
MAKING MONEY: THE BUSINESS OF LAW by Albert C. Plant (Aurora: Canada Law Book, 1993).

It is revealing to reflect on how little law schools teach about what the practice of law is really about. The curriculum is demonstrably successful in imparting the intricacies of legal research and writing. But, as most graduates can attest, these important skills are directly involved in only a minor part of a lawyer's daily routine. Ray Bishop, an American commentator, recently noted that the majority of a lawyer's time is spent worrying about such things as how to obtain clients, keep them, render accounts, collect them, manage partners, associates and staff, meet payroll, purchase and finance equipment, and so on. He added that law schools are remiss in failing to emphasize that the practice of law requires that lawyers not only be professionals, but business people as well. But, of course, it has never been fashionable to think of the practice of law in these terms. A profession, yes; business, no!

The legal profession in Alberta, as elsewhere in Canada, no longer faces the go-go atmosphere prevailing a short decade ago. In the intervening years, if not prior thereto, most lawyers have come to realize that their "profession" is also a "business". However, the attempt to convert a law practice into a "business" can be the cause of a great deal of stress. And, it is in this regard that Albert Plant's book, *Making Money: The Business of Law*,¹ is a welcome and timely addition to the legal bookshelf. Although the literature is lately replete with articles attempting to apply management techniques to law firms, it has so far neglected, as the book's forward accurately notes, to connect the processes of decision making, governance, management and finance. This volume is an admirable first attempt to "put it all together." It is eminently readable and refreshingly practical. This is, perhaps, unsurprising given the author's credentials. Following two years of full-time employment as the chief operating officer of a major Toronto law firm, Plant continues to serve the legal profession by providing consulting services to managing partners, chief administrators and executive committees in Canada and the United States. His writing, wit and wisdom bear testament to the fact that he's "been around the block a few times."

Sufficient capital, continuous cash flow, and good compensation practices are essential ingredients to the financial success of any law firm, large or small. Throughout his book, Plant asserts that every lawyer should take the time to understand the movement of money as it relates to the practice of law. In his view, only if lawyers have a better understanding of how money is made and how *capital, cash* and *compensation* (his three "C's" of "succcess") actually drive the firm, will they succeed in the "business of law". Each of the "C's" are explored in a separate chapter and Plant explains how they relate to each other and how the "cycle" works within the management process of the law firm. These three chapters are the core chapters of this work.

To understand capital, one must understand the balance sheet of the law firm and how the profit and loss statement connects to it. In Plant's view, the former is the

¹ A.C. Plant, *Making Money: The Business of Law* (Aurora: Canada Law Book, 1993).

statement that best describes the "health" of a law firm. By comparing statements from year to year, and by measuring certain relationships within the statements, chapter 4 on "Capital" shows the reader how the health of the firm can be determined and how negative trends can be identified and addressed. That the author is able, with the clever assistance of medical analogies, to explain a balance sheet, balance sheet ratios and how to use them in non-financial terms is no small accomplishment. Nor is the treatment cursory. It is carefully designed to set the necessary groundwork for a good understanding of the capitalization of a law firm, including key variables such as establishing the value of capital, acquiring it, reviewing capital needs, paying capital out and capital calls. A case study at the end of the chapter provides a particularly effective practical illustration of capitalization concerns in a hypothetical law firm and how they were resolved.

Cash is an integral element of every business transaction and good cash management can reduce the need for debt, increase profits and, also, reduce the need for capital. Many lawyers think they can handle cash flow as well as, if not better than, anyone else in their office. But, they are often so busy advocating their clients' interests that cash management too frequently is neglected. In chapter 5 on "Cash Management", Plant comprehensively canvassed the sources of cash, usage and control of cash, and cash dispositions in the law firm. In the process, he methodically identifies the prerequisites to controlling the cost of overhead and provides specific recommendations designed to decelerate the firm's outflow of cash; the former is intended to provide more cash for profit distribution, the latter to provide a better "float" of cash for the firm's use on a day-to-day basis. When discussing billing and collections, the author eschews any suggestion that all of a lawyer's legal work has the same value and opines that smart lawyers and law firms recognize that there are two variables which alter the value of client service: the different client types and the expected outcomes from the work. Specifically, with respect to collections, he points out that the greatest cash shrinkage of a law firm results from the amount of qualified services that does not materialize as cash for services rendered, astutely adding that the problem is not merely a collections problem but an attitude problem. As a result, he proposes tough, some would say Draconian, policy guidelines essential for an exposure "success" formula designed expressly for shortening the time span from "docket-to-pocket". The chapter concludes with the text of an optimal Billings and Collections Policy which simply, but comprehensively, articulates the responsibility and accountability of the lawyers of the firm regarding the timely billing and collection of accounts.

The author's broad experiential base with law firms is nowhere more apparent than in his in-depth treatment of "Compensation" in chapter 6. He notes that profit distribution among the partners and compensation transactions between the firm and its associates and staff may variously be considered as economic, psychological, sociological, political or ethical exchanges. Acknowledging that no system for distributing law firm income is ideal, he goes on to suggest that "[e]very firm must adopt a system, selecting the one that most nearly meets its unique needs, works reasonably well and is perceived to be equitable."² Of course, reviewing existing

² *Ibid.* at 104.

compensation systems with the goal of revision is often problematic and, with clarity, Plant provides specific guidance. In doing so, he fully canvasses the principles of income distribution and the spectrum of income distribution schemes as well as specific issues involved in compensating non-partners, rewarding business generation and rewarding the "complete lawyer." The author, "telling it like it is," considers billable hours less important than billings and profitability. In his words, "Hours worked are a measurement of *effort*, billings are a measure of *results*. If the work is not converted into money, it is wasted effort."³ He goes on to explain why compensation systems must be "results-oriented." And to measure results, he discusses, replete with examples, computer-assisted techniques such as blended billing rates (the lower the "factor", the better the job of allocation and delegation to juniors and paralegals), profit centre profitability analyses (each lawyer should generate profits in excess of his/her profit allocation and share of overhead), and client "return on investment" (measuring individual client profitability and the cost of client investment such as the costs of business generation, work-in-process, unbilled disbursements, receivables, discounts, premiums, *etc.*, for each client). To many, however, the key to developing a fair compensation system is to realize that it must be a people-based system and not solely technology-based. Plant apparently agrees. His "ultimate" measurement of a lawyer's performance is to compare the results of the year's work to expectations. And not just for associates, but also for partners! To assist in setting those expectations, Plant sets out a comprehensive "Individual Partner's Practice Plan" document which he developed over the years from a number of practice management and marketing plans.

Other chapters in the book deal specifically with the organization of the law firm and the "how-tos" of making money. In the former chapter, the author defines the processes by which a law firm is managed and provides significant detail (with sample position descriptions) for various positions including that of the managing partner and office administrator. In the latter chapter, productivity — its meaning, measurement indices and improvement — are highlighted. Especially useful is the author's discussion of "benchmarking" and his favourite "rules of thumb", obviously derived from law office experience. Although many of the examples in his book relate to larger law firms, the concepts that he discusses directly relate to all sizes of firms, from the sole practitioner to the mega-firm.

If the foregoing has piqued your interest to pick up Plant's book, you won't be disappointed. For an author to accomplish what he has in a short 153 pages, is no accident. Over ten years of experience has gone into the making of *Making Money: The Business of Law*, and it shows. Given today's competitive legal environment, increasing numbers of lawyers are recognizing the need to practice better management techniques to enable them to market their legal skills more effectively for greater profit. Plant's book fills a clear gap in the literature by successfully integrating the processes of decision making, governance, management and finance in the law firm. And it fills that gap simply but substantively. In summary, this is a practical, insightful and helpful

³ *Ibid.* at 115.

book forming a useful point of reference for sole practitioners, partners and wannabes alike!

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