



KMS ProfitPower Tips for Lawyers™

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

March 2004

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

Featuring:

- ♠ Management Training Seminars 2004
- ♠ Marketing Confidence Tips
- ♠ Critical Success Factors

...Covered in This Issue...

- Editorial... Robservations
- ProfitPower Web Tips - 1 & 2
- Management Training Seminars 2004 - P2
- ProfitPower Marketing Confidence Tips - P2,3 &4
- ProfitPower Tip - P4
- Critical Success Factors - P4
- ProfitPower in Action - P4 & 5
- Tips you won't hear from us - P5

Robservations

Welcome to the March 2004 edition of 'KMS ProfitPower Tips For Lawyers'.

As I write this column, in mid-February 2004, the Profession in New South Wales at least is a-buzz with discussion about the Premier's recent threatened attack on lawyers charging 'too much', threatened fee regulation, and newspaper articles on the imminent death of 'the billable hour' (again!).

Lawyer involvement in Family Law disputes is the subject of examination by yet another committee, while the Family Court itself plays its part in helping keep fees down by introducing yet another upheaval of its own procedures for the profession to digest.

Life goes on pretty much as normal.

Where does it all lead us?

In my view, back to where we all should have started and remained... professionally looking after the needs of individuals, businesses and organisations in a manner that demonstrates sufficient value for them to pay us well.

We can thereby run practices that offer a long-term future for all those who deserve a long-term future with us, and make a decent return on our

investments after being paid a proper salary for our efforts.

"Make yourself useful, and the world will give you bread", is as valid today as it was when it was first uttered, save that there is room in our society for capable professionals to make themselves especially useful and to have cake rather than bread, if that is their preference.

Economic conditions in 2004 are expected to be excellent in most areas of the economy, and there is plenty of opportunity to make ourselves really useful.

Here's to a year very focussed on the real needs of your clients and prospects, in which they prosper therefrom and ensure that you do too!

ProfitPower™ Web Tips...

Tip #1... Set up your spam filters with some care... it is very frustrating to get an e-mail from a client then find your reply is returned as undeliverable because it was blocked by their spam filtering program!

Tip #2... The recent spate of hoax e-mails has caused some real problems. KMS has been deleting in excess of

100 per day despite various filters being in place.

A few things to watch out for...

Don't react to e-mails which tell you how to fix the problem, by deleting certain files on your computer for example. These are often hoax e-mails themselves, designed to cause further chaos.

Get your IT advisers to tell what you need to do, if anything.

Don't send an e-mail to everyone in your Address Book telling them they may have an e-mail virus.

Often the hoax e-mail has come from someone unknown to you (not the apparent sender), and has selected a random hoax 'sender' from e-mail names in their address book... not yours! Sending an e-mail to everyone in your address book just clogs up the system further and confuses novice users even more.

Do download the latest anti-virus upgrades for your software and get help to ensure they are working... it is surprising the number of users who do not realise that they don't even have the available software properly switched on and working to detect possible viruses.

Experience Powerful Profit Benefits with KMS ManagementSupport™

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.**

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 over sixteen years of consultancy assignments, and telephone support in all areas of practice management and profit building.



[continued from Page 1]

Do have an e-mail use policy and operate it rigidly. It could save you tens of thousands of dollars in downtime.

Team members downloading material from websites and opening e-mail attachments from friends are a major cause of viruses being introduced to your system and it does not help you if they did it in their private time... lunchtime for example.

They are putting your computer system and all your stakeholders at risk by their lack of care.

Management Training Seminars 2004...

In an earlier newsletter we asked... "What do you need by way of Management Training which is not apparently being provided in the marketplace?"

We got some good feedback, and here is our response...

After conducting a random survey of legal firms throughout New South Wales towards the end of last year, the information gathered pointed strongly to the view of those surveyed that there is need for a better quality of coaching session in Legal Practice Management than what is largely being offered to Lawyers and Practice Managers in the Australian marketplace... usually 'boring old seminar' style...

Lawyers are saying that the topics covered are often too general, and the groups too large for really effective sessions... in which attendees can have all their questions answered and particular concerns addressed, in an environment where there are truly like-minded attendees and a really experienced practice management coach.

We'll also be addressing what I see as the critical success factors for practice success in 2004... and beyond.

People are saying they'd be happy to invest a little more than usual if they were sure of the quality and the benefits they'd get for their investment...

I've put together a series of focussed Coaching Sessions of 4 hours... 2pm-6pm... in Sydney initially, in which I will match up attendees based on practice size, and their interests... expressed in a short pre-session questionnaire... and guarantee no more than 10 attendees to a group.

This will not be a typical seminar with a paper you could have read anytime... but a powerful interactive dialogue with the most experienced small-medium firm practice coach in Australasia.

Years ago we ran "new approach" type sessions... "Survival in the Nineties", and from those we still support many very successful firms 12 years on... a pretty powerful endorsement of the value of intensive coaching.

Attendees who are entitled to claim MCLE points will certainly be able to do so... 4 hours worth!

Importantly attendees will also be entitled to 5 hours of free follow up coaching via phone and e-mail over the ensuing 12 months, worth a minimum of \$2800... to ensure they get the best chance to follow through fully on the stimulus gained from the initial session.

Your investment is just \$865 inclusive of GST and will be subject to our usual 100% money-back guarantee of total satisfaction. Simply put... if you're not happy, tell us at the end of the session, and we'll arrange with you to fix the problem totally for you or give you your investment back in full.

At this stage I am just looking for

expressions of interest... no obligation. All you need to do to be put on the list for information on planned dates etc is to e-mail us a very short message direct at focus@lawfirmprofit.com or via our website lawfirmprofit.com. In due course we'll get back to you with a schedule of proposed dates and a very short questionnaire.

Looking forward to working with you in one of the sessions...

ProfitPower™ Marketing Confidence Tips...

Tip #1... Marketing Confidence Tips... developing and promoting a specialist niche...

Sydney lawyer Peter Jackson believes in continually looking for developing niche areas of practice to protect his future and to keep stimulating challenge in his professional life...

As an expert in banking disputes he has established a strong reputation, running many leading cases and assisting many borrowers (and lenders) resolve disputes.

In recent years he has developed an expertise in the carbon credit area arising out of concerns about climate change and with the Kyoto Protocol in mind in particular.

Peter points out that this area has advanced well past the planning stage and that, for example, in June 1998 State Forests of New South Wales announced that it had entered into three agreements with electricity generating / supply corporations.

A report in the Australian Financial Review indicated that one contract was for \$35,000 to provide 2,400 tonnes of carbon over the period of one year. This means that \$14.60 was paid for each tonne of carbon absorbed by the forest.

To chat with our Editor about issues raised within this newsletter call the KMS Management Support Helpline™

FreeCall 1800-621-270 in Australia - Outside Australia E-mail robk@lawfirmprofit.com to arrange a telephone discussion.



[continued from Page 2]

The area of forest was 1,000 hectares and the carbon rate of 2,400 tonnes per 1,000 hectares is conservative as it is generally considered a rate of 6,000 tonnes per hectare is more likely for a plantation of the type in the agreement. Another trade involved a plantation as small as 35.5 hectares.

Over the last several years a number of energy efficient projects have been undertaken, for example, a Romanian thermal energy project involved the reconstruction of two heating systems with new high efficiency boilers, burners and distribution systems.

The project life time is 15 years with heat reduction and distribution initially with existing low efficiency equipment for the first eight years of the project for the purpose of establishing a base line, and with new medium efficiency for the remaining seven years with central coal based power generation throughout.

The project investment involves a total of US \$6.4 million and is estimated to result in 130,000 tonnes of carbon dioxide reduced, costing US \$8.00 per tonne of carbon dioxide equivalent or US \$32.00 per tonne carbon.

In 1992 a swap of allowances took place between Elsan in Denmark and Shell of the UK. This swap permitted the companies involved in the project to meet local legislative targets.

More recently Peter has been advising a client on a wind energy project. The project will involve up to 150 turbines and will be the largest wind energy project on one property in Australia. The financiers did not appreciate that millions more dollars could be earned in income by including the carbon credits in the deal. The entire project is now being re-thought to the benefit of the client and the financiers.

Peter's development of this expertise is a good example of how to develop a

specialist niche and build a reputation as an expert through articles, press releases, news letters, e-mail updates, speaking engagements etc... with little or no paid advertising.

Agreements and options in the carbon credits area are complex and require specialist knowledge to maximise benefits to clients.

For all readers with clients with forest plantations (as small as 50 hectares) or planned energy projects, a chat with Peter Jackson or visit to his web site www.jacksonsmith.com.au may well pay dividends all round.

Tip #2... Marketing Confidence Tips... Business development is basic commonsense.

Often when I'm in firms teaching team members about business development it's clear that many are far too advertising-oriented.

I suppose that it's really not surprising, given the advertising pervasiveness in the society most of us have grown up in.

The problem is that in most cases legal services business development really needs to be relationship based, and advertising simply isn't enough, or is not cost effective.

Someone years ago wrote of the AIDA principle... Get **ATTENTION**, hold **INTEREST**, build **DESIRE**, and create **ACTION**... **AIDA**.

Unfortunately for those who want to advertise, even if your ad truly does get attention, it has to have very special qualities to hold interest and build desire... it has to be relevant to the right audience and helpful.

Informative, educative content works best.

Then there needs to be a strong call to action... to get those who are interested to do something to obtain

the benefits they now perceive.

They must go to your website for a free checklist, register for a seminar, e-mail you with a question, pick up the telephone... make some form of contact.

Drafting ads like this requires skill and experience... and the results must be tested carefully against set goals and against the cost of the ads.

The same principles apply to most small law firm websites... and as a result many are pretty ineffective because they simply aren't relevant and helpful enough... they are glossy brochures in electronic form, with most of the focus on the firm, and not on the needs and interests of the visitor to the site.

Most make no real attempt to trade the visitor's contact details for some valuable benefit... such as a free newsletter or Special Report on a relevant topic.

A good example is a free report on the site of a web developer... purpose.com.au... "**Seventeen Key Things You Need To Know Before Selecting a Web Development Company**"... very relevant, very helpful.

Tip #3... Marketing Confidence Tips... Effective Yellow Pages Advertising For Lawyers - Learning to "Elaborate"...

Yellow Pages isn't effective for every category of work but it's still very powerful and cost-effective if done properly.

Even in an area such as Employment, an ad which attracts a single claimant can open the door to a class of claimants in that workplace or industry if you "**elaborate**" fully.

In this context 'elaboration' is a term I coined some years ago to describe thinking generically about the work you are currently doing, and where

Get that special 'lift' and become more in control of your business destiny through the practical help offered by KMS. Hundreds of practices like yours have reaped the monetary rewards. Unlock the potential from within your organisation.



[continued from Page 3]

it came from, and who else in the marketplace might be affected.

Few situations are totally one-off and unique... so be always auditing new files for possible elaboration to your client base and referrer base.

Package up the benefits of your audience getting it right in the particular circumstances, and communicate those benefits by phone, e-mail or newsletter depending on the urgency... the potential impact on a client who gets it wrong.

For example... If you have just solved a problem for a client in a certain industry and saved him \$38,000 in Stamp Duty, elaborate the situation, and get an e-mail off to all your similar clients and all the Accountants in your referrer database.

To not do so is a terrible waste of a powerful, relevant helpful communication opportunity. Audit this months new files today and communicate some suitable messages today.

ProfitPower™ Tip...

When your team members are doing Conveyancing, record all tasks as coded either 'Within the Estimate' or 'Beyond the Estimate', or similar, so you can easily identify work you need to be charging more to the client for by prior agreement.

In many cases profit margins on work done within the original estimate are quite modest, and of course are much worse if substantial extra work is done for no extra fee.

On the other hand even four or five hundred dollars extra charged makes a big difference to profit.

The most powerful example I've heard of in practice recently is a matter in which the original estimate was \$2500 and the final bill \$8500, paid 'happily'

by the client.

Being able to recognise clearly the 'beyond the estimate' work, and demonstrate it clearly to the client, made a real difference to confidence in billing extra fees.

Frankly, builders do it in every building contract... so make sure you have the 'strike rock' clause in your engagement materials and use systems to monitor exactly how many cubic metres of rock you do need to excavate to properly assist each particular client.

Critical Success Factors...

Most of the time paying employed lawyers on the basis of a formula is crazy stuff... yet so many firms still do it!

We're still seeing the old 1:3 formula, and variations up to 1:4.5 .

Better strategy... get each lawyer to agree to work and record whatever their full average day is to be... 8 hours, 9 hours or whatever.

Paying a lawyer to work for you effectively over a 45 hour week and record the work is not a big ask... but if you agree to less so be it.

Work out what the market wage is for such a level of input and pay that or a bit more.

Work out how much Firm Time you expect the individual to invest in your Business Plan daily on average... more than 2 hours a day is unusual.

The rest is Client Time and you need to ensure the work is there for them, with their help wherever possible... using some of the allocated Firm Time.

Using this KMS WorkPlan™ approach it is not at all unusual for employed lawyers to comfortably do and capture in excess of seven hours of each day on average.

Unless you are deliberately utilising many hours of Firm Time for an individual, the main reason people fail to record decent Client Time is that they do not have enough work.

Sometimes they are poor at recording. You need systems to ascertain where the gap is being created.

ProfitPower™ in Action... A Cautionary Tale...

How the 'Intelligence' of an Employed Lawyer Can Conspire To Send You Broke...

Readers will know that your Editor is a big believer in the power of War Stories to help convey a message.

Here's one from our files you may be able to recognise and identify with an employee or two.

The KMS WorkPlan™ approach to productivity planning relies heavily for its effectiveness on the establishment of a 'compact' between the firm and each individual team member about what hours they expect to actually work for the firm on average.

It also relies on optimal recording of both tasks carried and time use, whether on Client files or projects that protect the long term future of the firm and all its stakeholders.

The following is an example of what goes wrong when someone for one reason or other tries to 'pick the eyes out' of the KMS system by trying to combine their own system of recording inputs with an old fashioned approach to billing.

A young Queensland Family Lawyer had a WorkPlan™ for 2003/04 which required a total input average of 42.5 hours per week, with a Client Time/Firm Time mix of 6.5 hours and 2 hours. His hourly rate was \$315 exclusive of GST.

The WorkPlan™ is designed to focus

Get that special 'lift' and become more in control of your business destiny through the practical help offered by KMS. Hundreds of practices like yours have reaped the monetary rewards. Unlock the potential from within your organisation.



[continued from Page 4]

the firm on keeping him busy and he certainly was.

He should have created in a year a minimum Raw Work in Progress of \$477,000 approx, and to achieve an average Realisation Rate of that Raw WIP into rendered bills of 90%.

KMS experience is that 95% to 98% Realisation is possible for a good operator even if they are a very good recorder of time and tasks.

The team member's goal for the creation of billable WIP during 2003/04 was therefore about \$429,500, and depending on opening and closing WIP levels on 1 July 2003 and 30 June 2004, would be expected to bill a bit more or a bit less than that during the financial year.

Unfortunately, despite training and counselling the lawyer concerned still has his own ideas about recording and about billing, and actual averages recorded per day are only around 4.5 Client Hours and 2 hours Firm Time... about 70% of WorkPlan™ goal is actually captured via time-recording.

Here's where his 'intelligence' comes in.

He consistently expresses the view that he and his secretary know how to properly cost a file, and regularly 'pick up' fees over and above the recorded hours, and achieve better for the firm... so full time-recording is a waste of time.

It's a nice story if it's true, but here's where the KMS FeedBack Report™ really comes into its own.

There's a section in the FeedBack Report™ which projects elapsed months results forward over the whole year, and in August 2003 the report for July was already looking sick.

The projection for our "hero of the acquired management systems experience" was already showing less

than \$200,000 productivity for the year, not \$400,000 plus.

By October, all the predictions of billing uplifts were out the window, as the actual Realisation Rate on the paltry Client Time recorded was in the sixties, not over 100% which fees uplift on recorded WIP would produce.

Billings were less than 70% of budget. Remember that all this time our 'super intellect' was still very busy.

My advice to the three partners was that this one errant individual was about to rob them each of about \$70,000 in pure profit, and that something had to be done urgently to stop the bleeding.

Annoyingly I have no doubt that the subject of this War Story thinks he is a good performer compared to his peers, and can trot out many examples of people he knows who are performing at similar levels... so to expect more is unrealistic and unfair.

He simply would not believe that there are people working about the same hours as him who between secretary and fee-earner produce around \$700,000 per year... on lower hourly rates.

The bottom line...

There are many many lawyers in the profession who are capable enough lawyers technically but absolute 'babes in the wood' when it comes to financial management and effectiveness.

If allowed to operate their own 'systems' they will send their employers broke...while reassuring themselves of their importance to the firm and universe at large.

Footnotes...

1. A capable Family Lawyer can easily record 100 Client units of work during a reasonable average day, and 10-15 Firm units.

Bear in mind that even 70 units a day at \$295/hr recovered at just 90% represents

\$427,455... how do the lawyers you are thinking of right now compare?

2. If someone has the right attitude and is otherwise a good recorder of time and tasks, the principal reason for failure to achieve optimal results is that far too often during the year there is too little Client work to do.

This is almost always something within the control of the firm, through focussed Business Development, and not a factor of the economy! The sooner a firm starts doing enough Business Development properly the sooner the work pipeline will be full, making it easier to sack those 10% of your current clients who simply do not deserve your efforts!

If any reader is interested in seeing a free, suitably 'sanitised' copy (to protect the guilty) of the KMS WorkPlan™ and KMS FeedBack Report™ in this situation, please e-mail us at lawyersmarts@lawfirmprofit.com.

Management and Personal Organisation Tips You Won't Hear From Us at KMS.

Partners are usually the highest hourly rate performers in the firm... the way to bigger profits is to get them to do more Client Time... that way they'll naturally have the maximum time necessary to use their experience and contacts to bring in more work and supervise the quality of what other people are doing.

If the partners feel a bit busy and can't do it themselves, hire an administration manager whose main experience is in counting paper clips, and get that person to supervise the lawyers and other fee-earning team members... they respond really well to leadership from people who haven't got the faintest idea what really goes on in the trenches... someone for whom they have no respect whatsoever.

Visit us at www.lawfirmprofit.com

Online tips, practice materials and earlier newsletters.