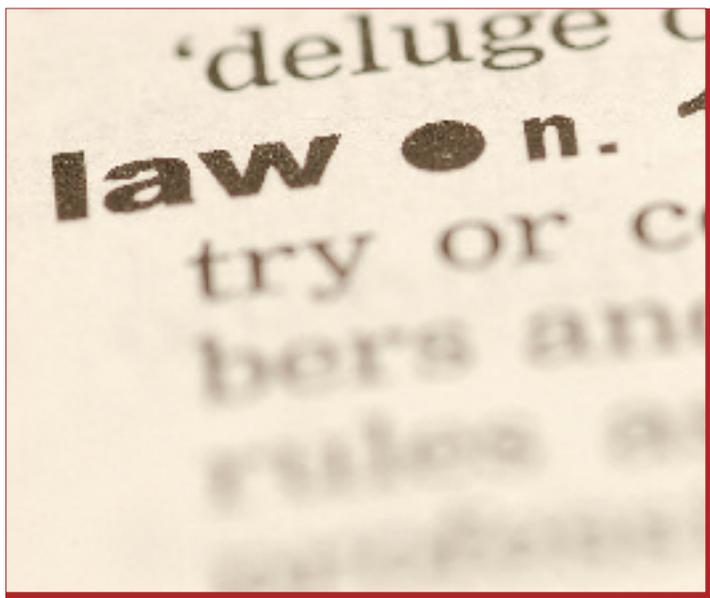


# Reduce Legal Fees Intelligently

By Alicia Goodrow



**M**ost business owners dread calling a lawyer. In a “crisis,” an owner often calls the last lawyer who did work for the company, his sister-in-law who is a litigator with a small boutique firm, or the lawyer who sponsors his local chamber of commerce. With the idea of resolving the crisis quickly and cheaply, the owner tells the lawyer only the facts the owner thinks may be necessary, sets a time deadline of 24 hours, gives instructions not to bill more than two or three hours and expresses concern that this shouldn’t really be a “big deal.” These common approaches are not necessarily the most cost effective or efficient ways to the right legal outcome in the crisis.

The suggestions set out below apply to most kinds of legal crises including contract negotiations, employee matters, filing or defending claims, addressing government inquiries and investigations and addressing financial planning whether positive or negative.

## Who Do You Call?

Ideally, an owner calls his general counsel who knows the business, its history and its people. The general counsel can triage the problem and solve it quickly. Many of the crises faced by

small and mid-sized businesses are common and can be handled efficiently by an owner’s general counsel who knows the business and is experienced at finding practical solutions. Even if you think you need an “expert” in a particular field of law, start with your lawyer who knows the business. Their referrals and judgment are likely to be invaluable in finding the right specialist (and reining in costs).

What if you don’t have a lawyer “on call?” Use your referral network. Lawyers who work regularly with small and mid-sized businesses spend a great deal of time with accountants, bankers, out-sourced CFOs and other professionals. Call your favorite outside advisor and ask for a few names.

## When Do You Call?

Call as soon as possible. Owners who make a quick call to their lawyer accomplish several goals. First, they get on their lawyer’s timeline so the work is “in the queue.” This prevents expense and stress as you approach deadlines.

Second, your immediate panic may be unjustified. The statute of limitations is four years or more in most jurisdictions for contract disputes. If you can

manage the crisis with longer timelines, you can usually find more creative and less expensive resolutions.

Third, you can prevent further harm, gather facts and develop an action plan closer to the time of the crisis. These make it easier and cheaper to handle the legal costs along the way.

## What Do You Tell Your Lawyer?

Tell your lawyer the whole story. If you edit the facts and guess what the lawyer needs to know, you risk leaving out critical elements. A lawyer with all the facts can make more reasonable decisions about appropriate actions within the context of your budget.

## Use Your Lawyer As Coach To Leverage Your Team And Talents

An experienced lawyer will gladly coach you and your team so you can partner in resolving the crisis.

Ask your lawyer how you can learn more about the governing law. It will help you ask the right questions and offer up additional ideas for solutions.

Ask how your team can help prepare internal documents or talk to employees or shareholders. The more work you can do internally, the more efficient your lawyer will be at focusing on the true legal issues.

Use your lawyer as a personal coach. An experienced lawyer is usually a polished communicator who can “ghost write” scripts for your telephone calls and meetings on important topics. They can also edit your letters in your “voice” so they don’t sound to “lawyerly.”

## Define the Scope of Work and Your Business Goals

Not every project is huge and complex. Tell your lawyer the economic cost at stake. A contract for \$50,000 sale of goods

in a company doing \$4 million dollars in sales is clearly not worth a \$5,000 bill. Likewise, a legal claim for \$50,000 in damages might be settled with a couple of telephone calls and a mutual release instead of a lawsuit.

## Budgets and Timelines

Spend the first few minutes of each conversation with your lawyer asking for a timeline, budget and status report. Owners are often afraid to ask how much the legal work costs. But legal work is a commodity, and the price can be negotiated, discounted and controlled. Lawyers can control their budgets, scale their work to the task at hand and communicate changes in the game plan that will impact your timeline and budget. Lawyers are not, however, trained to offer up this information willingly. They have to be prodded and coached by their budget-conscious clients.

That said, trust your lawyer to allocate the right amount of time to a project. A lawyer who is limited to two hours of work on a project that reasonably requires twice that will feel pressure to short-cut the work. The client will end up with a sloppy work product in the end and will either have pay to correct the mistakes or will have to live with them.

In cost-sensitive matters, ask for bills or status updates every two weeks. Require your lawyer to bill you each month and to make a detailed report of the work in that bill. Ask for the bill if you don’t get it. It saves stress and costs later to stay on budget.

## Keeping Track and Circling Back

Call your lawyer every week to get a status report. Don’t just send an e-mail request for an update. In a telephone call, you and your lawyer will have a better chance to review the scope of work, budget, timelines and changing facts.

Use e-mail to list your talking points for the weekly status call. Making a list of the five discussion points will keep the conversation on track, save time, assist you in bringing up hard topics like billing, and give your lawyer a chance to prepare for the call.

### Using Your Lawyer For Preventive Maintenance and Risk Management

After the dust has settled on the crisis, step back and evaluate with your lawyer. Your lawyer will buy you lunch to (hopefully) celebrate the outcome and use the time to ask what business practices might have prevented the crisis or helped you reach a resolution more efficiently.

Owners of small and mid-sized businesses often are unaware of the best practices used by larger companies including adopting standard forms of contracts, systemizing records management, teaching sales teams about the basics of contract law and training your management to think pro-actively about legal issues.

As part of your risk management strategy, work with your lawyer on a six-month action plan to improve behind-the-scenes legal matters. Ask your lawyer to conduct brown-bag sessions with your employees who could use basic training in contract negotiation, employment law, risk management or other topics.

If your to-do list is substantial, to stay on top of the list ask your lawyer to make house calls on a weekly or bi-weekly basis. These visits will allow you to budget for legal services and will save you the expense of waiting until a crisis occurs to manage your legal affairs.

Finally, introduce your lawyer and your accountant so they can work as a team to make your tax and financial planning more efficient. Are you using the right legal entity for the current tax law? Are you qualified in the states where you are doing business?

### A Lawyer As Part of the Management and Advisory Team

Most people know to check with their family doctor before undertaking a new exercise plan or risky endeavor. Your lawyer should have a broad perspective of closing transactions, growing businesses and unwinding the bad stuff. Like the family doctor, your lawyer can help you evaluate the risks and make lifestyle changes to the business well in advance of the change, and implement the required training and planning.

Use your lawyer to sound out your ideas. The broad perspective of another seasoned executive who has experience working with you and your business is invaluable. Leverage your relationship with your lawyer in this

way and add another level of credibility to your interactions with banks, investors, and customers.

### Keep Good Books And Records

Last, but not least, work with your lawyer to maintain a corporate minute book and business records. This basic activity can save you thousands of dollars in future non-compliance issues and is the strongest step in preventing third parties from suing owners, officers and directors as individuals for company actions.

In summary, lawyers are more effective if they are informed and invested in their client's success. Like the family doctor, a business lawyer should be taking a holistic approach to client care and is a good first stop for all crises and business

developments. Find a lawyer you can live with not only in a crisis mode, but for regular checkups as well. **N**

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