

This Month

- **Revolutionary Outsourcing maybe.....**
 - **All firms of every size should be considering**
 - **It may not be far away...much closer than you think**

Current Natural Stuff

It may have taken 12 years plus but increasingly law firms of all sizes are recognising that they are a business with client service, compliance, competition (price and service levels), profitability and cash flow as major focuses of attention.

Let us assume that the quality of legal services are taken as read there are so many changes that many firms – with inertia diminishing - have undertaken to enhance productivity, efficiency, mobility, agility, accountability. All of these things contributing to the main issues in paragraph one.

- A large and increasing number of firms, including larger ones have got their IT, irrespective of chosen practice or case management systems, hosted.
 - Additional security and support
 - More availability
 - Anytime and anywhere working
 - Predictable costing and SLAs
 - MLS Advantage Supplier <https://www.nasstar.com>
- Many firms have gone to third party telephone answering, reception and web chat services
 - 24 x 7 answering
 - Peak and holiday cover
 - Enhanced client and prospective client satisfaction
 - Enhanced inbound enquiry conversions
 - Dynamic and interactive web sites handling customer and prospect enquiries
 - MLS Advantage Supplier <https://www.moneypenny.com/uk>
- Many firms have gone to third party document production and dictation transcription services
 - 24 x 7 service
 - Peak and holiday cover
 - Productivity in delivery times
 - Skilled resource available – save secretarial and lawyer time
 - MLS Advantage Supplier <https://www.documentdirect.co.uk>

All of the above services meet the business objective needs – additional services and cost reduction – allowing the right sort of focus on the delivery expectations of clients.

I recommend that all firms openly review the potential that these services have to offer.

Revolutionary Outsourced Consideration – Maybe!!!

I know want to be what I thought was a bit revolutionary but having studied the topic in more depth we are potentially closer that we think.

As I often write - it is important that law firms review their three year strategy every year, have clear budgets and accountabilities, have the right management information available – KPIs and Reports – at the right time, change forecasts and actions on a monthly basis and get the best advice from our

in house finance teams and third party accountants – usually restricted to audits and SRA account audits – but often lacking proactive added value – there are of course exceptions. Proactive management of strategy, operations, profitability and of course working capital is essential and the management board and partners of a firm should be getting the very best support.

There is also my hobby horse about the true accountabilities of legal department heads and their contributions.

If I was making mistakes on my working capital management, like over valuing WIP and risking cash flow I would expect my accountant internal or external to tell me and assist with a solution.

Accountants in many law firms have similar issues to other staff and support functions and this needs to be recognised as with reception, enquiry handling, document production, IT etc.

Resourcing challenges, experience, availability and above all recognition of the importance of the function to the wellbeing of the firm. Some finance teams and key players are outstanding seeing the firm through very sticky working capital moments by producing evidence and potential solutions. Others and even their external accountants have seen no real change, fulfilling tasks in the traditional way when other experience (other firms and maybe corporates) could be so valuable.

Many firms should now be considering outsourcing their accounting function from processing bills and expenses right the way through to management information and skilled advice.

Technology now makes this a very real option and with the right skilled third party suppliers, management of the firm may listen more.

- Research has identified that this is not a new idea with suppliers well established – currently tending to be for smaller firms or even more advanced virtual firms. It will not stop there.

Some Current Suppliers

There are well established suppliers to the sector already, each of whom I have met and they range from supporting their own practice management systems to supporting many of the other lead suppliers. The current level of additional service also varies but all are considering being more proactive in management advice to their clients

- <https://thelawfactory.net>
- <https://www.thecashroom.co.uk>
- <https://www.quill.co.uk>
- <https://www.virtualpractices.co.uk>

This support can be tiered to suit demands

- Fundamental book – keeping and cashiering
- Management information by way of KPIs and reports
- Advice on business issues

Most PMS and CMS systems do have the capability of providing good management information when put to the test plus there are other specialist aids for MI production for law firms from people like <http://www.katchr.com>

I have had interesting conversations with Graham Moore the CEO of Katchr around the varying levels of management information and we agree that we all need to be more proactive and creative with what is produced and received

- There has to be a point for the MI produced – not this is the expected standard
- It needs to be a contributor to essential business and management decisions and actions whether it be growth, profitability, client retention and development and cash-flow.
- KPIs and reports can be geared around SLAs in business processes
- KPIs and reports can be geared to client development and cross selling

The Katchr solution is integrated with most PMS and CMS systems and can extract data from multiple databases for single relevant reports e.g separate PMS and CMS and marketing.

Your Third Party Accountants

I have also started asking a number of accountancy firms on whether they offer outsourced accounting to law firm clients and the answer is yes – more research from me going on as I am keen for accountants to think in terms of more added value offerings to their law firm clients.

Your accountants are going through changes as well – again to a point technology has moved on and they need to apply it well to support their clients. There are so many more opportunities for accountants to offer value added strategic advice. Accountancy firms who take advantage of technology and the intelligence it brings will be better placed to support their clients in the right way. Do we assume we have the right guys when we re appoint?

One small draw-back highlighted is that the same firm wouldn't be able to do the outsourced accounting for a client as well as SRA accounts audits – checking on themselves. This can certainly can be overcome quite easily through collaboration within for example members of <https://www.uk200group.co.uk> who I am also in a dialogue with. Andrew Hague, Partner at <https://www.howardworth.co.uk> accountants, comments *“working with a UK200 accountancy firm brings many benefits to law firms with for example the “Profit Watch” business modelling tool but also benchmarking and the ability of member firms up and down the country to complement each others service offering”*

The right management of our businesses is critical and I have the opportunity of seeing many at different stages of development. Say you are a business turning over £3million, paying £160k in wages to the accounts staff but are not getting an accurate cash flow forecast – then you have a problem.

This article covers many of the generic points

<http://www.professionalchoiceconsultancy.com/articles/November2018.pdf>

Many other relevant pieces can be seen here

<http://www.professionalchoiceconsultancy.com/articles.php>

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