Contents

Preface ix
About the Authors xiii

Chapter 1
How Can We Do Better This Coming Year? 1

Let’s Talk about Expenses 1
Now Let’s Talk about a Revenue Mindset 2
Improving Revenue Is More Than Billable Hours and Rates 4
Establish Revenue Capacity 4
Financial Reports 6
Low-Hanging Fruit 9
Client Expectations 9
The Significance of the Partner Compensation Method 10
Other Revenue Enhancers 10
Effectively Leveraging Associates and Paralegals 10
Value-Based Fee Agreements Are Important 11
Leadership and Management 11
Conclusion 12

Chapter 2
What Do My Bookkeeper and I Need to Understand? 13

Major Components of a Bookkeeping System 14
Chart of Accounts 14
Profit and Loss Statement 15
Chapter 3
Why Are Client Expectations So Important? 27

Client Intake 28
The Consumer Client 31
The Business Client 31

The Intake Process Step-by-Step 32
Step 1: Know Which Clients the Firm Wants 32
Step 2: Recognize the “Red Flag” Clients 34
Step 3: Get It Right at the Initial Client Meeting 34
Step 4: Obtain a Signed Fee Agreement and Fee Deposit 36
Step 5: The Reality Check 38
Step 6: Confirm Client Expectations 39

Client Intake Is Only the First Step 40

Client-Centered Communication 40
Step 1: Adopt a Client-Centered Approach to the Practice of Law 41
Step 2: Set Standards for Client Communications 41
Step 3: Use the Billing Process to Communicate Value 43
Step 4: Manage the Client’s Expectations of Cost 45
Step 5: Recovery Issues 46

What Could Go Wrong? 47

The Changing Relationship with a Disappointed Client 49
Chapter 4
How Important Are Associates and Paralegals? 53

Associate/Paralegal Balance 54
Understanding the Role of the Paralegal 54
Securing the Best Associates 55
Recruiting 57
Leveraging with Paralegals 58
Pricing Services 61
The Need for Production Goals 62
The Importance of Adequate Support 63
Challenges for the “Lifestyle Firm” 64
Part-Time and Flexible Schedules 64
Contract Paralegals 65

Chapter 5
Do I Need to Change My Fee Agreements? 67

Step 1: Know the Rules 68
Step 2: Learn Some History 69
Step 3: Understand the Components of a Fair Fee 70
Step 4: Consider the Three Basic Value-Based Fee Methods 71
  The Fixed-Fee Method 71
  The Contingency Method 73
  The Retainer-Fee Method 74
Step 5: Consider Variations of the Basic Methods 75
  Blended Hourly Rates 75
  Hourly Rate with Minimum and Maximum Charge 76
  Budgeted Hourly Fees 76
  Segmented Fixed Fee 78
  Defense Contingency 79
Step 6: Consider Other Combined Fee Methods 79
  Combined Fixed Fee and Contingency 79
  Combined Discounted Hourly Rate and Contingency 80
  Combined Hourly Rate and Fixed Fee 81
Step 7: Find Opportunities to Move Away from Charging by the Hour  81
Step 8: Implementation of Value Billing  82
    Understand the Cost of Providing the Service  82
    Identify Repetitious Document Preparation  83
    Develop Value Billing for Transactional Work  83
Step 9: Identify Small Litigation Projects to Be Handled for a Fixed Fee  84
Step 10: Practice Mapping Out a Case Plan at the Outset  85
    Be Prepared to Offer Clients a Choice of Fee Methods  85

Chapter 6
What Does Partner Compensation Have to Do with Revenue?  87

Basic Partner Compensation System Models  88
    Formula System  89
    Subjective System  90
    Combinations  91
    Bonus Pools  91
Productivity Reports Needed to Support the Partner Compensation System  92
Key Productivity Factors in Today’s Law Firms  94
    Leverage  94
    Realization  95
    Client Origination  96
Promoting the Firm as an Institution  96

Chapter 7
How Will My Management Role Change?  99

Understanding the Challenge of Leadership  99
The Managing Partner Role  100
Managing to Increase Revenue and Profits  101
Contents

Diagnose the Revenue Shortfall  102
  Billable Hours  102
  Realization Rates  103
  Turnover Rates  104

Tracking and Managing Results  104
  Analysis  107

The Wrong Point of Reference  108

Setting the Goals  108

Make This a New Day  110

Afterthoughts  113

Appendixes  117

Index  197