

BRIEFING #1 – MARCH 2020

Introduction

I have been working on my book, “The Perfect Legal Business”, for a few months but in light of all that is happening at the moment and to hopefully be of more immediate support, I have parked that and will instead pull key parts of the book together into Briefings in the hope that lawyers, teams, and law firms can either get something of value from my thoughts, or they can get validation and comfort that they are doing all that they can at the present time.

What the Briefings are – and are not

My book - and indeed all my work with law firms - is all about helping firms to secure profit-laden and cash-rich *sustainable* growth, and it is those areas that these Briefings will embrace. So, these Briefings will be less of an “emergency plan” and more of a plan to help law firms both now and to get ready for the inevitable emergence that we will all enjoy from the current situation.

Who will benefit from these Briefings?

I believe everyone in a law firm will get something of value, and that that is the way for a law firm as a whole to get maximum value out of them.

In all the work I do with firms, I engage with all of their people – you can’t secure change, and you can’t get a business to change up a gear, if the whole team is not engaged in the project.

My belief is that these Briefings will be more valuable the more people in a firm read them, so please feel free to circulate them.

Money

On reading through this note again, I can imagine that some readers may think “Crikey – that’s a bit hard, isn’t it – is it really the time to be talking about profit and cash?” Yes, it absolutely is. We all need to have crystal clarity around how a law firm works and blossoms, not just for now but for when we come out fighting and the world gets back to where it was.

Proactive care for clients

You might also read the extract from Chapter 11 of my book and think “Really? Is now *really* the best time to be talking about *wills*?”.

No – now is not the best time to be talking about wills. We should *all* have been talking about them (in the way that I know parts of the profession have) *for the past few decades*. How can we all have so many personal and business clients that don’t have wills and LPA’s? Don’t we care?

Although I refer to wills, what I am actually talking about in that part of my book is something much bigger and wider - proactive care for clients. The Perfect Legal Business does this – in different ways - for personal clients and business clients.

In terms of wills and Lasting Powers of Attorney, it is and always has been the one way we can absolutely change our clients’ personal, family, and business lives. And that’s coming from me, a former Commercial Litigation solicitor but one who believes in the power of our profession to change clients’ personal and business lives for the better.

We brought Private Client more to the fore at my firm and in all my work with law firms in my role as a Management Consultant now, I have brought it absolutely to the fore in their businesses. They will tell you that I push them to bring it in to the centre of everything – for both personal and business clients. Private Client is at the heart of the Perfect Legal Business. Your clients will thank you for it, whether they are on benefits or they own or run global, multi-national corporations.

If you want to care for your clients, this is how you can do it. If ever there was a time when clients should have all their affairs in order, it is now. The clients of the Perfect Legal Business would all have their Portfolios (see below) on the bookshelf at home, in the comfort that whatever else happens there won’t be trauma heaped on trauma.

Is this 2007 all over again?

It’s easy to think “This is going to be just like it was during the Credit Crunch”. The period 2007 onwards was a terrible time for the legal industry. In some ways we are as a profession still carrying the scars – there simply aren’t enough lawyers in some areas of law even now, because as an industry we stopped training them back in the time of the Credit Crunch because there was no need for them then.

My memories of the Credit Crunch are of a horrible time. Personal and business clients simply stopped buying legal services – for a long time. Revenues plummeted. If you had a lot of cash in your business, you could ride the storm out. We didn’t, so we had to take hard measures to get us through, and in order to secure and maintain the support of our bank.

I kid you not – we had to issue an edict that whilst we would still supply milk for coffee and tea, we would not supply milk for people to use in bowls of cereal. That’s how bad it got.

Three years later, we had the best year in the history of the firm. Two or three years after that we were the fastest-growing law firm in the UK. It can be done.

Don’t cut – grow!

The lesson I learned was that whilst you can (and may have to) try to CUT your way out of difficulty, it is far more constructive, palatable, sustainable and indeed speedy, to GROW your way out of difficulty.

We don’t all know what is going to happen this time around. Law firms I am talking with right now range from very busy, to “business as usual”, to very quiet indeed. It depends what work-types you do.

Nor do we know how long our normality will be disturbed for. We seem to be talking about weeks and months – but “2007” lasted years.

It looks like the Government and the banks are going to work in concert to push the boat out to help firms, and to help them to do the right thing. There might not therefore be the acute “access to working capital” issues that 2007 saw. The issue may be a fall in clients who want to start new cases or press on with existing cases, and of course that will hit revenues and cash reserves in due course.

My aim in these Briefings is to focus on those things that will help get a firm to get into greater shape for a brighter future as this day passes, which it will.

Let’s all get ready to do more wonderful things for our clients, our people, and our businesses, as the world emerges from this cloud.

The Perfect Legal Business?

In my forthcoming book, “The Perfect Legal Business”, I set out in detail the model that I use in the work I have been doing with law firms since I left private practise three years ago. There are, in the most general of terms at this stage, two sides to that coin.

One side of the coin is what the Perfect Legal Business *gives*. It truly looks after its clients (including in a proactive way, by getting all its clients onto what I call its “Platforms”) and it truly looks after its people.

In terms of clients, my starting principle is always that law firms can and should change clients' personal and business lives for the better. What an incredible privilege - and opportunity - that is.

Anyone, and any firm, that I have worked with will know how much I believe in that and will know how I advocate not only doing that, but doing it proactively. Law firms don't need to wait for the phone to ring before they can extend care to their clients. Always, but especially right now, we as a profession hold a key to helping both personal clients and business clients to avoid further expense, delay, and trauma at an already difficult time. And if you do these things, you can secure game-changing differentiators in a crowded legal market.

The other side to the coin is what the Perfect Legal Business *takes*, in return for doing all of that. That is – it behaves as a *business*. I got much wrong in my ten years as a Managing Partner on this front. I have become evangelical about helping law firms to avoid doing the same, for many are still doing the same. With the clarity of thought I now have and with all the lessons I've learned from my own trialling and erring and from what I've seen at other law firms, I can see these things a mile away now.

I now genuinely want to help firms to do the basic, easy things that are under their control so that in addition to the great things they do for their clients and their people, they don't miss out on the opportunity to make maximum profit and cash. Of course, it's that profit and cash that enables firms to not just carry on doing the great things they are doing – they can also do more of them.

In short, my three overriding messages (which all have equal weight) to law firms are :

1. Make it all about your people
2. Make it all about your clients
3. Make it all about money.

The *Perfect* Legal Business does all of these things, but with equal force. The weaknesses from what I have seen after spending time with hundreds of law firms over the years are often in the third area. As a *profession*, we still don't obsess as a business should obsess about profit margins, efficiency of profit-making, speed of production, and – top of the pile – cash.

This Briefing #1

There are about ten pieces of jigsaw that make up The Perfect Legal Business, and I'll cover them all for you, in this first Briefing or in those that will be following (and eventually, in far more detail, in my book!)

I make no apology in this first set of extracts for looking at "money". It's what'll keep us going and move us all forward. We also have to talk about Wills. We owe it to our clients. In light of where we find ourselves right now, the areas I have pulled together in this Briefing #1 will hopefully enable firms to set some priorities in first key areas – if they aren't already doing these things.

Any feedback on this briefing, or any requests for input into other areas of your business, are very welcome – just email me at simon@mccrumandco.com

Keep your eyes on these basics, keep safe, and all the very best. As a profession, we have a vital role to play. We're all in this together, so let's all get very ready for when the rain has gone.

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BRIEFING #1

THE PERFECT LEGAL BUSINESS IN THE TIME OF THE VIRUS

Below, I lift parts of my book, to hopefully deliver early value to you as we assess what we need to focus on now.

EXTRACT FROM CHAPTER 1 – “SOME BASICS”

In talking about the Perfect Legal Business in the 21st Century, you might be afraid that I’m going to be looking at new-fangled algorithm-driven robots that replace human lawyers, which would need some bright young revolutionary dynamo to force through frightening new forces that no one like me would understand.

On the contrary. I am advocating a focus on the very things that most solicitors hold dear. Things like putting the client first, changing their lives for the better, delivering an excellent service, not waiting for the phone to ring, making sure that hard work is rewarded within a firm, charging clients a decent price, making a good profit, and putting something back into society.

I cannot for certain tell a firm how it can become the Perfect Legal Business, though I have a good go at that in this book. I can though tell a firm how it can make sure it *never* becomes the Perfect Legal Business. That’s much easier!

The first way they can avoid becoming the Perfect Legal Business is to make sure that decision-making is slow and turgid. The traditional partnership structure can be just the job for this – making sure that everyone is involved in every decision. Paralysis at Management level will guarantee failure, particularly at a time when swift and brave decisions might be needed.

EXTRACT FROM CHAPTER 4 – “WHAT FORM OF GROWTH SHOULD A LAW FIRM STRIVE FOR?”

Whatever growth you strive for and achieve, there has to be growth in some hard business areas.

Ah, you mean growth in “profit”? No, I don’t – not just growth in “profit”. Not everyone understands that “profit” and “cash” are very different things - for a long time, I didn’t.

In a law firm you make profit in two ways – and you don’t have any choice about that. It’s the law. Both of them can give you a misleading picture of how your business is doing.

First, in the simplest of terms, if you bill say £100 plus VAT in a year and you pay staff and suppliers say £60, then you have made profit of £40. But what if those £100 of bills haven’t been paid? You have still made a *profit*, but you will run out of cash.

Worse than that, for VAT-registered law firms, when you raised that £100 of bills, depending on your size and on timings, you will have to use a further £20 of your *own* cash to pay the VAT.

Worse still, as these bills form part of your profit, you have to pay tax on that profit. Out of your own money, if you leave these bills unpaid.

Unpaid bills are a real danger for law firms. So are lawyers who have lots of them. The first thing I now do when I start an engagement with a law firm is to ask to see their Debtors ledger. If their “way” is to focus on billings alone, and they live with an Aged Debtors book which has columns headed 0-30 days, 30-60 days, 60-90 days, 90-120 days, and yes, 120+ days, I immediately re-calibrate my focus. Any growth in their lawyer numbers, partner numbers, teams, offices, and clients will do them harm, not good.

The second way that a law firm makes “profit” is trickier still. In most firms, there will be a lot of time recorded “on the system”. Under our laws, a law firm has to value that Work in Progress on the first day of every financial year, to arrive at an Opening Value. Then it has to value it again on the last day of every financial year to arrive at a Closing Value. If the Closing Value is higher than the Opening Value, the difference (or the WIP Uplift) has to be added to your profit, pound for pound.

Sounds good? “Hey, we haven’t even billed that work and our profit’s gone up!”

Actually, it’s not good at all. Profit (of both types) of course gets taxed. You thus have to pay tax (that is, pay tax in cash) on this profit too – but you haven’t billed the client yet, let alone been paid. So, guess whose money is going to be used to pay the tax? Yours. Yet another drain on a firm’s limited bucket of cash.

The profit that a firm actually wants is *billing*-based profit, not WIP-based profit, but where those bills are paid quickly.

EXTRACT FROM CHAPTER 5 – “CASH”

The Perfect Legal Business puts cash “front of house”, and it sets out at the start of every financial year to achieve increased profit *and cash reserves* by the end of the year.

I believe that it’s perfectly in order (and it’s absolutely nothing to be ashamed of) to charge a high price for your legal services, and to bill for every minute your lawyers spend on a file, and to insist on quick payment of bills – provided you are discharging the role that I believe law firms and solicitors have in society. That is, to make the personal and business lives of clients better.

The Perfect Legal Business secures growth in profit *and cash* each financial year. To not accept that, and to not have these as your top priorities, risks everything that you are doing in place of these things. How on earth do you secure such growth though?

Accepting that the Perfect Legal Business has to grow both profit and cash to remain perfect, many of the most popular freeways to growth are pitted with potholes. They come with cost, risk, and uncertainty.

The Perfect Legal Business does none of these things – yet. It recognises that there are far better, cheaper, effective, local, sustainable, profitable, and cash-rich ways of securing the necessary growth.

Instead of looking outwards, the Perfect Legal Business starts by looking inwards – looking at itself to get the foundations in place that will serve it very, very well in due course, when it does start looking outwards.

EXTRACT FROM CHAPTER 8 – “SERVICE : THE GREAT DIFFERENTIATOR”

The fourth internal thing that is needed to ensure that your firm delivers a great service – every lawyer, every time, is teamwork and delegation. Good lawyers at good firms are always busy. They’ll never have an empty desk so they’ll never be able to give a new case their full time and attention without having to put another file to the back of the desk – some clients will always have to give.

But there is a way to achieve service excellence and to deliver on a “service” brand in a way that makes profit, however many files come in.

Consider the position of Lawyer A who charges say £300 an hour and who works as an island with no support from any junior lawyers. Let's say that he or she usually does five chargeable hours a day (that's high! There's much more on chargeable hours and Utilisation elsewhere in this book).

If a new file comes in, then unless Lawyer A starts doing 6 or 7 chargeable hours a day, there's going to be no financial benefit to the firm of that new case coming in.

What might happen is that Lawyer A will push the current case they're working on to the back of his or her desk, and start working instead on the new case. The firm was earning £300 an hour, and now, having got in a great new case, it's earning, well, £300 an hour still. And one happy client is now shortly going to become an unhappy client – along with all the others that are already at the back of the desk. There is no way Lawyer A can deliver on a service pledge. That firm marketing and winning new cases doesn't take the business anywhere.

Now consider Lawyer B at The Perfect Legal Business. At this firm, each lawyer has support from junior lawyers. Crucially – they have support from *good* junior lawyers they can *trust*. Also at this firm, the senior lawyers culturally don't have to keep all files to themselves and have been trained in the art of delegation, so Lawyer B's focus is on getting the current file into a position when a lieutenant lawyer can take it over, under B's ongoing supervision.

The senior lawyer goes out of his or her way to make sure the junior lawyers' "vessels" are full. Every day. Lawyer B charges £300 for their senior expertise, and the lieutenant charges £200 for theirs. The firm is now earning £500 an hour.

And the client is benefitting in two ways – their case is still being pushed, and junior work is being done at a junior rate. That brings both service excellence and value for money.

In the Perfect Legal Business, service, profit, cash, and growth are close bed-fellows.

EXTRACT FROM CHAPTER 9 : CLIENT SELECTION AND ENGAGEMENT

To make sure the clients get the service they want, and to make sure the firm generates maximum profit and cash, the key is not always "thousands of files". There are instead two other keys.

First, ensuring that individual lawyers don't have more cases than they can deal with under their full-time, sole stewardship.

The second key is ensuring that the firm simply does not take on all the cases that come knocking on its door, by setting a number of rules, or bars, that every case and client have to get over.

Rule 2 - Don't compete on price

The second rule I now advocate is “We’re dear”. But that’s not enough. If you can’t justify *why* you’re dearer than the opposition, why would someone use you? The Perfect Legal

Business is able to say “We’re dear, but that’s because we have real differentiators and they come at a price”.

Rule 3 – Define what you are doing (and what you are not doing) for the client

In short – define your retainer. There are two reasons for this. First, the Professional Indemnity Insurance reason.

The second reason is financial. If you set out what is in the (high) price and what isn’t, everyone has clarity. “Mission creep” (doing more and more work within the initial price) is avoided as is a surprise bill and therefore client unhappiness. The client should be told what you are doing, what the price is, and that any extra work will mean an extra price as you don’t undertake any legal work without charging for it.

Rule 4 – Clients have to pay you quickly

Nothing but cash keeps a firm going. You would not see many non-law businesses with a “Debtors” list that had so many columns on it – 0-30 days, 30-60 days, 60-90 days, 90-120 days, and 120 days+ columns are regular sights at law firms. Nor would you usually see numbers of the *size* that you see on law firms’ Debtor printouts.

“Normal” businesses would be horrified and completely perplexed that a business (particularly one with a cash appetite like that of a law firm) could allow so much of its cash to remain invested in its customers’ pockets. What on earth could it be using to run the firm? The answer is often overdraft.

It doesn’t have to be that way, as the song goes. In the Perfect Legal Business, it is not like that at all. Instead of the payment terms being lost in a 16-page retainer letter, the time for payment is made very clear to clients by the lawyers at the outset. It’s part of the opening discussion.

I have seen to dramatic and superb effect positions in some law firms where it is not just the lawyers’ job to simply do billing. I have shown earlier in this book how mere billing can hurt your business, so in some firms who have cracked this troublesome nut it is the lawyers’ clear job to *bring cash in, not to send bills out*. The Perfect Legal Business thus moves from being a credit-ravaged business to being more of a cash business.

EXTRACT FROM CHAPTER 11 – “PROACTIVE CARE”

[Note : This was written long before any of us had heard of the Corona virus – this is what I did with my law and what I have been doing with law firms for the past three years. It comes from the heart.]

At one firm I worked with a couple of years ago, I asked the many Corporate, Commercial, and Real Estate partners who in the room cared for their clients. Their resounding reply was that “We all do!”

I then asked them about what would happen at their corporate clients (all of whom were owner-managed businesses) if the CEO died, or more likely these days, he or she had for example a heart attack so that they were alive but without legal capacity run their affairs or their business? What would happen to their business, its employees, the director’s family, and so on? Then I asked them again whether they felt they were offering maximum care to their clients.

Many, many corporate and commercial lawyers have admitted to me that they have *never* asked any of the hundreds of directors they have worked with whether they have all of the available and necessary protections in place – wills and Lasting Powers of Attorney.

I have long described it as a national scandal that someone can have three pieces of paper in place that can change their lives and that of their families and business, but those pieces of paper are entirely optional.

All individuals, adults, and families can be raised onto a platform – by their solicitors - where the risks they might otherwise face, or the impact of those risks, are reduced. All businesses can similarly be put on a platform where the risks they face, or the impact of those risks, are reduced. I believe there is a great opportunity for law firms to do something life-changing for clients, not by selling to them but by proactively caring for them. We did this. It works. It is an utterly good thing for a law firm to do.

I have seen that many firms write to conveyancing clients and to Matrimonial clients telling them that they should have a will or a new will in place. These are good but aren’t always a central plank of a firm’s driven commitment to going the extra mile proactively to care for *all* their clients of *all* their teams.

As law firms, we are sat on life-changing and business-changing awareness, knowledge, and expertise. The vast majority of that is only put at the disposal of clients when something hits the fan. That is a real shame and a missed opportunity.

At my firm, we wanted to do something about it. For personal clients, we developed something that we called The Portfolio. The Portfolio was a nice branded box file that was given to as many clients as possible. In it was a guide to the clear advantages for them of getting three pieces of paper in place which could change their lives and the lives of their family – a Will, a “Property & Financial” Lasting Power of Attorney, and a “Health” Lasting Power of Attorney. It was also a useful place for them to store life insurance policies, share certificates, bank account details etc. Simple but helpful.

We didn’t *sell* these things – rather, we implored clients to get them in place, whether it was through our offices or not. It was part of a joined-up consistent message that we were on the same side as the client. It went hand-in-hand with our promise to clients, that we would deliver “A great service – every lawyer, every time”. And although there were pricing advantages if a client procured two or more of these documents, they weren’t priced low.

Our aim was to have all our clients with their Portfolios in place and all their affairs thus in order. I’ve still got my Portfolio on my shelf at home, next to that of my wife. It gives me and us great comfort. Compare that level of organisation with the alternative for clients – dealing with an intestacy on death or with the Court of Protection on an incapacity. These bring delay, expense, and uncertainty, heaped on trauma.

I recall well one occasion when I was working with a law firm’s people to build up a head of steam on this “proactive care” initiative. A lady in the group became very upset because at that very time her family was wrestling with all the ramifications of someone in her family having lost capacity without there being a Lasting Power of Attorney in place. Everything had to be done via the Court of Protection, where response times are measured in months, not hours. It reinforced my belief in all that I was doing. Getting clients to “Portfolio” state could be truly life-changing for them.

My firm could thus add this “proactive care” to our list of differentiators, and I now help firms to design and launch what I actually call their “Platforms”. These are so many things at the same time – things to be proud of, differentiators in your market-place, and generators of good fees.

Where the mutual, symbiotic opportunities here break down of course is where some lawyers in a firm take the view that “My clients are my clients, and you’re not sending anything to my clients” – or “I’m not *selling* to my clients. This isn’t selling. It’s caring. These views have no place in the Perfect Legal Business.

How can a lifetime’s care, in the broadest sense, be offered and extended to a personal client or business-owner client where their own lawyer doesn’t recognise the life-changing value of these things, or where the client’s engagement with a firm is effectively only with one lawyer in one area of law?

SIMON MCCRUM – 2020- EXTRACTS FROM “THE PERFECT LEGAL BUSINESS”