

Law Firm Owners and Managers need to take control

Many of us thought that the recession of 2008 and the Legal Services Act made big changes but the Covid pandemic has already made massive changes and there are many more to come – owners and managers need to be proactive in so many areas to achieve what they want as a strategy and a plan rather than being hit from behind.

All of the items listed below should be subject to a team putting a plan in place and communicating it across the firm

All law firms must have a business strategy in place but not one that sits in a filing cabinet but being reviewed constantly to learn lessons – if negative – make recovery and if positive exploit. Even overcoming traditional annual budgets.

Firstly though it would be a very good idea for the owners and managers to sit together to be open about their personal ambitions with time frames and their likes and dislikes about working methodologies and roles – whether to be experts in their field, leading fee earners or client empathy or whether to be managers – a much more giving role to get the most out of all team members in the firm and then an agreement about growth – if so where (geography) and with what (work-types) – or rationalisation (downsizing for specialisation and profits) or even merging, acquiring or being acquired. Without plans many firms have been surprised at the lack of desire from staff to do a management buyout. With appropriate plans being put in place so the firm can manage the way forward rather than falling to an aggressor. It is expected that there will be significant merger and acquisition activity and a significant reduction in the number of firms – Why not be in control and attractive?

The image of our firm is also key and appropriate business development plans need to be in place to ensure the right profile and attract new business and repeat business. How we then handle on boarding is critical there is a massive difference in achieving a 65% conversion ratio than 20% - in revenue, profit, cash flow

One excellent output from this approach is a programme for succession planning and/or key roles that need to be filled and a timetable. It is also useful to review the accountabilities within the job descriptions of legal HODs as a minimum – there acceptability of their accountabilities drives major improvements in supervision, efficiency (including the use of the paid for PMS/CMS system) and staff management and development. We must not forget diversity and inclusion within our programmes. The above done poorly will result in a high turnover of staff – often the best ones

Additional applications like on boarding technology, client communications, document and forms integration, electronic signatures can all add to profitability and image.

The accounting reporting and process needs to be changed – it is not difficult – to remove year to date numbers – replaced with monthly trend data across key measures with a monthly forecast by month on the way forward for those key measures with actions in place for either recovery from dips on downward trends or exploitation of opportunities analysed and recognised.

Make sure that the right management information and business intelligence is in place and well communicated to drive performance. Recognise the age profiles of the staff and their needs. Done the right way performance management is motivational.

Key measures are revenue (including when WIP is being converted and for what) and gross profit by work-type, overhead tracking and perhaps a real key as a result a forecast of working capital and

cash flow status to enable the right sort of discussions with banks or available funding from other sources.

A major shift in a very unpredictable market plus provision of efficiency and cost saving is an outsourcing consideration – document production – no backlog and cost savings, accountancy/book-keeping, part time FDs and NEDs and consulting for BD, IT, HR.

Consideration should be given to getting IT and communications infrastructure outsourced – of course to the right suppliers and practical contracts but it removes a load from in house teams, it is secure and backed up and availability is guaranteed whether staff are at home or in the office and even on the move.

IT is a bit of a challenge at the moment with the consolidation of suppliers and awaited clarity on future development of PMS and CMS systems so for now effective use of what you have is a priority but there are also many other solutions that can be integrated and each demonstrating a return on investment and added value. I recommend dialogue with other users of the PMS/CMS systems many known from user group sessions over the years.

Irrespective of the size or shape of the law firm there are so many challenges that require the same level of expertise and increasingly qualified suppliers are offering part time FDs, consulting for compliance regulations, IT security. There is no guarantee that all IT directors have the necessary Cyber skills, COLPs and COFAs all the necessary skills in Compliance and who at the moment can afford massive fines for failure to handle AML checks correctly, action by the SRA and of course inability to acquire the necessary Pii insurance and indeed massive potential hikes in cost. Even our Pii renewal needs a proactive plan.

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