

## **This month**

- **Updated view on business strategy**
- **Key actions for firm owner managers**
- **Succession and market consolidators – guru view**

The pandemic and its effect over the last 18 months has had a massive effect on just about everybody – some things positive but many negative.

Many have had to operate with remote working with the ramifications of missing supervision, failures in IT performance and security and emotional pressures. Going forward many individuals are making work: life balance decisions, location, commute, business management style and personal ambitions.

There are major considerations by many staff over equality and diversity arrangements/policies and the ability to express opinions and be listened to.

In many cases there has been both positive and negative impact on clients over care, communication, skills understanding – for some a damage to the business profile

There are serious consequences over security and data breaches plus failure to ensure legislation such as AML and ID checking operates effectively. All this adds to the impact on Professional Indemnity Insurance availability and costs irrespective of client complaints and Lexcel breaches. GDPR.

If you are in the October round for Pii renewal I suggest immediate initiatives with brokers and insurers

My articles in April, May, June and July identified many added value solutions for challenges <http://professionalchoiceconsultancy.com/articles> worth another look after the read and priority settings.

## **Strategy Update**

Initially we need to sort a clear understanding and agreement of business owners and key managers in terms of the planned future of the business – short medium and long term.

- Owners and key managers to have a clear direction for the business
  - Continue as is
  - Increase or decrease work-types or geographical locations
  - Sell the business or merge with more dominant partner
  - Acquire to grow
  - Change the management style and capability to meet business performance challenges and above all the whole changed circumstance and attitude of the full team
  - Agree the appropriate roles for the owners and key managers and for the appropriate time expectation – generates a team approach and capability for succession planning.
- Clear stock-take of current performance and clear forecast monthly for the next 3 to 6 months.
  - Structure by department, work-type and geography

- Billing and gross profit by work-type – last six months trend
- Validity of work in progress. Regular review by fee earner by open file of WIP and forecast billing value and expected date – this to be trended by month and form the core of forecast billing going forward associated with.....
- Billing forecast and gross profit forecast ideally monthly for six months based on trend expectations, market conditions and BD initiatives
- Cash flow and working capital clarity with the impact on the forecast of expected billings and costs/outflows including resources (planned staffing), known overheads, VAT payments, tax, Professional Indemnity insurance (that thing again), bank allowances – clear bank allowances and relationships

### Challenges and Solutions

- Irrespective of the size of a business from sole trader, SME, Top500, magic circle the business challenges are equal. Clear stock-take of the skills available for the practice for the multiple demands for which owners must listen – management, financial management, security, regulation compliance, IT applications, IT infrastructure, business development + **legal skills**. How can this be resourced in a cost effective, ROI manner for all the challenges.
  - Full time recruitment
  - Part time NED
  - Part time consultants
  - Consultancies
  
- There are similar considerations with the outsourcing of many functions for effective performance and provable ROI
  - Legal skills and capacity which can fluctuate along with demand
  - Telephone answering – daily peaks and troughs and out of hours
  - Inbound enquiry handling and conversion – daily peaks and troughs and out of hours
  - Web chat – daily peaks and troughs and out of hours
  - Web site management and content – profile, capability, needs
  - Social media communications – profile, capability, needs
  - Document production – daily demand, quality, responsiveness, 24 x 7
  - Cashiering – resource availability
  
- Staff management and motivation
  - Recognition of the new working environment and work: life balance changes. Remote working still needs supervision
  - Clarity of objectives and expectations – MI and BI in next section
  - Review of communication and methodology – appraisals, monthly reviews, weekly reviews, supervisory communication and management availability – needs to be two-way
  - Clarity of diversity and equality status within the firm with a clear statement and understanding
  - Get a third-party audit and report of staff opinions with regards to equality, diversity, bullying and improvement opportunities
  
- Enhanced staff management for delivery of expectations - MI/BI and staff communication. The needs further enhanced by more remote supervision

- Generation differences – different levels of expectation and responsiveness
  - Clarity of objectives and tasks – overall, medium and short term – every deserves to understand expectations
  - Relevant data at the right time – differential of KPIs and reports
  - Supervision communication – both ways daily and on demand
- Productivity and Efficiency – cuts costs, speeds up process, enhances working capital and satisfies clients
    - Use of applications – PMS, CMS and add-ons. The latest releases to be understood and utilized. Sufficient training and a clear message that the workflows and SLAs are to be used.
      - SLA needs to be clear, length of meetings, phone calls, targeted responses.
    - Document production – the most effective methodology needing to be in place (outsourcing as appropriate) document production back logs are very expensive and impact on billing and cash flow
    - Form production – forms system should be fully integrated with core apps
    - Electronic document management and storage – the days of paper storage are very limited – it costs money and delays performance for document recovery – new should be electronic immediately and a programme in place to convert the storage
    - On boarding applications – manual and electronic methods to be integrated with CMS
    - Electronic signatures and document sharing – speeds up the whole process and aids remote working and remote clients
- IT and Telecomms Infrastructure and performance including security. This is critical with new working methodology – systems need to be available to all at all times but also secure and safe from Cyber attacks
    - Contracts with third party suppliers and SLA expectations are falling short in many cases (applies also to internal installations) – Needs senior management checking with the aid of an experienced NED or consultant
    - Consideration currently of private cloud solutions for existing applications with a future consideration of more public cloud as it develops – not just Microsoft but also Google
      - Secure
      - Availability with back up
      - Flexible (contract depending) costs per user per month
      - No surprise costs
    - Secure direction of calls, management information of responsiveness and performance, security of mobile devices data
- Client communication – many forms are falling short in liaison with existing clients as well as potential new ones. General awareness to show and demonstrate skills and caring by the firm to personal and business challenges
    - Web site – key review to be undertaken – important image for clients and prospects and begins the on boarding process

- Direct communication – clear product marketing plans needed before the marketing plan top target the low hanging fruit for specific benefits
- The client needs to have awareness of file management expectations – too many are searching on line for knowledge of expectations
- The client needs regular feedback and notifications of actions undertaken and next expectations.

### **Succession and Market Consolidators**

During July I took advantage of dialogue with Viv Williams [viv@vivwilliamsconsulting.co.uk](mailto:viv@vivwilliamsconsulting.co.uk) who has been a lead consultant/adviser to the sector for many years.

Here is his take on a couple of things:

#### **Succession crisis**

There is no doubt that we are facing a succession crisis within the legal profession with many firms have not given adequate time to plan their exit hence the drive towards mergers and acquisitions. There are numerous examples in firms that have thought by incorporating the associates that younger salaried partners would jump at the chance to become an owner in their profitable firm. Many of these have resulted in the offer of ownership being declined and the current owners usually in their sixties are still left with a dilemma. *“I recently visited a firm where the above had actually happened. Two equity Partners in their late fifties had incorporated from an LLP to a limited company in 2019 but the younger potential owners did not want the responsibility of ownership and the risk that it entails. This now leaves them with a serious issue on deciding the future – obviously they cannot keep going for ever so rather than being in a position of planning their exit through succession they are now considering selling the practice”. “A healthy profitable business in a high net worth area should be attractive to a prospective acquirer but what they thought was a plan has now turned into something else. This type of scenario is happening all over the country with profitable business finding it difficult to plan their exit successfully”.*

#### **Consolidations**

Legal services are being purchased differently from the traditional local models through apps, sector specific marketing strategies and social media are all becoming part of everyday life *“ignore them at your peril”*.

*“We are just starting to see new consolidators entering the legal space realising that there is a huge opportunity to grow by acquiring specific targeted firms. I have no doubt that this trend will continue”.*

More excitingly is the progressive law firm leader that is identifying a true merger target whereas many of the consolidators have been sweeping up smaller distressed firms. These new leaders will take the legal profession on a new journey that will bring firms of similar size merging in the true sense of the word. The traditional partnership model is all but in the past for the vast majority of practices and a true merger in an ABS structure that will attract the huge numbers of private equity investors into the profession. Private Equity sees the legal profession as a profitable but sleepy “old fashioned” opportunity both in the professional practice model and in the process modelling of conveyancing, probate and personal injury factories.

*“The numbers of proposed floatation’s on the horizon is staggering”.*

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