

This month:

- **Inertia has to end - inevitable**
- **Managers have to face up to proactivity and making things happen**
- **Some quick fixes**

The Challenge – and the malaise

It has been a significant challenge for the last 10 years and we are about to enter an uncertain period which is going to add to issues such as Profitability, Working Capital, Client Demands, Competition, Security.

Despite all of this – and it just doesn't apply to law firms – in many businesses, through the whole management structure there is a lack of proactivity and a drive to make things happen. Many managers still tell you what has happened, what you already know, rather than what actions are being taken to achieve or exceed objectives and targets going forward – recovering shortfalls and exploiting new opportunities.

I am afraid lack of proactivity and **“inertia”** has to come to an end and right now.

The definition of inertia is “a tendency to do nothing or to remain unchanged” and going further inactivity, inaction, inactiveness, inertness, passivity, apathy, accidie, malaise, stagnation, dullness, enervation, sluggishness, lethargy, languor, languidness, listlessness, torpor, torpidity, idleness, indolence, laziness, sloth, slothfulness.

We don't want that sort of recognition for ourselves, any of our staff and more importantly the management team.

Whether we like it or not our law firm is a business that requires

- Strategy – Growth, Services definitions
- Performance – Profit and Cash
- Culture change –Management/Delegation. Accountabilities
- Client demands – Performance, communication

Major challenges facing all are:

Working Capital, planning, budgeting, forecasting, achievement, Billing, Gross Profit, Net Profit, Business Development – new and clients (retention & development), Client satisfaction, Competitors, Compliance & regulation, Cyber Security, IT exploitation – Plus of course legal capability. This requires proactivity from the whole team. The important thing is an attitude of making things happen, recovery and exploitation.

We know all this from the experience of as many as 350 firms going bust annually, our own experiences, plus the surveys I have previously referred to – PWC for the Top 100 firms, LPM for those with £1million - £20million turnover.

For the first time many of the larger firms have admitted more competition, price pressures, cost pressure, working capital shortfalls, resourcing pressures – peaks, troughs, skills, margin pressures and risk from cyber and compliance. The needs are becoming obvious but too many people in positions of power don't necessarily want to commit to changing working methods as their personal return is not obvious. It could be too late when it does become obvious.

The LPM firms have suffered for longer and many have been making changes but not everyone. Still many see IT expenditure as a cost an inconvenience. Many do not know what to do but proactive management would be a good start.

Modern Example

On the other hand there are others that are leading the way with change and I can cite as one example Keystone Law who have adopted:

- Outsourced/Hosted IT
 - Providing availability, Security, Predictable Costs, IT Focus on added value
- Outsourced Document Production
 - To eliminate peaks and troughs, removal of backlog, availability of skills, major cost savings
- Outsourced Telephone Answering
 - Availability for communication, 24x7x365, Easter and Christmas, resource and cost saving, better reception

No wonder MLS Advantage suppliers are doing so well <https://www.nasstar.com>, <http://www.documentdirect.co.uk> <https://www.moneypenny.com/uk> <https://www.matrix247.com>

Money Penny with c1,000 law firms using its services, Document Direct suggesting savings of c£30k pa per document producer (imagine London) as well as the speeds, Nasstar with potentially 50-60% of firms going hosted in the next few years and Matrix for hosted telecoms and secure mobiles.

We cannot afford inertia around reviewing and adopting these sorts of approaches

Now back to the management inertia

We do need to review the role of partners in the business – essential ahead of and strategy consideration – likes and dislikes, good at some things and not others (fee earning v BD), desires for the challenges of management as opposed to being leading fee earners, acceptance of accountability, number of people and the business skills and succession requirements as the business moves forward. Structures need to change as businesses grow and no one can plan to stand still. A big culture change for many.

Again we have previously looked at the details and I can make them available but the Legal HOD is a critical role that as well as the accountabilities culturally needs to be filled with people with a desire

to achieve and exceed performance needs. Have to organise BD requirements, manage and develop people and succession, productivity, efficiency, client service, compliance, security and cash

There is a strong need to ensure that the 3 year strategy is mutually developed with the overall desire to grow and develop with the firm but also bought in to by every department. That department head needs to know and want for his own part of the business.

Year 1 of the 3 year strategy becomes the budget for year 1 in the context of the three years going forward. This covers – Revenue, GP, Headcount, Business Development, Process and efficiency changes, working capital and overheads with Headcount, BD and IT spend certainly discretionary. Because it is “in the budget” is irrelevant in the real world

The replacement of Inertia with Dynamism

Looking at what has happened against budget is almost irrelevant – it is unrealistic and a bit lazy. Year to date numbers tell you very little – we have to see trends

The business as a whole and enfranchised department heads need to more dynamically adjust to or correct changing circumstances

We need to be perpetually forecasting reviewing Month 1 + 11, Month 2 + 10, Month 3 +9 and so on.

This enables us to be always looking at risks and opportunities

- Recognising the risks early and taking remedial action where we can
- Recognising the opportunities possible and ensuring they materialise.

Making actions happen and work the consequences of the action going forward and perpetually reviewing success or otherwise and making changes. Stopping bad things happening and finding new good things with a desire to achieve going forward

Staff Development

Our legal HOD has his clear accountabilities and he/she should be encouraged to front up and say where their skills are lacking and the firm needs to find the way of enhancing the individuals. Just because there is a great fee earner it doesn't automatically mean he is a manager. Once that is clear it is essential that delegated responsibility, accountability and targets are clear to every individual within the team. Regular reporting and review is essential along with the provision of KPIs and managers and individuals reacting to them. I thought billing in the last week of the month went away 10 years ago but no. I suppose it is better than billing 80% in the last 2 months of the fiscal year which I certainly remember witnessing. Staff should be aware enough to be able to complete their own appraisals of performance.

Those Key Criteria for Management

- Cash Management – Realisable WIP - let us stop kidding ourselves. Lock up a responsibility of each team, doing a risk assessment of clients and sorting payment

methodology at inception (including agreed interim billing and making it happen).
Control of discretionary costs.

- Time recording – needs serious management and review. Not just the 5 hours a day but also the ability to compare individual performance and pricing
- WIP – Write offs are too big and they tell you something about individual fee earners, departments and the firm (50% in some cases). Comparisons also good – individuals, work-types, pricing, process and efficiency.
- Cost Reduction – that critical GP measure (65%?) – that can also be assisted by getting the pricing right for the work done. If as some of the bigger firms now being under price pressures this will have a big impact if efficiencies not put in place
- Client Relationships – the client is now king and demands efficiency, performance, speed, a good relationship and increasingly information on the next steps and when. Relating to the point above there are only 10-13% making a decision based on pricing. Staff need a great deal of coaching on inbound enquiry conversion and on-going relationships
- Efficiency of Business Development – whether it is more to existing clients or the capture of new ones – clarity of benefits offered, the target market and the right route to it is essential before web site design and brochures.
- IT infrastructure – for performance, compliance, security and predictability of costs – the outsourced model is the way forward – with a qualified supplier of course

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