
STRATEGIES TO LEVERAGE PARALEGAL CAPABILITIES

By Ed Poll

My Section colleague, Cynthia Mascio, ACP, an advanced certified paralegal, has kindly shared with me a presentation she recently made on the cost and revenue impact that paralegals have in law firms. Her well-demonstrated point is that paralegals improve a firm's bottom line.

Like every other profession and trade, the practice of law is a business. This means we are governed by the formula: $P = R - E$: profit (take home pay) equals revenue collected less expenses. For a widget manufacturer, this equation shapes the question, "Can I sell enough widgets to cover all of my costs and have something left over?" Replace "widgets" with "hours" or "value" or "solutions," and you have the question that goes to the heart of "The Business of Law®" for law firms.

This article will look behind the cost and revenue numbers and analyze the strategies that firms can use to maximize the bottom line impact of their paralegals. These paralegals may be in-house, or they may provide outsourced services in a virtual relationship. Either way, paralegals epitomize the highly effective concept of leverage as a way that law firms can enhance their profitability. Leverage shapes the right strategies for maximizing paralegal capabilities.

The Concept of Leverage

There are two ways to address an economic model: assess your revenue and figure out what your cost structure should be so you can turn a profit, or look at your costs and determine how much revenue you need to cover those costs and make a profit. Either way, the critical law firm cost factor for serving a client is staffing levels. Competitive conditions are forcing firms to reconsider the practice of handling a matter with two senior law-

yers, each with high hourly rates and likely with personal assistants. Instead, more firms involve an associate and a paralegal and get by with one senior partner, or even use associates and paralegals exclusively, with proper partner oversight.

The questions here relate directly to the issue of leverage—hiring and using paralegals and associates as a cost-effective way to do billable work in a team setting while boosting partner profitability. Leverage through the use of paralegals is only effective when the paralegals themselves are effective. It must be profitable for the firm to keep or otherwise use paralegals on an ongoing basis. While new paralegals may not earn more than they cost the firm in the beginning, at some point that situation must change.

What should firms expect from their paralegals to justify keeping them? The fundamental question in this regard is obvious: is there enough work? In analyzing a paralegal's worth to the firm, there is no formulaic expression that specifically depends on origination, billing or collection. To say that a paralegal is worth the amount of profit due to billing or the amount of profit due to business brought in does not take into account the subjective factors that should be considered, such as a desirable combination of skill and attitude. When all factors are present and positive, the paralegal relationship is most successful.

Leveraging In-House Paralegals

Lawyers should really only spend their time doing two things: practicing law and lining up new clients. A paralegal's fundamental task is to allow a firm's lawyers to do more client and marketing work by ensuring

continued on page 18



Ed Poll

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CONTINUED FROM PAGE 17

that the client's needs are being consistently and properly addressed. The extra business that paralegals allow a firm to do under the principle of leverage more than pays for added salary, in addition to reducing lawyers' stress levels. In-house paralegals enable lawyers to break through time and income barriers and focus on the creative and effective application of the law.

PARALEGALS EPITOMIZE THE HIGHLY EFFECTIVE CONCEPT OF LEVERAGE AS A WAY THAT LAW FIRMS CAN ENHANCE THEIR PROFITABILITY

The starting point for hiring a paralegal should be a precise description of the tasks the paralegal will be asked to handle (intakes, pleadings, research, deposition summaries) and the skills required to effectively handle these tasks. Lawyers and firms are well advised to use specialized employment agencies that focus on paralegal positions. Ask for the agency's detailed rate sheet, printed information in addition to a Website, current references, samples of entrance testing, and requirements for employment. The agency should have also verified that the paralegal complies with the educational (and continuing educational) requirements set forth under Business & Professions Code § 6450, et seq.

Once the parameters are set and the agency begins interviewing, a lawyer should make the final hiring decision after interviewing every recommended candidate and determining which candidate is the best "fit" for the firm. Employment agencies typically charge 25 to 40 percent of the new hire's first year's pay as their fee: while this may seem high, this fee pays for the best contacts, the best screening process and the best knowledge of employment law, and ensures that the hiring process is done right.

Make sure the paralegal can demonstrate knowledge of local rules regarding court and civil procedure, in

addition to practical insights pertinent to your practice. Other relevant skills include the ability to:

- Organize files and chronologies
- Prepare documents for summons, complaints, answers, motions and other proceedings
- Conduct investigations and summarize depositions
- Perform legal research
- Coordinate with outside vendors for trial preparation
- Create and maintain client files

Once they are part of the firm, paralegals can be leveraged not just through their technical abilities but also for their client service strengths. Consider such strategies as these:

- Failure to return phone calls or respond to letters is the number one complaint clients have about lawyers. Lawyers may be otherwise engaged, but clients still want to be assured that their matter is being dealt with. Having a paralegal step in and assure the client that their inquiry will be answered as soon as possible can prevent many client relations problems.
- Clients want to know what's happening with their matter. Even though the lawyer might be diligently working on the matter, if the client doesn't know that, there's bound to be a problem—usually at fee-paying time. Paralegals can often handle the kind of communication that clients appreciate by sending copies of documents or writing or making calls for updates. Clients who are kept informed at every step of their matter are happier clients.
- Clients should be able to connect directly with paralegals who may have an impact on their matter or who might be able to answer one of their questions. The client who walks away with an answer, even if not from the mouth of the attorney, is far more likely to be a satisfied client. That means that client service education training is a must for paralegals.

continued on page 19

Of course, lawyers must continue to exercise direct supervision of paralegals. Firms have faced disciplinary problems for including paralegals along with lawyers on their Website under the category of “attorneys.” The solution is not to remove paralegals from the Website but to create a separate category for them. Including paralegals on a Website gives clients additional contacts at the firm. It is also formal recognition that enhances the morale of the entire firm.

Leveraging Outsourced Paralegals

Technology is an efficient alternative in leveraging paralegal contributions, specifically in the form of the virtual assistant, or VA. VAs are paralegals who work offsite and online, creating work product customized to the firm’s specifications and practice. They represent an extension of the outsourcing that lawyers and firms have done for years, but the relationship with a paralegal VA can be more complex and more rewarding. As an independent business owner, the VA paralegal is neither employee nor subordinate. VA paralegals more closely resemble an accountant or any other business consultant with whom the lawyer has an ongoing, collaborative relationship. They become familiar with the firm’s practice and business needs as much as any service provider engaged for a substantial length of time.

When engaging a VA paralegal, look for an informative, well-constructed Web site as evidence of the technical skill and sophistication required to conduct an effective online business relationship. However, never initiate an engagement without a personal consultation. Beyond these business considerations, think through the professional qualifications that you want from the VA paralegal.

A VA paralegal should be able to accomplish the same tasks as an in-house paralegal, electronically from a remote location. That requires compatible email, word processing, document management and database capabilities. Another important consideration

in the engagement of an outsourced VA paralegal is to ensure that the VA paralegal is actually an independent contractor: do not make the mistake of assuming that every part-time or offsite paralegal or legal assistant qualifies as an independent contractor. The IRS has very clear guidelines to determine whether a hired individual is an independent contractor or an employee for federal tax purposes.

Leveraging the Team

This discussion of economics should not imply that paralegals, whether in-house or VA, are merely an economic adjunct of the firm. Successful legal practice requires a team approach between lawyers, paralegals and additional staff. A strong team dynamic can be a powerful tool to best serve clients and market the firm to potential new clients. Inclusiveness will produce better results for everyone involved and increase the productivity and profitability of the firm.

Lawyers, like managers everywhere, are most effective when they connect with and rely upon their staff. When that connection is established and reinforced, it can create a shared work ethic and values structure, as well as reinforce the belief that what is done for clients is worthwhile. Conversely, failure to connect with and rely upon staff can cause inefficiencies, create disharmony within the firm, and contribute to a firm’s failure. No lawyer or firm should consider paralegals and additional staff as “them,” in opposition to the lawyers’ “us”—for a firm to survive in today’s business environment, the group that matters is “all of us.”

Ed Poll is a speaker, author and board-approved coach to the legal profession. LawBiz® and Fujitsu are sponsoring Ed’s cross-country tour to reach bar associations and law schools. If you want Ed to stop in your community, contact Ed directly, and readers with questions for Ed should email edpoll@lawbiz.com or call (800) 837-5880. Also visit his interactive community for lawyers at www.LawBizForum.com.

Join us for networking and conversation at LPMT’s Welcome Reception during the State Bar Annual Meeting in Long Beach on September 16, 2011, at the Westin Hotel, Room Centennial D, from 5:30 p.m. to 6:30 p.m.

There will also be some amazing door prizes!