Where does your law firm fit?

At the recent Thompson Reuters COO/CFO Forum in Washington DC, the discussion during the opening session included positioning the post covid law firm recovery in 3 different ways as described in the article linked here: https://www.thomsonreuters.com/en-us/posts/legal/coo-cfo-forum-2023-road-ahead/

In summary of the article, the top 50 law firms have been contracting, rifting associates while the next 50, numbers 51-100, have been aggressively growing their associate ranks. The third AM Law tier referenced in the article ranked firms on the AM Law list between 101-200, stating those firms have been struggling.

It's interesting to think that the largest law firms are pulling back on the reigns while the next group are in growth mode. The AM Law top firm by number of attorneys in the U.S is Baker McKenzie with just under 4,800 attorneys and the 50th largest US firm on the AM Law listing is Faegre Drinker with just under 1,100 attorneys, quite a gap from number 1 to number 50.

https://en.wikipedia.org/wiki/List_of_largest_law_firms_by_revenue.

Why are the largest firms contracting? There are many factors affecting the mega firms. One could speculate that firms struggle or succeed based on their size and geography, and are not as easy to manage as smaller firms. Other factors could include investments in technology (or a lack thereof), location, types of practices and practice profitability, work effectiveness (employee productivity), cost of administrative labor, and billing rates. These are just some of the variables that contribute to the success or failure of the large law firm business.

For obvious reasons, law firms looking to grow will hire more billing attorneys while those tightening the belt will dismiss billing attorneys. Other avenues exist to affect firm performance. Commercial businesses regularly evaluate and reevaluate their staff, location and business forecasts. They often bring in outside consultants to review and suggest improvements. They also refine processes.

One process that affects the bottom-line of any business directly is the outstanding receivables review and the success of the collections process. Employing efficient software and staff to manage this process is key to having a successful A/R practice as a functional part of business success. Some businesses outsource much or all of the accounts receivable collections process to third party organizations who can implement best practices. Others have historically well run, high touch operations that perform regularly. For law firms, a key factor is the relationship between the attorney and the firm's Client. Firms where the relationship is strong are often regular payers; they opposite is also true.

A hallmark of effective collections management should include a reliable and effective software program with extensive reporting and interaction with the firm's attorneys to ensure internal communication is robust. An absence or lack of confidence in the tools can lead to inconstant results, or outright failure.

Consider using an automated tool like star*targetCash to develop interactive cashflow reports that the collection team, billing attorneys and law firm management will each provide input to. Also consider utilizing the built-in reports provided that assist to managing and improving the year-end collection process.

For general collection improvements, consider using star*collect to manage the everyday cash collections, WIP to billing and AR reminder process.

For more information, please click to contact your Select*Associates sales team, or visit our web site at https://www.selectsa.com for more information about star*collect and star*targetCash.