This month

- **Business issues that have to be handled by the management team**
- **Opportunities for survival and commercial enhancement**

Over the last few months there has been some amazing issues affecting the survival and success of law firms. The impact on image, fines, client performance and relationships, regulation achievement and positive potential with assets are extensive

All firms – irrespective of size need to ensure that they have policies and procedures at all levels in these key areas. How it is resourced is also part of the new debate – internally, outsourcing, consultancy can all be considered and used effectively

SRA/AML/Regulations/Process and Procedures/ Not getting fined and destroying image

Again there is too much evidence of firms not taking this seriously and they are damaging their image, being fined and potentially losing Pii. Lawyers and law firms need to take full personal responsibility for checking regulation and compliance.

The role of management, COLPS, COFAs need to be much clearer and legal staff need to be aware that they cannot do things like tick a box when they get an AML report. They need to be read, authorised as part of the procedure. This sort of workflow is available from some PMS/CMS suppliers and some of the newer PMS/CMS. There are also some added value aids. Getting fined by the SRA does not help.

Failure to do fully verified ID and AML checks by some fee earners – not checking the response and getting authorised by management has generated a number of SRA fines. Profitability and credibility/image challenge.

There are also failures that will be very challenged soon for example in the handling of client accounts

Accounts Skills, (Rules, regulations, bank relationships) Financial Management & Planning/Forecasting/MI & BI/ Resources/M&A/, Strategy/ Working Capital

We are increasingly seeing a movement towards outsourcing of many financial activities at all levels as it doesn't matter how big the firm is but there are the same consequences of failure.

This is increasingly being seen as very important and recent interface with a number of lead consultants in the sector has identified that more analytics needs to be available enabling safer management of business and finance performance around cashflow, working capital, and even financial risk with clients. There is more requirement from inhouse finance, accountants, the IT system and in many cases added value solutions. Many of the systems in use at the moment fall short in this provision.

More accountancy firms are offering additional services to just doing the audit – working capital management, outsourcing, M&A advice, board meeting attendance. Many more firms – and just not small ones are outsourcing their accountancy and book keeping activity because of their resource and skill challenges – client account and banking standards and regulations..

Too many firms are struggling at the moment over their financial security and availability of finance. Not always the best responses from banks even when clients who are under pressure themselves. It is hard to demand the right relationships without the right data available but it can be made to work. A more open relationship needs to be put in place with Banks or changes made. Quite a few banks are complaining about accounts performance in some firms.

A process for Proactive Monthly Management is needed. The right personnel in the Operations Board that meets monthly with the boss, legal department heads, finance head, marketing head, HR head and IT head. Even smaller firms have the legal department leaders but may be short of advice in the staff functions. This is increasingly available with the changing environment. Just one or two days a month could be useful.

This should cover Billing, Gross Profit, chargeable time, lock up, headcount, matter starts, complaints, business development and needs from other departments.

This needs to be accompanied monthly by fee earners giving confirmation of existing files and likely billing in time – this makes the forecast that much more acceptable and focuses minds on getting the job done.

Without the right resourcing – people and skills we are seeing a growth in demands for outsourced activity.

Resourcing

Accounting covered above,

Legal expertise and resource is a need and many smaller firms need to be able to access additional skills to meet client needs. This is becoming more available with the large number of lawyers wanting to remain independent. There are half a dozen businesses offering this sort of access now. This can also be an activity peaks and troughs resolution as client demands fluctuate but generally get stronger.

More firms are getting their document production done through outsourcing – all types including case files but also, transcription – there is no excuse for delays in document production (backlogs) and a 24 x7 service is needed to meet client and file demands.

Telephone answering and web interface management also a challenge for the right level of service.

Staff retention and development is also key

Whether we like it or not the management and staff at law firms have to step up to meet challenges plus seek and win opportunities to successfully operate their business – image, client satisfaction, personal satisfaction and financial survival and returns. There are lots of personal and personnel development actions to take place along with managing the right sources of aid.

It is essential that firms retain and develop key personnel and that needs a programme from the time applicant – communication skills, intellectual skills, management skills, motivation – the right ones needed for the job role and the expectations going forward. Early awareness of shortcomings can be handled through positive development, regular communication with team leaders and personnel development programmes. The internal appraisal system needs to be up to this – an HR requirement or the right sort of advisory.

It is also important that the firm can demonstrate a positive policy for diversity and equality – not just for recruitment but also client attraction and provide regular and effective communication with certainly the younger generation to cut the current desire of 65% of them to leave their current firms as soon as they can.

For recruitment there needs to be a very clear job specification but also a candidate profile covering required communication skills, intellectual skill, management skills (people and/or projects), motivation, and emotional factors. Applies to current staff in roles too. This can also be used for identifying coaching, training and development of existing staff

Outsourcing needs to be considered – skill levels and sensible costing, delivery and saved space in offices.

Business Strategy/Role and commitment of Partners

It is very important that there is clarity about the potential and futures of the key personnel. An open disclosure is very important from everyone in terms of their drive, likes and dislikes in terms of the job role and performance plus their ambitions and future plans including retirement. Whether they want to maintain functional performance or enhance management commitment, client relationships, business development. It makes succession planning, the right resource planning so much easier.

For the firm's strategy a review methodology is needed to establish the current status of performance. Current dimensions and scope – staffing levels by type, office locations, fee income, gross profit, major clients then a vision of where this is desired to be in three years' time – demonstrating growth objectives, locations, work types, GP, client expectations (new or current developed), risk and support needs – BD, HR, IT, Finance

Year one will likely become the budget but that needs regular assessment with monthly trends and performance and perpetual forecasting. The right personnel on the strategic board need to meet at least once per quarter

Private Client Activity

A major opportunity to enhance client relationship and use the database for added value revenue and profitability whilst enhancing client relationships and image

It is estimated that 50% of the adult population has not got a Will – and that's without LPA considerations – plus really serious advice needed on IHT, finance availability and family protection in an efficient way. Production of a Will and LPA is not just a document production exercise – those other skills need to be considered or clients will be claiming poor performance.

Many firms have a Will Bank in various states of credibility and accurate data that could be effectively used. So many law firm clients on their databases could now be dead but there will be many that need to update their Wills – changing beneficiaries but also unaware because of lack of communication as where some changes are essential.

Where law firms bother to contact their Will base clients there is about a 20% requirement to do an update which is cost effective generation of business – revenue and GP for the law firm plus a potential referrer.

This means that a law firms Will Bank is a valuable asset in terms of potential revenue and profit but also as an asset that is valuable so saleable and with asset value if the firm wants to be involved in a M&A.

Law firms should have it on their activity lists to regularly contact their client base with information of legislation changes and the ability to have the right beneficiaries. It is a minimum expectation from a client and potential referrer to friends, family and neighbours. Many firms over the last few years – lockdown plus – have not marketed or even put considerations on their web sites. Many clients have walked because of this.

Brand and Image/ Client relationships/ Communication and Information

Further research and experience from the sector tells me that every firm should have a strategy in place for finding and converting the right prospects, to developing existing clients for broader and repeat business. Every legal department needs a plan and utter commitment by all staff to achieving this and demonstrating the right profile as well as the highest performance doing the job. All clients are demanding much easier and effective communication with their lawyers (42% not at all impressed at the moment). Dissatisfied clients do pass on their feelings about firms to their friends and networks. They can also pass on positive news.

All staff from every department need to enhance their client communication and empathy whether it is answering the phone, walking past them in the corridor, seeing them in reception, getting the business development communication right, the firm's brand and image from a client benefit perspective to social conscience and community contribution – not only are clients impacted by this but also 65% of younger skilled people within the firm looking to leave.

It is really useful for any business to make people aware of a potential client life cycle. Moving people from being a Suspect to a Prospect to a First Time Client, to a Repeat Client to a Loyal Client, to a Referrer and Advocate – needs to be in everyone's minds

The firm needs to be aware by work-type which clients fall into each category and to have a plan to move them forward to the next stage and the right people in the firm allocated the challenge.

Product Marketing Plan

There should be a product marketing plan in place for every legal department as well as the overall firm. Without out one of these before business development plans and commitments – things can be more costly and less effective. Low hanging fruit for the greatest return is essential – short, medium and long term.

Is there clarity of products and services offered, benefits for potential clients, the targeted population and the best route to it. A simple process but it cuts the cost of marketing and enhances conversions.

Firm Brand and Image

This needs to be covered in detail. Potential clients are looking for skills, performance, communication and empathy. So, what is our planned branding and how are we going about it – web sites, networking and what makes us different to our competitors. It is not just about a pretty website or ego

Security/IT/PMS/CMS – immediate and strategic

After the multiple acquisitions of UK PMS/CMS suppliers there has been a major stand off and lack of clarity on the way forward with these products. There are new suppliers – mainly from overseas.

All firms need open conversations with their existing PMS/CMS suppliers and make a decision to wait or move. With many of the current systems there is limited availability form delivery of essential added values – such as client communication, workflow to ensure compliance and forecasting of working capital.

There has been a number of failings in IT infrastructure that has had a serious impact on technology availability and security. Firms need a realistic IT infrastructure for now and going forward.

Law firms need to get an audit undertaken of their IT infrastructure. Whether in house and/or managed services/hosted. Not all suppliers are being as open as they could be. There are many firms now being contacted about getting an audit done of their hosted environment - Health check expectations – IT in line with business strategy, paying too much? Potential changes to infrastructure to save money and underwriting security, compliance, fraud protection and vulnerability. Needs to be on the management list.

Bill Kirby is a director of www.professionalchoiceconsultancy.com offering advice to firms on business issue 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 and www.linkedin.com/in/bill-kirby-ab01632