

Turns Out Numbers Do Matter!

By [Carla Landry](#) on December 4, 2012

Recently, I hosted a webinar to present an overview of law firm accounting. This presentation was nothing more than an introduction to law firm economics. In total, it lasted only 60 minutes. I explained the key financial drivers (hours, rates/pricing, realization, expenses and overhead) and a few of the basics of law firm accounting and illustrated how to calculate profitability. The session was targeted to early-career associates and presented during a lunch hour. Because the topic was a business of law topic and not a practice of law topic, CLE credit was not offered. As such, I didn't expect a big turnout. Much to my surprise, there were well over 100 participants. Why? I guess it turns out that numbers do matter.

As the industry is changing, and as clients continue to put pressure on firms to reduce fees, firms are struggling to identify how to continue to increase profits. There have been many new (and old) approaches in the last few years to address the issue of optimizing profitability. Some firms are proactively working with clients on mutually beneficial alternative fee arrangements while others are commoditizing the value of their own services by discounting and then writing off losses. All firms should be responding by implementing project management techniques to better manage the delivery of their legal services and, ultimately, overall profitability because the overall demand for legal services is basically flat and fee/rate pressures have eliminated the easiest means for increasing revenue and profits – billing rates.

My curious observation is that lawyers are now sincerely interested in understanding the numbers in order to gauge whether a matter or client relationship is profitable. This is no longer just the job of the finance department.

What's more exciting to me is that young associates now want to understand the numbers too. Perhaps they want to take charge of their careers at an early stage. Perhaps it's because their partners are telling them to be more efficient in order to be profitable within a budget. Maybe, because lawyers are predominantly left brain thinkers and math is a left brain activity, it's just natural for them to want to understand the math.

My experience has demonstrated to me that there is a growing population of young associates out there who want to understand the costs associated with client services. Perhaps this knowledge, starting earlier in their career, will help them identify greater efficiencies or new approaches to commoditized services. Regardless, it appears as though the next generation of lawyers already have a healthy interest in the new business of law model.