

Professional sector feeling squeeze to cut costs

Selling law as a commodity

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For Law Times

Everything from court backlogs to choosier clients are forcing many law firms to seek means to reduce costs.

Not just those costs incurred waiting to appear at a courthouse without being able to bill for the time, but costs that will translate into actual savings for clients ranging from individuals to industry leaders.

That's the message from some law firm advisors who are increasingly being asked for ideas to streamline procedures and find efficiencies within the practices they assist.

"Clients are demanding and it is the clients whose expectations are increasing all of the time," observes Alastair Mills-McEwan, president of Flare Consulting Inc. legal management in Ottawa. "As a result, over years we've seen certain aspects of professional services being commoditized so as to maintain profitability with cost reductions," he says of corporate organizations generally, although he adds the concept of commoditizing "is a challenge for law firms."

For the legal profession, commoditizing is the concept of mov-

ing away from traditional hourly billing and charging instead on a per project basis, Mills-McEwan explains.

The concept of commoditization has been encroaching into professions of all kinds ranging from accounting and finance to engineering to marketing. Mills-McEwan says it's inevitable lawyers will begin to feel similar pressures, if they haven't already.

He says while there are clients who will always require personal service and contact, those should be identified and separated into a category outside of the commodity service push.

But there are also clients who would be receptive to a commodity-service approach for which services can be delivered on a project basis, with cost savings for the firm augmented by "knowledge management," he suggests.

"There are plenty of things — opinions that have been written, contracts — for which all you need to do is tailor it for clients rather than everybody feeling like they have to start with a blank sheet of paper all the time," he says.

"The key to cost cutting is looking where you need to cut and it's often hard to do that," he continues. But the hourly-rate billing structure

is no less often lost on clients.

"Clients often cannot see the value. Just telling a client how hard you worked on a file isn't good enough. You have to understand what the value is in their eyes," he says. "What that says to me is it's the law firm that's playing the arbiter of what constitutes value.

"So I think in a way, rather than cost-cutting, what law firms should be trying to do is cut costs by reusing knowledge and managing knowledge effectively within their practice and also to try to price things on a basis that reflects the value of the work from the client's perspective rather than how many hours it took them to do it."

Heather Suttie of Heather Suttie & Associates, a Toronto-based legal business development and law marketing consultant, agrees.

"People are realizing that there are only so many clients; Canada's becoming a smaller economy and you need to well-serve the clients that you have," says Suttie.

She concurs clients don't always understand the traditional hourly billing while larger, more advanced clients who might provide multiple files seek a reduction for repeat business. While those are savings directed at the client, lawyers can be more efficient by narrowing the scope of a client's needs.

"Service means concentrating on what a client needs instead of

on what you think they need," she says, suggesting that lawyers can sometimes increase their own workload by not taking precise instruction from clients.

Mills-McEwan also says firms should review their accountings to ensure they can identify any fiscal vulnerability. "Even in some fairly large law firms, there tends to be a lack of hard, objective information of where the money is actually going. It's not uncommon for there to be too much data and not enough information," he says.

In one instance, a law firm client of his was losing \$1 million per year at one of its offices and the partners didn't even realize it.

"The information was there, but it needed re-assembling into a form that could highlight really sharp issues like that," he says.

He also adds that retaining top talent can ultimately reduce costs. "Some of the biggest cost reductions can be achieved by having higher-caliber people. Very productive people who get it right the first time tend to be 200-300 times more productive than the average person; they're not high maintenance, they don't need a lot of management, and they're not needy."

Tom Collins, founder and for-

mer president of Juris legal resource in the United States, offers cost-cutting tips for law firms on the Juris web site.

His suggestions include declining to purchase volume discounts from suppliers, avoiding long-term payment commitments for leased equipment and software because the price inevitably falls over time,

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but to treat technology expenses as ongoing rather than periodic capital expenses in order to maximize office efficiency.

He proposes firms be unabashed about negotiating better deals and pitching vendors against each other to compete for the firm's business.

He says little things like requiring that "people ask for things, including reports" rather than automatically distributing them will reduce wasting supplies and paper.

He concludes that "while managing cost is important, cost-cutting campaigns will not move a law firm into the category of a top performer. If you want to increase profitability, you need to concentrate on increasing revenue rather than becoming obsessed about reducing expenses."

But he also adds as a light-hearted addendum, "Don't ever cut out the coffee." 