

# How to Combat the Seven Financial Problems Facing Law Firms Today

Insights on how to be more profitable and efficient with technology, while saving your clients money at the same time.

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This article is part two of the May 2015 Barrister article titled "E-Discovery as an Efficient Tool." This series focuses on use of the latest legal technology to solve problems law firms face.

Over the last several years, the landscape of the legal industry has drastically changed. In looking to cut costs in a turbulent economy, clients are now challenging the traditional law firm business model. Meanwhile, law firms' costs are increasing.

## **PROBLEM #2 - Competition Amongst Law Firms and Lawyers Is Increasing, Driving Down Billable Rates and Fees.**

The traditional law firm business model of providing legal services on an hourly basis is in trouble. It is only working well for some firms.

Larger law firms offer "one-stop shopping," whereby lawyers cross-refer their clients to other lawyers in different departments of the firm to generate additional business. However, often the practice is not the best answer for clients looking for the most qualified lawyer in other areas of law. Today, people can

search the internet and find lawyers who are top experts in their fields. Clients no longer need to depend on lawyers for referrals.

Many law firms are merely selling on price by reducing their billable hour rates, instead of pushing towards efficiency and driving their value up.

Rainmakers at some big law firms are venturing out on their own to cut costs for their clients. They are also lowering their fees to keep their clients happy.

There are more lawyers graduating law school every year than there are jobs for them. Many graduates have a high debt burden from law school and are willing to take any law firm job, at any salary, just to enter the workforce.

The solution is simple: embrace technology as a tool to help provide a better service to clients. Lawyers want to do high-end legal work, bill by the hour for their time, and meet clients' deadlines.

By leveraging the right tools, lawyers can provide higher quality work in less time. Tools that improve efficiency will

reduce their workload and their resultant stress. This will lead to a higher standard of service and generate more referrals.

Reducing overhead expenses enables a firm to compete with law firms that are dropping their hourly rates to steal clients. Being efficient enables the law firm to increase revenue by taking on and handling more cases and more clients, without having to hire more people or more contract attorneys for review. Being efficient enables a higher profit while also passing savings along to the client. It is a win-win situation that enables the firm to stay competitive. ■



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