Targeting Profitability: Strategies to Improve Law Firm Performance

EDITED BY HELEN ROCHE
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Executive summary

LAW FIRMS today are undergoing a period of continued change and competition. Law firm leaders are faced with increased pressure to raise revenues despite growing competition and changing client demands. The slow pace of growth in the global economy has had an impact on law firms, and many continue to fight to remain profitable in the wake of the economic downturn.

Additional factors, such as changing regulation in the UK which has opened up the legal industry to new entrants, and the focus on alternative fee arrangements and new pricing methods in both the UK and the US, can further the demands on law firms to compete and grow. As a result, law firm leaders are under pressure to find new and better ways to increase productivity and profitability.

‘Pressure on profitability has become not just a temporary area of concern for law firm management, but is now one of the top priorities’ according to Tony Williams and Richard Tromans of Jomati Consultants LLP.

In the opening expert analysis in this report they highlight the need for a firm to have a clear idea of its place within the market and to identify their clients’ needs before embarking on any strategy intended to boost performance and raise profitability. They therefore outline steps for law firms to follow in order to assess their own market position, client base, and rivals.

The report then proceeds with expert analyses highlighting specific areas within a firm that can be improved in relation to clients, cash management and pricing, people and training, and IT. Experts from the UK and the US provide advice on how to increase profitability and they share different perspectives on related topics. Advice is given on topics such as:

- Identifying the key levers of profitability within your firm;
- Differentiating in a way that is meaningful to clients;
- Cross-selling and ensuring client satisfaction;
- The importance of cash management;
- Better pricing and alternative fee arrangements;
- Embedding fee culture;
- How learning and development impacts profitability, and the importance...
of training lawyers to ensure they understand the effects their day to day activities have on profitability; and

- Using IT and new technologies to aid profitability.

By covering a selection of strategies for increasing profitability, and outlining the importance of certain processes, this report will enable law firm leaders to make adjustments to current processes and crucially identify future profitability opportunities for their firm.
About the authors

**Toby Brown** is the director of Strategic Pricing & Analytics for Akin Gump. In this role Toby works with firm partners and clients in developing pricing arrangements and service delivery models that drive successful relationships. Prior to this, Toby served in similar roles for both Vinson & Elkins and Fulbright & Jaworski, where he also drove knowledge management (KM) initiatives and various marketing efforts. Before joining Fulbright, Toby served as the communications director for the Utah State Bar. In his tenure with the Bar, he also served as the CLE, Access to Justice and Programs Director.

Toby presents nationally on legal technology, marketing, and law firm management for associations, law firms, legal departments, law schools, and paralegal programmes. He has published numerous articles on these topics as well. Toby has served on a number of legal services boards, bar association task forces, and legal market organisations. He received the Peer Excellence Award, the President’s Award, and the Anne Charles Award from the National Association of Bar Executives (NABE). Toby maintains the ABA award winning 3 Geeks and a Law Blog with two colleagues (www.geeklawblog.com).

**Allan Carton** is managing director at Inpractice UK. He leads a team in helping lawyers to develop more sustainable and successful legal businesses. Over the last 20 years Allan has been advisor to a wide variety of law firms, recently taking up non-executive roles in addition to consultancy and in-house training. He also works with businesses from other sectors with an interest in the legal market – such as banks, estate agents, IT suppliers, the Law Society of England and Wales, and many more – building up a unique perspective on the challenges and opportunities within the legal sector today.

Allan started out as a solicitor in private practice for 10 years but moved into business consultancy, being one of the early lawyers to go through a ‘non-legal’ MBA at Manchester Business School. That experience, which allowed him to gain respect for professional managers from other business sectors, was influential in how his business has developed since 1992. Alongside consultants with seasoned experience within the legal sector, Inpractice UK has also attracted consultants from other business sectors (financial services in particular) who work with firms to prepare them for the future by learning new techniques that have been tried and tested in other sectors.

**Robin Dicks** is the founder and director of The Thriving Company, a consultancy which helps professional services firms to improve performance. He has 25 years of experience in professional and financial services, including strategic marketing roles for PricewaterhouseCoopers, Standard and Poor’s, and The Royal Bank of Scotland. Robin’s main focus is in enabling firms to improve their strategies and increase revenue and profitability. This can include identifying areas of market opportunity, equipping firms to better meet client needs, or by making marketing, business development, and client service efforts more effective. This draws on his extensive experience and
About the authors

the benchmark study by The Thriving Company, ‘Managing Client Relationships – The Truth in Professional Services’, which now includes input from over 1000 firms.

Robin’s expertise includes helping firms to undertake high quality, cost-effective client research projects, project managing client management projects, training on client service issues, and helping firms with best in class account management. He also helps firms to develop successful marketing strategies. Robin has developed a ‘key levers of law firm profitability’ model with colleagues from The Winning Firm Alliance, and has contributed to the Practice Management Handbook published by the Law Society of England and Wales. He has had speaking engagements at Henley Business School, Cranfield School of Management, as well as at Ark Group, Managing Partner, LawNet and other events.

Susan Saltonstall Duncan has been working with law firms for over 30 years to help them grow revenues through landing new business and building long-term, profitable client relationships. She is the founder and president of RainMaking Oasis Inc., a business development and management consulting firm that helps lawyers and law firms to create, execute, and evaluate effective business development initiatives. Her consulting firm works with law firms to develop strategic plans for practice and industry groups, client service and value programmes, and key client team plans, and to conduct service feedback and needs assessment interviews with law firm clients. Susan provides business development coaching to proven and emerging rainmakers, develops lateral integration and marketing strategies for firms, and conducts business development, marketing, and client service training for lawyers and staff.

In July, Susan launched her blog, InFocus – Insights on Legal Practice Strategies and Innovations, in which she considers challenges facing the legal profession and offers remedies and approaches to address them. Susan recently was inducted as a Fellow in the College of Law Practice Management and into the Legal Marketing Association’s Hall of Fame. She is a co-chair of the 2013 COLPM Futures Conference and is co-chair of the LMA Hall of Fame Nominating Committee.

Steve Gale is an audit partner in Crowe Clark Whitehill’s Professional Practices team with particular specialism in the financial reporting requirements of limited liability partnerships. His clients include major firms of lawyers, accountants, surveyors, and patent attorneys. Steve has a deep knowledge of the SRA’s Account Rules and provides training and advice to clients not only on the operation of the rules but on their wider compliance obligations and risk management processes. He has developed financial models for professional service firms that can be used to demonstrate improved profitability resulting from changes in performance as well as assisting with viability reviews.

Steve is a member of the Working Group responsible for developing the Statement of Recommended Practice ‘Accounting by Limited Liability Partnerships’ and produced the Accounting Digest on LLPs published on behalf of the Institute of Chartered Accountants in England and Wales. He has advised on many conversions of partnerships to LLP, dealing particularly with the accounting implications and their impact on LLP agreements. He is co-author of Alcock, Birds and Gale on the Companies Act 2006, published by Jordans. Steve is Crowe Clark Whitehill’s head of Professional Standards, and is responsible for the firm’s compliance with regulatory requirements.
Phil Gott specialises in helping law firms get the very best performance from their partners and staff using leading-edge development techniques, appraisal processes, coaching, and training. Phil has recently formed Firm Academy to help firms set up low cost virtual academies combining web-based and live training. His clients include international and Magic Circle law firms, niche practices, regional and single-office firms, both in the UK and internationally.

Phil is a founder member of the Professional Speakers Association and has been voted Trainer of the Year by the Legal Education & Training Group. He is also a member of the Winning Firm Alliance. He authored ‘Managing People in a Law Firm’ in The Law Society’s Practice Management Handbook. His articles have recently been published in Professional Marketing, The Law Society Gazette, Solicitors Journal, and Legal Strategy Review. Phil has also authored an Ark Group report on Learning and Development in Law Firms. Before forming his own consultancy, Phil was UK head of general practice marketing and head of business training for one of the major accountancy firms.

Brian Helweg-Larsen is director of innovation and co-founder of ProfitAbility, a consultancy which delivers innovative, award-winning training both online and offline to promote business growth and profitability. Brian has designed more than 100 simulation-based courses for worldwide clients in over 20 different industries. With a team of simulation designers to continue his work, he now concentrates on new forms of learning, and new kinds of simulation using emerging technologies.

The ProfitAbility business simulation training has been run in numerous UK law firms, including DLA Piper, as well as in the US. Some firms now build it into their staff development programmes.

Patrick J. McKenna has worked with the top management of premier law firms internationally to discuss, challenge, and escalate their thinking on how to manage and compete effectively. He is author or co-author of seven books including business bestseller First Among Equals (Free Press) and Serving at the Pleasure of My Partners (Thomson Reuters). He co-leads a bi-annual programme entitled: ‘First 100 Days: Master Class for the New Firm Leader’, usually held at the University of Chicago. Patrick has worked with at least one of the top 10 largest law firms in each of over a dozen different countries on issues associated with strategic planning and competitive differentiation, initiating change, client service excellence, leadership succession, and effective firm management.

Simon Nash is human resources director at Carey Olsen, the leading offshore law firm in the Channel Islands, the Caribbean, and London. In the seven years since he took the HR reins at Carey Olsen, the firm has achieved top directory rankings in virtually all of its practices and superior earnings growth, while undertaking a rapid global recruitment campaign to increase leverage. Simon was instrumental in the development of the firm’s People and Performance Strategy, which has been of interest across the sector. In 2012 Carey Olsen won the award for Added Value HR at the HR Distinction Awards and Simon was shortlisted for The Lawyer’s HR Director of the Year. Simon also acts as an advisor on HR matters to a number of associated businesses in Europe, Asia and North America.

Simon is a popular speaker at UK and international conferences on a range of strategic business issues. He also advises organisations on the people and performance issues at the heart of success in business. He regularly writes for Managing Partner magazine and his book, Effective Selection Interviewing for Law Firms, was published by the Ark Group in 2010. Simon acts as a trustee on a Jersey-based charitable trust and sits on the management team of Business Connect which organises challenging and informative lunchtime talks for the business community of St Helier.
Michael Roch is a co-founder of KermaPartners and serves as its CEO. Michael’s expertise is in the areas of strategy design and implementation, international development, partner performance, and remuneration systems and pricing management. Throughout his career, Michael has advised on projects in over 40 countries, and he has advised a number of professional services firms that are market leaders in their country.

Michael is the author of *Pricing and Profitability for Law Firms* (now in its 2nd edition) and *Financial Management in the Legal Profession*, both published by Ark Group. Based in London, Michael is qualified as a certified public accountant and as a New York attorney-at-law; he holds a Juris Doctor and a Master of Accountancy from the University of Denver, USA. He started his career as an auditor and management consultant with two of the Big Four (then Big Six) accounting firms, followed by 10 years as an international corporate and capital markets lawyer in the US and as part of a leading international London-based firm before returning to the management consulting profession.

Joel A. Rose is a certified management consultant and president of Joel A. Rose & Associates Inc., a law firm management consultancy based in Cherry Hill, New Jersey. He has extensive experience consulting with private law firms, and performs and directs consulting assignments in law firm management and organisation, strategic and financial planning, lawyer compensation, the feasibility of mergers and acquisitions, and the marketing of legal services. Joel’s articles on law firm management appear in the *Philadelphia Legal Intelligencer*, *The New Jersey Law Journal*, *The Texas Lawyer*, publications of the Association of Legal Administrators, and other state and local bar association journals. He is the principle contributor to *Thrive*, the blog of the Law Practice Management Committee of the New York State Bar Association. He is also a contributing author of *Model Partnership Agreements for New York Law Firms*, published by the New York State Bar Association.

Joel is on the Board of Editors of Accounting and Financial Planning for Law Firms and Law Firm Partnership and Benefits Report. He speaks at national, state, and city bar association meetings and at the Association of Legal Administrators chapter meetings. He is a member of the Law Practice Management Committee of the New York State Bar Association, a member of the Section of Law Practice management of the American Bar Association, and a Fellow in the College of Law Practice Management.

Richard Tromans has significant legal sector experience, combining consulting, research and analysis. He carries out strategic reviews for law firms and barristers, covering issues such as merger options, office openings, and international expansion. He also undertakes client feedback projects for solicitors and barristers.

Alongside his consulting work, Richard is head of research at Jomati and researches and writes reports on key legal issues. Richard previously worked at a US management consultants. Prior to that he wrote extensively on the legal sector and was international editor of a leading legal publication in London.
Ori Wiener is an internationally active consultant and executive coach focusing on professional service firms. He works extensively with law firms in the UK and Continental Europe. Ori co-founded Møller PSF Group Cambridge, one of Europe’s leading professional services consulting firms, in 2009. Prior to this Ori spent 16 years as an international investment banker focusing on business ‘origination’ and five years as the global head of business development for Linklaters where he drove a number of key strategic initiatives. These included the firm’s move towards a greater focus on relationship management and sectors, as well as strategic pricing aimed at raising the firm’s collective fee negotiation and fee management competencies. These roles provided Ori with a unique combination of perspectives and experience as client, insider, adviser, and coach to lawyers and their firms.

Ori regularly works with a broad range of professional service firms in the areas of strategy, business development, pricing, profitability management, and fee negotiation. Over 1,000 partners and senior executives of professional services firms from across the globe have participated in the Møller PSFG High Impact Fee Negotiation Programme designed and delivered by Ori, either on an in-house or open programme basis. Ori is a regular contributor to Managing Partner magazine. His book, High Impact Fee Negotiation and Management for Professionals, is being published by Kogan Page in the summer of 2013. Ori is based in Frankfurt and travels extensively in Europe.

Tony Williams has more than 30 years of experience in the legal profession, occupying senior management positions as well as direct client handling and fee earning. As principal of Jomati Consultants, Tony has worked for a range of international and domestic firms in the UK, US, Continental Europe, Asia, and Australia. His advice covers such matters as management succession, partner appraisal and remuneration, peer reviews, firm strategy and its implementation including business planning and the positioning of law firms in their market. He is also actively involved in firms’ strategic expansion including mergers, new offices, alliances, and team hires. He also assists firms on reorganisations, profitability analysis, and client strategies.

Before founding Jomati Consultants, Tony was worldwide managing partner of Andersen Legal and head of its UK practice. Prior to joining Andersen Legal, Tony was managing partner of the world’s largest law firm, Clifford Chance.