

Law  
Consultancy  
Network

A photograph showing several business professionals in a meeting. They are wearing white shirts and dark suits. One person is writing on a document with a pen. There are papers, a glass of water, and a coffee cup on the table. The image is partially obscured by a dark purple overlay containing text.

## OUR TOP 12 TIPS FOR PROFITABLE LAW FIRMS

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# OUR TOP 12 TIPS FOR PROFITABLE LAW FIRMS

## INTRODUCTION

The UK legal services market is going through changes so radical that it is difficult to predict with any certainty what it will look like five years from now. The current emphasis on mergers may produce firms that are stronger to compete with new delivery models. Equally it may result in firms using a lot of their time and energy to deal with internal problems created by trying to combine different cultures and ways of working.

New entrants may succeed in their aspiration to provide quality legal services consistently and cost-effectively or they come to appreciate the complexities of satisfying clients making what is often a 'distressed purchase'.

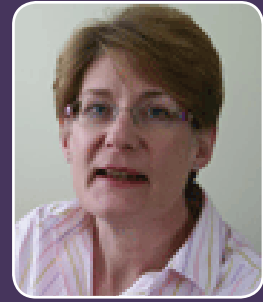
In this series of e-books, we offer some practical tips about how to not only survive in the current marketplace but more importantly succeed in the future market. Clients will always need lawyers who provide them with access to justice – whether it is in relation to resolving their personal problems or their fundamental rights.

Putting it in its starkest terms, the survival of the UK legal profession as an independent entity depends on law firms who are profitable and sustainable, staffed by lawyers who care about and invest in their profession. New entrants need to be able to secure training places and career structures, senior people need to achieve exit strategies and firms need to be healthy and viable.

The following pages concentrate on profitability. Later books will focus on market positioning, client attraction, leadership, quality of services, and people development.

# TOP TIP 1

## SET KEY PERFORMANCE INDICATORS AND KNOW WHERE YOU ARE WITH THEM BY VICKY LING



Quality guru, W Edwards Deming, is often quoted as saying, “You can’t manage what you can’t measure.” He also believed that one of the seven deadly diseases of management is trying to run a company using hard data alone; but this is rarely a problem in law firms, which often stop looking any further once they are satisfied that their income exceeds their expenditure!

If you want to improve performance, you need to be able to measure where you are now and compare it with performance after development activity has taken place. It also helps if you choose measures that you can benchmark against other firms – such as those in the Law Management Section’s annual Financial Benchmarking Survey [www.lawmanagementsection.org.uk/pages/home/home](http://www.lawmanagementsection.org.uk/pages/home/home)

The first thing is to identify the firm’s priorities, as these will suggest what needs to be monitored. These could include:

- **Financial measures** - such as WIP, fees lock-up, billable hours per fee earner, the ratio of costs recovered to billed values
- **Client care** - such as complaints and expressions of dissatisfaction, which have not been referred into the formal complaints process, number of repeat instructions per client (where relevant)
- **Compliance with Code of Conduct obligations** - such as sending terms of business letters, providing estimates of costs and keeping clients updated, registration of undertakings
- **Legal aid and contract requirements** - such as discipline in relation to scope and financial limitations on legal aid certificates, evidence of means for Controlled Work, and use of New Matter Starts

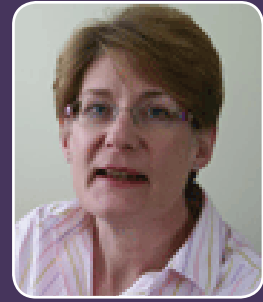
It is a good idea to include any areas which have caused problems in the past. Luckily many important issues are likely to overlap, which reduces potential duplication.

It is helpful to gather information widely, to identify issues that cut across departments and may lend themselves to KPI monitoring. Supervisors will help to identify the key issues that commonly arise in supervision and file review. Fee-earners will also be able to contribute from their point of view. Feedback from those involved in drafting bills is valuable and capturing information about why bills were not paid in full is also helpful. Some of the data can be provided by the accounts department; but it is also a good idea to drill down to file level through the supervisory file review system.

Once you have identified what your key indicators are, you need to ensure that they are monitored by the right people and corrective action is taken when key performance indicators are not met. Performance should be fed back at all levels, so that everyone knows what is being monitored, why it is important, and what they can do to contribute. This may cover a wide range of roles within the practice, from receptionists, secretaries and support staff through to fee earners, team leaders, department heads and partners or directors. Used effectively, KPIs can drive performance improvement, improve compliance and reduce risk.

# TOP TIP 1

## SET KEY PERFORMANCE INDICATORS AND KNOW WHERE YOU ARE WITH THEM BY VICKY LING



### QUESTION

*How do I avoid tensions between measures, for example where improvements in client service satisfaction are reported but the WIP cost has increased rather than decreased?*

### ANSWER

*The first thing to do is some digging to make sure that the two factors are causally related! It would be a bit of an own goal to 'fix' something that was irrelevant, or even made things worse.*

*As Deming suggested, soft data is as important as hard data. You could talk to people - the partners and staff in the relevant department and see what their impression was.*

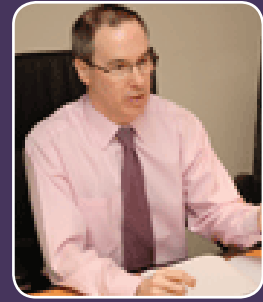
*Even where there is a relationship you will often find that the solution will not have an adverse impact on the positive result you have observed.*

*For example, clients may have registered additional client care measures, which may have increased the WIP; but they would also appreciate more prompt bills, which would bring it down.*

# TOP TIP 2

## KPIs PROVIDE QUICK FIX AREAS IN IMPROVING THE BOTTOM LINE

BY ANDREW OTTERBURN



Most firms of solicitors are awash with information – reams of reports and numbers – however few firms have a clear set of key figures they track and monitor in order to improve profitability. For most there are a small number that are really valuable to monitor. Here are my top six:

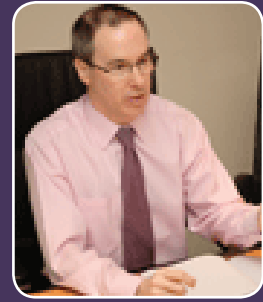
- **Utilisation** - what % of their target chargeable hours is each department or team achieving? You may look at this individually within each team but work out the team result and the management team should focus on that;
- **Value of time written off** - because once the management of a firm starts focusing on utilisation people start over time recording, hitting great utilisation, and then writing it off. Report it along with utilisation each quarter and make it one of the areas considered and reviewed within each team as well;
- **Average hourly fee** - having worked out each team's actual chargeable hours – for the quarter or year to date – divide this into the team's fees in order to calculate its average hourly fee – a very interesting figure and one that if monitored on a quarterly basis is likely to increase;
- **Departmental gross margin** - calculated by taking each department or team's fees and deducting the cost of producing those fees – the salaries of the fee earners and support staff in the team, and factoring in a notional salary for each equity partner. Don't include the salaries of central support staff who serve all departments and don't include any overheads although department specific overheads can be brought in as stage two. A reasonable figure would be 50% and 60%+ would be great. Many departments will be less than this level however over time if you keep monitoring it the likelihood is that it will improve;
- **Debtor days by team or department** - much more useful than overall firm wide debtor days, this really gives a management team an idea of what is happening and how much is being owed in respect of each team. It is for you to determine a good figure however in residential property it should arguably be nil and most publicly funded work will be very low also as they are invariably accounted for, in effect on a cash basis;
- **Finally work in progress days** - provides an idea of what is in the pipeline and is there to be billed. Some fee earners will be good at billing WIP but many are poor. Once again the definition of good will vary between departments and within each some fee earners will be good, others not so good. Try to focus on the stars and roll out the things they do well to their colleagues.

So, six really useful figures. In order to get buy-in share the information. Let the people within each team see the individual figures of the others, but between teams just focus on the totals. The management team should focus on the totals. By looking at a small number of key figures everything becomes that bit easier!

## TOP TIP 2

### KPIs PROVIDE QUICK FIX AREAS IN IMPROVING THE BOTTOM LINE

BY ANDREW OTTERBURN



#### QUESTION

*How do I deal with lawyers' inherent dislike of looking at figures?*

#### ANSWER

*The answer is to simplify the information presented and just get them to focus on a small number of key figures.*

*It is easy to be overwhelmed by a forest of information so cut it back to just half a dozen key numbers and track them over time, typically quarterly.*

*Also provide training, in particular to the management team, and make people feeling ok asking stupid questions!*

*It might take several sessions before everyone does start to understand them, and that's fine!*



# TOP TIP 3

## REFINE YOUR RECRUITMENT STRATEGIES AHEAD OF THE PACK

BY EMMA POTTS



It is unlikely that the post 2008 economic freefall has left any law firm unscathed. There will have been an impact at some level in even the best protected practices. Elsewhere, fee earner redundancies of 20% and above have had a staggering impact on morale and business direction. Strategies switched from considering 5 year plans to working out how to stay within next month's overdraft limit.

Recessions and recruitment have a strange relationship. It is only now that confidence is starting to re emerge and, even now it remains fragile; we know that we are not out of the woods yet. This time around though the concerted effort required to emerge with strength from the dip has even more factors at play.

The Legal Services Act, coupled with the current almost frantic merger and consolidation activity means that at some point there will be even more competition for the best legal talent. Not only will talent have been lost to redundancies but there will also be fewer lawyers with good experience coming up through the system. In addition there will be competition from new entrants into the legal market to recruit the talent that does exist.

It may be pre-emptive in a time of ongoing uncertainty to suggest large scale investment in new recruits. However, it is appropriate to be looking ahead to the increasingly competitive and pressurised market that lies before us:

It makes sense to look at a number of issues:

- **Play to your strengths.** The current market conditions are more favourable to playing to your strengths than to trying to cover all types of clients and work. As things do start to improve these are also the areas where you stand a better chance of attracting high quality recruits. The obvious follow on from this is that higher quality recruits who are working for you are no longer working for the competition, so further adding to your ability to enhance your market share and reputation.

- **Be proactive.** Once you know where your practice is heading it makes sense to think about who you might need on board to help you get there. If you have suffered from falling profits and large staff losses you might not feel that you would be an attractive proposition at the moment. However, most firms know that they are have to raise their game rather than keep doing what they were pre 2008. Start talking to the people that interest you now. Let them know where you are aiming and use this time of market uncertainty to open up dialogues with people who might join you in the future. It will give you a more realistic picture of how you are seen in the market and will also keep your name in the minds of talented people who, even if currently settled, may well approach you first if something goes wrong where they are.

- **Keep your door open.** You might not be in the market for new hires at the moment but you will inevitably be at some point. Even in bleak times it makes sense to keep a good dialogue up with the introducers who may deliver good people to your door. If they are well informed about your plans and intentions they can help to put positive messages out about you in the market place which lays a good ground for you moving forward. Recruiters naturally achieve better introductions for law firms that keep them well briefed - it's something of a no brainer in boon times but harder to remember when things are quiet.

None of us know exactly what lies ahead but we do know that the danger lies in being left behind. The firms that use this opportunity to plan ahead will be the ones that take the lead in the push to re-emerge.



# TOP TIP 3

## REFINE YOUR RECRUITMENT STRATEGIES AHEAD OF THE PACK

BY EMMA POTTS



### QUESTION

*How do I persuade other people in my firm that we need to recruit externally?*

### ANSWER

*A new hire signals change. Where you have opponents to specific change in your firm it is helpful to try and understand the reasons for their resistance. Resisters may be comfortable with the status quo.*

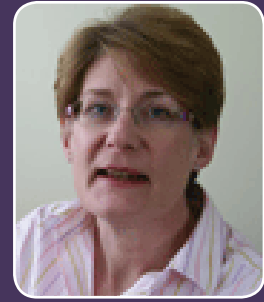
*Alternatively they may perceive the change as a threat to their own position and/or influence and /or they may have concerns about their own competence or feel uncertainty about the future.*

*By understanding the reasons for resistance you and/or the new recruit will be better placed to put appropriate strategies in place to deal with it.*

*You will also be more able to distinguish between those people who it is worth devoting time and energy with to bring on board to the change and those individuals who are unlikely to change their attitude regardless of what you do.*

# TOP TIP 4

## HAVE MEANINGFUL QUALITY ASSURANCE PROCESSES TO CUT DOWN WASTED EFFORT BY VICKY LING



Surprisingly few firms have a systematic approach to internal audit, beyond the supervisory file reviews inherent in the Code of Conduct and required by Lexcel and the Specialist Quality Mark. Even then, most firms do very little with the information generated at an organisational level. However, developing such a discipline delivers:

- An ability to monitor key performance indicators and report to senior managers
- Early warning of any problems so that corrective action can be taken before non compliance becomes costly
- Consistency between individuals and departments
- An ability to identify opportunities to share good practice across the organisation
- Assurance that external quality standards are being met

### What should our internal audit system monitor?

Wherever possible, firms should aim to use data that they already collect, to reduce cost and add value. There is no point in creating an expensive internal audit system for the sake of it. Design of the system should add as little additional administration as possible, with the objective of smoothing out processes to make them as cheap and easy to implement as possible.

For example, rejects and refusals of legal aid applications are a current source of frustration to many firms. However, very few have systems to monitor rejects and refusals and so it is difficult to identify and correct the causes of the problems. The Legal Services Commission says that forms are frequently incorrectly completed. In addition, unfortunately, there is no doubt that they sometimes reject them without good reason. However, without hard evidence, discussions between practitioners and LSC staff are unlikely to lead anywhere, as neither party is going to change its views. Realistically, there are usually faults on both sides and simply blaming one party reduces the other's credibility and wastes an opportunity for improvement.

If a firm collects data on all the rejects it receives back from the LSC, it will be able to put corrective action in place to eliminate those that are due to its own errors. This will save the firm time, and therefore money, reduce frustration and improve client care, as cases will be progressed more quickly. It is then also in a much stronger position to go to its Contract Manager and say, 'We had 10 applications rejected in the last 3 months, we accept that 2 of them were because we made mistakes (and this is what we have done to solve our problem); but 8 of them were rejected, because your staff failed to accept evidence of means which they should have done'. Making general criticisms, even where deserved, can only result in an apology rather than positive change. Providing specific feedback can actually help the LSC to put its systems right because the firm is helping the Commission identify a training need, which the LSC can do something about.

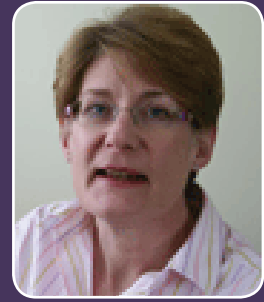
### Implementing an internal audit system

A senior manager/member/partner needs to take the lead and champion the system. If a firm has a practice director or manager, he or she would normally take operational responsibility, and gather information from all departments. Information needs to be co-ordinated from all relevant sources within the firm and reported back to teams and members/partners on a regular basis. If people can see that changes are made as a result of internal audit which make their lives easier and help them meet their billing targets, they will be motivated to co-operate.

It may seem like a big task; but once the system is in place, partners/members will be able to tackle inefficiencies and reduce wasted effort, leading to better use of resources and increased profitability. An internal audit system is an essential part of risk management and will give the firm confidence prior to any assessment or audit, even at short notice.

## TOP TIP 4

HAVE MEANINGFUL QUALITY ASSURANCE PROCESSES TO CUT DOWN WASTED EFFORT **BY VICKY LING**



### QUESTION

*How do I keep the momentum going after the initial audits have identified most of the 'big' problems?*

### ANSWER

*It is important to keep things fresh and ring the changes.*

*Once a problem is solved, it is pointless to maintain the same level of focus on it.*

*You can space out your audits or reduce sample sizes or both.*

*Legal practice is dynamic and so you need to be prepared to review and change your audit programme accordingly.*

## TOP TIP 5

### DON'T ASSUME THAT YOUR CLIENTS ARE ANYTHING MORE THAN NEUTRAL ABOUT YOU BY IAN DODD



I've tried to restrict my LinkedIn contacts but, somehow, they've crept up to about 150. Not as many, I know, as those I see with more than that and, even, over 500. How do they do that? Of my risible 150 I'm not sure that I know, actually know – as in having met – more than, maybe 50. So, why do the other 100 want to make contact with me and, more significantly, why am I accepting them into my circle and wanting to make contact with them?

I'm sure it's the same on Facebook and the other 'social media' sites there are though I'm not sure that it's the best way to do business. It all seems so arms-length and impersonal. The internet and e-mail have transformed communications and information gathering out of all proportion to the ancient ways of, ooh, just 20 years or so ago. Almost all of it has been beneficial though, I might suggest, it's been at the expense of personal contact.

Whilst meetings are a drain on time and long meetings are a life-sapping trial there does seem to be a drastic reduction in those who want to sell something actually going to see, talk to and spend time with those who might want to buy something. It seems to me that most e-mail introductions peter out into a 'keep in touch' anti-climax.

There's nothing more encouraging and destined to bring in new business than someone going to see a potential client and presenting their goods and services to them face-to-face. Having been in a buying position I can report that it was a relief and, almost, a miracle if any of the e-mail pitches ever turned into a phone call and, thereafter, someone actually turning up on time to talk to me. Imagine the opportunity of having an eager buyer agog with anticipation about what you're going to say to him and the prospects of him saying 'yes' to that?

Lawyers talk, maybe without knowing why, about 'cross-selling'. The best place to do 'straight' and 'cross' selling is in front of the potential buyer.

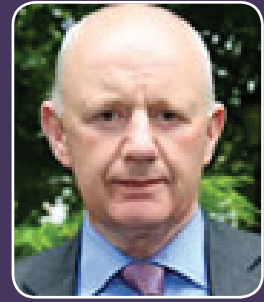
Everyone, these days, seems to be so busy that it's harder and harder to create the time required to visit and talk and communicate and relate to the person you want to do business with. However, it's time well spent. If what you've got to offer is appealing, cost-effective and will benefit the buyer the deal's nearly done. Moreover, a personal visit, assuming you're clean, well-dressed and articulate might result in a connection and a mutual business attraction that will ensure, except from the most hard-hearted, stony-faced, buyer, there could be, imperceptibly, almost an obligation to do a deal. After all, you've turned up.

One of the best ways, of course, to get more business is to attend to any complaint with quick and personal attention. In my experience most complaints are more to do with the lack of response from the firm complained to than the professional content of the action. The standard 'your pro-forma response is being dealt with and you might expect a reply within the life-time of your grand-children' will not inspire confidence. Of, course, there are notable exceptions. However, a visit to the affronted client with an open mind and a willingness to compromise will, I've found, result in more instructions.

So, don't rely on the standard client questionnaire you send to your mates about their impressions and responses to your requirement to collect information to enable you to tick the boxes on your QA to do this for you. Go and see them.

## TOP TIP 5

DON'T ASSUME THAT YOUR CLIENTS ARE ANYTHING MORE THAN NEUTRAL ABOUT YOU **BY IAN DODD**



### QUESTION

*How do I overcome my reluctance to be seen as 'selling'?*

### ANSWER

*Don't look as though you're selling.*

*Avoid doing much of the talking.*

*Ask them questions: ask them to tell you their main problems.*

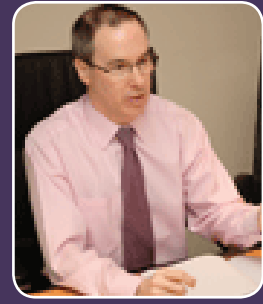
*Then listen - let them talk.*

*They should open the door to you to be able to provide them the solution*

# TOP TIP 6

## MAKE SURE YOUR MANAGEMENT STRUCTURE IS FIT FOR PURPOSE

BY ANDREW OTTERBURN



Law firms can be difficult to manage at the best of times but many don't help themselves by having management structures that would be very recognisable in partnerships twenty years ago, but arguably are not fit for purpose today.

The root of the problem is the concept of partnership. Many partners trained at the firms they are now partners in and have never worked anywhere else. They lack exposure to different ways of working and to different thinking. Many sit round the partner table with their former principal and a parent/child relationship that existed many years ago can be hard to shake off. It is difficult to challenge someone who has been key in your career, even though your articles were many years ago.

Because they are owners, partners often feel they need to be involved in decision making even though in reality they have little to contribute to many of the points being discussed because they lie outside their departments or areas of expertise. Many firms still have structures designed to let all partners have a say in day-to-day management and in each other's departments. Many will still try to manage the firm through partner meetings where each department is given a short ten-minute review that fails to get to the knub of the issues. They may have a managing partner but often such people have responsibility without authority.

The problem is that the new organisations entering the legal services market in England & Wales are coming at the issue from a completely different direction - one where effective management and accountability are taken as read.

Increasingly, the successful firms are managing their firms differently. They are recognising that the key attribute partners need is not necessarily their legal skills but their ability to inspire, show leadership, and to manage. The areas to look at are your management structures and leadership, both at the top and at the different levels of your firm.

Most firms will need some form of structure that provides the equity partners or members with overall control and a structure beneath the partnership that enables the partners' vision and goals to be achieved. The key is to identify those with management potential and to let these people make up a small management team that can develop and then lead the implementation of the firm's strategic plan. Always reporting back periodically to the equity partners, the shareholders, but without all these people actively involved.

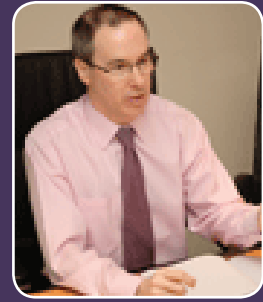
The key is identifying the right people, and these should be drawn not just from the equity partners but also the salaried partners and professional managers. They all potentially have skills that will be needed to move the firm forward. Leadership in any firm of course does not just happen at the top. Departmental and team leadership can be just as important if not more so as these are the people who have day to day contact with fee earners and staff. There needs to be clear lines of accountability.

Any plan should be reviewed and updated quarterly in depth with the management team. The fee earners and staff in each department should all be involved in reviewing quarterly progress - they will all have a role to play - and the more people are involved the more they are likely to be engaged. The managing partner and finance partner or director will need to spend time with each departmental head or team leader so they understand the issues and what is happening. Their role is to keep nudging and prodding - to keep asking the questions.

## TOP TIP 6

### MAKE SURE YOUR MANAGEMENT STRUCTURE IS FIT FOR PURPOSE

BY ANDREW OTTERBURN



#### QUESTION

*How do I get my partners to let go of their 'fiefdoms' of power and influence?*

#### ANSWER

*Certain big decisions will always be taken by the partners but I sense a recognition that the rules of the game are changing and that in order to survive against new market entrants with very professional management, that it will be necessary to do things differently.*

*It often needs someone from outside to tell a partnership however, it is tricky for individual partners within the firm to make the proposal.*



# TOP TIP 7

## BUILD RESILIENCE BY REWARDING 'GOOD PEOPLE'

BY FIONA WESTWOOD



The changes affecting the legal services market are so significant that it is difficult to predict what it will look like five years from now. What is certain is that firms will need to be resilient and as a result, able to adapt in response to these changes at the same time as continuing to be viable. Resilience implies being confident and self-aware, knowing what it is good at and where it needs additional resources and input. This places a considerable burden on its leaders who need to be able to predict future scenarios, be close to important clients and ensure consistent quality of service delivery.

Leaders of professional service organisations know that professionals are not easy to manage and that their ability to respond to the needs of individual clients needs to be encouraged. As a result, good professionals should be allowed to self-manage as much as possible as they will set high standards of performance for themselves than any externally imposed ones. This responsiveness to individual clients may indeed provide the competitive advantage that differentiates one firm from another services deliverer.

So what do good leaders need to do to facilitate this self-management? They need to:-

- (a) provide clear direction for the firm and a frame of reference for decision taking so that people know what the firm is seeking to achieve in both the short and long-term and as a result, can see where their contribution lies,
- (b) create a culture that builds resilience by demonstrating that people are trusted to get with on with their job, by enabling people to take personal responsibility and by encouraging open-mindedness and flexibility,
- (c) ensure there are sufficient resources across the firm to allow people to do their job effectively and that all internal systems and processes make sense and don't frustrate and hamper people

- (d) develop an operational and career structure that is adaptable, flexible and rewards people who share their skills and knowledge and spend time training others, and
- (e) tackle under-performance and people who behaviour unprofessionally and undermine what the firm is seeking to achieve.

For the firm to be resilient, its people need to be self-aware, confident in their own abilities and able to source help when they need it. For the firm to be flexible, its people have to be able to learn, moving out of their comfort zone at times. They have to be allowed to exercise their judgement, secure in the knowledge that the firm will support and invest in them.

The focus of the firm's learning has to be to improve the services it provided to its clients. Clients want lawyers who listen and respond to them by providing practical advice. Each firm's competitive advantage lies lie in its people - its leaders, its professionals and support staff. Clients need to feel valued and recognised for their individuality.

# TOP TIP 7

## BUILD RESILIENCE BY REWARDING 'GOOD PEOPLE'

BY FIONA WESTWOOD



### QUESTION

*How do I get people to stop taking for granted the 'willing horses' who do most of the work?*

### ANSWER

*It is all too easy to assume that good people are happy and content with their lot.*

*As a result, it is essential to remind senior people that good people always choices and indeed some of them may be being regularly headhunted.*

*The most important thing to look out for is when good people start acting out of character - what I call putting up 'smoke signals' that all is not well with them.*

*For example, they may seem to be untypically short tempered or become dogmatic about what seems to you to be a trivial point.*

*When you see those types of signs it is important to take the time to sit down with that individual and ask the simple question 'what is wrong?'*

# TOP TIP 8

## TIME IS OF THE ESSENCE IN ENSURING NEW PARTNER LEVEL RECRUITS ARE A SUCCESS

BY EMMA POTTS



Law firms invest massively in the hires they make at partner level. Often though these expensive recruits don't generate the business benefit that was hoped for or don't do it quickly enough.

It is probably fortunate for the health of those in management positions that it is difficult to be precise about the cost to a business when it goes wrong. What we can be certain of though, is that in addition to a possibly hefty recruitment fee, the law firm will have expended partner time in considering and interviewing applicants and put money into areas such as administrative support and marketing the new arrival. Sadly these investments don't always guarantee the return that was hoped for. Why?

It isn't easy to come in as an outsider and to succeed in a partnership level role. In many ways it is much harder than being promoted internally. External hires are unfamiliar with their new partnership, its informal networks and its partnership culture. They also have yet to develop credibility in an unfamiliar environment.

They also have to deal with the "lull" - the inevitable pause which follows the excited anticipation of accepting an offer. Notice periods of 6 or 12 months and garden leave clauses of similar lengths inevitably have a dampening effect on the momentum that has been built through the recruitment process.

Taken together these challenges can set a newcomer up for a transition that would, at best, take longer than anticipated. A successful transition depends on the employer and employees mutual confidence in one another's ability to meet expectations. It is crucial that this mutual confidence is nurtured, not allowed to break down.

Many lateral partner business plans focus on the new joiner's business projections for years 1, 2, and 3. Elsewhere there may be an unwritten rule: "you've got 2 years to prove yourself". This gives clear focus on the end goals but lacks clarity about how the appointee will get there. We have spoken about many partners who felt that they were "left to get on

with it" but would have appreciated a more focused relationship with their new firm in the early months.

A familiar coaching tool is to break down an end goal into a series of smaller performance goals along the way. It is not about micro managing new partners but about helping them to catch the low hanging fruit and helping them, and you, be confident that things are on track. By having a clearer focus on what should be achieved in the early months, weeks and even days, you can be more certain that everyone has a focus about where things are heading.

A joint strategy document, completed as part of the offer process might help. More detailed than a standard business plan, it looks in detail at respective obligations and expectations in a time-measured way. If a firm is indeed being unrealistic in its expectations it is better to know up front.

The process can be tailored to the particular business. It may include components like new joiner coaching and mentoring. At its heart it is based on the commitment to getting new partners up and running as quickly as possible. A more consistent structure also enables comparisons to be made and lessons to be learned from each appointment.

An additional benefit is the external market perspective. Your practice selects the best people to join its partnership but also supports the challenges of moving over to a new business.

A well thought out integration process need not cost a fortune but it will reap you rewards.

## TOP TIP 8

TIME IS OF THE ESSENCE IN ENSURING NEW PARTNER LEVEL RECRUITS ARE A SUCCESS

BY EMMA POTTS



### QUESTION

*How do I do ensure that we recruit effectively?*

### ANSWER

*Having a structured approach to your interviewing process is, without doubt, the best way to identify the candidate(s) who are genuinely the best ones for your organisation.*

*We all tend to overestimate our natural ability to interview others.*

*We fall into common traps, such as rating more highly the candidates that we like or relying heavily on a strong CV.*

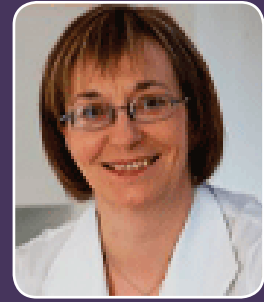
*A structured interview process can help to ensure that candidates are treated with consistency and given an equal opportunity to impress.*

*With a clear understanding at the outset of what skills are needed for the role and how you are going to question a candidate about them you will be much more likely to find someone who will truly meet your expectations.*

# TOP TIP 9

## RECOGNISE THE VALUE OF YOUR WORK-BASED LEARNING

BY FIONA WESTWOOD



We all know the importance of managing our resources effectively. New entrants into the marketplace will have a business plan that will front load a significant investment of spend on recruitment and training of right level of people to be able to provide legal services in a consistent and cost effective way.

Financial budgets continue to be under pressure so it is essential to spend money in the most appropriate way. External training can be expensive and not always directly relevant to what the firm needs to achieve for an individual or group of people. With a small investment in internal time, it is possible to 'capture' the internal work-based learning in such a way that it is disseminated and shared across the business. For example, one department may have developed a new reporting system in response to a particular client's brief. Another may be multi-tasking across its teams and as a result, pushing work down to a lower cost base.

It is also essential to make the most of the knowledge, skills and expertise that exists within the business. Professionals are often too busy to stop and reflect on what they have achieved and learned. Similarly a great deal of on-the-learning is 'tacit' in other words, 'unspoken' and taken for granted. Senior people have a wealth of experience that can be shared if they are encouraged to do so. However without proper guidance, many will tend to deliver an 'internal lecture' which may serve a purpose in relation to providing some specialist knowledge. It is important to put this into the context of the work being done for the clients of the firm by way of developing group workshops based on the application of this knowledge to the specific needs of the firm's clients.

The Training Partner should be more than a titular role - the person with the overall responsibility for training across the business needs to know both its short and long-term objectives. Provided with this direction, internal training can deliver the knowledge, skills and attitude needed so as help deliver them. Indeed without a tie up to the internal support and development of all of its people, they will never be achieved.

### Case Study

Faced with continued pressure to reduce its external training budget this firm was concerned about the overall effect the current economic climate was having on staff morale and motivation. It felt that despite the budget cut, in real terms, considerable investment was going on every day in work-based learning. It started to publish its monthly time recording figures in relation to the cumulative time people were allocating to training. This succeeded in showing that every month, 10% of people's time related to improving their knowledge and skills.

It also set up a project team of these senior people and tasked them to identify ways where internal training would achieve operational and in-house improvements. As a result, a series of practical workshops were introduced especially in relation to people's use of IT. One particular area that was frustrating people's willingness to learn and adapt was the ability (or lack of it) of senior people and managers to provide constructive feedback. This area was targeted by way of a training workshop followed by one-to-one coaching. This also resulted in an improvement of confidence and flexibility amongst more junior staff.

## TOP TIP 9

### RECOGNISE THE VALUE OF YOUR WORK-BASED LEARNING

BY FIONA WESTWOOD



#### QUESTION

*How do I make sure of the consistent quality of our internal training?*

#### ANSWER

*Everyone involved in internal should be given training in how to train.*

*They should be reminded that this is different from 'lecturing' and involves getting the active involvement of those coming to internal sessions.*

*For senior people they must be persuaded to talk less and listen more.*

*It is also important to make sure that all training is pitched at the right level for the people attending, so that they can apply what they learn in their own area of practice when they go back to their desks.*

*Formal evaluation is likely to be 'bland' as it would be unusual if attendees would be prepared to put any concerns or complaints in writing.*

*There is more value to be gained from chatting to people informally after each course, especially after the initial delivery and whenever there is a change of 'teacher'.*

# TOP TIP 10

## NEGOTIATE A WIN-WIN WHEN INSTRUCTING COUNSEL

BY JOHN BINKS



The Bar relies on the discretion of the solicitor as to how and with whom instructions are allocated. There will be very limited occasions when for professional reasons that discretion is limited, in a small number of cases the number of counsel equipped to do the work may be few, and that pool will be further restricted by availability. In general however the discretion is unfettered and there is a broad range of counsel ready available and capable to do the work. Work for the Bar is in general decreasing, as are, in many areas, rates. It's a buyer's market. Whether the work is private or legal aid, use your purchasing power to get the best deal. Do not fall into the trap of accepting it's simply the client's (or legal aid fund's) expense. Regard instructions as an overhead on the service you provide which ultimately impacts on how well you operate in an ever more competitive market.

In dealing with the independent Bar instructions will not have an immediate cash value. Referral fees are prohibited by the Bar (Bar Standards Board Regulation (307(e))) and in legal aid cases they are similarly prohibited for solicitors by the LSC Contract and by the 2007 Funding Order. SRA Regulations prohibit referral fees in all criminal cases.

This does not mean your instructions do not have commercial value within this group of cases. Delays, cancellations and reallocations of work by counsel all add to the workload of the solicitor, and eat into eventual profit. The value you should expect from your instructions is excellent customer service and assurances that within the terms of the Contract, associated legislation and professional regulation counsel conducts instructions received in a manner that complements the efficiency and quality you bring to your work.

In privately paid cases the rate you can negotiate with counsel is of course the figure potentially paid by your client. Services will be increasingly offered to clients on a global fixed fee basis. A better rate from counsel equals a more competitive service you can offer to retain current clients and to attract new ones.

In legal aid work figures are available which enable us to broadly understand the overall value of solicitor instructions to the Bar. On average £100 of

traditional 'solicitor' crime work (including all turnover from police station up to and including crown court preparation) carries with it £33 of potential billing for a crown court advocate. In private work there is no equivalent data available.

You should be aware of the approximate value of work you send out to chambers as a firm, and how that work is allocated to individual counsel and separate chambers. In crime counsel will claim fees direct. Tell the clerk on allocation of instructions you will need to be informed of counsel's final claim. This is vital management information required to enable you to understand your firm's ultimate potential for profitability. Record payments to counsel in a manner which you can understand and analyse cross-department and cross-firm. You should be prepared to have conversations with individual chambers as to the levels of service they are prepared to commit. Dependant on the volumes of crown court work you have there may be options for making such approaches in conjunction with other firms in order to increase your potential bargaining power.

The outcome of this analysis may be that instruction of counsel is not always the best route. Alternatives to traditional instruction of counsel are now available, including fee splitting arrangements in legally aided crown court work, instruction of firms providing HCA services as agents and of course provision of advocacy in house. In order that you may be aware of the best options for you access to data on the value of your advocacy work is vital

You should of course always bear in mind that there will always be occasional instances when the preferences of the client or the requirements case will dictate a particular chambers or counsel, you cannot therefore enter into any form of agreement to send all work to a single chambers or HCA agency.



# TOP TIP 10

## NEGOTIATE A WIN-WIN WHEN INSTRUCTING COUNSEL

BY JOHN BINKS



### QUESTION

*How do I deal with historical anomalies and personal connections and preferences of my other partners?*

### ANSWER

*You need to do an audit of who is instructed and why.*

*There may be nothing wrong with either historical anomalies or personal connections as long as they bring value, and value may arise in many ways.*

*Value may be that expertise of particular counsel brings return business, or it enables the instructing solicitor to work more profitably and efficiently.*

*It is not 'we have always used them' or 'he buys me lunch'*

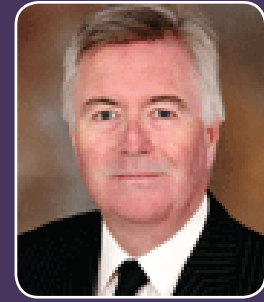
*Approach the exercise on the basis that everyone needs to explain why particular counsel are used.*

*The element of your work that you can usefully re-allocate to get better value will expose itself.*

# TOP TIP 11

## MAKE SURE YOUR ASSETS ARE TAX EFFECTIVE

BY COLIN FITZPATRICK



The ongoing recession has caused severe cash problems for many firms and an option considered by some is to raise capital on their assets by selling their properties and continue occupying them on a lease back to a 3rd party. The circumstances of each firm is different and the partners will need to take specific advice however one option may be to consider using a Self-Invested Personal Pension (SIPP) to retain effective ownership of the asset.

It is useful to look at your assets regularly to consider whether they are held as tax effectively as they could be. For example, if a firm was looking to release capital tied up in a property one option they should consider is the sale of the business property to a SIPP. This has several advantages:

1. The property is sold and therefore realises a capital sum for the Practice;
2. The SIPP can raise a mortgage to provide capital towards the purchase;
3. The balance of the purchase price needs to be funded from pension contributions but existing pension rights can be used to provide funds and therefore need not involve significant additional current pension contributions;
4. It is a highly Tax-efficient process as Income Tax relief on Pension Contributions can be obtained at up to 50% but the contributions are effectively returned as part of the purchase price and any Tax on disposal to the SIPP would not be more than 28% on the gain, but could be 10%, and significantly less as an average rate of Tax on total proceeds;
5. The rent paid to the SIPP by the Practice is Tax-deductible in the latter but not taxed in the SIPP and is used to repay any mortgage, which increases the value of the SIPP's members who are the beneficiaries in terms of increasing the equity in the asset. This is the only way in which Tax relief can effectively be obtained on repaying capital borrowings;
6. The rent therefore also acts as a form of Pension contribution, but is not limited in amount in the way that normal Pension contributions are;
7. The SIPP provides Pension savings and ultimately benefits for the Members, who also benefit from any future growth in the value of the property;
8. New and younger members can be introduced to the SIPP to buy out older Members' interests who need to realise Tax-free capital from their Pension and need more liquid investments to pay pension incomes.

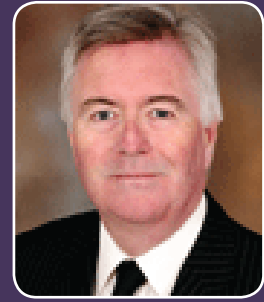
You will need specific advice however the use of a SIPP might be something to raise with you Accountants and/or Pensions Advisers.

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# TOP TIP 11

## MAKE SURE YOUR ASSETS ARE TAX EFFECTIVE

BY COLIN FITZPATRICK



### QUESTION

*Given the state of the property market, would it not be better to wait until the market picks up?*

### ANSWER

*It partly depends on how immediate is the need for funds and would have to be assessed in the light of the potential Tax savings and the cost of alternative funds raising options.*

*The length and security of the lease entered into by the Practice would assist in supporting value and as the gain on eventual sale of a property by a SIPP is Tax-free there could be a long-term benefit in a sale at a lower value and realising the gain at a later date.*

# TOP TIP FROM GUEST EXPERT

## WALKING AWAY FROM WORK

BY MICHAEL SHAW



The vast majority of us share a natural inclination to hang on to every possible bit of work. It's not surprising in harsh economic conditions but even in good times as a profession we are poor at knowing when to turn work away. The two specifics under consideration are not dabbling and dross dumping.

Dabbling should carry a very large health warning. Taking on work outside your core capabilities carries both financial and severe reputational risk. At best you may be able to work your way through the job but even then the chances are that your performance will look distinctly lacklustre upon which you are unlikely to make a profit (if not a loss). At worst you can end up with a negligence action and your reputation very much damaged.

A client will understand the sense of referral to a specialist firm. If handled correctly the client relationship can not only be preserved but actually enhanced. Specialist firms are more often than not reliant upon solicitor referrals and will be only too happy to offer non-poaching agreements and communication protocols so there really is no excuse not to refer the client to an appropriate adviser. This is surely a better and more certain outcome than being the jack of all trades.

Dross dumping is what many better managed firms have done for years but does depend on a well developed finance function which is able to identify matter profitability (not really a huge expectation in this day and age). Knowing where your profit is generated allows an informed view to be taken as to what work should be undertaken and for whom. Many commercial practices have found that a Pareto formula applies whereby 80% of profit is generated from 20% of clients and that an annual pruning of clients serves to significantly improve overall profitability.

It can be the case that your firm is not geared up to do all the work of a large client on a profitable basis but you consider the loss leader essential to the overall relationship. Done correctly I have seen the client relationship in such a case preserved whilst arranging the low margin work to be directed to a lower cost provider.

*Michael Shaw is a very experienced managing partner having led the development of Cobbetts, a large regional law firm over a sixteen year period from 1996 to 2012. During this time the business developed from a single site to a practice operating both nationally and internationally with offices in London as well as the three key regional centres of Manchester, Birmingham and Leeds. During the course of that development the head count rose from 175 to 630 people through both organic development as well as growth by virtue of acquisitions all of which Michael instigated and led.*

# TOP TIP FROM GUEST EXPERT

## WALKING AWAY FROM WORK

BY MICHAEL SHAW



### QUESTION

*What do I do when getting rid of some of our most unprofitable work will destroy the practice area of one of my most senior partners?*

### ANSWER

*My view is that the next five years will see a fundamental readjustment in our over-populated sector.*

*This isn't 'harem/scarem' - just a high probability which will see less viable businesses disappear.*

*It would therefore seem sensible to give all options fair consideration ranging from the philanthropic view that this is a service which should be offered for the greater good (provided you can afford that view) through to redeployment of the individual's skills within the firm through to finding the right home for the individual where the workload combined with another firm's will be viable.*

*Ultimately, you may be forced to conclude that as you are running a business you will simply have to come to a parting of the ways but do that in as supportive manner as possible having regard to the need to balance the respective interests.*

*If the individual has lived with the reality of the situation (and consequent worry) for a number of years, he or she may actually find it better to have the issue out in the open with the help of partners in addressing it.*

*At the end of the day none of us are owed a living. We are all relatively intelligent people capable of putting our skills and experience to fruitful use given the right support.*

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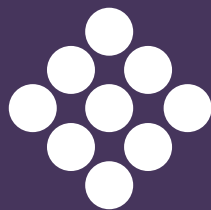
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