



Editor: Rob Knowsley LL.B MIMC

# KMS ProfitPower Tips for Lawyers™



Issue 35...October 2008

**Increase Your Profit Results Dramatically! Reading Time... only 8 minutes**

## Robservations

Welcome to the October 2008 edition of "KMS ProfitPower Tips for Lawyers"... Issue 35

I trust that you enjoy the read, and find it both thought-provoking and useful to you in practice. Please feel free to e-mail me any feedback by clicking this link... [RobKeditor@lawfirmprofit.com](mailto:RobKeditor@lawfirmprofit.com)

As many readers are aware, the highly auspicious date, 1 April 2008, represented an important milestone in the history of KMS. Twenty years ago on 1 April your editor bravely stepped out of Sydney legal practice into consulting, with no clients, two mortgages, two young children, and the support of a great wife who was a full-time mother.

It was the beginning of another phase in the huge learning curve that understanding legal practice success involves, after fourteen years as an admitted solicitor or barrister.

Happily many early clients are still KMS clients today, and as I write we have ticked over assisting 1092 paying client law firms... of course not counting in that number the myriad firms who have sent people along to KMS seminars or subscribed to our newsletters or various manuals over the years.

Many KMS clients are clear leaders in their fields, and average partner returns in those firms systematically applying the KMS methods are well ahead of accepted expectations for similar sized firms.

Of interest to many readers will be our achievement of writing off just two bad debts in the twenty years... unfortunately both a result of not following our own policies!

What is worrying for the Profession as a

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whole is that too many firms I get introduced to these days are still making fundamental errors that firms were making twenty-plus years ago.

These errors are more often than not in key areas that dramatically affect their profits. Other leading consultants I speak to say exactly the same thing. It goes without saying that year in year out achievement of lower than proper profits has a very serious impact upon the health of any business.

This issue is our major interest these days. We know how to combat the

problem and will keep using our tried and true methods, tested over twenty years, to assist firms.

The methods will generally not be ones you have read about in text books, and will generally not fit the paradigms of what lawyers expect in practice management, and for doing things differently to achieve resounding success we make no apology!

We've seen far too many lawyers stoutly defending how they do things, while seriously under-achieving, to fall into the trap of trying to stick within their comfort zones.

## Some simple reasons why so many otherwise perfectly capable lawyers fall short of achieving reasonable fee production goals...

1. They fall into a very basic trap when trying to average out their input efforts...

Take for example a lawyer with a goal of annually trying to achieve 230 modest 8-hour days...split between 345 hours of Firm Time and 1495 hours of Client file time.

This averages out at 1.5 hours a day Firm Time, and 6.5 hours a day Client Time.

Where far too many lawyers go wrong is that they think that if they do 6.5 hours a day Client Time most days they will achieve their averages.

The reality is that for most people Firm Time will be two main types... regular daily administrative activity, and lumps of things like

The Editor, Rob Knowsley, is a lawyer, admitted 34 years, who practiced successfully with firms of all sizes – city, suburbs and country... in Australia and New Zealand. As KMS Senior Consultant, his insights are further based on the experience of twenty years of consultancy assignments, and telephone/e-mail support, for lawyers...in all areas of practice management and profit building. Many practices have quickly reaped the monetary benefits and enjoyed the feeling of being in more control of their business through his practical help...as multiple referees attest.

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MCLE/CPD and Business Development and non-MCLE/CPD education.

It follows that for the average employed lawyer by no means every day will have a lot of Firm Time, while a very few days a year will have most...if not all... Firm Time, as a person attends an all-day seminar for example.

When recording activity towards a WorkPlan™ the goal is not to hit say 6.5 Client and 1.5 Firm each day... that's a fatal mistake... just do whatever Firm Time is truly necessary, and look after the Clients, and most days will be mainly Client Time... well above 6.5 ...that's how the averages will sort themselves out over time... but of course it requires a health backlog of Client work...

**2. For one reason or another they do not understand the imperative...to cultivate a permanent "healthy backlog" of Client file work...**

These people operate most of the year in a zone where they don't have quite enough to do.

When circumstances occasionally conspire to push them into being a bit busier they assume (incorrectly) that they are operating at a truly frenetic pace...and do all they can to end that situation as quickly as possible. In fact they had finally found a healthy backlog, but didn't recognise it, or know what to do to maintain it.

A person with a healthy backlog of Client work always has enough to

do...and no problems whatsoever hitting reasonable Client time targets every day when there is not unusual Firm Time...such as in our example above of the all-day seminar.

When circumstances conspire to make them even busier, they briefly enter a period of having an unhealthy backlog of Client work...in which they will significantly exceed production targets initially while they sort out if the return to just being properly busy is close at hand, or they need to delegate more aggressively, or do other things to restore the proper status quo...such as hiring extra employees.

**The bottom line...**because for the majority of people the bar is set too low...adjusting it upwards to a proper level will deliver production in the all important zone where most people produce absolutely nothing...and ironically of course this is almost totally the true profit zone!

**Working in Industrial Relations and Workplace issues... Family Law or Wills and Estates... in Australia, and perhaps failing to communicate widely enough with your clients and referrers?**

For a variety of reasons many lawyers do not get around to writing informative materials for clients and referrers with any regularity. Some start and soon lose impetus.

Here's a helping hand others are finding very helpful...

Gavin Hanrahan at Turnbull Hill Lawyers in Newcastle finds it very useful to send clients and referrers short emails on interesting practical issues affecting them in the workplace...and Peter Marr at Grafton has for many many years written down to earth articles in Family Law, and Wills and Estates.

They have each retained KMS to assist them to continue to market the emails and articles to other interested lawyers.

Two articles/emails a month on average...adapt slightly some of them for your state...others have universal application...

Do they work? Some subscribers are now on their third renewal period...so it's clearly a service meeting a real need...

Of course we must reserve the right to deem you "too close for comfort" to Gavin or Peter as a competitor, but feel free to enquire...you may be surprised based on what we've seen in the marketplace so far...

On your enquiry we will send a couple of recent examples in your area(s) of interest...if you subscribe within seven days those examples will be free bonus issues...

Please click here to generate an email to us expressing interest and requesting the samples...

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**Could this letter be to a member of your staff?**

Dear Fred,

As you know, we consider you are a highly valued member of our professional team, and in light of the discussions recently about the way we would like the nature of your involvement to change slightly this year, making wider use of your existing skills in Firm Time as discussed, we felt it would be useful for you if we set out in writing our requirements for the coming financial year.

Your base Total Compensation package for this financial year is \$91,980, including the contribution we make to your superannuation.

For this remuneration your working week consists of a minimum average of 40 recorded hours of combined Client Time and Firm Time...and excludes all private time. Your base Total Compensation package contemplates this and fully compensates for it. Your Total Compensation Package includes payment for all allowances, penalties, overtime and other entitlements that you may otherwise be entitled to receive if you record work in excess of 40 hours per week.

Generally we aim for lawyers to work between 8.30am and 5.30pm Monday to Friday...but recognise that there will often be circumstances where this cannot happen, and are comfortable for time to be made up (and accurately recorded) outside these hours, at home, at clients' premises, at other appropriate Business Development opportunities, or at the office. .... *Continued on page 3*

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*Continued from page 2..... "Could this letter be to a member of your staff?"*

The very nature of the work of a professional requires that hours are flexible to the proper and reasonable needs of clients' work, and on occasions you may therefore be required to work well beyond the hours of 8.30am-5.30pm...or on weekends and other holidays.

We consider effective Client Time and effective Firm Time to be of equal value to the implementation of our Business Plan, our strategy and firm culture, and your own professional development.

Across the full financial year we anticipate we will wish to utilise your services and skills during those hours in such a way that approximately 464 hours will be invested in a variety of Firm Time activities, and that leaves approximately 1392 hours for Client File activities. If it is not necessary to utilise 464 hours for Firm Time activities this year, naturally the additional hours available will be transferred to your Client Time.

It is not anticipated that more than 464 Firm Time hours will be needed in a year unless we specifically request your skills and services be applied to additional projects...in which case we will discuss this in advance, and as appropriate make the necessary changes to your KMSWorkPlan™ for the remaining months of the financial year.

For ease of averaging this works out at an average of two Firm Time hours a day and six Client Time hours a day.

These guidelines are of course as usual set out in your 2008-2009 KMSWorkPlan™, along with other information, such as the goals for the generation of new Work In Progress from recorded Client activity, the likely fees that will flow from the required levels of activity etc.

By it's very nature, the Firm Time which is not simply internal administration, such as MCLE, Precedent Management and Development, some of Business Development and some meetings, occur intermittently in bigger lumps of time, and not daily. Further, the needs of clients' matters, and fluctuations in workload at times, mean that often this elective Firm Time is simply not possible daily. Most of most days will therefore be Client Time, considerably more than 6 hours.

In our experience to average six hours across a twelve-month period it follows that many days will be well above six hours Client Time. On the other hand most days will have little elective Firm Time. On days when you have significant elective Firm Time, such as in a CPD/MCLE seminar, or firm meetings, you will have little to no Client Time.

It is highly unlikely that your averages could be achieved by aiming to actually do two hours Firm Time and six hours Client Time every day, as in our experience that is simply not the makeup of most days of the year.

The firm will always endeavour to create circumstances in which you will be provided with enough Client file work (on files where you take the client's instructions, or assisting others with their files) so that at all times you have a healthy backlog of Client work. You need to let us know early if you envisage falling below a healthy backlog of Client work so we can plan to do what is necessary to avoid that happening.

As an integral part of your employment you are naturally expected as a valued professional in our team to invest considerable parts of your elective Firm Time allocation in such Business Development tasks as are suited to your skills and interests, and which we are happy to have you doing. We will provide ongoing training in this area to further build your skills.

Bonuses...entirely at our discretion we may pay bonuses for exceptional performance beyond what we anticipated in any period.

Potential for future increases in your base remuneration...In assessing a generous above-market base remuneration we consider many factors, including changes in the Consumer Price Index, increases in your productivity within the agreed hours, contribution to ongoing achievement of the firm's Business Plans (measured across the combined effective Client Time and effective Firm Time), the profitability of the firm and its capacity to pay, the market value of your services in other similar legal firms in marketplaces similar to ours, and the total hours you are able to work effectively. We reconfirm we do not pay employees based on any numerical formulas or relationship to billings or fees collected.

We are a flexible employer, and will so far as practical and reasonable accommodate requests for our team members to work different hours.

If at any time you desire for example a working week shorter than forty hours we will attempt to arrange that, and a review of your base salary will be undertaken at that time.

Obviously unless there was a heavy weighting of some of the other factors set out above, relating to the fixing of base salary, a significant reduction in total hours of input would result in some reduction of your base salary or the foregoing of some or all of an increase that would otherwise have been available to you on annual review.

A note about time and units...For our activity recording purposes one unit of time is equal to 6 minutes or part thereof, but to reiterate, your expected average minimum input is in **hours**...not time units.

In some types of work it is quite normal that a lawyer recording accurately will capture more than ten units of time per hour ("leverage"). It does not follow that they have done more than an hour's work.

Other lawyers work types will offer much less opportunity to record above ten activity units per hour. Similarly, it does not follow that they have done less work than a lawyer with some achievement of "leverage".

If there are any aspects of this letter which you would like clarification of please do not hesitate to arrange a discussion with XXXX and XXXX because it is critical for the achievement of the firm's business plan and the security of all stakeholders in the firm that we all know and agree with the details of what is required of us in return for our remuneration.

Yours faithfully,

XXX

Managing Partner

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**Having enough to do certainly isn't just luck!!**

The vast differences between work levels in firms, and work levels of individuals within firms, at the present time highlights that being properly and profitably busy cannot be left to chance.

With tough times already upon some firms, and worse immediate future conditions anticipated for many, it's time to ramp up the Business Development activity.

Doing at least a minimum level of the right sorts of Business Development activity week in week out ensures you and your team members have a better chance of having a healthy backlog of Client work.

Very few lawyers ever do enough Business Development so if you have extra time on your hands now it's time to do a lot more!

It's easy to bemoan one or more of the multiple reasons why things are quiet...but it's better to throw the energy into communicating to the right audiences exactly how you can assist them in their businesses and lives in general.

Don't throw yourself at any old activity in a panic...you'll be seen for what you're doing a long way off!

Get good advice and develop sensible programs quickly to communicate to a larger but carefully selected audience just how helpful you can be.

In tough times there are fewer jobs in some areas and more in others, but you need to start getting more than your share. Given that we all know that many people batten down the hatches in tough times it doesn't take much to stand out as confident and competent, helpful and available.

**Reminder KMS ProfitPower™ Tip...**

Paying remuneration to lawyers based on formulas is not something we have advised in KMS for over twenty years, and yet employees in firms following the KMS principles average far higher annual billings than their peers.

In almost every case, paying based on

formulas amounts to sharing partners' proper profits with staff...quite unnecessarily.

It is one thing to be very generous to staff who perform exceptionally over a decent period...and we advocate that.

It is quite another to put the future of the firm at stake by minimising the lifeblood of the firm...healthy profits...because you pay them to staff who have not performed well at all...let alone exceptionally.

To overpay staff...let alone underperforming staff...and then complain about long hours, heavy stress, and poor returns, is not good management.

A final comment...if you set your staff's goals at ridiculously low levels, and they achieve them, it does not mean they are performing exceptionally...and it will do very little to ensure you realise proper profits.

**Upcoming new KMS seminars...The seven key things law firms most often get wrong to slash potential returns and impact their very survival...**

Tap into Rob Knowsley's vast experience of where law firms most often get it seriously wrong, and in a small group engage in an in-depth discussion of how to get it right in every scenario.

These timely seminars for tough times are planned for Sydney, Melbourne, Brisbane, Perth and Auckland. 4 MCLE/CPD points each.

One hour free follow-up telephone/email consulting is included in your registration at no additional cost...any time in the ensuing three months...and in blocks of as little as fifteen minutes.

Usual KMS 100% money-back guarantee that you'll be delighted you attended.

**Sydney is Tuesday 28 October**, and you can choose morning session...8.30 to 12.30 or afternoon, 1.30 to 5.30pm.

Other centre dates to be advised. To contact us for more information about registering for Sydney please click

here...

[sydney28octkms@lawfirmprofit.com](mailto:sydney28octkms@lawfirmprofit.com)

**Vale Patrick Snowden (1961-2008)**

Pat Snowden was a young Sydney lawyer, taken from his family by a brain tumour ridiculously early at the age of 47.

Your editor was proud to have had Pat as a friend, golfing buddy (although he could play...latterly off 2, but at times off scratch) and client.

Pat was an exceptionally determined person, who purchased a law practice with a peer some three years out of law school and built it, sometime after his first partner left to go into a family business, into one of the most successful and profitable small suburban law firms in Australia.

The determination he showed in practise, to understand how to deliver exceptional services to his wide array of clients and to be paid properly for those services, enabled him to build a superb business on high levels of repeat and referral business, with confidence always to charge properly.

He had a great love of life, of family and friends, a terrific sense of humour, and passion for hunting and golf. On the golf course he had absolutely no arrogance, and would always seek out mere mortals to play with...thus ensuring this very mere mortal had some wonderful experiences on golf courses all over Sydney, and in Newcastle, Canberra, Melbourne and wherever else the companionship of the NSW Solicitors Golfing Society took us, and our many like-minded friends and peers.

Patrick's incredible determination enabled him to fight an exceptionally pernicious tumour for 15 months, and he remained good spirited and selfless throughout...keeping in touch with many, many people by phone, mail and email despite all the immense tribulations of his numerous medical treatments.

Pat will be deeply missed by all who had the privilege of knowing him. Our special thoughts are with Tracey and their three children, Lucy, Jack and Hannah.

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