This Month

- **Current commercial pressure environment**
    - **Some priorities**
    - **Strategy and realistic operations a,b,c**
    - **Moving forward**
    - **Checklist – much more than IT**

Commercial environment for lawyers and firms

It is a fascinating time for law firms and the people that work there as the commercial environment changes. People choosing to become a lawyer didn't necessarily expect the management demands – not all want it.

- Compliance and regulation get's harder
- People working in the firm want to change their life experiences
- Clients get harder to find and to keep happy
- Internal as well as external Brand and Image becomes more challenging
- Communication with everyone gets more demanding, harder and less secure
- Financing the business is more of a challenge with less flexibility around cash flow,
- Insurance is harder to get and staff harder to find and keep.

Firms are closing, selling Will Banks, developing will banks, closing or opening up work-types, using third party lawyers, outsourcing of essentials, mergers and acquisitions, staff ownership, funding their performance with changing relationships with banks and venture capitalists, struggling with systems, struggling with compliance and regulations.

The firm has to be clear on where it is at, where it is going and when - plus desperately needs a methodology to keep it on track, make it happen and if necessary, changes the objectives and methodology in time.

Firms really do need a good understanding of their current status – nature and scope of the business, dimensions –

- a year ago – now in12 months by
- staffing levels,
- offices by location and scale,
- work-types by revenue and gross profit,
- major clients, client structure.
- there is also a very significant need for a clear understanding of the staffing structure and the key members – not just partners/owners but also key staff members.

Priority A

One of the first priorities is to have a very open discussion with each and everyone of the key people in the business covering their performance, their likes and dislikes, intentions in their careers including timing (like giving up management, retiring, happy to fee earn). Planning the future or replacement involvement with these key people is essential. Once agreed individuals need to stick to the agreed plan.

It is great to see more firms passing ownership to the team. At the other end there is an increase in Venture Capitalist involvement.

Priority B

- There then needs to be a business strategy by year for the next three years – this to be done ahead of budget (year1) with clarity around growth objectives – locations and work-types but also Revenue Source – fee income, gross profit, staff leverage.
- Then what actions are going to be taken for profitability – revenue, efficiency, staff mix. Clients New, retained penetration (cross selling) Referrals. Risk Management – continuity, security, compliance, clients (lost, lock up, service and performance demands and of course the competition.

Priority C

- Finally changes in support requirements – business development and marketing, HR management, IT and Finance including essential MI.
- Added value is critical – on boarding post portals

This puts the firm in the position to have a plan and to start working it through clear understanding of job responsibilities across the board – legal department heads, team leaders, individual lawyers, compliance and support, business development.

Job descriptions and accountabilities are essential and performance against these needs to be reviewed on a monthly basis with plans and actions for people development and training. The right sort of management information needs to be available and well communicated recognising that the business needs to feel confident the monthly and balance of year objectives are going to be met. The firm cannot wait until the end of a month to see if performance is happening plus many more junior members of staff psychologically need data and commentary on a daily basis whereas some more senior folks don't want to hear. It is essential to get the MI/KPI straightforward and clear.

Still some firms although having the job description at the time of recruitment there can be a situation where the personality profile is not clear and interviewed against. Communication skills (internal and with clients), Intellectual skills (the ability to analyse the key issues) Management skills (not just for people but also achieving success in the right timeframe on a file or project), Motivational skills (what is the turn on? Wanting to be the greatest fee earner, client satisfaction, promotion).

Annual appraisals and staff development plans take into account personalities as well as numbers.

Moving Forward

So year one of the agreed strategy becomes the budget for the first year but in reality that can only last for one month without review. Perpetual forecasting becomes the key.

What tends to happen with firms I work with the senior strategic group get together once a quarter to review the overall situation and make decisions around strategic and realistic change.

Each month there needs to be an operations board meeting where legal department heads are there to report by work type the revenue and gross profit by month for their departments that have been achieved along with the reasons behind over or under performance of revenue and gross profit.

If there has been over performance the firm needs to know why and going forward how can this be exploited to enhance new forecasted revenue and GP by month. It is also important that where there has been under performance by month historically – what is the reason and what has been done within the department to sort this or has it not. Being able to review full year expected performance by month by department is key as well as the firm's overheads as they potentially are not going to go far away.

In terms of being able to forecast what and when with billing and gross profit – fee earners each month ahead of the Ops Board meeting should be declaring against open files WIP, expected Billing, Expected GP and when. Certainly helps the forecast and needs for recovery or further exploitation.

Check List for Key Factors and IT, Financial advice

One area that needs firms to step up to the mark is the right relationship with their core IT suppliers where the sector has seen a gap over the last few years with firms not fully understanding the full capabilities of the current systems, the planned enhancements to the systems – content and timetable, the availability of key added value content from third party application specialists linking into the core systems ideally, the availability of independent specialists that can quickly and easily enhance the current interfaces.

Key areas of need at the moment

- Knowing that the IT is secure and that communication within the firm and with clients is secure
- Resilience of the IT and communication infrastructure whether it be in house managed, third party hosted or cloud based
- Essential application needs
    - Client enquiry conversions – the training and methodology plus the use of technology to record the enquiry, allocate the activity, capture the initially essential data, on agreement capture more needed data. One can see variances between 20% conversions and 65%. Means a great deal to revenue as well as the firm's image.
    - Further data updates – two-way through secure portals cutting the need for calls, e-mails. Adds to client satisfaction and efficiency – they really do want to know the status of their files and next actions.
    - Good systems integration between PMS/CMS applications and added value such as forms, marketing, client communication, AML
    - Important compliance and regulation actions that ensure the correct handling, understanding and appropriate sign off. Even effective client account management
    - Production of the best and most appropriate MI and BI through the PMS or the use of third party – it no longer is about billing, there is so much more. Right information at the right time.
    - Integration with what are becoming essential sources of resource and skills – phone answering, document production, book keeping and accounting, legal skills
    - Integration with skilled and secure advisers/consultants for example with part - time FDs, regulation/compliance, brand and image advice, business development advisers

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