



## WHEN YOUR NEEDS EXCEED YOUR BUDGET

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Sometimes we put the cart before the horse. A frequent example is when we decide how much we're willing to spend for something we need, without regard to what the market price is for what we want. I encounter this frequently.

I remember many years ago, a firm I managed needed new time & billing software. I was given a budget based on what the firm spent for the software we were replacing. Many years had intervened since the last purchase. It was fair to assume that simple inflation might make it impossible to find something at the same price point. More importantly, a change in the firm's needs was not taken into consideration when setting the budget figure.

The firm had experienced strong growth during the intervening years. The expanded client base included many new institutional clients with specialized requirements for billing. A further consideration was the sophisticated reporting required to determine owner compensation, department profitability, and more. Only large firms were doing such sophisticated analysis back then.

After all of the firm needs were taken into account, and a thorough examination was made of capabilities of available software, it was determined that there were only four products which could deliver all the must-have features. The lowest price was almost three times more than the budgeted amount.

After much handwriting and indecision — and dangerously close to when our existing software was being discontinued — management concluded that we needed to buy a product designed and priced for larger firms with bigger budgets. Our size was irrelevant. Our needs dictated our spending. The budget was revised accordingly.

Last year I worked with a firm which had been in decision paralysis for over a year about having a new website designed. The existing site was clearly a cookie-cutter design. Much of the information was no longer accurate. The firm's site sorely lacked search engine optimization (SEO). The firm had been paying a high monthly fee since the site went live. That high monthly fee was wasted money, as

the site never produced a single client or even query. Those dollars could have paid for a new site with lots of bells and whistles. But the firm was locked into a contract. And as another contract renewal approached, the decision paralysis was heading the firm into yet another year's contract renewal, because no action had been taken to provide other options.

The problem in this case is that the firm's budget was stretched to the limit with high monthly fees. The thought of paying another large sum of money to design a new site while still paying those monthly fees was not something the owners could afford. Or so it was thought.

In order to get the firm out of paralysis mode, it had to examine the investment in a new website over a longer period of time. Eliminating the exorbitant monthly fees — which were producing no results for the firm — would actually pay for a new site within 1.5 – 2.0 years. That's a decent return on investment. In addition, a new site would enable the firm to effectively update content itself. Their inability to get timely updates done despite the high monthly fee was a serious problem with the current vendor. Decision made, budget adjusted.

Most recently, I had a conversation with the Managing Partner of a midsize law firm. The firm has been growing steadily over the years. It is a well-run firm, with a solid foundation for sustained growth. Unfortunately, the administrative side has been saddled with repeated turnover.

A lot of firms experience turnover in administration for a variety of the same reasons. Legal administrators are often tasked with heavy levels of responsibility, without the commensurate autonomy and authority to get the job done.

Many administrators are overwhelmed with work with competing deadlines. Unique to the legal environment, most owners feel that the administrator must serve all owners equally; even the most trivial request is delivered with the same urgency as the most critical matters delegated by the managing partner or executive committee.

Typically firms hire based on budget, and the administrator is often undercompensated and insufficiently skilled for the level of effort and knowledge required to get the job done.

All of the above is a recipe for failure. It frequently demoralizes even the best managers, especially since owners rarely hesitate in pointing out shortcomings. Eventually even a strong administrator reaches the breaking point.



You probably understand the causes for turnover clearly in these words, yet may not recognize similar situations at your own firm. The only way to break this cycle is to do a real needs assessment, and hire accordingly.

The error this firm was making was in setting their budget without first assessing their needs, and determining what the “going rate” was for the right person to meet those needs. In reviewing the desired skill set with the managing partner, it became clear that the firm’s needs were more sophisticated than they realized. They set their budget and hired the best candidate within reach, without regard to whether someone at that salary level was sufficiently skilled to meet expectations. Without a realization that they were inadequately budgeting, and taking corrective action, they were doomed to repeat the same failure indefinitely.

Turnover is expensive. When the turnover is in a key administrative position, it is even more expensive than you think. It can negatively impact staff morale, increase staff turnover, and in turn impact attorney productivity and morale. Many years ago I learned that lowering staff turnover and improving staff morale and teamwork helps to significantly decrease associate attorney turnover.

Hopefully you’re well ahead of me in getting to the point. Sometimes firms arbitrarily decide how much something should cost, without taking real needs and market costs into account. This can result in poor decisions, or no decision-making at all. As a result, many firms wind up jumping over dollars to pick up pennies. I know it sounds trite, but it’s true that you usually have to spend money to make money. Just do it wisely by accurately assessing your true needs first, and then determining what you will actually have to spend to meet those needs.

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