

Developing and Maintaining a Profitable Private Client Practice

VIV WILLIAMS



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Executive summary

THERE IS little doubt that the current recession has hastened the changes that the Legal Services Act 2007 was set to bring to the UK legal profession. Is it really only 18 months or so ago, that the banks were fighting each other to lend money to law firms? The legal profession has always provided the very highest profitability to the banks against any other industrial sector, with negligible losses through failure. As a result, there are now a number of firms that are highly-g geared in their borrowings and sadly, those with large property departments are finding little or no work flowing in. We have not traditionally seen law firms create headlines through liquidation – they seem to disappear quietly into the ether, merge or be acquired in some way.

This underlying pressure from the banks to reduce their exposure in the legal profession (estimated in 2008 to be in excess of £1 bn), is forcing many law firms to do what they should have been doing for years – run their practices as well-managed businesses. The Legal Services Act 2007, which is expected to be implemented fully in 2012, was designed to do just that. In reality, the current recession has accelerated the process of change.

Not all change is, of course, bad and to quote Charles Darwin: “Only the fittest will survive.” What then must a private client practice do to develop and maintain profitability?

This report investigates the challenges facing the profession and will demonstrate

what a successful practice needs to do to prosper. One of the key areas is professional management, and if the partners in law firms cannot grasp this initiative, then the introduction of legal disciplinary practices in 2009, which will allow for non-lawyers to become part-owners of law firms, will set to pave the way for dramatic external intervention and help. This should be seen as a positive step towards professional management being introduced into practices.

However, that may well be a step too far for some practices, and this report will provide the necessary ammunition a partnership needs to run as a highly-efficient organisation.

The first essential step to developing and maintaining a profitable private client practice is for the partners to have a clear vision or strategy for the future. What do they want the firm to look like in two years or even five years time? Who will be running the firm, what services will it be offering, how will time be made for development while continuing fee-earning? Having a clear strategic plan as detailed in Chapter 2, with small actionable steps will not guarantee success, but will take law firms a long way down that road. This chapter also explores the methodology behind successful succession planning and provides a valuable insight into preparing an exit strategy for the owners.

Chapter 3 demonstrates the importance of management and financial information for both the owners and those running the

business and helping to manage banks' expectations. Owners of law firms are given a clear insight into what is required of them, in order to run a successful practice, including their responsibilities towards their management, their people and their finances.

We also examine responsibility towards clients and how they can be encouraged to look after their law firm, as well as the measurements law firms should have in place against their marketing spend, risk management and information technology. The report also explores how to run a practice by the rules of profitability, ensuring that law firms are receiving the most out of their resources.

A law firm's people is one of its most valuable assets and thus, insights into recruiting, retaining and motivating the best people and top performers are provided. The emphasis is on being client-centric and people-focused, in order to develop and maintain a profitable practice. However, against the backdrop of these tough times, Chapter 4 looks at how law firms can avoid common pitfalls when having to make people redundant.

Cash management is spectacularly important to any law firm in the current climate and the management of cash will be paramount in the short to mid-term. In fact, it should become a prerequisite for all law firms going forward. We therefore question in Chapter 5 whether the reader understands the working capital requirement of each department in their law firm and explore how to guarantee cash flow, and ensure a law firm is receiving the best possible financial advice for its practice. The report provides guidelines on how to formulate a credit control and time recording policies. Additionally, it explores how law firms can begin layering their finances, and introduce the use of credit card payments.

With the proposed numbers of merger candidates growing daily, many firms are examining their best options. Should they be buying, selling or merging, and how would a law firm go about valuing its practice? What are the pitfalls to avoid and what could be the potential benefits? Each area is examined in Chapter 7.

Bringing clients into the heart of the practice and providing 'world class service' can help grow a law firm beyond recognition. We consider how a firm sets about becoming a client-centric people-focused practice, and developing a referral culture, which will also help protect clients from the new predatory law firms entering the market.

Private client practices are marketing their services to the retail sector – yet how can law firms stop wasting money on their marketing with non-measurable profile-raising? In Chapter 10 the report identifies retail marketing techniques that will improve return on marketing investment.

The report encapsulates in Chapter 13 some of the latest ideas for 'product-ising' legal services, for example, introducing insurance-backed services with loyalty schemes, looking at the new affinity group schemes that are being launched in 2009 and finding ways of introducing work through other channels.

For any law firm that is serious about maintaining and developing its private client practice, this report is the perfect combination of sound management advice and guidance, and innovative and original ideas to promote and market a legal practice.

Viv Williams, January 2009

About the author

VIV WILLIAMS manages the 360 Legal Group, and is a consultant to law firms on management, practice development and marketing.

During a career spanning 20 years in marketing, and as managing director of two floated plc companies, Viv is able to provide a practical management insight into all businesses, including professional services firms.

Combining this with his time working at Hammonds and Charter & Law Group, assisting lawyers and accountants to improve their management systems and marketing, as well as increase profitability, Viv cultivated the necessary experience to become managing partner at the 2020 Lawyers Group (now the 360 Legal Group) in 2003, offering law firms his marketing, management and strategy skills, as well as innovative ideas to transform their law practices into successful businesses.

Viv has written many articles for the legal press and has presented on Sky Television's former Legal TV channel, as well as speaking at numerous conferences and seminars for 2020 Lawyers Group, CLT, Law Group, Law South, and Law 2006, Law 2007 and Law 2008.

Viv firmly believes that now is the time for law firms to grasp the challenges and opportunities that the Legal Services Act 2007 presents. The current credit crisis will bring further pressures, with many firms unable to continue with their current management.

The 360 Legal Group provides solutions to those law firms which are prepared to rise to the current challenges and become the modern law firms of the future. It is the leading provider of change management support and adviser to law firms which are looking to buy, sell or merge their practices.

For more information on the 360 Legal Group, visit <http://www.360legalgroup.co.uk>

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