story, "When a Rainmaker Retires," details just how much of an issue that can be. Partners age 60 or older control at least a quarter of the total revenue at 63 percent of firms, according to most recent Altman Weil Law Firms in Transition survey. And what about the role these partners play in the relationships with key clients? Addressing such transitions can be a thorny and sensitive subject with partners. But it is a conversation that needs to happen — the long-term health of your firm depends on it.

I invite you to check out this article. It's got great tips on how to approach these conversations, as well as guidelines for when you should start the planning process. I found the section on

professional development quite helpful — not only do you need to plan for rainmaker retirement, you also need to make sure you are identifying and training leaders to carry the firm forward.

Additionally, most of this issue focuses on finance, which is right in my wheelhouse. I hope you find the information as helpful as I did.

In the meantime, I'll still contemplate my own succession plan. But first, I need to start on that coffee-making video. Please feel free to check in with me about my cinematography skills. ■

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Costly Surprises: 4 Hidden Tax Liabilities for Law Firms

Imagine this scenario: You're one of four partners in your 25-lawyer firm. One partner decides to retire. You and the other two remaining partners buy him out, and he heads off to spend his time fishing. Shortly afterward, an IRS audit of your firm uncovers a \$300,000 tax liability created by improper treatment of client costs. The remaining partners (that includes you) are now on the hook for this liability, plus any penalties and interest.

“

Many managing partners, executive directors and even controllers and chief financial officers are unaware that their firms face substantial risk because of incorrect or overlooked tax and accounting positions.”

No one wants to be in a situation like this. Yet for small and midsize law firms, these kinds of unpleasant — and costly — tax surprises happen all too often. Many managing partners, executive directors and even controllers and chief financial officers are unaware that their firms face substantial risk because of incorrect or overlooked tax and accounting positions.

FOUR SURPRISES YOU DON'T WANT TO GET

If you're like most managing partners or executive directors, you don't have an extensive background in law firm tax and accounting rules. Theoretically, you shouldn't need to understand the nuances of complex tax and accounting regulations to manage your business. However, what you don't know can definitely hurt you when it comes to specific tax rules for the legal industry.

Here are some often overlooked or incorrectly handled issues that can result in substantial tax liabilities, penalties and interest for law firms.

1. CLIENT COSTS

Are these deductible business expenses or nondeductible loans to clients? The IRS considers these costs paid on behalf of clients to be loans to clients, not operating expenses of the business. Therefore, these costs are not deductible by the law firm (unless they are not reimbursed by the client, at which point they can be written off as bad debts). Many firms still incorrectly take these client costs as deductions on their tax returns — a mistake that



could leave the firm, or its partners, facing a large and unexpected tax bill.

2. NEGATIVE PARTNER CAPITAL ACCOUNTS

As a partner in a law firm, is having a negative capital account a good thing or a bad thing? And how do you get a negative capital account balance? The short answer is that you received more draws or distributions than you were allocated income. So I guess you could say that's a good thing. Who wouldn't want more cash — especially when you don't have to pay tax on it? (You're taxed on income allocated to you and not the cash you take; corporations, however, are different.)

The bad thing comes about when your negative capital account becomes positive, meaning you now have more taxable income than cash, or when a partner withdraws from a firm and their capital account is negative (you either have to pay it back or it becomes taxable).

Many law firms don't pay much attention to these capital account issues until there is a problem, like a partner withdrawal. Then there could be analysis and reconciliations going back years just to try to explain what happened, with a significant cost for hiring experts and a potential tax liability.

3. PAYMENTS TO WITHDRAWING OR RETIRING PARTNERS OR SHAREHOLDERS

When a partner or shareholder leaves a firm, it is not unusual for that individual to receive some type of payment. The issue here is how to properly structure the payments to be as tax efficient as possible. What is best for the withdrawing partner or shareholder may prove to be a significant burden on the firm and its remaining

partners or shareholders. Buying a partner's interest or a shareholder's stock upon withdrawal could cost as much as 60 percent more in aggregate taxes paid if the payment is structured poorly.

4. MULTISTATE ECONOMIC NEXUS

Does your firm provide a significant amount of legal services for out-of-state clients? If so, a recent requirement in some states could mean that you have to file tax returns and pay taxes there.

Before a taxing jurisdiction (state) can require an out-of-state firm to file an income tax return and pay tax, that firm must have a sufficient connection with the state, known as "nexus." Historically this required a physical presence, such as property or payroll in the state. But recently, many states (including California and New York) have adopted something called "economic nexus," under which a physical presence is not required as long as the firm has an economic connection to the state. For example, a single-office, California-based law firm providing \$1,100,000 in legal services to a New York client would likely be required to file a New York franchise tax return, even if all the services were performed in California.

IS YOUR FIRM AT RISK?

Although you know the law business, you have to trust your professional advisers to know the business of law, including the specialized tax issues. The tax and accounting rules for law firms are technical and unique to the industry. You need to understand your tax liability risks to prevent nasty financial and tax surprises. A law firm tax and accounting expert can identify the many issues that are specific to the legal industry and provide your firm with sound solutions. ■

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I urge every legal employer to read these reports — and other studies of generational attitudes — to see how their findings might positively influence how you recruit, manage, retain and lead Millennials.”

The Shifting Attitudes of Workplace Millennials

Recently, we swore in a new class of lawyers in Illinois. Many of these new lawyers were Millennials — people born between 1980 and 2000 — who have had a tremendous effect on the legal workplace.

A recent *American Lawyer* article on Millennials at large law firms pointed out the number of firms recognizing their impact. Firms are implementing remote working policies and choose-your-own technology programs, and they are dramatically overhauling their workspaces to de-emphasize corner offices and install open areas. Firms are including associates on strategic planning, business pitches and even management committees. So, it seems that they've listened to the social commentary about Millennials — that they want flexibility, leadership, integration and collaboration at work — and have adjusted accordingly.

But that was for last year's Millennial attorney. What about the today's Millennial, the one being sworn in now?

FIVE KEY TAKEAWAYS ABOUT WORKPLACE MILLENNIALS

Last year, Deloitte released a report on the views of almost 8,000 Millennials across 30 countries surveyed in 2016. All the participants had a college degree and were employed full time in private sector organizations. Here are five key takeaways from the report:

1. Millennials are concerned about global insecurity. The way Millennials are affected by what's happening in the world differs based on where they live. Millennials in developed countries (mature markets like the United Kingdom, the United States and Australia) are far more pessimistic about social and economic conditions than Millennials in developing countries (emerging markets like the Philippines, Peru and India). In fact, according to Deloitte, "confidence levels [in emerging markets] are the highest recorded in this series." In addition, Millennials in emerging markets expect to be materially and emotionally better off than their

parents, while Millennials in mature markets feel that their generation is the one that “stopped getting better.”

One immediate lesson here for U.S. legal employers is to invest more resources into well-being programming and workplace changes that can improve the quality of life for attorneys. Lawyers consistently rank low on well-being and resiliency, even without the global anxiety that characterizes Millennials.

2. Millennials are more loyal to their employers.

Uncertain markets lead to loyal employees. It seems that Millennials tend toward similar behaviors as Traditionalists, the men and women born between the Great Depression and World War II. Political, economic and social anxiety means that Millennials are staying at their jobs, keeping their benefits and turning down opportunities to leave.

In 2016, 44 percent of Millennials were planning on leaving their jobs within two years. A year later, that number had plunged to 38 percent. Meanwhile, the percentage of Millennials planning to stay with their employer beyond five years increased from 27 percent to 31 percent. In the United States, the report notes that Millennials are more likely to say that they will stay beyond five years than leave within two.

3. Social impact still matters. One thing has remained constant across years of Millennial study: They still want to work for employers with a social conscience. Working for social-justice-minded employers helps Millennials feel empowered to fight environmental and social challenges. Millennials find a greater sense of control and empowerment through their workplace, which provides them with a more positive mindset at work.

What does that mean for legal employers? If you are designing pro bono or social justice work for your Millennial employees, think about how to foster those feelings of empowerment and need to create change and how they can, in turn, increase the sense of well-being in your workplace.

4. Both Millennials and their employers see the benefits of flex work. Of the workplace Millennials surveyed, 67 percent engage in work with flexible start and end times. And 64 percent can work remotely — 21 percent higher than last year’s number. Crucially, Millennials see the ability to work flexibly as directly related to improved performance and employee retention. Millennials report that flex working arrangements support greater productivity and employee

engagement, while enhancing their personal well-being, health and happiness. As Deloitte says, workplace Millennials want the best of both worlds: “freelance flexibility with full-time stability.”

5. But the robots are still coming for everyone. Deloitte is clear: Automation will transform the workplace for everyone, especially Millennials. And Millennials know that. Many recognize the pros of automation — increased productivity and economic growth, as well as the ability to learn new skills and expand creative activities. On the cons side, however, 40 percent see automation as a threat to their jobs and 53 percent see the workplace becoming more impersonal and less human. We often talk about the need to retrain law students into 21st century practice-ready lawyers with an understanding of big data, predictive analytics, cloud computing, alternative billing and alternative business structures. The Deloitte report suggests that the need is urgent.

FUTURE CHALLENGES

We as a profession need to recognize that the challenges Millennials face are ever-growing, and the anxieties they experience may be different than what we’ve seen before. We need to constantly check the assumptions we make and the conclusions we draw about them.

What will a 2018 Millennials survey reveal? Will the events of the past year change the Millennial outlook even more? I predict they will. I urge every legal employer to read these reports — and other studies of generational attitudes — to see how their findings might positively influence how you recruit, manage, retain and lead Millennials. ■

ABOUT THE AUTHOR

Michelle Silverthorn is the Diversity and Education Director for the Illinois Supreme Court Commission on Professionalism. Through the Commission’s online platform, 2Civility, Silverthorn works on blog posts, social networking sites, and online discussion groups focusing on legal education, diversity and young lawyers. She also works with law schools, law students and other legal groups, developing education courses and workshops.

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A wooden gavel rests on a stack of papers. The gavel is positioned at the top left, with its head resting on the top of the stack. The stack of papers is thick and appears to be a stack of legal documents or contracts, with the edges of the pages visible. The background is a blurred office setting.

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Facts and Stats



RETIREMENT AND SUCCESSION PLANNING: ARE YOU UP TO DATE ON NEW TRENDS?

- Partners age 60 or older control at least a quarter of the total revenue at **63 percent** of firms.
- **65 percent** of law firm leaders say partners resist most change efforts, while **56 percent** say most partners are unaware of what they might do differently.

Read more in this month's cover feature, "When a Rainmaker Retires."

THE STATE OF THE LEGAL MARKET

There may be a danger in relying on averages in the legal industry because the performance of law firms across industry segments is not reflective of the normal distribution of a bell curve:

- Two-thirds of the nominal increases in Am Law 100 revenue reported in 2017 can be attributed to only about 20 percent of the firms
- Of the 100 firms, 18 reported a decrease in their gross revenue, and 20 reported lower profits per partner
- If the 20 smallest firms in the Am Law 100 were to disappear and be replaced by the 20 largest firms in the Am Law Second 100, the overall numbers for the Am Law 100 would move only very slightly — impacting less than 2 percent of total Am Law 100 revenue

Visit the web version of this article to download a complete copy of the *2018 Report on the State of the Legal Market* from Georgetown Law and Thomson Reuters Legal Executive Institute.



COMPENSATION TRENDS TO LOOK FOR

The 2017 ALA Compensation and Benefits Survey has highlighted many new compensation trends, including:

- Excluding Associate Attorney compensation, Principal Administrators/Executive Directors/COOs had the highest paid base salary at an average of \$229,792 — a rate **32 percent** higher than the second highest paid position
- Several positions experienced reductions in total average compensation, including a **17.4 percent** decrease for IP Directors/Administrators
- Attorney turnover almost doubled in private law firms from **16.5 percent** in 2016 to **31.9 percent** in 2017

Check out all the other trends in the report: alanet.org/compsurvey.



Getting in the Accounting Weeds

Cost accounting can help firms determine just how profitable they really are.



KYLIE ORA LOBELL
Freelance Writer

A law firm may look like it's successful on the outside. Partners are generating record money, year-over-year growth is occurring, employee salaries are rising and the firm is bringing in increasingly bigger clients.

However, the firm might not be as prosperous as partners and legal managers believe. Without peeking behind the curtain and looking at the numbers, firms can never be quite certain that they are meeting their goals and exceeding their expectations.

"Law firms have historically been viewed as professional organizations providing valued services for the benefit of their clients while working together in a respectful professional manner," says Michael Leddin, Executive Director of law firm Segal McCambridge Singer & Mahoney. "This may well remain to be true, but at their core, law firms are businesses with owners and the goal [is] to generate revenues and profits."

If law firms haven't already, they need to start using cost accounting to truly know if they are profitable. When they utilize cost accounting, they can see if they are on the right track and taking all of their expenses into consideration.

"Whether you are an attorney who is working on an hourly rate or flat fee, you must determine if the pricing model covers the costs of staff time and case expenses," says Thomas J. Williams,

If firms want to avoid politics in the office and causing conflict, they can choose to defer to either their in-house accountants or hire outside companies to help.

EA, a tax accountant who operates Your Small Biz Accountant, LLC. "Attorneys juggle many tasks at one time and often put their business on the back burner."

Even if attorneys are busy with a million other projects, they need to look at their financial paperwork to stay afloat. "More financial information is always better than less," says Joseph S. Leventhal, Office Managing Partner at Dinsmore and a member of the Board of Directors at the Federal Bar Association. "It's important to know the profitability of an attorney, a practice group, an office or any other measurable group. The firm may accept that certain offices, practice groups, or attorneys are not profitable. But that should be a conscious decision made with the expectation that the firm is making an investment in that group (or attorney) for a particular longer-term reason."

The first year one firm implemented a cost accounting strategy, they saw a 350 percent increase in profits. Other firms can experience the same if they use cost accounting.

HOW TO DO COST ACCOUNTING

Cost accounting involves looking at all the costs associated with the law firm. When firms utilize cost accounting, they will take into account every cost they have for their attorneys, associates and paralegals, according to Samuel J. Catanese, CPA, Leading Partner at Catanese Group. The cost will include things like salaries, payroll taxes, legal dues and fees, a profit-sharing plan and malpractice insurance.

Then, firms will see how much attorneys, associates and paralegals are charging clients per hour and whether those charges exceed their bill rates, says Catanese.

For example, one partner may bill a client at \$150 an hour, but it is costing \$180 an hour just to employ that partner. Every time he or she works on a project, the firm is losing \$30 an hour. Firms need to switch the equation and ensure they are profitable every time.

MAKING A FIRM PROFITABLE

Firms have to figure out what they can do to either cut costs or increase their billing rates in order to be profitable. "You need to determine how much it costs to generate each dollar of revenue to determine where resources should be allocated to realize the greatest profitability," says Leddin. "[Also], identify what modifications should be made — for example, staffing, leverage, rates, etc. — to improve the return on underperforming business units or locations."

Along with comparing hourly billing rates to costs and taking all the expenses into account, firms should run some tests to see where they stand. They must administer case studies by choosing two to three files and tracking all the activities, from the initial consultation to phone calls, meetings and everything in between, says Williams. "The analysis should be conducted at least on a semiannual basis. Staying profitable requires an attorney to gather data, analyze it and draw conclusions that help the practice stay ahead of the curve."

Often, law firms will keep doing what they have always done because they are used to routine, but an analysis helps them break out of it.

"Law firms often fall into to the habit of focusing on 'the work we've always done for the clientele we've always served at our standard rate, which we raise when we feel we need to,'" says Matt Burkinshaw, a former law firm partner who is now a business consultant for firms at Performance Growth Advisors. "Measuring the profitability of an area of practice, which includes the nonattorney staff and resources necessary to serve that market, can expose inefficiencies that need to be addressed. This analysis can also highlight profitable practice areas that are under-represented in the firm and drive decisions to invest in building those areas."

Once firms run their studies, they will know their costs and how they compare to billing rates. Then, they can come up with a plan of action or profit plan. Unlike a budget, which is focused on expenses, a profit plan is meant to drive revenue.

According to Catanese, this plan involves implementing the cost accounting system; coming up with the cost per hour for each

Even if attorneys are busy with a million other projects, they need to look at their financial paperwork to stay afloat.

product; identifying the profitability of each client, producer, division and office; and establishing a profit plan for the firm.

THE CHALLENGES OF COST ACCOUNTING

Cost accounting doesn't come without its own challenges.

"It's a situation that may be politically dangerous. Some partners think they are very profitable and when they see their cost, they are not," notes Catanese. "You may have one partner bringing in \$1 million, and then when we do the cost analysis, his cost may be \$1.2 million. Partners don't like to think they are not profitable."

When handling cost accounting, if firms want to avoid politics in the office and causing conflict, they can choose to defer to either their in-house accountants or hire outside companies to help.

WORKING WITH AN IN-HOUSE OR OUTSOURCED LAW FIRM ACCOUNTANT

Catanese, who assists law firms with cost accounting, says that very few are doing this but that it is absolutely necessary. It is up to the law firm administrator to put a plan into place.

Typically, the Catanese Group will go in, do a cost accounting analysis, and then in the second year, let the firm perform it

on their own. The cost accounting plan needs to be updated at least once a year. According to Catanese, in the first year one firm implemented a cost accounting strategy, they saw a 350 percent increase in profits. Other firms can experience the same if they use cost accounting.

"By working closely with a law firm accountant, you can develop an actionable plan with milestones that hold you accountable," says Williams. "No matter the tools or expertise that are available at your disposal, only you can set the success of your business." ■

ABOUT THE AUTHOR

Kylie Ora Lobell is a freelance writer living in Los Angeles. She covers legal issues, blogs about content marketing, and reports on Jewish topics. She's been published in *Tablet Magazine*, *NewsCred*, *The Jewish Journal of Los Angeles* and *CMO.com*.



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GET MORE ON THIS TOPIC AT OUR ANNUAL CONFERENCE & EXPO

It is crucial for all law firms to implement a cost accounting system to understand their own business. Join Samuel J. Catanese, CPA, for a more in-depth discussion about cost accounting and profit planning at the ALA Annual Conference & Expo in National Harbor, Maryland. Register today: alanet.org/conf18!



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When a Rainmaker Retires

Early preparation can help ensure uninterrupted service — and help you hold on to key clients when their main contact leaves.



ERIN BRERETON
Owner, Chicago Journalist Media

At law firms that don't have a mandatory retirement age — approximately half, according to Major, Lindsey & Africa — high-producing partners may choose to leave at 65, or 70, or virtually any other time. Not knowing when that will happen can be a problem.

Partners age 60 or older control at least a quarter of the total revenue at 63 percent of firms, according to the most recent Altman Weil Law Firms in Transition survey. They also sometimes control client relationships, serving as the central or sole point of contact.

Without any idea when a partner will retire, a firm may not have enough time to adequately identify and prepare a successor — putting it at risk of having clients follow the departing rainmaker out the door, according to Susan Saltonstall Duncan, President of legal management consulting firm RainMaking Oasis.

“Firms say, ‘I’ve got it under control; my clients are fine,’” Duncan says. “These days, clients are in the driver’s seat. Firms can’t just go about their business and assume the client will stay happy and stay with them.”

GETTING READY FOR RETIREMENT

To prevent impending retirements from having a negative impact, firms, according to

"It's not just a hand-off; it's really about building practices and investing in people. At the end of the day, that's what's going to drive the success of a law firm."

Duncan, first need to identify the clients of partners who are in their 50s and 60s — and which ones the firm might be at risk of losing because it doesn't have enough of a connection to them outside of the partner's relationship.

"The next step is to pick an age — 60 or 55 — and have the managing partner or department chair talk to every partner [that age] about a long-term transition," Duncan says. "Any new client who comes in [to those practice groups] gets assigned two partners: One has a primary relationship with the client, and the other is secondary."

Discussing the firm's succession plans internally and externally long before the official hand-off can help ensure clients are prepared.

If business and litigation firm Davis Wright Tremaine's clients don't directly ask, the 500-attorney firm tries to proactively bring the subject up, according to Managing Partner Jeff Gray.

"We have a very open discussion about how the team is moving forward. We talk about individuals who have been working on client matters and try to increase their exposure to make sure clients feel that not only do we have the numbers to support the work, we have the right people who understand the client," Gray says. "It's in our interest as a law firm, and it's also in the client's interest to be working with a team that knows them."

In addition to sharing future staffing plans, some firms have found several other steps can help ease the transition and increase the chance they'll be able to hold on to important clients when a rainmaker retires.

PROVIDE PROFESSIONAL DEVELOPMENT TRAINING

Firms often focus too narrowly on appointing rainmakers to practice group head and executive committee positions, instead of fostering other firm members' leadership capabilities, says Duncan.

"If you're going to have a succession plan be successful, it's really about identifying at the five- or eight-year mark who is

going to be the next leader," she says. "What opportunities are you giving people to develop skills now — not when they're 55 and Jim Doe steps down after 30 years of running a practice group?"

Commercial law firm Becker & Poliakoff, where some firm members have been partners for 30 years, offers a leadership program for younger attorneys.

Firm members who apply and are selected to participate in a yearlong series of events focusing on the business of law, which involve visiting the 100-plus-attorney firm's offices to meet with department heads, attending business conferences and presenting a project on bettering the firm to its management committee, according to Founding Shareholder Alan Becker, who served as Managing Shareholder until handing the role off to his successor six years ago.

"There were some people put in the program in the anticipation they would be very good future leaders, and it helped make them that; it helped teach us others were not going to be," Becker says. "Several people who have been in that program became equity shareholders and are on the path to leadership."

GIVE PARTNERS A REASON TO PARTICIPATE

Persuading rainmakers to take time away from business development efforts and hourly billed work to mentor the next generation can be a challenge.

"I don't see this group, as much as attorneys 30 years ago, supporting people coming up so firms can survive for the next 100 years," Duncan says. "You see a lot of hoarding of work going on. Most firms have not really figured out how to develop a system that accommodates a reluctance to give up money and the reality that as you scale down, the firm is going to pay you less. But there are things firms can do to [get] partners to play in the sandbox."

One firm she consulted with added a column to its regularly distributed partner performance report to track transitional efforts.

“We’re asking lawyers to identify client teams and invest in that relationship so we don’t have to deal with a situation where we’re triaging if an important lawyer decides to retire.”

“The column said [things] such as, ‘This person has now transferred \$2 million in client origination credit or management responsibilities to another partner;’” she says. “In some way, they were compensated for that, and every time you look at the report, you get recognition for doing something positive.”

Emphasizing one of the major benefits involved in winding down — a reduced schedule — may also be a compelling selling point for near-retirement partners.

As Founding Shareholder Reid Wilson — currently Chairman of 18-attorney commercial real estate firm Wilson Cribbs + Goren — gradually prepares to fully retire, the firm has taken some of the day-to-day management tasks off his plate. He now focuses on business origination and thought leadership, according to Managing Shareholder Anthony Marré.

“The reason 90 percent of law firms fail at the transition from first to second generation is because the lawyers at the top really don’t have an interest in doing what it takes to make that happen,” Marré says. “You need to make them feel like they’re getting fair compensation for the value the firm is getting, [such as] time, something that’s incredibly valuable to them.”

KEEP CLIENT NEEDS IN MIND

In some instances, the person the firm initially identifies as the best successor may not mirror the client’s expectations.

“People say, ‘We have a succession plan; Joe Smith is going to take over client relations when Bob retires in five years.’ But do we know if the client even likes Joe Smith?” Duncan says. “If not, you might want to find another partner who is good with relationship development, or hire a lateral attorney the client would be happy to work with.”

Bringing new attorneys on board may also be necessary if you don’t currently have a subject matter expert on hand.

Because the land use and zoning practice Wilson heads up at Wilson Cribbs + Goren is somewhat of a rarity in Houston — and a critical piece of the firm’s overall business, according to

Marré — the firm hired two attorneys to handle the practice area once Wilson retires.

“You have to have those clients having real contact with the people who are succeeding Reid; they can’t be shadowing him — they have to be directly involved,” Marré says. “We’re also having them do a lot of speaking, writing white papers and getting published, transitioning from one thought leader to another. In the next five years, we’ll have a team at or near Reid’s level, in terms of reputation.”

“The reality is, you have to plan for these things. Clients will take some comfort in the fact this is a long-term, staged transition, and not something that’s happening overnight.”

FOSTER AN ONGOING RELATIONSHIP

To facilitate successors getting client contact, Davis Wright Tremaine asks attorneys to prepare a business plan, which is vetted through practice group leadership. This plan outlines the ways they plan to introduce new team members through events like CLE courses where junior lawyers have a speaking role. Instead of issuing mandates, Gray’s firm gives attorneys some flexibility in how those interactions will occur. Attorneys’ efforts are evaluated each year against their proposed plan.

“We’ve moved away from box-checking, where you’ve got to do five lunches; the goal tends to become, ‘I’ve got two more lunches to do this year to comply with this plan,’” Gray says. “We’re asking lawyers to identify client teams and invest in that relationship so we don’t have to deal with a situation where we’re triaging if an important lawyer decides to retire.”

If, however, despite frequent interactions, clients consistently keep turning to the soon-to-retire partner for answers, Becker suggests adding more face time for new team members.

“When we were a small firm, everybody wanted to deal with [the founders], so we would bring one of the associates to

"These days, clients are in the driver's seat. Firms can't just go about their business and assume the client will stay happy and stay with them."

sit in with us and make sure that person got to ask the client questions or give input so the client would get used to them, and wouldn't just turn to us," he says. "Don't wait until the very last minute to make the transition."

EMBRACING A BIG-PICTURE VIEW

Although the exact timeframe will likely vary from firm to firm, starting the process earlier than you may think you need to can help prevent any disruption to client service.

Wilson, for example, is taking a decade to completely step away from his duties at the firm.

"If this was something we were doing two years before he was ready to hang up his hat, that would never work; it's not enough time," Marré says. "The reality is, you have to plan for these things. Clients will take some comfort in the fact this is a long-term, staged transition, and not something that's happening overnight."

Preparing to maintain client relationships in the wake of rainmaker retirements isn't a new concern; the shift in age demographics in recent years, however, has meant some firms could potentially see a number of high-producing partners soon exit in rapid succession. More than a third of partners expect to retire within the next 10 years, according to Major, Lindsey & Africa.

As a result, some firms, including Davis Wright Tremaine, are adopting a different approach to client- and partner-related planning.

"We think we can address the issue by interacting with clients in a more seamless way to maintain good, strong relationships, and in how we operate over the course of a lawyer's career," Gray says. "It's not just a hand-off; it's really about building practices and investing in people. At the end of the day, that's what's going to drive the success of a law firm." ■

ABOUT THE AUTHOR

Erin Brereton is a legal industry marketing consultant and freelance journalist who has written about the legal industry, finance, business and other topics for more than 50 legal associations, magazines, websites and other publications.

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Managing and Mitigating Financial Risks

Policies and procedures legal managers need to adopt to safeguard law firm profitability.



PAT SAND, CCE

By now, you're used to having the pulse of what's going in many facets of the firm. One area you can have great impact on is profitability. From managing the client intake process to assuring invoices are paid on time, legal management professionals are accountable for a variety of processes requiring extensive overall knowledge.

In fact, managing risk in a law firm encompasses the entire order-to-cash process. From client development through collections, it is imperative to have processes and procedures that address how law firm employees will manage financial risk.

"[Law firms typically have] no traditional lens on credit and not much focus on collections," says Dave Mlsna, Leader, Customer Success, at Dun & Bradstreet. Proactively, legal managers can play a key role in risk management by educating attorneys and management on the importance of avoiding risk. In law firms with fewer than 100 attorneys, legal managers have more bandwidth and flexibility to assume a hands-on role in risk management.

Legal managers need to constantly review practices, update and automate processes where possible to eliminate errors and inefficiencies.

The following are some key steps for how you can support attorneys by adopting risk management policies and procedures that safeguard law firm profitability.

STEP 1: CLIENT DEVELOPMENT

A key component of providing revenue support to attorneys is ensuring accurate new client setup. “[Legal management professionals] can take lead role in establishing ongoing communications with attorneys about new clients,” says John Weil, who has been practicing law for 37 years and has been a Partner in several law firms. He is currently with Tomasi Salyer Martin.

Knowing the details of potential future transactions as well as identifying work in process (WIP) invoices are an important factor in managing risk. Monthly touch-points provide the forum needed to keep everyone informed of outgoing invoices and WIP billings. Weil stresses the importance of ensuring bills go out correctly and timely and applying payments accurately. “[It] results in good client relations.”

Typically, attorneys review prebills prior to sending invoices to clients and determine which bills should be sent and which should be held. However, a survey published by Forrester Research/ARMA Institute found that 55 percent of organizations manage legal holds without the benefit of software support. That can mean trouble, considering manual processes can result in myriad issues, including errors, unaccounted billings, inconsistency, inefficiency and increased administrative burdens. Moreover, it creates a lack of an audit trail.

Legal managers need to constantly review practices, update and automate processes where possible to eliminate errors and inefficiencies.

STEP 2: ACCOUNT MANAGEMENT

Due to lack of insight into the aging details, attorneys may be unaware of who the law firm’s “best” clients are in terms of payment. “I’m not keeping day-to-day track of the receivable’s aging, so having communications with the legal administrator regarding billing status is key to ensuring prompt payment and managing any issues as they occur,” says Weil.

That’s why creating a monthly report to indicate which clients pay accounts on time, have minimal disputes, and are profitable for the law firm can illustrate for attorneys the “stars” of their portfolios. Encouraging attorneys to increase their cases with low-risk clients can generate additional and profitable revenue through more billable hours.

The art of collection management involves the ability to develop a rapport with clients, taking necessary action on aged receivables and resolving issues as quickly as possible. In addition to the attorney, legal managers can be seen as a key contact in the relationship through consistent follow-up on client issues.

STEP 3: CONFLICT OF INTEREST/FRAUD

In addition to the proper client setup, it’s important to know the client. In order to understand corporate hierarchy, global ownership and the ultimate beneficiaries, firms need to drill down to the shareholder and individual level of corporations.

“[Law firms] are starting to look at the granularity of who is the ultimate beneficiary in an organization,” says MIsna. “In addition to looking at linked entities and past clients, it is important to understand at the shareholder level, who is the ultimate beneficiary.”

To mitigate fraud, an established process to review inflated booked hours or continuously unbilled hours should be part of law firm policy.

Determining if a client is an adverse party is key to remaining compliant and within regulatory statutes. Utilizing a service that can automate the checking and monitoring for the firm or manually reviewing government lists are proactive steps that can be taken to ensure that law firms are compliant with governmental regulations.

Monitoring, controlling and reporting any adverse actions taken against current clients will keep the firm informed and

Monitoring, controlling and reporting any adverse actions taken against current clients will keep the firm informed and avoid the potential risk of fines and penalties associated with doing business with adverse parties.

avoid the potential risk of fines and penalties associated with doing business with adverse parties.

To mitigate fraud, an established process to review inflated booked hours or continuously unbilled hours should be part of law firm policy. Clients who claim an invoice is paid when the receivables show an open balance could indicate possible fraudulent activity. Keeping stringent oversight on the invoicing and cash application processes within the law firm and ensuring that firm is adhering to policy and procedure will help manage risk for fraudulent activities.

Managing risk appropriately from client on-boarding through invoicing and payment increases profitability, reduces operational costs and improves the efficiency of the order-to-cash process.

STEP 4: BUILDING ATTORNEY RAPPORT

Legal management professionals can establish rapport with attorneys over coffee, lunch or a short meeting. This is a great way to introduce policy and procedures as well as talk about the law firm's expectations regarding the order-to-cash process.

And don't be afraid to be proactive. Provide a monthly report on receivables aging to attorneys prior to meetings, and take the initiative to seek out an attorney as client issues arise so any problem can be handled quickly. With the attorney's direction, you can work directly with the client, while providing timely status feedback to the attorney.

You can also facilitate monthly meetings with a specific agenda to ensure all topics are addressed. Such meetings can provide a forum to discuss nonpayment and problem accounts.

Weil says one way for legal managers to develop client-attorney rapport is to make sure the attorneys recognize what they bring to the table. He suggests taking one of your firm's attorneys to your professional meetings, so they can see what you do and how you are recognized in your professional groups and learn about industry trends and network together — you never know when you will uncover potential client opportunities.

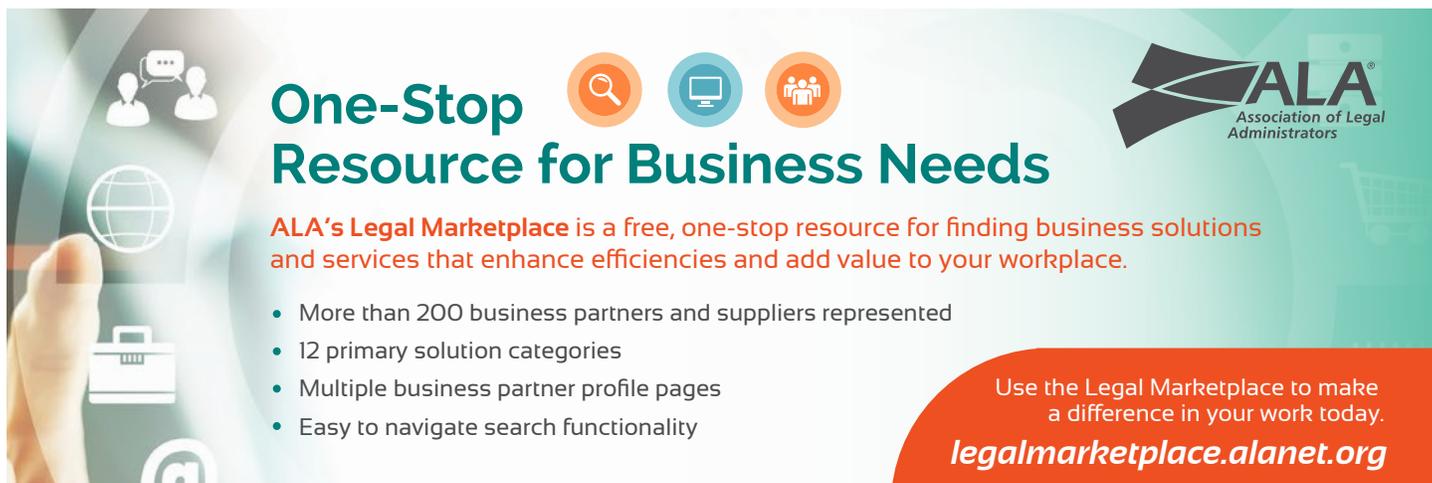
REMEMBERS: DETAILS MATTER

As more firms continue to stay innovative, one area that shouldn't be overlooked is how to best manage financial risks and mitigate potential issues. When the firm has proper procedures in place for dealing with some of these risks, it can go a long way to ensuring the health of the firm. ■

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Pat Sand, CCE, has more than 30 years of experience in credit and financial management. As a former regional and corporate credit manager, she's provided process improvement recommendations in the order-to-cash space.

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Business Analysis of a Law Firm: A Breakdown of Efficient Business Planning

By Jeffery M. Leving



In a management professional's analysis of a law firm or any other business, the most important area of inquiry is generally revenue generation. There are lawyers who lose sight of this. Hopefully they have a brilliant legal administrator — otherwise, their firm may cease to exist. But there is a lot more to business planning than revenue generation. Here's a snapshot of it:

- Critical analysis and active listening are necessary to sustain a successful business in the practice of law. Thinking everything through from beginning to end until you get the information needed and can anticipate future occurrences is essential for both short-term and long-term business planning.
- It is vital to evaluate expenses on an ongoing basis to make sure they are appropriate and not excessive; competitive price analysis is a component of this process. Unnecessary and inflated expenses are harmful to the bottom line and may dissipate all profits.
- Strategic business planning requires emotional intelligence (EQ) to be successful.

THE PLANNING STAGE

For initiating such strategies, there must be an order of priority in business planning. Start from the beginning with a mission statement, which is the foundation of your firm and why clients want to keep you in business. Secondly, plan as accurately and cautiously as possible, basing your decisions on facts, not assumptions and guesswork. (If there are no facts, planning must be handled with the highest level of intuition and business-savviness.) Stick to your plan, but if there's a significant change in the business environment, then change management is needed. Inability to manage change can dismantle the business plan.

There are different planning stages. Long-term planning is most important, but always plan for the short-term as well. Approach both with a SMART method: Goals must be **S**pecific, **M**easurable, **A**ttainable, **R**ealistic and **T**ime-oriented.

Next, use the SWOT analysis, where you build up and strengthen your surroundings. You must analyze your **S**trengths and build upon them, and identify your **W**eaknesses and then correct them. **O**pportunities must be recognized and taken advantage of, while **T**hreats must be discovered and eliminated.

THE ORGANIZATIONAL STAGE

To complete everything mentioned so far, you should have a management action plan (MAP). Everything must be in writing and have a timeline. To assist in this process, create and integrate a management action calendar (MAC). If delegating this, however, make sure you are aware of overall governance — from procedures and systems to job positions and operational manuals. Operational manuals really become essential if you want to expand or build up a strong management team. Be aware of paradigm and how to adapt and manage when change is necessary and inevitable. Environmental awareness and laser-sharp focus are critical in executing necessary changes.

In creating your firm's governance, you need an organizational chart. Break down the levels of authority in your firm. In determining such levels, you must identify who

Understand what makes your business stand out from competitors. You won't know what makes the firm successful if you don't ask. Understanding what creates value in a business is a key to success.

is a thinker, planner or doer, or who has all these skills. For example, the highest level of management would likely have authority to act without reporting or seeking permission. The second level of authority would have the ability to act but would need to inform their direct supervisor. The third level of management would have responsibilities, but need permission first. The lowest level of management would have no authority. Ultimately, when the organizational chart has been implemented defining levels of authority, the firm is ready to excel.

THE ANALYSIS STAGE

Now that governance is understood and executed, start applying business planning to revenue. Begin by breaking down its generation in parts, and define where each part comes from. For example, in a media organization, if all revenue comes from selling advertising, they may need to inquire as to what percentage of this revenue generation is from which client. 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 they tell you and ask follow-up questions to get the information you need. Be sure to keep asking questions until you get the desired

information. You may have a brilliant accountant, but they may not know what you need. Communicate.

Understand what makes your business stand out from competitors. You won't know what makes the firm successful if you don't ask. Understanding what creates value in a business is a key to success.

Business planning affects revenue generation and keeps the lights on. Using strategies like the SMART and SWOT analyses, organizational charts and governance identification allow for the overall success and future of your firm. ■

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Legal Holds: A Primer for Legal Managers

By John Tredennick



A core tenet of our justice system is that opposing parties share potentially relevant evidence prior to trial. As a corollary to that, each party has a duty to identify, locate and preserve such information as soon as litigation is reasonably anticipated. The purpose is to prevent the intentional or inadvertent destruction of evidence that might be used at trial. The legal term for this is **spoliation**, which is a bad thing.

This article will provide a brief primer on legal holds and the responsibilities they entail.

WHAT IS A LEGAL HOLD?

As soon as litigation is pending or reasonably anticipated, involved parties must stop deleting potentially relevant data. Organizations comply with this duty by issuing a legal hold to everyone who may be in custody of potentially relevant information.

A legal hold is usually executed by the organization's legal department in conjunction with its IT department. The typical steps are as follows:

- 1. Identify key custodians.** Identify key custodians and other data stewards such as IT and records management personnel, division managers, the legal department itself and anyone who might have knowledge or data relating to the anticipated litigation.
- 2. Issue a written hold notice.** The next step is to notify each custodian to stop deleting emails or other documents that relate to the legal matter. In addition, IT personnel should be notified to suspend any routine document retention and destruction.
- 3. Provide basic information about the hold.** The notice can be delivered in hard copy, by email or even verbally. The safest practice is to have a written record. The notice should describe the matter at issue and the types and potential sources of information that might be relevant. It should inform recipients of their legal obligations and the potential consequences of noncompliance.
- 4. Secure an acknowledgement and agreement to honor the hold.** While not strictly required, acknowledgements document that each custodian was aware of the preservation duty. The agreement to honor the hold reinforces the seriousness of the situation and demonstrates good faith in your process.
- 5. Send periodic reminders. Litigation can take years to resolve.** For that reason, you should send periodic reminders about the nature and scope of the hold. Good practice is to send reminders quarterly.
- 6. Document every step.** There is always the chance that your efforts to implement a legal hold will later be questioned. Failing to document hold efforts is the surest way to make a judge consider sanctions if evidence is lost.

WHEN DOES THE DUTY ARISE?

The legal hold duty can arise even before a lawsuit is filed. The duty is triggered when litigation is reasonably anticipated. At that point, a party must take reasonable steps to preserve potentially discoverable information.

Failure to preserve relevant data can lead to sanctions to a jury instruction to presume the missing evidence was harmful to your case or even a directed verdict.

What is reasonable anticipation? The answer is sometimes obvious, such as if you are served with a complaint. A letter threatening litigation can trigger the duty if the threat is credible. Conversely, if you plan to initiate litigation, that will also trigger the duty.

In many other situations, the answer is not so obvious. The key word is “reasonable” and the standard is objective. It is not whether you in fact foresaw litigation, but whether a reasonable party in the same circumstances would have reasonably foreseen litigation.

WHAT MUST BE PRESERVED?

The scope of what must be preserved can vary widely, depending on the circumstances. Here are key points to consider:

- 1. **Focus on key custodians.** The touchstone is to focus on key custodians and others managing potentially relevant information. These are the individuals who can preserve data subject to the hold and help prevent losses due to routine business operations.
- 2. **Identify potentially relevant information.** In many cases, the sources of potentially relevant information are obvious. In others, the identification of relevant information is more difficult. Consider forming a team to flesh out the details of possible claims and help determine who to contact and where data might be stored.
- 3. **Determine the scope of the hold.** The hold encompasses data that is potentially relevant to the

claims and defenses in the litigation. You need not find every scrap of relevant information. A key concept courts consider is proportionality. Your efforts need only be proportional to the needs of the case.

- 4. **Use reasonable and good faith efforts.** Your job is to identify and notify the sources of information within the organization’s “possession, custody, and control” that are likely to include relevant information. This includes third parties and contractors who act under your direction and may hold relevant data.
- 5. **Continue to monitor the hold.** The scope of a legal hold may evolve during the litigation and those subject to the hold may forget. Monitor the process and send periodic reminders demonstrate to protect against mistakes.
- 6. **Release the hold when no longer needed.** When the legal hold is no longer needed, the company is free to release it and take appropriate steps with the data, including deletion. Those subject to the hold should be notified of its termination.

Failure to preserve relevant data can lead to sanctions, which can range from simple curative measures where you pay to find the data elsewhere to a jury instruction to presume the missing evidence was harmful to your case or even a directed verdict. However, if it comes out, this is a bad thing for your company or client — one that can be avoided through a properly run legal hold. ■



ABOUT THE AUTHOR



John Tredennick is a former trial attorney and Founder and Chief Executive Officer of Catalyst Repository Systems. He served as Editor in Chief of the book *Winning with Computers: Trial Practice in the Twenty-First Century*.

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Managing Your Retirement Savings Through Life's Transitions

By Christine Hotwagner



As people go through life, change is inevitable. Transitioning through these life stages can be challenging to manage, but it can also bring great opportunities for growth when you make good choices. To make such choices, you must focus on the things you can control even as life changes. And one of the most important things you can control and maintain through life transitions is your retirement savings.

So how should we go about addressing retirement security through life transitions?

First and foremost, we need to understand that life doesn't travel a straight path. Retirement security is a journey that must adapt to the changing needs of a law professional through each of their life's stages. That includes their early working career, accumulation and preretirement, as well as when they're at retirement and in retirement.

MANAGING RETIREMENT SAVINGS THROUGH LIFE TRANSITIONS

Let's discuss the transitions that all of us must pass through. During these transitions, we may be landing our first job,

changing jobs or starting our own firm. Or we may be looking to diversify our portfolio to plan better for retirement or actually making the leap into retirement. No matter the transition, we must keep a focus on our retirement savings.

There are a few different options for managing our retirement savings during life's transitional periods:

- 1. Leave your money behind in a former employer's plan:** Your money can stay put as long as you have more than \$5,000 in your plan. No paperwork is involved at this point; your money will stay tax-deferred and you can stay invested in the plan's investment options.
- 2. Roll your money over into your new employer's plan:** If you've moved to a new job and are eligible for a new employer-sponsored retirement plan, you may be able to roll your old account into the new one. This option reduces the number of accounts you need to track and manage.
- 3. Roll your money into an IRA:** Place the money you currently have in your employer plan into what's called a "rollover IRA." Your account will continue to grow tax-deferred, and you can continue making contributions, up to IRS limits, each year.
- 4. Take a lump-sum distribution:** Taking your money out of your employer plan as a lump-sum payment is an option, but it's important to understand that you won't get all of the money in your account because of tax withholding and possible early withdrawal penalties if you are younger than age 59-and-a-half.

GUIDING PRINCIPLES FOR SAVING REGARDLESS OF LIFE STAGE

Now that we've outlined the life stages and discussed the pros and cons of the different methods of moving your money around during transitions, we will leave you with some guiding principles we like to follow when it

comes to saving for retirement. Follow these simple steps and you will be on your way to a more secure retirement:

- 1. Reframe your brain:** Don't think of saving in your retirement plan as a luxury or something you can start later. Consider it a requirement of moving into the legal profession.
- 2. Find your balance:** Paying off debt is likely your priority. Fine — but that doesn't mean you can't balance it with saving. Much of the success you'll have as a saver is behavioral. You just have to do it. Find a way to start early, even if it's a small amount.
- 3. Use your autopilot:** If your retirement plan offers an automatic escalation feature, use it! Before you know it, you'll be saving more than you thought possible.
- 4. Find your match:** If your employer offers a contribution match, try to maximize it. Don't leave valuable money on the table.

- 5. Give your savings a raise:** Commit to allocating some percentage of your pay increases (should you be so lucky!) to your retirement savings. Say you're getting \$200 more per paycheck — commit \$50 of it to your retirement account.
- 6. Don't give up:** Some unexpected thing is going to happen, as it always does. It's OK to reduce what you've committed to saving for retirement, but you should never stop. If you stop, inertia sets in and it becomes very difficult to start again. ■

ABOUT THE AUTHOR



Christine Hotwagner is the Program Operations Director for ABA Retirement Funds, a VIP partner of ALA.

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CONTINUE THE RETIREMENT CONVERSATION

Mercer Principal Norma Sharara — who works closely with the ABA Retirement Funds Program, an ALA VIP sponsor — recently sat down for an episode of *Legal Management Talk*. She discusses the climate for retirement plan sponsors. Listen through your podcast app, or by visiting alanet.org/education/online-learning/podcasts.





MARTIN PRITIKIN
Dean of Concord Law School
Kaplan University

New Legal Services Delivery Models Promote Access to Justice, Leverage Technology

“

The obvious advantage for clients is that partial representation is better than no representation at all.”

The legal profession does not readily embrace change. But change is sorely needed: Tens of millions of Americans are effectively priced out of the market for legal services or live in remote areas without sufficient access to lawyers. Many deal with both challenges.

In recent years, new ways to access and finance legal services have emerged — some of which can be a boon to clients and practitioners alike. Below are a few of the more significant trends.

LIMITED SCOPE REPRESENTATION

Traditionally when an attorney takes a case, the representation is all-inclusive, from motion practice to discovery to trial. But if a prospective client cannot afford the attorney’s retainer or hourly rates on an ongoing basis, the representation never begins.

With limited scope representation (also called unbundled legal services), the lawyer and client agree in advance to representation that covers discrete aspects of the matter — such as the initial demand letter, drafting the complaint or appearing at a key hearing — for what’s usually a flat fee. If subsequent or broader representation is desired, they enter a new agreement.

The obvious advantage for clients is that partial representation is better than no representation at all. They can at least get help with the parts that they can afford and that matter most to them. The benefit to lawyers is the ability to attract a broader pool of clients and matters. The potential drawback is that not all jurisdictions have made it explicit that limited scope representation comports with their rules on attorney withdrawal. The

industry would benefit from more clarity and uniformity in this regard.

VIRTUAL LAW PRACTICE

According to the American Bar Association *TechReport*, only 1 in 20 lawyers considered their practices “virtual” in 2016. In part, this may be an issue of semantics: As more communications occur electronically, the line between a virtual and “regular” law practice blurs. But there are some features that most agree are central to virtual law practice. They include:

- **Reduced reliance on physical office space:** For lawyers, this promotes lower overhead, flexible scheduling and marketing to clients in a broader geographic region. For clients, it means not having to incur the time, expense and hassle of office visits.
- **Online forms:** An estate planner, say, can have clients fill out a form that generates a template will, which the lawyer can further customize based on a client call. This reduces live consultation time, saving clients money and increasing lawyer efficiency.
- **Cloud-based technology:** Lawyers increasingly rely on secure client portals, including cloud-based platforms, to share and edit documents. This lets them work from anywhere and avoids the need to maintain and secure expensive servers. Clients generally appreciate the convenience and flexibility.

LEGAL INCUBATORS

The first legal incubator was founded a decade ago, but now there are more than 60 in 30 states, as well as at least four foreign programs. Just as business incubators help new startups launch their companies, legal incubators help solo practitioners launch their own practices. They typically offer legal mentoring, business training and free or discounted office space, legal research software, or other resources.

Whereas universities or third parties fund startups in the hopes of getting a return on investment, most legal incubators seek to help attorneys lower their overhead. That way, they can better afford to offer reduced rates to modest-means clients — so-called “low bono” representation.

Incubators encourage newer attorneys to tap into the middle market — clients who might otherwise forgo representation



altogether — rather than compete directly with more seasoned attorneys who can attract and retain clients willing to pay prevailing hourly rates of \$300 and up. This is a win-win for lawyers and society.

Recently, my own institution became the first online law school to participate in a legal incubator, using technology to address not only cost but also geographical barriers to access to justice. The endeavor is essentially a merger of features of virtual law practice with the low bono aspects of the incubator movement.

LEGAL SOFTWARE AND SERVICE PLANS

A big name in legal technology is obviously LegalZoom, but the big story with LegalZoom is not its software that can automatically generate legal documents or business forms. Rather, it is that the company offers prepaid legal plans that cover a certain number of live attorney consultation sessions.

The question for the legal industry is whether the prepaid legal plan, or some other form of legal insurance, will become the dominant model of legal services delivery. Thousands of companies offer employer-sponsored legal insurance plans, and the ubiquitous employer-based model for health insurance may one day be commonplace in law as well.

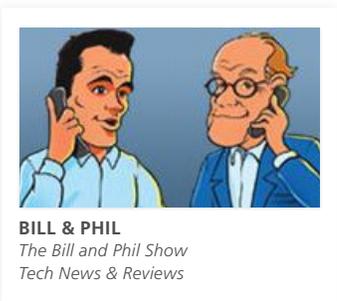
These possibilities may be terrifying or a breath of fresh air, depending on one’s perspective. But one thing is clear: the status quo in law practice will soon be a thing of the past. ■

ABOUT THE AUTHOR

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A Test Drive Through the 2018 Consumer Electronics Show

It wasn't quite *Planes, Trains & Automobiles*, but the 2018 Consumer Electronics Show (CES) had plenty of drones, robots and autonomous vehicles. An annual must-do event on any techie's calendar, CES is an exhausting and exhilarating walk through the future of consumer technology.

“

The most encouraging gadgets we saw at CES were products promoting health and wellness as well as providing new opportunities to overcome disabilities.”

We have been regular attendees for about a decade now, and each year the show gets bigger, more audacious and more impossible to completely take in. This year was not a disappointment except for the occasional onset of claustrophobia resulting from the crush of a record attendance and, of course, the infamous power failure that threw more than half of the Las Vegas Convention Center into total darkness for two hours. Other than that, we had a blast.

So what was hot at CES this year? Artificial intelligence (AI). Of course, AI gets tagged to a lot of gadgets nowadays whether the underlying technology is classic AI or not. For example, Amazon's incredibly popular Echo voice-activated speaker features Alexa, which is called an artificially intelligent voice assistant. And Alexa was indeed all over the place in Vegas. It seems that Amazon has raced to the top — its Alexa system is integrated into consumer products such as refrigerators, lamps, cars, bicycle helmets, lawn equipment and even toilets.

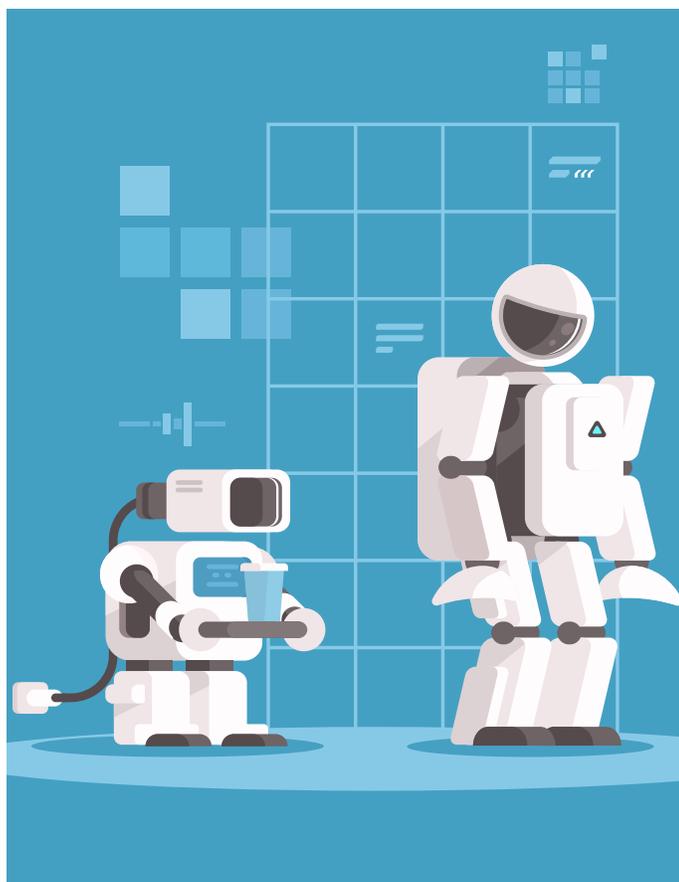
No doubt rival Google has taken note of the explosive growth of the Alexa ecosystem. Google was promoting its alternative voice AI, Google Assistant (found on Android phones and Google's Home smart speaker), with prominent signage on everything from billboards to monorail wraps to huge banners in the convention center and nearby hotels. It seems that Google wants to be the premier embedded voice assistant for everyday consumer products. We say let Google and Amazon fight it out for voice assistant supremacy. The competition

can only mean better products for the consumer. In our opinion, the biggest losers in the voice assistant wars are Apple's Siri and Microsoft's Cortana.

THE ROBOTS REALLY ARE COMING

We also saw big growth in the presence of robotics at CES. Don't worry — we didn't see any as good-looking as us (now that is a low bar) nor any that we felt were a threat to our jobs. But make no mistake — robots are in our future. We saw robots as butlers, cleaners, elder caregivers, babysitters, pets, ping-pong players, factory workers, builders and even laundry folders. Advances in robotic technology coupled with the aforementioned AI make robots increasingly viable for routine jobs including food service, basic customer service, goods delivery, and companionship and some level of oversight for children and the elderly.

Perhaps the biggest societal disruption that is just around the corner is the continued advancement of autonomous vehicle technology. As in previous years, CES continued to showcase autonomous vehicles from the big automobile manufacturers. Many of these models are used primarily for riding, meeting or socializing — not driving.



Imagine a car's interior tricked out like a small conference room, complete with side windows that double as interactive touchscreen monitors. You simply ride down the road oblivious to the car's route, as it is guided by an embedded autonomous driving system. Now, if you still get your kicks by actually navigating your own transportation, there were plenty of rideables at CES: electric skateboards and scooters, new form factor Segways and smart bicycles. Who knows? When our cities' roads get clogged with self-driving cars, an electric scooter may be the smartest mode of transport in town.

HEALTH TECH IS BOOMING

We could go on and on about the thousands of gadgets, accessories, software apps and just purely weird stuff we saw at CES. However, probably the most encouraging gadgets we saw at CES were products promoting health and wellness as well as providing new opportunities to overcome disabilities.

In the health and fitness hall, we saw a lot of tech that will make us smarter and healthier, including a tiny UV sensor made by L'Oréal that can be worn on your fingernail, a high-tech sleep mask, smart toothbrushes and a robotic pillow. There were also numerous accessibility gadgets, including smart hearing aids, smartphones for the blind, apps to assist caregivers for the elderly, smart shoes with GPS sensors and even a device that can translate sign language to spoken English. It's not lost on the electronics industry that hordes of Baby Boomers are retiring every year and are looking to technology to help them stay healthy and active for many years to come.

If we can look forward to having AI robots take care of us, self-driving cars take us places and drones deliver food, medicine and other necessities to our retirement home on the beach, our future senior years don't look so bad. Bring on the tech. ■

ABOUT THE AUTHOR

William Ramsey, Partner at Neal & Harwell, and LogicForce Consulting President **Phil Hampton** are best known for *The Bill and Phil Show*.

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John Neubauer



Teresa Reiner, CLM



Gina Sanfillippo, PHR



Angela Sanford

Tracy Clark, CLM, MBA, member of the Dallas Chapter, is now Chief Operating Officer at Van Wey Law, P.L.L.C., in Dallas, Texas.

Sarah Field, CLM, member of the New York City Chapter, is now Director of Administration at Amster Rothstein & Ebenstein, LLP, in New York, New York.

Andrea Greil, member of the Orange County Chapter, is now Firm Administrator at Fiore Racobs & Powers in Irvine, California.

Valerie Hayes, PHR, SHRM-CP, member of the Houston Chapter, is now Office and Human Resources Manager at Patterson + Sheridan LLP in Houston, Texas.

Lisa Herman, member of the Philadelphia Chapter, is now Firm Administrator at Sherman, Silverstein, Kohl, Rose & Podolsky, PA, in Moorestown, New Jersey.

Julie Lowitz, member of the New York City Chapter, is now Office Administrator at Manatt, Phelps & Phillips, LLP, in Chappaqua, New York.

Lisa Neitzel, CLM, PHR-CA, member of the Orange County Chapter, is now Regional Director of Administration West (US) at Winston & Strawn LLP in Los Angeles, California.

John Neubauer, member of the Cyber Chapter, is now Chief Operating Officer at Henderson, Franklin, Starnes & Holt, PA, in Fort Myers, Florida.

Teresa Reiner, CLM, member of the Minnesota Chapter, is now Assistant Office Administrator at Gislason & Hunter LLP in Minneapolis, Minnesota.

Gina Sanfillippo, PHR, member of the Arizona Chapter, is now Office Administrator at Littler Mendelson PC in Phoenix, Arizona.

Angela Sanford, member of the Austin Chapter, is now Regional Human Resources Manager at Pillsbury Winthrop Shaw Pittman LLP in Austin, Texas.

CONGRATS TO THE LATEST LEGAL MANAGEMENT FINANCE SPECIALIST CERTIFICATE RECIPIENTS

The following legal managers recently passed the Legal Management Finance Specialist Certificate exam after successfully completing the e-learning courses FM1 and FM2:

Alex Brando
Sara Clark, PHR
Carmella DiSanto
Elyssa Goldstein, CLM, PHR
Sheri Hodinko
Meredith Homlotis
Kathy Jadoon
Laura Knight
Brett Porembski
Emina Taslaman



MEMBERS MAKING NEWS

- ALA President **Gary T. Swisher II, CLM**, published an article in this *Legal IT Today* magazine about how service organizations can use social media to stay connected with members and help them contribute to the overall mission. As our president, he gives ALA a nice shout-out. Visit the web version of this article to view the column.
- Newly minted Certified Legal Manager (CLM)[®] **Dennis Mann**, a member of the Nebraska Chapter, received a writeup in the *Lincoln Journal Star*. The newspaper discusses Mann's past career (in secondary education!), his current work as Firm Administrator for Woods & Aitken LLP and what it took to earn the certification. For the link, visit the web version of this article.
- Asia Law Portal named **Andrew Barnes**, Chief Executive Officer of Sladen Legal in Australia, one of 30 people to watch in the business of law in Asia this year. A member of ALA's International Relations Committee, he's also the immediate Past President of the Australasian Legal Practice Management Association (ALPMA), one of ALA's Strategic Alliance partners. For the link, visit the web version of this article.

Breaking Down Millennial Stereotypes

By Valerie A. Danner



Jenna had friend Shomari Stone (a reporter for the local NBC affiliate) emcee the Capital Chapter's annual scholarship ceremony in July of 2017. She notes his celebrity helped raise additional scholarship funds needed for the 2018 school year.

"If you see a need, fill it."

That philosophy is how Jenna Carter has approached life. Ever since joining ALA in 2011, Jenna — who is Office Administrator at Ropes & Gray LLP in Washington, D.C., and President-Elect for the Capital Chapter — was eager to give back to the organization that she says gave her so much.

"I would not be who I am as a leader in my firm without everything I learned from ALA," she says. "My career really took off once I got involved in ALA." As a result, she wasted no time getting involved with her local chapter.

While serving Vice President of Community Services for the Capital Chapter, she immediately saw a need. The chapter offers a college scholarship to local high schoolers, but there was a common problem: They consistently received incomplete applications and students with interview skills that were in need of polishing. Rather than complain about it, she got to work to resolve the issue.

She launched the "Career and College Readiness" initiative with the YMCA to help students prepare for college or the workforce. "They are from underserved areas in D.C., so these kids may not have access to mentors or resources that can teach them these vital skills," says Jenna.

Volunteers from the Capital Chapter and some of its business partners lend their time and expertise in workshops. They

teach attendees about business etiquette, mannerisms and writing, and guide them through writing résumés and prepping for interviews. By the time kids are done, they have a completed résumé and know how to effectively answer 10 of the most asked interview questions.

"We have insight having been there," says Jenna. "When you see someone in a leadership position at a law firm sharing this information, it brings credibility."

The YMCA loves the program so much, it keeps asking the chapter to come back for more workshops. The program is now in its third year. "It's been so rewarding," she says. "It's a chance for us to give back to the local communities."

FIGHTING MILLENNIAL STEREOTYPES

Jenna also found another role that needs filling within the legal industry — fighting the negative connotations attached to Millennials. "The feeling about [Millennials] has just gotten really heavy in the last three to four years," she says. "I've never been labeled, but somehow that term was attached to me." Initially, the negativity was frustrating; she's never been one for generalizations.

But as a positive person, she decided not to let the clichés and baggage of that generational label get to her. Instead, she's trying to challenge the biases of the legal industry. "I own the label now and do what I can to help change the perception. And not with just talk — show people you've broken the mold," she says. "Ask yourself what you can do to improve your brand and then own it." Personally, she's sought to show colleagues that there is nothing slacking about her work ethic.

Jenna's latest Capital Chapter endeavor is to close the leadership gap between generations. She created and chairs a new section within the chapter, the Next Generation Leaders. "We have a large base of Millennials in the chapter. We need to house that creativity and give them a platform to grow in their careers."

It's a chance to progress, not just for Millennials but for anyone new to legal management. The group will have meetings, pop-up events, educational sessions and two-way mentoring opportunities. The first meeting was in December — 20 people showed up, proving a definite need and desire for the group.

With many Baby Boomers retiring, she sees an opportunity to bring in seasoned vets and “Google” them — or act as a live, in-person resource for Next Generation Leaders participants. Attendees can use their help with networking, ask them for advice and question them about things they wish they’d done differently in their careers. They’ll “download” this well-informed knowledge and use it accordingly.

“When you’re new to the legal field, you need somewhere to go,” says Jenna. “We’re giving them a platform to build their network and provide them with added confidence in their ability to influence changes at work.” She sees it as two-way mentoring — even long-term legal management professionals can learn from newcomers.

Future meetings will focus on having these early-career professionals build their “adviser toolkit.” They’ll identify how they can boost their experience level more quickly, and they’ll find resources and people — particularly business partners — to turn to for guidance.

“There are many times I’ve looked much smarter in my office because I’ve involved a business partner to find the solution,” says Jenna. Getting next-generation leaders connected with business partners is key, she says, and she plans to reverse the usual roles: instead of having business partners visit the group, she’s working to have the group visit the offices of business partners.

Ultimately, she wants the group to be a resource and to provide ample networking opportunities. “I heard about my current role [at Ropes & Gray] through an ALA colleague who thought of me for the position,” she says. “When someone retires, be the one they think about to fill that position. That’s why I want them to network like their career depends upon it — because it does.”

CHANGING HEARTS AND MINDS

As Jenna works hard to help Millennials stand out at their workplaces, she also would like older peers to give younger generations of up-and-comers a fair shake — and some understanding.



Capital Chapter members celebrate at their annual holiday party (from left to right): Patrice Shannon (Pillsbury Winthrop Shaw Pittman, LLP), Donna Williams (Baker McKenzie), Jenna Carter (Ropes & Gray LLP), Tiffany Montgomery (Vinson & Elkins, LLP), Juanita M. Adams (Greenstein DeLorme & Luchs, PC).

“You can’t apply generalizations. We are all individual characters. And yes, we’ve had all these opportunities and we grew up with everyone winning and getting a trophy not matter what — but know the fall is that much farther for us because of that,” she says. “We never really hit bottom, so when we do, it’s a shock to us.”

“So help us — we want to learn from you and we need you. Most Millennials will tell you they were told they could be president, astronauts, anything. And then boom one day they realize they’re not. That fear of failure is real and it’s often masked by Millennials with over confidence.”

On the flip side, Millennials need to recognize that not everyone grew up like they did, says Jenna; that’s especially true of technology. But it’s another chance for the generations to mentor each other.

“Just give [Millennials] a chance,” she says. “Trust me, you’ll be surprised.” ■

ABOUT THE AUTHOR



Valerie A. Danner is the Managing Editor at *Legal Management*.

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We want to meet them! We’re looking for ALA members who take volunteering within their local communities to the next level for future profiles like this one in *Legal Management*. Email publications@alanet.org for more details.



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FEB. 13	ADA and ADAAA Training for Human Resources	
FEB. 14	Has Your Company Bridged the Gap Between Human Values and Ethics? Does It Matter?	
MAR. 1	Trello: Increase Your Productivity Overnight	
MAR. 8	The Financial Reporting Checklists Every Firm Should Be Doing	
MAR. 14	Time Entry to Cash Receipts: 8 Steps to Increase Revenue and Partner Profits	
MAR. 20	Diversity and Inclusion: 60 Tips in 60 Minutes	
APR. 5	Advanced 401(k) Planning and Strategies	

Learn More: alanet.org/webinars

What's Happening at Headquarters?



INFORMATION MANAGEMENT ASSETS SURVEY

In partnership with the University of South Australia and Experience Matters, an information management consulting firm, ALA distributed a short survey on February 5 to select law firms about their current information management practices. Survey participants will receive insights into how well their firm is currently managing its information assets, the impact those assets are having on the business, high-level recommendations for improvements, and benchmarks against industry peers.

The object of the survey is to determine the following:

- What firms do
- How they do it and the assets and resources they use
- Why firms' information assets are important
- How information assets are managed
- The benefits to firms of managing their information assets well
- Where to start — do a firm-wide “health check”

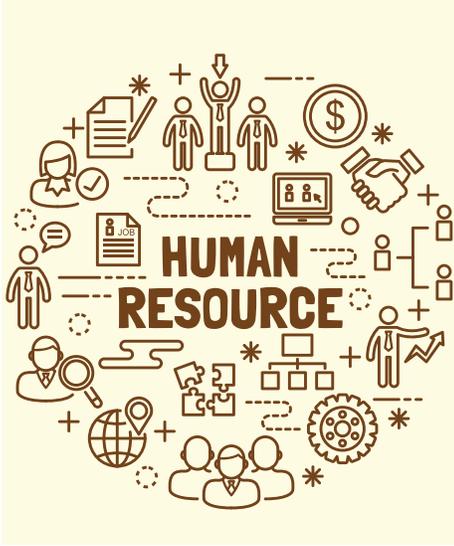
This exercise will give ALA's members insight into the potential benefits of increased revenue, reduced costs, improved profit, greater productivity, mitigated risk, sustained competitive advantage and improved staff morale. ALA's members will have the ability to create executive awareness of the importance to their firms of their information assets and the ammunition required to advocate for the resources they require to manage their information assets accordingly.

FOCUS YOUR EDUCATION AT ANNUAL CONFERENCE

Still not registered for the 2018 Annual Conference & Expo? Don't miss out on your chance to get access to dozens of education sessions and networking opportunities. There's still time to secure funding from your firm (review the Justification Toolkit for assistance in making your case) and to refer a colleague and win prizes.

The website makes it easier than ever to figure out just how much benefit you'll see from attending conference. For instance, if you're a legal manager who specializes in human resources, you should check out the HR-related education sessions, the Brezina Memorial Session and the HR Idea Exchange. If you're looking to rack up continuing education credits, you should review the CLM Application Track, the Finance Specialist Certificate Track and education sessions listed by CE credits.

Focus on your area of expertise in May at National Harbor! Get all the details at alanet.org/conf18.



CALENDAR

FEBRUARY 13 | 2 P.M. CENTRAL

ADA AND ADAAM TRAINING FOR HUMAN RESOURCES

It's important for law firm employers to develop policies and procedures that identify and effectively respond to disabled employees and requests for reasonable accommodation. And recent changes and court interpretations to the Americans with Disabilities Act (ADA) — specifically the expansion of the definition of employees considered disabled under the ADA and increase in Equal Employment Opportunity Commission (EEOC) charges alleging violations of the ADA — make it even more of a priority. Participants will be able to identify triggers to the ADA interactive process, develop a systematic process for responding to requests for accommodation, and learn the most common reasonable accommodations that must be provided to employees.

Questions about this event? Contact psiems@alanet.org.



FEBRUARY 14

VALENTINE'S DAY

Happy Valentine's Day!



FEBRUARY 14 | 2 P.M. CENTRAL

HAS YOUR COMPANY BRIDGED THE GAP BETWEEN HUMAN VALUES AND ETHICS? DOES IT MATTER?

What causes otherwise intelligent people — people who know the difference between right and wrong — to make a choice that will negatively impact themselves and their organization? With a unique perspective gained from speaker Chuck Gallagher's own experience, this session will shed new light on why we do what we do and how to influence behavior. Most ethics presentations and training programs focus on compliance and legal issues — as if ethical choices are either legal or not. The reality is, ethical choices have far more impact on a company long before the issue of "legal or illegal" comes into play. While your ethics code of conduct might meet all the standards required, the missing piece for most companies is the ability to help management and employees understand the human dynamic associated with conduct management.

Questions about this event? Contact psiems@alanet.org.



FEBRUARY 19

PRESIDENTS' DAY

ALA Headquarters Closed

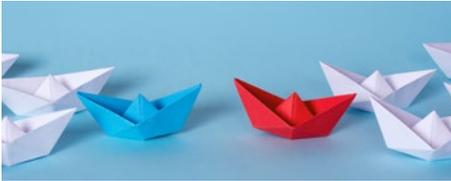


MARCH 1 | 2 P.M. CENTRAL

TRELLO: INCREASE YOUR PRODUCTIVITY OVERNIGHT

According to *Inc.* magazine, we spend an average of 75 seconds on a task before we're interrupted. Even more than external factors, we're often forced to switch between various systems, calendars and software to get our work done. Is there a simpler way to be efficient and effective? In this session, you'll learn how to implement a productivity tool called Trello that the speaker uses with both small practices and Am Law 100 firms.

Questions about this event? Contact psiems@alanelt.org.



MARCH 2

ASSOCIATION LEADERSHIP INSTITUTE

Rosemont, Illinois



MARCH 8 | 2 P.M. CENTRAL

THE FINANCIAL REPORTING CHECKLISTS EVERY FIRM SHOULD BE DOING

In this session, we'll build the checklist of critical tasks that are essential for well-managed financial reporting. Attendees will learn what makes a solid foundation for financial reporting and how periodic checks and reviews lead to better and more timely decision making.

Questions about this event? Contact psiems@alanelt.org.