

Don't kill the lawyers - they can make you money

Have you heard the lawyer joke that asks “How many lawyers does it take to screw in a light bulb?” And you know the answer right? “None. Lawyers only screw us.” Well, like other bits of conventional wisdom, it ain’t necessarily so. The Law is not an unknown, knowable only to those priests of the arcane known as lawyers and lawyers can actually be a major source of competitive advantage if their skills are used correctly. The key is to involve lawyers at various stages of the contracting cycle--before, during and even after--rather than simply relying on them to rubber-stamp deals or ensure compliance.

Take contracts, lawyers can help you structure the contract so that it contains incentives so payment is made only when benchmarks are met. Or, if you are buying or selling your business, a lawyer can add pre-deal value by suggesting reorganizations or figuring out ways business units can be spun off or purchased or sold, ensuring the appropriate party bears the brunt of the transaction risks. (This works well for consumers too, *e.g.*, in home improvement contracts: consider giving a bonus for each day/week the project is finished early.)

Fair enough, but all of this raises an obvious question: Doesn't involving lawyers every step of the way ultimately mean more money in their pockets and less in yours? Not necessarily. If you develop a careful plan with incentives and implement it with the lawyers’ advice you can reduce the dead weight of transaction costs and overhead. Now **that’s** a competitive advantage.

Entrepreneurs and businessmen can use the law to competitive advantage in the following ways.

1. Identify risks. The reallocation and disbursement of risks during the deal-making process can often produce sustainable cost and revenue advantages.
2. Create more value. By treating lawyers as "transaction cost engineers," businesses can actually add value to a merger or acquisition by cutting down on last-minute expenses.
3. Understand your rights. Lawyers can help businesses understand their patent, intellectual-property and licensing rights in order to prevent imitation from competitors.
4. Learn from past legal relationships. By applying business discipline to the consumption of legal services, costs can be lowered and the quality of advice can be

improved