

How to Start Your Law Firm



Welcome to our July newsletter!

During our conversations with many senior lawyers around the ASEAN region one of the most frequent topics that comes up is **how to start your law firm**. The most frequent challenge is not the volume of legal work and billable potential because talented lawyers have great clients. Rather, it is the transition from dedicated **Fee Earner** to **Managing Partner**.

The fact is that few lawyers have the opportunity, in advance, to acquire the skills needed to manage the entire business. And what we often encounter is that the allure of being the headlining act on the corporate stationery can become dulled by the administrative grind of trying to scale the business.

However, this can be resolved. Specifically, some very **critical steps** that can be followed to realize the dream of establishing your own legal practice and then successfully growing it into a modern, successful, and sustainable firm. **Let's dive right in!**

1. Define Your Practice Area and Business Plan

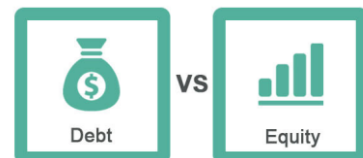


Before embarking on your entrepreneurial journey, it's crucial to define your practice area. Determine the type of law you wish to specialize in, whether it's corporate, criminal, family, intellectual property, or any other field.

Once you have clarity on your practice area, develop a comprehensive business plan that outlines your goals, target clients, marketing strategies, financial projections, and competitive analysis. Some clients may move with you so have this agreed in advance. Set realistic goals for revenues – previous run rates may be unreliable so apply conservative discounts. Determine the minimum level of staff required to fulfil the workload for the first twelve months.

2. Set a Budget and Secure Funding

A law firm is like any other start-up proposal. It needs a realistic budget that is consistent with the business plan. This budget for cash burn should encompass initial expenses, such as office space, furniture, legal software, marketing, staff salaries, and ongoing operational costs. Forecast this for the first six months of operations and then add 50% for contingencies. Assume no income for this period. That will set the baseline for the financial investment required to open the doors and begin prospecting for business. Now this budget needs to be funded and that can take multiple forms. It can be a mix of any of the following:



- a. **Equity:** Your personal savings are the first source and represent the most concentrated form of business and personal risk. This can be diversified by having a partnership with other like-minded lawyers. This brings more equity capital and a broader range of

potential clients, for example. Beyond the partnership approach, some Managing Partners-to-be seek investments from private investors (e.g. retired ex-Partners) or family and friends.

- b. **Debt:** In the form of loans, usually collateralized against property which can be either residential or commercial. This source of capital needs to be evaluated very carefully. Having fewer equity partners involved is often an attraction but a re-mortgaged personal property can turn a business risk into a family crisis if things do not go to plan. However, a modest level of debt should be easily serviced. Given the low level of capital expenditure involved the majority of the start-up budget will be allocated to operating expenditures.

3. Choose an Office Space and Set Up Infrastructure

Decide whether you prefer a physical office or a virtual setup for your law firm. If opting for a physical office, consider location, accessibility, and cost. Arguably, clients are more impressed by the quality of service from a small-scale law firm than they are by extravagant offices. At the same time as ensuring that the office space aligns with your firm's image and provides a comfortable and professional environment for your team, it also needs to be a conservative fit within the budget that has been established. Set up the necessary infrastructure, including reliable internet connectivity, phone systems, and a secure network.

4. Invest in Essential Digital Tools

Leveraging technology is essential for running a modern, successful, sustainable law firm. So, firmly put aside all of the legacy systems and working practices that prevailed at the old company. Use this opportunity to be an innovator, construct the optimal suite of digital tools from the beginning and avoid growth bottlenecks from the outset.



Here is the roadmap:

- a. **Practice Management Software:** Say “no” to a random, error-prone combination of excel, post-it notes and calendar entries. Replace all of this with a robust practice management software (PMS) that streamlines team workflows, raises billable hours, minimizes the aggravation of the billing cycle, reduces the burden of administration, and drives transparency across the entire law firm. You benefit, the team benefits and clients are happier.
- b. **Document Management System:** To Efficiently manage and organize legal documents, contracts, and case files move away from on premise servers or non-dedicated cloud storage and deploy a reliable document management system. Tools like NetDocuments or SharePoint have been particularly popular within the bilabl community, as they provide secure storage, version control, and easy collaboration features.
- c. **Legal Research Databases:** Access to comprehensive legal research databases is critical for a law firm. Platforms such as Westlaw, LexisNexis, and Bloomberg Law offer vast collections of legal resources, case law, statutes, and secondary sources.
- d. **Communication and Collaboration Tools:** Facilitate seamless communication and collaboration among your team and clients using tools like Microsoft Teams, Slack, or Zoom. These platforms allow for video conferences, document sharing, instant

messaging, and efficient teamwork. Ideally, this will be integrated into the rest of the digital toolkit, in particular, the PMS.

5. Build Your Dream Team

Consider your firm's workload and requirements to determine the size and expertise of your team. Be conservative for the first twelve months. It is preferable to have to hire extra team members if workloads expand too fast during the start-up phase rather than have the stress of managing under-utilized team assets. For each of these hires lead with cultural fit over and above client lists and the history of billable hours.

We have seen this scenario many times. In a smaller team, the cultural alignment with your firm's values and objectives will be far more influential than when you were embedded in a much larger firm. As a Managing Partner it will be your responsibility to foster a positive work environment that promotes collaboration, continuous learning, and professional growth.

6. Cybersecurity Solutions



Few firms are ever as secure as they believe and small, start-up firms are often the least invested in this area. Our advice to start-up clients is always the same - protect your firm's sensitive data and client information from the outset by investing in cutting edge cybersecurity solutions. This is an essential insurance policy that cannot be skipped. Find a consultant to help implement firewalls, install antivirus software, embed encryption tools, and undertake regular data backups to mitigate the risk of cyber threats.

7. Marketing and Website Development

Establishing a strong online presence is crucial for attracting clients. But now it is time to design and populate your own shop window. So invest in professional website development, search engine optimization (SEO), and online marketing strategies to enhance your firm's visibility and credibility.

Fortunately, there are plenty of outsourced service providers that can do this from anywhere in the world and get you up and running with a simple, elegant site in just a few days. The first version won't be the last so make sure that it is on a professional hosting service that will support the future scaling and complexity that you will need.

8. Develop a Marketing Strategy

To grow your client base, you need a well-planned marketing strategy and have a strong execution plan. Establish a strong online presence through a professional website, social media channels such as LinkedIn, and legal directories. Engage in content marketing by creating informative blog posts, articles, or videos that showcase your expertise. In the early days of the firm, much of this can be outsourced. Furthermore, the generation of content has become less challenging with the wide range of AI-enhanced tools that are widely available. As a Managing Partner,





it will also be necessary to attend legal networking events, participate in business community activities, and perhaps consider offering free initial consultations to attract potential clients.

Conclusion

Starting your law firm is a pivotal point in any legal career. It offers freedom, flexibility, unlimited upside (we hear that a lot!) and a chance to do things better. All of that said, the journey to becoming a Managing Partner requires careful planning, serious financial commitment, focus and a desire to be the catalyst for change in the careers of your dream team. There is a lot to address, from the planning and budgeting through to the digital tools and infrastructure required, and only after all of that can the really hard work of generating billable hours begin!

We hope this newsletter has provided you with valuable insights into the key steps and digital investments necessary for starting your law firm. Remember, building a successful practice takes time, perseverance, and a commitment to continuous improvement. Let us know if we can help you with any part of this journey.



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sales@bilabl.io | www.bilabl.io | LinkedIn

