

# Legal Legacy: Navigating Law Firm Exit Planning

Unlocking Your Future & Crafting Your Strategy



# LORI PULVERMACHER

## PRACTICE ADVISOR

Passionate about helping lawyers grow their businesses. Experience includes consulting, business management, marketing, sales, and client delivery, with 20 years in the legal service industry.

- Atticus, Advisor, business development
- LIFT Consulting, Consultant and trainer in the areas of sales, leadership, communication, and organizational structure
- Law As A Business (LAB), Director of Business Solutions and Sales
- ElderCounsel, Executive leadership, management, sales, marketing
- WealthCounsel, Marketing, education, strategic relationships
- Board of Directors
  - Girls on the Run—South Central Wisconsin
  - Spring Green Area Chamber of Commerce
  - Ithaca Youth Baseball & Softball
  - Kaul Community Park
- Girl mom, wife, small business owner, and outdoor enthusiast



# Which path are you on?

Die at the Desk?

Sell Practice?

Train a Successor?

Join a Growing Firm?

Hire a CEO?

Transfer Clients?

# THE VALUE DRIVERS SCORECARD™

| CRITERIA   | 1   | 2 | 3 | 4  | 5 | 6 | 7  | 8 | 9 | 10   | 11 | 12 | SCORE |
|--|---|---|---|--|---|---|--|---|---|--|----|----|-------|
| <b>Profitability</b>                                 | I feel constantly stressed around my cash flow and I don't think I'm paid enough for all the work I do.   |   |   | I make a good living and am not stressed out about cash flow.  |   |   | I pay myself a great base compensation and make a 35% profit margin as a shareholder.  |   |   | More than 50% of my income is derived from profit centers (other people) in my firm and not from my personal production.   |    |    |       |
| <b>Founder Dependency (ability to take time off)</b> | I get in early, stay late. I work most weekends, and if I am not in the office working, I am on my phone or checking my email while out of the office.                        |   |   | I work a lot, but do get vacation and time off. When I am off, I do not check email or phone messages  |   |   | I don't work weekends, I have a 4-day work week, and I average 4 weeks off. While I am off, I do not check email or phone messages. I am off.  |   |   | I can take 175 days off and the firm works just fine, if not better, as opposed to when I am there. When I am off, I don't check email, do client work, or take phone calls.   |    |    |       |
| <b>Team Value</b>                                    | I am constantly frustrated. I think I may have "adopted" my team. I feel like I am constantly cleaning their messes and amazed at their incompetence.                         |   |   | I have a good team. They have good skills and values. They want to make a difference for our clients.  |   |   | Our team understands our strategic plan and are actively helping to implement it. Our weekly team meetings focus on cash flow, cases, and projects. Our team understands our workflows. Our team handles 90% of customer service issues before they arrive on my desk. |   |   | My team is self-managing. They are clear on their revenue targets and understand what is crucial to their performance. I receive constantly compliments from others about them.  |    |    |       |
| <b>Management &amp; Leadership Structure</b>         | What do you mean by "management?" If everyone would just leave me alone and let me do my work, then I would be happier.   |   |   | I meet with my team weekly, and have a daily huddle to make sure work is getting out the door. I have an annual performance review process   |   |   | I run a great team meeting. I am on top of our projects, case management, and calendaring. I feel that I can delegate exceptionally well. I have a great team.   |   |   | I have an awesome team leader and a team of all stars! My team leader runs all team meetings, performance reviews, and projects. They are on top of cash flow, profitability and strategic calendaring.                    |    |    |       |
| <b>Technology Platforms</b>                          | I have a wonderful paper system, print out emails to put them in client folders, and have a bunch of original files in filing cabinets.                                       |   |   | We have a CRM/Case Management system, but my team is not using it effectively. I think I trust paper files more.   |   |   | Our CRM/Case management system is a working well. We are saving all communications (email, notes, correspondence) to client efiles.  |   |   | We have a CRM/Case management system that I am confident in. All my team is trained and use the CRM. We are paperless, and I can email coded groups at any time I want.  |    |    |       |
| <b>Process and Work Flows</b>                        | I must tell everyone what to do and when to do it. They constantly ask "What should I do next?" We have an office procedure manual I created years ago, but we can't find it. |   |   | We have some documented checklists and workflows, which are kept in a central location. Occasionally, I must remind my team where they are and when to use them.                   |   |   | Our workflows and systems are great. My team uses them and looks for ways to improve them. If they've got a question, instead of interrupting me, they go there first.   |   |   | We have a visual workflow process. When a new team member joins the firm, we start training them there. If there is a system or process breakdown, it is brought up immediately and the team works to improve the process. |    |    |       |
| <b>Marketing &amp; Prospect Conversion Process</b>   | I do all marketing meetings, initial meetings and manage all marketing projects. My marketing is dependent on cash flow. When I don't have any, I market!                     |   |   | I have a brand, a great website, and an annual marketing calendar which allows us to plan when and how we are marketing. On a good week, I have at least three marketing contacts. |   |   | We have a marketing machine. We know our ideal client, ideal referral source, and our pricing is excellent. We have a great intake process that is less and less lawyer dependent. We experiment with non-lawyer initials.   |   |   | We are a marketing and conversion machine. We can influence an uptick in new business whenever we want. Our conversion process is amazing, and at least 80% of our initials are done by non-lawyers.                       |    |    |       |
| <b>Client Base Value</b>                             | I love, or at least like most of my clients, and have no resentment around pricing our services that I provide to them.   |   |   | We have an "ideal client" and we market for them constantly. If they are not an ideal client, at the right price point, we pass on the case.                                       |   |   | We proactively market to our existing and past clients, and we ask them for referrals. At least 50% of prospects come from client referrals.   |   |   | We generate recurring revenue through a Lifetime Client Model. We can predict our renewal rate and our current clients refer our best new clients.   |    |    |       |
| <b>My Mindset</b>                                    | I am a great lawyer. I want to be a great lawyer, and the lawyer that replaces me must be a great lawyer. The better technician you are, the money you make!                  |   |   | I like being the hero of my story. I like that at my firm people treat me with deference and respect. It's good to be King/Queen of my fiefdom.                                    |   |   | It's not about me. It is about growing a firm that is not dependent on me. I get that, but getting to the next level is easier said than done.   |   |   | I focus every day on building a market dominant firm that is not dependent on me. I am focused on building a great team, marketing machine, and strong profits without me.   |    |    |       |

**TOP INSIGHTS**

**TOTAL ➔**

A hand holding a pen is shown on the left side of the slide, with a red line graph extending upwards and to the right. The graph has a jagged, sawtooth pattern, indicating growth. The background is a light beige color.

# 1. PROFITABILITY

- Revenue in excess of expenses
  - Internal buyer/successor vs. external buyer
- The more profitable, the more attractive to buyers
- Demonstrates reliable income stream
- Leverage R.U.L.E.S.

## 2. FOUNDER DEPENDENCY

The success of the firm relies on the presence and active involvement of its founder. Reducing founder dependency makes the practice more transferable and less risky for buyers. Ways to do this:

- Transition client and referral relationships
- Delegate tasks and responsibilities
- Cross-training, mentorship, and continual development of the team
- Develop operational processes, systems, and workflows
- Promote a collaborative culture
- Create an exit or transition strategy



## 3. TEAM VALUE

- Skills and expertise of the legal team
- Enhances stability and reputation
  
- Recruit and retain talent
- Develop and train skills—Invest in professional development
- Incorporate into marketing and networking
- Delegate
- Illustrate pathway for growth

# 4. MANAGEMENT & LEADERSHIP

- Management of the firm, team, daily operations, and guiding direction
- Influences stability and team members
- Ensures stability, growth, and decision-making
- Reduces risk of post-sale disruption and instills buyer confidence
  - Define roles and responsibilities
  - Implement transparency: metrics, vision, succession, meetings
  - Evolve and be flexible





## 5. TECHNOLOGY PLATFORMS

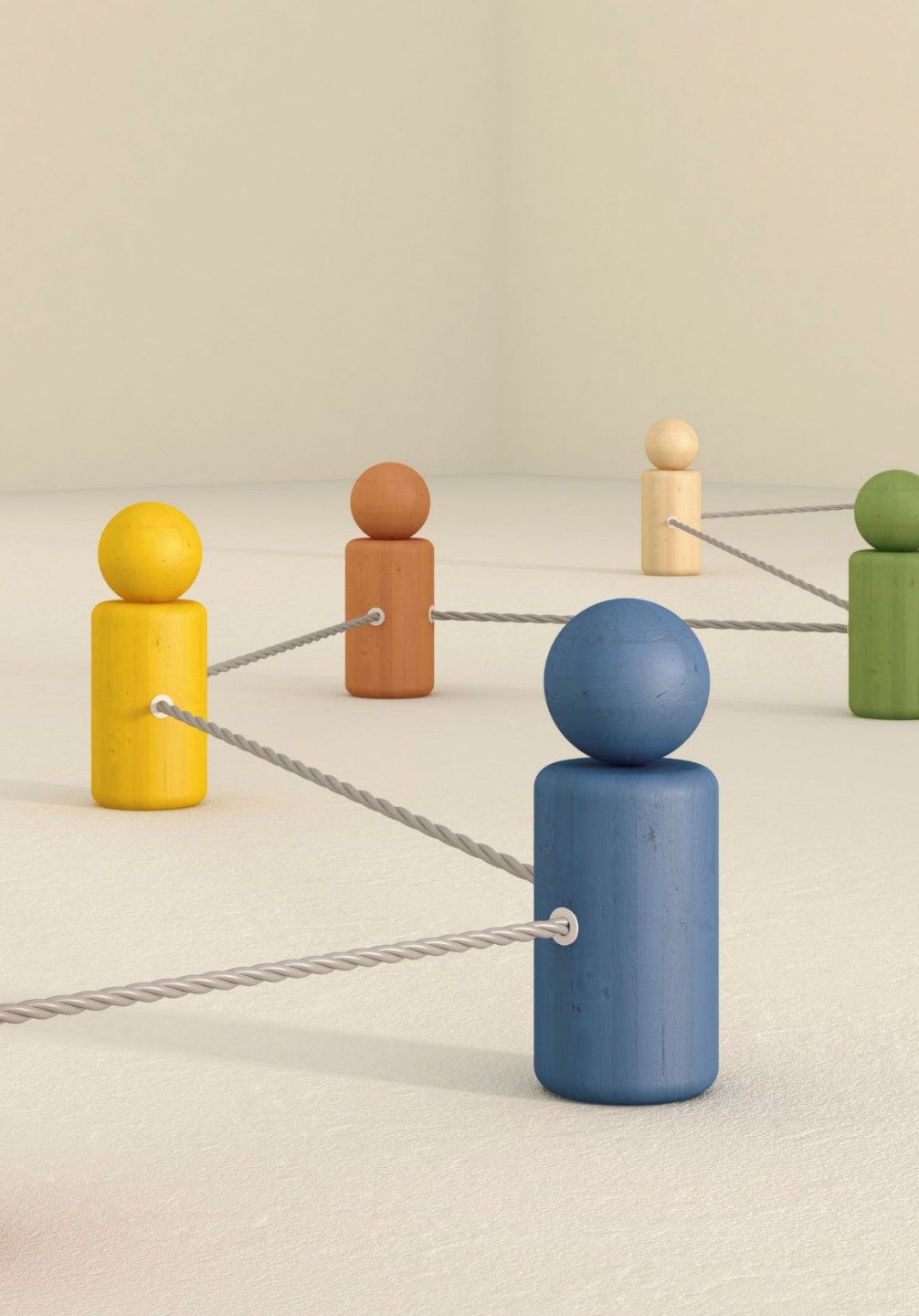
- Software and systems to manage cases, conduct billing, and communicate with the team and clients
- Efficient technology streamlines operations, increases productivity, enhances client experience, and eases supervision woes
- Invest in technology and leverage automation
- Ensure data security
- Integrate platforms and tools for collaboration
- What about AI?

# 6. PROCESSES & WORKFLOWS

- How cases, client interactions, and tasks are handled
- Well-defined processes improve efficiency, reduce errors, and make the firm more attractive to buyers
- Provides a roadmap to conducting business within your practice
  - Document all critical processes
  - Standardize workflows
  - Regularly review and update—hone and improve
    - Have a dedicated person
  - Use as a training aid and quality assurance

# 7. MARKETING & PROSPECT CONVERSION

- The process for converting leads into clients
  - Effective marketing generates new leads
  - Conversion processes generate consistent cash flow
- 
- Invest in marketing tactics
  - Target your ideal audience
  - Train staff in sales and client development
  - Involve team in marketing-related and networking activities



## 8. CLIENT BASE VALUE

- Quality and loyalty of the client portfolio
- Provides predictable revenue
- Nurture client relationships
- Provide an excellent client service
- Create a client experience
- Develop a system for recurring revenue
- Add-on or expand services
- Internal referrals



## 9. MINDSET

- Willingness to transition, adapt, and extract themselves
- Focused on business skills over technical skills
- Builds a great team
- Develops a marketing machine
- Increase mindset value:
  - Prepare for the sale, emotionally
  - Negotiate terms and provide supporting information
  - Aid in a smooth transition
  - Hire and retain great talent
  - Never stop marketing
  - Focus on the business

“A value for a law firm is determined by averaging, typically, the past five years’ worth of that firm’s gross fee revenues.

Then, a factor of between 0.5 and 3.0 is applied, depending on several considerations revolving around the expected ability for those revenues to stay the same or increase in the future.”

*“How To Value a Law Firm You Are Contemplating Acquiring,”  
LexisNexis.com Legal Insights, 2019*



Firm Valuation: Rule of Thumb

# SIMPLE FORMULA FOR VALUING THE FIRM



Gross fee revenues for the past five years: \$500,000, \$550,000, \$600,000, \$625,000, \$650,000



Average gross fee revenue: \$585,000



Multiplier: Based on firm-specific factors and industry trends, let's assume a multiplier of 2.0



Estimated Firm Value:  $\$585,000 \times 2.0$  (multiplier) = \$1,170,000

A target with several arrows. One arrow is red and has a red number '2' on its fletching. The target is on a wooden post. The background is a blurred outdoor scene.

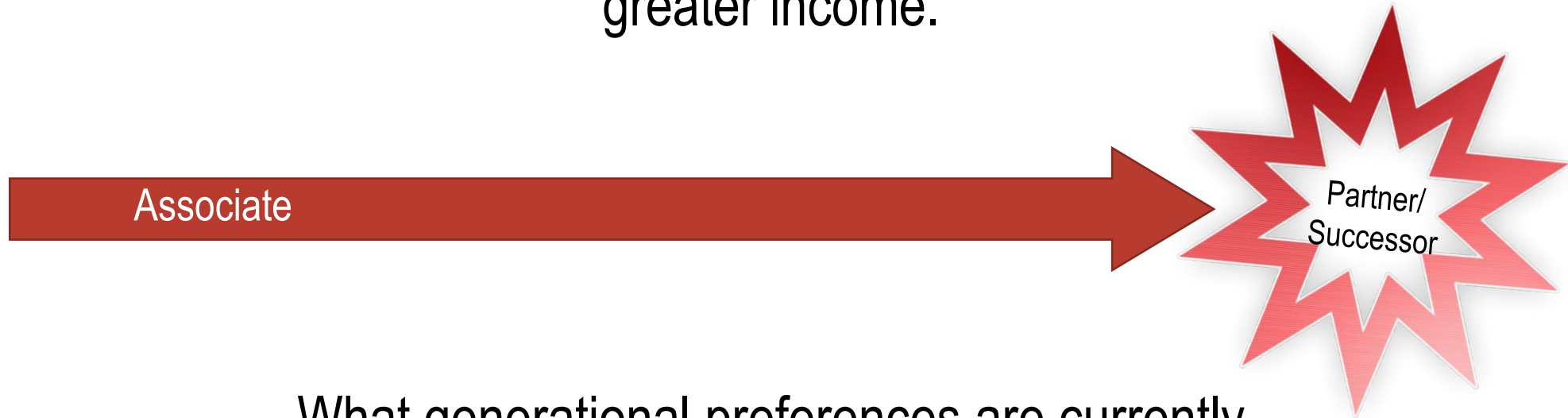
# EXIT STRATEGIES

- Selling Outright
  - A new owner/attorney buys the existing practice
- Become or hire a CEO
  - Run the firm: finances, operations, HR, production, marketing
- Merger
  - Strengthen market share or expand services
- Succession
  - Younger attorney groomed to take over the firm



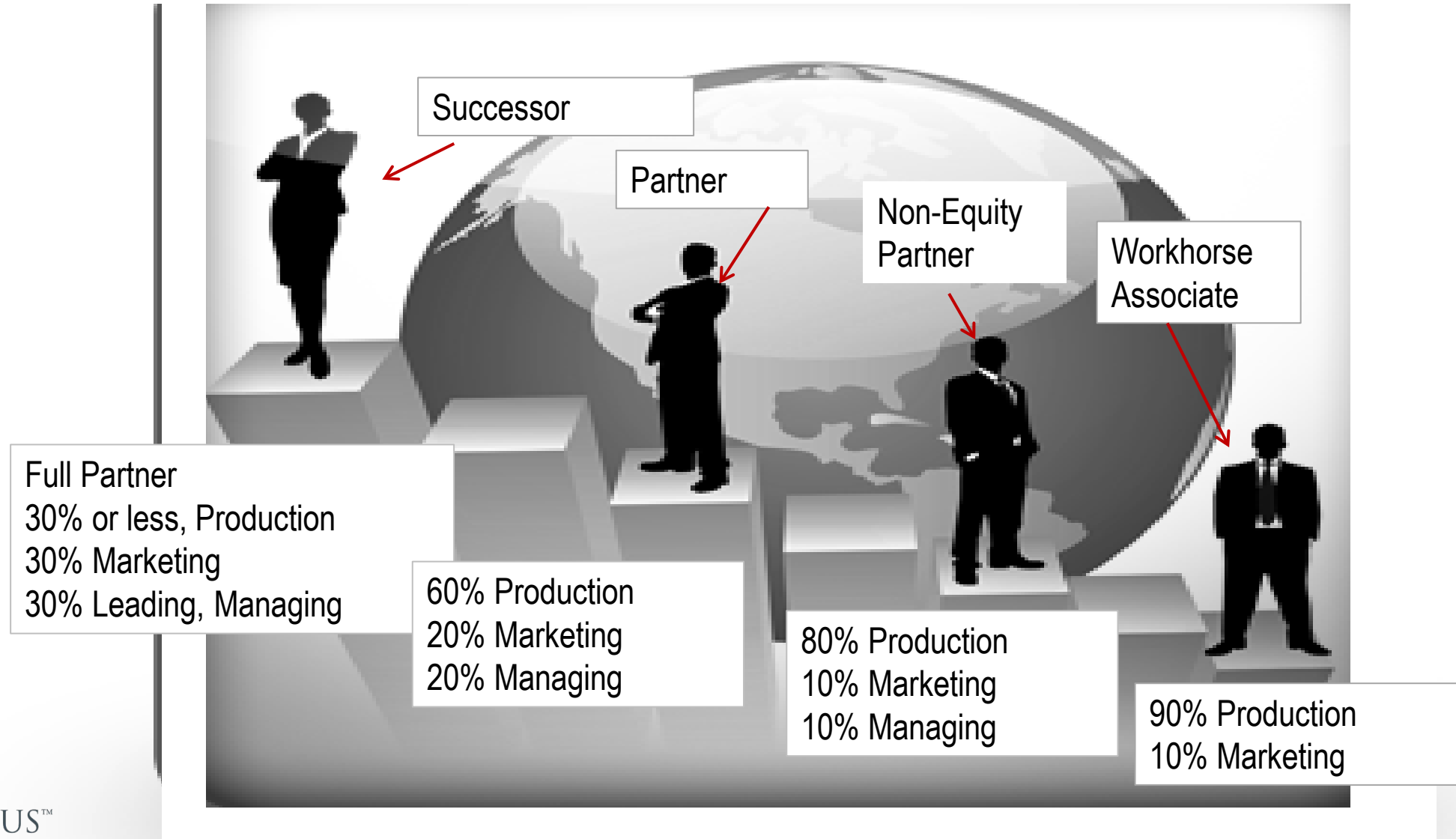
# CLASSIC SUCCESSION MODEL

One or more associates who aspire to become partners toil for years on a partner track for the promise of higher status and greater income.



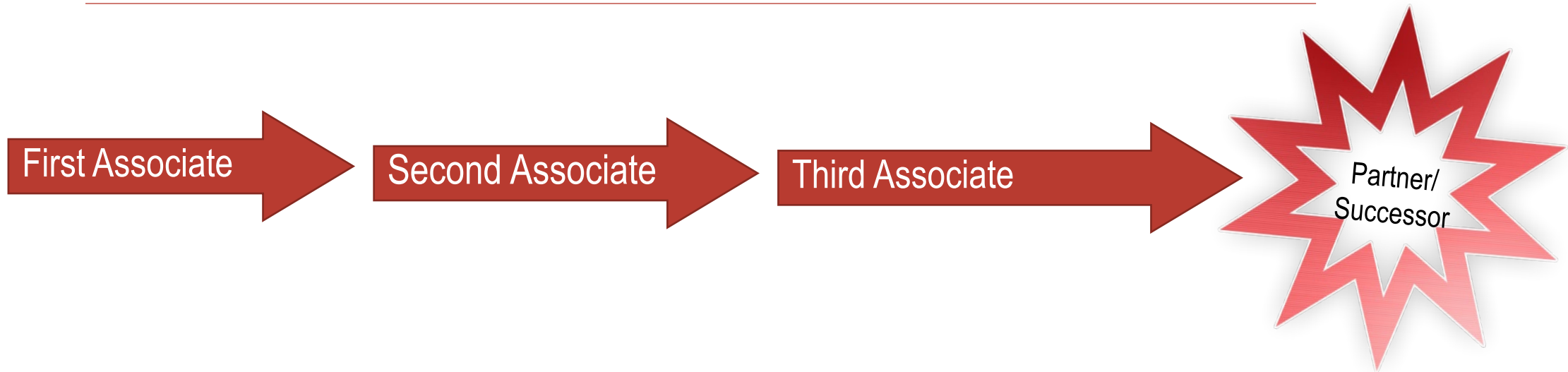
What generational preferences are currently impacting this traditional track?

# PARTNER/SUCCESSOR TRACK



# THE JOB UPGRADE MODEL

Job hopping is how many younger associates today seek to get ahead and find a fulfilling career. Many value work-life balance over the future promise of high pay and status.



# GENERATIONAL PREFERENCES



Job seekers are attracted to firms with a well-defined path to advancement



Job seekers don't have patience for long tracks and want advancements sooner



Advertise that a path to partnership exists



Put in a lot of small steps using Junior and Senior designations



Attach KPIs to be met and measured at every step before there is an advancement

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**TOP INSIGHTS**

**TOTAL ➔**

# NEED HELP?

## Schedule a consultation

- Review your Value Drivers worksheet
- Explore exit strategies
- Assess your firm's standing
- Increase the potential for a successful transition

Or email [grow@atticusadvantage.com](mailto:grow@atticusadvantage.com)



# UPCOMING WORKSHOPS AND PROGRAMS



## THE PATH TO A GREAT PRACTICE & GREAT LIFE WORKSHOP

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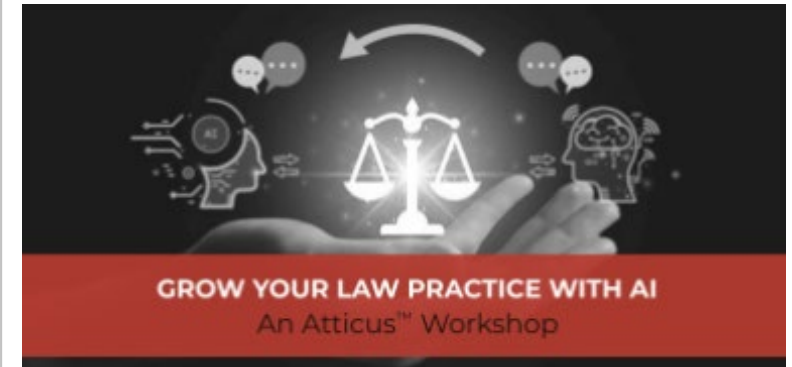
May 10, 2024  
Zoom



## SALES WITHOUT SELLING: THE ATTICUS SALES TRAINING ACADEMY

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Starts May 15, 2024  
Orlando, FL and Zoom



## GROW YOUR LAW PRACTICE WITH AI WORKSHOP

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May 30, 2024  
Zoom

Thank You!



ATTICUS™

*Great Practice. Great Life.*