



Précis Paper

Utilising People Performance to Increase Profitability of Legal Firms

Rob Knowsley discusses legal practice management, focussing on how to improve staff performance to benefit the business.

Discussion Includes

- Staff recruitment, training and retention
- Improving staff performance
- Remuneration
- Job descriptions and clarity around staff roles
- Achieving an appropriate accommodation between private and work life

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Utilising People Performance to Increase Profitability of Legal Firms

1. In this edition of BenchTV, Rob Knowsley, principal legal practice management consultant at Knowsley Management Services (KMS), is interviewed by Louise Blase on the topic of key management issues in small-medium law firms.

Rob Knowsley's Legal Career

2. Following high school, Mr Knowsley did not have any particular plans. Rather, he 'fell' into law as a number of his friends were enrolled into a law degree so he decided to enrol with them. After entering legal practice, Mr Knowsley became a full equity partner in a law firm at quite a young age. Following this experience, he developed an interest in legal practice management and began practicing as a consultant to a variety of law firms across Australia and New Zealand. To date, Mr Knowsley has advised over 1,300 law firms in his 27-year career as a legal practice consultant.

Recruitment

3. As the majority of law firms do not have the same level of resources and funds as larger law firms, they should use all of the resources available to them, such as their networks and recruitment websites (e.g. Seek), before they necessarily turn to a recruitment consultant. For instance, in one particular case, Mr Knowsley was advising a law firm that paid over \$40,000 in recruitment fees for hiring a candidate that was already known to a staff member and this member also knew that the candidate was looking for a new role. This example highlights the importance of informing staff members about the position vacancy and asking them if they know suitable candidates for the position amongst their networks. In order to encourage staff members to explore their networks, some law firms have policies whereby staff members receive a monetary payment as a token of thanks if the candidates they refer are ultimately appointed to the role.
4. If firms are going to use a recruitment consultant, it is recommended that the firms form a close relationship with this consultant so that the consultant has a strong understanding of the firm culture, enabling them to subsequently find candidates that are a good fit for the firm.
5. In order to save time and resources during the recruitment process, firms should carefully vet candidates prior to inviting them for a face-to-face interview. This includes conducting a short telephone interview with candidates, calling their referees, and identifying the reasons for any gaps in their CV. These steps should be taken beforehand to ensure that only the

most suitable candidates attend an interview given the considerable time involved in conducting interviews for both the firm and the candidate.

Staff Training

6. For graduate lawyers, firms should aim to provide these lawyers with broad training whilst also ensuring graduates are involved in work, under appropriate supervision, which creates a return for the firm. In particular, the best possible training for graduate lawyers is to work alongside more experienced lawyers on client files. Furthermore, firms need to prepare a planned program for graduates which provides clear expectations of their capabilities at different stages of their training.
7. For more experienced lawyers, firms should avoid arbitrary ad hoc training which fails to enhance the skills and knowledge of lawyers relevant to their jobs. Rather, prior to undertaking training sessions, firms should carefully assess how that training will benefit the firm and its clients. Additionally, where staff members do attend a particular conference or training session, they should be encouraged to share the knowledge and skills gained with other staff members who can benefit from that experience.

Retention

8. In the modern workforce, staff retention is a growing challenge as employees now have more flexible careers with numerous employers and no longer feel guilty for leaving firms they have been with for some time. Whilst staff turnover can be costly for the firm, it is also important not to overemphasise staff retention to the extent of retaining employees who are not an appropriate fit for the firm. In particular, Mr Knowsley notes that a lot of employers in the legal industry are reluctant to have 'hard' conversations with employees that are underperforming. In other instances, firms may be retaining staff members that are unsatisfied with their current position and no longer wish to stay.
9. In order to ensure staff retention, staff members should genuinely enjoy their entire work experience, including the type of work they are involved in, the clients they are working for, and the culture and camaraderie of the firm. In these cases, as long as remuneration is fair and reasonable within the market, then remuneration should no longer be a relevant factor in staff retention. Other strategies law firms can use to boost staff retention are offering flexible work arrangements and providing technological benefits, such as smart phones and laptops, which are also partly available for private use.
10. Additionally, there is a tendency for firms to place excessive reliance on monetary bonuses even though most employees would genuinely be grateful if their hard work was merely acknowledged and recognised. For these bonuses to be effective, they need to be tailored

to each employee's unique situation to ensure fairness and equity. Furthermore, Mr Knowsley believes it is preferable for bonuses to be awarded on a discretionary basis, rather than through an upfront employment contract obligation, in order to attract staff that work hard due to their own internal drive rather than the bonus dangled in front of them.

Employee Appraisal

11. Employee appraisals are a common occurrence in the legal workplace but they are often delayed or avoided. This is particularly the case for 'difficult' appraisals where an employee's subpar performance needs to be discussed. As a result of this appraisal delay or avoidance, there is a missed opportunity to improve the employee's performance within a reasonable time, often resulting in the employee's ultimate departure from the firm. To ensure fair employee appraisals, performance expectations should be reasonable and clearly and persistently communicated from the outset.

Use of Job Descriptions

12. Job descriptions are important to ensuring each employee clearly understands their tasks and responsibilities. However, at the same time, employees should not feel they are strictly confined to their job description. Instead, they should be encouraged to take initiative and 'go the extra mile' where necessary to do so.
13. A prevalent shortcoming of job descriptions in small firms is that experienced lawyers make insufficient time available to share their experience, skills, and knowledge with more junior members of the team as they are often too busy working on client matters. Consequently, junior lawyers miss out on important on-the-job training which is the best way for them to learn and improve.

Managing Staff Performance

14. Staff performance can be effectively managed by clearly and insistently communicating performance expectations from the outset whilst also providing staff with regular feedback. Though, this can be hard to achieve in a busy law firm. Nonetheless, supervisors should aim to provide and discuss feedback with staff at least once per month. However, for significant issues that are too important to ignore, feedback on these issues should not be delayed. This will ensure that subpar performance is remedied as soon as possible, thereby avoiding the need for 'difficult' appraisals.

Balancing Personal Life and Work Life

15. In the technical sense, it is not actually possible to achieve balance between one's work and personal life in the legal profession. This is because lawyers are consistently dealing with significant challenges and opportunities for clients, balancing time constraints, financial pressures, and other demands. Therefore, lawyers need to accept that in order to perform well in their jobs there cannot be a perfect balance between work and personal life.
16. However, there can, and must, be a comfortable and healthy accommodation for one's personal life throughout their career. This is becoming more common through the provision of flexible working arrangements. Though, at the same time, lawyers today are also expected to be 'on call' after hours through answering emails and calls on their smart phones. Therefore, technological developments have both helped and hindered lawyer's personal lives.

Effective Firm Management

17. A well-managed law firm should maintain sufficient cash flow to pay ongoing expenses (e.g. rent, wages, utilities, insurance premiums etc.) without needing to worry about solvency issues. In addition to paying expenses, the firm should also produce a substantial profit margin to account for the risk the partners have taken in setting up and operating the law firm. Often, partners do not realise that the firm's 'risk return' is far too low and that it does not appropriately reward the amount of hard work and effort they have invested into the firm.

Technology and Productivity

18. Despite significant technological advancements in legal software applications, there has not been a comparable improvement in productivity. In fact, many law firms have failed to increase their productivity expectations, or have increased these expectations by too little, in light of the wide range of legal software available to their lawyers.
19. Firms need to have a frank discussion with their lawyers of the increased performance and productivity expectations given the technology available to them. In doing so, firms should adopt a 'sticker shock' approach, that is, they should not start off with a particular number. Rather, they should break down the lawyer's day, week, month, or year and plan performance outcomes on this basis. By using this approach, lawyers are more confident and convinced of their ability to meet the increased performance expectations.

Personal Use of Phones and Computers

20. The personal use of phones and computers is a common occurrence amongst junior staff, particularly given the rise of social media. Unless you are familiar with the employee's work patterns, it is preferable to ignore this activity as the employee may simply be taking a break

from a busy day, week, or month of work. Instead, employers should focus on the employee's total output and performance rather than their mobile phone and social media use.

21. However, if employers feel the need to address this issue, they should do so in a considered manner with regard to the amount of hours the employee has been working, their overall productivity, and the individuality of each employee's working style. Ultimately, the best way to avoid issues regarding personal mobile phone and social media use is to keep employees sufficiently busy so that they don't have time to waste on these sort of activities.

Micromanagement

22. 'Micromanagement' is a term commonly used in a pejorative sense. Generally, this behaviour is negative as managers try and compel their junior staff to complete a particular task their way at every step, thereby restricting innovation by assuming that there cannot possibly be a better way. However, in some instances, micromanagement may be necessary to monitor employees you suspect of not doing their work, particularly if these employees work from home or in a separate location to their supervisor.

Succession Planning

23. Succession planning is viewed differently by legal practitioners in different markets. For instance, in the New Zealand market, there are several sole practitioners that tend to think there are no succession opportunities for their firm. These practitioners believe that they will be lucky if they can find a capable and personable practitioner who is willing to come to their town and take over their practice. Furthermore, they have low expectations of the financial benefits from succession, if there are to be any benefits at all. Therefore, several New Zealand practitioners tend to dismiss the entire idea of succession.
24. However, the legal practitioners advised by Mr Knowsley adopt a serious long-term view of succession planning. These practitioners recognise that if they work hard in advance on creating a range of succession options, both internal and external, they will be able to manage succession a lot more smoothly and successfully when the time comes. In Mr Knowsley's opinion, practitioners should start thinking about succession from the time they start running their firm as the 'point of being in business should be to try and later successfully get out of business'.
25. For a positive succession, principals in law firms should be trying to make themselves less important in the practice so that prospective purchasers can appreciate that the firm's operation and profitability is not reliant on the principal practitioner's presence. In firms where the principal practitioners are relatively less important, there will be a higher rate of retention of the firm's existing client base following succession, thus further enhancing the firm's value.

26. There are also succession options for firms that are unprofitable. These firms are generally acquired by larger firms and accommodated into their legal practice, eliminating the need for common support service expenses, such as reception, accounting, payroll, and I.T. Therefore, these unprofitable firms still possess value for succession as they may be able to become profitable through a merger or acquisition.

BIOGRAPHY

Rob Knowsley LLB MIMC

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Rob Knowsley has provided legal practice management advice and solutions to over 1,300 legal firms in Australasia over 42 years. He provides practical advice to address fundamental problems, and to develop successful legal firms.

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