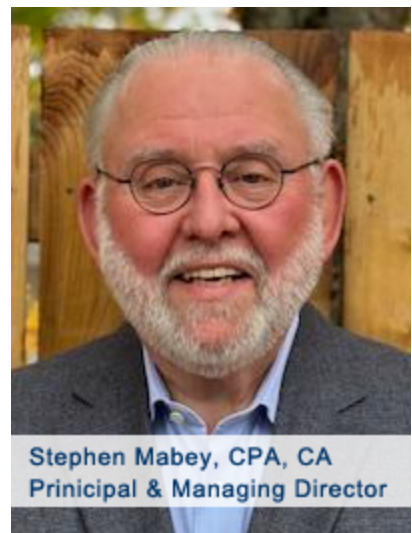




A Focus on Profitability

The interest in profitability has increased exponentially. There are many different reasons for this increased focus, including (in no particular order):

- An increase in costs exceeding the increase in rates;
- An actual drop in partners' incomes in 2023 over 2022 and 2021;
- An increased pace by which clients are changing lawyers and law firms (not just cost but also service);



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- The serious enhancement of legal technology tools and platforms available to both clients and law firms; and
- The steady decline in the average collected realization percentage over the past couple of years (estimated to be down at least an entire percentage point).

There are a number of practical steps that firms can take to address the decrease in profitability, albeit they are all short-term and will not guarantee long-term profitability. These short-term steps can include:

- Leveraging technology
- Effective pricing strategies
- Investing in focused business development and client relationship management
- Efficient time management
- Investing in professional development
- Enhancing staff training and development
- Controlling costs

However, the long-term solution of continued growth in profitability sounds simple but is the most poorly executed value in most firms.

Courage!

Courage is the strength and resilience to stay focused on the firm's goals and their execution and persevere through challenging times.

Courage in a law firm setting is composed of three elements.

1. The courage to have **challenging discussions** with the Partners and others on such topics as (in no particular order):
 - Underperforming lawyers - Partners and Associates
 - Adherence to firm policies
 - Definitive remote working arrangements
 - Standards of client service
 - A Focus on practice areas that have a high demand and where the firm can provide specialized expertise.
 - Size of complement, staff, and lawyers
 - Leverage between Partners and Associates
 - Organizational structure (including two-tier structures) and governance
 - Making business-like decisions
2. The courage to make **tough decisions** after having had discussions with the appropriate parties. Knowing the right thing to do and doing the right thing has historically been a juxtaposition in law firms. This situation is the result of so many firms embracing consensus decision-making, which generally results in a solution that is acceptable at the lowest common denominator, not the best solution.
3. The courage to **execute the decisions** made. Nothing drives home this lack of courage demonstrated by many firms when it comes to their strategic plans. The dominant reason why firms fail to achieve the strategic plans they have agreed to is a failure to execute.

An adaptation of an old quote is that for law firms to be successful in the long run, *"they must have the courage to accept all the challenges that come their way. Firms can't just accept the ones they like or can achieve consensus on"*.

Who is Stephen Mabey?

Stephen Mabey is a CPA, CA, and Applied Strategies, Inc.'s Managing Director. His credentials include the following:

- Fellow of the College of Law Practice Management (one of 19 Canadians);
- Author of *Leading and Managing a Sustainable Law Firm: Tactics and Strategies for a Rapidly Changing Profession*, and *Key Performance Indicators An Introductory Guide* (Amazon);
- Over 25 years in a senior management role with Stewart McKelvey, a 220-lawyer, six-office Atlantic Canadian law firm;
- Over 14 years providing advice and counsel to small to mid-size law firms on a broad range of issues;
- A panelist and facilitator of the Managing Partner Information Exchange ("MPIE") at the annual Managing Partner Forum Leadership Conference held in Atlanta, Georgia, each May;
- Runs a group mailing list that circulates articles, directly and indirectly, impacting law firms.

Stephen has advised law firms on a wide range of law firm issues, including - strategic action planning, leadership, understudy (succession) planning, business development, capitalization of partnerships, partnership agreements, lawyer & staff engagement, marketing, key performance indicators, competitive intelligence, finance, mergers, practice transitioning, compensation arrangements, organizational structures, and partnership arrangements.

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