Podcast Transcript: Starting your own practice – bring a new mindset with Liz Harris

**Heather:** You're listening to More Than Knowing the Law - the podcast that explores how to minimize risk through building good business culture and approaches, presented by the Legal Practitioners' Liability Committee.

Hello, and welcome to More Than Knowing the Law. I'm Heather Hibberd, Chief Risk Manager at the Legal Practitioners' Liability Committee. In this episode, we're having a conversation about what to focus on when starting your own law practice. Whether you've been thinking about starting a practice, or perhaps you've recently gone out on your own, this episode will provide you with valuable tips for setting you up for success.

And I'm excited to be joined by our special guest, Liz Harris. Liz is a lawyer by background, has set up her own practice and is currently the Principal Consultant at Ovid Consulting, where she provides advice to help law firms deliver better services.

In this conversation, you'll discover what you need to think about when you start your own practice, the mindset required to do it well, how much time you should be spending on the business as well as in the business, and what are the things to focus on to minimize your risk.

Liz has a unique perspective through working both with lawyers on practice improvement, as well as clients who engage external law firms. If you find value in this conversation, be sure to share this podcast with someone who would also benefit from the ideas. Okay, let's meet Liz Harris.

01:48 Well, welcome, Liz, thanks so much for joining us on our podcast today. We're looking at what it is that people who are thinking about setting up their own practices need to think about and consider when they make that decision. And also some of the things that people who are already in practice might need to think about. Liz, you're a lawyer by training, can you just tell me a bit about your background and how that has led you to running your consultancy before we get on to the other issues?

02:20 **Liz:** Well, thanks for letting me be part of this, Heather. So my background is I started as a litigator, and then worked as a costs lawyer, originally for another costs law firm. And then in 1992, with two young children at that stage, I decided to set up my own practice, which grew quite significantly over a number of years.

And then back in the early 90s, I also set up a second consulting practice, where I was consulting to external clients to corporate and government clients, about how they were engaging with their external law firms. So my background really is interesting in that I've worked on both sides of the fence. Certainly when I've been involved in disputes between lawyers and clients, I've acted for lawyers, I've acted for clients. And that really then led me to setting up a consultancy, working with lawyers about how they best worked with their clients as well with sort of that feedback from both sides.

03:23 **Heather:** Wow, you've really been everywhere. It sounds like you've got some great insights into the good, the bad and the ugly.

**03:29 Liz:** Yes. So you know, hopefully now I can help people focus on avoiding the bad and certainly avoiding the ugly and understanding what good looks like, which is quite interesting nowadays.

03:40 **Heather:** What do you think are the biggest challenges when people first set up a practice, what are the things that you've seen?

**Liz:** Look, I think the biggest challenge is changing the mindset. Because you're no longer just a lawyer, you are now a business owner. And it's a really different mindset when you are running a business. Someone once said, "Successful business is simple when you break it down, it's getting customers, it's doing quality work, and it's getting paid." It's that financial management.

Now, we as lawyers are trained to do quality work. But a lot of lawyers I've dealt with hate the BD. And many other lawyers hate that financial management, that financial hygiene aspect. And if you're in a large firm, mid-sized firm, you don't necessarily have to deal with those other aspects. You can actually just focus on getting your work done and keeping the clients happy, so it's is a very different mindset.

I think the other thing also is particularly for practitioners who are solo practitioners, I say solo business owners because I was a solo business owner in that I didn't have partners, but was running a reasonably-sized practice. That's quite a lonely job. And even if you are in a partnership, the mindset is different because the buck stops with you in so many ways, whether it's the quality of the work, whether it's making sure your taxes are paid, it's making sure you're getting enough work coming in to sustain you and your employees.

So, you need to be aware of the fact that it is extraordinarily different. And you need to have that, I would say, entrepreneurial spirit, you need to be resilient, you need to be a controlled risk-taker. Because it is a risk running a business, it's far easier being an employee and having someone else to worry about all of that. But there's fantastic benefits that flow from that. And for a lot of people, that's great. But I think the first question that I would ask anyone who is thinking about setting up their own practice is "Why are you doing it?"

05:56 **Heather:** And often it's because they feel like they want to do it their way. And they want to be good lawyers, but they don't want all the things that go with being in somebody else's firm. But I think that there's just not that recognition that they're not just going to be a lawyer when they set up their own practice. Is that your experience?

06:17 **Liz:** I think that's exactly right. It's very different if you're moving out of a practice and taking a practice with you, effectively, you're a partner somewhere and you decide to go and set up your own boutique firm. So you're taking clients with you, as opposed to someone who is starting off on their own.

And I think you have to recognize that you're probably going to have quite a few potentially sleepless nights for a while, building up that practice. I would also recommend that you have very clear vision about what your practice looks like, who is your market? Who are you servicing? What sort of work you're doing? And I've seen lots of lawyers fall down in that regard, and you can't be everything to everyone.

And you really do need to be quite clear on what your services are, who are the clients who actually need those services, and how are you going to attract those clients. It's not just enough sitting there and thinking, "Well, this is great, I'll go and run my own law firm." It's like any business, you need to have a plan, you need to put the work in developing your strategy, developing a business plan, having a vision about where you want to be and how you're going to get there.

And then spend the time working on the business, implementing that plan, as opposed to the time that you spend working in the business. And I think that's the challenge for a lot of lawyers. They're great lawyers, you want to be keeping your clients happy. But you need to be able to take the time to work on the business and do that business side of things.

07:49 **Heather:** I think it's also easy for us to get into that trap of doing the things that we know how to do which is working in the business as opposed to doing the stuff we don't know how to do which is working on the business. How do you think people can go about getting better at working on the business?

08:09 **Liz:** One of the starting points for many lawyers is to recognize that we're not experts in everything. I have met too many lawyers who believe that they're experts in web design. And look, I've fallen in that trap myself, you know... I think one of the first things is to recognize that there actually are people who have more expertise than you in that, and that you need to give up a bit of control.

Again, many of us as lawyers, part of what we've been trained to do is to control and be in control and giving up that, perhaps being prepared to spend some money and engage some others to actually help you in those areas that you recognize perhaps are not your absolute skills is a good start. Having said all of that, there are heaps of books and podcasts and online courses that can help you become skilled in different areas of business management.

Whether it's as simple as how to set up your Xero accounting system effectively, so you can get reports that really can simply and easily let you know how you are financially. I look back at when I started, and look, in some respects, it's much easier now. Things like Xero and MYOB, and so on are much simpler accounting systems to use in conjunction with your practice management systems than what was available 20 years ago.

09:36 But I think that we can learn a lot from how other businesses work as well. And Heather, you were talking about there are lawyers who want to do things their way. I'm working with a couple of firms who really have been set up by lawyers because they do want to do things in a different way. Whether it's adopting different pricing models, whether it's adopting different ways of working, different business processes, and they've learned a great deal from looking at how other professional service providers, how other industries operate.

10:15 I look at firms who are working entirely remotely. And it's just such a different way of operating, and they were doing so ever before COVID struck, and their processes, they've adopted a lot of processes from other industries where those people work remotely, and it works incredibly well. So we're in exciting times in that regard I think.

10:36 **Heather:** If you're just starting out, those things that aren't quite as significant as when you start to take on staff, are they? So, how do you know when that tipping point comes from where you can be sort of more the lawyer and where you have to become more the business owner?

10:54 **Liz:** Look, even if you're working on your own, and you don't have any staff, you still need to have processes in place to ensure financial hygiene, whether it's that you are paying the tax office in time, that you have enough money in the bank to pay the tax office, that you... Look at my background, that you're actually entering into cost agreements with clients, that you're putting all of those formal processes in place, that you have client management, a practice management system in some form or another.

11:30 So, there's a baseline level of competency that you need, even if you're just working on your own. But then the challenge is when you get really busy, where's that tipping point as you say, when you say, "Well, I'm now going to employ someone." Whether it's someone to help you on the business side of things, even as simple as when do I employ a bookkeeper rather than doing the books myself? Well, I would suggest for most people, it is money well spent to only employ a bookkeeper probably from day one, don't try and do that yourself.

But when do you get to the point in time that you say, "Well, I'm going to employ an administrative assistant." Am I actually going to look at outsourcing that work? But when do I get to the point that I say, "Well, I'm now going to start employing other lawyers and staff and so forth." I don't think there's ever a right answer in that regard. Because to some extent, it depends on the individual's appetite to be working on the business side as opposed to be working on the legal side.

12:26 So, I think the important question is, what do you really enjoy doing? What do you enjoy doing? What are you good at? And once you can identify that, then you can identify where the holes are that perhaps you need to be plugging. It is very different to work on your own, and then get to the stage where you're starting to employ people, because I can remember when I had children, someone said to me, "Once you get to your third child, there's a big leap between one and two, and then number three sort of almost fits in and you're going downhill from there, it becomes easier."

13:02 And I think that's right, to some extent, so that the more people you employ, the greater the potential of cultural misalignment, and HR issues and supervision issues and structural issues. So, those are the sorts of things that you then need to start to think about. That cultural point, I think is really interesting, because it's something that often lawyers, as business owners overlook, and it's really easy, and I fell into this trap, it's easy to be filling the employment vacancy that you've got, and focusing on that, rather than looking at well, what's the culture of the organization? And what are the values of the person I would need to fit well into this organization?

13:56 My strong recommendation would be really clear about the culture of your organization when you're employing or your culture when you're undertaking your first employment, because it can be really devastating to a business to have the people who don't fit the culture in the business.

14:12 **Heather:** And just going back to that point you made before about making the decision about what you want to do and whether you want to take on employees. It's really that question about, do you want to take on this next piece of work? Do you have the capacity to do it? We've been saying that a lot in our engagement, habit messaging. And you can say no, and it's really hard sometimes to say no, but sometimes you need to say no, because if you don't want to grow your firm any bigger, then you don't want to take on work that you don't actually have the capacity to do. So, it's all of those balancing equations, isn't it, to decide where you're going to take this ship of yours if you like?

14:53 **Liz:** Absolutely. And I know lawyers, sole practitioners who have thriving practices that are really fulfilling for them because they have been very clear about the sort of work they want to do. So they specialize. And they are also very clear about the type of clients that they want to work with. And I think that's something that we don't often think about, what do we expect in a client?

15:21 How do we expect the client to work with us? I always say, if a client doesn't pay me promptly, then that's a demonstration that they don't value me. So are they really the sort of client who I don't want to work with? Now, there may be good reasons why I'm prepared to do something for a client who's in financial straits. But I want to make that choice. I don't want the client making the choice for me.

15:42So, I think it gets back to that idea of why are you wanting to start your own firm, go out on your own, really be clear about your reasons for that, and be clear about your vision about what that firm looks like? Are you doing it to grow a large firm? Well, then your strategy and your plan would be entirely different than if you were saying, "Well, look, I love working in this particular area, this is my passion and I want to be the best in that area." And therefore, maybe your firm is you and some support staff, and no more, because you are specialized in that particular type of work.

16:19 **Heather:** And what about the people who know all of this, but they just kind of don't have the willpower to make it happen? They're gonna do it, they're going to get round to it. How do you speak to them about ways to make it happen, because it is easy to let it go by the wayside and while you're busy working on in the business.

16:42 **Liz:** Look, I think there's a couple of things there. There are firms who have progressed beyond that by realizing that they need to bring someone in, they need to bring the COO in, effectively. And one firm that I'm working with at the moment, and they are preparing ahead, because they have a fantastic COO who is not trained in the law. And who comes with an entirely different perspective for that firm.

And he's bought all sorts of ideas to the firm to enable them to actually develop in very progressive ways that a traditional law firm wouldn't necessarily do so. Now, that's not going to fit everyone. But I think if you really do have that vision of growing, progressing in different ways, and you just can't do it, because when it comes down to it, you love working in the firm, not working on the firm, then delegate that to someone else, okay?

17:44 Bring someone in whose passion is to be the business manager. Now, having said that, obviously, if you are the principal of the firm, again, the buck stops with you in the end, but recognize what your skills are and what you want to spend your time on.

18:00 **Heather:** So it is about delegating, but not abdicating. I had a practitioner on the phone one day, who was a bit of a victim of his own success. He'd grown the firm, to multiple staff members, but was continuing to rely heavily on his original PA who was effectively running the office side of the firm. And he was not watching what she was doing. And turned out she had a gambling habit and was taking money from the office account, because he hadn't really had proper oversight. So, and the flip side of that is if you go to employ someone to help do things well in the firm, then you actually have to let them do it. So you can't abdicate, but you can't hold the reins to tight either.

18:47 **Liz:** And I think that's a real trap. It comes back to that for some lawyers, we know how to do everything. So you need to listen to the advice of experts. And yes, look at whether it's going to work for you. But accept that they are experts, they are more experts than you are in those particular areas. It raises a different issue though, too, because I think one of the other traps that I've seen with firms when they grow is promoting people beyond their capability.

And that can be quite hard. I've seen firms where the PA is promoted to Office Manager and dealing with HR and dealing with the financial management and so on. And they don't have the expertise to do that. Now, the firm's growing with a very close relationship between the principal and his or her PA, with perhaps both of them wanting to progress the career of the PA, but it comes back to the fact that as a business owner, you sometimes have to make really hard decisions, whether it's saying to that PA, "Look, I can't appoint you office manager because you don't have those skills, or we're going to have to work to develop those skills or maybe sometimes it's even time to move on."

20:03 So I think that's also the challenge of being that sole business owner. Even if you're a business owner, a partner with one or two, the HR side of things can be quite hard. Because sometimes for the betterment of the firm, you need to let people go.

20:21 **Heather:** Have you seen it done well, where people are actually skilled up with the right training and mentoring and coaching?

20:29 **Liz:** I've seen a number of firms where in fact, and I think this certainly was not uncommon in previous days, where you've had the administrative assistant, eventually skill up to join the firm as a lawyer. But again, part of that is identifying what are the skills of that individual.

I'm thinking about one person who started as a bookkeeper. She eventually with the support of the firm became the Office Manager of a reasonably sized firm by that stage. But she was very enthusiastic about it. Certainly, the business owner had identified that she had skills far beyond being a bookkeeper. And it turned out in the end, that really, her passion was people management. She'd fallen into bookkeeping as something to do after she'd had children.

And that worked incredibly well. And she no longer works in law. But she's Office Manager of quite a large communications organization. But again, I think it comes back to identifying and taking the time to work with your people about what really are their skills, what are they good at, what are their interests... Thinking outside the box a bit.

21:40 **Heather:** Have you got a rule of thumb as to how much time you spend if your firm has been around five years and you might have three or four staff members? How much time should they be spending on the business? And how much time should they be spending in the business? I remember at one of our seminars, somebody standing up and saying, "I feel like I spent half my time working on the business." And we said, "Good."

22:04 **Liz:** I think that's about right that about 50% of time is spent working on the business rather than in the business. But maybe that 50% is covered by your delegation to others. So I would say that, if you've got a firm where you've got a number of employees, the level of supervision that you need to do is quite high. And that's not really something that can be substantially delegated, you might be able to delegate the day to day financial management, you might be able to delegate the day to day HR aspects.

You probably can't delegate the BD, even if you're delegating as much as you possibly can, you're still probably spending, needing to spend 30% of your time on the business. 50%, I think is probably pretty reasonable if you're not delegating too much.

23:01 **Heather:** Yeah.

23:01 **Liz:** So that then comes back to how much money are you expecting to make? And it gets back to your question about the tipping point, because again, employing a couple of people doesn't necessarily have the flow-on financial benefits, it's not an a linear impact on the business. So there comes a tipping point, where you almost need to employ more people to make it more profitable,

**(**23:35) **Heather:** And train them up and supervise them to make them more competent and capable. And yeah, that's a whole other podcast, we'll be talking about the value of supervision and why you need to do it.

23:42 **Liz:** One of the other things I was going to suggest for those who are sole business owners, and even those who are coming out of the firms is to develop a support network. Because as I said, I think resilience is a real skill or real attribute that you need, if you're going to run a business and be that sole business owner.

As lawyers, I don't think we're great at sharing problems. I think it is challenging for your life partner to be the sole person who you are sharing problems with. So develop a support network. I've seen some great support networks of sole practitioners, sole business owners who understand it's the cone of silence and we all work together and share insights and issues and solutions together.

24:32 It may not even be another lawyer. In fact, I've seen that work will with a lawyer who effectively has a network with two other, one professional service provider and then just another sole trader, and the three of them get together regularly and in fact, the insights from the others who don't work in the law are beneficial.

But I think to have that network, if you can't have a network, then go and find a mentor. Go and find a coach, a business coach to work with, but you need someone who actually can give you a different perspective on things. It's that old adage of a problem shared is a problem half-solved. So I think that's important.

25:12 **Heather:** And that sort of reflection and dialogue with others is not something that you learn at law school and the legal profession's actually not really good at that. There are lots of other professions who've got a much better attitude to that reflective practice that we'd like to see happening more in law, where you do discuss and consider and talk about, and back in the days when we had face to face seminars, we used to get people to talk at the tables.

And that was some of the best learning I think, at the seminar. In speaking to some of the larger firms, I often hear that when there's a partner who they think has some issues, they send them off for coaching. And I think it's a little bit of a wasted opportunity, because it seems to me that coaching is a really good way to develop people, particularly when they're in small firms before they feel like they need the extra help.

26:12 **Liz:**  I think it's interesting. For whatever reason, lawyers seem to have been very reluctant to engage with coaches with that idea of coaching and whether it sort of comes back to this idea that we should know how to do things, but if we look at it from the other perspective, we provide those sort of services to our clients, why wouldn't we do that ourselves?

26:40 If you look at other areas, in other industries and other professional service firms, I mean, the accounting profession is so far ahead of us with that whole idea of coaching and mentoring. And we are not taught to be business people at law school. So how are we going to learn?

It's a much more effective way to do so, to work with a coach to help guide you through, to help you develop your thinking about what you want to do, where you want to go to and I've certainly been involved on both sides of the fence. I had sought out coaching on multiple occasions throughout my career. And more often than not, it has been with non-lawyers or lawyers who were no longer practising, they would give me different perspectives about how to do things, I always found it incredibly beneficial.

27:29 As a coach now, I think part of it is just providing that different perspective, but also supporting people with perhaps verification about what their thinking is, or perhaps indicating that they need to explore a little further or look in a different direction. I don't see that there is anything to be lost at all in utilizing a coach and whether it's coaching more junior lawyers about how they interact better with their clients, whether it's coaching senior lawyers, looking at the perspective of what the culture is within their firm, whether it's coaching them about how to work more effectively with clients, the most effective lawyers I've met over the time are those who are keen to learn, they don't stagnate, they don't ever believe that they've done it all, they've learned it all. They are to their dying day keen to learn to work better, perform better enjoy their life, and their work more.

28:33 **Heather:** There's that growth mindset that Carol Dweck has written her book about. It's a fabulous read. If anyone hasn't read it, it's worth reading. Well, thank you very much, Liz. And we will remind people that Liz runs Ovid Consulting, which is a consulting firm, and she is available for that advice if anybody is thinking about looking for some help in setting up their practice. So thanks very much.

29:03 **Liz:** Thanks, Heather.

29:06 **Heather:** Thanks so much to Liz Harris for sharing her advice with us. The key takeaways from this episode are, be clear about the why and the what and have a plan for the how. Changing your mindset from being a lawyer alone to also being a business owner is a big challenge.

Get advice in areas that are outside your area of expertise. You provide advice to others on areas outside their expertise, you should also be willing to seek and accept the same. Coaching can be valuable at all stages of a law career. Cultivate an entrepreneurial spirit and a lifelong learning approach.

To connect with Liz and discover more resources on this topic, visit the show notes link in the description of this episode.

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