



# KMS ProfitPower Tips for Lawyers™



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Increase Your Profit Results Dramatically! Reading time... only 8 minutes

## FEATURE ARTICLE

We examine some key traps for starry-eyed (and not just young) players of these very fashionable Quality "games". → P3

### Best Practice, Quality in Law, ISO 9001, Total Quality Management

...In practice are they really relevant to you improving your profit, goodwill, and general satisfaction?

#### Editor's comment...

Welcome to the May 1998 issue of "KMS ProfitPower Tips for Lawyers™".

Beware... of one of the big traps we've observed inherent in the flush of success you get when you achieve a big lift in your profits.

When you're implementing key changes to get your profits up, such as moving to using the KMS WorkPlans™ system, you of course need co-operation from all on the staff team, particularly professionals and paralegals.

As we stressed in the January 1998

issue's feature article, "Your increased profitability...why so many of the answers lie in people management", most small-medium firms are very tentative about demanding both planning and accountability from senior employees (or think they're too busy to need to bother supervising staff this way) and lose most of their proper profit year after disappointing year.

When you do introduce effective planning and monitoring, which forces all team members to work in a proven system which delivers exceptional profit increases for you... don't over-react!!

Don't lift salaries in a knee-jerk response, don't distribute irrational bonuses, don't portray the success of the program as being primarily staff-generated, unless it really was!

Be professional and circumspect...we're not advocating that you be stingy!

Remember that you identified the problem. You suffered the losses in profit in earlier years when everyone employed took home 100% of their

entitlements.

You implemented the system changes, trained the staff, followed up, monitored, disciplined, congratulated and worried! You may have paid an experienced consultant.

You handled all the stress and hassles, especially when people who couldn't stand having their little comfort zones disturbed a bit took a walk, and left you in the lurch, because they couldn't bear being accountable for once.

Take some credit yourself for once! Congratulate and thank everyone involved, or sure, but rely on a sound remuneration policy to achieve salary equity in the firm.

Balance carefully the impact of your management skill with any special increase in staff motivation and drive.

Experience Powerful Profit Benefits with KMS Management Support™

A cost effective management advice service which draws on experience acquired in 761 medium to small legal firms across all states of Australia, NZ and Singapore. If you are not already a member, join or enquire by calling FreeCall 1800-621-270



## Your Marketing Confidence tip...

**This issue...** "Are new clients important or not...let's explore the myth that doing a good job for existing clients is enough".

In firms all over Australia every week we hear partners telling us that the best way to market is to look after existing clients. It's a dangerous view, because it's partly true!

Unfortunately, in most of those firms, most partners haven't get the faintest idea what clients today really perceive as, "...being well looked after"!

Whether concentrating on getting more, and better quality, work from existing clients should be the major thrust of your marketing plan depends a lot on your current situation, your firm's present dynamics.

For a brand new firm, which has no clients, getting new ones is 100% of the effort.

For a firm with excellent clients that it is grossly under servicing, time and money spent on promotion will get a much better result upgrading the total service to them than on looking elsewhere.

Firms all over Australia contain people who are frightened to learn marketing because it's new to them, because they perceive it to be expensive, and because they are scared of possible personal

failure...it's less risky not to try.

They repeat, ad infinitum, "We get 80% of all our new files from satisfied clients' repeat work and from people they send us".

It is difficult not to respond... "Bully for you"!

Ten years ago, when most legal firms were even less sensitive to the need to market effectively than they are now, most established firms probably got 100% of their work in the traditional way.

As they lost clients... to moves away from the area, mergers, insolvencies, and to other firms, they either dropped income and blamed it on economic cycles, or allowed an increase in Scales of Costs to even things out.

The fact of the matter is that while good quality existing clients are critical to your practice because they're easier to work with and less expensive to get extra work from, new clients are also important.

It's a question of what your marketing plan is aimed at achieving. Usually you should have a solid program to understand existing clients full real needs, and to professionally educate them so they recognise when they need help (and when those they can refer to you do too). This aspect should be backed up by a program to target new clients to urgently fill gaps in your workload and to gradually improve the overall quality of your total workload.

Furthermore, doing good work doesn't convey enough useful information to your existing clients on its own.

You need professional education programs like workshops, newsletters, fax briefings and one to one phone calls.

Each new client introduced has a lifetime stream of income attached too... the first job, expected repeat work of various types, and lots of referral if the client is delighted with all that you do and the way you do it.

Getting new clients (while keeping the existing ones you want to keep) also prevents a competitor practice from tapping into that particular stream of income.

While this competitive angle may be heresy to some, there are many lawyers who think that there isn't enough work to go around... so earning your share is vital.

Interestingly, our experience all over Australia is that there are vast pools of unmet legal needs out there in your communities, which have not been tapped to your benefit in a lot of cases simply because firms have relied far too much on just doing a good job.

The strong, truly useful, information flow to clients and community simply isn't there!



THIS MONTH'S FEATURE ARTICLE

## Best Practice, Quality in Law, ISO 9001, Total Quality Management...

...in practice are they really relevant to you improving your profit, goodwill, and general satisfaction?

In this article we examine some key traps for starry-eyed (and not just young) players of these very fashionable Quality "games".

The average practitioner is being bombarded with programs designed to help you move towards enhanced client satisfaction, improved profit, improved enjoyment of practice and increased saleability / value of your business.

They all sound great (even though they clearly represent a lot of hard work) and look as if they'll deliver you the answers.

Don't get us wrong ...all are excellent in their place, in the right firms at the right time!

But be warned... from ten years experience in consulting only to small-medium legal firms we can state categorically that often the "vessel" which is your practice has obvious and most basic defects in its hull, engine, crew, wheelhouse charts, and captancy... which need quick, effective, attention in the short term, to avoid running onto the rocks, or at best suffering

a long, hard-working voyage to that oft-visited port, "Nowhere Very Enjoyable".

In this situation it is usually merely delaying the inevitable to attack the issues via a new, staged, long term program. Terminal bleeding is occurring while you get consensus among partners to agree to look at a possible program!

An experienced consultant can quickly identify the key deficiencies, recommend and implement strategies, cutting through the office politics, and effectively stepping on all the delicate and precious toes that have needed stepping on firmly for years.

Results are usually immediate and spectacular if the consultant is given the backing of the leadership team.

All you have to do is have the will to maintain the basic programs that are set up for the future, while you look at further improving things down the track.

So where do great programs like Q.I.L. and Best Practice fit best?

A small percentage of firms in Australia are in pretty good shape already, about 5%, and will benefit greatly from systematic long term programs to fine tune them, and set them up for a greater chance of continuing to improve and adapt as market conditions continue to change rapidly.

Most others need urgent surgery, and going now onto a permanent

healthy diet just isn't the immediate need... put in place a disciplined diet after a decent period of recuperation when you come out of hospital, after the operation!

We reiterate... well implemented, at the right time in the right firms, programs like the Q.I.L Code certification Levels 1-4, and the Best Practice initiative of the NSW Law Society will set up a firm for long term success, with Best Practice being the lower level entry point for true neophytes.

Just think hard about whether your leaky boat is likely to sink without trace while you are mulling over its future design... and dreaming of epic voyages!

## What the heck is "Added-value" ?

This is a regular segment in which we offer our suggestions to help you develop a range of ideas for your firms clients / contacts, to get a continuing discussion going in the firm to raise all team members' consciousness and awareness of possibilities.

This issue's simple idea for Business clients...

Carefully target 8 existing clients, and 4-6 prospects, and invite them to your office, or suitable other venue, for a one-hour briefing and discussion on something you've identified as genuinely likely to affect their success in...

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their business and / or private lives (a hint... new local council swimming pool regulations usually don't meet the criteria... unless you've got a lot of Architects and Fencing Contractors as clients... does your database tell you if you do?).

Provide coffee, tea and an easy to eat light breakfast snack, and distribute some follow-up notes as they leave. Write, or Email, to thank everyone for coming, and follow up later sending something else useful.

Use a small questionnaire to check acceptability of the program, and to ask for feedback on other possible areas of their interest.

Promptly update your database with all the snippets of information your team members picked up in chatting to attendees at the session.

Tell everyone in the firm who came, who they were, what they do, what was discussed, and what they showed special interest in... so responses can be properly attuned when the clients / prospects take some initiative to contact your firm in due course.

## Critical Success Factors....

### this month's tip...

Don't allow "editorialising" within your time-recording system.

Getting great results in profit is a result of planning well, using resources well, and billing and collecting well... while keeping expenses down to the optimum level.

All time-recording does in this scenario is give you information about how people are using the time you have planned with them is to be spent on Client or Firm activities. You then check the rate at which the key firm projects proceed, and the rate at which "Raw" W.I.P. created gets turned into collectable bills clients can live with and pay on time.

When a fee-earner decides not to record some time spent on a matter because he / she concludes at that early point that it cannot be charged to a client, you are being robbed of information that will later be very useful in assessing that fee-earner's overall performance, and the pricing of your work.

Certainly the value of a piece of work in the client's eyes is all important, but it's best to make those judgments later when all the data is available, not just a small part of it.

### Example in practice...

We worked recently in a client firm with a solicitor who was achieving excellent apparent realisation rates on his "Raw" W.I.P. recorded, but very poor annual billing.

He appeared to work long days, and to record good total units, but with realisation at 112% partners were mystified why a solicitor paid \$85,000 plus could bill so little.

We identified the reasons quickly. Poor timesheet design allowed rampant editorialising at the point of recording to go unnoticed. The solicitor had no WorkPlan™. The budgets for both W.I.P. creation and fees were pathetic for the solicitor's

experience, and there was no daily monitoring of Raw W.I.P. created.

To take a simple bill... at conclusion of a typical Family Law matter he billed his Raw W.I.P. up from \$2500 on the ledger to \$3000, achieving an apparent write up of 20%, and on this firm's figures, profit of about \$1000.

KMS consultants valued the actual job at \$4500... the file showed far more than \$4500 worth of work done but it never got recorded.

If billed at even \$4000, a write down of about 12% on the minimum \$4500 W.I.P. that should have been recorded, profit would have doubled to \$2000 for that one matter.

Given that this was happening in most matters, we estimated from this anecdotal evidence, and comparison with others elsewhere, that this lawyer was costing the firm \$150,000 per year in lost profits.

Certainly some extra work needed to be found to be sure that there was the capacity to bill to potential, but that's actually not difficult! Fees Disclosure and Credit Control of course also needed attention, but they are "givens" that we will discuss in future issues.

## Technology Tip... Email

### "Attachments".

Ignore what Email can offer you in the way of document transfer at your peril. Fast and world-wide, available for immediate edit!