



How Law Firm Leaders Can Drive Profitable Revenue Growth During Tumultuous Times

“Our industry is being disrupted, and we should do some of that ourselves, not just be a victim of it.

John Fernandez, Chief Innovation Officer, Dentons.



REVENUE WISE

THE SMART WAY TO GROW

David Adams

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Executive Summary

This white paper explains how law firm leaders can drive profitable revenue growth, protect key clients, and strive to build one or more of their practice groups into leaders in their respective markets.

Legal Industry Is Being Disrupted

As a law firm leader, you are leading during a tumultuous era. Disruption — the radical upheaval of an industry — has hit numerous industries: travel (Expedia), hospitality (Airbnb), and taxi service (Uber), for example, and it's beginning to upend the legal industry, as shown by the recent stream of spectacular firm failures and wave of mergers.

Whether your firm is growing, slowing, or declining, you can't ignore the fact that many firms are experiencing lower client demand, reduced revenue, dwindling profits and have too many attorneys chasing too little work. These problems are driving cutthroat pricing, loss of top rainmakers and lower realization rates. This puts clients in the driver's seat, demanding better results, extraordinary levels of client service, and lower fees.

An Approach to Help You Succeed

To counteract these forces and improve your situation — no matter where you sit — you need a low-risk approach that does three things. First, it must deliver profitable revenue growth that balances short-term wins and long-term competitive advantage. Second, it needs to build much-needed synergy between your practice groups and attorneys. Third, it must work in a risk-averse culture, reconciling the firm's priorities with those of powerful partners, who often resist change and prefer a wait-and-see approach.

Take the Early Mover Advantage

In this market, the early mover has the advantage. Along with numerous studies, my own experience proves that many firms are reacting much too slowly and passively to changing client needs and the disruption hitting the industry. By getting your firm focused to address the new realities now, you can give clients what they demand, grow revenue, capture more market share, and gain a true competitive advantage.

Are You Giving Clients What They Want?

In almost every client interview I conduct, every legal market study I read, and every general counsel panel I listen to, clients are demanding more value from their outside counsel. At its simplest, this translates into wanting a better return on their legal spend — more innovative services, better results, higher levels of client service, and more predictable fees.

Unfortunately, as many firms sit passively by, clients — those with and without an in-house legal department — are taking matters into their own hands and improving the effectiveness and efficiency of their legal operations without the help of their law firms.

Clients who previously deferred to their outside firms on virtually all key decisions regarding the organization, staffing, scheduling, and pricing of legal matters are now, in most cases, in active control of those decisions. Increasingly, clients are demanding more “value” in return for their legal spend, and by value they mean greater efficiency, predictability, and cost effectiveness in the delivery of legal services. What once was a seller’s market has now clearly become a buyer’s market, and the ramifications of that change are significant.

— Georgetown Law, 2016 State of the Legal Market

Further, asked in the Altman Weil “2015 Chief Legal Officer Survey,” 186 in-house general counsel rated how serious law firms are “about changing their legal service delivery model to provide greater value to clients” on a scale from 0 (not at all) to 10 (doing everything they can). **The median answer was 3 — a ringing indictment of both the real and the perceived low level of effort.**

You can either lead your firm’s improvement efforts to help your clients get the changes they want, or risk being left out or replaced.

The Good News: Just Getting Started Puts You Ahead

We see this as good news for proactive firms. If you make any efforts at all to improve and give clients more value, you will surely be ahead of most of your competitors.

Don't Overlook These Challenges

As you address growing revenue profitably, you will increase your odds of success by taking these three challenges into account.

Economics 101: Too Many Lawyers, Too Little Work

There are simply too many attorneys chasing too little work. This reduces revenue and depresses profit. To maintain current levels of profits per partner, firms can be forced to de-equitize or fire those who underperform. This saps morale. Beyond that, these challenges may be all the impetus top rainmakers need to jump to another firm and, if too many go, put the firm they leave in jeopardy.

Not All Revenue is Good Revenue – Profits Count

Many years ago, when law firms were much smaller, it was not uncommon for most attorneys in one firm to have similar practices and clients, and to use a comparable amount of resources to generate each dollar of revenue. This meant that for each dollar of revenue, the firm could expect similar profits.

This is no longer the case. As you develop your new revenue plan, be sure you factor in how profitable the clients and work typically is before committing to a course of action.

Cultural Resistance to Change

To deliver superior client service, grow revenue, and expand into new markets will require you to innovate and change how you guide the firm. These efforts will undoubtedly meet with resistance, so you must plan for it. Innovation and change in law firms is hard. When you launch any effort aimed at change, a host of barriers emerges: turf wars, personality conflicts, office politics, silo practice groups, lack of remote-office buy-in, generational differences of how to operate, and the law firm killer — non-billable time devoted to the effort.

Further, skeptical and strong-willed attorneys, particularly the highest earners, may see no need for change, since things are going well for them. Richard Susskind, in his book *The End of Lawyers?*, said it best: **“It’s not easy to convince a group of millionaires that their business model is wrong.”**

Driving Revenue at Your Firm

Revenue Growth Process

To get started driving profitable revenue growth, follow these four steps:

- ▶ **Select** the best opportunities.
- ▶ **Strategize** the best approach.
- ▶ **Synergize** between your groups, attorneys, and clients.
- ▶ **Scale** your final efforts.



Follow the Principles

As you develop and implement your revenue growth plan follow these principles:

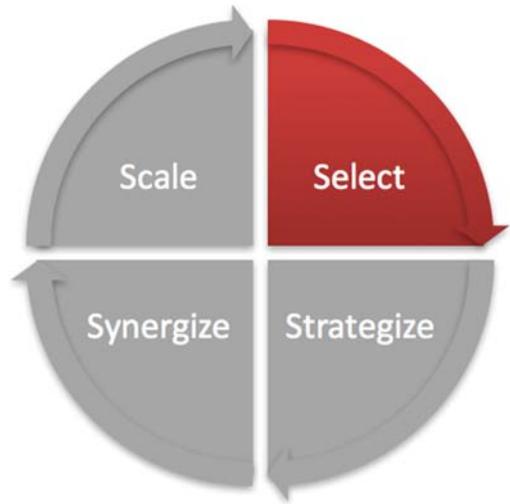
- ▶ **Focus on the Winners.** It is always better to strengthen and grow your highest potential practices and clients, not shore up the losers.
- ▶ **Emphasize Profits.** Don't sacrifice profits when selecting opportunities. It is very hard to raise prices later.
- ▶ **Move Quickly.** By nature, law firms are slow to change. Using a go-slow approach in this market is deadly. It is way better to just get started and improve as you go.
- ▶ **Deliver Early Wins.** Law firms are risk adverse. To get buy-in for new initiatives, start small, show success and then scale up.

Ironically, being too cautious and changing too slowly can be hazardous to your firm's long-term health and survival.

Select the Best Opportunities

Balance the Short and Long Term

As you look for your best growth opportunities, make sure your projects will deliver both short-term wins and long-term competitive advantages. By attending to both, you'll appease skeptics, demonstrate early progress, and deliver the significant competitive advantages your firm needs.



Representative Projects for Short-Term Wins

Here are three projects firms often use to secure quick revenue gains:

- ▶ **Grow Key Clients.** If you have major clients, I almost guarantee that you can give them better results and service and, in exchange, capture more of their legal budget.
- ▶ **Support High-Potential Rainmakers.** These attorneys are eager to get better and ready to grow their books of business substantially. I'm often surprised at how little support their firms give these high-potential rainmakers. The ROI on coaching and training these high achievers can be exponential.
- ▶ **Set Up a Small Cross-Selling Program.** Most firms do a terrible job of cross-selling. To get started, establish a simple cross-selling program between two complementary practice groups. You can expand this initiative later.

Representative Projects for Long-Term Advantage

These projects require more investment and take longer to implement, but they can have greater long-term potential:

- ▶ **Practice Groups.** Help your practice groups develop service offerings that are truly innovative and lead to strong revenue growth and sustained market leadership.
- ▶ **Client Teams.** Significantly increase the revenue from and loyalty of your largest and best clients by building client teams, customizing service offerings, and delivering extraordinary service to them.
- ▶ **High-Potential Clients.** Create programs that increase revenue from and improve value for your mid-tier and high-potential clients.
- ▶ **Business Development Coaching/Training.** Give attorneys who have the potential to be rainmakers the training, tools, and support they need to grow.
- ▶ **Key Client Transitions.** Work with your top rainmakers to transition key clients to the next generation of attorneys at your firm.
- ▶ **Larger Cross-Selling Program.** Implement a larger cross-selling initiative.
- ▶ **Leadership Development.** Help your practice group leaders develop the mindset, skills, and behaviors to build high-performing teams and drive revenue growth.

The Best Way to Establish Market Leadership

Your practice and industry groups offer you the best opportunity to simultaneously grow revenue, build your brand, and establish market leadership. To achieve these benefits, requires a deliberate process that does three things: uncovers unmet client needs, engineers an innovative service delivery process and develops a pricing model based on value provided, not hours worked.

We call this new service delivery process a **Superior Service Offering (SSO)**, which is comprised of these four elements:

- ▶ Completes an essential “Job to Be Done” (business or legal process)
- ▶ Resolves core client problems and delivers essential benefits
- ▶ Provides a complete solution
- ▶ Is better than the alternatives

Qualities of Improved Practice or Industry Groups

Remaking a group successfully is not always easy. When you undertake the task, do your best to ensure it:

- ▶ Focuses on a growing market sector
- ▶ Is based on an SSO that is truly better than the alternatives and has been co-designed with your target clients
- ▶ Gives the firm an opportunity to become a market leader, ideally growing into one of the top three to five providers in the sector
- ▶ Is based on a deep level of expertise and know-how difficult to replicate
- ▶ Generates highly profitable fees

Strategize the Best Approach

By this point you're likely convinced of the need to move decisively forward. As you outline your project, follow the best practices explained in this section to develop an effective plan.

Demonstrate Strong Leadership

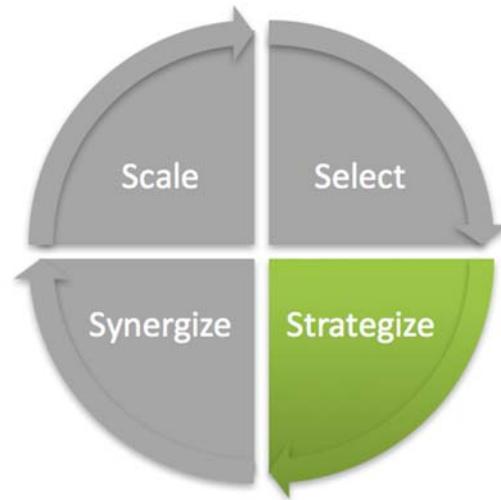
As the firm's leader, you must step up and lead these initiatives. Leadership during these times requires boldness and taking a stand for the firm to improve. Successful leadership also requires emotional intelligence (EQ), communication skills, and ability to persuade strong-willed partners that now is the time to change and this is the best way to do it.

All members of the firm take their cues from you. Make sure your actions match your words as you strive to make the firm more innovative and competitive.

Frame Your Efforts as a Series of Projects

I find it most effective to divide your overall revenue-growth efforts into discrete projects. Each will have a designated leader responsible for achieving the goals, managing the team, and overseeing details of the project.

Many times, these project teams are conducting "new service experiments," testing out new ideas to see if they work and client will buy them. If they do, you then roll them out to a wider audience, and if they don't, you end the project, minimizing your exposure and investment.



Reduce Risk by Using This Proven Approach

When Eric Reis formulated his Lean Startup Methodology, he revolutionized the way startups go about testing, validating, and building new (minimum viable) products and, ultimately, successful companies. Traditional companies, including GE, have had great success using this approach. So, you can too.

In short, the Lean Startup Methodology aims to shorten the service development cycle, reduce the upfront investment, and validate the solution before you roll it out.

As an example, here's one very high-level view of how you would use the method to create a Superior Service Offering for a practice group:

- Your team devises a hypothesis for an SSO you believe clients will want to buy.
- You then get out of the building to solicit prospective clients' feedback on what they like and don't like about your hypothetical SSO.
- This information is then used iteratively to improve the SSO until you either prove or disprove your hypothesis (clients want your SSO or they do not).
- If it is wanted, you put the rest of SSO in place to make it a complete product and roll it out.

Assign Competent Project Leaders and Teams

Depending on the size of your firm and the type and scope of the project, you will most likely need a project leader other than yourself. Select someone who has the soft skills listed in the leadership section above, has a bias for action, and is eager to innovate and try new things. After all, these are innovative projects.

As you form your project team, assemble a coalition of the willing. Select people who are team players, can set aside their egos and personal gain for the greater good of the project and the firm, and are willing to experiment and try new things.

Develop Your Project Plan

The final element of the Strategize step is to build out your project plan. If your firm has in-house project managers, give them this task. If you don't have professional project managers, make your plan sufficiently complete to leave no doubt about who is leading the project, the project's goals and milestones, who will complete what tasks, and by when. Last, given how many people work remotely and how many meetings are virtual, use an online project manager such as Base Camp or a spreadsheet in Google Sheets, to manage the project.

Conduct a Strategic Review

As part of your efforts you'll need to conduct a strategic review. Here are a few questions to stimulate your thinking:

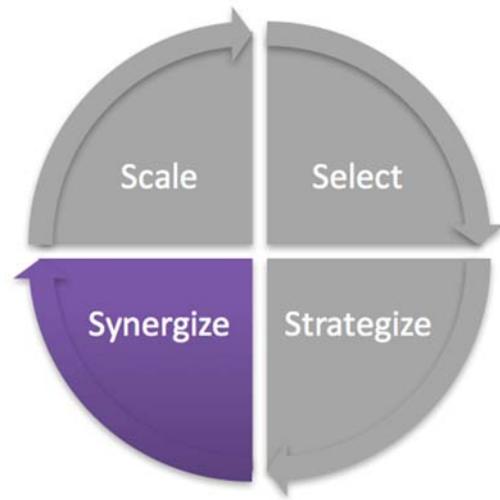
1. How well is the firm doing? Are we growing, slowing, or declining? Do we need to invest more to increase our dominance, or take drastic action to change our negative trajectory?
2. Which of our existing practice or industry groups offers the best opportunity for growth? If we're not already one of the top three players in our markets, can we become one?
3. Given our talent, brand, geography, resources, and willingness to invest, what new market segments offer the best opportunity for growth?
4. If we improved the level and quality of service we deliver to our major clients, could we significantly increase our share of their annual legal budget?
5. Are our attorneys and practice groups doing a poor job of cross-selling our services to each other's clients? Where are we leaving money on the table?
6. Do we have high-potential rainmakers who aren't getting the training and support they need to grow their books of business?
7. Do we have practice group leaders who, given the right support, could build high-performing teams and drive more revenue growth?

Synergize Between Groups, Attorneys, and Clients

Acknowledging the Silo Mentality

I regularly hear managing partners and other law firm leaders complain that their practice groups and attorneys operate as a “bunch of silos” — rarely working together on coordinated, revenue-producing, or innovative efforts. In my twenty-five years of working with law firms, this has been my experience too.

Without casting blame, it’s easy to see how this silo mentality got baked into the DNA of practice groups and attorneys at most law firms.



As a group, attorneys score in the 89th percentile for the trait “autonomy,” do much of their work alone, and do not want to be closely managed. Also, firms’ systems of compensation often fail to reward shared business-development activities, attorneys’ ideas on improving service delivery, and suggestions to help the firm be more innovative.

As you develop new Superior Service Offerings, look for where it makes sense to break down silos and integrate attorneys from different groups to benefit clients.

Synergy Is Needed Now More than Ever

Growing revenue and success in this era of disruption will require your practice group leaders to devise effective ways of cross-selling between their groups, your attorneys to find better ways of working together to serve clients, “marketing as a team,” and cross-selling amongst each other.

Obviously, you won’t be able to break down this silo mentality overnight. But by making some changes to your compensation system, publicly acknowledging and rewarding team players, and building cross-functional revenue project teams, you can begin to change the culture from “Silo to Synergy.”

Leaders who get their groups and attorneys to operate more synergistically gain huge advantages over their competitors.

A Quick Assessment: Ask Yourself...

- ▶ Is your firm more characterized by silos or synergy?
- ▶ How well do your practice groups work together to share best practices, resources, and talent, and co-develop new revenue-generating opportunities?
- ▶ How well and how often do your attorneys cross-sell their respective clients?
- ▶ How well do you work with key clients to deliver more value and create more loyalty?
- ▶ What are the biggest impediments to developing better synergies between groups and between attorneys?
- ▶ How well does your compensation system reward shared business-development activities, measurable improvements in service delivery, and suggestions on how the firm can be more innovative?

Factor your answers to these questions into your final project plans.

Scale Your Efforts

In this final stage of the revenue-producing process, you scale your efforts. For our purposes, we define scaling as taking a proven pilot project and rolling it out. How widely and where you roll out your initiatives will obviously differ depending on the project.

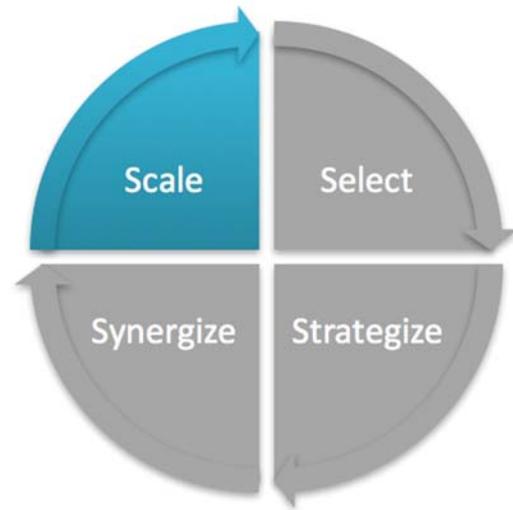
You may roll out a program firm-wide, or you may choose to market a new SSO throughout a given state.

The fundamental idea behind this stage is simple:

- ▶ First, prove the solution
- ▶ Prepare it for rollout
- ▶ Finally, scale it to the appropriate size

While preparing an initiative for scaling will differ by project, just be sure that you have worked the kinks out of the service or program before you scale.

Nothing will kill all your hard work like a botched rollout of an unfinished program or service.



Three Examples of Scaling Pilot Programs

A 200-attorney firm tested a cross-selling program between twenty top rainmakers. Rolling it out involved enrolling all partners, of counsel, and most senior associates in the cross-selling training program. It also included changes to the compensation system to reward the new behavior, and the firm set up specific methods of accountability.

A 500-attorney firm with a large commercial litigation practice that was experiencing market pressures created three small working groups, each targeting a specific market niche. These groups went through a process to develop an SSO. The effort proved successful. Rolling it out entailed extensive marketing of each group's SSO and creating other working groups to help them come up with their own SSOs.

A 95-attorney firm piloted a coaching program with six high-potential rainmakers, yielding impressive returns. They expanded the initiative by enrolling others in the program.

Conclusion

I hope you found this paper helpful and it...

- ▶ Stimulated your thinking on how you can devise innovative revenue-producing projects
- ▶ Provided a framework for beginning these projects
- ▶ Created a sense of urgency that now is the time to bring your firm the changes it needs to counter the disruption hitting the legal industry
- ▶ Inspired you to get started now

The next section provides four suggestions for getting started, and the last section offers recommendations for additional reading.

What to Do Next

If you made it this far, you may be wondering what to do next. If so, I offer five suggestions:

- ▶ Read some of the studies and articles cited at the end of this paper to gather more information and determine whether similar projects make sense for your firm.
- ▶ Send this white paper to your management or executive committee to test their appetite for such a project.
- ▶ Convene a whiteboard session with three of your most trusted and innovative partners and key staff, to brainstorm the best growth opportunities.
- ▶ Unless you're an expert in planning and managing revenue growth projects that require significant change, consider getting help from an expert in the area. Some firms have this expertise in-house and others need to rely on someone outside the firm. It's been my experience that few attorneys are trained in either the substance or the process of driving such projects to completion.
- ▶ Try some of these ideas out with one of your practice groups. Preferably, select a group where the leader and its members are more innovative and open to trying new ways of operating.

About Revenue Wise

David Adams



David Adams is a strategic advisor, coach, author, and speaker. For more than twenty-five years David has helped law-firm leaders, practice groups, and attorneys grow revenue, build high-performance teams, and improve their ability to lead and innovate.

He is committed to helping his clients achieve that ideal combination of professional success and personal fulfillment.

Revenue Wise

Revenue Wise is a full-service firm that specializes in helping law firms grow revenue and improve performance. We use a combination of coaching, training, and consulting to help lawyers, practice groups, and, ultimately, law firms become more successful.

We have been fortunate to serve some of the nation's top firms, including Latham, Orrick, Polsinelli, Lock Lord, Littler Mendelson, Fenwick & West, Kecker & Van Nest, Kilpatrick Townsend & Stockton, Holland & Hart, Lindquist & Vennun, and many others.

Revenue Project Assistance

If you need help with your next revenue-producing project, consider Revenue Wise. We have a proven and effective process that will make your next project a success. Our involvement can range from high-level planning and guidance to managing the entire project.

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