

Value Practice:**Structuring a Law Firm to Deliver More Value to the Client****Interview with Edward S. Renwick, partner, Hanna and Morton LLP**

When Ed Renwick joined Hanna and Morton LLP in September 1958 he was the firm's sole associate. Ed has continued to practice at the firm since that time and has an active trial practice, primarily for independent operators in the oil and gas industry. The firm, founded in 1915 by a former District Attorney of Los Angeles County and his former chief trial deputy, began to grow around 1980, hiring associates to handle document-intensive work as discovery became a much more significant part of trial practice.

The growth and resulting leverage led to greater distance on the part of the partners from much of the work. In addition, members of the firm realized that the leverage also led to lower value for the clients.

Accordingly, the firm determined to revert to its earlier structure of having few if any associates. At present, the firm has five partners in two locations (an additional attorney, formerly a partner, operates remotely as "of counsel" due to personal reasons) and one contract paralegal. The firm relies heavily on technology to support its practice.

Delivering high value even though billing on an hourly rate:

Most of the firm's clients still pay on the basis of the hourly rate, but the value delivered by the firm remains high because the partners do all of the work. This structure delivers higher value to the client in the following ways:

- At the commencement of the engagement, Ed drafts a detailed plan for the matter in which he lays out for the client the strategy that he plans to pursue. Each invoice for the matter is accompanied by a letter in which Ed sets out the progress on that strategy, enabling the client to stay on top of what's going on and informing the client of developments in that strategy. He bills the client as quickly as he can when each month ends, allowing the client to monitor progress in "real time."
- Ed does nearly all the work himself, eliminating the need for knowledge transfer to or from an associate. Ed does not need to direct anyone else on the work, avoiding any "management" time in his bills.

- Since Ed reviews the case documents himself, he becomes intimately familiar with the details of the case and avoids any filter between the evidence and facts and him. His review of documents and other evidence can lead him to pursue other issues or angles that might have eluded a more junior associate reviewing the same material. Ed has no need to filter or transfer such ideas to or from anyone else. As he reviews the documents and other evidence for a case, he simultaneously develops the “story line” for the case. The research that he conducts for the case also enhances his ability to develop that story line.
- Ed attends conferences, depositions and other meetings alone. The client does not pay for multiple attorneys to attend in such situations.
- All work done by the firm for its clients represents the knowledge and expertise of its partners. Thus, it does not bill its clients for time spent by less experienced lawyers learning the case or the law or otherwise burdening the client with the firm’s own investment in itself. The quality of the work reflects that total partner involvement.

Firm Structure and Alternative Fees:

The firm’s structure also leads to a different approach to alternative fee arrangements. Each partner has far greater autonomy to discuss and enter into alternative fee arrangements than would be the case in a more traditional law firm structure. As noted, most of Ed’s work is billed on the basis of his hourly rate, but he often discusses possible alternative fee arrangements with clients at the commencement of matters. Due to the higher value that Ed delivers on account of the lack of leverage, however, clients see less reason to test such arrangements than they might otherwise.

The firm does enter into some arrangements that result in greater value for clients even though billed on an hourly rate:

- One of the firm’s partners works on a matter for several clients that split the fees among them, thus sharing the cost.
- Another partner works on an environmental proceeding under Superfund for a group of parties that also share the firm’s fees among them.

Each client in those situations receives greater value from the firm’s work than it would have by retaining the firm on its own.

On a recent matter, Ed represented a trust in litigation involving an oil field. Another trust was represented by a larger law firm, the associates of which comprised approximately one half of the firm's lawyers. When the case settled favourably for the trusts, Ed's firm and the other firm submitted their legal fees as part of the negotiating package. The firms' fees were not very different, even though the Hanna and Morton's fee was entirely Ed's time, whereas the other firm assigned two partners, two associates and a paralegal to the case. Ed's client therefore paid only for partner time.

A firm philosophy that reflects and supports the delivery of value to clients:

Hanna and Morton adopted the following principles (included on its website) to deliver greater value to its clients:

1. Reward results, not hours. Not only must lawyers and clients be able to define good results, but both must be willing to take risks. Clients must be willing to pay extra for good results and lawyers must be willing to take a hit for poor results.
2. Capitalize on experience. Considering the efficiency with which the experienced lawyer works and the high cost of adverse outcomes that can result from lack of experience, the experienced lawyer generally will be much more cost effective in the long run.
3. Shorten the cycle. The firm believes that for every dollar a client pays a lawyer to handle a problem, it loses another dollar in lost profits because of lost time, internal distractions and loss of focus. If the goal is to reduce legal costs, find a way to solve problems more quickly. In other words, shorten the cycle.
4. Build productive relationships. Lawyers and clients need to understand each others' businesses, know each others' staffs and, most importantly, learn each others' expectations and goals. Legal problems can be solved only in a creative environment. Good relationships foster creativity; bad relationships destroy creativity.
5. Use the billing process to build trust. A lawyer's bill should not be a relationship breaker, but a relationship builder. The firm doesn't charge more than a reasonable fee and its billing policy gives its clients the final word on whether a bill for its services is reasonable.
6. Maximize the use of technology, outsourcing and teaming. Lawyers need business plans that allow the firm to profit without leveraging the time of others. To do this requires that the lawyers rely heavily on technology, outsourcing and teaming rather than hiring three or four associates per partner. In this way, an experienced lawyer can prepare large cases

- without a large, full time legal staff and the high fixed costs and dependency on hourly rate billing that go with such a staff.
7. It is not enough for a lawyer to be technically qualified. A lawyer must add value by offering creative, practical solutions that help clients do three things: (a) bring problems to satisfactory conclusions in the shortest possible time; (b) avoid future problems, and (c) discover profitable opportunities.

Hanna and Morton demonstrates how the structure of a law firm can impact the firm's ability to deliver value and quality to its clients. Eliminating leverage from that structure and adopting a compensation scheme that does not rely on leveraging the time of less experienced attorneys to lead to profits enables the firm's lawyers (all partners) to focus on their clients' matters in ways that yield higher value for those clients.

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