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[www.lawfirmprofit.com](http://www.lawfirmprofit.com)

# KMS ProfitPower Tips for Lawyers™



Issue 32... **October 2007**

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

## Robservations

Welcome to the October 2007 edition of "KMS ProfitPower Tips for Lawyers"... Issue 32

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...

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

### The terrific value of individual WorkPlans™...

Every week in practice I observe situations in which people are grossly under-performing for the remuneration the firm is investing in them. \$50,000 pa under-performance on fees is virtually a given, and \$150,000 pa and above is quite normal!

Often it is simply because the firm itself is not clear what it expects, and has therefore not communicated its expectations to the individual and created an environment where it's reasonable that the expectations can be met.

The KMSWorkPlan™ is an effective tool to use in this very important task.

It is a performance management system that documents a fee-earner's agreed planned contribution to the practice over a period of a year.

This makes it easy to monitor actual performance against the plan and thus make it more likely that you can achieve the following outcomes:

- Individual team-member self-fulfilment.

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- A much better match between firm goals and personal goals.

It must be stressed that this careful planning is not an activity relevant only to those large firms where often the only indicators of a person's "worth" to the firm appear to be superhuman hours of input and exceptionally high personal billings.

Rather, this quality improvement tool helps to prevent an unsatisfactory large firm ethos from developing, while ensuring that the team-member and the firm, in any size firm, are clear on what's possible and what's expected for the remuneration of the individual.

WorkPlans™ have been a great KMS tool for nearly twenty years, but a particular benefit in recent years has been their great

suitability to assisting planning of the contributions of individuals who work flexible hours in any of a variety of permutations. Part-time work and job-sharing are now normal in most firms. Without these flexibilities, and others, the labour-force would simply be too small to meet the demand.

Establishing, and over time fine-tuning, the correct KMSWorkPlan™ for each individual is one of the major keys to maximising production across Firm and Client Time from agreed reasonable input, and thus has a huge bearing on profitability.

At KMS we give general advice on the strategy and process, assist you to establish the system in the firm and work through the WorkPlan™ for each fee-earning team member, provide the proven templates and updates under licence, and generally assist firms to lock in the benefits that WorkPlans™ deliver.

Licence fees are a miniscule \$85AUD plus GST per person in the first year, and reduce via \$55AUD plus GST in year two, to \$35AUD plus GST in year three.

To set up a discussion about how your firm can tap into the power of KMSWorkPlans™ please just click here to automatically generate an email to us...

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

### Common "Watch-Outs" in Practice Management...

Many errors made in firms ten years ago are being repeated each month in 2007... causing much angst for partners and employees... not to say consultants!! I will try

The Editor, Rob Knowsley, is a lawyer, admitted 33 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 nineteen 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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to deal with one or two each issue as a quick "heads-up".

**TIP #1...** I regularly get lawyers and practice managers asking me how to calculate average days of unbilled Work in Progress...for the firm, or for an individual lawyer.

The level of enquiry rose dramatically after the article on the importance of the right balance between Velocity and Volume in Issue 31.

This indicator can be very valuable in comparing how well individuals are turning matters around, and can help you to identify specifically where undue working capital may be getting tied up.

Here's the formula I use...

Take the average of the Opening unbilled WIP for the period and the Closing unbilled WIP for the period and divide it by the new WIP created for that period, and multiply the result by the total days in the period.

Month example... Opening WIP \$80,000, closing WIP \$100,000...average is \$90,000...divide by say \$37,000 (month's new WIP)...is 2.43...times the total number of days in the period...say 31... is 75.4 days average age of unbilled WIP.

Year example... Opening WIP \$80,000, closing WIP \$100,000...average WIP \$90,000...divide by \$444,000 (new WIP created in the year) ...is 0.20...times 365 days...equals 73.98 days average age of unbilled WIP.

If doing this for a fee-earner be sure to use that fee-earner's own WIP generated, and also the unbilled WIP originated by that fee-earner...not the unbilled WIP in total on matters managed by that fee-earner!!

**TIP #2...** The above formula can also be used to calculate the average age of all debtors.

If simply using the average age of debtors calculated by your practice management system, be aware that some systems have various calculations in different reports and they produce vastly different numbers.

I have seen one system with three very different numbers for average days debtors.

Reason...programmers!

For example I saw one system that gave a

number for average age of debtors that was the average time it had taken to collect the debts which had been paid in a period, (not the average age of all bills rendered), but that explanation required some digging.

Clearly, knowing that your average age of debtors in June was 15 days is not all that useful if it turns out that you only collected \$100.00, and in reality the average age of your debtors is 78 days, and there remain hundreds of thousands outstanding beyond your normal payment terms of 14 days.

There is no across-the-board correct figure for average days debtors, but firms are welcome to talk to us about individual situations to help to set reasonable targets based on my experience with hundreds of different work mixes in firms.

**TIP #3...** Completely contrary to the myth, most lawyers undercharge. They have never become completely comfortable with the immutable law that there are plenty of people you'd like to have as clients, in every marketplace, who understand fully that exceptional never comes cheap.

If you haven't done it for a while, increase your charges today. The immediate extra profit already belongs to you...you've been pouring it down the drain until now.

### Future KMSSuperProfit™ Seminars...

This series in the first half of 2007 was hugely successful, and we are now looking at other locations and repeats...we have many in our database who have asked to be notified when we will be doing the seminars again in major centres, and also plenty who have asked if we will go to large regional centres.

Having a strong indication of levels of interest speeds up our programming so to register interest or to get a copy of the contents lists for the two seminars in the series, please click here to automatically generate an email to us...

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

### Your KMS ProfitGap™ Analysis...

In my experience of 33 years since Admission as a Barrister and Solicitor busy practitioners often wonder why they are so busy, seem to have good staff, but never

seem to be able to break through into the realm of truly excellent profits...

Salaries and other expenses just keep going up, but fee production never seems to grow at quite the same pace...

Cashflow often seems much tighter than it should be, and those never-ending cycles of tax payments can create periods of totally unsatisfactory stress...

Overdrafts often seem to be getting bigger without the apparently better returns to justify the extra risk and exposure...

In looking at 1072 firms in consulting in nearly twenty years I have developed strong insights into the key problem areas and have specific proven solutions...

I've helped reduce the gaps between potential production and fees...and actual results...in large numbers of firms, with dramatic results for per partner profit...

Recently, for example, we assisted two small firms in New South Wales and identified fixable partner profit gaps of between \$150,00 and \$200,000 a year...and the scope in larger firms is much greater than these examples. If you've attended one of my seminars you will have seen the size of some of the numbers involved in even quite small firms.

We developed the KMSProfitGap™ Analysis to give you a quick focused view of where you can easily lift your returns by doing things a little differently. It will set out my recommendations based on wide experience of successfully implementing the suggested strategies.

### Your Investment...

An extremely cost-effective investment for you as someone we already know...you invest just AUD\$1242.50 plus GST when you agree to having us do the KMS ProfitGap Analysis™ for you, and the same amount when we deliver your analysis to you by e-mail...

### Your extra reward for decisive action...

Because we'd still like to do more of these projects before the end of October we will as normal accept instructions on a first come first served basis, but the first five instructions we get, in the next 48 hours (close of your business day is fine) will attract an additional 20% bonus on your investment. Your deposit will remain AUD\$1242.50 plus GST and final payment will be just AUD\$745.50 plus GST.

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You'll need to be quick for the bonus...our past experience is that the early adopters make their decision and communicate it within fifteen minutes of receiving the offer!

### **Your usual KMS "Absolutely No-Risk" Guarantee...**

We've done so many of these types of analysis over the years we know we can achieve what you are expecting, and are happy to back that up with our usual guarantee. If for some reason you are not happy with our ProfitGap™ Analysis call me personally and discuss any concerns you have with me, before you pay the balance of your investment. If I cannot fix things promptly for you at our cost I will refund your full investment...

### **Here's all you need to do now...**

Just click here  
[PTTipsPGAnalysisSep@lawfirmprofit.com](mailto:PTTipsPGAnalysisSep@lawfirmprofit.com)

We'll e-mail you a Tax Invoice and you pop the agreed deposit into our Bank Account by EFT.

We'll urgently e-mail you a short questionnaire and promptly complete your ProfitGap™ Analysis for you with my recommendations when you e-mail the completed questionnaire back to us...

## **KMSProfitPower Tip#1...**

**The surest way to dramatically boost your profits...** is to organise to ensure that each of your fee-earners has a healthy backlog of Client work at all times.

From my extensive analysis of firms over the years, it's very clear that firms lose most of their profit opportunity by failing to ensure their people remain properly busy to WorkPlan™ levels once the firm's breakeven point has been reached.

The crucial value of performing in this area is that most if not all of the gross revenue is profit, as the overheads have been covered.

\$50,000 minimum loss of renderings per person is normal, and that's \$50,000 profit. At say \$285/hr, it takes a fee-earner just 7.5 billable six minute units a day for the year to squander your \$50,000.

My observation is that most people, left to their own devices, will achieve that quite easily!! They fluctuate between being

partially occupied and fully occupied, but are fully occupied for too little of the year to offset the impact of their substantial periods of "under-performance".

Ironically, most people will say they have enough to do even when the facts clearly demonstrate otherwise. Unfortunately most people cannot be left to self-monitor because they simply are not good enough at it, and there's far too much at stake for you.

Will this fundamental operational defect mean you might need more work in the firm? Definitely, but better to know that and attack it, than fool yourself that you are a "larger" firm than your file numbers actually justify!

## **ProfitPower Tip#2...**

### **Monitor the workload of your good performers too!**

Lots of adages are used to justify not looking closely at performance data associated with a good performer...but there's one issue you must watch closely.

An allegedly good performer can have too many files for the collectable Work in Progress they are creating from them.

One cause can simply be poor file velocity...even a hotshot has a point where they cannot maintain the right velocity across a file load that is too large.

A more usual cause is fee-earners deliberately under-recording their efforts to keep WIP per file down, while managing to hit targets by working harder than they are expected too to do it.

Such fee-earners will often have Realisation Rates close to 100%, easily achieved if you have already pruned out any work you don't feel should have been recorded to a client file.

A worse problem of course in terms of impact on your profit is the fee-earner who does this same thing but does not reach target!

When it comes times for remuneration review many of these fee-earners are disappointed and disillusioned to find that their efforts are "not fully recognised"...some even complaining that they work far longer hours in fact than their WorkPlan™ provides for.

Some have the temerity to become angry when it is pointed out (usually for the umpteenth time), that "work" done and not accounted for by someone refusing to follow a firm's reasonable systems is hardly work that can be remunerated at a higher rate!

Bottom-line...don't invest time and money attracting work worth \$60,000 each month and then allow someone to turn it into \$38,000 a month in collected fees...there are easier ways to make a living!

## **SuperQuick ProfitPower™ Tip...**

For intelligent people lawyers allow themselves to focus far too much on percentages and averages, and do not challenge enough paradigms.

They often allow themselves to be too busy to manage their firms and people individually, focussing on their obvious potential rather than on averages.

## **The new-client pulling power of writing articles...**

My 33 years experience in the law tells me that while the writing of articles is very smart business development, too few lawyers do it well in terms of both content and consistency...

Many lawyers over the years have asked me where you can buy a decent flow of quality articles...

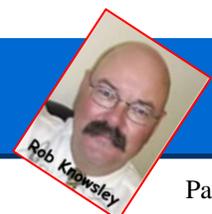
A long-standing KMS client, **Peter Marr** on the NSW Far North Coast, has been writing great easy-to-read articles for 15 years, and has asked me to assist him in offering them to other lawyers to use them in the same successful way he has in building his practice...

### **Nature of the Articles**

1. Family Law
2. Wills and Estates Law

The articles are aimed at the **public** which are the lawyer publisher's potential clients... and also the lawyer's **existing client base**. Although they are informative, accurate and current in relation to the law and changes to the law, they are not academic and do not attempt to be so. They are clear and simple.

Keen to see a pet practice management **topic of yours addressed** in a future issue of ProfitPower Tips?  
Feel free to click this link and e-mail Me [your suggestion...](mailto:your_suggestion...)



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### Length of articles

The articles that Peter has been writing consistently over many years are between 450 and 500 words. They fit into a column in a television guide he currently advertises in which is published fortnightly. He has found 500 words to be the ideal length as they fit into a one half-page column in reasonable print size, which enables him to also insert a suitable photograph, which Peter and I both consider to be very important in helping readers relate to the publisher of the articles.

### Suitable media for your Publications

The articles are suitable for publication in local papers, metropolitan papers, magazines, specific publications such as television guides (this is where Peter has published recently with enormous success), your own newsletters, and on websites.

They can also be the basis for public speaking to community groups and seminars.

Peter accepts that there is a need to protect your investment and is happy to limit sales within geographic areas. In our experience this is best done by working with licences for "agreed publications". When you subscribe, you nominate three local publications you want to publish in, or prevent others running the "Marr" articles in, and Peter licences you for those and will agree not to licence other firms for those while your subscription is current. He will also offer you the right to renew before approaching anyone else.

Of course you are free to put the publications on your website and include them in your newsletters or other direct publication to your clients.

### Aim of the publications

Peter has specific aims in relation to the publication of these articles. The trick that he has found to the publication of the articles is to be consistent and regular.

Peter and I have both noticed that people who do write or publish articles seem to lose enthusiasm after a relatively short time. This could be for a number of reasons, but there are two standouts:

1. If they write the articles themselves, it is difficult to have a flow of thought

which is fresh and engaging to continue writing the articles;

2. If they are purchasing articles, then they have a 'Harry Potter expectation', being an immediate response with significant new enquiry and files in a short period.

The "secret" is that the articles are more in the nature of "Chinese water torture":

1. They provide regular and consistent exposure for the publisher;
2. They tell the clientele and/or the public that you know what you're talking about;
3. If properly written, they present a humanity with which the public can connect;
4. They promote the publisher as someone who fits the client need... "I could talk to him or her";
5. It is essential that they relate to real problems and communicate in simple terms that can be easily understood by the public.

### Results of the articles

Over the 15 years of writing the articles, Peter is comfortable with the conclusion that this form of business development is:

1. Effective, in that 80% of clients refer to Peter's articles when they are surveyed and asked why they have chosen Peter Marr as their Lawyer;
2. Far reaching, in that Peter manages Family Court matters in Brisbane, Sydney and Melbourne as well as in his local area of Coffs Harbour and Lismore on a regular basis. He has had, and continues to have, international clients in Vanuatu, Fiji, France and China as a direct result of the articles having been read while people are on holidays on the North Coast of New South Wales.
3. Able to set the publisher apart from others in the field, in that people believe that you know what you are doing if you are writing articles for general publication;
4. One that promotes you as the person who knows the law; the potential client's problem, and that you want to help;
5. One that has generated hundreds of thousands of dollars of income for him.

### How we provide the articles to you

In order for the articles to be fully current, particularly in the area of Family Law where there is seemingly a change every week, the articles need to be written or edited on a fortnightly basis. The articles need to reflect changes and amendments to the law. They need to raise different, current, relevant issues.

Two articles per module will be forwarded by email each month as Word documents.... the first two immediately after you pay your subscription and two issues sent monthly thereafter in the first few days of the month...

Copyright in the articles remains with Peter Marr at all times. However of course you "badge" the articles with your name and firm name and photo...and I am happy to help out with advice on effective layout when you show me your planned drafts.

### Your high-value investment alternatives

You elect which of the two modules you want a steady flow of articles in... **Family Law...** and/or... **Wills and Estates and Estate Planning...**

1. A subscription for 12 months in advance for each module where you receive 26 (2 per month plus 2 bonus) articles at a cost of \$64.79 per article for 24... **\$1,555.00 plus GST.**
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