

This Month

- **Strategy, Objectives, Performance**
- **Managers accountabilities and essential data for action**
 - **Business methodology**
 - **Efficiency and performance**
 - **Business development essentials**
 - **Working capital and Compliance**

The world is certainly changing and last month I wrote an article about law firm's owners and managers taking control – on the website

www.professionalchoiceconsultancy.com/articles/CNWLS_2022.pdf

One thing that they do need is the need for more appropriate information, with the right format and timing to make decisions and communicate actions then monitor and measure.

Consolidated monthly reports should be produced and presented by legal HODs on a monthly basis certainly reviewing history and recovery and potential exploitation actions

There are multiple data sources available within a firm. The on-board PMS/CMS system is frequently not exploited enough and needs to be looked at in the right context – some people are surprised at the data that could be available. There may be a CRM system in place, other third party products – forms, document management, matter management and so on. There are potentially self-developed spreadsheets (which can be outsourced if the skills are not in house). There are third party Business Intelligence apps like www.katchr.com (recently published a profile on 25 KPIs <https://katchr.com/top-25-kpis-download>) that sits over multiple applications within a firm to produce consolidated key information in a timely and efficient manner. Plus there is an increasing use of AI (artificial intelligence) such as www.enabl-ai.com and www.optsm.co.uk to create the needed reports, KPIs, BI to enable actions on a necessary basis and the right communication – even some workflow and system integration enhancements.

Business methodology – as repeatedly emphasised this needs to start with at least a three-year strategy renewed annually at the time of the creation of the annual budget. This needs to be based upon trend history with revenue and GP by work-type and similar for overheads and investments and then the strategic and operational decisions for the coming three years. The budget will be spread by month showing clear visibility of planned actions and resourcing for the 12 months (annual figures for years 2 and 3 is acceptable).

In the new world, In terms of operational activity this budget will exist as the master for just one month as every month there needs to be a review of the monthly and trended performance and then recovery and/or exploitation actions going forward.

This is essential monthly proactivity to secure revenue, gross and net profit and increasingly importantly working capital/cash flow management

Team and Individual Performance. This is the real basic and essential for all.

Fee earners need to be effective and stimulating the necessary revenue, GP and cash flow performance and here both individual performance and team performance need constant supervision

The role of Legal Heads of Department and supervisors need to be clear and ownership of their job descriptions and accountabilities essential along with expectations of performance by fee earners.

Clear targets in terms of revenue generation – monthly and annually and this requires daily information (KPIs) in terms of billable hours being generated so that remedy can be actioned plus maybe weekly updates in terms of billing achieved in a month – too often is it left too late.

Monthly reviews by individual and the team of revenue and GP generated are essential for recovery actions.

Monthly reviews of all open files WIP by fee earner completing what will be billed and when, which enables forecasting and if need be, recovery actions for revenue, GP and cash flow. This also highlights early potential WIP write offs which is an efficiency measure and also something not to pay tax on.

Generation of average costs per matter and work-type by fee earner is also an efficiency measure and also can highlight still a big issue around **Division of Labour** where systems are not effectively being used with £200 per hour fee earners completing tasks that should be in the hands of more junior members of the team – most case management systems allow for this and things need to change. Often a cultural challenge for the more experienced.

Most CMS systems also provide next action due stages on a file – used by an increasing number of firms to keep their clients advised – this can however be an internal supervisory trigger to ensure the workflows are being followed or to highlight operational issues. Remote working and the use of locums has for some left a gap in file supervision. There is another hint here that existing CMS systems should be fully exploited by the firm and individuals.

There are an increasing number of matters opened based on fixed fees. This ranges from Conveyancing, Wills and even Litigation. The idea is to profit from all files - so apart from the Division of Labour challenges we should have made sure that our quotes have been structured properly so that what is included is very clear. Most CMS systems can stimulate triggers so that when 60% or 80% of billable time has been logged in WIP a review by supervision can be undertaken to enable appropriate action – being more efficient or advising the client of the changes needed.

Business Development Actions Now a major contributor to the success of a firm are - Ideally a **Product Marketing Plan** is a fundamental before expenditure on marketing activities – easy to do but establishes the services available, the benefits offered to potential clients, a targeted client base with appropriate segmentation and the potential routes to market enabling prioritisation for low hanging fruit and strategic ambitions.

Having completed a product marketing plan for each work-type and if multi-branch amended by location an activity plan can be actioned, monitored and updated for enhancement.

The key then is to have management information to measure success or failure and take appropriate action and look at success for targeted work-types and geography

Certainly for each work-type there should be monthly trend reports on

- The volume of enquiries generated
- The source of enquiries
- Cross referrals and conversions from other teams and individuals
- Referrals by clients
- Conversion of enquiries by team and source
- Non conversion reasons
- Cost of enquiry and conversions

- Billing and Gross Profit by lead source (chargeable referrals and PPC costs should be shown as a direct cost impacting GP)

This enables constant review and improvements on methodology and team/location performance. Some of the systems supplied for telecoms can even give information on time taken to respond to a phone call for an enquiry.

Without appropriate action enquiry conversions are about 20% but for most work-types this can be as high as 65% when actioned properly. Just think of the revenue difference this can make. Say 500 enquiries per month at 20% equals 100 files at say £500 so £50,000 revenue with 60% GP equals £30,000 per month contribution – 60% equals 300 files at say £500 so £150,000 with 60% GP equals £90,000 per month contribution. In 12 months £360,000 v £1,080,000 contribution. Makes it all worthwhile.

Working Capital management is no longer a role for the accounts team. Net cash for the firm is critical and therefore lock up needs to be reviewed by work-type and fee earner – regular reports on WIP, unpaid bills, VAT on unpaid bills, outstanding disbursements and written off disbursements is necessary to enhance working methodology

Complaints, Risk and Compliance issues need to be reported and reviewed by fee earner and work – type. Causal analysis is essential to avoid further issues plus this needs to be measured by team to enable remedial work

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