

**Reduce Risk
Demonstrate Viability
Enhance Profits
Enhance Client Experience**

No firm can afford to miss this – Be there

In December 2016 I wrote that the failure of senior management to deal with Cyber attack threat is irresponsible and likely to destroy the credibility and viability of a law firm with its clients and generally in the market place

Until a few months ago I like many probably thought that cyber threats were an IT issue and IT managers were charged with making sure it doesn't happen. Sadly it is not the case and I am afraid the buck stops at the top.

This was as a result of my attendance at a Cyber Crime Conference with a difference in Liverpool on 1st November organised by <http://www.jacksoncanter.co.uk/>

Three main things emerged

- I didn't think it will be long before commercial clients of firms are checking that the commercial teams include a Cyber Crime expert to be proactive in advice on policy, post event communication and mitigation of the consequences
- Already in the commercial world more and more companies will only deal with suppliers who have Cyber Essential Plus as a minimum standard
- Every firm these days must have a Cyber Policy recognising that security is a partnership between technology and people. To include training, awareness, staff empathy and perpetual re-assessment

Manchester Law Society in association with Advantage supplier

<https://www.xyonecybersecurity.co.uk> is now hosting its own event on 7th February
<http://www.manchesterlawsociety.org.uk/event/2017/2/7/cyber-security-risk-in-the-information-age> **Be there**

**Critical Measure Improvement along with more net profit,
working capital improvement, compliance and client
satisfaction**

Last July and on a number of other occasions I have tried to draw attention to one of the most critical performance measures in a firm - **Gross Profit** – the difference between what a direct team of partners, lawyers, other fee earners and secretaries bill and the direct costs. It

is a key and critical number for any business and requires attention every working day – including of course the validity of WIP. See the Sums reminder below.

We talk about productivity, efficiency, using our systems better, electronic storage, filing and access – Advantage member <http://www.docutechsolutions.co.uk> and/or case management and document management systems, mobility, agility.

I have been stunned looking at **cost saving figures** presented to me by Martyn Best martyn.best@documentdirect.co.uk the managing director of Advantage member <http://www.documentdirect.co.uk> showing potential amazing cost savings that could be made by local, regional and London based firms and generated by the Outsourcing of desk based or mobile digital dictation transcription. Instant improvement on gross profit and straight to the bottom line.

When you take into account secretarial costs, space, etc he has **demonstrated savings per employed typist of £35k per annum for London, £19k for regional and £11k for local**. This doesn't take account of the better utilisation of space, including more fee earners. The company has also developed a ready reckoner for Manchester Law Society firms to do their own calculations. The outsourced solution applies to sole practitioners, medium firms, large firms and the magic circle. Martyn has assured me too that it is not a lower quality and lower priced option as Document Direct typists are all highly experienced UK legal secretaries

Over the last, probably 15 years law firms have embraced digital dictation as a means of better delivering their dictation and opinions amongst their internal secretarial staff, and the advent of digital dictation from the old tape regime has been a large boost to productivity.

Systems such as Winscribe, BigHand, Philips and Olympus have helped transform the area of document production. The Document Direct solution operates with any digital dictation supplier plus integrates with many of the case and document management systems

There have been a number of announcements from higher profile firms recently about total changes in operation with the use of technology and resourcing. The older traditional models of resourcing are disappearing – we have all witnessed the success of Money Penny.

The outsourcing of dictation is another key and growing development, and Document Direct have been amongst the leading service providers here. They have recognised the need to address security and compliance issues and see the importance of re-assuring law firms that their data will not be compromised. Their accreditation and endorsement by both the Manchester Law Society and the Law Society of England & Wales are testimony to this, as is their adherence and certification to ISO27001, the internationally recognised standard for Information Security Management.

New Collaboration Announced which makes the advantages for law firms easier to achieve, quicker to benefit. In January Document Direct and Winscribe announced a formal collaboration agreement where consultants from both businesses will work together in the development of a business case and operational methodology for each client and potential client

They will assist in the definition of business objectives, and then jointly build the component elements of the solution which will best suit each individual department within each

individual client. From this detailed analysis the consultants will then baseline and track key elements which they and the client agree are the metrics required to determine success. They then implement the integrated solution against these key metrics to ensure they are best placed to deliver on the planned results.

Document Direct is able to receive digital dictations generated by any system but the significance of this collaboration with Winscribe enables the offering of a more enhanced service in that significant management information and workflows can be utilised enabling each law firm to truly maximise the benefits of their technologies.

The other great benefit is that the joint service will capture the internal knowledge of a law firms typing needs in a very powerful knowledge base thus ensuring consistency of the typed document, and mitigating the traditional reliance on secretarial individuals.

We do have to consider loyal staff and experienced secretaries. This service can also be used to support rather than purely replace people, in that at times of high workload, internal staff can be better focussed on other priorities knowing that document production is happening in the background. Peaks and troughs can be handled along with holiday, absence and out of hours cover.

A Few Sums – A Necessary Reminder

I referred above to the Document Direct Ready Reckoner. The outsourcing of digital dictation can assist in every example below.

Still too many firms do not measure Gross Profit as an essential measure along with the contributory factors like proper time recording, pricing and efficiencies.

Example 1

Imagine a law firm with this profile

- 50 Fee earners
- Average billing rate per hour of £200

If it can insist or encourage each fee earner to record and bill just 1 more six minute unit a day the revenue and bottom line impact is

- 50 x £20 (unit value) x 230 (working days) = £230,000 Billing, Gross Profit, Net Profit
- 2 more units a day = £460,000
- 3 more units a day = £690,000

Example 2

Imagine a law firm with this profile

- 50 Fee earners
- Average billing rate per hour of £200

Its IT system fails and is not recovered for 3 days because of lack of BC and DR

- 50 x 5(hours per day) x £200 x 3
- = £150,000 Lost billable work
- = Good return on IT infrastructure investment

Example 3

- Scenario 1 (starting point) £k
 - Revenue 4,000

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|----------------|-------------|
| – Direct Cost | (2,000) |
| – Gross Profit | 2,000 (50%) |
| – Overheads | (1,700) |
| – Net Profit | 300 |
- Scenario 2 (+ 10% more revenue with same direct staff – productivity, systems use, price)

– Revenue	4,400
– Direct Cost	(2,000)
– Gross Profit	2,400 (55%)
– Overheads	(1,700)
– Net Profit	700
 - Scenario 3 (Minus 5% revenue from the same direct resources)

– Revenue	3,800
– Direct Costs	(2,000)
– Gross Profit	1,800 (47%)
– Overheads	(1,700)
– Net Profit	100

Some real examples hopefully showing where the right focus generates more gross and net profit along with cash-flow

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