Most managing partners say that improving firm profitability is the most important issue their firms face in today’s increasingly competitive marketplace for legal services. Tort reform, escalating operating costs (especially associate salaries and insurance), more demanding and fee-sensitive clients, and poor leverage (top-heavy) are among the factors that make it more and more difficult for law firms to maintain and improve profitability.

In 2006, we surveyed over 90 managing partners at Managing Partner Forums held in Atlanta, Palm Beach and Dallas. We employed state-of-the-art Audience Participation Technology and asked them a number of questions relating to the profitability at their law firms and how they were tackling the issue. The results are interesting and insightful.

This article presents some of our survey results and offers proven strategies to improve profitability at your firm.
WHAT IS THE TOTAL NUMBER OF LAWYERS AT YOUR FIRM?

Most managing partners who attended last year’s Managing Partner Forums represented smaller to midsize law firms, with 56% from firms with 25-150 lawyers.

WHAT IS THE MOST PRESSING ISSUE FACING YOUR LAW FIRM TODAY?

Over half (53%) said that the most pressing issue is to maintain and improve the profitability of the firm. Recruiting young lawyers, succession planning, compensation and competition are also mentioned as important issues.

WHAT STRATEGY HAS YOUR FIRM FOUND TO BE MOST EFFECTIVE IN ITS EFFORTS TO ACHIEVE HIGHER PROFITABILITY?

For most (41%), the most effective strategy to improve profitability has been to raise rates. 23% said that marketing improves profits, and 21% reported that improved efficiency has resulted in more income. Interestingly, not one managing partner said that cost cutting is the most effective strategy to make more money.

DOES YOUR FIRM HAVE A WRITTEN STRATEGIC PLAN?

Most law firms participating in Managing Partner Forums (almost 60%) do not have a written strategic plan. Furthermore, a survey of 110 law firms conducted by TheRemsenGroup in July 2006 found that 80% had no plan. It’s hard to believe that any multi-million dollar business operates without a plan for the future. Larger firms tend to do a better job than smaller firms when it comes to planning.
Your role, as managing partner, is to provide the leadership, vision and passion to lead your firm toward a profitable and prosperous future. A law firm is a multi-million dollar business and the most effective managing partners take their roles very seriously. They are starting to think and act more like CEOs and less like day-to-day managers. Here’s our advice on the top five things for you, as managing partner, to focus on this year…

1. **GET A STRATEGIC PLAN**
   If your firm does not already have a strategic plan, it should get one right away. It should include a succession plan and set forth the roles of the managing partner and other firm leaders. The benefits include a more cohesive, more profitable and more sustainable law firm.

2. **BUILD A GREAT FIRM CULTURE**
   As managing partner, you should always encourage an institutional mindset and a “firm-first” mentality among your lawyers and staff. For example, insist on the term “our” clients, instead of “mine” and “yours.” Do everything you can to promote trust, teamwork, internal communication, as well as a vision for the future and a passion for what you, as a firm, do.

3. **INVEST IN YOUR FIRM’S FUTURE**
   Invest adequate resources (both time and money) into marketing, technology and a superior administrative staff. In the long run, it pays off big-time.

4. **PASS THE WORK DOWN TO ASSOCIATES**
   Leverage is one of the most important drivers to improve partner income. Partners must get in the habit of passing the work down to younger associates wherever possible. Unfortunately, many compensation systems encourage control and the hoarding of hours. In addition, smart firms invest heavily in strong recruiting and training programs.

5. **RESIST THE TEMPTATION TO CUT COSTS**
   It’s a short-term fix – penny-wise and pound foolish.

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**IF YOU HAVE A STRATEGIC PLAN, DOES IT GUIDE FIRM DECISIONS?**

- **24%** Strong correlation
- **3%** Some correlation
- **27%** No correlation

Of firms that have a plan, 70% say they follow it all or most of the time. Only a handful of managing partners (3%) say that it sits on a shelf collecting dust.

**DO YOU FEEL THAT YOUR FIRM’S STRATEGIC PLANNING EFFORTS HAVE RESULTED IN IMPROVED PROFITABILITY?**

- **41%** Strong correlation
- **41%** Some correlation
- **10%** No correlation

And here’s the kicker: 4 out of 5 firms (82%) with a plan reported a correlation with improved profitability. This finding is consistent with research conducted by The Edge Group in 2005.

**So What’s A Managing Partner To Do?**

**THINK AND ACT LIKE A CEO**

Your role, as managing partner, is to provide the leadership, vision and passion to lead your firm toward a profitable and prosperous future. A law firm is a multi-million dollar business and the most effective managing partners take their roles very seriously. They are starting to think and act more like CEOs and less like day-to-day managers. Here’s our advice on the top five things for you, as managing partner, to focus on this year…
INTRODUCTION
Midsize firms (defined as 5-100 lawyers) represent 30% of all law firms in the US, and over 50% of attorneys in private practice. Until now, they have been grossly under served in having access to meaningful benchmarking information.

SURVEY OBJECTIVE
The Survey objective is to provide midsize law firms with performance data and insights on how they compare with a representative sample of their peers. In addition, the Survey report can help firms identify opportunities to improve their financial performance and partner income.

KEY FINDINGS
The Survey confirmed, once again, the important role that leverage plays in determining partner income. But the analysis and recommendations go beyond that old news. The Survey identified many other important factors that influence law firm financial performance and partner income. Here is the top 10 list:
TOP PERFORMING FIRMS EXCEL ACROSS ALL KEY PERFORMANCE INDICATORS
Surveyed firms in the top quartile outperformed the next quartile in almost every key performance indicator, including fee earner productivity, operating margin, leverage and rate. Only realization was lower.

THE NEGATIVE IMPACT OF UNDER-PERFORMANCE IS EXTREMELY SIGNIFICANT IN SMALLER AND MIDSIZE FIRMS
Top quartile firms earned twice as much partner income as compared to the next quartile, and almost 7 times more partner income as compared to the bottom quartile. That’s a huge difference. Clearly, outperforming on key profit drivers has an extremely favorable impact on partner income.

FIRM SIZE IS NOT THE TICKET TO HIGHER PARTNER INCOME
Even the smallest firms had representation in the top quartile of participants. Of the 44 firms in the top quartile of partner income, 21 had between 11 and 24 attorneys and 4 firms had 10 or fewer attorneys.

TOP PERFORMING FIRMS INVEST MORE MONEY IN THEMSELVES
The most profitable firms did not have the lowest unit cost measured on a per-head basis. They recognize the importance of investing in technology, marketing and a top-notch administrative staff. Cost cutting is not an effective way to improve profitability.

ALL FIRMS CAN INCREASE PARTNER INCOME THROUGH IMPROVED BILLING AND COLLECTING
On average, it takes 148 days for participating firms to get paid for time worked. If you want to have a record year, reduce cash flow cycle times.

MIDSIZE LAW FIRMS DO NOT INVEST IN STRATEGIC PLANNING, BUT SHOULD
The 2005 Survey and continuing surveys among participants at The Managing Partner Forum indicate that 80% of midsize firms do not actively engage in structured strategic planning. Furthermore, a recent study by Greenfield/Belser Ltd. and The Brand Research Company™ identified a strong correlation between law firm failure and lack of strategic planning. The study indicated that successful law firms planned, measured, held accountable and rewarded.

LAW FIRMS BELIEVE THAT THEY WILL CONTINUE TO HAVE PRICING POWER
Raising rates remains the #1 tactic to increase partner income. 2006 projected standard rate increases were 6% for partners, 7% for associates and 12% for paralegals. Between 1999 and 2003, AmLaw 100 rates went up approximately 21% across the board. The bottom line is that for years law firms have continued to raise rates with relative impunity...but they worry about “challenges” of sustaining growth this way.

ON THE WEB...
morepartnerincome.com
Tom Collins, Editor-in-Chief
The name of this website says it all. Developed by Tom Collins, the founder and former President of Juris, Inc., “morepartnerincome.com” features a reservoir of ideas to improve the financial performance of your firm, and enhance and protect the wealth of its owners. It features an abundance of articles, research and other valuable tools that are updated on a daily basis. Here, you will find tips and ideas that can increase the profitability of your firm by thousands of dollars. We recommend that you bookmark this website and visit it often.

RECOMMENDED READING...
Good to Great – Why Some Companies Make the Leap and Others Don’t by Jim Collins
If you have not already done so, you should read this top-selling book. In it, Jim Collins identifies nine key elements that enabled high-performing companies to maintain greatness for 15 years. Yes, one of them was leadership - but a different kind of leadership than most of us would expect. Collins maintains that organizations – law firms included - cannot move from good to great with leaders who have big egos. Instead, he suggests that those who want to be great leaders need to be self-effacing, quiet, humble and perhaps shy. They also need to be willful and fearless.
The 3rd Annual Managing Partner Forum

Opening Remarks
John Remsen, Jr. (The Remsen Group and organizer of The Managing Partner Forum) welcomes Forum participants to the third annual Texas Forum at The Belo Mansion.

Keynote Presentation
Stephen Collins (Juris) addresses Forum participants during Opening Session.

Opening Session
Over 45 managing partners from law firms throughout Texas, Oklahoma and Louisiana participated in the 2006 Texas Forum.

Opening Session
John Ben Blanchard (Sprouse Shrader Smith), on left, and Steve Good (Gardere Wynne Sewell) listen attentively to Stephen Collins’ remarks.

Opening Session
Faculty members Bill Cobb (WCCI Consulting), Howard Mudrick (HM Solutions) and Joel Rose (Joel Rose & Associates) take notes during Opening Session.

Morning Coffee Break
Lori Weise (Powers & Frost), Paula Black (Fara Black & Associates), and Dana Raffs (Raffs & Company) enjoy coffee and conversation.

Managing Partner Idea Exchange
Denis Graham (Winstead Sechrest) appears to agree with points made by a fellow participant during MPIE session.

Managing Partner Idea Exchange
Larry Bowman (R) makes his point on the importance of having a strategic plan.
Forum for Texas Law Firms

WAS HELD ON OCTOBER 26TH AT THE BELO MANSION IN DALLAS.
OVER 60 LAW FIRM LEADERS AND FACULTY MEMBERS PARTICIPATED.

“The Managing Partner Forum provides a rare opportunity for managing partners throughout Texas to gather and share insights and perspectives on ways to be more effective law firm leaders.”

Stephen D. Susman, Esq.
Founding Partner – Susman Godfrey
Houston, Texas
MARK YOUR CALENDAR TODAY!

Upcoming Forums

THE FLORIDA FORUM
May 10, 2007 – Fort Lauderdale, Florida

THE MIDWESTERN FORUM
October 25, 2007 – St. Louis, Missouri

THE SOUTHEASTERN FORUM
May 16, 2008 – Atlanta, Georgia

THE TEXAS FORUM
October 23, 2008 – Houston, Texas

If you had to pick one leadership conference to attend this year, this is it!

Your time is valuable and there are many law firm leadership conferences you can attend. The Managing Partner Forum is different. Here’s why:

HIGH LEVEL PARTICIPANTS
Registration is reserved exclusively for managing partners and leaders of law firms with ten or more lawyers.

INTERACTIVE FORMAT
Our format — featuring the highly-acclaimed Managing Partner Idea Exchanges and state-of-the-art Audience Participation Technology — provides a rich and unique opportunity to learn from your peers how they are tackling the challenges and tough issues involved in running a successful law firm.

STATE OR REGIONAL FOCUS
Many previous participants tell us that what they like most about the MPF is its local focus. Where else can you spend a day with other law firm leaders so close to home?

Since 2001, over 450 managing partners and leaders from over 350 law firms have participated in ten previous Forums presented in Florida, Texas, the Southeast and the Midwest.

For additional information, go to www.ManagingPartnerForum.org