



KMS ProfitPower TipsTM for Lawyers



EDITOR: Rob Knowsley LL.B MIMC www.lawfirmprofit.com

January 2004

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

Featuring:

- ◆ Making money in the marketplace
- ◆ Writing up instead of writing off

Robservations

Welcome to the January 2004 edition of our newsletter.

As I travel around the country working with or addressing groups of lawyers and practice managers it is an unusual day if I don't get asked by someone what trends I am noticing in the Profession.

I am not going to try to give a comprehensive list here, just a couple of interesting ones that spring to mind.

There is a rapidly accelerating trend to more and more practices realising they have to get serious about business development.

This will put a bit of pressure on those firms which already have programs in place, to spice them up a bit to keep the files coming in at the target levels or above, and profits solid.

There are also a few 'experts' to watch out for.

A few firms are falling into the trap of allowing their lawyers to have far too much say in the design of business development efforts. Just because lawyers are intelligent does not mean that they know anything useful about developing or marketing services.

Unless they truly have relevant skills, keep lawyer involvement to relationship building, and supplying 'war stories' for your information stream aimed at referrers, clients and contacts in your chosen markets.

There are thousands of potential employees out there with Marketing degrees. In my experience they appear to learn little in a basic degree course of use to the average small-medium practice.

There are also many potential employees who have been involved in marketing products. Most legal firms need people with experience in marketing professional services, and preferably legal services.

Remember that all business development efforts must be measured against clear objectives.

For example, an increase of 7 files/business day worth an estimated \$X each, at an 'acquisition' cost of no more than \$Y.

I am seeing a lot of business development activity that is clearly textbook-based, with little or no focus on informing clients about issues which will lead to existing file loads being maintained and targeted numbers of

new files being opened.

Another interesting trend is the further rapid acceleration of numbers of lawyers in part-time work, especially in the suburbs of large cities.

It appears that this is caused by a combination of growing numbers of female lawyers wanting part-time work and the inability of firms to find enough suitable full-time employees.

Many firms are simply paying such employees a proportion of the full-time salary, and this has some potential downsides for maintaining a healthy level of profit.

Firm Time for an employee working say 5.5 hours a day on average is usually disproportionate to that recorded by a team member working 9 hours a day.

Many of the Legal Education and in-house training and other Firm activities are required whether someone is part time or full time.

It behoves firm management to be particularly careful that a reasonable return is being obtained for the proportion of salary being invested.

WorkPlansTM are particularly useful in ensuring that part-time employees

...Covered in This Issue...

- Editorial... Robservations
- ProfitPower Web Tips - 2
- Marketing Confidence Tips - 2
- Critical Success Factors - 3
- "Profit In Your Pocket" Impact Of KMS WorkPlansTM - 3
- Technology Tip - 4
- CashFlow Tip - 4
- Business Continuation Insurance - 4&5
- Free KMS Report - Direct Screen-Based Time-Recording - 5

Experience Powerful Profit Benefits with KMS ManagementSupportTM

A cost effective management advice service which draws on experience acquired in 1,000 medium to small legal firms across all states of Australia, NZ and Singapore. **If you are not already a member, visit www.lawfirmprofit.com now.**

The Editor, Rob Knowsley, is a lawyer, admitted nearly 30 years, and has practised successfully with firms of all sizes - city and country. As KMS Senior Consultant, his insights are based on the experience of fifteen years of consultancy assignments, and telephone support 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 businesses through his practical help.



continued from Page 2

have clear guidelines on what is expected from them.

Finally, an issue which is not so much a trend as a 'continuing pestilence'.

I am still noticing plenty of advisers, often well-meaning Accountants, advising firms to adopt a strategy of improving profits by beefing up partner Client hours and keeping staff numbers down.

Most readers will recognise this false 'strategy' as reverse leverage.

How they expect to be able to get business development carried out properly and staff properly supervised is anyone's guess.

For most firms, having partners leading teams, mentoring, training and maintaining key client relationships until others are capable of being introduced, is the way to better profits and a greater chance of creating decent succession options.

Does it mean that partners have to be truly multi-skilled? You bet!

Here's to a hugely satisfying and successful year in 2004, achieved through good planning, systems, monitoring and feedback in an excellent economic environment.

ProfitPower™

Web Tips

There is plenty of potential for law firms on the Internet, but also plenty of scope for wasting money.

Many small firms are now on to the third or fourth re-write of their website, and still have very little idea how well it is achieving objectives for the money spent.

Even firms with small relatively unsophisticated sites can get superb statistics on traffic to their site from any

worthwhile website hosting service.

Someone should be trained to visit the data regularly, analyse it and report on what visitors are doing on the site.

If your website hosting service does not offer sophisticated reports that you can access for free, or no charge beyond basic hosting charges, get one which will.

Marketing Confidence Tips

Tip #1... There's no need to give away both the 'eggs and the chook!'

Every lawyer worth their salt gets many enquiry calls a week. How you handle them can make a big difference to your revenue, and profit, of easily a hundred thousand dollars a year.

In our experience most lawyers have a bit of a chat on the phone with people, tell them all the basics, and suggest that they "have a think about things", and ring and make an appointment if they need any more assistance.

In 9 cases out of 10 that's the last you'll ever hear of them.

There's a much better way to handle these calls, it's proven, and it will add many hundreds of dollars a day to your bottom line.

Listen carefully to the caller's expressed problem or challenge, then offer the solution.

For example... **"I'm sure that once I get the full picture I'll be able to help you with that and put your mind at rest.**

I suggest that you pop in for a fixed price Initial Consultation ... we have a half-hour one for \$165 inclusive of GST ... from the sound of it most of what we're likely to need to do can be done

on the spot and there's no further obligation.

I can see you between 3.30 and 5.30 this afternoon or between 8 and 10 in the morning ... which of those will suit you best?"

You'll get the drift.

Make clear that it's money up front, cash or credit card ... and have your appropriate staff provide refreshments, collect basic data, collect the money and provide a Tax Invoice and receipt before the consultation commences so you can cut straight to the chase.

Will this approach scare some callers off? You bet! So you can get on with your other work having quickly identified those who are likely to value your assistance.

What's more you have improved cashflow ... and future contact details from the others to add to your Business Development database.

Recently a sole practitioner contacted us to relate his experiences with this approach ... implemented at our suggestion.

He was quite delighted with its success, and had a total change of mindset about the future of the profession for small firms, and the way what he perceived to be 'tyre-kickers' absorb valuable time.

One or two \$275 (GST inclusive) initial conferences per day on average for say 230 days ... up to \$115,000 pa extra professional fees and a much happier practising environment ... how easy is that!

It's important to sort out the wheat from the chaff early, and provide easy solutions for the 'wheat'.

Who says Yellow Pages doesn't work for Lawyers! KMS Special Report 'Effective Yellow Pages Advertising for Lawyers' \$95:00 plus GST in Australia. Money-back guarantee of satisfaction.

FreeCall 1800 621 270 or Fax 02 6337 5000 to order your copy or visit www.lawfirmprofit.com



Critical Success Factors

CSF #1... The big Work in Progress write-off trap...

For firms that time-record and create 'Raw' Work in Progress (don't laugh, there are still many which don't) there are many circumstances in which there may be write-offs when a bill is done.

Be aware of where there should be write-ups!

Most importantly, keep reviewing write-offs to see whether a culture of casually writing off is developing with a fee-earner, a team, or the whole firm. It can cost tens of thousands of dollars per partner, even hundreds in a larger firm.

A good example is Raw WIP created when a fee-earner is on a big learning curve.

In many Australian firms at present, fee-earners are having to re-invent themselves as personal Injury practices decline.

In new areas practitioners will naturally 'spin the wheels' to some extent, and some WIP will need to be written off.

The important thing is to not abrogate responsibility for monitoring reality, and allow inexperienced or naive practitioners to casually throw your profits away by writing down WIP more than needs to be the case.

If you have set their rate lower for the learning period there can be a real double whammy for you if they write down the WIP again on billing, especially if through lack of confidence they have set out an estimated fee which was too low in the first place!

Here's a practical example from a KMS client firm in October 2003.

A practitioner transitioning from PI to Family Law ran up around \$7000 in WIP over and above the \$2,000 billed in a single matter.

\$2,000 was billed because the practitioner felt that was all that was warranted for the work done.

If a more experienced practitioner had supervised the billing process and the discussion with the client our experience says that there's a good chance the client would have been happy with the value received at a bill level of \$3,275 ... especially if the original estimate had been properly set at \$3,500!!

The point is that there would still be a big write off but profit on a \$2,000 bill might be around \$660.

Adding a further \$1,275 to the bill takes profit up to around \$1,935 ... nearly 3 times the profit actually achieved.

Do this a few times a month with every fee-earner and you'll make far more impact on your bottom line than by substituting paper flowers for real ones in the Reception area, or plastering imperious stickers with the firm's name on them all over the magazines provided to keep clients happy while you keep them waiting!

The bottom line ... don't be too busy working to look for areas where your profits are being heavily eroded.

The Practical "Profit In Your Pocket" Impact of KMS WorkPlans™ in Action...

The big benefit of WorkPlans™ is that they allow for proper planning of potential outcomes on an individual basis.

Coupled with accurate time-recording they give you good information about the way each team member is actually using his/her skills in pursuit of the firm's business objectives.

Knowing that a particular individual records mostly Client work and very little Firm Time, may help you in setting WIP creation and billings targets higher for that individual than peers who are more involved in, for example, building of the firm's knowledge base and training of staff.

Understanding whether a particular team member has opportunities to leverage can assist better comparison with others.

Query whether it's fair to reward on billings when an individual is only given work by the firm that has little leverage opportunity.

Recently I was approached in a firm by a young team member who thought he must have been recording poorly in some aspect because he was present the same hours as some of his peers, whom he had identified were achieving significant leverage in their recording.

On my analysis he's an excellent recorder of tasks carried out and time used.

Lift Your Profits by implementing KMS WorkPlans™ ...visit www.lawfirmprofit.com

Allow us to assist you to unlock a dramatic profit potential within your practice.



continued from Page 3

When we analysed his work there were almost no opportunities for leverage, and this will be useful when comparing his exceptional recorded input to that of his peers on a more sophisticated basis than billings (or even collectable WIP) ... and for setting his next WorkPlan™ with him.

Technology Tips...

Ever had someone contact you to say that an e-mail attachment you sent was an old one, and not the current one?

It happens from time to time.

Certainly sometimes you have sent the wrong one, but often when you check your 'Sent' mail folder the e-mail attachment is the correct one.

What's happening in cyberspace?

Nothing!

What does happen sometimes is that the recipient's computer still has your old attachment with the same name, and simply opens it first, so the recipient thinks they are looking at the latest attachment.

Simple solution ... always name newer versions so they cannot be confused.

When sending Invoices by e-mail always ask for an acknowledgment ... that way if payment doesn't come you will at least know that the Invoice was received in the first place.

CashFlow Tip...

Follow up, follow up, follow up...

Experienced Credit Controllers know that there are almost unlimited reasons for people not getting paid in full on time ... and one key one is a failure of the firm wishing to get paid following up.

Follow up to ensure an Invoice has been received and is properly 'in the system' to be paid. With individual large accounts make a courtesy call to check with the recipient that the account is within expectations, and will be paid as per the arrangements in place.

Make a note of when it is expected and follow up to see why it hasn't arrived.

Never assume a payment has been made because someone you trust says they've paid it. Follow up ... check all the paperwork, receipts, bank deposits etc. It is surprising how often someone has confused another payment with the one you feel is overdue.

If someone pays a monthly account out of sequence, don't assume they'll pay the missing one shortly! Follow up, point out what appears to have happened and get them to check their records. Send them a copy of both accounts and if necessary a schedule of all Invoices and payments since the date when they were fully up to date.

Make it easy for someone to realise their oversight and fix you up.

If you send your contact an Invoice and they're not in the Accounting area of the client, send Accounts a copy ... they will always push to get it paid, tidied up and out of their system ... even if the original remains 'filed' away in the mess of your contact's desk!!

The bottom line ... most people genuinely intend to pay you, fully and on time ... you have to make it as easy as possible for them to get it right!

Business Continuation Insurance... a practical experience...

25 November 2001 was a bad day for Cessnock lawyer Graham Wall. He didn't get to go to golf. Graham was joining fellow New South Wales lawyers that morning for a three day Melbourne trip, to take on the 'Mexicans' from South of the border ... on some of Australia's top courses.

The first your Editor knew of Graham's misfortune was relayed at his Motel near the famous sandbelt courses ... Royal Melbourne and Kingston Heath amongst others.

Graham Wall wasn't joining us. He'd been hit by a car, crossing the road in Cessnock the night before, and would spend the next three and a half weeks in hospital, and three months off work.

In November 2003, I shared a motel room with Graham at Yarrawonga on The Murray, where we had convened for the 2003 Victorian match, and over breakfast took a belated opportunity to chat to him (for the benefit of readers interested) about the pitfalls of this type of insurance.

Graham's advice ... look carefully at Business Continuation insurance if you don't already have it, because it can happen to you!!

He had a Business Protection Cover and a Trauma/Personal Injury cover in place ... paid monthly by automatic deduction.

Despite having excellent staff ... as a sole practitioner there is no-one to help out ... to carry you through ... you really need this type of cover.

Graham had a Manager appointed to



continued from Page 4

the practice by the Law Society on his wife's application.

His insurance covered an agreed amount of money paid so long as he could prove was still unwell ... on figures submitted to show loss of income.

His Doctors' advice was to take six month's off, but Graham is a Sole Practitioner and that didn't seem an option. It may have been a mistake to go to back into the office too early.

It turned out that there was substantial argument with the Insurance company because Graham's doctors said twelve months before he was fully fit for work ... even though he was attending the office. An issue arose with the Insurance company claiming he was medically ok, but Brain Damage specialists said "no".

Graham feels he went back three months too soon ... and even though he was back in the office he was not working fully, and having suffered brain damage in the accident he later realised that he was not concentrating fully.

His Insurance company said he was, "back at work" ... but his diary showed he wasn't seeing people, not running cases etc. Graham makes the point that keeping an accurate diary is vital.

Even with insurance there was a significant cashflow issue ... funds generated were just keeping the practice going until insurance companies paid funds ... drawings were out of the question.

The business can be brought to its knees without the right cashflow.

Good records are essential for easily showing before and after Income and Expenses. Trauma/Personal Injury cover does pay a welcome lump sum but it must not end up being utilised as a substitute for income

replacement funds because you can't fully demonstrate the income you have lost on an ongoing basis.

Graham warns that even with a reputable company it naturally ends up being a fight over what they will be prepared to pay, and that this was a most disappointing aspect of the whole saga.

Final key point ... best to take up cover at any early age because it's harder to get later and a lot more expensive. Don't lightly cancel an existing policy with a view to changing insurance companies ... you may be in for a nasty shock.

Footnote ... with earnest, but modest, contributions from your Editor and Graham Wall, the New South Wales solicitors managed to defeat the Victorian solicitors well at the exceptional Cobram-Barooga course on Friday 14 November ... it clearly takes more than an errant motor vehicle and a testy insurance company to keep a good man down!

Free KMS Special Report: Direct, Screen-Based Time-Recording...

Many readers will know that my view over many years has been that there are real potential traps in direct screen-based time entry which if not handled properly can cost partners a lot of money in lost profit, due to a failure to capture Client (and Firm) activity at reasonable WorkPlan™ levels.

In my experience many firms which report improvement or do not deteriorate from results obtained from hard copy timesheets recorded time relatively poorly in the first place. Many of those firms do not use WorkPlans™.

In some firms there is an approach to

management which does not seem to care how long it takes a fee-earner in real time to record target hours, as long as targets are reached.

Recently we have been observing fee-earners agitating for direct screen entry saying that they are more comfortable with it and that they were used to using it elsewhere. It is possible that it is becoming part of the mix of factors that fee-earners will consider in assessing their employment options.

In a tight employment market, from an employer's perspective, any little niggling issue which might influence a suitable candidate is worth addressing at the appropriate time.

The KMS approach is to set reasonable individual targets for investment of real time, then strive to ensure that all the real time invested is captured, and that leveraging activity is also captured.

Direct screen-based entry is a growing trend in small-medium firms, and experiences are starting to improve, and it is worth looking at what firms are saying about results of direct entry, and trying to identify the keys to getting it right.

The bottom line ... I still see lots of potential problems, but have an open mind on whether doing a pilot with good operators, getting all training and software and systems configuration right, then if successful moving other people to direct recording in stages, might be the best way forward. KMS client firms experiences, warts and all, seem to be pointing strongly in this direction.

For a free copy of the full report please e-mail us at...

pptipsoffer@lawfirmprofit.com

or visit our website...

www.lawfirmprofit.com

Visit us at www.lawfirmprofit.com

Online tips, practice materials and earlier newsletters.