

Management Check List

I produced a checklist in June 2009 and updated it nearly three years ago in January 2012. We appear to be out of the depths of recession, which in turn has produced further challenges and some trepidation about global financial markets and even Ebola to make us a little nervous going forward.

Our market is much more competitive in just about every work-type. We have to be competitive through performance from a cost and efficiency point of view, be on top of our working capital, handle client expectations and experience at the highest level and cope with greater demands of compliance and clients of all shapes and sizes.

Business Management

Management of the law firm is now critical we have to be a business that's products and services happen to be the law.

It is a time for level heads, direction and leadership from the top and much of this must come from considered information rather than emotion and gut feel. There are decisions to be made that not only ensure the management of current priorities but also get the firm ready to respond and be flexible and quick enough of our feet to meet rapid change.

- Management of the firm now needs to be much more proactive and those that want to do it and have the skills need to step forward. We also have to recognise the essential skills of staff managers in finance, HR, marketing and IT
- We have to have a clear strategy, usually produced and amended annually but with a three year horizon. This provides the frame work for annual budgets and the recognition of milestones that ensure sensible review. This will cover size and shape of the firm, growth, work-types, client targets – new, cross selling, retention.
- We have to be prepared to change direction should circumstances dictate.
- Partners need to take the opportunity of the strategic review to consider their own roles in the firm – we are not all managers or business developers so we need to recognise this. Likes and dislikes need to be consider by all along with potential retirements to enable sensible succession and people development programmes
- Detailed annual budgets need to be produced and agreed. Management however then needs to kick in with at least monthly reviews of trend performance and management against revised forecasts. Just because headcount is in a budget this along with discretionary overhead spend should be reviewed before spend is made – even if it is for replacement.
- An authority matrix is an essential document along with a clearly managed purchase ledger.
- Job descriptions with accountabilities (more than responsibility) need to be in place for at least Managing Partners and Heads of Departments – plus the key staff roles. Their contents need to be clear to the practice with strong delegation methodology in place to ensure everyone is clear of their roles and responsibility – avoids delegation upwards.
- Key managers need to meet monthly – Operations Board – with strong commentary on performance and forecasts forward
- Key measures
 - Billing

- Gross Profit
- Chargeable time
- Lock up
- Headcount
- Matter starts
- Complaints
- Business Development
- Priority actions need to be identified, agreed and followed through with focus.
- Prime KPIs need to be established by department (they will be different) and they will also need to be varied over time
- Cash flow forecasting is key at time of budget and on an on-going monthly basis
- With the right measures and drive in place – meritocracy can be a consideration recognising the varying degrees of contribution for the success of the firm

Cash Management

For many this is still the biggest challenge.

- Poor management in this area can adversely affect up to three hundred firms a year and of all sizes
- Credit control is essential but too late in the process
- Close review of lock up is perpetually essential
 - Validation of realisable WIP is perpetually key as unless we are to be paid for it, it is of little value
- Time recording is key even on fixed price activity as it is essential that we at least know the cost of something before the next time and we need to compare individual performance and business process
- If offering fixed price litigation the what is included is key along with proper change control procedures
- Look at your client/file inception procedures to add in the agreement with the client of when they are to pay what; establish this billing profile and bill on time in line with the profile
- Include sensible estimates and a client risk assessment (ability to pay) is a good first step for every lawyer in every firm.
- To establish, working with your IT people, a means to monitor costs against the estimate to trigger early warnings when an estimate needs to be changed; and be bold enough to do it, making changes clear to the client. Most Practice Management Systems facilitate this now – just make sure it is deployed
- Always look at discretionary costs and headcount and the inevitable timing of expenditure

Cost Reduction

This has to be handled objectively and has to be done! Preferably, harnessing the knowledge and skills of staff, who generally understand the need in the current climate. To make this work, you should aim to:

- Establish cost management as one of the KPIs for a department, engaging staff and creating accountabilities to focus minds on this area.

- It is the time to address - in priority order - the business processes for the firm that affect profitability, efficiency, client relationships and encourage the removal of the restrictions by some to changing working practices to get the financial benefits of improved division of labour. Review the capability of existing IT to support these process improvements.
- Review the effective use of IT already available in the firm, such as Case/Matter Management and even the enterprise roll-out of digital dictation systems
- Legal team performance is reflected in the key Gross Profit measure and in the ability to offer competitive quotes.
- Complete an inventory of supply contracts and be prepared to renegotiate at the appropriate time or event
- Make sure that IT/Systems maintenance is only being paid on licences that are actually being used. You may still be paying for people who have left?
- Consider outsourcing of IT may cut costs, improve reliability, remove niggles and ease the payment timetable.
- Rationalise printing and copying – get a competitive tender underway
- Ensure money spent on marketing and marketing material is in line with the marketing plan.

Business Development

Manu forms these days have a very clear policy with regards to;

- New business
- Client retention
- Client development

An increasing number of firms have appointed experienced business development managers but many still make the mistake of expecting everything from this role and it is critical that there is a clear understanding of the in house elements and the external collaborations.

Above all it is important that department heads are clear that business development is their responsibility not some thing to be delegated to the person who is there to advise and facilitate.

Client Relationships

To maintain and enhance client relationships is critical. The client database is the most valuable asset that a firm has and it receives too little attention. Within firms there is too little knowledge of the assistance that the IT system can provide

- Establish x% client satisfaction as your number one non-financial KPI; measure it, share feedback and respond to it.
- The client database probably needs to be cleansed and segmented so that it can be used to generate repeat business and to cross-sell. Need to apply the Pareto Law here because otherwise it will never be finished.
- Get IT and client marketing people to work together.
- Conduct client audits, potentially using a third party to really establish what the client perception of the firm is – we have talked about technology assistance here over the last few months

- Train and coach staff on how to speak to a client with telephone and face to face enquiries
- Have an effective process in place to manage complaints efficiently and effectively – another KPI?
- Make everyone in the firm aware of the forecasted 800 people who will get to hear of a bad client experience.
- Establish clearly the role of the client partner and the interface with others that also deal with the client
- Look at the CRM capabilities of the IT system alongside of its bespoke reporting capabilities

New Business

There is new business out there but you and your colleagues have to win it from other firms or from the new suppliers. Gut feel on where new business is or is in the best interest of the firm is not enough. To do more, as well as recognise the three year strategy you want to:

- Be prepared to use targeted market research to identify low hanging fruit opportunities, perceptions and routes to market. It can be surprisingly cost effective.
- Ensure the web site is effective and there is the necessary investment in SEO
- Make it easy for people to make an enquiry and get a response online, on the telephone and face-to-face. Many opportunities are lost at this stage
- Make sure reception and other staff know how to handle an enquiry from a potential new customer – still too many are asked to call back! (remember the Ian Cooper survey and report)
- Get people involved in developing local referral networks.
- Ensure marketing material is effectively targeted at the appropriate audience. Rather than produce general brochures and print too many. Use digital short run printing

Compliance

- Be ready for the SRA by ensuring that simple processes and manuals are in place
- If you have Lexcel and CQS ensure that procedures, workflow systems and MI support these labels continuously – they are the wrong badges to lose
- Be able to prove readily that compliance actions have been undertaken
- Create a focus on quality to ensure that the business process and culture wants to get it right first time
- Be clear on how much the IT applications can support compliance

IT & Technology

There is a great deal of investment in IT but, all too often, real returns on this investment are not being achieved through lack of ownership and the absence of clear objectives from departmental managers, lack of training, sticking to old processes, poor relationships between partners and the IT people; and between the firm and its suppliers.

Applications

- Accountabilities for performance e for HODs should drive a whole new approach to getting to grips with the IT capability
- Ensure a clear understanding of where and how the IT system, with its enhancements since installation, could better support the firm to improve the performance against defined business priorities. That includes PMS, CM and MI systems.
- Make sure that you are current in the awareness of the capability of your PMS/CMS system. It is one for the managing partner and department heads to drive and set expectations from your vendor an IT manager. Have quarterly meetings with your vendor and discuss mutual strategy and issues – there is often a lot more under the bonnet than is realised
- Ensure you are getting the best from other systems, such as digital dictation

Infrastructure

- I have said many times that managing partners should check IT business continuity and disaster recovery for themselves. If the servers fail what is the guaranteed up time SLA. Apart from failing compliance and hurting client experience, loss of income you are most likely going to lose any commercial clients within a short time period
- Still there are many firms who have not upgraded their Microsoft licences after last April's withdrawal of support so are open to spam and virus attacks as a minimum
- Hackers are very much at the fore at the moment with potential access to telephone and banking systems.
- Find out enough about outsourced and managed IT services to make a decision on whether you should be doing it or not. IT infrastructure is getting increasingly complex to maintain and support with increasing demands for home working, extended out of hours support, access from anywhere, continuity of service and disaster recovery.

People

People are the critical asset for now and the future. How some firms handled redundancy during the recession was observed by many remaining key staff and the firm may suffer the consequences in a more demanding market.

- Make sure that skills and experience of all staff are involved in tackling the firm's short term challenges. Respect their views.
- Make the changes from "responsibility" to "accountability" with the implementation of SMART objectives
- Delegate
- Recognise who can and cannot do different jobs. The best lawyer is not necessarily the best manager or team leader. Not everyone can sell or maintain good client relationships.
- Establish a meritocracy with partners, with defined management and client development tasks to perform for the firm; allow time and start to reward against these achievements.
- Ensure that competencies are recognised, with development needs and accountabilities are clearly reflected in appraisals

- Ensure that a training and coaching programme is in place linked to the firm's strategy and plans for succession; not just the challenge of amassing CPD points
- Be prepared to introduce incentives and reward for performance targeted to address the immediate challenges that your firm faces today.

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