This Month

- **The Business Challenges facing law firms**
- **Some modern solutions to many**
    - **Compliance**
    - **Security**
    - **The client**
    - **The resource**

Thos who attended the Manchester Law Society Management Conference in March, whether they were from law firms, advisers and suppliers to firms saw and heard a clear understanding of the commercial challenges now being faced by law firms which in many ways exceed ordinary commercial operations because of the additional essentials brought on by compliance and regulation. They also saw and heard many ways to assist their performance through management, staff education and collaboration and essential sources of third party providers.

In my January article I wrote about some new year management resolutions and in February covered some of the solutions and aids that can be used.

This month we will look at some very specifics

Setting the Scene

Simon McCrum of www.mccrumandco.com consultancy set a scene about realism in performance in difficult times. Firstly realism about cash flow – the need to retain performing lawyers, that day in the month when the payroll has to leave the bank, having to keep pace with salary hikes, the growing aged debtors ledger for many not forgetting that the VAT has to be paid.

This is further enhanced with a real look at business performance where in many cases a bench mark 5 billable hours a day is not being met with 3.5 hours recorded (70%) and then only billing 80% of that. Poor performers need to be addresses at the same tome of staff shortages and staff being approached.

Firms need to be on top of their Pii renewal and there are many risks of multiple claims, work quality is essential. As you will read later in the article firms are suffering from new regulations and a newly empowered SRA as well as not fully recognised the consequences of data breaches through cyber issues.

Simon truly believes that firms need to change and to do so need to implement change management.

Five suggestions from Simon

- Clients, many of whom are with the firm as they are in their darkest hour need a service pledge, a team structure in place to deliver meeting the service objectives
- Firms need to maximise the money generated per case – price it right, do the work and properly, catch and realise the time and get paid
- Firms need to maximise cases per client through re selling and cross selling
- Retain their people demonstrating good management and collaboration, career paths and personal development rewards and team spirit
- Firms need to focus on achieving the GP%, even in troubled times through efficiency, effective billing, use of systems and division of labour.

The information management delivery in the right manner and right time were made very clear by Graham Moore of www.katchr.com and Andy Roberts of www.weekly10.com added value suppliers to many law firms with AI solutions that can look at multiple databases withing the firm and provide key performance statistics in the right way. In most cases way beyond the knowledge of a firm's finance function

The Above and Beyond Challenges

Michelle Garlick of Legal compliance and risk management consultants | Compli (weightmans.com)who provide outsourced consultancy and advice for many law firms summarised those challenges that a facing law firms from a compliance and regulation perspective where often they are not understood or being addressed effectively again and added value solution to be reviewed. Many COLPs, COFAs, IT Head and Finance Heads are not fully up to speed and the cost of failure can destroy the firm. Many SRA challenges have been updated quite recently and cannot be ignored. Firms can face closure, heavy fines (not assisting profitability and cashflow – let alone credibility) and no Pii insurance.

There were 10 main challenges discussed

- AML and Economic Crime – all very high profile at the moment with some checks on source of funds and identity of individual being done but not as thoroughly as could be
- Sanctions – checks needed on beneficial owners and business parties plus the need for documented policy and procedure within the firm
- Transparency and LeO – the SRA are doing web site checks on services, pricing, complaints procedure and with LeO the updates on T&Cs and websites
- SRA checking supervision and competency within the firms
- Well-being and culture – what is the laid out code of conduct within the business and what is being done to remove poor and toxic behaviour
- SLAPPS – Strategic lawsuit against public participation and any conflicting duties
- Data protection – M&A requires consent for disclosure of clients and staff details or has to be anomalised. Plus the firm is responsible for data breaches and e-mail phishing where its system has let people down
- Accounts rules – different to other businesses with separate office and client accounts – again minor changes
- Increased fines and fixed penalty notices – make sure your My SRA is up to date

This challenge really cannot be ignored and things are not necessarily fully understood within the practice so advice is needed and soon especially around recent changes

Security of Data

With regards to the security of data – the three contributors in this area etiCloud | Everything that is Cloud , Cyber Security Company | Mitigo Group | Manchester UK and Matrix247 | Managed IT & Communication Solutions | UK confirmed many of the challenges

- Internal IT people either too busy or not fully aware of the security challenges and many IT systems infrastructures need upgrading as well as staff being also aware and trained to handle things like phished e-mails
- Apparently the DCMS has reported that 40% of businesses have been Cyber attacked and 83% have suffered phishing. One quoted 95% are caused by human error

- E-mails are always now under attack and there is a growth in Ransomware demands. Firms need to review staff behaviour, penetration tests, cyber risk assessment, perimeter security and GDPR proof
- Increasingly commercial clients are demanding that a firm has qualified at least for Cyber Essentials PLUS
- Firms need to really consider their IT structure for optimum performance – wanting to avoid downtime, security risks, impacts on clients and staff.

That Client

That interface with clients and prospects is again fundamental to the success of the firm. Speakers here were from Home - Quest for Excellence, insight6 – Customer Experience Specialists and Omnichannel Solutions | Customer Service Platform | Matrix247 with again some very key insights

- 92% of people will listen to who they trust, 77% will recommend after a positive experience, loyalty comes from at least 60% trust and 72% of revenue comes from loyal and repeat business customers – the cheapest route to market
- Clients want to feel very special, be treated as an individual and respected. They need to see the firm and individuals attitude to them on the phone, when they first walk through the door – have we got culture in place to ensure that image?
- On line reviews are now essential with 98% doing on line reviews and 86% with Google not everyone knows about specialist reviews so we need to be working for 4.5+ on Google
- There is also a situation with law forms where it is reported that 43% of prospects that make a phone call do not get a call back and 37% are not getting s response to web enquiries
- It is essential that not only do we have the right culture, process and management towards communication with clients and prospects that we measure it by department and step as getting a 60%+ conversion rate on enquires rather than a standard 20% makes such a difference to the bottom line for the firm and by far and away the cheapest route to market is extending existing clients and getting their referral.

That Resource

Having reviewed many of the challenges that law forms are facing. We also had a session lead by About us - Document Direct providers of document product and transcription for many law firms. Many firms are beginning to understand the challenges they are facing but are in a position where they have to consider the Right resource at the Right time at the Right cost with Added Value and ROI. Irrespective of size of firm we have the same challenges

- We cannot assume that the IT director is a cyber expert, the accountant is a funding or M&A expert, that COLPs and COFAs fully understand the regulations, that we have someone who can get a proper return on marketing activity, that our brand and image is right, that we operate well enough for client service and satisfaction, we are complementing our PMS/CMS with the right added value solutions, that we have the right legal experience in place and also know the volume of work to expect in 6 month's time.
- Added value services through Outsourcing has a much wider scope than understood
    - Business services like accounting, telephone answering, chat box, document production and transcription, hosted IT and telecoms -efficiency and security
    - Part time consultants and NEDs for regulation and compliance, security, business development, finance management, strategy
    - Plus of course legal services and fee earning – volume coverage and breadth of skills

- What are the benefits of a serious consideration of this
    - Meeting client demands, achieving business objectives – revenue, GP, cash, growth
    - Cutting costs and enhancing services – responding to work available and generated, speedier delivery and completion, faster billing, better GP, less overheads
    - Deeper expertise – 24x7 for 52 weeks a year. Pay as you go ie - for what you want at the time and avoids hiring, training, managing staff, holiday and sickness cover, cover terminations

Simon on a couple of occasions actually said that if he was setting up a new law firm now he would consider outsourcing everything

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