

Think Revenue

"How Can We Do Better Next Year?"

That is the question posed in law firm conference rooms each January as lawyers reflect on the financial performance of their firms. Year after year, those discussions result in plans for improvement, but as Yogi Berra would say, "it seems like *déjà vu* all over again."

Why do annual plans for improvement, whether formal or informal, miss the mark and fail to produce significant financial rewards? How can law firms get beyond the superficial efforts that fail to achieve improved results? Why are some firms stuck in a continuing spiral of mediocrity?

A common failing for firms is to devote an inordinate amount of time and energy to expense-reduction efforts to the exclusion of more productive approaches. Although extravagant and unnecessary spending should be eliminated from law firm budgets, cost cutting has serious limitations and, if taken to the extreme, can undercut production capacity and lawyer morale. In a worst-case scenario, a law firm can exacerbate its problems by relying too heavily on the cost-cutting approach to financial management. No firm has forged its way to long-term success through cost cutting!

On the revenue side, a firm that focuses its time and energy on adjustments in billable hours and hourly rates also makes a mistake. Although some firms survived the 1990s by regularly increasing billable-hour requirements and raising hourly rates, those strategies became self-limiting over time and resulted in

both client unhappiness and a decline in lawyer morale. Cranking up billable hours and hourly rates is not the answer either.

Change comes hard for lawyers, and getting lawyers to dedicate time to their own business methods in order to achieve a better level of financial success is a hard sell. For those lawyers who do recognize the need to manage their own practice methods, their approach is often superficial, scattered, and lacking in the necessary follow-through. There is no other profession, or business, that pays so little attention to the underlying issues of revenue production methods.

A revenue mind-set equips the lawyer to take an enlightened look at management concepts and plan for changes that improve both revenue and profits. The revenue recommendations presented here include practical step-by-step plans that will lead to improved revenue with strategies that are compatible with maintaining positive lawyer-client relationships and healthy law firm cultures. Improving lawyer revenue is not inconsistent with improving client satisfaction. In fact, they go hand in hand.

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