The Administrator's Advantage

SEPTEMBER/OCTOBER 2013

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Finance Issue
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ALa Mission Statement:
The Association of Legal Administrators’ mission is to promote and enhance the competence and professionalism of all members of the legal management team; improve the quality of management in law firms and other legal service organizations; and represent professional legal management and managers to the legal community and to the community at large.

Financial Articles

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GREAT CHICAGO CHAPTER MISSION STATEMENT
The mission of the Greater Chicago Chapter of the Association of Legal Administrators is to serve the diverse and evolving needs of our members and the legal organizations they represent by:

• providing high-quality educational programs;
• promoting peer networking opportunities;
• fostering professional alliances with business partners; and
• encouraging our members’ active involvement and service in community efforts.

The Administrator’s Advantage is published on a bi-monthly basis by The Greater Chicago Chapter of the Association of Legal Administrators. The newsletter is published as a service to The Greater Chicago Chapter members and others interested in law firm management. Any article or advertisement published here should not be considered to be an endorsement by The Administrator’s Advantage of the opinions expressed in the articles or of the products or services advertised. Contributing writers are asked to disclose affiliations or interests that may influence their writing positions. Anyone interested in contributing an article or otherwise participating in the production of the newsletter is most welcome and should contact the editor.

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**Paper or Digital: Your Choice**

One of the many benefits of your Greater Chicago Chapter membership is receiving our bi-monthly newsletter, the ADMINISTRATOR’S ADVANTAGE. We are offering an opportunity to “go green” and “opt out” of the printed copy of the newsletter being mailed to you. Recipients who “opt out” will receive an email notification once the digital version of the newsletter is available for download from the Chapter’s website, along with a link to the newsletter.

If you’d like to “go green,” please send an email with “request to opt out” in the subject line to ala_optout@crayhuber.com.
Fall is arriving here in beautiful Chicago, and so we turn our attention to all things “finance.” As Benjamin Franklin said: “A penny saved is a penny earned.” This is a particularly timely topic as many of us are working on budgets and spending for next year.

In this issue we have several informative articles on topics such as budgeting, the economic benefits of using outsourced lawyer services, the top ten financial mistakes to avoid and some takeaways from ALA’s recent Financial Management Conference.

We also hope you enjoy reading about some of the members’ experiences at the recent Greater Chicago Chapter Educational Conference held at the Fairmont Hotel.

Lastly, we offer some holiday decorating ideas, ideas for your firm’s holiday parties and a great fall recipe for baked oatmeal.

I hope you enjoy this issue. As always, I look forward to hearing any comments or suggestions you may have for future issues.

Mary Lynn Wilson, CLM  
Legal Administrator  
Cray Huber Horstman Heil & VanAusdal LLC  
mlw@crayhuber.com
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MICHELANGELO, CPA: 
FINANCE IS AN ART!

As many of you know, I am a human resources professional by training. When I made the decision to study human resources, I did so because it was a field that seemed to suit my personality as well as my strengths. Plus, having worked in law prior to my collegiate studies, I really enjoyed my legal coursework. Human Resources was a great choice for me, and I’ve never looked back.

But, if I’m being really honest, another factor influenced my decision to study human resources. As shallow and immature as it sounds now, I didn’t want to be bothered with all the mathematics courses required in other business disciplines. Business math didn’t speak to me in ways that other coursework did. For me, it was black and white, dull and boring and, as a result, afforded me no creative outlet whatsoever. When I think back to the accounting and finance courses I was required to take, I remember counting the minutes, days and months until each course would end because I had convinced myself: “I’m going to be an HR Professional...I’ll never need to know this stuff anyway!” Oh how those words would come back to haunt me.

My disdain of college business math was further exacerbated by the “Us vs. Them” battle between “Accounting” and “Finance.” My accounting professors touted the superiority of accounting over finance, selling us on the reliability of a dual-entry system and stressing the foundational importance of accounting in business analysis. Without accounting, no reliable business analysis could occur. Accounting was the foundation. Period.

My finance professors took the polar-opposite view. Sure, accounting was a necessary evil, but accounting focused on everything in the past. Finance focused on the future: in what direction should a business head, how business assets should be allocated and how to apply risk/reward analyses to evaluate long-term business initiatives. The past is the past, but the future is where a difference could be made. And for that reason, finance reigned supreme.

Accounting vs. finance? I didn’t care. I just wanted to do what I had to do to get through the coursework. After all, I’d never need to know this stuff anyway! (As a fun aside, my finance professors insisted that the discipline is never pronounced “fine-ance” but always “fin-ance.” My reaction? Puh leeze!)

After having the opportunity to work in several HR management roles, I came to appreciate how wrong I was to simply dismiss the importance of having a better-than-basic understanding of both disciplines of business mathematics. I came to understand that the bitter rivalry between accounting and finance so imposed on us by college professors wasn’t real. In fact, the relationship between the two disciplines is entirely symbiotic, and a strong understanding in both affords incredible perspective. What was once black and white/dull and boring was now thought-provoking and creative for me, especially having had the benefit of context. I began to crave a depth of understanding beyond the basics, and as a result I was inspired to return to graduate school, concentrating my studies on all things financial. For me, it was then that business finance—the combination of both disciplines—morphed from a science into an art.

I’m sure that some of you are thinking, “Finance is an art? C’mon! Michelangelo’s work, Picasso’s work: theirs was art. How can finance be anything but a science?” Consider the following definitions:

**Science (n)** – the state of knowing; knowledge as distinguished from misunderstanding; something (as a sport or technique) that may be studied or learned like systematized knowledge.1

**Art (n)** – a skill acquired by experience, study or observation; the conscious use of skill and creative imagination.

As I see it, the “science” of business finance is established through the learning and mastery of essential financial functions within our law firms: everything from managing A/R and A/P to processing payroll to preparing financial reports for our partners. But, the “art” of business finance
is when our skill mastery—our “state of knowing”—is taken to the next level; when we apply creativity and ingenuity to devise best practices and innovative solutions for our firms and, by extension, for our clients.

An abundance of articles has been written about the Great Recession and how it has transformed the legal industry. Our clients are savvy and sophisticated and are expecting—nay demanding—their law firms be true business partners, sharing both in risk and reward. The growing popularity of alternative fee arrangements supports this position, as does the increasing influence of corporate procurement managers and corporate procurement teams. These trends have forced law firm financial professionals to push themselves beyond their traditional views of business operations and long-established financial assumptions and instead create new billing and operational protocols that better adapt to and successfully embrace the new norm. In essence, the marketplace is demanding a transition to, or at least a bridge between, the science and art of business finance. Ask anyone who has recently responded to an RFP—many of which are enigmatic and maddening to say the least!—and I’m sure they’d tell you that the end product was the epitome of a conscious use of skill and creativity; it was a work of art.

As noted above, “art” is a skill acquired not only by experience or study, but also by “observation.” As legal administrators, financially-focused or otherwise, it is important that we not forget that we have a full complement of individuals who “observe” our business from unique perspectives: our attorneys, paralegals, law firm manager colleagues, and staff. To that end, I believe it is incumbent upon us to share with each group as much about our firms’ business and financial practices as is practical. As these “observers” increase their understanding of the nuances of our firms’ financial philosophies and practices, they become more engaged in thinking about and promoting the long-term success of our organizations. They become better equipped to help devise creative and innovative business solutions; they become artists as well.

Michelangelo once said, “Every block of stone has a statue inside it and it is the task of the sculptor to discover it.” I can’t help but wonder how each of us, and how each of our firms, will approach our respective blocks of stone and what statues will emerge as a result of our discoveries. 

Deb

1 Source: www.merriam-webster.com
My name is: **Kelly Dillon**

I work for: **DTI**

The company's product or service is: facilities management.

The company has: offices across the country serving many law firms nationally.

**My title is:** Midwest Region Director of Sales.

**Before becoming a business partner to the legal market, I was:** in the office products industry, serving law firms for over 20 years.

**I entered the legal market because:** I enjoy a consultative sale and law firms are very open to better ways to help them practice law.

**I support ALA because:** DTI's focus is the legal vertical; over 90+% of our business are law firm clients. The ALA has been a great partner - not just to DTI, but to me personally.

**To be successful in the legal market, one has to:** build strong relationships and work with potential clients on solutions that will help them at their firms.

**The thing I like best about being a business partner to the legal market is:** the friendships, both personal and professional that I have made.

**The best advice I have received is:** always deliver on your promises and the rest will come.

**The best advice I would give to someone just entering the legal market is:** don't be short sighted; build solid trusting relationships and business success will follow.

**I try to motivate myself and/or my staff by:** always doing what is right, being honest, and selling with integrity.

**Three things I do well are:** build solid relationships, communicate, and as my kids would say, “I am a very supportive mom.”

**While I love my current job, my dream job would be:** a career in broadcasting, would love to anchor on Channel 7!!!

**The last good book I read was:** Dr. Phil's Family First, LOL!!! Love Dr. Phil…Maybe that is why my kids say I am supportive!

**The last good movie I saw was:** not a big movie watcher; I don't have the time to do that much.

**The last vacation I took was:** Florida, with my kids…Clearwater Beach.

**In my free time, I:** love anything with adventure, sky diving, jumping off of cliffs, anything that gives you that rush. But I also love doing anything my kids want to do, and they are adrenalin junkies, too. We recently went zip lining in Minnesota. Yes, you no longer have to go on a tropical vacation to be able to zip line, just go to Minnesota!!
I lost a friend recently. Orla McIvor was not a close friend, but a woman I've known over the years I've been in Chicago. What I've known of her was miniscule compared to the impact she brought to the lives of so many others. When I attended Orla's funeral mass at Old St. Pat's here, I was surrounded by people who loved her deeply, many of whom had worked with her for decades. I was touched by the fact that each of us loses people we know, love and care for in our lives, but it is not often that we can celebrate life as well as we might wish. Our day-to-day existences pull us back into habits, routines, demands of production and expectations of excellence (ours or others) that have us going, going, gone. I came away from Orla's services with a sense of renewing my commitment to myself, to you, to my community to take a breath and bring out in myself more of what a life well lived should embody. These are some of the lessons Orla so generously, if unwittingly, left for others. I know she wouldn't mind if I share them with you.

1. **Keep your wits, but keep your humor with them.** Even in the face of a terminal illness, nothing would keep Orla from finding the humor of the moment and reminding us to share in that. This is all the more difficult the darker and dimmer the prognostications become, but thanks to technology and the amazing generosity of those closest to Orla, even her casual friends and those far away were able to follow Orla's insatiable spirited journey. When I think of her, I see a twinkled eye, an impish grin and hear the next hilarious guffaw about to burst forth. A great legacy has been given.

2. **Bring together a diverse group and find the common bonds.** Orla traveled the world, but she sewed her communal seeds within her law firm and her life across geographies and generations. On the board of a music school, meeting with new recruits, or keeping the conversation going back in Ireland, Orla sought out others. Whatever the theme, Orla could find a note of harmony in it. She always looked for that which united us, not the differences between us and she built from there.

3. **Be diligent and excellent at what you do.** Details, details, details. How many times have we wondered what the point was in making that extra effort to do something you've done repeatedly in your life – welcome a new co-worker, guide a colleague, energize a project, pay a bill? Whether mundane or essential, Orla gave the same consistency to her every effort. Her steadiness in life allowed those of us around her to know that she would give us good advice. When she spoke, others listened. There's a reason for that. She'd done her homework, and probably yours as well. It's a model worth repeating for everyone.

4. **Leave room to keep learning.** Just because you are excellent at something doesn't mean you shouldn't listen to a new way of doing things. Whether you're planning a major event, embarking on a new project, thinking about how to keep up with your competition in a new way or simply setting a new goal for yourself, there's always more to learn. As good as we are in our position, the reality is that the world around us is always changing. Whether it's a new technology or an old adage to remember, keep an open mind. It's all bigger and perhaps simpler than we know.

5. **Be generous.** Give others the benefit of the doubt until you have a reason to think otherwise. Find room in your life to look beyond your own and make way for those that need you. You are larger than you know and your time here may be different than you are planning. Find every opportunity to lend a hand along the way. I think there are many who could speak much more eloquently than I about their friend, Orla McIvor, but I'm writing this because I know she would be the first to say thank you and fare thee well to those she met along way. She just didn't have time enough to do that. It's not often that you meet someone, even casually, who has the magnetism to bring together an office, a firm, a family, a community or two and just let you know that you matter in doing so. That's what Orla did. I will miss her.

By Barbara Morse-Quinn
McDermott, Will & Emery
Webinar Recap

Business Intelligence Through Financial Reporting

By Sue Burdett, Sugar Felsenthal, Grais & Hammer LLP

The ALA webinar for August was held on August 22. It was titled: “Business Intelligence Through Financial Reporting.” The Presenter was Barry Jackson. Mr. Jackson is a proponent of dashboard reporting. Essentially, a dashboard report is a way to visually present critical data in summary form so that you can make quick and effective decisions, in much the same way that a car dashboard works.

Presenting easy to understand and valuable financial information is critical to the success of your firm. Your firm should practice good accounting methods. This is important to your bank, insurance agents, etc. If you are not getting good information, the confidence level in your firm goes down.

Firms also need to decide who gets what information. Your non-equity partners and associates want to feel like they are part of the firm. You have to decide what they should see financially as opposed to equity partners.

Generally, it is recommended that you can show a three-year comparison of the data. This allows you to present a better picture of your firm's financial situation as there may be fluctuations from one year to the next.

Using dashboard graphics, you can show a comparison of many facets of your firm in a concise viewable report. Some of the reporting touched on in the webinar is outlined and explained below:

- **Billable hours** – this shows you how much your timekeepers are producing. By comparing three years, you can spot trends and act on them if need be.
- **Billable hours by timekeeper** – reflects who your producers are and where your weaknesses lie. As this is believed to be the most important statistic, you could almost run the firm with this information alone. Look here for inefficiencies, however. The variances due to vacations, time off, firm time, etc should be kept in mind as you analyze the data. Another good comparison is who is producing the billable hours. Generally, you want to see associates billing more hours than partners.
- **Value worked** – as with the billable hours the value of those hours is an important analytical tool. This will help you determine if you are charging the right rates. Benchmarking is where you compare your financial results to surveyed results. Determining correct billing rates is worth the cost of surveys to find out what you can charge. Rates depend on where you are and what you do. You could find that your partner is billing at the rate of a paralegal in a big firm in high market areas.
- **Fees billed** – the actual money billed vs. value worked is a gauge to make sure that WIP (work in progress) gets processed. You do not want this to sit for too long. It is up to management to make sure WIP gets billed. Comparing this over a three-year period, if your fees decrease, you will see it in the graph and ask why? Are you missing out on an opportunity? If so, what and where?
- **Fees received** – you want to make sure you collect the fees you bill. Using graphs will show you where the weak months are. You can then analyze again using a three-year comparison.
- **Net earnings** – viewing this as a dashboard report you can view the data and compare it to the previous time periods. You will see at a glance the ups and downs of certain times, pick up on trends that may be developing and work them, if positive or improve them, if negative.
• **Cash balance** – future cash flow will usually hit 5 months after your net earnings are reported. For instance, if you have a low month in February, you should be prepared to have it affect your cash flow in July. Seeing this will help you prepare for the lean month. Also, the fluctuations can show how you are managing the firm.

• **AR and WIP** – You want to compare your accounts receivable to see not necessarily if it has gone up or down but where the receivables are going up or down. You want to look at WIP and see what is not getting billed and why. Typically, WIP should not sit unbilled. Any unbilled WIP that is over 120 days should be brought to management’s attention.

Incorporating some or all of these reports can be a very powerful tool for management. It can point out your weak areas, performers or months. On the flip side, the reports highlight improving and/or emerging areas of growth in your firm. The visual of the dashboard approach gives it to you in a comprehensive display.

**Webinar Recap**

**Accounts Receivable**

**Accounts Receivable > 120 days**
<table>
<thead>
<tr>
<th>Event Description</th>
<th>Date</th>
<th>Time</th>
<th>Location</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Webinar: “The Ethics of Email and Social Media”</td>
<td>Nov. 13</td>
<td>1:00 PM – 2:00 PM</td>
<td>Masuda Funai Eifert &amp; Mitchell, Ltd.</td>
<td>203 North LaSalle Street, Suite 2500</td>
</tr>
<tr>
<td>Joint Small/Mid-Size Meeting</td>
<td>Nov. 14</td>
<td>12:00 PM – 1:00 PM</td>
<td>SmithAmundsen LLC</td>
<td>150 North Michigan Ave., Suite 3300</td>
</tr>
<tr>
<td>Bi-Monthly Meeting: “Behind the Scenes to MCLE Rules”</td>
<td>Nov. 19</td>
<td>11:30 AM – 1:15 PM</td>
<td>The Standard Club</td>
<td>320 South Plymouth Court</td>
</tr>
<tr>
<td>Brown Bag – Topic TBD</td>
<td>Dec. 3</td>
<td>12:00 PM – 1:00 PM</td>
<td>Location TBD</td>
<td></td>
</tr>
<tr>
<td>Holiday Party</td>
<td>Dec. 4</td>
<td>5:30 PM – 7:30 PM</td>
<td>Location TBD</td>
<td></td>
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<td>Mid-Size Firm Meeting</td>
<td>Dec. 19</td>
<td>12:00 PM – 1:00 PM</td>
<td>Dykema</td>
<td>10 South Wacker Drive, Suite 2300</td>
</tr>
<tr>
<td>Small Firm Meeting</td>
<td>Jan. 8</td>
<td>12:00 PM – 1:00 PM</td>
<td>Location: TBD</td>
<td></td>
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<td>Mid-Size Firm Meeting</td>
<td>Jan. 16</td>
<td>12:00 PM – 1:00 PM</td>
<td>Horwood Marcus &amp; Berk Chtd.</td>
<td>500 West Madison Street, Suite 3700</td>
</tr>
<tr>
<td>Bi-Monthly Meeting: Topic TBD</td>
<td>Jan. 21</td>
<td>11:30 AM – 1:15 PM</td>
<td>The Standard Club</td>
<td>320 South Plymouth Court</td>
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Your connection to knowledge, resources and networking
The Greater Chicago Chapter of the ALA hosted its own Educational Conference & Business Partner Expo on Friday, September 13, at the Fairmont Hotel. I was very fortunate to be able to attend as the lucky recipient of a scholarship from the Greater Chicago Chapter. It was a busy day catching up with colleagues and business partners between the excellent educational and motivational sessions.

An entertaining opening keynote speech by Bob Crumley started the conference off on a positive note. His energetic discussion of his three simple rules of success also provided a useful framework for synthesizing the information provided throughout the rest of the day. Bob's book, See the End First, was a useful reminder of how important it is to first figure out what we want out of life and to then make sure we take the steps necessary to get us there. I found his rule #2 especially compelling: consistent competency is better than erratic excellence; and so relevant to my life, both personal and professional. Bob's simple rules played in my head throughout the rest of the day.

The next session I attended was the HR update by Arthur Sternberg. The “hot button” issue of this session was the upcoming City of Chicago conceal and carry law. Many of us were surprised to discover that only property owners are allowed to post signs disallowing firearms in our workplaces. Those firms, like mine, that are only tenants cannot enforce our own prohibitions. I think many administrators will be very interested in how BOMA will address the conceal and carry law in the upcoming months with building arrangement.

After lunch, I attended Dr. Reeves' compelling discussion of the why and how of diversity and inclusion in the 21st century. Even in the tough post-lunch slot, I think Dr. Reeves' message drew us in, and she made a compelling argument that our firms must move from diversity to inclusion to stay competitive in the evolving corporate landscape. She illustrated her points with examples from corporate America and even described the U.S. intelligence failure before 9/11 in terms of diversity vs. inclusion. Unlike other discussions I heard on this subject, I felt that Dr. Reeves gave us more concrete examples of how important this paradigm is to our firms.

Steve Gilliland finished the conference part of the day with his uplifting discussion about making a difference. His stories of living with purpose and passion and how important it is to pay it forward was a motivating way to end the conference. It was a positive message to take with us as we were then off to socialize with our business partners and colleagues.

It was evident a lot of time and effort went into the conference, and I felt fortunate to be able to attend. The speakers and topics were on-point and I actually came away from the conference with some action items to put in place. I'm very much looking forward to the next one!

The GCC ALA want to thank you for the generous donations made to the School Supply Drive at last month's Educational Conference. We appreciate the donations and it will surely help many students in need this school year. Please express our appreciation to your firms and businesses who contributed in a big way, especially Fred Webber and the employees of Chapman and Cutler, who donated approximately $1,200 of the $1,650 cash donation and sent us approximately nine boxes of donated school supplies. It was an unbelievable effort from the folks at Chapman and Cutler.

Taken from the words of our Chapter President, “We are absolutely, positively blown away by the incredible support that we have received for this project.”
Budget Planning for 2014

By: Jane Brinkworth, Burke, Warren, MacKay & Serritella, P.C.

Budget season is upon us. It’s time to polish your crystal ball and collect your historical data. Many people look forward to budgeting in the same way they look forward to a root canal, but it doesn’t have to be that painful.

Before you start cranking out numbers, you need to determine if the firm’s strategic plans will impact your future revenue and expenses. Are your billing rates changing, are you looking to expand your attorney count, are you planning a move, a special project or technology upgrade?

You can prepare your budget by either using historical data or zero-based budgeting. Approximately 75% of expenses, other than partner compensation, are made up of the following categories and lend themselves to the zero-based approach:

- Salaries
- Payroll Taxes
- Benefits
- Professional Liability Insurance
- Rent
- Depreciation
- Westlaw/Lexis

If you can nail these expenses, you are well on your way.

Let’s start with Salaries. You should break out your salary budget by class—Non-Equity Partners, Associates, Paralegals, Secretaries, Administration, and Other Support Staff. It is important to budget by class so that you may quickly identify the cause of any budget variance. Some firms have guidelines for attorney increases such as hours worked, years of practice or client origination. Look to firm management for guidance regarding percentage increases for non-attorneys. You do not need to look at each employee individually when you do the budget. Establish an average percentage increase and do the allocation at review time. The same would apply for bonuses.

Salaries and Payroll Taxes go hand in hand. FICA (which stands for Federal Insurance Contributions Act), has two components — Social Security and Medicare. Social Security tax is 6.2% of compensation up to a maximum of $113,700. This amount may change for 2014. The cap will be announced in mid-October. There is no wage base limit for Medicare tax. It is 1.45% of compensation. FUTA is .6% of the first $7,000 of compensation. SUTA is based upon the first $12,900 in compensation. The percentage varies based upon your firm’s unemployment experience. You should receive your notice informing you of your percentage from the State of Illinois in mid-December.

As for Benefits, unless you have just had your renewal, with the upcoming changes in Healthcare, estimating benefit premiums can require a pretty powerful crystal ball. Reach out to your broker to see what the trend has been with firms your size with similar benefit packages. You can take your current enrollment and apply the projected premiums on an individual basis to arrive at the total premium. Life and dental premiums have been holding pretty steady, so apply the current premiums to your enrollment. If you have any type of gift or match with your 401(k), you will need to budget that benefit as well. Again, do this on current population.

Professional Liability Insurance premiums are driven by coverage, claims experience and number of attorneys. Your insurance broker should provide you with industry trends which you can apply to your attorney population.

Rent is composed of Base Rent plus your share of Real Estate and Operating expenses. Your Base Rent can be obtained from your lease. Your landlord may be able to provide you with their budget for Real Estate and
Operating Expenses, but it is more common to have an annual reconciliation where you will either receive a credit (for Real Estate Taxes) or a bill (for Operating Expenses). If you were back billed in your prior reconciliation, you should budget the same increase. Don’t count on receiving a Real Estate credit every year.

Depreciation is based upon the type of asset. You should have a depreciation schedule that shows your prior purchases and amounts to be depreciated in the coming year. Be sure to add in one-half year’s depreciation for projected purchases in the budget year.

Hopefully, you have a contract for Westlaw/Lexis so that should be an easy budget item. Of course, you will always have an occasional search outside of contract so be sure to add a little padding for that.

So now we have covered 75% of your expense budget. That wasn’t so bad, was it?

Now comes time to address the expenses that cannot be zero-based and must rely on historical data. These include such items as Office Supplies, Office Repairs and Maintenance, Photocopy Expense, Telephone, and Social Events, to name a few. While there are certainly some big ticket items that can be quantified within these categories, the balance of the total expense would be budgeted at a percentage increase over the prior year. But be sure that the prior year was a typical year. Review your General Ledger detail reports to determine what your spending trends are. Chances are the proposed postal increase will be passed, so be sure to account for that added cost.

Now that you have covered the more predictable budget items, Expenses, you venture into the territory of the great unknown -- Revenue. There are several methods which can be utilized in projecting Revenue, none of which are perfect. One method is to project hours by attorney at the current rates, then adjust the total by your realization rate. Another would be to take the prior year figures, adjust for known deviations, and apply the average percentage increase in rates. Another would be to poll the individual billing attorneys for their projections for their books of business, and then apply a reality test. Years ago I had a partner project that his revenues would equal the prior year’s. Given that I knew he had just settled a case that comprised 80% of his revenue, I questioned his projection. His response was that if he told the truth, people would know he had no business. You will probably end up using a combination of the above methods.

Now comes the real challenge. You have your revenue projection, you have your expense projection and you must do the math. Do your revenues less your expenses give you the desired income level for partners? Most likely you will have a contact partner(s) to run the numbers past. And even more likely, you will be asked to review the numbers to make sure your revenue numbers are solid and your expenses have no pork. You may have several revisions before you get to your final budget. And you will breathe a sigh of relief that you are finally done! Not exactly. You just finalized your ANNUAL budget; you now have to allocate the amounts by month. Hopefully, as you collected your data you kept track of when the expenses will occur. It is necessary to allocate the expenses by month so that you can track your performance against budget throughout the year. It is next to impossible to accurately predict the timing of revenue collection so stick to allocating ratability throughout the year. You can compare the value of time being put on the books each month to the monthly budget to determine if you are putting enough in the pipeline to attain your revenue goals.

As you run your financials throughout the year, you will most certainly have variances from budget. What you need to consider is whether you allocated expenses to the wrong month or whether you just budgeted the wrong amount.

Keep in mind that a budget is a tool. It is not the last word on expenses. You may have a situation arise where you face an expenditure that is not budgeted, but it is a necessary expense. On the other hand, you may have someone propose an expense that is unnecessary and a poor use of the firm’s money. Rather than get into a debate over the wisdom of the expense you can simply say: "Sorry, that's not in the budget."
Managing Financial Documents in the Legal Industry

By: Frank DeGeorge, Strategic Services at Impact Networking, LLC

**Challenges All Legal Firms Realize:**
One challenge many law firms face is the efficient and effective management and distribution of key documents. These key documents go well beyond just case files. Vital to the effectiveness of any law firm is the efficiency of its back office. In most cases, law firms have invested in systems to manage case files, but there usually is little room in those systems for the financial and operational documents it takes to run a firm.

**Solution:** A complete document strategy. A document strategy considers the impact of documents for all areas of your firm. The goal is to make your firm more efficient while utilizing current investments. Typically, Impact's assessment begins by holistically analyzing the workplace environment: we evaluate current archival and retrieval processes, the financial impact of documents for your firm and performance of current hardware and software investments, including case management software, cost recovery, accounting software, etc. After evaluation we will recommend solutions that would reduce expenses, make employees more productive, and allow for the quicker retrieval of information while taking into consideration specific challenges, current investments, and future investments.

**Knowledge at Your Fingertips…**
With a document strategy, all your documents will be readily available. Firms of various sizes can take advantage of document automation as it relates to AP processing and approval, report processing, cost recovery integration, etc. Newer technology can also help assist in e-discovery across multiple file repositories.

Document Management software can also help control the flow of vital information through the office as well as reduce expenses, minimize the amount of hard copy document duplication, manage information as it relates to specific clients, and control costs related to the output and creation of hard copy documents. Having a document strategy for your organization can help save hundreds to thousands of dollars depending on the size of your firm, allowing you to save money on copiers, paper, file folders, binders, offsite storage and other document-related expenses.

**Case Study**
**The Challenge:**
A firm recently invested in a client matter system to manage expenses, information for hearings, and calendars; and to organize documents by customer/case. The process of inputting new client documents into the system, both electronic and hard copy, was extremely integrated and efficient. On the other hand, all the business-related documents (accounting, invoicing, AP, HR, etc.) were all kept in traditional methods. Their case management application did not have the capability to store documents not directly related to a client/matter.

**The Solution:**
Impact needed to design a system that would maximize current investments, but also allow for the management of general business and office-related documents. Utilizing the investment in scanning hardware and middleware capture software, Impact integrated a back end that was specifically designed to manage the business records.

**The Result:**
The firm can now use document management across the enterprise to speed up back office operations. AP invoice approvals, expense reports, invoicing, etc. is now all captured in a central business record system.

**Solution Concept:**
- Convert hard-copy documents to electronic;
- Electronically file documents automatically;
- Create a central repository for all documents to be electronically matched and filed;
- Eliminate redundant copying, faxing, printing, and filing;
- Consolidate hard costs and minimize labor costs associated with handling hard copy;
- Provide disaster recovery for documents previously stored

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**About Impact Networking, LLC**
Impact will help to seamlessly convert your firm’s sensitive legal documents into digital searchable forms stored in one secure location through our Document Impact Assessment. Our systems engineers provide the technical expertise necessary to integrate new systems with any existing IT infrastructure. We use only world-class technology, insisting on best-of-breed quality and employing high-powered production, color and wide-format scanners.

Impact leads in the Document Management industry as a DocuWare Platinum Partner and is one of only 11 companies in North and South America to receive Platinum level status.

For more information please call Frank DeGeorge at (847) 404-8878 or visit: www.impactnetworking.com/DocumentManagement/
MY 2013 GREATER CHICAGO CHAPTER EDUCATIONAL CONFERENCE EXPERIENCE

By: Jeanne Wehrheim, Lowis & Gellen

I was fortunate to win a scholarship to the 2013 Educational Conference & Business Partner Expo. The venue was elegant and inviting as were all of my ALA brothers and sisters. The sessions, as well as business partner booths, were informational as well as enjoyable. I very much enjoyed Patrick Cunningham’s presentation entitled “From Records Management to Information Governance.” I was expecting a discussion of off-site storage and retention policies. While these were touched upon, the session was much more informative than I could have imagined. Patrick spoke in depth about electronic records -- how we retain them and protect them or not. I learned a lot about how vulnerable our records, and more importantly, our clients’ records can be. He detailed an upcoming trend where clients are demanding their attorneys (and others who work with their information) to complete a finely-detailed questionnaire regarding security measures in place to protect their information. It was eye-opening enough that I went back to the office and immediately met with our IT and Records people to discuss weaknesses and what we need to do to eliminate them and prepare for inquiries from our clients. Thank you ALA for another enlightening day.

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As a person with a deep understanding of both superheroes and Legal Process Outsourcing (“LPO”), I can’t help but notice correlations between these seemingly separate worlds. First, conversations about either will quickly end any romantic dinner, and second, we may be witnessing the rise of the LPO and technology powered “Super Lawyer.” These lawyers are battling the villainy of impossible workloads, constant distraction, unnecessary stress, and unfathomable boredom (every associate’s Super Villain) while achieving better results for their clients.

Origins

The legal industry -- playing catch-up with the rest of the modern economy -- is changing at a tremendous rate due to the powerful and combined effects of technology and globalization. Certainly, the mainstream legal media has hammered home the now-familiar story of the disruptive impacts these trends have had on the traditional pyramid at Big Law. From our perspective here at Pangea3 (the leading provider of LPO services with nearly 1,000 lawyers globally), we see an altogether more positive trend emerging: the empowerment of pioneering lawyers and forward-thinking law firms able to single-handedly complete tasks never before possible and buck industry trends.

The American obsession with superheroes stems from their super-abilities, which allow them to alter reality as we once knew it and achieve ends we mere mortals could only dream of. The Super Lawyer is doing the impossible -- handling insurmountable workloads and lowering the total cost of representation, all while increasing quality and improving overall profitability and margins.

The rise of the Super Lawyer has a host of benefits for law firms, too. First, Super Lawyers are able to spend their time on the most complex, outcome determinative work allowing them to achieve better results for their clients. Second, clients (and associates) tend to stick around, proud to be served by forward-thinking lawyers who spend their time getting results, and not spinning their wheels. Finally, and perhaps most importantly (if you are a member of the firm), firms with Super Lawyers can be more competitive, winning new clients and becoming more profitable on work with existing clients (fulfilling the $uper creed of, “Truth, Justice and the American Way”).

Super Speed and Efficiency

To understand the secret to the Super Lawyer’s super speed and efficiency, I’ll borrow a term beloved by our finance friends – leverage. LPO gives Super Lawyers virtually unlimited leverage, with no overhead, to out-lawyer the competition without running up bills that Bruce Wayne would balk at.

While the mortal associate has to personally oversee all aspects of fact finding -- often reinventing the wheel to design proper workflows, and working with
a revolving door of expensive temporary attorneys who lack process training or skin in the game -- Super Lawyers in the know can leverage a high quality managed LPO provider, who uses technology and TAR to everyone's advantage. Now, admittedly, they will need to do some training to achieve this power -- vetting the right LPO and training their team and carefully calibrating the team's understanding of the facts. But once they achieve a proper meeting of the minds and the training is complete, the work will be accomplished efficiently, accurately and cost effectively.

I have personally witnessed a single Super Lawyer, working on a modest budget, leverage global expertise to quickly master facts in a case with hundreds of thousands of pieces of evidence. Moreover, he was able to make sense of those facts and simultaneously explore factual defense theories from a single windowless office. In the meantime, he was able to focus his Super Mind on the highest-level and most pressing legal and procedural issues.

Finally, a high quality LPO will grant the Super Lawyer an array of powerful quality-control tools far outside of the training provided by even top law schools (or law firms). In the end, Super Lawyers will be left with the time and budget to digest key evidence needed to win — and all without busting the client's budget. It ain't the Bat-belt, but it ain't bad either.

**Sticking Like Spiderman**

In the past few years, firms have struggled to retain cost-conscious clients, and to prevent the disenchanted junior lawyers from walking through the rapidly revolving door of talent. More and more, as serial litigants of the world change the status quo (according to survey results published in Law Practice Today, 58% of respondents said their procurement departments have been "involved in the purchasing of legal services for three or more years"), client retention has emerged as a key issue. Enter the elusive "Super Firm."

On a macro level, law firms (as opposed to individual partners) are only beginning to embrace the value of institutionalizing work with legal outsourcing providers. To us, it is clear that in the future, law firms that have vetted the LPO market and chosen the right partners to bring their clients innovative, faster, and cheaper solutions will be the law firms clients retain and view as trusted advisors.

So far, despite the benefits of working with LPOs, only 29% of firms use legal outsourcing to offer clients innovative solutions (according to the 2013 Hildebrandt/Citi client advisory study). In our experience, even this 29% is misleading -- we've seen very few officially announced strategic LPO/law firm partnerships and believe that this 29% reflects a handful of Super Lawyers within major law firms leveraging this power.

In our view, these partnerships will become more prevalent, and will allow top firms to signal to the marketplace in a loud and clear voice that by retaining them, you will be paying only for their unique legal expertise and advocacy skills . . . not to have your evidence reviewed by expensive temporary help. Simultaneously, these firms signal to their current associates (as well as the prospective associates they compete for at the nation's top law schools) that a career at a Super Firm will not revolve around years of inefficient document review. Instead, junior associates know that at this Super Firm they will be able to quickly develop higher value skills, hastening their track to Super Lawyer-dom.

In short, a Super Firm that brings a legal outsourcing partnership to its clients will be super sticky -- to its clients, to its current associates and to its future prospects.

**The Midas Touch**

Finally, the Super Lawyers/Firms that strategically partner with legal outsourcing companies have figured out that when utilized correctly these partnerships contribute to their bottom line.

First, partnering with an LPO provider can be a competitive advantage in attracting new clients. The Altman Weil 2013 "Law Firms in Transition" survey found that a whopping 95.6% of firms are facing increased price competition (and perhaps 4.4% percent facing issues with their noses growing?).
While some firms will respond by discounting their fees, Super Firms get creative pairing alternative fee arrangements with legal outsourcing, and advanced technology to win the business at their original rates.

The same survey revealed that law firms are adjusting their pricing strategy by integrating fixed rates for commoditized legal work. Whenever a fixed-fee arrangement is involved, it pays for the law firm to be as efficient as possible as long as there is no sacrifice in quality. In alternative fee arrangements (contingency cases or fixed-fee fee engagements) and third-party payer scenarios, utilizing the services of a low priced legal outsourcing provider enables law firms to enhance margins and competitively outbid others firms for new work.

By pairing an LPO provider and the most recent technologies to offer lower pricing for the document review portion of litigation, firms are able to decrease the total cost of representation, while maintaining the quality clients expect from their trusted outside counsel. With the same tools, the individual lawyer is able to maximize time spent on important legal issues, not just document review.

We lawyers are notorious for the slow pace at which we embrace change, but the ascendancy of the Super Lawyer bundles provides benefits to firms and individuals that can’t be ignored. For my money, just watch. It’s a bird, it’s a plane, it’s Super Lawyer – coming soon to a law firm near you.

Joseph Borstein, Esq. serves as Director of Litigation Solutions in the New York office of Pangea3, a Thomson Reuters business. As a seasoned U.S. litigator, Joe has extensive legal and analytical experience, which includes managing the collection, review and production of electronically stored information. Prior to joining Pangea3, Joe practiced law at Kasowitz, Benson, Torres & Friedman LLP, where he managed complex litigation in federal, state and administrative courts.
Membership Recap

Benefits of Membership Program Recap
By: Jane Klenck

On Wednesday, August 21st, the Greater Chicago Chapter held a Benefits of Membership Program to provide information to new members, as well as to serve as a refresher for more veteran members, of the valuable benefits the Chapter offers its membership. Hosted by Patsy Carey of Stamos & Trucco LLP, this session featured presentations on educational offerings and resources available to members, networking and leadership opportunities, and ways of becoming more involved in the Chapter.

Patsy Carey opened the program with a discussion of the various chapter meetings held monthly and bi-monthly, as well as the chapter, regional, and national conferences offered each year. Jane Klenck discussed the National specialty conferences such as Essential Competencies and Law Firm Financial Management Conferences, and spoke of the scholarship opportunities available. Jane and Patsy, both members of the Chapter Newsletter Committee, distributed samples of the Newsletter and discussed the process of putting out the bi-monthly publication. Past President Sally Mendoza gave an overview of the CLM program and the examination process.

In the second portion of the program, Chapter President Deborah O’Donnell explained the resources available to Chapter members, including the Listservs, the Benefits & Compensation Survey, and both the Chapter and National Web Sites. She navigated through both web sites, pointing out the various features and resources which each site offers, including the membership directories, job and resume banks, calendars, business partner information, Legal Management Resource Center, reference desk, and peer consulting database.

Business Partner Relations Director Laura Thompson Sears discussed the networking opportunities hosted by the Chapter, including Members Only parties, the Law Firm Leaders Breakfast, Casino Night, and Business Partner Appreciation events. She also spoke about the Chapter’s business partner relationships and how valuable they are to members in sponsoring Chapter events and keeping members apprised of their latest products and services.

To conclude the program, Past Presidents Carol McCallum and Sally Mendoza described the leadership opportunities available through ALA on the chapter, regional, and national levels, and covered the committee involvement open to members, including the Newsletter Committee, Conference Planning Committee, Community Event Committee, and Casino Night Committee. Following a Feedback and Q&A session, Deb O’Donnell announced a surprise drawing for a scholarship to the September 13th Chapter Educational Conference. The lucky winner was Julie McCormack.
In the current economy, it is more important than ever for employers to understand what unemployment benefits are available to former employees, what actions can disqualify a former employee from receiving these benefits and how to navigate through an unemployment insurance claim once it is filed. Probably the most important reason why employers need to know this is because the premium a company pays for unemployment insurance is based largely in part on how many successful unemployment claims are filed against the company. Once you know how and why a former employee who is otherwise “eligible” for unemployment benefits can subsequently be deemed disqualified from receiving such benefits, you’ll spend less staff time and pay fewer legal fees figuring out your defense to an unemployment claim. Here are ten things you need to know about unemployment insurance claims in Illinois:

1. Generally, a person needs to be “unemployed” in order to be eligible for unemployment benefits, but not always. If one of your former employees gets another job after his involuntary separation from your company, and that other job is part-time, he could be classified as “underemployed.” “Underemployed” means that the employee’s part-time wages are less than the weekly unemployment benefits he was receiving after leaving your company. Under those circumstances, that former employee could continue to collect unemployment benefits at a reduced amount, offset by his part-time wages.

2. Once an employee has worked for a company for 30 days, that company is considered the “chargeable employer,” and it will be responsible for paying unemployment benefits should the employee be deemed eligible and there are no disqualifying provisions. The 30 days do not have to be consecutive.

So, if you hire a seasonal worker for 15 days only, and then hire him back a few months later for another 15 days, you are the chargeable employer—even if he worked for multiple employers (for less than 30 days) between his stints with you.

3. It is not always the case that an employee who voluntarily leaves is ineligible to collect unemployment benefits. If the employee quits because your organization dramatically changed working hours or locations, unemployment insurance officials could characterize the termination to be “employer-caused discharge” and award unemployment benefits.

4. An underperformer who gets fired for showing up late or falling short of expectations could successfully argue that he did his best and did not deliberately let the organization down. Unless a supervisor can establish that the employee was intentionally doing a bad job, that worker is likely to be eligible for unemployment benefits. To avoid this problem, you should never characterize conduct that resulted in the termination as just “poor performance.” Be as specific as possible when describing the conduct that ultimately led to the termination and always explain why you believe the employee intended to engage in the conduct; otherwise, the employee may be awarded with unemployment benefits.
5. Likewise, document everything and make sure to issue warnings. This is extremely important because it is much easier to demonstrate that an employee deliberately engaged in misconduct if you can show that the employee ignored repeated warnings.

6. The last incident that led to the termination is really the conduct that the unemployment insurance officials care about. In making their assessment, all they want to know is what happened on the day of the termination. So, if you fire someone, do it on the day she deliberately violates a policy or willfully ignores her job duties, not because the employee committed a minor infraction that served as the last straw.

7. Putting your company's policies in writing and distributing them to all employees can help you establish that an employee knew the company's rules and willfully violated them. If not already included, the employee handbook should list specific breeches of conduct and assign penalties that include possible dismissal—and enforce the policies uniformly. And, make sure all employees sign an acknowledgement that they received and read the handbook, along with any revisions to specific policies.

8. Unemployment officials want to hear from the supervisor who witnessed the former employee’s misbehavior—not from the head of HR, who probably heard about it second-hand. So send the manager to all hearings—in person and on the phone. If it’s a close call, the officials are likely to give the employee the benefit of the doubt. Arm your company’s representative with documentation and specifics.

9. Labeling someone who works on site, at hours prescribed by the business and on projects assigned by a supervisor as an “independent contractor” probably won't fool an unemployment official who is determining the person’s eligibility for benefits. In fact, mislabeling could trigger an audit and result in a costly determination and assessment. A worker has to be an employee to qualify for unemployment benefits. That’s decided by when, where and how a person works, not what you call them. So, make sure your company properly classifies the people who work for your organization as “employees” or “independent contractors.”

10. Unemployment rules and laws can vary from state to state, and they’re full of nuances that don’t become obvious until a former employee files a claim or your organization contests one. So make yourself aware of those nuances. Therefore, if your company operates in multiple states, know the differences in unemployment insurance law from location to location.

Scott Cruz is a partner at the labor and employment law firm of Franczek Radelet P.C. in Chicago, Illinois (www.franczek.com). You can contact Scott at (312) 786-6570 or at sc@franczek.com.
Autumn “Welcome to Our Home” Ideas

1. Door wreaths welcome all to your home and set the stage for celebrating. Make a simple wreath to hang on your front door with Thanksgiving colors—brown, russet, olive green. Use tree branches from your garden; attach a few gourds, nuts, and ribbons. Holiday decorating isn’t just for Christmas!
2. Place a gorgeous mum by your front door. You can plant it later and get flowers next Thanksgiving to use inside. It takes just one bright spot near your front door to attract the eye of arriving guests.
3. Wrap your front door with gift wrap appropriate to Thanksgiving.
4. Make a “welcome to our home” banner. Add autumn-colored ribbons and fall leaves.
5. Group vines, pumpkins, and mums for display impact near the front entrance. Adjust the vines to add height and movement.

Fall Leaves make great interior and exterior decorations. Be sure to hose off any bugs!

Safety Tip: Keep leaves separated from melting candle wax.

Interior Decorating Tips
1. Tie ribbons around your candle bases and around your floral arrangements.
2. Set fall-color leaves under your decorations.
3. Extend your flower arrangements with fall tree branches. Just one flower package makes a huge impact when you divide and spread it around.
4. Use copper, bronze, and gold spray paint to dress up plain gourds. Fill a glass or crystal bowl with the gourds, oranges, pomegranates, and nuts.
5. Display vegetables and mini pumpkins on a tray. Fill in any gaps with fall leaves, moss, straw, or wheat.
6. If orange clashes with your home’s interior, use green apples and gourds instead of mini-pumpkins.
7. Did I already say leaves? Here’s another way to add fall color: Place the leaves in your green potted-plants.

One beautiful way to kick off your holiday season: Wrap tiny gifts in gold foil; top off with brown and russet ribbons, and place the gifts on the dinner plate. Your table will look fabulous and your guests will love the thought.

Happy Thanksgiving!

HOLIDAY PARTY IDEAS:
- Bowling Party (Lucky Strike)
- Hard Rock Café
- Waldorf Astoria
- Spa event
- Casino Night
- Participate in a charitable event, such as volunteering at a soup kitchen or Greater Chicago Food Depository
- Riva’s on Navy Pier
- The Metropolitan Club
- Tour the Chicago Theater

HOLIDAY PARTY ACTIVITIES/GIFT IDEAS:
- Price is Right game
- Jeopardy game
- Name That Tune game
- Two Truths and a Lie game
- Baby Picture game
- Santa “roasts” each employee
- Identify Name on your Back game
- Fill centerpieces with candy and have each table guess how many pieces; winner takes home the centerpiece
- Use Federal Express and credit card rewards points to purchase gifts for employees
Cook’s Corner:

Baked Oatmeal

INGREDIENTS
• 3 tablespoons unsalted butter, melted and cooled slightly, plus more for coating baking dish
• 2 cups old-fashioned rolled oats
• 1/2 cup walnuts or almonds, toasted and chopped
• 1/3 cup fine-grain natural cane sugar
• 1 teaspoon aluminum-free baking powder
• 1 1/2 teaspoons ground cinnamon
• 1/2 teaspoon fine-grain sea salt
• 2 cups milk
• 1 large egg
• 2 teaspoons pure vanilla extract
• 2 ripe bananas, cut into 1/2-inch slices
• 1 1/2 cups huckleberries, blueberries, or mixed berries
• Maple syrup, for drizzling

DIRECTIONS
1. Preheat oven to 375 degrees. Butter an 8-inch square baking dish.
2. Combine the oats, half the nuts, sugar, baking powder, cinnamon, and salt in a bowl. In another bowl, whisk the milk, egg, half the butter, and the vanilla.
3. Arrange bananas in a single layer on the bottom of the coated baking dish. Sprinkle with two-thirds of the berries, then cover with the oat mixture. Slowly drizzle milk mixture over the oats. Gently tap dish on a work surface to distribute liquid. Scatter remaining berries and nuts across the top.
4. Bake for 35 to 40 minutes, until the top is nicely golden and the oat mixture has set. Let cool slightly. Drizzle with remaining melted butter and maple syrup.
TOP TAKEAWAYS FROM THE 2013 LAW FIRM FINANCIAL MANAGEMENT CONFERENCE

By: Michael P. Motyka, Butler Rubin Saltarelli & Boyd LLP

The ALA held the 2013 Law Firm Financial Management Conference in Los Angeles, August 22-24. The impressive lineup of speakers included our own Alan Goldman of Barack Ferrazzano, Angela Hickey of Levenfeld Pearlstein, and John Podbielski of Ungaretti & Harris.

The conference opened with a keynote presentation on Law Firm Economic Trends by Mark Medice of Thomson Reuters’ Peer Monitor. Mark noted that 2013 has been weaker than 2012 for the legal industry as a whole. Mid-size and small-market firms appear to be getting hit particularly hard, especially full-service firms. Interestingly, these were the types of firms who fared best in 2012. This year’s bright spots are firms at the top of the AmLaw 100 as well as boutique (single practice area) firms. The recent trend toward steeper discounts on billing rates continues across the board. Mark also explained that Peer Monitor has identified some trends associated with top performing firms in all market segments. Most notably, top performing firms are raising their billing rates more aggressively than their peers while also discounting more steeply. These firms are also investing more in their operations, and focusing on improving the quality as well as the efficiency of their physical office space.

After the keynote address, the conference proceeded with 24 sessions scheduled on three tracks. Here are just a few of the highlights.

Kevin Ellison of Grant Thorton LLP spoke about Buying Large Scale Software Systems. He emphasized that law firms must be disciplined and focused when defining their needs before purchasing any system, software or product. This must be done before you begin negotiations with vendors, and includes preparing a comprehensive RFP that accurately reflects your work flow requirements. Later, after you have selected a vendor, their response to the RFP can become an addendum to their contract, and be used to hold the vendor accountable for the representations they made during their sales efforts.

Ron Seigneur of the Colorado accounting firm Seigneur Gustafson LLP presented a Tax Update, including a wide-ranging discussion of the potential implications of the Affordable Care Act. For example, Ron noted it is not yet clear who would be responsible to pay the ACA Reinsurance Fees for independent contractors. This fee is scheduled to roll out in 2014. Ron also discussed the status of tax policy debates in Washington, and noted that a quiet consensus appears to be emerging across the partisan divide that corporate tax rates will be lowered in the near future.

Michael Moore of Moore’s Law spoke about Best Practices for Hiring & Integrating Lateral Partners. Michael pointed out that over 90% of firms indicate they are pursuing a strategy of growth through acquiring lateral partners; yet only 28% of firms report that lateral partner hiring has been an effective strategy in the past. In order to overcome this poor track record, firms should adhere to best practices in their recruiting process. First, law firms must perform a needs assessment in order to clearly articulate their candidate criteria. Next, when identifying candidates, firms must engage in extensive due diligence. Will the candidate fit our firm culture? Will they really be able to bring their clients with them? This can be challenging to answer, as ethical rules prohibit talking to a candidate’s clients about transferring to a new firm before notifying the old firm. Michael warns that the due diligence step is where lateral hiring often goes awry. Many firms tend to take a candidate’s representations about the size and portability of their book of business on faith, only to be burned later when the business never materializes. Law firms must ask the candidate hard questions about each client to uncover any hidden barriers to bringing them to their new firm. How long have they been a client of the old firm? What other relationships exist between...
the old firm and the client? Who else at the old firm
performs work for this client? Does our firm have all
the expertise and resources required to service this
client? In the end, firms must be prepared for a long
process. Avoid the temptation to rush or cut corners,
as it can do real and long-lasting damage to your firm.

Angela Hickey, Executive Director at Levenfeld
Pearlstein LLC in Chicago, James Perkins, COO at
Procopio Cory Hargreaves & Savitch LLP in San Diego,
and Carolyn Smallwood, CFO at Ezra Brutzkus Gubner
LLP in Los Angeles, participated in a panel discussion
on Change Management. Angie described how she
rolled out a customized dashboard reporting system
at her firm. In designing the dashboard, she focused
on creating a system that would inform attorneys
for future actions and decisions. Among her lessons
learned, Angie noted that the first step for driving
any process improvement is to develop a vision of
what you need. Only then should you search for
and identify the technology that meets that need.
Be prepared to change your vision as you engage in
discussions and interviews with people at your firm.
Carolyn discussed the implementation of a paperless
pre-bill system at her firm. She emphasized the
importance of offering more than one way to do
things, since you frequently cannot get all the
attorneys to do it the same way. Jim described
how he rolled out TimeBuilder, an automated time-
entry application. He provided individual, desk-
side training for the attorneys, which was the key
to reaching a 75% adoption rate of the new system
across his firm. The resulting increased revenues
achieved a complete return on investment within a
few months. Jim noted that 60% to 65% of law firm
expense is people, so making them all the most
efficient and productive they can be is essential for
long term sustainability and survival.

Frederick Esposito, Director of Administration and
CFO at Meyer Suozzi English & Klein, PC, in New
York, led a presentation on Electronic Billing, along
with panelists Jean Jewell, Director of Administration
at Kelley Drye & Warren LLP in Los Angeles, and
Craig Hartsuyker, National Litigation Quality Manager
at Farmers Insurance in California. The discussion
focused on how law firms can best align themselves
with clients’ increasing emphasis on efficient delivery
of legal services. Clients are frustrated that most
law firms do not do an effective job of mining and
analyzing their own internal data to find ways to drive
down costs. Many are turning to tools like electronic
billing systems to force law firms to improve their
efficiency. Those law firms who show initiative,
seizing the opportunity to demonstrate to a client that
they have effective internal processes to manage costs,
can often rise to the top of that client’s list of outside
law firms.

During one of the Business Partner presentations,
representatives from Cushman & Wakefield discussed
the results of their recent law firm survey, and
identified emerging trends in the law firm real
estate markets. For most firms, occupancy expense
accounts for about 6% to 8% of their overall spending,
Cushman & Wakefield projects that this will be driven
down to about 4% or 5% in the next few years. Many
firms are shedding space and renegotiating leases.
Some firms are aggressively reducing their core space
by moving to buildings with floor plans smaller than
20,000 square feet.

Law firm consultant Edward Poll gave the closing
presentation, where he discussed the three inter-
related dimensions of a law practice - client relations,
production and finance.

There were many other worthwhile educational
sessions during the conference:
- Alan Goldman, CFO at Barack Ferrazzano
  Kirschbaum & Nagelberg LLP in Chicago,
presented some best practices on law firm
  financial reporting.
- Kate Harms, CFO at Smith Haughey Rice &
  Roegge, PC, in Grand Rapids, Michigan, led a
discussion on best practices in Time & Billing.
- John Podbielski, Client Services Manager at
  Ungaretti & Harris LLP in Chicago, discussed best
  practices for Client Intake & Risk Assessment.
- Beth Keno of Keno Consulting presented A Busy
- Carl Leonard of George Washington University
discussed Succession Planning.
- Derek Barto and David Roberts of RBZ, LLP, held
  a two-part seminar on Partner Compensation
  Fundamentals.
• Robert Mattern of Mattern & Associates discussed Cost Recovery.
• Ivan Hemmens, Manager of Technology Development & Communications at O’Melveny & Myers LLP, led a session on Financial Reporting & Excel.
• Michael E. Palmer, Executive Director at Allen Matkins Leck Gamble Mallory & Natsis LLP in California, presented How to Build a Budget You Can Count On, as well as Profitability: The Next Step.
• Scott McFetters of CoreTech Leasing discussed Leasing for Technology & Equipment Needs.
• Dennis Regan of Northern Trust Company in Chicago spoke about Managing your Firm’s Relationship with Your Banker.
• Paula Barnes, ALA President-Elect and the Legal Administrator at Burr & Forman LLP in Nashville, gave an update on what is happening in the Association.

The conference lived up to its reputation for delivering valuable and relevant content for law firm managers and financial professionals.

The ALA business partners who sponsored the conference were:
• Thomson Reuters ELITE
• Global Exchange Group
• Source Consulting Group LLC
• Williams Data Management

Mike Motyka has been the COO at Butler Rubin since 2010. He has over 25 years of law firm experience, including management positions at Dykema Gossett PLLC, Perkins Coie LLP, and Kirkland & Ellis LLP. He earned his MBA at Northwestern University’s Kellogg School of Management. Before that, he pursued post-graduate studies of finance & international relations at the University of Chicago, and earned his BA at the University of Wisconsin. He can be reached at MMotyka@butlerrubin.com.

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My Name is: Travis Larson

I work for: Husch Blackwell LLP

The firm and practice is: General Practice with over 600 attorneys in over 15 cities.

My title is: Office Administrator.

I have a degree in: Political Science from The University of Wisconsin - Madison.

Before becoming an administrator: I have worked in various roles in law firms my entire life including training and development, recruiting, project management and as a paralegal.

I joined ALA Greater Chicago because: I wanted to learn from my peers in the industry and use them as a resource. I also wanted to network and keep an eye on the ever-changing market within the legal field.

I have been working in the legal field for: Over 10 years.

To be successful in legal administration:
1) Communication. I think the number one key to success is communication with your staff, attorneys and peers. Communication must be a two-way street and you need to be open for others to bring items to you.
2) Flexibility. Every day is a new challenge and you have to be willing to adapt to the day or you are going to get run over.
3) Teamwork. Yes, this might seem cliché, but you can’t get anything accomplished if you don’t work with others to achieve your firm’s goals.

The thing I like best about being an Office Administrator is: You have the opportunity to impact a large number of people. An Administrator gets to help set the tone of the office, create a positive work environment and push people to be their best every day.

One of the challenges of being in legal administration is: Managing expectations. Many times we are asked the impossible with the caveat “just make it happen right away.” An Administrator always does, but not without infinite challenges.

The best advice I’ve ever received is: “Hard work is contagious and will pay off.” I think working hard and setting a good example has positive effects on those around you.

I try to motivate my staff by: Working with them. I would never ask my staff to do something I wouldn’t do right along with them.

If I weren’t an administrator, I would: Hopefully be independently wealthy, but I think that ship has sailed. Realistically I would like to work with people in a management role. I like motivating people to be better not only for the organization, but for themselves.

The last good book I read was: The Hunger Games

The last good movie I saw was: Life of Pi

The last vacation I took was: Aruba for a wedding

The one appointment that I never miss is: Haircut. It’s not a good look if I miss.

In my free time, I enjoy: Traveling, hanging with my dog and socializing with my friends & family.
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Citi Private Bank reports their “Managing Partner Confidence Index” dropped another 10 points last quarter to 103, the lowest level in over a year. What does this mean for law firms? It is roughly equivalent to a meteorologist forecasting “partly cloudy with a chance of flat or decreasing profits per partner.” Firms hoping to weather this continuing economic storm need to avoid costly errors. A managing partner friend recently asked me to put together a list of the Top 10 Financial Mistakes to Avoid. Your list may vary, but here’s mine:

#10 – Don’t Deal with Underperforming Lawyers.
Why is it that lawyers will “go to the mattresses” arguing everything from points of law to sports trivia, but refuse to talk with their partners about work performance and expectations? Partner performance discussions are by far the most effective means of ensuring a firm’s long-term well-being. Properly structured, these discussions are forward-looking to create new opportunities for success and make sure everyone is maximizing their individual talents and capitalizing on their potential.

#9 – Don’t Adequately Vet Lateral Candidates.
Notwithstanding overcapacity and shrinking demand for legal services, lateral hiring remains a top initiative at most firms. Yet lateral hires rarely live up to their projections and it is widely believed to take three years or longer for them to produce profits for the firm. The vetting question I always put to the internal sponsor of lateral candidates goes something like this: “You’re a 5% partner, if this acquisition does not work out financially, are you willing to absorb 10% or 15% of the downside?” Lateral hiring is always a risky proposition and everyone in the firm needs to realize they aren’t simply gambling with the house’s money, but their own funds as well.

#8 – Put Off Client Succession Planning.
Each of our law firms is populated by a group of lawyers on the verge of phasing down their practices. What impact will the retirement or death of a partner have on existing client relationships? Client transition planning is a long-term process. Nevertheless, only about one-quarter of the nearly 800 firms participating in a recent Altman Weil survey acknowledged having a formal succession planning process in place. The principal stumbling block cited was simple inertia. Both management and senior partners are uncomfortable initiating retirement planning discussions. Yet, those firms who successfully transition key client relationships to the next generation lawyers are going to have a huge advantage.

#7 – Keep Delivering Client Services Today Just like Yesterday.
Lawyers are trained in tradition and precedent and their firms are creatures of habit. But times they are a changing. Law firms are being challenged every day to discover new ways to enhance efficiency and add value to the client experience. There are new technologies to leverage, new ways of delivering client services to embrace and old ways of doing business to discard. Alternative fee arrangements are part of this challenge as are new ways of reducing firm overhead. The largest law firms have begun outsourcing back office tasks in order to focus on practicing law while back office specialists devise methods to provide better support services at lower costs. The most successful firms are working to get ahead of these trends, not waiting to react to them.

#6 – Rely Upon Financial Software Not Up to the Task.
Practicing law is an entrepreneurial enterprise. Take an average 10-lawyer firm with annual revenues of $3.6 million. Since most law firms are zero-sum operations, $7.2 million actually passes through their coffers each year – $3.6 million inflow from clients and another $3.6 million flows out to pay staff salaries, rent, office expenses and to compensate associates and partners. Any business this size needs more from their financial software and accounting staff than simply processing invoices and producing simple income statements. Today law firms require software and staff capable of producing actionable financial data which can be forward-looking and help leadership manage for optimum financial success.
#5 – Don’t Make a Plan.
A plan is an essential tool in any enterprise. A plan doesn’t require a consultant, and need not be a thick document. Sometimes it can be distilled to just a few bullet points. Plans set common goals and establish an agenda within the context of a realistic assessment of the firm’s competitive position. A budget is not a plan, but a plan is a necessary element to producing a meaningful budget. Plans facilitate communication and collaboration within the firm. Arguably, a law firm can be managed without a plan, but you will never be able to accurately measure your progress or success without the presence of a plan to use as a yardstick or reference point.

#4 – Don’t Track All Your Time.
There is a widespread belief that billable time – work actually spent serving clients – is the only time that counts in a law firm. Relatively few firms aggressively manage their non-client time. Still, while billable time defines your current income, how you spend the rest of your time determines your future income. Assume a firm with five partners who routinely work 55 hours per week, 48 weeks per year – a total of 2,640 hours apiece of which 1,800 are client billable hours. Those statistics leave 840 hours per partner, nearly one-third of each partner’s work year, spent on things other than attending to clients’ current needs. Considered another way, 840 hours times five partners is 4,200 hours – the equivalent of two full-time partners available to work 2,100 hours apiece exclusively on marketing, process improvement or whatever else it takes for the firm to be successful. Harvard Business School professor David Maister refers to these 4,200 hours as “Investment Time.” The challenge for firms is to harness those additional hours already being spent by partners into carefully crafted actions which will generate future investment returns. Investment Time is the essence of the old adage to work smarter, not harder.

#3 – Don’t Bother to Budget Revenue.
Early in my career, budget discussions focused almost exclusively on expenses. Partners were reluctant to discuss revenue and the connection between hours worked, rates, billing, collections and realization. Over the years I managed to redirect the conversation and have come to believe budgeting is 90% about revenue and 10% about expenses. Budgeting revenue requires a thorough understanding of costs associated with producing an hour of work, much like Apple understands the cost of manufacturing, marketing and selling its new iPhones, and setting expectations as to performance for every individual involved in revenue generation.

#2 – Focus on Revenue, Not Profitability.
All $1 million practices are not created equal. Assume two partners, A and B. Every year each of them generates $1 million in fees. Is it reasonable to assume they are contributing the same amount to the firm’s bottom line? Maybe; maybe not. What if Partner B is giving clients a 10% discount from standard rates; an additional 10% discount on the face of the invoice; and a third 10% write-off when the client complains the amount billed is still too high? [This fact pattern is based on a true story!] On these facts, Partner A is generating $1 million in fees for the firm with 100% realization. Meanwhile Partner B must generate nearly $1.4 million in work effort to net $1 million (72.9% realization) after the succession of discounts. Firm managers need to “get behind the numbers” and thoroughly understand practice profitability and how work resources are allocated.

#1 – Don’t Worry About Things You Can’t Control.
Lawyers exude confidence; it is part of the persona. Citing precedent, they tend to be optimistic – “we’ve had business slumps in the past which we got through, and this too will pass…” Nevertheless, the business of practicing law today seems a lot different than it was in the go-go years of the 1990s. There is a lot for law firm managers to worry about these days. To borrow phrases from Donald Rumsfeld, there are known knowns – the things we know we need to be worrying about; known unknowns – things we know we don’t know; and unknown unknowns – the things we don’t know we don’t know. It is the latter two categories of things which make law firm management challenging and fun. Most law firm managers always seem to be worried. My advice is to begin and end each day with the wise words of Fleetwood Mac:

Don’t stop thinking about tomorrow
Don’t stop, it’ll soon be here
[and with planning and deft execution]
It’ll be better than before….

Mike Marget is CEO of 4L Law Firm Services LLC which is based in Tampa, FL. 4L performs outsourced bookkeeping and billing services for small and midsize law firms throughout the country, including the Chicago area. Earlier in his career he was COO of Katten Muchin, Jenner & Block and the former Gardner Carton & Douglas, and a member of the Greater Chicago Chapter of ALA. This article is based on a presentation he made in Chicago in August 2013.
Got CLM?

Test your knowledge.

By: Jose Cheesman, CLM

Here are a few questions for you to test your knowledge:

1) True or False. In both an LLP and LLC, the business is taxed the same as a general partnership, files an informational tax return (Form 1065) with the IRS and provides partners with a Schedule K-1 for their share of the firm’s profits.

2) True or False. Under the cash-basis method of accounting, revenues are not recorded when cash is received and expenses are not recorded when paid.

3) Multiple choice: Which is not a type of cash flow activity?
   A) Operating Activities; B) Investing Activities; C) Business Activities; D) Financing Activities

4) Multiple choice: Which of the following is not considered an intangible asset?
   A) Patents; B) Copyrights; C) Trademarks; D) Online Bank Accounts

[Answers below]

Study Schedule

*Please note that the study group locations may be changed to another location based on the convenience of those participating.

I. OPERATIONS MANAGEMENT - 18%

Technology (5%)

Monday, November 4, 2013
- Knowledge of the features and capabilities of the Internet, web-based technology, hardware and software systems, including security and confidentiality.
- Knowledge of the features and capabilities of practice support systems (e.g. Lexis-Nexis, Westlaw, research, document management, litigation support, case management).
- Knowledge of the features and capabilities of document assembly and management systems.
- Knowledge of electronic privacy issues.

Operations (13%)

Monday, November 11, 2013
- Knowledge of work product quality control procedures and techniques.
- Knowledge of facilities management procedures and techniques.

II. FINANCIAL MANAGEMENT - 30%

General Accounting (14%)

Monday, December 02, 2013
Knowledge of legal organizational structures and the laws and regulations regarding accounting procedures for each structure; Knowledge of banking/investment policies and procedures and types of accounts;

Monday, December 09, 2013
Knowledge of general accounting procedures, terms, concepts and policies, including a familiarity with general ledger, general journal entries, cost accounting, fixed asset accounting, accounts receivable, and accounts payable;

Knowledge of professional liability issues;

TEST DATES: May 7, 2014

Join Jose Cheesman, MSLA, CLM, CLM Director, at his office every Monday at 5:30 p.m. (Baker & McKenzie Global Services LLP), 300 East Randolph Street, Suite 5000 for the weekly study group.

Answers: 1) True 2) False 3) C 4) D
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Event Photos

Greater Chicago Chapter Conference and Business Partner Expo

September 13, 2013

Marie Coffee and Jena Neisler Man the School Supply Collection

Tom Kosloskus and Eric Zwartz of Next Day Toner

Keynote Speaker Steve Gilliland Signs his Book for Donna Patrylak

ALA President-Elect Paula Barnes

John Gilbert of nQueue Billback, Doug Gerstner of DTI, and Igor Ilyinsky of FirmWise

Sue Keno of Keno Kozie, Brian Blinstrup, Therese Brandstatter, and Igor Ilyinsky of FirmWise

GCC Chapter President Deborah O’Donnell with ALA President-Elect Paula Barnes and Cheryl Nelson

Mary Jo Montana, Jennifer Pogvara Betsy Kopczynski
Event Photos

Diane Brummel, Renee Callahan of Merrill Corp., and Karin Jackson

Lauren Bagull of The Gunlocke Company with Travis Larson and Carol McCallum

Jay Kozie, Sue Keno, and Keith Klearman of Keno Kozie

Lisa Van Sant with Curtis Linder of Linder Legal Staffing

Angela Hickey, Donald Anderson, and Sherry Gini

Don Pusateri and David Gesinger of Access

Bob Kintz of Call One, Cinhia LeGrand, and Nick Nolfi
## New Members

The Greater Chicago Chapter welcomes our new and returning members:

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Event Photos

Members Only Summer Social Event
August 21, 2013

Drema Woldman and Patricia Franklin

Charles Gurian, Patsy Carey, Mary Lynn Wilson, and Deborah Kuchta

Barbara Gilbert and Larry Fujara

Summer Soiree at McCormick & Schmick’s

Bob Karnia and Bill Donehoo

Karin Jackson and Patricia Winter

Jennifer Pogvara, Karen Peacock, Sherry Gini, Laura Thompson Sears, Mary Jo Montana and Diane Idukovich

Rick Kresse and Jane Brinkworth

Ann Jewell, Vivian Schroeder and Sally Mendoza
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