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Decisions: The challenges of starting a firm

Sherry Karabin

Many people dream of starting a business, and lawyers are no exception. But setting up a **solo** practice is not an easy task, and keeping it afloat can be even more challenging.

Several **solo** practitioners discussed their secrets to success, but the formula is far from uniform and can depend on a variety of factors, including the type of practice and the economic conditions.

Assistant **law** professor Cliff Scott-Rudnick teaches a class at The John Marshall **Law** School that helps those who want to be **solo** practitioners or start small **firms**. "**Law Practice Management**" offers an overview and understanding of what's involved while teaching how to do business and marketing plans. Though he has never been a **solo** practitioner, his co-instructor, Russell Hartigan, has been.

"Knowing yourself is key," Scott-Rudnick said. Before starting a practice he suggested that attorneys do a thorough self-appraisal.

"You can't just open the door and hope the clients come," he said. "Consider why you are doing this. Are you doing it because you like to work alone or feel you don't have any other choices? Do you want to grow your practice to a big firm? What are your strengths and weaknesses? What kind of things do you enjoy doing, and what kind of clients are you looking to attract? These are all important factors."

After deciding to open a firm, he said one must develop a business plan that takes into account economic realities, with a focus on the expense side of things.

Next, he said, attorneys should decide on a practice area or areas based on their preferences, then formulate a timeline for opening the doors and decide whether to rent office space.

"Some people need a place to go to get things done, others can work out of their homes," he said. "I know some solo practitioners who never had office space. They go to the courthouse, bar association, library or other places

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to meet clients. It can be done, but it has to fit your needs."

Scott-Rudnick urged everyone to join business organizations and bar associations because they are important resources for networking, which is one of the best ways to get and keep business flowing.

"Network, listen and think out of the box," he said. "Don't just think of your practice as a money-making operation, although that is certainly important to success. Your career needs to be more than that. Try to enjoy practicing law. Reflect on just why you went to law school in the first place. I think that it is time to move on and try something else if you don't get joy from the profession."

The right focus

Gary H. Smith, 56, got the idea of starting his own practice after being laid off by AAR Corp. in October 1990.

"Initially I was looking for a job within a corporation," he said. "I thought I had another job lined up at Continental Bank. That evening they laid off their entire corporate legal staff. Necessity being the mother of invention, I decided to start my own practice."

At the time, the economy was going through a recession. Though that might have scared many away, Smith decided to take the plunge because he wanted to do something that would help people and make him "proud to go to work every day."

With those goals in mind, he chose to focus on property tax issues for clients that included apartment, commercial and industrial building owners.

"I was always interested in housing issues," Smith said. "When I moved into my house I was shocked by the property tax bills, but I didn't have a practice yet."

He opened the **Law Offices of Gary H. Smith** in the South Loop in March 1991. Though he knew it wouldn't be easy, he soon realized how all-encompassing a **solo** practice could be.

"A **solo** practitioner has to do everything at the same time - service clients, get new clients, market yourself and organize the office in a way that allows you to work efficiently while giving attention to every file," he said.

He said there are two ways for a solo practice to be successful: Attract a single high-paying client and devote attention to that person, or work on numerous smaller cases. He chose the latter.

"When I filled out my malpractice application, there was a question asking whether any client constituted more than 5 percent of your practice," Smith said. "That got me thinking, and I decided to build a wide client base."

To manage his caseload, he created a system that included form files that can be individualized and a database that can handle all his clients.

Also key, he said, was finding a good assistant to help him manage his filing system so he could focus on legal work. He said his decision to concentrate on one area has been helpful.

"Because my practice is focused on property taxes, most files go through the same process," he said. "It doesn't require as much starting anew every time, and it also allows you to really know the law you are focusing on and all its nuances."

Having a narrow focus can have its problems too.

"Doing virtually the same thing over and over can be overwhelming," Smith said. "So you have to come up with some way to stay fresh so that it feels new and vibrant each time you begin the process with any new or continuing client."

His strategy has allowed him to maintain and grow his practice, and hire three employees - an associate, a paralegal/office manager, and an assistant.

Though he said cash flow problems plague many small firms, he has been lucky. During the recent economic downturn he had one of his best years financially.

"I have a line of credit from the bank that I secured based on past history," Smith said. "My clients get billed, and they pay. I don't have an accounts receivable. I think the key to that is that they know I'm in their corner and will work for them."

That said, every time a client pays, Smith said he wonders "where the next payment will come from. That's the manic-depressive aspect of this."

For those considering starting their own practice, he recommended they consider what area of the law they enjoy most.

"You can't go into this thinking you will make a ton of money," he said. "Do what you love, and the money will follow."

Having the focus

John O'Brien, president of the Illinois State Bar Association, opened The **Law** Office of John G. O'Brien in Ar-

lington Heights in September 1976.

In O'Brien's case he already had a client pool because he made a name for himself at his old **firm**, Biestek & Facchini, and realized how much he enjoyed transactional work.

After the **firm** dissolved in 1975, O'Brien said he saw "an opportunity to be on my own and took it."

Although he said starting a **solo** practice can be terrifying, it couldn't have worked out better for him.

"I instantly started making more money and felt that I had better control over my life and schedule," said O'Brien, 62.

He said going **solo** requires lawyers "to be prepared to be business people" because they will have to find office space, buy furniture and hire a staff. He employs an administrative assistant to help **run** his office.

"I do primarily real estate and I get paid when the deal closes, so there are virtually no receivables," he said. "When the market was booming, I had several people working for me. Employees are the biggest expense though, and tough decisions had to be made."

He said many attorneys in his community work from their homes to eliminate overhead expenses and rent conference rooms when they meet with clients.

"First and foremost it's important to do a good job for your clients," he said. "If you do that and are reasonably pleasant, you will keep those clients and attract new ones. Then after a while an amazing thing starts to happen - you realize you've been doing this a number of years and the phone just rings."

Though O'Brien said he works just as hard as he did at his old firm, he now concentrates on the bottom line.

"I have to think what file will bring me money this week or this month, as opposed to what do I find interesting that won't come to fruition for a year or two," he said.

Networking is also key. He suggested that solo practitioners get involved with local bar associations and accept speaking engagements that offer a chance "to toot your own horn."

"If you are truly in a specialty area, you might be able to work statewide with the help of Internet advertising," he said.

Using marketing

After serving as an assistant state's attorney and working at three small litigation firms, Eugene Hollander, 48, decided he was ready to go it alone and opened The Law Offices of Eugene K. Hollander in December 1996.

"I wanted more control over the decision making," said Hollander, who specializes in civil rights litigation, occasionally handling business and commercial matters.

Although he started with more than 30 matters, he was concerned about developing future work. As a result, he rented an office from a personal-injury and medical malpractice firm, agreeing to do some work in exchange for lower rent.

After several months, things picked up and he was able to pay the full rent and stop performing legal services. Today he remains in the same office and has an associate and a paralegal.

"One of the most important things for a solo practitioner is time management," Hollander said. "I do a lot of cases where there is a heavy discovery requirement and a lot of motions. Every minute of the day counts. This is more true now than when I first started out since I have a lot of new cases coming in."

He said one of the biggest challenges for solo practitioners is not having anyone to bounce ideas off of.

"I'm fortunate because the guys I share space with are top-notch professionals and friends, so when I have issues I need to discuss I have a sounding board," he said.

He recommended solo practitioners set up shop in suites with attorneys that complement their practices.

"For example, maybe you set up where there is a criminal and divorce lawyer so matters can be referred back and forth to generate additional business and perhaps use those attorneys as sounding boards," he said.

Because he handles civil rights matters, he said it is especially important to keep track of his time because the number of hours translates into the amount he often receives when settling a case.

His wife is his office manager, keeping track of his case hours, making sure bills go out on the first of the month and promptly following up if payment becomes a problem.

"I try to get an appropriate retainer first," Hollander said.

"When it's almost run out, I ask the client to replenish it. After a short period of time if they don't do so, we have a discussion and if we can't come to terms I withdraw from the case."

Though he has remained busy despite the economic downturn, Hollander said the secret to staying around is marketing.

"I send out a newsletter twice a year to all my clients where I write about current topics in the law," he said.

He also does a number of speaking engagements and has a website, which has helped him get referrals from the local bar association. His book, "Employment Evidence," was published in 2003, and he continues to submit annual supplements to help keep his name out there.

"Try to focus on one or two areas of the law if possible and don't get involved in matters you don't have any familiarity with," he said. "I love being my own boss, but it has its frustrating moments."

Being a business person

A desire to be "the captain of his own ship" is what led Ralph Schumann, 54, to establish a practice in Elk Grove Village in January 1995. He represents individuals and corporations in residential and commercial real estate matters, as well as handles wills, trusts and probate work.

Before opening the **Law** Offices of Ralph J. Schumann, he worked for four **law firms**. Though he said he enjoys his new freedom, going **solo** requires "being your own cook and dishwasher."

Schumann began by working out of his home, meeting clients in public places while trying to raise the money to lease office space. After a few months, he leased a small space in the Woodland Square office plaza in downtown Elk Grove Village.

Today he has a larger suite in the same building and employs an assistant to help keep track of billable hours and other matters. He has a modest advertising budget that includes a small one-inch space in the local church bullet-in.

"I prefer to generate work by word of mouth from satisfied clients who make referrals," said Schumann, who is also president of the Illinois Real Estate Lawyers Association.

He said things are tough now because real estate is a major component of his business.

"It's causing me and many of the 2,000-plus real estate practitioners in the bar association to do some creative thinking and tap-dancing, in some cases even reassessing things and venturing into new areas that are more profitable," he said.

"I'm doing a lot more estate planning work, which has picked up and is helping to fill the void. The old adage of too many eggs in one basket holds true of practice areas and working for one major client. It's risky to do either, and much better to spread things around."

He advised those who want to go solo to be sure they are not only good lawyers, but business and salespeople as well.

"If you don't have those skills, you can be the best lawyer around and still find it hard to be successful," Schumann said.

"Start with a game plan. Have an idea of monthly expenses, determine what the capital requirements will be, plan for success but be prepared for lean times and make sure to have a source of funds available to carry the practice, i.e., savings or a line of credit with the bank."

He also stressed the need for solo practitioners to join local organizations and become involved in bar associations as a way to get input and referrals. He recalled how far his efforts at meeting other real estate attorneys have taken him.

"In 1997, we used to meet as a breakfast club. It eventually grew into the Illinois Real Estate Lawyers Association," he said. "I was asked to help create a website, and because I got more involved I eventually became the president.

"Now we're 2,000 or so attorneys throughout the state. You never know where networking will lead."

Having a partner

Going solo isn't the only way to achieve autonomy. In January 1998, longtime attorneys and friends Antonio Romanucci, 49, and Stephan Blandin, 48, decided to start their own personal-injury practice, Romanucci & Blandin.

"You reach a crossroads in your professional life where you are able to generate your own business and at the same time have a burning desire to manage those cases according to your own plan," Romanucci said.

In their case they came to that point on the same day in December 1997.

"We both called each other and once we returned one another's calls we realized we had the same idea on the same day to start our own firm," Romanucci said.

At the time Blandin was working with another attorney who did insurance defense work, and he was also doing

plaintiff's personal-injury work.

"It was a marriage that did not work very well," he said.

Romanucci had been working at a larger firm but was ready to leave. He said he had a substantial number of clients who promised to go with him.

So the two took a risk and rented a seven-office suite in downtown Chicago. Within two years they took over another suite to accommodate their four associates and other support staff.

"We decided early on that we wanted to be known as a great personal-injury firm, so we took the route of not being a volume firm," Romanucci said. "We took quality cases and developed those as much as possible to get the best results. The danger is when you do that there isn't much cash flow. We leveraged everything we had on those initial cases, so it would either be boom or bust."

It was a formula that paid off, with their first major trial resulting in a \$5.5 million verdict in March 1999 in the case of *Chmielewski v. Chicago Transit Authority*.

Still, Romanucci said he and Blandin walked back from court wondering how to make payroll. Last year, they collected on a \$21 million payout and have not had to worry about payroll.

Though things have gone well for them, the economy has caused problems.

"In the beginning of May or June 2008, there was a lock-up in insurance money flow that affected our cases," Romanucci said. "We were being forced to trial on cases that should have been settled and in cases where there were offers on the table, the money was being withdrawn."

During that period they relied on their rainy-day fund.

"Startups should have a client base and be prepared for six to 12 months of negative cash flow," Romanucci said. "If you have clients, the money will eventually come. And when it does you have to stock part of it away for a rainy day to ensure survival."

He also stressed the importance of giving clients "personal service and network, network, and network," he said.

If you are considering a partnership, Blandin advised picking "a partner who complements your skill set. One of things that makes our partnership work is that my strengths aren't Tony's and vice versa. I like to work on the liability aspect; he likes damages. Often when we try our cases, I cross-examine the liability witnesses, and he crosses the damages witnesses. I have a gruffer personality, and Tony is more of a people person. Clients like

that. To be effective we need both."

Using the tools

Northbrook **solo** practitioner Alan Pearlman, 63, a member of the editorial board of the American Bar Association's Technology & Practice Guide, advised attorneys to look to the ABA for help, taking advantage of things like SoloSez.

The online resource lets **solo** and small **firm** attorneys share and obtain information on a variety of topics.

"It's like belonging to the largest **law firm** in the world," said Pearlman, who started his own **firm** 35 years ago. He also advised purchasing the "Lawyer in a Box" kit, which includes books on how to get and keep clients.

He said attorneys should study the way businesses operate.

"It's essential to set up a relationship with a good financial adviser or banker right from the start," he said. "Take a loan or start a line of credit that allows you to set up your practice and have enough left over for a cushion."

Pearlman, who writes the nationally syndicated column "The Electronic Lawyer," said there is nothing wrong with starting a practice in the home, sharing office space or making arrangements to perform services for those who have space to rent in exchange for reduced or no rent.

Once the practice begins making money, he advised hiring someone who can run the office and do double-duty, such as serving as a paralegal and office manager.

"Be a human being to your client, return phone calls promptly within a few hours instead of letting them wait for the next day and refer cases to other attorneys without asking for anything back," he said. "What goes around really does come around."

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