



KMS ProfitPower Tips for Lawyers™



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FEATURE ARTICLE

Why File Velocity is so important to you. Your feature article this issue

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Are you a false hero "handling" 450 files, or an effective operator maximising file velocity and output from 50 active files at a time? Why your whole quality of life depends on you always knowing the correct file load for each team member!

Editor's comments...

Welcome to the October 1998 issue of "ProfitPower Tips For Lawyers™"...

As we move around the country each month, consulting with retainer clients, conducting annual planning sessions, preparing marketing plans, introducing effective time recording systems, and meeting new clients we are encountering a common refrain... "we just can't get any decent extra lawyers, no matter what we do".

This applies particularly to lawyers with a few years experience (newly qualified lawyers are easier to get in most areas).

The problem is worst in rural areas, and very difficult in supposedly less attractive suburbs of the large cities, with less of a problem in suburbs that are particularly attractive and/or near to the respective Central Business Districts.

It is ironic that just a few years ago there were dire predictions of a gross over-supply of lawyers, with

awful consequences for firms being faced with competition for work from desperate newly established practitioners, especially those "cutting" fees (whatever that might mean in a pretty de-regulated market!).

The experience of many small firms is that in tight markets such as presently prevailing, employment agencies tend to look after their bigger clients who will give them more repeat business over the longer term. Why would they want to send a great candidate to a suburban firm hiring one lawyer every two years when they have to find lawyers every month for a city client. This attitude will be worse if you are perceived as being tight with remuneration, as most agencies are paid a percentage of the first year's salary of the appointee!

When you are advertising for lawyers you need to put your very best foot forward, allocating plenty of advertising funds and drafting the advertisement very carefully.

Don't ask for enquiries to be directed to someone who may be perceived from the outside as having comparatively low status in the firm... it sends the wrong messages to potentially good applicants if their application or enquiry is only important enough to be directed to, "Belinda"! Get the Senior Partner / Managing Partner

involved if you're serious.

In almost every case we advocate advertising the top of the salary range that you'd be prepared to pay to an outstanding appointee. There's absolutely no point keeping your powder dry on this issue if you want to interest the maximum number of available good candidates who read the ad.

Let your existing professional employees know what you're doing, and why, and show them the ad before it's published. If you aren't paying them properly now, and think that them knowing the salary range for the new person is a problem, your whole approach is wrong!

Above all, if you want to stand out from the pack, don't expect to get far in a tight market with an advertisement that is boring or "normal"... or looks as if you don't have two coins to rub together!

On another topic... last issue there was a good tip on phones. It attracted some more comment from readers. Peter Clinch at Clinch Neville Long in Sydney suggested having someone ring all callers who had not had a call returned by a set time in the afternoon, putting them in the picture, and letting them know they hadn't been overlooked.

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Marketing Confidence tip...

In the May '98 issue we talked about why some solicitors have such a resistance to marketing. The reasons are of course complex, and vary from individual to individual, but they must be overcome.

One error we have seen firms fall into is to shoot for improvement in new instructions too generally across different areas of work, and without specific file targets.

What we suggest is to analyse how many extra files you need to be opening each month in each specific area to keep the people you have working in that area properly busy, according to their WorkPlans™, or to get them up to their proper WorkPlan™ level. Having done that you should work out what a relatively small increase in file numbers per month would mean on an annual basis.

For example, if you were to increase your Conveyancing files by two per week, or approximately eight per month, and maintain that, it represents 96 - 100 files per year. In a good firm that could represent \$100,000 in fees, most of which would go through to the bottom line, because there aren't a lot of Conveyancing teams fully occupied at the present time who could not cope with two additional files per week.

Work out a basic Marketing Plan covering six or seven simple initiatives that you believe will dramatically increase the likelihood of you getting additional files, and put the program in place to be operated weekly over the next quarter. Allow yourself the whole of that quarter to prove that you have moved your Conveyancing file numbers up by at least two per week on average.

Remember to be careful to ensure that if you are getting a significant increase, or noticing a significant decrease, to check that your market share hasn't changed.

It's usually much easier to do this in retrospect, but you can establish sensible sources of information to work out what is going on in the market place and establish what tends to be your market share.

If you get a big surge in files you need to be able to identify whether you have actually increased market share, or whether there is more activity in the market, and you are simply keeping pace, i.e. your promotional activities have done nothing, or at most just ensured you didn't lose market share.

By giving your Conveyancing team three months to move from its present average file opening level to the new level, some 8 - 10 files higher, and by doing it on the back of specific simple marketing activity, you will make it much easier for them to be successful.

You will also make marketing seem a lot more of a genuine cause and effect situation. It's amazing what a little bit of success does for the enthusiasm of people in the team.

Don't forget to be carefully categorising where work comes from so that you can see exactly where your marketing is having effect, and where you're getting improvements in sources of work and who is converting the initial enquiries better into actual matters and at what average fee levels.

There is no question that some people convert the initial leads better and there is no question that some people manage to achieve better fees per matter than others.

You need to learn from the more successful people, and train the less successful people up to acceptable levels, or if that is not possible for

some reason, reduce the number of incoming leads that they receive by switching them to the more successful "converters".

In recent times we have seen some great successes with programs to develop Conveyancing, including for example, a doubling of Conveyancing turnover with 50% of the present turnover now coming from Agent referrals, where there were almost none.

Imagine what impact this has on the bottom line if by and large the overheads in the team have not substantially changed.

A final piece of advice. We find everywhere in Australia that people are telling us that fee levels in Conveyancing are "shot to ribbons" and that if we say it isn't true and Conveyancing prices can be pushed up with imagination, bravery and persistence, we simply don't understand their specific market!

Universally we have found this isn't correct.

With a proper program you can dramatically lift profits by a combination of improved efficiencies, more matters and increased pricing... and the things you need to do aren't particularly difficult. Many were set out in the KMS Exceptional Conveyancing™ Manual over four years ago, and have been successfully applied (with further improvements) by many practices since.

In our experience those practices that think they can't achieve significantly improved results in Conveyancing are generally those who have not taken the time to ascertain the basic principles, set up a simple program, and follow it through.

They seem happy to ignore the continued superb cash flow that a well managed Conveyancing section provides, as well as the excellent additional clients who are brought into

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the firm, learning from day one to appreciate value, and pay full freight for a genuinely excellent service.

The trick is to work hard to ensure you are actually packing the service with value and giving, "knock-your-socks-off", service! If you aren't, please don't expect to fool most of the people most of the time!

THIS MONTH'S FEATURE ARTICLE Why File Velocity is so important...

Are you a false hero "handling" 450 files, or an effective operator maximising file velocity and output from 50 active files at a time? Why your whole quality of life depends on you always knowing the correct file load for each team member!

Recently an exceptionally capable employed lawyer in a Melbourne suburban firm asked his supervising partner to increase his file load by 50 more files.

The motivation of the lawyer was simple... if I currently have 250 files, and am demonstrably capable of billing \$320,000 per year, with another 50 I'll be able to bill an extra 20%, or \$65,000, and maybe I can have some share of that extra revenue!

Fortunately the firm uses the KMS WorkPlans™ system and Matter Tracking, albeit introduced only a short while ago.

The partner had some concerns and spoke to me about the logic of the proposal.

My approach was quite simple. The question which had to be asked, and answered, was, "Is every step, in every matter of the 250 presently under the lawyer's control, currently taken at

the earliest reasonable time, and in a manner which delivers excellence to all stakeholders in the process?"

If not, there is an unavoidable argument that the current file load needs to be reduced, not increased.

There are a number of stakeholders...let's look at just two in this discussion, the client, and the firm.

In most situations the client is entitled to expect that work will be attended to promptly and excellently...anything less is letting him down, whether he ever gets to know about it or not!

If a fee-earner cannot meet the performance standards on his file load, something has to give.

In our experience that "something" usually isn't work quality (other than on the speed issue) but file velocity.

Put simply, almost all files will move from opening to closing over a considerably longer period than needs to be the case if they were handled optimally.

If this situation pertains for some time it can become the norm, especially in firms which don't use Matter Tracking and set and monitor cycle times for all key matter stages. Clients are being let down on timing, being delivered the goods, but later than needed to be the case.

The firm has extensive capital tied up in each file, represented by the Expenses component of the unbilled Work In Progress and unbilled disbursements. Sometimes there are uncollected fees too!

Further, the firm cannot get back its profit component until the matter has progressed to a particular point or points, so slowing of file velocity automatically creates a demand for increased capital and/or chews through

available cash, restricting trading freedom, causing more bank inquiries, and inhibiting / stopping partners drawings!!

In the example of the Melbourne firm the solicitor in question was considered a very good operator, but actually needs to have fewer files!

Casual perusal of the daily time recording of he and his support staff, and the realisation rates they were all achieving when they billed their WIP, showed that there was little room for extra input each day without reduction in lifestyle.

Adding extra files to the workload of this fee-earner would have been a disaster waiting to happen, particularly pernicious in those firms which don't have Matter Tracking...and can't see average cycle times increasing in critical stages of the respective areas of work.

Good control in this area will also help manage the creation of uncollectable WIP, of the type where a person appears to be very busy, and is creating plenty of WIP, but not moving the files forward in a fully effective manner!

In a Personal Injury file conducted over say 18 months, it is pretty easy for an inexperienced fee-earner, operating without a Matter Tracking system in place, to spend 75 hours, creating \$14,000 WIP, when someone else could have got the job done for \$9500! With the fee available perhaps \$10,000, the firm is going to have to write off \$4000, time which would have been better spent doing a good slice of the next matter!

Almost all types of work are susceptible to the institution of a Matter Tracking system.



Your back issues of KMS ProfitPower™ Tips for Lawyers™... Fax 02 63314556 now... don't miss out on interesting, useful, ideas from Sept. 1996 to July 1998 issues... free to subscribers.

What the heck is "Added-value"?

This is a regular segment in which we challenge your own creativity by suggesting things that some of our law firm clients own clients have perceived as added-value.

This issue... the Coupon Book or Valued Client Card...

Life is full of organisations we belong to, either because we have to (Law Society for example) or because we choose to (Qantas Captain's Club or Ansett Golden Wing).

Organisations like the Law Society negotiate group benefits for us with Credit Providers, Insurers, Airlines, Travel Agents etc. and other organisations do too.

The commercial organisations are doing it to promote brand loyalty... to tap into the stream of income each of us has to spend. Each client is very valuable and costs a lot to win... so it's critical to do your utmost to keep them.

Lawyers are starting to wake up to the needs herein, and the opportunities... as even one-man bands with young practices have thousands of clients.

Years ago we were involved in developing a book of vouchers which local businesses provided to a legal firm to give to its Conveyancing clients... the idea being a win-win situation for all involved... adding value to take some of the focus off price as a key market differentiation.

This technique is still being used, but more recently we have seen a similar approach used with a plastic "Valued Client" card, numbered, and distributed

with a simple booklet of businesses currently accepting the card.

Keep all client records and records of participating businesses on your database for easy management and publication of any necessary lists.

In our experience the total cost of setting the system up can be covered by the merchants involved contributing a small annual fee in addition to their discounts for your clients.

Your clients benefit every time they have their pool cleaned, lawn mown, electrical work done etc., and you benefit because when combined with relevant educative material in your newsletters and seminars a powerful umbilical cord is created between the clients and your firm.

The need to bemoan the lack of client loyalty is dramatically reduced if your clients are carrying and benefiting from your card for the five years between "normal" use of your services!

Critical Success Factors...

this issue's tip...

Don't make the basic human error of allowing new staff time to "settle in"!

What usually happens is that for a ridiculous period after they commence they burn wages while producing little or nothing in revenue and certainly nothing by way of profit for you!!

Worse, they settle into habits which may take you a long time to get them out of.

Establish an Induction procedure and nominate someone to run it. Cover even the most basic things...

Has the person got everything they'll need to get working? Proper chair, desk, computer, E-mail address, receipt and cheque request forms, stationery, time recording tuition from the first morning, a WorkPlan™, a supervisor,

instruction on the firm's auto billing and cyclical billing procedure, a copy of the Office Manual, and in particular, instruction in the firm's Credit Control procedures, file opening requirements and lead / enquiry handling and reporting procedures.

Have they been advised of the dates of all meetings they'll be expected to attend within the firm, including drinks every second Friday night etc. If not, how can they plan to be free to attend?

Delegate sufficient files, or tasks within files, to get them occupied to at least the level of Client Time set out in their WorkPlan™. Monitor WIP creation daily to ensure the raw WIP is enough, and if it isn't, load on more work (read the feature article in this issue though!) daily until it is.

It's far better that your established, senior people, have too little to do for a brief time than your newer people who will usually have fewer contacts and take much longer to generate the extra work needed.

With this commonsense approach from day one you have a chance of generating some cash, and even some profit, at a much earlier date than is usually the case.

Technology Tip... Results from the Internet...

Even very small firms are starting to pick up a smattering of work, sourced nationally and internationally, from their presence on the 'Net. It's a 24-hour, 365 day / year, market contact for you in a rapidly growing market.

Try to give educative and relevant, information in your site's pages... if you're merely an "electronic brochure" you'll lessen your impact.