

# 10% MORE PROFIT 10 PRACTICE MANAGEMENT BASICS TO INCREASE NET PROFIT

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## ? INCREASE NET PROFIT

- ▣ Do you know how to calculate Net Profit?
- ▣ Increase revenue (Increase charge-out rates and target hours)
- ▣ Decrease expenses
- ▣ New clients
- ▣ New practice areas
- ▣ New technology

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**6 HOURS**      **8.30-5.30**  
**9 HOURS**

**PROFIT = REVENUE - EXPENSES**

QUESTION: What is happening in those 3+ hours? Breaks? Non-billable but important work. Non-billable/non-important activity

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**6**      **8.00-6.00**  
**HOURS**      **10 HOURS**

**PROFIT = REVENUE - EXPENSES**

QUESTION: What is happening in those 4+ hours? Breaks? Non-billable but important work. Non-billable/non-important activity

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## CAPTAIN OBVIOUS

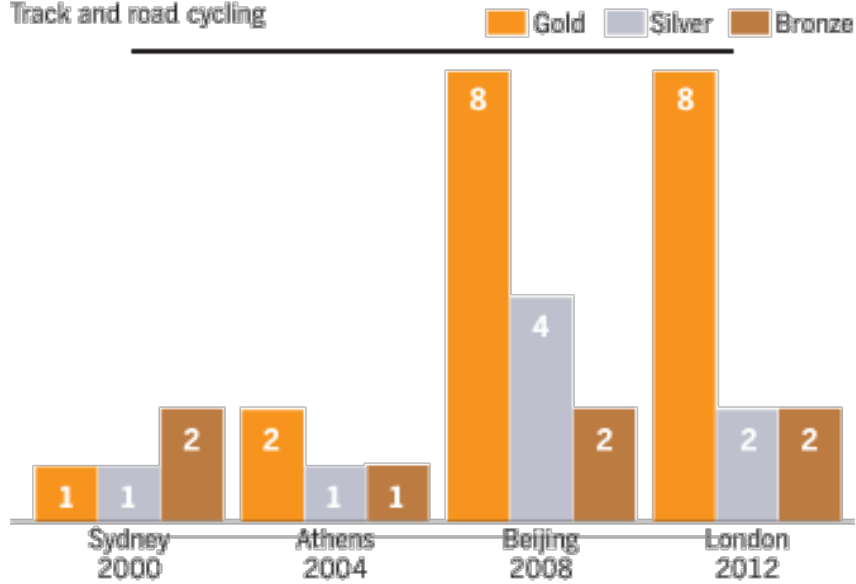
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## GB Olympic cycling medals

Track and road cycling



Source: britishcycling.org.uk

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## 10 OTHER THINGS TO CONSIDER

1. Review billing arrangements
2. Get on top of email
3. Improve delegation
4. Get the lawyer to legal support ratio right
5. Have quality practice management software, know how to use it and have all staff use it
6. Debrief
7. Apply 80/20 rule to clients
8. Apply 80/20 rule to staff
9. Track staff retention rates and work on reducing turnover
10. Improve time management skills

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## 1. REVIEW BILLING ARRANGEMENTS

- ▣ Teach staff how to record time
- ▣ Reconsider monthly billing
- ▣ Bill fortnightly or when a milestone is met
- ▣ Check client's billing cycle
- ▣ Use a trust account
- ▣ Tighten up debtor days and lock-up days
- ▣ Teach staff about billing cycle and debtor days and lock-up days

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## 3 THINGS TO TRACK

- ▣ Average time taken to bill WIP (60-70 days)
- ▣ Debtor Days: average time taken to be paid once invoice issued (60-70 days)
- ▣ Lock-up Days: average time taken between when work is done and payment is received for that work (120-140 days)

....and if there is a problem with client be able to pay...you only find out after 3 months of WIP being recorded!!

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## THE 80/20 RULE: Items 7 & 8

# THE PARETO PRINCIPLE

\*80/20 RULE



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## 7. 80/20 RULE & CLIENTS

- ▣ 20% of clients provide 80% of profit (not revenue)
- ▣ 20% of clients cause 80% of problems/complaints
- ▣ 60% of clients fall somewhere in the middle
  
- ▣ 20% of referrers provide 80% of referrals
- ▣ 20% of referrers really don't add much value
- ▣ 60% of referrers fall somewhere in the middle

### FOCUS

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## 8. 80/20 RULE & STAFF

- ▣ 20% of staff over-perform and add value
- ▣ ? Do 20% of staff cause 80% of issues?
- ▣ 60% of staff somewhere in middle

WHAT DOES THIS MEAN?

Manage up or manage out?

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## 2. GET ON TOP OF EMAIL

- ▣ Regularly cited as the biggest time waster and/or distraction
- ▣ Integral part of practice of law: but no/little training
  - How to draft for maximum communication effect
  - Use of practice management software: precedents & storage
  - Outlook: auto-direct, folders, flags, tasks etc
- ▣ 4 D's of email time management
- ▣ Reduce email coming into your inbox
- ▣ Send less email within the office

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## 3. IMPROVE DELEGATION

- ▣ Match complexity of work to skill of lawyer
- ▣ Free up partner time whilst ensuring quality
- ▣ Maximise productivity and profitability: Leverage
- ▣ Enable learning experience for junior lawyer
- ▣ No silos see handout

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## 4. GET THE LAWYER TO LEGAL SUPPORT RATIO RIGHT

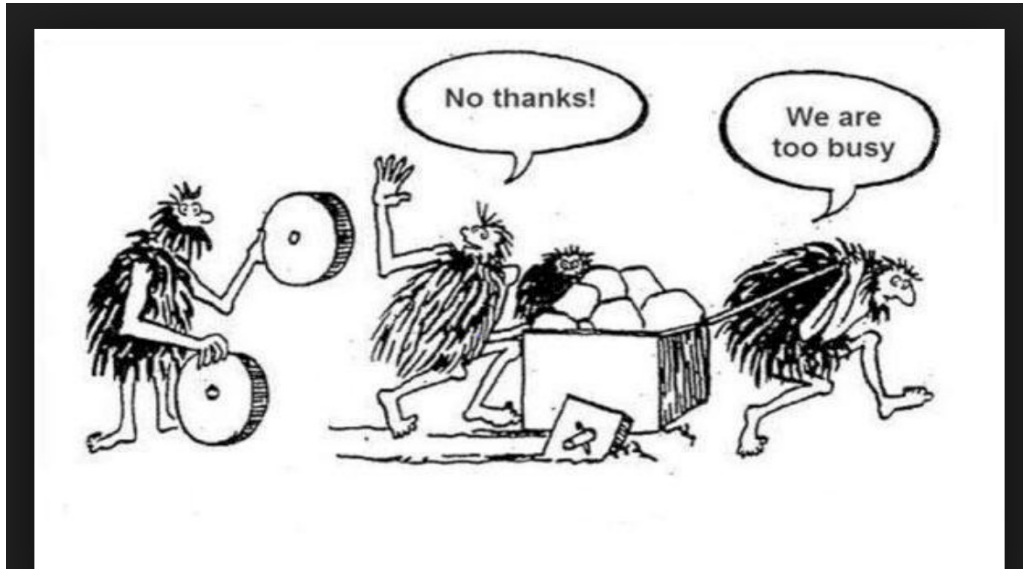
	Urgent	Not Urgent
Important	<b>I</b> <ul style="list-style-type: none"> <li>› Crises</li> <li>› Pressing problems</li> <li>› Firefighting</li> <li>› Major scrap and rework</li> <li>› Deadline-driven projects</li> </ul>	<b>II</b> <ul style="list-style-type: none"> <li>› Prevention</li> <li>› <i>Production capability</i> activities</li> <li>› Relationship building</li> <li>› Recognizing new opportunities</li> <li>› Planning</li> <li>› <i>Re-creation</i></li> </ul>
Not Important	<b>III</b> <ul style="list-style-type: none"> <li>› Interruptions</li> <li>› Some calls</li> <li>› Some mail</li> <li>› Some reports</li> <li>› Some meetings</li> <li>› Proximate pressing matters</li> <li>› Popular activities</li> <li>› Some scrap &amp; rework</li> </ul>	<b>IV</b> <ul style="list-style-type: none"> <li>› Trivia</li> <li>› Busywork</li> <li>› Some mail</li> <li>› Some phone calls</li> <li>› Time-wasters</li> <li>› Pleasant activities</li> </ul>

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	URGENT	NOT URGENT	
<b>I M P O R T A N T</b>	<ul style="list-style-type: none"> <li>*Client work that suits your level of experience and charge-out rate</li> <li>*Court and client deadlines</li> <li>*Supervising lawyers and others that you have delegated work to</li> <li>*Important emails, phone-calls and meeting that need you to action</li> <li>*Some interruptions</li> <li>*Billing that needs your input</li> </ul>	<ul style="list-style-type: none"> <li>*Client development/ BD</li> <li>*Training and mentoring of staff</li> <li>*Process Improvement and System Development (high level)</li> <li>*CPD, education, self-development</li> <li>*Rest, time-out, breaks</li> <li>*Planning</li> <li>*Team meetings</li> <li>*Principal meetings</li> </ul>	<b>D I A R I S E  T H I S</b>
<b>N O T  I M P O R T A N T</b>	<ul style="list-style-type: none"> <li>*Client work that could be done by someone on a lower charge-out rate than you</li> <li>*Supervising juniors/staff that could be done by someone on a lower charge-out rate than you</li> <li>*Many emails, phonecalls, meeting that are not essential for you to action</li> <li>*Billing admin</li> <li>*Internal admin that could be done by non-lawyer, IT/HR/ account/systems/</li> <li>*Actions that would not be needed if there was better systems/precedents/practice management software</li> <li>*Some interruptions</li> </ul>	<ul style="list-style-type: none"> <li>*Distractions</li> <li>*Some client interaction eg difficult clients, tyre-kickers</li> <li>*Unnecessary meetings, committees, projects</li> <li>*Some commuting/travel</li> <li>*Social media?</li> <li>*Internet surfing?</li> <li>*Too many coffees and chitchat?</li> </ul>	<b>D U M P  T H I S</b>

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## 5. HAVE QUALITY PRACTICE MANAGEMENT SOFTWARE, KNOW HOW TO USE IT AND HAVE ALL STAFF USE IT



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## 6. DEBRIEF

- ▣ Task complete
- ▣ Final meeting
- ▣ Positive results
- ▣ Constructive feedback
- ▣ Build on knowledge and experience
- ▣ Time for questions
- ▣ Both delegator and delegate have opportunity to learn
- ▣ Identify risk and implement prevention plan

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## 9. TRACK STAFF RETENTION RATES AND WORK ON REDUCING TURNOVER

CALCULATE "COST" OF LOSING A SENIOR ASSOCIATE

- Reduced billings from when they start to think about leaving 20%
- Reduced billings from when they give notice 30-50%
- Potential that they take client or other staff + negative vibe
- Cost of replacing: 15-20% of salary (external-recruiter or internal-HR +Partner time)
- Sunk cost of all training and development of SA who leaves
- Cost of induction and ongoing training for replacement SA
- Reduced billing of new SA as they get up to speed

ESTIMATE OF COST: \$250,000 - \$500,000

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## 10. IMPROVE TIME MANAGEMENT SKILLS

	Urgent	Not Urgent				
Important	<p style="text-align: center;"><b>Quad I</b></p> <table border="1" style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"> <p><u>Activities</u></p> <ul style="list-style-type: none"> <li>• Crisis</li> <li>• Pressing Problems</li> <li>• Deadline Driven</li> </ul> </td> <td style="width: 50%; vertical-align: top;"> <p><u>Results</u></p> <ul style="list-style-type: none"> <li>• Stress</li> <li>• Burn-out</li> <li>• Crisis management</li> <li>• Always putting out fires</li> </ul> </td> </tr> </table>	<p><u>Activities</u></p> <ul style="list-style-type: none"> <li>• Crisis</li> <li>• Pressing Problems</li> <li>• Deadline Driven</li> </ul>	<p><u>Results</u></p> <ul style="list-style-type: none"> <li>• Stress</li> <li>• Burn-out</li> <li>• Crisis management</li> <li>• Always putting out fires</li> </ul>	<p style="text-align: center;"><b>Quad II</b></p> <table border="1" style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"> <p><u>Activities</u></p> <ul style="list-style-type: none"> <li>• Prevention, capability improvement</li> <li>• Relationship building</li> <li>• Recognizing new opportunities</li> <li>• Planning, recreation</li> </ul> </td> <td style="width: 50%; vertical-align: top;"> <p><u>Results</u></p> <ul style="list-style-type: none"> <li>• Vision, perspective</li> <li>• Balance</li> <li>• Discipline</li> <li>• Control</li> <li>• Few crisis</li> </ul> </td> </tr> </table>	<p><u>Activities</u></p> <ul style="list-style-type: none"> <li>• Prevention, capability improvement</li> <li>• Relationship building</li> <li>• Recognizing new opportunities</li> <li>• Planning, recreation</li> </ul>	<p><u>Results</u></p> <ul style="list-style-type: none"> <li>• Vision, perspective</li> <li>• Balance</li> <li>• Discipline</li> <li>• Control</li> <li>• Few crisis</li> </ul>
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## MORE ON TIME MANAGEMENT

- What are the biggest time wasters: work on these
  - Email
  - Interruptions
  - Meetings
- Use planning tools: daily plan, tasks lists, Outlook, Prac Man software
- Know your peaks and troughs: Protect your peak time
- Procrastination
- First things first
- Eat the frog
- Eat the elephant

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“Sweetie, if it was that easy, everyone  
would be doing it”

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