

# Law Firm

## MANAGEMENT

Your current clients may hold the key to higher profits

How can you keep lawyers and staff engaged?

Associate compensation  
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Building a marketing culture in your firm

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# Your current clients may hold the key to higher profits



well-known marketing maxim states that it's more cost-effective to generate new business from an existing client than to rustle up a new client. This is as true in the legal profession as any other — after all, you already have relationships with your clients. But how can you leverage those relationships to generate additional revenue?

## Avenues to additional revenue

A law firm's work with existing clients can be expanded in several ways:

- Expanding current services — the firm provides even more of the services it already provides the client.
- Expanding geography — the firm provides the same services to the client but across a wider geographic region, perhaps through branch offices.
- Diversifying services — the firm provides the client with services beyond the services it currently provides.



Firms might attempt to expand their portfolios with clients through more than one of these routes, but it can be difficult to simultaneously market new services and expand geographic reach.

## Targeting the right clients

Not every existing client is ripe for expansion. With business development resources often under a tight rein these days, it's critical that your firm identify and target those clients most likely to provide additional work. This process will require an in-depth analysis of your firm's current client base.

Much of the relevant data is financial in nature, and your CPA can help you navigate the appropriate accounting records and financial statements to locate it. You should consider each client's gross amounts billed and net amounts collected, profitability, billing rates and potential revenues, as well as types of work performed, results achieved (both qualitatively and quantitatively), and the client's potential as a referral source.

Your CPA can crunch the numbers to measure the cost-effectiveness of your firm's relationship with each client, too. You'll need to evaluate how firm costs for the client compare with the costs for similar matters and other clients over time. Note that you may be able to use this information to show your firm's value to the client.

## Securing additional business

Once you've identified existing clients with a strong potential for expanding revenues, give those clients reasons to entrust your firm with additional work. Begin by demonstrating that your firm already possesses extensive knowledge about them. You must have a thorough understanding

of your client's product or services, divisions, growth history, strategic plans, locations, ownership, and competitors. A firm armed with such knowledge can more easily and quickly create value for the client. You can show further commitment to the client by attending its trade or industry conferences, conducting on-site seminars, and monitoring relevant legislation and regulations.

You also can win over clients by making cost adjustments for them. Many attorneys and firms resist this measure because they believe that cost adjustments signal they're responsible for the high cost of a matter. But offering strategic, unsolicited cost adjustments to key clients can inspire loyalty and confidence. This, in turn, may increase the odds of your firm landing additional work. Law firms that understand and share the client's interest in controlling costs are indispensable.

### **It starts with service**

When a client feels that it's receiving excellent service at a reasonable price, it is likely to hold its law firm in high regard. Once your CPA helps you identify which clients have the potential to provide more revenue, it's up to your firm to nurture those relationships and tap into them to cost-effectively increase your profits. ■

## **Research makes for smarter prospecting**

**Although existing clients can serve as a valuable source of additional revenue, law firms also must drum up business from new clients. Firms can best target their business development efforts by thoroughly researching prospective clients.**

**Specifically, a firm should research:**

- **The prospect's industry (what are its products or services?),**
- **The extent to which the industry is regulated,**
- **The prospect's ownership (is it privately or publicly owned?),**
- **The prospect's decision makers,**
- **Any significant purchases, mergers, layoffs or litigation involving the prospect,**
- **The prospect's current legal and accounting representation, and**
- **The prospect's major vendors and suppliers.**

**Your firm might also mine its staff — legal and nonlegal — for people who might have contacts at the prospect company. And your attorneys might pick up additional useful information by networking with the prospect's executives or officials at industry gatherings and similar venues.**

# **How can you keep lawyers and staff engaged?**

**A**n attractive benefits and compensation package may have wooed promising lawyers and staff to your firm, but it may not be enough to keep them enthusiastic about their work and retain them. So how can you keep lawyers and staff from becoming disengaged once the honeymoon is over? Read on . . .

## **What lawyers and staff want**

Lawyers and other employees want many of the same things in a position, including interest from management in their professional development and well-being, advancement opportunities, feeling like a valued part of a team, and stimulating and rewarding work and client interaction.



But many law firms fail to fulfill these fundamental needs. So how can you motivate your most valuable assets to keep them productive — and at your firm?

### Remedying the “disengaged syndrome”

It’s critical to be aware of the ways in which your attorneys and staff members demonstrate commitment to their work and to the firm. For example, do they volunteer for tasks outside the scope of their responsibilities? Do they suggest and take the initiative to implement new ideas, systems and protocols? Do they work collaboratively?

Then you need to create the right environment. For example, foster an environment that makes everyone — from rainmakers to support staff — feel that they’re an integral part of your firm. You can do so by expressing the importance of every individual’s contributions, value and expertise with verbal praise, bonuses and employee recognition programs.

Also, challenge and nurture lawyers and staff to use their talents and improve their abilities by providing training and career development programs. And be sure to do regular performance evaluations, talking with everyone about their strengths and weaknesses and how they can help accomplish firm goals.

It’s also important to assign staff members to cross-functional project teams. This will allow you to get feedback from lawyers and other employees about the different factors that help engage and retain staff members and what your firm can do to be more successful in these areas.

### Set the bar

As a leader in your firm, you need to show your own commitment by establishing a common work ethic and shared values. You can demonstrate passion for your work, your clients and the firm by, for example, inviting staff to participate in an after-work volunteer project on behalf of the firm, circulating a positive write-up or article about the firm or one of its clients and regularly sharing information about the firm’s goodwill, community participation and other successes.

*Challenge and nurture lawyers and staff to use their talents and improve their abilities by providing training and career development programs.*

Moreover, discussing the day-to-day operations and costs of running your firm with lawyers and other pertinent staff can help them feel more committed to the firm and give them invaluable information to do their jobs. And keep lines of communication open with associates and staff about important developments in the firm, such as getting a major new client or hiring a new partner.

When bonuses, salary increases and other awards are determined, be sure to include all

staff — not just lawyers — who contributed to your firm’s successful year. Also, publicly acknowledge their efforts in your firm newsletter, in a memo or at a firmwide meeting.

### Look for answers

It’s critical that your firm deal decisively with any disengaged employees. For example, determine why staff members have become disengaged and evaluate what steps can be taken to revitalize them.

If all attempts fail and performance is an issue for an employee, you’ll need to determine if

terminating his or her employment is the best option for everyone involved.

### Disengaging the disengaged syndrome

The disengaged syndrome can be especially challenging during economic downturns, as lawyers and staff say “goodbye” to laid-off workers and say “hello” to lower bonuses and raises. The key is to find ways to enhance the work experience by communicating more, providing opportunities for growth and setting a positive tone at the top. ■

## Associate compensation

### From lockstep to performance-based

**L**aw firms increasingly are moving away from the historic lockstep compensation model, in which firms award associates with a raise and a step promotion each year, to a new system that recognizes individual performance and results in variable progression and compensation. While these systems offer some clear benefits, the transition to a new system can run into some common hurdles.

### Need for change

Law firms are considering a change in compensation systems for a variety of reasons. The most obvious is the weak economy: They can no longer reasonably expect to see growing profits and escalating billing rates every year. This is likely to make a more flexible compensation system very appealing to some firms.

Firms also feel the need to respond to increasing client concerns about the *cost* of associates vs. the *value* they bring to the table, based on their limited experience. Clients understandably question whether they should be charged high

rates for attorneys who often are still learning their craft. But, with a lockstep compensation system that virtually guarantees associates a certain amount of compensation, it can be difficult for a firm to reduce their billing rates.

Further, a system that caps the amount of compensation and progress a high-achieving associate can realize may squelch motivation.



Worse, it can lead to frustration, resentment and attrition.

### Performance-based attributes

Unlike a lockstep system, a performance-based system doesn't assure attorneys of progression (such as an annual raise and promotion) simply for meeting minimal pass/fail standards. Rather, decisions on compensation and advancement are based on the attainment of specified key competencies that top-tier attorneys must master. Thus, an outstanding second-year associate potentially could earn more than a mediocre fourth-year colleague.

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Performance-based systems generally provide associates with clear guidance and the ability to determine their professional advancement. And they allow firms to reward and, ideally, retain their most talented attorneys.

### Common transition issues

Some firms that plan to convert to a performance-based system end up foiled by common challenges, including the following:

**Lack of planning.** Announcing that the system will change before the firm actually does the necessary planning is a recipe for disaster. The firm must first determine how it will implement the required changes in structure and processes. Without those changes, many associates will continue to advance through the firm with their classes, and the benefits of performance-based evaluations will be lost.

**Weak evaluation process.** Often, firms overlook the importance of revising their

evaluation processes. Constructive, informal evaluations that are performed periodically throughout the year are an indispensable component of performance-based systems. A 2007 Hildebrandt survey found that associates frequently complained about partners who: 1) rarely gave direct, clear criticism, but instead awarded similar grades to everyone, or 2) shred associates without providing constructive feedback or guidance for overcoming their weaknesses.

These two extremes illustrate the need for the evaluation process to be objective and consistent among different partners. If partners use significantly different approaches to evaluate associates, it will undermine the system and its integrity.

### Continued focus on traditional metrics.

Firms must avoid the temptation to equate performance with hours billed or profits. Focusing on billing preempts one of the primary benefits of a performance-based system — encouraging attorneys to concentrate on the good of the overall firm rather than short-term individual profitability.

Associates should be evaluated based on their relevant soft and hard skills. Soft skills encompass those traits that seed an individual's success in an organization, such as time management, interpersonal skills, client relations and teamwork. Hard skills relate to technical competency and include research and analytical abilities, written and verbal communication, and courtroom prowess.

### Worth the work

Don't let the necessary planning and structural changes deter your firm from making the transition to a performance-based system. Just remember to communicate the criteria of the compensation structure to your attorneys in advance of the year in which the system will be implemented. Once implemented, the system can lead to greater firm flexibility, as well as client and associate satisfaction. ■

# Building a marketing culture in your firm

**Y**ears after many law firms first adopted formal marketing plans, some attorneys continue to find legal marketing distasteful. In today's economy, though, firms must view marketing as an essential component of their continued survival. It's not enough to simply hire a marketing director — you need to foster a marketing culture that permeates and directs all levels of your firm.

## Put it in writing

Firms that have seen the most marketing success generally have taken the time to develop mission statements, core values and service standards that reflect the importance of marketing.

This written guidance helps them focus on strategies (such as increasing the number of client referrals) rather than tactics (client newsletters, for example). But marketing-oriented firms recognize that newsletters alone won't accomplish their goals.

## Go to the horse's mouth

Clients can play a vital role in focusing attorneys on marketing. If your firm's ultimate goal is to generate more business, it makes sense to check in with your existing clients. Conducting client interviews is a cost-effective method of directly involving them in your firm's marketing efforts and increasing client satisfaction.

Such interviews should solicit the client's impressions on your firm's and individual attorneys' service, complaints and suggestions for improvement, opinions of potential competitors, and potential referrals.

## It starts at the top

To gain firmwide buy-in of a marketing culture, your firm's leaders must demonstrate their own commitment to it. One way to show this commitment is through the line of reporting: Your marketing director should report directly to the



managing partner. This also will help ensure integration of the firm's strategic directions and goals with marketing. Some firms even choose to make the marketing director an ex officio member of the executive committee.

While commitment from the top is critical, consider gathering input from all staff levels when developing the firm's marketing plans. This will not only help make your staff feel like part of the team, but their input may also produce practical ideas for better marketing. A win-win situation for everyone.

Accountability plays a crucial role, too. Make it clear that all attorneys are expected to contribute to marketing efforts, whether through speaking engagements, networking, publishing or other vehicles. And, to put some real teeth in their expectations, consider including marketing activities in the compensation equation.

## Walk the talk

Law firms that continue to emphasize traditional metrics — such as hours billed, amounts collected and profitability — will undermine their marketing culture (if they even have one). But firm leadership that continually stresses client satisfaction and growth will create a ripple effect throughout the firm. ▣

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