

## **This Month**

- **Back to the office**
  - **Management and People**
  - **Profitability**

At last the business world is beginning to return to some sort of normality with staff returning to the office to work. We do however have to recognise that it is a new normality with many people having had time to consider their working environments and work:life balance.

In April [April2021.pdf \(professionalchoiceconsultancy.com\)](#) and in August [August2021.pdf \(professionalchoiceconsultancy.com\)](#) I produced a list of core challenges and a new checklist for management. In between times there were many examples of available added value solutions and potential suppliers

All of these challenges have to be recognised and managed and the appropriate skills are and need to be available to all firms but through multiple routes – full time, part time, consultancy, outsourcing and so on across all kinds to disciplines.

During September I should be able to bring news of a new company venture “Pro Tem Connect” to facilitate and ease these considerations.

### **Management and People**

People are without doubt the greatest challenge – some firms are already struggling with the departure of legal resource and the inability to find replacements. They may have been unhappy with the management methodologies of the last year or so, want to work in a different environment and/or delaying decisions on where and how to move. It is also very volatile with offers outstripping offers – not necessarily the right home for the candidates – bit like the Premier League.

Ensuring the right environment for the development of the business, it's client management and people management - has to start at the top. As well as the rest of the population, Partners, Directors and Senior Managers have all faced challenges through the lock down and many will have considered their personal circumstances and if they haven't yet - they should do.

It is essential in the interest of the business that they should be honest and up front and this will range from retirement in n years-time through to selling their interest in the business – this affects individuals but also the whole firm.

Management buy outs will have been affected by younger lawyer's views of management and ownership and merging or being acquired by another firm is much more successful if done in a controlled manner rather than a forced sale because of financial or insurance shortfalls. How well this activity is done can have a major impact on more junior but very loyal staff and of course the customer/client base and of course the value of the transaction.

Putting ownership aspects on one side, we also have to look at management. Just because someone is a partner/director and the largest fee earner in the business does not make him the best manager. Management requires planning, relationship and giving of one self as opposed to other focuses. It means getting the best out of team members, developing them and making them feel part of the operation. The rest of a team will also look at how the manager deals with poor performers putting

effort in but then justifiably making the appropriate call. It also requires strategy, a plan and measured action and review.

It is also important that succession is a planned thing, not just for the in house working but also for client relationship management and hand overs. This covers management, top level skills and relationships and motivation.

All firms will have skills shortfalls in just about every business area so as well as part timers, consultants and the like it is also time to consider Non Exec Directors for skill shortfalls, coaching and mentoring.

Once the business owners and seniors have effectively positioned their roles and time frames – and it needs to be done very quickly then the management methodology for staff has to be put in place – recognising, work:life balance, shared home and office working, perpetual supervision, connectivity, people development, skills transfers, varying generations – some of that has gone missing to the detriment of clients and performance with security and efficiency. Add to that the needs for diversity and equality expectation.

Where and how we are going to get the skills and staff volumes needed to meet current and future client demands – needs immediate consideration. Utilising outsourcing, part-time or consulting across the full staff activity range with multiple skills.

Not forgetting that with flexible working that the right and secure infrastructure has to be in place.

## **Profitability**

Full consideration of the management structure is along with systems use, efficiency and the right division of labour is a major contributor to profitability. Too often there are too many people at a senior level, at a high cost, not making the best contribution to the bottom line, working capital or client delivery and therefore satisfaction.

Investments are made in systems but often not fully utilised and there are tasks being completed by £200 per hour solicitors when they could more effectively be done by £50 per hour support staff – “that’s how I have always done it”. Certainly, be the front for the client but not an interruption to the business efficiency.

A key measure is that of Gross Profit. This figure is the difference between the billed revenue and the direct costs of the department lawyers and support staff (costs would also include any referral fees). There are still many firms – large and small – where gross profit is at 40% when it should be at 60% plus. Some of it the consequence of mergers and acquisitions and others inertia. Top fee earners with three support staff, rather than one or a shared one are often bottom of the performance pile.

What does that mean? – If your firm has revenue of say £10million then GP is £4m at 40% and £6m at 60%. This makes a £2million shortfall in potential net profit and enhancement and quicker delivery to clients enhances cash flow challenges. Just work it out for your own business. Another contributor can be – in return for great service and added value a very small price increase. 5% on £10m turnover equates to £500k for the bottom line. The majority of clients do not buy based upon price but on the level of service and communications they are going to receive. Certainly an area for focus.

Certainly do not want to miss out on the opportunity

A significant step along the way is to measure this across the whole firm, and certainly by work-type departments and in some cases individuals and locations. Action lists needed by section on how it is going to be improved.

I have found that one very effective tool is to make the performance **accountabilities** of legal HODs very clear. Revenue, GP, WIP management, Working Capital, Compliance. It is amazing how much additional interest is taken with the right people being accountable and being recognised for the performance..

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