

Cameron's Profits for Partners Blog

A discussion of practical & innovative ways to increase profits for law firms

HOME

CONTACT US

OVERVIEW

PROFILE

SERVICES

TESTIMONIALS



5 Major Trends Impacting Canadian Law Firms Today

Posted on [October 25, 2011](#) | [4 Comments](#)

1) The [Norton Rose](#) Phenomenon

One of today's key trends affecting law firms of all sizes in Canada is the Norton Rose phenomenon. Norton Rose is a 2,900 lawyer global giant, organized as a [Swiss Verein](#), which has just gobbled up [Ogilvy Renault](#) and Macleod Dixon in two quick bites. Within a matter of months, they have singlehandedly changed the face of the Canadian legal industry, creating the third largest legal firm in Canada and they're just getting started. That's pretty incredible, and scary for some at the same time. This is the new order in Canada's legal industry.

This is also a defining moment for the legal industry in Canada, and will potentially drive more mergers and changes in national and regional firms as Norton Rose presses its influence. It could force Canadian national firms to get bigger or they'll be swallowed up as well. Other global giants such as [DLA Piper](#) are waiting in the wings. At 4,000 plus lawyers it's the largest law firm in the world. Discussions are happening amongst multiple potential Canadian merger partners, with other global firms no doubt interested in Canada's lucrative resources legal work as well.

There are many similarities to what the large accounting firms such as KPMG and Deloitte went through in the '80s and '90s, as they used Swiss Verein structures to build their global presences as well. The Swiss Verein structure provides limited liability, world-wide branding and consistent client service standards as some of its features.

Large Canadian law firms are being influenced by the large accounting firms in many ways. In the 90's, large Canadian law firms went national to protect against the feared onslaught of accounting firms, which fizzled out when Enron happened, but the large national law firms remained. Now there is pressure again being exerted from the outside, and large firms will have to restructure to fight against this new enemy. Rumour has it that the large accounting firms are looking to get back into the legal industry again as well.

As an adjunct trend, the rise of the ABS regulations in the UK is putting an even more interesting spin on Norton Rose's arrival in Canada. ABS allows public ownership of law firms, which is happening right now as UK firms are lining up to go public. If this trend catches on in the UK, even more resources will become available to UK-based firms like Norton Rose, and the US may have to consider the possibility of allowing public ownership for US firms to compete with publicly owned UK firms. This could lead to the ultimate showdown of publicly-owned global law firms, which may lead the legal industry to look something like the big 4 accounting firms when the dust settles, or...? Stay tuned on this one 😊.

SEARCH

SEARCH ME ON GOOGLE

COLIN CAMERON, CA



Welcome to my blog. I am a management consultant in Vancouver, Canada providing strategic profit-focused advice to law and professional service firms. I can help your business realize its true profit potential.

Earn more in less time and achieve all strategic goals!

Give me a call or email to find out more.

Best regards,
Colin

colin@profitsforpartners.com
www.profitsforpartners.com
1.604.512.8104

RECENT POSTS

- [5 Major Trends Impacting Canadian Law Firms Today](#)
- [Planning for Success – Key Issues & Goals](#)
- [Old School Marketing – Sales Is Not A Dirty Word](#)
- [Planning for Success](#)
- [Trends in Partner Compensation Systems in Law Firms](#)

ABOUT ME

- [About Me](#)
- [All My Posts on This Blog – Listing](#)
- [Follow Me On LinkedIn](#)
- [Follow Me on Quora](#)
- [Follow Me On Twitter](#)
- [My City – Vancouver, BC, Canada Visitor/City Information](#)

2) Move to Corporate Model

Another trend happening simultaneously is the move to more corporate models of firm governance amongst large Canadian firms. McCarthy's moved to a board of directors and a full corporate business model a few years ago, and other large and regional Canadian firms are now going the same way. Practice groups are consolidating on a national basis, similar to what the large accounting firms have done for decades.

3) Alternative Billing

Fee pressures from clients are being experienced by firms of all sizes in Canada. It ranges from the small firms that do commodity work such as residential conveyances for less than what notaries charge in British Columbia, to large firms that are being pressed by large clients to offer alternative billing arrangements such as fixed fees to provide more certainty and less risky billing options.

Alternative billing is not as advanced amongst large firms in Canada as it is in the US and Europe, however, it is coming and firms need to prepare. It is being felt in the banking and intellectual property areas already, for example. It has been prevalent in commodity work in Canada for decades eg. personal services law, residential conveyancing, wills and estates, etc.

Project management is another trend that midsize and large firms are embracing, as a forerunner or as an adjunct to alternative billing. The idea is to get as efficient and effective as you can, then use this efficiency to go out and compete in the fixed fee arena, and hopefully maintain or enhance profitability.

The whole concept of value is being embraced by clients, who are looking at the very high chargeout rates that law firms have brought in over the last decade, and they now want retribution and rollbacks, or at the very least a stop to the increase in their legal budgets. The rise of the [ACC Value Challenge](#) is just one indicator of their resolve here.

If the economy worsens in a possible double-dip recession, clients will exert even more pressure on law firms. Firms must prepare for this change in the client's mindset and must demonstrate more value to satisfy clients.

There is also a movement to reduce the recovery of soft costs such as photocopies and fax charges, which irritates some clients, and law firms are pulling back on this somewhat.

4) National Firms Cleaning House

National firms are cleaning house and cutting partners with practices below minimum \$ practice size and clients that don't meet minimum \$ billings levels. This is a great opportunity for small and regional firms, who are picking up these senior national partners who have been pushed out or who have left national firms for better work/life balance.

This can be a great boon for the smaller firm, as they acquire new talent and institutional clients, who will remain with the smaller firm after the partner finally retires. Many national partners have established long relationships with their clients, and are able to transition their clients to their new smaller firms and make them profitable with the lower overheads of a small firm.

5) The Rise of Innovative New Legal Business Models

The rise of innovative new business models such as Delegatus, Clearspire,

■ My Company – Profits for Partners, Management Consulting Inc.

■ Search Me on Google – Vizibility

BLOGROLL

- Above the Law
- Adam Smith, Esq.
- Are You Reading These Posts?
- BC Law Watch Blog
- Canadian Law Blogs List
- Closer's Coffee
- David Maister's Blog – Passion, People, Principles
- Law Firm Web Strategy Blog
- More Partner Income
- The Journal of Business and Legal Affairs
- Vancouver Law Librarian Blog

INTERESTING ARTICLES & INFO

- "Global law firms look to Canada" – My comments in Christopher Guly's July 15, 2011 article in The Lawyers Weekly
- "It's still eat-what-you-kill" – My comments in Kevin Marron's June 2011 article in Canadian Lawyer magazine
- "Old School Marketing – Sales Is Not A Dirty Word" – My July 1, 2011 post on Small Firm Innovation
- "Planning for Success" – My June 1, 2011 post on Small Firm Innovation
- "The billable hour still reigns" – My comments in Christopher Guly's October 7, 2011 article in The Lawyers Weekly
- The 24: Canada's top legal social media influencers – Lawyers Weekly – Sept 23 2011 issue (I'm honoured to be included)

WEB RESOURCES

- Law Firm Profitability Group on LinkedIn
- LinkedIn Legal Innovation Group
- On Trac Coach Blog
- Skunkworks Creative Group Inc.
- Stem Legal – Law Firm SEO Service
- Van Dyke Marketing and Communications
- Virtual Intelligence – KM Consultants

MY TWITTER FEED

- A&O sends partners on client relationship training to improve 'off-deal' advice <http://t.co/uB1fzPm9> 12 hours ago
- @JohnGrimley @JDSupraBuzz @Shaharudinali @BetsyMunnell Thanks for RTs 1 day ago
- RT @jordan_law21: The real bubble in law firms is this: too many

Axiom, Cognition, etc. The concepts of outsourced in-house counsel, no partners, franchised firms and virtual firms are threats to national and regional firms and an opportunity for small firms.

“Non-law firm” legal service providers such as [LexisNexis](#) are also looking at getting into the business of providing legal services through their outsourcing arm Pangea3. The ABS regulations offer the potential of “Tesco law”, which opens up possibilities for many more non-legal entities to provide legal services as well. These are threats to traditional law firms of all sizes.

Presented at the Seventh Annual CBA Law Firm Leadership Conference held October 24-25, 2011 in Vancouver, BC

Posted in [Alternative Fee Arrangements](#), [Business](#), [Firm Finances](#), [Firm Governance](#), [Law Firm Strategy](#), [Profitability](#), [Recruiting](#), [Strategic Planning](#), [Uncategorized](#) → **4 Comments**

Planning for Success – Key Issues & Goals

Posted on [September 2, 2011](#) | [1 Comment](#)

Originally posted on [Small Firm Innovation](#)

In the [first planning installment](#), we talked about creating a vision and core values statement. The next step is to identify the firm goals and key issues facing the firm.

One suggestion for getting buy-in from the partners is to have them write down the top 3 goals for their practice and for the firm, as well as the things that are stopping them from achieving their personal and firm goals (the key issues). Submit these for compilation and discussion at a planning retreat. This will also start the process of aligning personal and firm goals.

At the planning retreat, list all the goals and issues on flipchart paper and post them for all partners to review as the day proceeds. Then start discussing the issues one by one until you have exhausted all issues.

I’ve found the process is usually more successful if you start by discussing the issues first and the goals after. Lawyers are naturally focused on what’s wrong with the firm rather than the positives, so I find this approach simplifies and speeds up the discussion considerably as a result.

Once all of the issues have been discussed, then you can start prioritizing the issues. Aim to have the top 5 issues decided on by the day’s end. This part of the process can proceed quite quickly if you’ve already had a thorough discussion of the issues beforehand.

Once you have a prioritized list of the top 5 issues facing the firm, you can now start to turn those issues into quantifiable goals. For example, if one of the issues is “lack of profitability”, then the goal can be converted to “increase profits by x% over x years”. This is a quantifiable goal with a deadline, which is essential for follow-through and measuring the success of the firm plan later on.

Review the list of goals submitted prior to the retreat, and add or modify to this list based on the discussion of the key issues. Decide on the top 5 goals as a group.

Once you have decided on the top 5 goals, then you need to determine if completing these goals will be enough to achieve your vision. If not, you will have to repeat the process until you come up with an adequate set of goals which

partners. [#colpm](#) 1 day ago

- 10 Key Questions That Law Firms Should Ask Clients
[@pwoldow](http://t.co/3D8TSoIX)
1 day ago
- Ralph Baxter, CEO of Orrick, said allowing law firms to accept outside capital would make them attractive to investors <http://t.co/d4t8hJ17>
2 days ago

SUBSCRIBE BY RSS

 [RSS - Posts](#)

EMAIL SUBSCRIPTION

Enter your email address to follow this blog and receive notifications of new posts by email.

Sign me up!

ARCHIVES

- [October 2011](#)
- [September 2011](#)
- [July 2011](#)
- [June 2011](#)
- [May 2011](#)
- [February 2011](#)
- [November 2010](#)
- [October 2010](#)
- [September 2010](#)
- [July 2010](#)
- [June 2010](#)
- [March 2010](#)
- [February 2010](#)
- [December 2009](#)
- [September 2009](#)
- [August 2009](#)

[GET](#) [CLICKY](#)

© Profits for Partners, Management Consulting Inc. 2009-2011 - All Rights Reserved

MY GOOGLE QR CODE



will achieve your firm vision.

In the first installment we talked about determining where you're at today and your vision of where you want to be in 5 years. The difference between these two points is known as the "planning gap." The strategic plan will include all of the steps required to get you from where you're at today to achieving your vision. The strategic plan will normally cover a 3 to 5 year time frame.

This completes the goal-setting phase. Now we can start thinking about the strategies and action plans needed to complete the firm plan. We'll discuss this phase in the next planning installment.

Posted in [Law Firm Strategy](#), [Strategic Planning](#)

→ **1 Comment**

Tagged [Business](#), [Business plan](#), [law firm profitability](#),

[Management](#), [Small business](#), [Strategic management](#), [Strategic planning](#)

Old School Marketing – Sales Is Not A Dirty Word

Posted on [July 1, 2011](#) | [Leave a comment](#)

Originally Posted on [Small Firm Innovation](#)

Back in the old days, lawyers really had to hustle to get work. Okay, that's just like today. But lawyers had to "sell" themselves to get clients to use them. So what's so different about that today? Well, many law firms now use technology and social media to get their marketing done. But it still requires a human touch to get the "sale" done.

Marketing is the set-up, and [sales](#) is where the real money is made. When you're trying to win legal work from high powered corporations with their own sales teams, you need to match them in sales skills. The clients will push every law firm to distinguish themselves with their sales abilities to earn their work.

So once you've identified and qualified the buyers, you approach them for the sale and "ask for the order." What's that you say? Yes, this is "old school" marketing. It's been done by salespeople in every industry for decades. Don't want to have a sleazy "car salesman" image? You don't have to. Some of the greatest salespeople are actually very highly skilled lawyers who use their own special [sales techniques](#) all the time while networking with blue chip contacts. Their clients are also great salespeople, and smart lawyers connect them with other great salespeople they know and generate great referrals.

Your clients respect the art of sales as that's how they conduct business all the time. Lawyers who master sales techniques are respected by their clients, make no mistake. It's all in the delivery. If you have a great product, you are proud to sell it and its benefits. Don't focus on features, focus on benefits, and distinguish yourself from the competition. Find out the customer's needs, then provide them with the customized product and service they require. Listen a lot, and cater to their desires. Really care about your clients, and provide added value over and above what they are expecting. These are all tried-and-true sales techniques, of course.

It's time that lawyers really understood the language of sales and applied the concepts. In today's competitive legal environment, you can't afford to be "outsold" by your competition.

Some large law firms now even have sales departments. They've got the message, and they train their lawyers in sales techniques using standard [sales training](#) courses. Solos and small firms have the same opportunity. You can get the necessary sales training from many sources out there.

Immerse yourself in the sales culture and start regularly “asking for the order.”

Some of the most successful lawyers I know are experts at it. Some may call them rainmakers, but the smart ones know that deep down they are really just good salespeople. After all, the highest paid person on a car lot is the sales manager. Now that’s a goal to aspire for!

Posted in [Business](#), [Client Service](#), [Law Firm Strategy](#), [Marketing](#), [Partner Compensation](#), [Profitability](#), [Sales](#) → [Leave a comment](#)
Tagged [Customer](#), [Law](#), [Market share](#), [Marketing](#), [Sales](#), [Selling technique](#)

Planning for Success

Posted on [June 3, 2011](#) | [Leave a comment](#)

Originally posted on [Small Firm Innovation](#)

I’ve talked to a number of solo and small firm lawyers over the years about the topic of strategic planning, and often get asked the same question: ***“Isn’t strategic planning just a “big firm” thing?”***

The answer is that strategic planning is for firms of all sizes. In fact, it’s even more important for solos and small firms in today’s competitive legal environment. Solos and small firms can use strategic planning to focus their efforts and “steal” work from big firms by providing better value through lower rates and more flexible billing arrangements, for example.

“Isn’t strategic planning too time-consuming for our partners?” It doesn’t have to be. In fact, I will outline a straightforward question and answer process which will easily guide you through the planning steps and produce a strategic plan once you’ve answered all of the planning questions.

“But I’ve already got plenty of billable work which clients need me to do now!” Yes, you may have lots of work now, but are you doing the kind of work you want to keep you intellectually satisfied, and is it producing the most amount of profit for the least amount of your time? The strategic planning process will help you resolve these questions.

Where are you going?

You start by creating a vision for your firm and deciding what your practice or firm is going to look like in the long term. What type of law will you practice, who will your clients be, how big will your firm be, will you have a “bricks and mortar” or “virtual” office?, etc. You need to envision all of these things and look out 5, 10 or 15 years out for your vision of the firm.

The visioning process doesn’t have to be complicated. Some large firms spend weeks or months creating a vision, as they have many partners who must come to a consensus on it. But as a solo or small firm, you only have yourself or a few other partners to come to a decision on your vision, so the time required is much less.

The planning process usually involves taking some time out at a retreat to have partners think about the future of the firm, and is most likely facilitated by a third party. This third party option usually works best, since all partners have vested interests, and you want someone independent to guide you through the process to ensure you have “buy in” from all partners.

Where are you at now?

Once you’ve figured out where you want to go, you need to confirm where

you're at now. What is your current profitability by practice area, who are your current people, what is your current management structure, what is your partnership entry criteria, etc. You will need to do a [SWOT analysis](#), which is a review of your strengths, weaknesses, opportunities and threats to really define what your current position is.

Who are you?

This is the core values step. This involves creating a set of “values” for partner behavior which all partners are required to adhere to. You need to decide “who’s in the boat” and who isn’t. You need the right people to help you achieve your firm vision.

What are the steps required to achieve our vision?

Once you know where you're going, who you are and where you're at today, you need to figure out the steps needed to achieve your vision. These steps are known as goals, which will help you to determine if you're making progress towards achieving your vision. The goals need to be quantified, so you will know when you've reached each step along the way.

Next steps

These are the first key steps in the planning process, which will help you kick-start the creation of a new strategic plan for your firm. In future posts, I will continue this series on strategic planning for solos and small firms. We'll fill in the details on how to complete your firm strategic plan and instill an ongoing strategic mindset to maximize your firm's competitiveness and profitability for the long term.

Posted in [Alternative Fee Arrangements](#), [Law Firm](#) → [Leave a comment](#)
[Strategy](#), [Profitability](#), [Strategic Planning](#)
Tagged [Business](#), [Business plan](#), [law firm profitability](#), [Management](#), [Small business](#), [Strategic management](#), [Strategic planning](#), [SWOT analysis](#)

Trends in Partner Compensation Systems in Law Firms

Posted on [May 11, 2011](#) | [Leave a comment](#)

An increasingly competitive legal environment is resulting in changes in the way that law firms pay their partners.

In my experience there are three main types of partner compensation systems:

1) *Equality/lockstep* – Compensation is determined mainly by seniority. I've seen this system used by many small firms and some very large US and UK firms. The advantage is that it encourages partners to work as a team, while the disadvantage is that partners may not feel it's fair if other partners don't pull their weight yet are paid the same as high performers. This can lead to a lack of incentive for high performers, and creates a risk they may leave.

2) *“Eat what you kill”* – Compensation is determined mainly by personal production. This system is used by small and midsize firms. Objective systems like this usually focus on just the numbers, which makes it clear to all partners what the expectations are, and is fairly simple to determine compensation as a result. The downside is that these objective systems also encourage partners to “game” the numbers to their own advantage. This can lead to breakdowns in team-building, where partners act as “lone wolves” and talk about “my clients”, not firm clients.

3) Subjective Merit – Compensation is determined by subjective analysis supported by objective factors. It usually involves a compensation committee of 3 or 4 partners, and is used mainly by midsize and large firms. This system has the advantage of encouraging partners to operate at a higher level and get compensated accordingly. In addition, the subjective merit system may have an objective component as a starting point, but subjective analysis reduces the potential for “gaming” the system in a purely objective formula system.

Depending on the culture of the firm, any of the above systems may work effectively. However, my experience and research indicates that the most effective system for increasing profits is the subjective merit compensation system.

Compensation System Trends

One of the major trends I see is towards more “pay for performance” in law firms, with a particular emphasis on rainmaking results. Rainmakers are paid big bucks to switch firms, especially commercial lawyers who are able to command and move a large client base.

Compensation compression ratios (the S’s paid to the highest paid partners compared to the lowest paid partners) are increasing, as firms accommodate rainmakers at the top end of the pay scale.

Law firms are requiring an increasing minimum practice size to remain as an equity partner.

Non-equity partnerships are growing in popularity as firms attempt to maximize their leverage and equity partner compensation.

Large firm compensation systems are becoming more “corporate” in nature, as firms grow in size and scope internationally. The larger the firm, the more corporate the model. Managing partners and executive committees are wielding more power, and are providing more input to the compensation of individual partners, who are becoming more like employees in large firms.

Managing partners and practice group managers are being compensated more for their management accomplishments. Some firms are compensating their managing partners using balanced scorecard techniques, for example. Law firms are trying to run like real businesses, and are delegating more and more of the firm’s business functions to their management partners.

Many firms are requiring pre-retirement phase-downs in compensation and have established retirement policies at a set age eg. 65. There is some controversy here, however, given challenges to the legality of forced retirement. Firms are continuing to try to enforce these retirement policies in order to maintain increasing equity partnership leverage and profitability objectives.

There is a trend for senior partners with portable practices to move from firms where they have spent their entire careers, after being forced out by the imposition of set retirement age policies.

Most firms have fairly “open” compensation systems, where partners know what other partners are being paid. The trend is towards less compensation transparency in larger firms, however, with power and information centralized within a few management partners. Compensation discussions can be too much of a time distraction for large firms.

More non-equity compensation arrangements are being used for hiring lateral

partners and retaining good “up and comers” with long-term potential for building a practice.

Buy-in requirements are growing as firms grow and partner leverage increases.

More flexibility for balanced lifestyles and part-time partner arrangements are being demanded and received by the new generation of partners.

Compensation Criteria Trends

There is more emphasis on teamwork, and less emphasis on personal billable hours. This also ties in with growing recognition for the need to lever work, and the growth of alternative billing practices.

More firms are doing strategic plans in response to increasing competition, and this is leading to a need to recognize partners’ non-billable efforts in implementing strategic plans at the firm, practice group and individual partner levels. This also means more recognition of training, supervision, quality control, and various other non-billable tasks performed by partners.

More firms are recognizing client origination results, and firms are tracking client and matter origination more diligently. Sales skills are being taught to partners and associates.

More peer evaluation is happening, especially in larger firms. There is also more emphasis on client feedback, realization and profitability of partners’ practices. More emphasis on cash in, and less on billings.

Compatibility with firm culture is becoming more important. Non-conformists with firm culture are punished, leaders are rewarded.

Summary

The key trend is toward more “corporate” compensation models, driven by competition and the corporate style of growth of large national and international firms. Compensation is driven more by the strategic goals of the firm, and partners who contribute to firm goals are compensated at higher levels as a result. There is more and more emphasis on pay for performance as well.

Compensation compression ratios are widening, as firms attempt to accommodate and retain the rainmakers in their firms. This has resulted in major dollars being spent to lure new rainmakers to the large firms. Business development is more and more highly prized, and rainmakers’ compensation is increasing significantly.

The danger of a very high compensation compression ratio is that you could end up like [Finley Kumble](#) a few years ago. They hired many rainmakers and paid them exorbitant dollars for their client originations without a sunset clause, and the whole firm came crashing down as a result. Several different factors were involved, but the extremely high compensation compression ratio was pointed to as a major factor in their demise.

Firms are also trying to encourage partners to lever more to others, and in the process institutionalize clients so that it is more difficult to move clients when partners are offered more money by other firms to lure them away. Buy-in requirements are rising as firms lever more and reduce the % of equity partners relative to non-equity partners and associates.

Large firms tend to favor subjective merit systems, while smaller firms tend to favor more objective systems. Large firms are increasingly profitable, and the

gap is widening, so there may be some correlation/cause/effect in the use of subjective merit systems which leads to increased profitability.

Posted in [Firm Governance](#), [Law Firm Strategy](#), [Partner Compensation](#), [Profitability](#) → [Leave a comment](#)

Tagged [Business](#), [Equity partner](#), [Law](#), [Law firm](#), [law firm profitability](#), [Law Practice Support](#), [Lawyer](#), [Lockstep compensation](#), [partner compensation](#), [Services](#)

Strategic Planning for Law Firms – Key Steps in the Process

Posted on [February 12, 2011](#) | [1 Comment](#)

So what's all the mystery about strategic planning for law firms? Why do so many firms fail to do strategic planning, and if they do try it, why do they fail to implement?

First I'll address the mystery part. Most law firms are run as democracies, which allow partners to do what they want with no real accountability. Strategic planning assumes that you are thinking about your future as a firm, not as a group of solo practitioners. This is the key to making a strategic plan work.

Here's some key questions to address in getting the planning process going.

Where Are We Going?

Ideally, you should follow a standard strategic planning process, which involves creating a mission statement and long-term vision for the firm. The strategic planning process will address the next 3 to 5 years, and should be revisited every 3 to 5 years as the environment changes.

Who Are We?

A core values statement is also essential, to guide all partners and staff on the firm's expectations of its people. This will decide who's in the boat, and who isn't. The core values statement is normally created separately from the mission statement, but must support it.

What's Stopping Us From Achieving Our Vision?

First you need to identify the key issues facing your firm at the moment. This gives you a place to start turning issues into goals and strategies. Every issue is a potential hurdle which is preventing you from achieving your firm's goals. The firm's key issues should be summarized and prioritized. The top 5 issues should be discussed and ideas exchanged on how the issues are stopping the firm from achieving its mission statement and vision.

What Are The Steps Along the Way To Achieving Our Vision?

Once the mission statement and vision are determined, usually during a strategic planning session with all partners, then you can start eliciting goals from the mission statement. The firm's goals are normally contained within the mission statement. Focus on the top 5 goals.

Quantify Objectives

With the top 5 firm goals decided on, you can then quantify objectives which must be met in order to achieve the goals.

How Do We Get There?

Conduct a brainstorming process to consider various strategies to help achieve the goals. Prioritize the strategies needed to achieve the goals.

Who Will Do What And By When?

This is the action planning stage. Here we identify who will carry out the strategies and assign deadlines to complete the action plans. This provides accountability and helps with follow-through.

How Do We Ensure It All Gets Done?

This is where most firms fall down and don't implement their plans. You need a management structure with accountability to make it happen. The Managing Partner will be in charge of executing the firm plan and will ensure every partner does their part in implementing the plan. The Managing Partner must also be able to impact partner compensation to make partners accountable for their role in the process.

Posted in [Firm Governance](#), [Law Firm Strategy](#), [Profitability](#), [Strategic Planning](#) → **1 Comment**

Tagged [Business](#), [Business plan](#), [Goal](#), [law firm profitability](#), [Management](#), [Mission statement](#), [Strategic management](#), [Strategic planning](#), [SWOT analysis](#)

Alternative Billing Trends – “AFA Lite”

Posted on [November 9, 2010](#) | [Leave a comment](#)

Another trend to watch is law firms of various sizes getting on the legal project management bandwagon as an adjunct, alternative or transition to true AFA's (Alternative Fee Agreements).

Many clients are asking for 20% lower overall legal costs, so forward-thinking firms are proactively trying to apply LPM ([Legal Project Management](#)) techniques to reduce the hours required on a file by 20% by eliminating waste and unnecessary legal steps, while still allowing them to retain the realization (profitability) on these hours.

An estimate of the legal fees is provided to the client up front, but a true AFA is not put in place. There is, however, an agreement that any adjustments to estimated legal fees will be made with good reasons explained to the client as the file proceeds. Clear, well-timed communication is key here.

If successful, the upshot of the above approach is that the client gets what they want by reducing overall legal costs by 20%, and the law firm gets to maintain its profitability. Combine this with the client agreeing to provide a greater share of its work to the law firm, and you seal the deal. The approach is simple, yet effective. Neither side loses in this scenario, which I believe is a key for success. I call this approach “AFA Lite”.

Law firms can also use the above approach as a transition to a true AFA arrangement with the client in the future. This will happen when both parties are fully up to speed on the issues involved, and can then feel comfortable entering a trust-based, long-term AFA arrangement (strategic partnership).

Posted in [Alternative Fee Arrangements](#), [Law Firm Strategy](#), [Profitability](#) → **Leave a comment**

Tagged [alternative billing arrangements](#), [alternative fee arrangements](#), [Law](#), [Law firm](#), [law firm profitability](#), [Law Practice Support](#), [legal project management](#)

Different Incentives for AFA's – GC's vs. Managing Partners

Posted on [November 1, 2010](#) | [Leave a comment](#)

Recently [Bruce MacEwan of Adam Smith, Esq.](#) did a [great post on his blog](#) on the different incentives that General Counsels (GC's) and Managing Partners have regarding Alternative Fee Agreements (AFA's). GC's are accountable to their shareholders, while Managing Partners are accountable to their partners.

Bruce's point was that GC's are incented by their shareholders to reduce costs and push AFA's, while managing partners are incented by their partners to run a profitable firm. I'm paraphrasing a bit, but [here's the full post](#) for your info.

So given the current difference in incentives for GC's and Managing Partners, is there a way to reconcile the two points of view and come to some agreement for a mutual goal and appropriate incentives for both sides?

I think there is. I would suggest as a start that law firms start reducing the emphasis on billable hours in their partnership compensation systems. By doing so, this will encourage lawyers to focus more on the profitability of their practice, not on their own personal billable hours. It will also incent them to lever more work down to associates and paralegals, or to outsource legal work where it makes sense. These actions make good business sense whether an AFA is in place or not. This will make your firm more profitable, produce high realization and reduce the overall cost of legal work. Any resulting efficiencies from this approach which produce extra profits can be shared with your clients in the context of an AFA.

And there is much inefficiency in the way that law firms produce legal work now. The fact is that partner compensation systems that incent partners to maximize their billable hours encourage "bloat" in the overall cost of legal work. It also encourages firms to keep too many partners around billing at high rates. It's no wonder that clients are rebelling against this type of system.

Emphasis on partner hours billed has created law firms that are too top-heavy for their own good. Many firms have too many partners compared to associates and paralegals, and partners are "hoarding" work that should be levered down. As a result, the cost of the legal services goes up due to higher chargeout rates on average. The answer is that most firms could probably do with, say, 20% fewer partners (admittedly a number totally off the top of my head), and still handle the same work volume, but in a far more efficient way and at a lower overall cost for the client. The tricky part is that law firms' overall billings will go down, and partners have a vested interest to keep the compensation criteria as is to protect their own interests. It won't be easy, but forward-thinking firms are addressing this issue now. And if you don't address this issue, these forward-thinking firms will steal your clients from you.

So the firm's partner compensation system is the best place to start. The smart firms that de-emphasize billable hours and focus instead on value, efficiency and reducing overall legal costs have the opportunity to take work from firms who are simply too lazy or greedy and won't change unless they have to.

Admittedly, GC's are incented to reduce the overall cost of legal services, so there is a conflict here with law firms' incentive to grow the size of their practice. But, if there is the potential to grow profits in a properly constructed AFA arrangement, then this should satisfy law firm partners who are rewarded for increasing profits for the firm and the client, not just the size of their practice.

And if the choice is to lose a good client playing big annual fees, even at a discounted rate, then partners should really get focused here. As well, by the time the client decides that it wants an alternative fee arrangement, it will probably have been approached by several other law firms offering the same thing, and you'll be yesterday's news.

Posted in [Alternative Fee Arrangements](#), [Law Firm Strategy](#), [Partner Compensation](#), [Profitability](#) → **Leave a comment**

Tagged [afa](#), [alternative billing arrangements](#), [alternative fee arrangements](#), [Billable Hour](#), [Law](#), [Law firm](#), [law firm profitability](#)

The Search for Value – Focus on Client Profitability First

Posted on [October 24, 2010](#) | [Leave a comment](#)

The idea for this post was inspired by Ron Baker of [Verasage Institute](#). After checking out some of his writings in recent months, I stumbled across one of his key concepts in the search for value. The definition of value is contained in this formula:

Value = Customer Profit – Price

I modified Ron's formula slightly to illustrate the point of this post. What this formula means is that the value you provide to your client *equals* the increase in customer profit resulting from your legal work and value added services *minus* the price you're charging for your legal work.

With all the fuss over alternative billing lately, many have been talking about the need to cut costs and run lean operations in order to make money in the face of decreasing prices for legal work.

However, the drive to cut costs to match dropping prices for your work is in the end, I believe, a losing game. There will always be someone who will undercut you on price, and there is no upside in this game.

Instead, you want to be the value leader, not the low-cost leader in today's competitive legal environment. If you can achieve that, you will increase profits dramatically for both your client and your firm.

However, as the formula above indicates, *the key is to focus on increasing your client's profits first when adding value.* If you do, and you can demonstrate the impact this value has on your client's bottom line, you will remove the pressure on price, thereby increasing your own profitability.

This is a complete rethink of the normal law firm approach to focus on their own profits first. But if you think it through, you'll realize that your efforts are best spent on increasing client profits first, as your profits will follow in due course, and dramatically so if you do it right.

How can you increase value?

First, talk to your clients to see what issues are keeping them up at night. Ask them to explain their strategic vision and how you can help them achieve it. There's six key areas to focus on, as listed in the Law Firm Value Committee's "[51 Practical Ways For Law Firms to Add Value](#)" list on the [ACC Value Challenge](#) website, which is an excellent place to start in the search for value.

Some of the highlights for adding value include:

- Assign professional project managers to manage large-scale engagements and teams.

- Institute a discipline such as “Lean” [Six Sigma](#) to monitor efficiencies in all areas of work.

- Create partner roles focused on driving change and enhancing the value and efficiency of client service.

- Publish your network of “known” counsel in other jurisdictions and share it with top clients.

- Ask clients to share their own strategic visions, so the firm can properly plan, invest, staff, etc. to meet the future needs of its clients.

- Connect clients to other clients and entities in the firm’s network (at no charge).

- Engage a third-party consultant to conduct in-depth client satisfaction surveys.

- Assign a mid-level associate to work part-time at the client’s office for no charge.

- Request periodic access to meetings with the client’s business people to better understand the client’s business.

- Assign each of the firm’s summer clerks to work in the client’s law department for a week or two at no charge to the client.

- Create client service teams of lawyers and staff who serve that client and meet quarterly or monthly to discuss the client’s business, current and potential matters, changes at the client, trends in the client’s industry, etc.

- Commit to clear and transparent fee structures by showing the client what tasks are required at each step in the process of the matter, the timekeeper who will perform those tasks and the allotted time for each.

- Engage clients in the training process and invite them to make presentations and have dialogue with associates about the in-house/outside counsel relationship.

- Create a training program where associates work at the client’s facility to learn the in-house perspective.

- Develop a client dashboard that includes metrics, in addition to a 360-degree view of all matters.

- Use e-billing systems to track performance against metrics.

- Set up an extranet for on-line training that is available to both the firm and the firm’s clients.

Admittedly, this is a big firm perspective on in-house counsel’s perception of value, as the Law Firm Value Committee is comprised mainly of large US law firm lawyers. However, there are many good ideas here for small and midsize firms as well.

From the small and midsize law firm perspective, there is much you can do to add value. One of the most effective ways to add value is to refer your contacts and their business to your clients to add to their top line. Some of the most

successful lawyers I know do that regularly, and their clients rarely question them on the price of their legal services. As the value you provide to the client increases, the less important price becomes. The only thing that matters is the net benefit of your value minus the cost of your legal services. This value will translate into client profits at some point, and that's what the client really wants from your relationship.

It doesn't have to be a short-term profit add, either. The client is as interested in a long-term, strategic partnership as you are. In fact, the more you are around on a flat fee or portfolio billing basis, the more comfortable the client will be in calling you and getting your advice on their next big litigation file or acquisition. You want to be available when the client calls you, before he or she calls your competitor. So the closer you can get to the client and provide value added services like those listed above, the more likely your share of the client's legal business will grow over time. And that's the ultimate goal for most law firms, as your profits will ultimately grow with your clients.

Posted in [Alternative Fee Arrangements](#), [Law Firm Strategy](#), [Marketing](#), [Profitability](#) → [Leave a comment](#)
Tagged [ACC Value Challenge](#), [alternative fee arrangements](#), [Business and Corporate Law](#), [Law](#), [Law firm](#), [law firm profitability](#), [Law Practice Support](#), [Lawyer](#), [Lawyers & Law Firms](#), [Services](#)

Trends In Restructuring Law Firm Business Functions To Increase Profitability

Posted on [September 3, 2010](#) | [1 Comment](#)

I've often wondered why so many law firms insist on keeping business functions run inhouse by lawyers, when they'd be much better off delegating or outsourcing (levering) these functions to someone who knows more about business management than they do. This behavior can range from the Managing Partner who insists on doing the financial statements himself to the numerous lawyer-run Committees you see operating in many firms. Many firms would get much better and faster results by having an experienced Executive Director or Administrator perform these functions for them.

Some will say that lawyers won't listen to someone who isn't a lawyer regarding management issues. However, many lawyers are now realizing that they need to streamline their operations further as clients push them on the rates side and squeeze their profit margins further. I would suggest that more lawyers need to become aware of the option to outsource these functions as well, given the increasing demands from clients to keep costs down and provide better and faster service. It also recognizes the need for law firms to focus on their core competency of providing legal services.

One of the main reasons to consider leveraging business functions is to increase profitability. This requires that you focus on how leverage of business functions can operate in your firm to release your fee earners from administrative tasks. Your opportunity costs can be great if you have several partners involved in management and administration functions, when they could instead be doing more productive things with their time. Things such as getting new, highly profitable work, working on high-end files or performing high level R & D to add value to the firm's knowledge banks and improve firm profitability. At \$400 to \$1,000 per hour opportunity cost, you'd be far better off leveraging those admin tasks to an experienced COO or Executive Director who could do the job more effectively and efficiently. Your "real" bottom line will grow substantially after allowing for these recovered opportunity costs .

In a recent survey I conducted with COO's and Executive Directors of midsize

and large US and Canadian law firms, I found that more firms are also looking seriously at outsourcing facilities management, document production, systems, human resources and marketing functions. Whole administrative departments are not only being outsourced, but are also being shared with other midsize firms. This tactic allows midsize firms to compete for much larger files than they'd normally have a chance at and both firms can benefit from the arrangement. It's just another way for firms to extend their reach to be competitive without having to merge or add extra offices, and avoid all the costs and potential heartaches that an ill-thought out merger can entail.

[Orrick](#) is an example of a firm that successfully "outsourced" all of their administrative support functions such as HR, marketing, systems, facilities management and document production to a single support center office in West Virginia. Their global network of offices can access the admin services they need from this Global Operations Center on a 24/7/365 basis. Through this change, Orrick has reduced administrative costs while improving the quality of these support services.

[CMS Cameron McKenna](#) in the UK is the first major law firm to [outsource its entire business support function](#) to an outside party, including IT, HR, finance, business development, communications, knowledge management, facilities management and administration services. This is a major development/experiment and is being watched with great interest by many other firms.

Another administrative service to consider for outsourcing is the search function, such as due diligence, title search, etc. Why firms have their paralegals do these functions is curious to me. Paralegals should be focused on higher end legal file functions, and searches should ideally be delegated to clerical staff or outsourced to a dedicated search firm.

Another option for small and midsize firms is to outsource all of their administrative functions to companies like [MCG Management Counsel Group](#) in Toronto or [Cameron Management Services Group](#) in Calgary (no relation). These companies can handle all of your administrative and business functions so you can focus on practising law. I've heard this option works very well for some small and midsize firms.

The latest option for outsourcing administrative functions is Face2Face Solicitors in the UK, which provides franchisee solicitor firms with centralized back-office systems – including accounts, IT and regulatory compliance – and central marketing and business development, to enable lawyers to focus on the legal work. See [here](#) for more info.

Outsourcing can be done at many levels in law firms and is being experimented with in different ways by forward-thinking firms. You can theoretically outsource any business function. One partner I knew once jokingly suggested that he'd like to see his firm's entire Management Committee outsourced. Okay, that's pushing the outsourcing concept a bit, but considering the minutiae that many Management Committees get involved with, perhaps it's not such a farfetched idea!

Posted in [Business](#), [Firm Finances](#), [Firm Governance](#), [Law](#) → **1 Comment**
[Firm Strategy](#), [Outsourcing](#), [Profitability](#)

Tagged [American Bar Association](#), [Business](#), [CMS Cameron McKenna](#), [Law](#), [Law firm](#), [law firm profitability](#), [Law Practice Support](#), [Lawyer](#), [Outsourcing](#), [Services](#)

[← Older posts](#)

