



LAW

FEE RADICALS

By allowing clients to evaluate its service and adjust their fees accordingly, and encouraging its lawyers to save clients time and money, a new Sydney law firm is shaking up the profession. **Report: Georgina Dent**

● With frugality the flavour of the year, the chance to slice legal bills by 40 per cent ought to make general counsels salivate – particularly when the crème de la crème of lawyers are doing the work.

Reduced fees are just one carrot that Optim Legal, a self-described next-generation law firm, is dangling in front of companies.

Optim Legal is the brainchild of co-founder and director Nick James.

Unlike his co-founder and commercial director Christian Hyland, who has no legal background, James spent the first eight years of his career in big commercial law firms, including Freehills and Allens Arthur Robinson. The experience led him to contemplate other ways of lawyering.

“I wanted to create an organisation to

respond to the levels of dissatisfaction and depression within the legal profession,” James says.

The result is an organisation in which lawyers have no billing targets and earn a percentage of their fees from day one, and which charges clients fees that are 40 per cent less than top-tier firms.

A mutual friend introduced James to Hyland because James was a budding entrepreneur and Hyland was a consultant to budding entrepreneurs. They spent the next two years in a backyard at Bondi, Sydney, designing an organisation that James describes as “a vehicle for legal services unhindered by the modern, large law-firm dynamic”.

To do this, they looked outside the legal profession for inspiration.

Cost cutters; Optim Legal co-founders Christian Hyland, left, and Nick James

“We drew on successful management examples from the non-legal world. Southwest Airlines and Flight Centre were both very strong influences.”

A fundamental principle they borrowed from Southwest Airlines, the most profitable airline in the world, is serving employees’ interests above all.

“If you create an environment where employees can thrive then they will better serve their clients, which will keep clients coming back, which then better serves shareholders,” James says.

When examining the factors that cause greatest dissatisfaction among lawyers in big law firms, Hyland and James concluded that the billable-hour system, and the constraints of huge billing targets, were paramount.

“It puts people into a squeeze between meeting the performance objectives of the firm and meeting the needs of their clients,” Hyland says.

The rigidity of billing targets stifles innovation, disenfranchises employees and ultimately frustrates clients, James says. “Many lawyers don’t get an opportunity to shape the way they work for clients. There’s a lot of pressure to bill as much as possible and it doesn’t



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provide much space for thinking of things which could actually be better for clients and lawyers.”

Optim’s lawyers are rewarded when they save clients time and money – not when they charge the client the most money, James says.

“As a lawyer in the current system, unfortunately, you’re evaluated primarily on the number of hours you bill. The highest performers are those who bill the most.”

Turning this premise on its head benefits clients and, importantly, lawyers too. “If you can arrive at an outcome in a more efficient way, or come to a decision which saves the client time or improves their outcome, it’s satisfying and a win for all,” James says. “The most exciting insight is that a lot of the things lawyers want actually match up with what clients want.”

To ensure genuine harmony between lawyers and clients, the duo created an option for Optim clients to alter their monthly bills according to their satisfaction.

At the end of each month, clients can rate all aspects of the lawyers’ performance, including communication, transparency and legal knowledge. The score is then used to adjust the bill by a possible 20 per cent – up or down.

Paying more than is necessary may seem unlikely, but Hyland says it is quite common. “Two-thirds of our clients that elect to use the scoring system provide some level of uplift in fees.”

Hyland says the reason is multifaceted. “They do it because they have a sense of value. When clients see we take a different approach and they know from past experience that [legal services] would cost them a lot more elsewhere, they rate us on the value we deliver. Sometimes that’s worth more than we’re charging.”

In any case, when the fees are already 40 per cent lower than comparable rates, paying an additional 20 per cent still leaves the client ahead.

Optim can afford to charge lower rates because of the way the business is run.

Hyland and James concluded the reason enormous billing quotas exist is high fixed costs. “We looked at which part of the fixed costs were there to create value for lawyers and clients and stripped out the major costs that weren’t,” Hyland says.

Flash offices and the costs associated with an entrenched partnership hierarchy

were two expenses set for elimination. Instead of renting space in Sydney’s prohibitively expensive central business district, Optim has its offices at inner-city Surry Hills. It rents a small serviced office in the CBD with conference rooms and hot desks so that when lawyers need to be in the city, they can be.

“There’s considerable inefficiency created when large organisations are run by a partner management group,” Hyland says. “We saw an opportunity to establish a different corporate structure.”

The result is what James calls an “inverted pyramid”. Executives sit at the bottom of the hierarchy and work to service the practitioners so that they can service the clients. “It means the lawyers are allowed to focus on being great lawyers,” he says. “The organisation facilitates that and rewards them for it.”

Technology is used to support practice management and further reduce overheads. “Our lawyers can work from a laptop anywhere and access all of our research services, diaries, precedents and video-teleconferencing software – it’s this notion of mobile lawyering.”

It means clients pay less, but don’t get less. “In order to still capture the idea of delivering value to clients, we exclusively recruit lawyers who have worked for the top eight firms,” Hyland says.

Optim opened its door in January last year and now employs almost 20 staff.

Lawyers who join Optim are usually required to work at least 20 hours a week but where, when and how that work gets done is their prerogative. With the exception of a minimum retainer, Optim lawyers are not paid a salary – they take home a portion of the fees they earn from day one. In this growth phase, Optim is interested in lawyers with at least five years’ experience.

“We’re targeting lawyers who have a pre-existing practice or a strong ability to build a practice,” James says. “Our pitch to partner-ready lawyers or junior partners is that they’re able to derive a higher income for the work they’re doing for those clients here.”

While those people may make more money at Optim, James says this is not the firm’s aim.

“We didn’t set out to start a more profitable law firm, but in a funny way that’s what we’ll potentially create. Google didn’t start out to make money – it started out to create a better search engine, and in that process it turned out to be incredibly profitable.” **BRW.**