



# Monday Monday

*Connecting the Dots with Karen Kaplowitz*



*Helping you create and reinforce the habits of successful career building,  
gleaned from my work as a business development strategist, trainer and coach.*

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**Rate Negotiations Part 1: Negotiating with Partners.** Even where hourly billing arrangements have survived, not many clients pay “rack rates” to law firms anymore. Clients demand that rates be frozen, rolled back, discounted, blended, and even rationed. A wide variety of alternative fees are on the table. But for many lawyers, the toughest negotiations are with their partners, not with clients. Is this scenario familiar? Valued Client asks Partner for fee/rate concessions, to match other peer group firms. Firm Management authorizes only a modest discount which Partner sheepishly conveys to Client. Client goes elsewhere and Partner wonders if he should go elsewhere too. Many lawyers find it easier to deal with their clients’ fee demands than with seemingly arbitrary decisions by firm management. For example, one firm rejected a partner’s request to discount his billing rate for a new client even though he was billed out at that rate for another client at the request of a more powerful lawyer in the firm. Since internal negotiations over rates and fees are guaranteed to be thorny, consider these strategies:

- Do not wait to talk to firm management until clients ask for fee concessions; get over any reluctance or discomfort about talking about money, and invite frank discussions with firm management about alternative fees.
- Understand the firm’s process and policies for approving alternative fees.
- Promote more transparency on the firm’s approval of alternative fees and rate agreements so you can keep abreast of the firm’s decisions.
- Take into account the political realities in your firm. If you can’t get approval of reduced rates on your own, team up with someone who can help you get approval, even if it means sharing credit for the new matter or client.

**Example:** After long pursuit of a dormant client, a lawyer is invited to bid on a substantial piece of litigation in a practice area with a lot of rate sensitivity. The client expects major concessions and complains that blended rates result in the work being assigned to junior lawyers. The firm has rejected the lawyer’s prior requests to discount rates. The lawyer first gathers detailed information on recent alternative fee agreements approved by the firm. The lawyer then seeks guidance on negotiating with firm management from lawyers who got approval of alternative fees. The lawyer identifies suitable, underutilized lawyers whose jobs are at risk. The lawyer asks the marketing staff and the accounting staff to calculate the profitability of the matter with various assumptions and historical data, including two sets of proposed blended rates, one for associates and one for partners, to address the client’s concerns that partners will not be sufficiently involved. Finally, the lawyer invites the advice—and participation—of a rainmaker in the firm on how to pitch the matter to the firm, and to the client. Whether the lawyer wins the bid or not, he has enhanced his relationships with the client, firm management and an important rainmaker.

Are you prepared to work the system *in* your firm so the system does not work you *out* of any opportunity to be competitive in the new legal marketplace?

In **Rate Negotiations, Part 2**, on June 29, Aileen Leventon of QLex Consulting will address what lawyers need to know about how clients are analyzing law firm fees—and performance—and how that affects negotiations.