

# WHY SOME FIRMS FLY

Part 6 in a management series from Beaton Consulting



# 06

## IMPROVING PROFITS

### Being systematic produces results

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Within virtually every law firm there's no shortage of ideas and opportunities for improving profitability. Individual partners and staff – if asked – often have great ideas that range from the 'top line' – attracting new clients and getting more work from existing clients – to cost efficiencies from better delegation and enhanced knowledge management.

Why, then, are so few of these ideas actually aired, evaluated, implemented and followed through? It's probably because, at firm level, there is too little disciplined understanding of the very concept of profitability and profit improvement.

In many firms, a sharper focus on profit suggests a *self-centred* rather than client-centred approach, with an associated decline in client service levels, lower professional standards, and a downsized workforce, with those who remain working even harder than ever.

But approaches such as these are simply not sustainable. Clearly, there are limits to how hard lawyers can work, and most firms are at or very close to those limits already. Client expectations and demands are probably higher than they have ever been, and firms that lower their standards will not continue to win business for long.

In reality, improved profitability is the only way a firm can sustain higher levels of client service, professional standards and personal fulfilment. Only a profitable firm can afford to invest in developing new and

valued client service offerings while developing the careers and providing fulfilment for its people. And sustainably profitable firms are those that can make long-term commitments to meaningful and impactful *pro bono* projects and community partnerships.

Improving profitability is so important that it deserves to be addressed in a disciplined process that is driven by top management and reaches all levels of the firm. Such a process starts with clarity and agreement about the firm's objectives, in terms of both profit and non-financial criteria like professional excellence, client and staff satisfaction, and market reputation. Next, the firm must encourage creativity in generating and capturing ideas for profit improvement; the opportunities identified must then be properly evaluated and the agreed initiatives implemented.

For most firms, setting out on a fresh hunt for profit is not a luxury but a necessary step towards greater sustainability that requires a long-term commitment. A creative and critical appraisal of ways of improving profitability can be difficult, especially when undertaken for the first time, and results may not flow easily or obviously. Independent, external expertise may be valuable in assisting firms to clarify their overall objectives and the role of profitability in achieving those objectives, as well as identifying and navigating political sensitivities.

Firms that fly have worked hard, over time, to establish and sustain systems that make a deliberate, long-term approach to profitability an intrinsic part of the firm's culture and 'second nature' in the way the firm operates and its people think.

**'Only a profitable firm can sustain higher levels of client service, professional standards and personal fulfilment'**

