

## This month:

- **Performance and Profits can be enhanced even further. Small steps with demonstrable ROI**
- **Date for next March diary**

### Enhanced Performance and profits need:

#### Tools & Techniques – Processes - Culture

In February I wrote about the evidence from the PWC2017 Survey <https://www.pwc.co.uk/industries/business-services/law-firms/survey> and the LPM survey which have confirmed that law firms of **all sizes – including the Top 100** (apart from a privileged few) are having to face up to being businesses and are suffering from insufficient gross profit and threats to working capital allowances and at the same time generating client dissatisfaction and presenting hurdles to winning new business.

If things changed for example to allow one more chargeable unit per fee earner per day a 50 lawyer firm with a billing rate of only £300 per hour would stimulate an additional £345k billing per year, 2 units would equate to £690k and 3 units to £1,035k (yes more than £1million in 230 working days). All potentially to the bottom line – Just scale it up for your business

A £4million turnover firm that increase its gross profit from 50% to 60% adds £400k to the bottom line.

Converting new business enquiries from 25% to 75% of 500 enquiries per month at just £500 per file is worth £2,250k per annum. The same sums apply in the other direction if clients are being lost because of poor performance and poor communication.

All firms are now faced with these challenges

- Reduce costs and save time and increase profit
- Avoid delays through all stages of a file
- Bill punctually and manage working capital
- Ensure consistent and high quality
- Work flexibly and with agility
- Working outside of standard hours
- Be compliant, secure and that GDPR thing
- Never miss a new enquiry
- At the same time as enhancing client service and satisfaction

To do so, firms for just about every legal and support function, need to reconsider their traditional in house overheads and processes. Those challenges include

- Loyalty to own staff, familiarity, miscellaneous extra tasks
- Staff vacancies and holiday cover are hard to manage
- Temporary staff are costly and of not necessarily great quality and needing induction
- Inertia and the fear of change being predominant

Too often firms believe that because they use a document management system or even a case management system that their methodology is ok and that's fine. Not so – division of labour, volume of file handling and identification are often ignored.

I am afraid it goes so much further than that and every firm needs to look at

- Tools and Techniques
- Processes from introduced clients, to file closure and document storage and recovery
- Education and training
- Distribution of labour
- Culture and management drive and staff collaboration

And all in a totally different way to the current methodology within firms.

I have also worked in a manufacturing environment where the more enlightened organisations where Lean and 6Sigma methodology is more regularly used as it is in retail, warehousing and distribution.

More recently the private and public healthcare sectors have had to step up to the mark and this perhaps is the closest “acceptable” parallel to our legal business and this is around the creation, amendment, storage and recovery of documentation. This activity alone has a massive impact on performance and profitability and certainly client care and satisfaction.

In April I had the privilege of meeting with the owners of a new Lean/6Sigma consultancy [www.cubethinking.co.uk](http://www.cubethinking.co.uk) and their success parallels really got me thinking and considering the abundant returns that are available to law firms.

Even if you don't outsource to some of the suggestions over the last three months – Moneypenny (telephone answering), Document Direct (Document Direct), Nasstar (IT) and Matrix247 (telephony and MI) and despite having case management or document management systems in place the potential ROI is undeniable.

It can start with a simple global or detailed departmental/process audit that alone would present the potential benefits. Also the not wanting or needing to change attitude needs to be blown away as the Surveys have suggested.

The consultants highlighted some significant changes achieved for businesses

Some results from businesses of all sizes:

Company A – “Increased Sales by 25% and profit to 15% net from a loss at 4% net by mapping internal processes and eliminating wasted activities and broken processes”.

Company B – “Increased turnover from £12m in 2010 to £112m in 2017 through the implementation of World class standards and processes.

Company C – “Increased sales from £20M T/O and £0.5M loss to £50M T/O and £3M profit over 5 years, staff turnover reduction of 50%, reduction in staff absenteeism from 26% to 1.1%. This was achieved by setting up world class operations and addressing the culture”.

Company D – “Concentrating on strategic planning and developing a 3-year strategy, increased sales from £700k to £1.5M whilst increasing net profit from <1% to 8% in 2 years”

The benefits from such an audit and process mapping exercise and culture change can be seen in

- A – Multiple increases in revenue
- B – Loss making to profitability
- C – Working capital improvements
- D – Reduced non-value-added activity and improves efficiencies
- E – Increased sales by freeing up skilled resources
- F – Reduced non-conformances and mistakes
- G – Improved internal communication
- H – Decision making based on sound data reporting - targeting value added activity & productivity
- I – Cultural shifts to innovation & strategy aligned to clear vision

The guys confirmed that *“Most organisations including law firms concentrate on individual department improvements without considering other departments, organisational processes or how healthy the culture is. By understanding this, organisations can make educated decisions on what improvements need to be made, knowing that they will have maximum impact on profitability, improve customer satisfaction. This ‘end to end’ process understanding removes silos, duplication and waste”*

Much of what is needed does require a culture change and I have written previously about clear accountabilities and delegation for all and again

*“There are many specific companies where after detailed process mapping, they implemented improvements that improved individual staff efficiencies to strong results, by utilising administration functions effectively and enabling skilled staff to maximise their impact”*

*“Working in roles and responsibilities, staff knew specifically what was expected from them and an improved culture was seen, where employees followed agreed processes and started to suggest potential improvements themselves. This increased staff engagement has complemented the ROI, with increased productivity and reduced attrition. For all sectors this equates to higher returns for billable time, with reduced overheads – benefiting the balance sheet in a pleasing way”*

### **Date for Next Year’s Diary**

[www.legalex.co.uk](http://www.legalex.co.uk) I attended again in March this year and thoroughly enjoyed the event and you can see that next year’s is already taking shape. I understand it is the responsibility of the organisers to do the publicity but I think it is an event ideally suited to Managing Partners, Business Development people, Compliance Officers and CEO’s because under one roof – to open the mind are

- Expert lectures, debates and exhibitors on
  - Marketing the law firm
  - Today’s commercials for law firms
  - Inevitable modernity (e.g. Outsourcing)
  - Compliance
  - Security
- Dynamic Exhibitors that deliver these essential services

It is a changing world and we have to face competition, client relationships – keeping old and getting new, profitability, working capital management, compliance and threats

***Bill Kirby is a director of Professional Choice Consultancy offering advice to firms on business issues from strategy, planning, business development, the effective use of IT applications and IT hosting for compliance, business continuity and DR. He can be contacted at [billkirby@professionalchoiceconsultancy.com](mailto:billkirby@professionalchoiceconsultancy.com)***