

# EDGE International Review

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**PRICING OF SERVICES:  
A METHODOLOGICAL  
APPROACH FOR  
INTELLECTUAL  
PROPERTY PRACTICES**  
*by Michael Roch*



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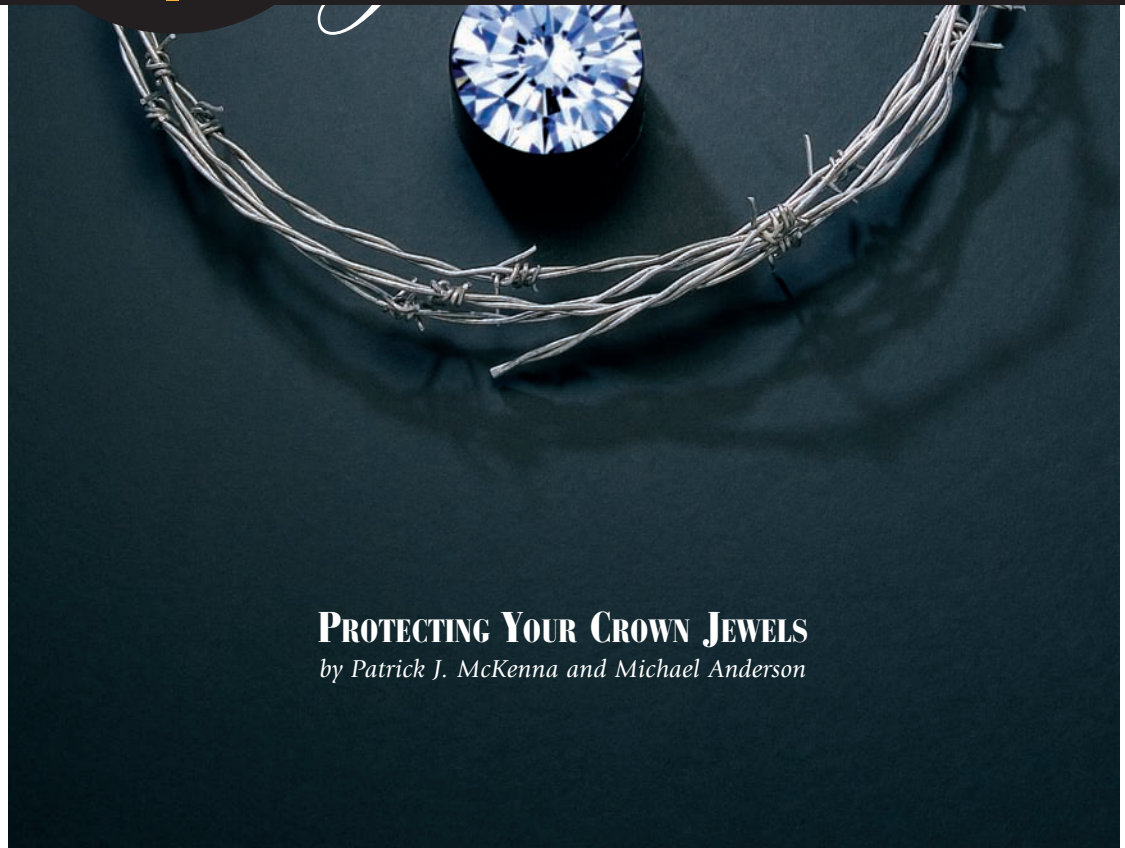
**IN BRIEF: ON MANAGEMENT  
HOW CAN YOU SURVIVE IN THE FUTURE?**  
*by Friedrich Blase*

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FUTURE?**  
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**AFRICA : EMERGING  
OPPORTUNITIES ON  
THE DARK CONTINENT**  
*by Robert Millard*

**VALUING AND JUDGING  
PARTNERS – BEYOND  
THE ELEPHANT TEST!**  
*by Nick Jarrett-Kerr*

**SEVEN IMMUTABLE  
LAWS OF CHANGE  
MANAGEMENT**  
*by Gerry Riskin*



**PROTECTING YOUR CROWN JEWELS**  
*by Patrick J. McKenna and Michael Anderson*

by *Freidrich Blase*, **EDGE INTERNATIONAL**

**IN BRIEF: ON MANAGEMENT**

# HOW CAN YOU SURVIVE IN THE FUTURE?

**THE PURPOSE OF LAW FIRM MANAGEMENT**



Anyone involved in law firm management should be able to answer the ultimate question: "What's the purpose of your job?" During the last ten years, finding the right answer grew more complex as law firms became incredibly busy, mushroomed in size and turned into what some perceived as "factories" or "sweatshops." Sometime in that hectic age, firms may have lost their answer for what management's job actually is. Many firms declared their sole ambition to be maximum partner profits and told management to figure out how to get there.


Isn't it time we stepped back for a moment and remind ourselves of the purpose of management?


The fundamental function of any organism or organization is to increase its ability to survive in the future. If we are hungry, injured or in danger, our biological autopilot kicks in to ensure that we maximize our chances of survival. An organization does not have a biological autopilot; it has management.


A firm's chances of survival in the future are entirely dependent on its ability to satisfy clients. If, one year from now, a firm is able to make more clients more satisfied, it increases its chances of survival. It is management's sole purpose to put the firm in a position to accomplish just that.


Profits give little indication of whether the firm's ability to survive in the future changed. The indicators are different ones and most don't show up in the financial systems. They are:

-  **Market Position** – Have we improved our position relative to the competition with respect to those clients that we want to serve? If we were closest to a client, but now our competitors are closer, our chances of survival decrease.
-  **Attractiveness for Professionals** – Have we improved our attractiveness for partners, associates and the newly-qualified that we need to satisfy our clients? Of course, we need money to be attractive. In fact, we might need a lot more money than we are currently making.

-  **Level of Innovation** – Have we improved our level of creating new solutions that our clients want? The question is whether we are getting more sophisticated at our innovation process to ensure that – in the future – we can offer what clients will pay money for.

-  **Productivity** – Have we improved our productivity? In a world of time-based billings, this equates to an increase in utilization, in rates or both. When working on a fixed fee, we have to do the same matter in less time with lower paid professionals.

-  **Liquidity** – Have we improved our liquidity? Revisit the demise of Coudert Brothers, if you are unsure about this one. One of the reasons the firm did not survive was its inability to finance exiting partners' pay-outs of capital contributions. And finally, yes:

-  **Profits** – Have we improved our profits? Profits are, of course, relevant. After all, improving all the other indicators will require a lot of money.

Good and right management makes everyone aware of the need to increase the firm's ability to survive in the future – for their own benefit.



**Friedrich Blase**

*works from both Toronto, Canada and Frankfurt, Germany. His core competencies are transformation and change processes in law firm governance and management.*

