

The Top 5 Things Law Firms Need To Do Now To Increase Profitability

Here's some issues that are common amongst small and mid-sized law firms that should be addressed now to increase profitability.

1. Management

Too many firms try to run as democracies where partners have full say on which clients they work for and the type of work they do. They're not accountable for their actions and effectively act as solo practitioners. This is a sure recipe for mediocrity and substandard profitability. You need to centralize management with a Managing Partner assigned the authority to screen all significant new clients for potential profitability, say no to high credit risks, and impact partner compensation to ensure all partners are accountable for their actions and performance. The Managing Partner will also direct strategic planning and execute the Firm Plan.

2. People

You need the right people. Many firms have ill-defined partnership entry criteria and even less understanding of what it takes to remain a partner. As a result, you end up with mediocre people and risk losing your best people to your competitors. You need to have high-performing people to move the firm forward and achieve your firm goals and profitability targets. Ensure your top performers are paid what they're worth. Define partnership entry and retention criteria and enforce these criteria regularly.

3. Clients

You need to be constantly pruning your client base and upgrading your clients. Studies show that 80% of your profits come from 20% of your clients. You need to figure out who these high profit clients are and how to get more work from these clients. At the same time, you need to review and replace low profit clients with better opportunities. Get a list of your top 50 clients and start reviewing them for profitability and ask them if they're satisfied. Do some client satisfaction interviews and you'll generate more work from your most profitable clients simply by going through the interview process.

4. Vision

You need the "right" vision and a process for initiating strategic planning on an ongoing basis. Start with a strategic planning process involving all partners and facilitate the creation of a new Vision and Firm Plan. This will help direct your efforts in the most effective way and will help increase profitability dramatically if you get all partners to "buy in" to the new Vision.

5. Systems

You need to reward partners for cash in, not billings. Many firms focus on volume without looking at the quality of the work being brought in and worked on. You need to examine realization and profitability of all your clients. To do that, you need a system to quickly

determine profitability of clients and practice areas and services provided. You also need to determine your cost per billable hour and create strategies to reduce costs and increase your profit margins.

Colin I. Cameron, CA

President | Profits for Partners, Management Consulting Inc.

Ph | [604.512.8104](tel:604.512.8104)

colin@profitsforpartners.com

Website www.profitsforpartners.com

Blog www.lawprofitability.com