Law Firm KM: Driving Practice Innovation and Redefining Service Delivery brings together some of the best minds to discuss the meaningful ways KM professionals can support law firm and in-house needs. The contributors address key challenges that face knowledge management professionals, including aligning KM with law firm strategy, encouraging and enabling fee earners to embed their knowledge into systems, and accurately measuring the ROI of KM initiatives.

This book also provides insight and guidance on how to incorporate KM into the pricing of legal engagements, integrate KM processes into legal document drafting strategies and matter lifecycle management, and respond to KM challenges with blockchain technology. Practical examples are also included in the form of case studies from law firms that are leading the way in integrating KM principles into their overall firm strategy.
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Executive summary

We are all aware of what constitutes the “new normal” in the legal profession: “cost-conscious” clients with an eye on service delivery and far greater leverage than ever before; expectations of greater transparency and higher quality standards; and increased competition from both within and outside the legal market, and from all the resources the internet has to offer. For many law firms, the new normal has meant lower demand coupled with increased competition, making the need to consider new service models, pricing structures, and innovation essential to survival.

Knowledge management is evolving in line with the demands that are reshaping the business of law and redefining service delivery models. Increasingly, law firms are seeing its potential as an “organizational capability” for leveraging the firm’s experience, data, and intellectual capital as a strategic resource. In Law Firm KM: Driving Practice Innovation and Redefining Service Delivery some of the best minds in the legal and business consulting industries bring their knowledge and experience to bear on the key challenges and opportunities of using KM as a strategic tool.

This book is divided into two parts. Part One shines a light on how knowledge management professionals can support law firm and in-house needs, and considers some of the challenges faced by KM professionals (including the difficulty of persuading fee earners to spare billable time to embed their knowledge into the firm’s systems, and proving ROI on KM initiatives). The second part of this book comprises practical guidance in the form of case studies from UK and US law firms that are leading the way in integrating knowledge management principles into their overall firm strategy.

Part One opens with a chapter from Keith Lipman from Prosperoware and Toby Brown from Akin Gump who demonstrate how aligning knowledge management with law firm strategy can help a firm to increase operational efficiency at every level of the business. It outlines how, in doing so, a firm can significantly improve its ability to meet client
expectations on pricing and predictability, and help to ensure profitably in a cost-conscious market – a true win-win.

As the author of the book’s second chapter notes, “pricing without knowledge management is just guessing”. And, in a climate where clients are increasingly subjecting firms’ bills to scrutiny, demanding discounts, or putting the squeeze on hourly rates, guess-work is simply not good enough. Accurate and transparent pricing not only gives clients a favorable impression of your experience, it also helps firms to meet client budgetary requirements while ensuring matter profitability. Chapter 2 by Matt Laws covers methods for and the benefits of incorporating KM into the pricing of legal engagements.

Chapter 3 moves on to the sometimes difficult topic of measuring the success of law firm KM. What is the value of knowledge management to a law firm? How can it be measured? How can it be used to differentiate one firm from another? Mark Gould answers these essential questions that should form the foundation of any law firm’s KM initiatives if they are to be judged as a long-term success.

Chapter 4 comes from Harriet Creamer who looks at how clients benefit when firms align KM with their business development processes. She highlights the benefits of a KM team’s engagement in client relationships, and provides examples of how firms can take – and are taking – this beyond business development, instead focusing on finding new and innovative ways of working with clients and meeting their expectations in terms of speed, cost, and quality.

Much legal work still relies on written work product; it follows that the firms that produce a high quality product adding value for clients and saving the firm time and money will be more successful than those that do not. In light of this incontrovertible truth, in Chapter 5 Patrick Dundas from Schulte Roth & Zabel looks at the essential elements a firm must consider when developing a strategy for legal document drafting that will boost efficiency and productivity, along with lawyer satisfaction and the firm’s profits.

Law firm KM succeeds when lawyers use it throughout their matters and when knowledge collection requires minimal extra work. However, matters are not static – they evolve through time. Hence, it is necessary to focus on the entire matter lifecycle to actually understand and make improvements to the underlying “assembly line” of processes and tasks. With this in mind, data-driven knowledge management and matter lifecycle management are the focus of Chapter 6. Chad Ergun from Gibson, Dunn & Crutcher outlines how matter lifecycle management can be used as a means of combining both past management experience
and data analytics into an integrated decision-making approach that will enable a firm to build competitive advantage.

Part One ends with a chapter on blockchain technology. Despite its fairly recent emergence, blockchain is predicted to develop rapidly. It has the potential to revolutionize finance and business, and has future application to law firms. In the near term, as Michael Dov Nogroski from Chapman and Cutler explains in Chapter 7, blockchain has the potential to respond to key knowledge management challenges within the legal profession, including transforming contract drafting and streamlining transaction workflows. Plus, this new technology raises several legal conundrums, which are explored in this article.

Part Two opens with a case study on innovation. According to the authors of this case study, Scott Rechtschaffen and James Durham from Littler Mendelson, “a true innovation strategy envisions dramatically and comprehensively changing the way firms interact with and serve their clients”. Theirs is the first in a series of case studies and they describe how Littler Mendelson has used innovation as a game-changer over the past two decades and how KM can be the foundation of a comprehensive content marketing strategy.

Case study 2 comes from Fiona Parkinson from insurance law specialist BLM who describes how the firm’s KM practices have evolved during its rapid expansion. This case study describes how BLM has used KM principles to strengthen client relationships, maximize firm expertise, and increase competitiveness. She advocates the benefits of a firmwide KM strategy such as they created, which included vital information on what KM means to BLM, the benefits a streamlined KM function would bring, and the firm’s plan to deliver those benefits.

In the third case study, Jennifer P. Keller from Baker, Donelson, Bearman, Caldwell & Berkowitz explains how her firm takes a holistic approach to law firm strategic planning and she offers a unique perspective on the function of KM in the pursuit of a firm’s strategic goals. She outlines the steps her firm’s KM team have taken to ensure their initiatives become a part of the strategic fabric of the firm, and explains how KM has moved from a traditional content generation role to a total practice management/consultancy and product development role. Jennifer provides five keys tips that have emerged as central to the success of their KM team in that context.

A final case study by David Laud from Samuel Phillips explains how the UK firm is using social media to share content, boost its brand profile, and increase connections. He explains how the firm
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has tackled market challenges by introducing a number of innovations with the aim of keeping the firm competitive and at the forefront of its market.

At its most basic level, knowledge management is about connecting people, functions, and systems while collecting critical knowledge artifacts, experience, and know-how for reuse or optimization. However, as the chapters and case studies in this book show, when focused on achieving business outcomes and when incorporated into the strategic fabric of a firm, KM evolves into much more. Its applications within the areas of operational efficiency, pricing, business development, marketing, and innovation are just some of the ways in which it can have measurable and profitable results for a law firm. As clients increasingly look to their law firms to add value, the right KM strategy can help a firm meet and even exceed the expectations of its clients, as well as set it apart from the competition.
About the authors

**Toby Brown** is the chief practice officer (and was previously the director of strategic pricing and analytics) for Akin Gump (www.akingump.com). In this role, Toby works to develop creative pricing arrangements focused on meeting clients’ needs. Also in this role, he works with practice group leadership to identify and implement various efficiency-producing programs and projects, including legal project management, process improvement, practice innovation, alternative staffing, and strategic partnering.

Prior to joining Akin Gump, Toby served in similar pricing roles for both Vinson & Elkins and Fulbright & Jaworski, where he also drove knowledge management (KM) initiatives and various marketing efforts. Previously, Toby served as a director for the Utah State Bar, operating various departments, including communications, technology, continuing legal education, access to justice, and the pro bono project.

Toby presents nationally on legal pricing, law practice management, financial management, knowledge management, legal marketing and business development, alternative fee arrangements, social media marketing, and other legal market subjects. He has also published numerous articles on these topics. Toby has served on a number of legal services boards, bar association task forces, and legal market organizations. He received the Peer Excellence Award, the President’s Award, and the Anne Charles Award from the National Association of Bar Executives. He maintains the ABA-award-winning 3 Geeks and a Law Blog with two colleagues at www.geeklawblog.com.

**Harriet Creamer** is a corporate lawyer by training, having worked for many years at Freshfields Bruckhaus Deringer, where she became a partner. However, she has spent the majority of her career involved with knowledge management, first at Freshfields, where she was the City’s first PSL before becoming partner in charge of KM, information services, and learning and development across their global network, and latterly as an independent consultant. She advises law firms in London.
About the authors

and elsewhere on how to leverage their knowledge and experience to support more efficient working practices and drive profitability while continuing to deliver value and quality to clients.

**Michael Dov Nogroski** is the director of practice innovations at Chapman. He oversees the firm’s knowledge management efforts and strategic initiatives to develop technology systems and processes that promote the collective knowledge of the firm, reduce risk, and increase efficiency and collaboration to the continuous benefit of firm clients. He works directly with the knowledge management partner, firm attorneys, information services, professional development, and other departments to develop the firm’s knowledge strategy.

Michael combines over 20 years of technology experience with 13 years of legal experience, both as an attorney and in knowledge management. He started his career in Austin, Texas working in the technology sector and later attended law school. He has led and consulted on many complex technology initiatives, including an award-winning internal portal project. He also has extensive experience developing web-based platforms between law firms and clients that facilitate collaboration, information distribution, and matter oversight.

Michael previously worked as the team lead for the IT Business Analyst group at McDermott Will & Emery LLP and as a senior knowledge management analyst at Seyfarth Shaw LLP.

**Patrick Dundas** is an associate in the New York office at Schulte Roth & Zabel LLP, where he serves as the knowledge management associate for the Investment Management Group. In his role, Patrick provides the group with practice support (including advising on new issues of law affecting the private investment fund industry), knowledge brokerage services (connecting information seekers with information resources), knowledge innovation services (conceiving and developing new systems and procedures designed to increase efficiency), and knowledge management services (maintaining information repositories and overseeing compliance with internal procedures). In addition, Patrick generally serves as the liaison between attorneys and various business departments within the firm, such as the firm’s information technology, marketing, and training departments, helping translate business needs into systems and procedures.

Before adopting his role as KM associate, Patrick advised hedge funds and investment advisers in connection with their structuring, formation, and ongoing operational needs, general securities laws matters, and regulatory and compliance issues.
James Durham has been one of the leading authorities on law firm marketing and business development for nearly 25 years. In that time, Jim has participated in every aspect of the legal business. After practicing business law for 10 years, he started the Law Firm Development Group, where he worked with hundreds of law firms as a consultant and trainer, developing sales, marketing, and management strategies designed to change the way lawyers and clients work together. He has interviewed hundreds of law firm clients, and spoken at dozens of retreats and conferences. Jim has been a consultant to several in-house law departments, and served as the CMBDO for three AmLaw100 firms. He was general counsel and vice president of marketing for Senior Tour Players, Inc. He also served as the senior vice president of sponsorship and affiliate relations for MLB.com. In 2010 Jim was inducted into the Legal Marketing Association Hall of Fame.

As the chief marketing and business development officer at Littler Mendelson, he is responsible for helping attract, grow, and retain clients through innovative sales and service strategies. He works closely with Littler’s knowledge management department in developing and promoting innovative service solutions.


Chad Ergun has 20 years’ experience in the legal technology sector, and has been driven by the idea that technology should be able to offer more to the business of running a law firm and its clients. While well maintained, highly available e-mail, networks, and applications are the foundation of any legal technology department, Chad’s focus has been in the area of designing data-driven knowledge management platforms, improving practice services, offering advanced e-discovery solutions, and client-facing initiatives.

Over the last 18 years, Chad has honed his expertise as he has worked to understand and build solutions across areas like knowledge management, practice support, business intelligence, e-discovery, finance, marketing, and human resources.

In his current role, Chad leads the global practice services, business intelligence, and knowledge management groups at Gibson Dunn with members in multiple locations covering practice solutions, e-discovery,
business intelligence, litigation support, application development, marketing technologies, knowledge management, and desktop and web applications.

Chad holds a master’s degree in information technology with a minor in industrial management and workplace psychology. He is currently working on his PhD in information management, focusing on artificial intelligence and data mining.

**Mark Gould** is an independent consultant, working with law firms to help them use their knowledge better to mark themselves out from the rest of the market. Before starting his consultancy in mid-2014, he spent almost 13 years at Addleshaw Goddard – first as a PSL in the firm’s competition and commercial practice, then as its first head of knowledge management. Prior to that, he was a law lecturer at the University of Bristol. He blogs at http://mg3c.com/blog/, and is on Twitter as @markgould13.

**Jennifer P. Keller** is president and chief operating officer of Baker, Donelson, Bearman, Caldwell & Berkowitz. She is a former member of the firm’s board of directors and former chair of the firm’s nationally recognized labor and employment department.

As an employment litigator, Ms Keller advises clients on a wide variety of issues, including discipline and terminations, benefits issues, leave, disability accommodation, policy formulation and enforcement, and similar matters. A substantial part of her practice is providing training for employers in the areas of harassment and discrimination prevention, drug-free workplace, union avoidance, and other employment law issues. Ms Keller also has extensive appellate experience, including the briefing and argument of appeals before various state and federal appellate courts.

Licensed in Tennessee and North Carolina, Ms Keller regularly practices in both state and federal courts in those states. She also regularly appears before various administrative agencies, including the Department of Labor, EEOC, Tennessee Human Rights Commission, and NLRB. She has significant experience in mediating, arbitrating, and litigating claims based on the Civil Rights Acts, FMLA, ADA, FLSA, NLRA, ERISA, state workers’ compensation laws, and state-specific employment laws.

**David Laud** is the chief executive of Samuel Phillips Law Firm and works with the partners to set and implement the firm’s strategy. He
has a varied commercial background, having held senior management positions for both Thomas Cook and AT&T. In addition to operational matters and working with business clients, he also heads the education sector, working closely with schools.

David’s role sees him negotiating with suppliers and managing matters of compliance. As a chartered marketer, he has also introduced a number of initiatives that have helped to drive Samuel Phillips forward, including branding, website, and social media initiatives, and iPhone and iPad Apps.

David is regularly asked to deliver workshops and seminars on management matters, including business start-up, academies, procurement, social media, and a range of marketing related topics. He has appeared on UK national radio station Radio 4 as an expert on social media marketing, and he has two published books on the subject. This experience is often useful to Samuel Phillips’ commercial clients who are seeking impartial advice to assist in growing their business.

**Matt Laws** is the senior director of practice management for Crowell & Moring LLP. In this role, Matt works with current clients, prospective clients, and firm partners in developing innovative value-based fee arrangements. Matt’s focus on client relationships via a value-oriented approach includes legal project management and knowledge management throughout the lifecycle of engagements to ensure the effective and efficient delivery of legal services. Matt earned an MBA in finance, an MA in project management, and has 10 years of experience in managing AFA agreements at AM Law 100 firms.

**Keith Lipman** is a well-regarded expert in the area of information management and e-discovery, in which he has been involved for almost two decades. Prior to founding Prosperware, Keith was the director of legal solutions at iManage, Interwoven, and Autonomy iManage. He developed the go-to-market strategy for iManage in the legal industry and was the progenitor of Matter Centric Collaboration and the electronic file in WorkSite 8. Before iManage, Keith served in a number of professional capacities, including paralegal, lawyer, IT director in a law firm, and technology consultant to law firms.

Keith earned his BA, JD, and MBA at Temple University. He is a frequent speaker and is a contributing author of the book *Corporate Governance Best Practices: Strategies for Public, Private, and Not-for-Profit Organizations*. He has also authored a number of articles on e-discovery and the management of email, documents, and records.
**Fiona Parkinson** is head of knowledge management at BLM, the leading risk and insurance law specialist in the UK, and for the past year has been establishing a new function, bringing together legal research services and a new team of PSLs across the firm. She has set up and managed similar functions at The Law Society of England and Wales and in energy and customer services companies, globally as well as in the UK. Her other experience includes senior roles in business analysis, information, and knowledge management in multi-national pharmaceutical and biotechnology companies, and three years with PwC.

Fiona is skilled in strategic thinking, relationship building, project management, communications, and change management. She is an effective thinker, outcome and customer focused, experienced in managing people and resources for maximum organizational advantage. She has set up and run intranets and document management systems with supporting taxonomies as well as records management and information compliance functions.

She takes a pragmatic approach to ensure KM forms part of the firm’s strategy and delivers practical results to support BLM staff in their work with clients. Knowledge harvesting from projects, knowledge exit interviews, after action reviews, and expertise directories feature frequently in her KM toolkit. She believes strongly in working with marketing, IT, L&D, and HR functions to deliver joined-up solutions to lawyers and their clients.

**Scott Rechtschaffen** is chief knowledge officer at Littler Mendelson and leads Littler’s effort to provide innovative client services by integrating new technologies and work processes and enabling attorneys and clients to access the collective knowledge and experience of the firm’s more than 1,000 attorneys. He combines over 25 years of experience representing companies in every area of labor and employment law with a broad understanding of technology to help the firm’s attorneys and their clients in tailoring unique solutions that enhance the firm’s ability to deliver legal information and legal services to its clients.

Scott heads Littler’s knowledge management department comprising dedicated KM attorneys, research specialists, and technologists. He was a member of the multi-disciplinary team that developed the award-winning Littler CaseSmart® approach to legal case management. He oversees the firm’s electronic and print publications, internal KM systems, and online client subscription services.

Scott is the co-founder of ComplianceHR, an innovative joint venture launched by Littler and Neota Logic, a legal software company.
ComplianceHR leverages Littler’s experience and knowledge of employment law with the power of Neota Logic’s expert systems to provide a transformative suite of online compliance solutions for HR and legal professionals. In 2015, the Financial Times presented ComplianceHR with an award for Innovation in The Business of Law: Compliance & Technology.

For his achievements, Scott has been awarded the Distinguished Peer Award as KM Champion of the Year by the International Legal Technology Association, named to the Fastcase 50, an annual compilation “honoring the law’s smartest, most courageous innovators”, and was named among the 10 most innovative lawyers in North America by the Financial Times in 2014.
Chapter 1:
Taking knowledge management to a strategic level

By Keith Lipman, progenitor of Matter Centricity and co-founder of Prosperoware, and Toby Brown, chief practice officer at Akin Gump

Single-digit growth since 2008 – with no real uptick in sight – is driving large law firms to develop parallel strategies: one focused on finding new ways to grow; and one focused on operational efficiency. This state of the industry represents an opportunity for knowledge management professionals to play a strategic role in the law firm. Once the easy steps for operational efficiency are taken, typically “right-sized” staffing models and better use of office space, firms will take a hard look at their real pain points: fee predictability and a true understanding of matter economics. For that they will need you (although they may not know it yet). You and your ability to leverage existing work product and share collective know how. You and your ability to connect your knowledge management strategy to your firm’s core business strategies and bottom line.

It won’t be easy. We’re an old industry and change occurs slowly. But you can affect change. You can play a meaningful role in the firm’s transition to the new reality we all do business in. And you will be recognized for it. Let’s take a look at what you need to know to make that happen.

What you need to know about the state of the industry
How did we get here? The impact of the 2008 recession took everyone by surprise and upended the legal profession as we knew it. Law-firm clients have become increasingly “cost conscious”. They’re looking more closely at service specifics: Are we really spending $60,000 in legal services for a $60,000 contract? They’re often turning to alternative providers in pursuit of cost efficiencies: legal process outsourcers for due diligence and third-party e-discovery companies for document review. Some clients are choosing to hire more legal staff and manage their legal work themselves, essentially using a law firm as a subcontractor instead
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of a prime. Demands for discounts, alternative fees, and tightly managed hourly rates are a common occurrence: anything clients deem a way to get better value is fair game.

For many law firms, these trends have created a meaningful drop in demand with everyone fighting for a share of the market. This, in turn, has made the legal services industry hypercompetitive, intensifying the imperative for fundamental change in the service models law firms employ today. Alternative fee arrangements, in particular, are under the spotlight.

News flash! Alternative fee arrangements come in many disguises
While almost all law firms have taken steps to get leaner with fewer support staff and tighter margins, many people feel their firm is not under pressure because their number of alternative fee arrangements is low. Many fail to realize that clients who are tightly managing hourly rates and the billing process are creating the equivalent of alternative fee arrangements.

Let’s take a simple example of what savvy clients are doing to ensure greater bang for their buck. In a typical scenario, the client first negotiates a discount on the rates and asks the partner for a budget. Then, they tightly monitor each invoice: is there any work on here that didn’t add value? Is any of this work due to inefficiencies? Is every charge within the scope of what we asked for? Are they staying within budget? The result: the matter effectively becomes an alternative fee arrangement. Based on this fact, many prefer to call alternative fee arrangements and highly discounted hourly matters “non-standard fee arrangements”.

What you need to know about basic firm economics
Both standard and non-standard arrangements demand price control and a basic knowledge of firm economics. Let’s look at what you need to know about profit models and profit drivers to play a more strategic role in your firm.

Like everything in our industry, how we measure profits has significantly changed. Until recently, law firm profits were built into their pricing model. The billable hour was enough to cover costs and a rising profit margin. It was easy to measure profit through a simple understanding of discount from the standard or headline rate. So long as the discount was not too much, the firm made money.

This approach worked well, and firms built a compensation system that reflected that every dollar coming in the door was a good one. No longer. A new model is emerging where profits need to be truly measured at a
matter level. Two partners – each having a $5 million book of business – could have radically different levels of profitability. Today, the factors that drive margins are front and center in law firms. The most important profit drivers are rates, collected realization, productivity, and leverage.

Rates are a profit driver
Although this may be obvious, the point still needs to be made: billing rates are the core pricing structure used in the legal industry, and the level of a firm’s rates is key in determining its level of profitability. As a rule of thumb, a one-point increase in rates leads to a two-point increase in profit. The reverse applies as well. In our experience, firms typically have a range of 1–3 percent increase in profit for each point of rate change. The range exists because it depends on the specific timekeepers involved and the relationship between the billing rates and the timekeepers’ cost rates.

Collected realization is a profit driver
Realization is the percentage of money collected versus the standard rate. Once you have a standard rate, there are three basic factors that drive down the actual dollars collected against that rate: discounts, write-downs, and write-offs. Adding these three components together gives you total realization. The final number is important, but the three components are instructive for helping you understand what’s driving a level of realization.

The impact of realization is much the same as that of rates. A 1 percent drop in realization will, on average, result in a 2 percent drop in profitability (at least it does when you are relatively close to 100 percent realization). As that realization number drops, the impact magnifies. When you approach 60–70 percent realization, it becomes infinite because you are approaching the cost-rate levels of most timekeepers. In other words, you are reaching the point where your margin goes to zero. When you pass that point, it goes to negative. At a general level, the point-of-no-return is about 67 percent. However, it can vary based on the mix of timekeepers involved in a given piece of work. Some timekeeper’s cost rates can be 50 percent of billing rates; others may be closer to 80 percent.