

The logo for Virgin Money, featuring the word "MONEY" in red capital letters with a red circle containing the word "Virgin" in white script, positioned over the letter "O".

ArmstrongWatson®
Accountants, Business & Financial Advisers
A track record of providing solutions to the legal profession

Legal Sector Breakfast Briefing

8 March 2022

Nottingham



ArmstrongWatson®
Accountants, Business & Financial Advisers

Legal Sector Breakfast Briefing

Welcome and introduction

Tom Blandford, Legal Sector Partner
Armstrong Watson

Working with



The Law Society

Legal Sector Breakfast Briefing

| | | |
|-------|---|----------|
| 10:00 | - | Welcome |
| 10:05 | - | Briefing |
| 11:00 | - | Q & A |
| 11:30 | - | Close |

Working with



The Law Society

Improving Law Firms

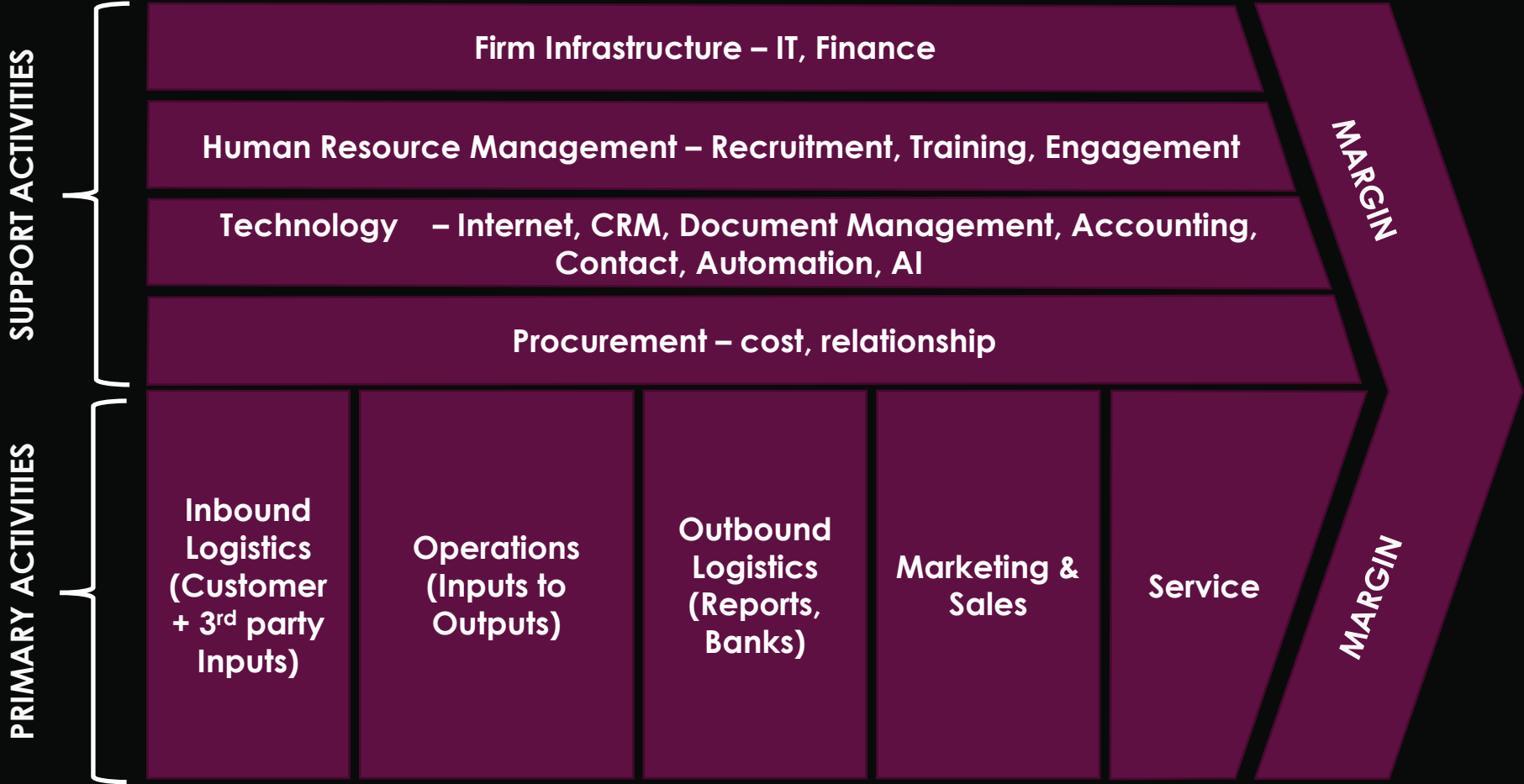
Using established, powerful techniques to take Operational Excellence (OPEX) into legal settings

"It takes time to create excellence. If it could be done quickly, more people would do it." John Wooden

50% Faster

Same Costs, 30% More Capacity

Michael Porter's Value Chain Model

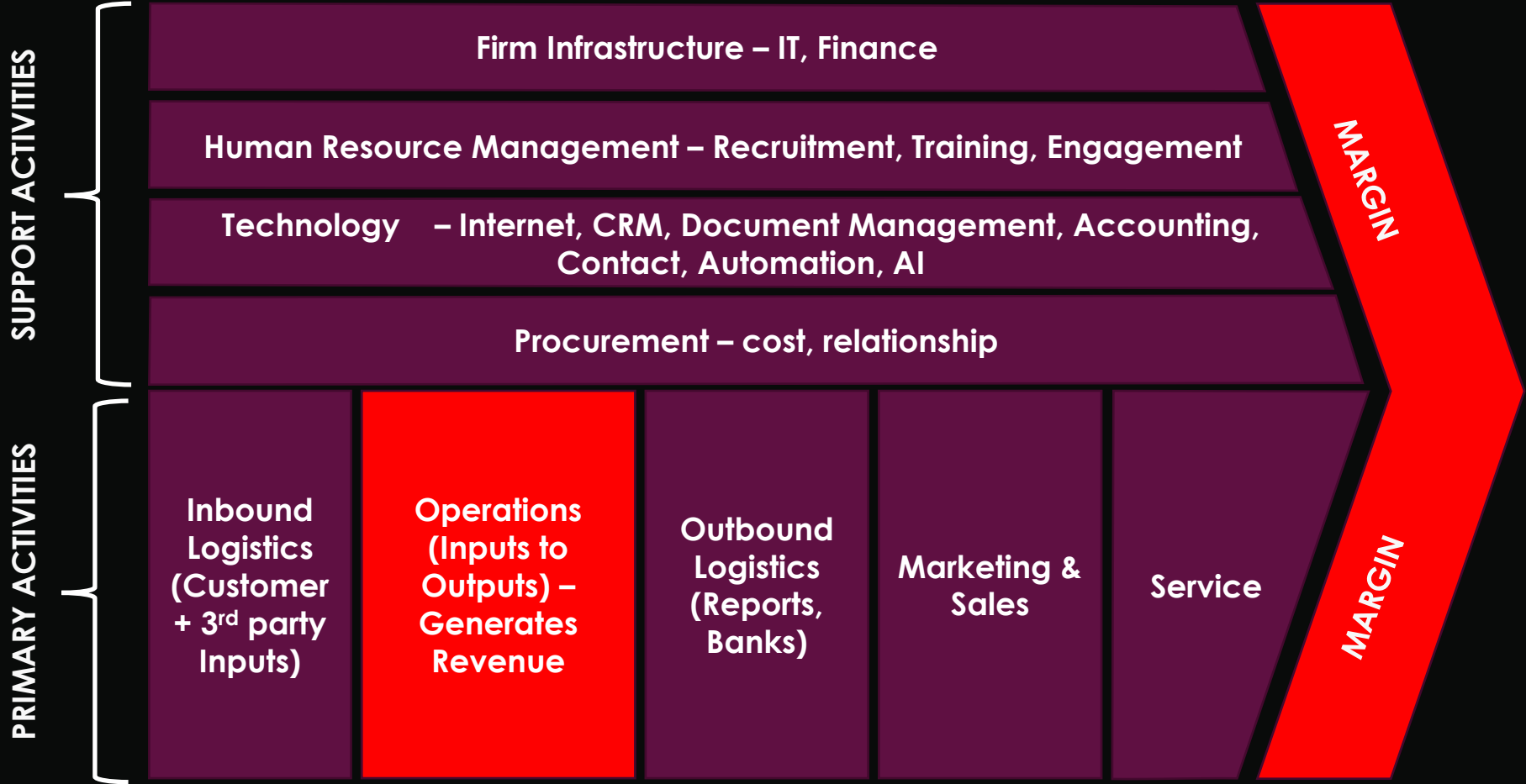



Key



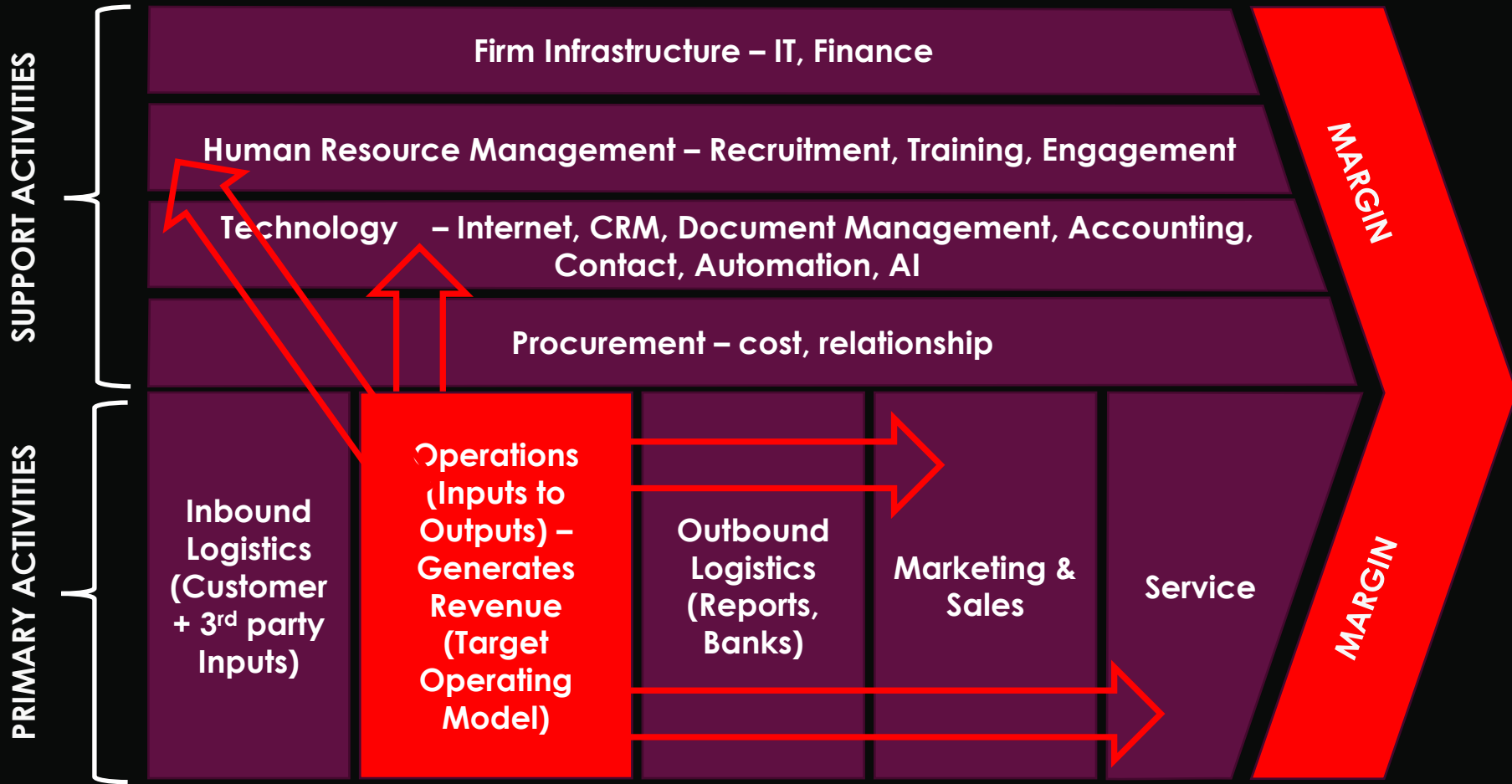
Levantar primary focus & impact: Operational Excellence

Levantar Value Chain Model – Primary Impact



Key  Levantar primary focus & impact: Operational Excellence

Levantar Value Chain Model – Secondary Impact



Key

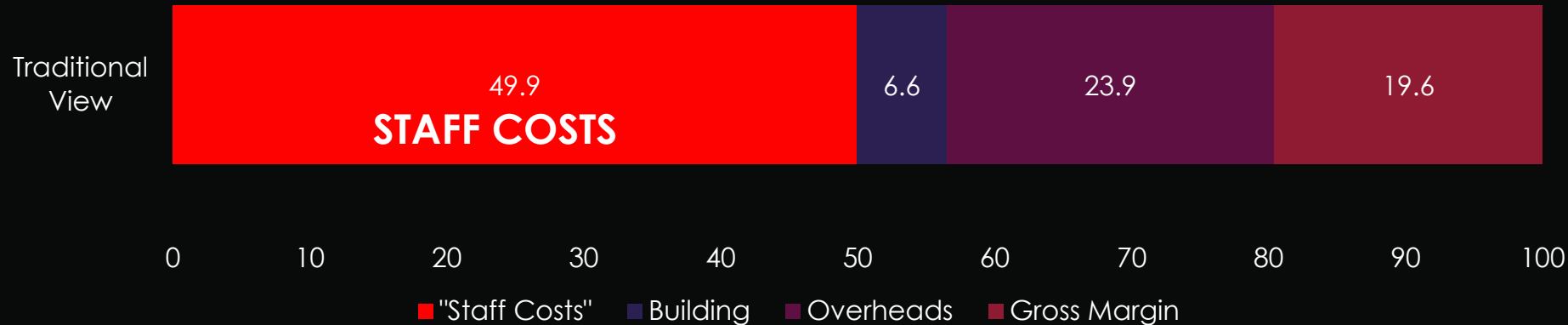
- █ Levantar primary focus & impact: Operational Excellence
- Levantar secondary focus & impact: Operational Excellence

Reducing Costs OR Improving Processes ?

“We Don’t Make Cars, We Don’t Make Baked Beans”

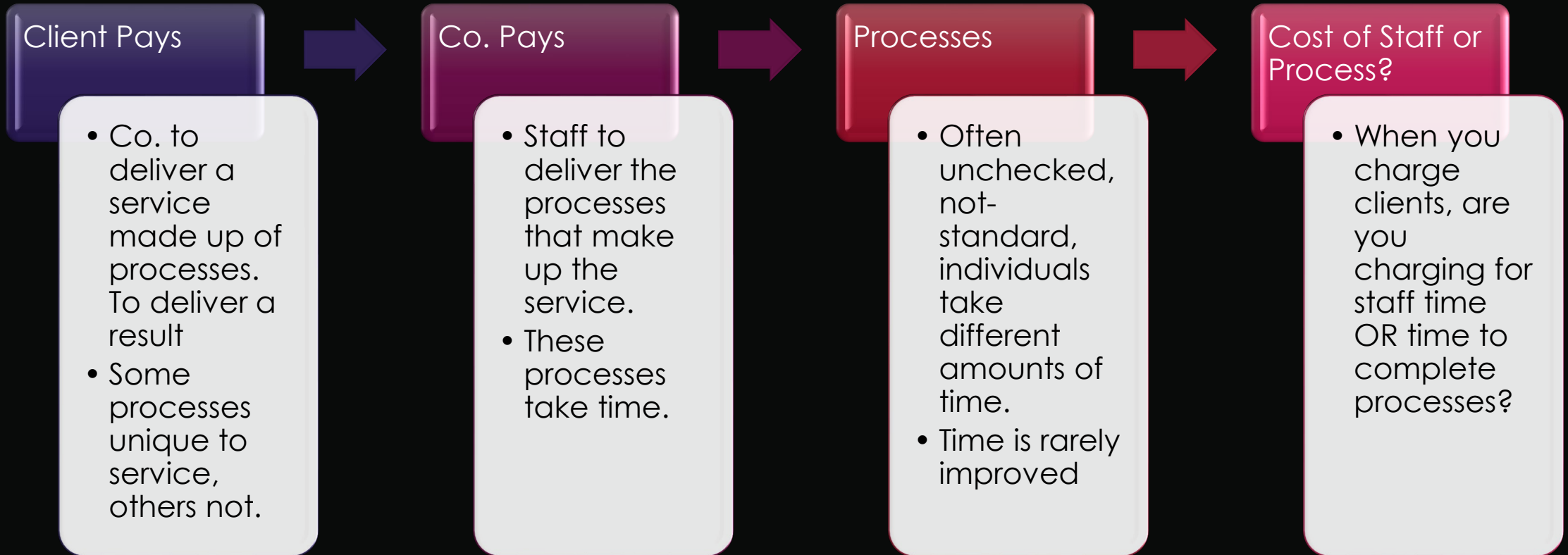
What is the Cost of Staff?

Source: Hazlewoods Law Society – Financial Benchmarking Survey 2021 p 24 (Profitability)



- ▲ You pay staff to Onboard Clients, Fact Find, to deliver processes for the service, your clients need, for a set time each year.
- ▲ You pay staff to do this for a set time, each year.
- ▲ You're paying staff for their skills, their experience, their expertise, to deliver processes.
- ▲ Your firm pay staff to deliver that service. Your clients pay your firm to deliver a service.

Staff Deliver Processes

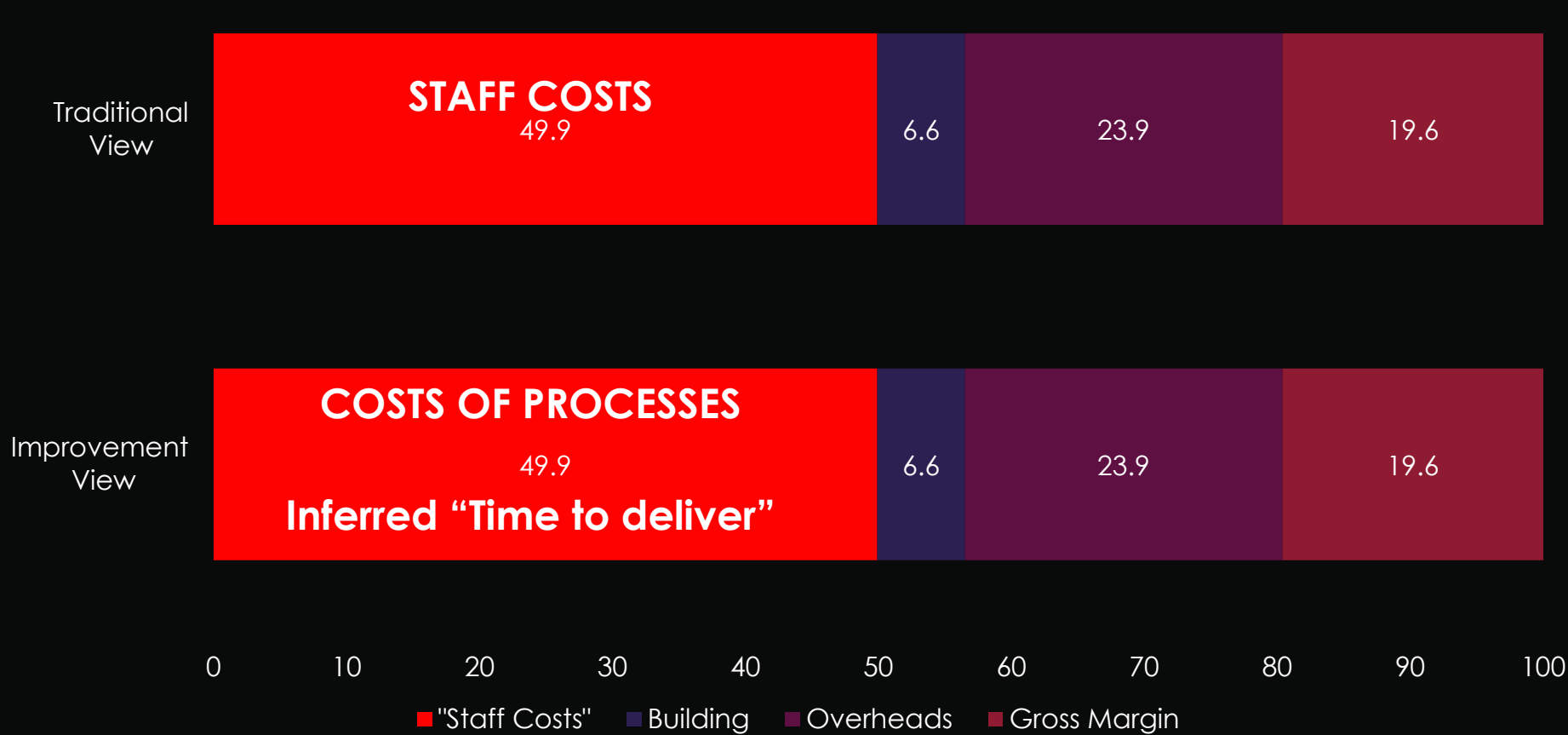


Do You Use Processes?

- In a month you may well do a mix of the following processes, on many files;
 - Quotes
 - Client Onboarding, KYC Checks
 - Enquiries, Discovery
 - Report Writing, Responding to Queries
 - Court
 - Closure
 - Billing, Invoice
 - Archive
- These will be to deliver a similar set of outputs in your specialism.
 - Leasehold Purchase
 - Freehold Sale
 - Will
 - Divorce
 - Business Purchase
 - Claim
 - Trust
 - IP
 - HR

When was the last time you tried to improve (reduce) the time to complete the whole process?

Staff Deliver Processes – the Costs View



- We pay staff to deliver processes; whether documented or not.

- Processes that we think are standard aren't. We rarely understand the time and therefore the costs of processes.

- If we managed processes what could we achieve?

“Cost Saving” – 10% Costs

- Cost Savings – target 10% reduction in costs
- **Process Costs (Staff) saves £49,900 (??)**
- Accommodation saves £6,600
- Overheads saves £23,900
- **Bottom Line, Profit Growth**
- Staff saving – who are you getting rid of? Not replacing? How will you do their work?
- Can you get out/reduce your accommodation costs?
- Overheads can you really reduce these? Insurances, IT, photocopying by 10% quickly?
- Do you have time to focus on these non-legal aspects, re-negotiate contracts, suppliers etc?

| Item | | Normal £'s | | Cost Reduction – 10% £'s | | |
|-------------------|--------------|-----------------|--------------|--------------------------|--|--|
| Revenue | | £1,000,000 | | £1,000,000 | | |
| Cost of Processes | 49.9% | £499,000 | 44.9% | £449,100 | | |
| Accommodation | 6.6% | £66,000 | 5.9% | £59,400 | | |
| Overheads | 23.9% | £239,000 | 21.5 | £215,100 | | |
| Profit | 19.6% | £196,000 | 27.6% | £276,400 | | |

No Top Line Growth in Cost Reduction

✗ Top line Growth

✓ Bottom Line Growth

“Process Improvement” + 10% More Work (20,30% more?)

- Process Improvement – target 10% increase in process capacity, no increased costs.
- **Process Costs (Staff) – same costs, lower %**
- Accommodation and Overheads remain the same
- **10% Growth in Revenue.**
- Business focussed on what it does, what staff are skilled, experienced at.
- Staff are developed – retention, engagement.
- No external focus - accommodation & overheads need no focus.
- You focus on the job you do, rather than the peripherals. (pg 11 LMS Benchmarking)

| Item | | Normal £'s | | Cost Reduction – 10% £'s | | Process Improvement +10% £'s |
|-------------------|--------------|-----------------|--------------|-----------------------------|--------------|---------------------------------|
| Revenue | | £1,000,000 | | £1,000,000 | | £1,100,000 |
| Cost of Processes | 49.9% | £499,000 | 44.9% | £449,100 | 45.4% | £499,000 |
| Accommodation | 6.6% | £66,000 | 5.9% | £59,400 | 6.0% | £66,000 |
| Overheads | 23.9% | £239,000 | 21.5 | £215,100 | 21.7% | £239,000 |
| | | | | | | |
| Profit | 19.6% | £196,000 | 27.6% | £276,400 | 26.9% | £296,000 |

Growth through
more people?
more capacity?

Revenue
Increases BUT
Costs likely to
grow by same %.

✓ Top line Growth

✓ Bottom Line Growth

Processes Improvements

“It Sounds like the most boring job in the World”

GEMBA

- Go to “the Real Place”; the place where work is done.

- Observe 2 
- Listen 2 
- 1 Mouth 

NEVER JUST ASK!
Told what they think you
want to hear

- **Have a hypothesis: What do I think happens?**
- **What did I see that surprised me?**
- **What did I expect to see that I didn't?**

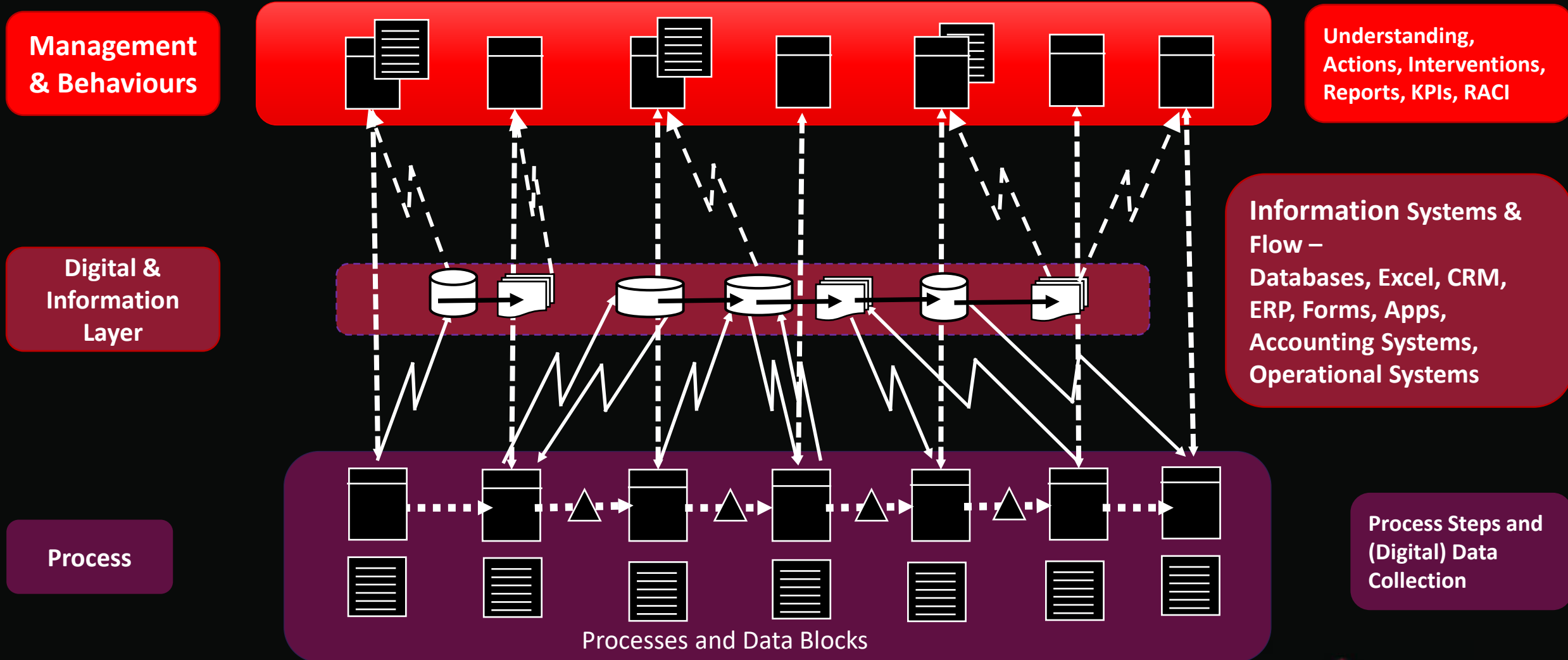
- **Feedback – YES, Criticise – NO. NOT A PERFORMANCE REVIEW.**
- **What you observe, hear is the truth – no matter what you think.**
- **YOU WILL find things you don't like – they have been happening, accept it.**
- **What does the person doing it, think could be improved?**

Process Mapping – learn it



- Keep it Simple
- Make it Visual
- Share It
- No Need for Specialised Programmes – at this point
- No Need for Special Boxes or “Language”

Levantar – Management Value Stream Map ©

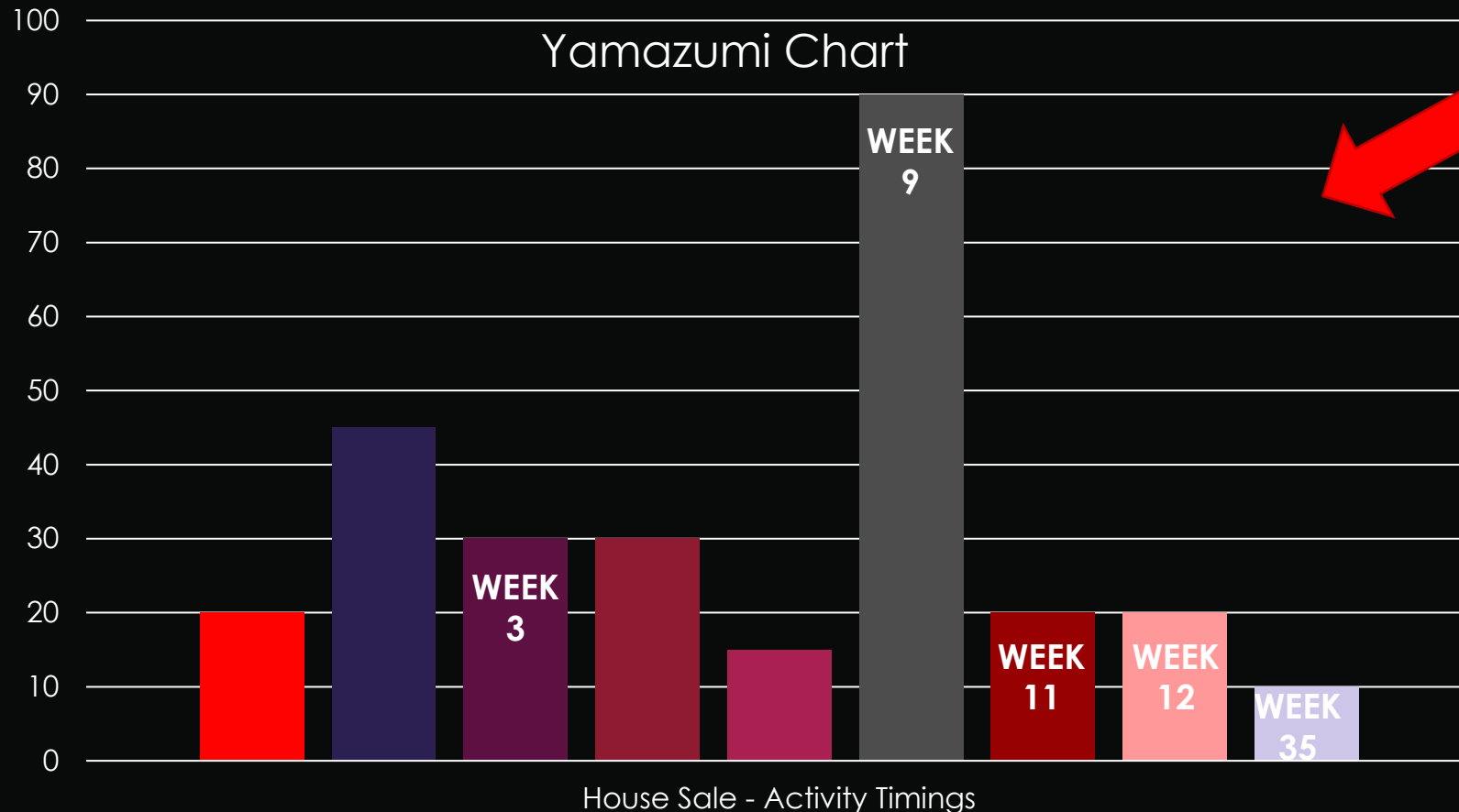


How do you allocate work

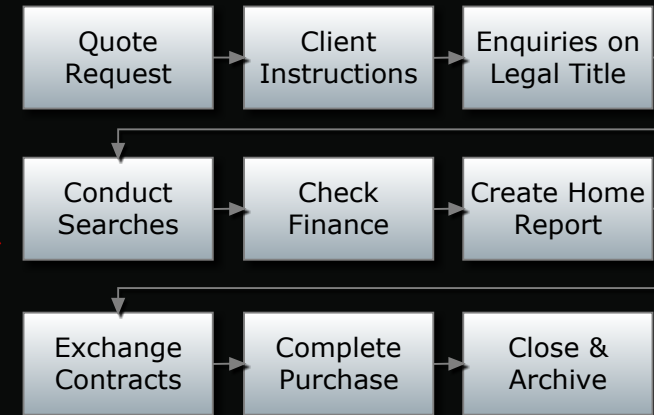
“Who is busy today”, “on rotation”

Yamazumi Chart – “Capacity” Benefit

Bottlenecks – all work isn't equal



- Quote
- Instructions
- Enquiries
- Searches
- Finance
- Report
- Exchange
- Complete
- Archive



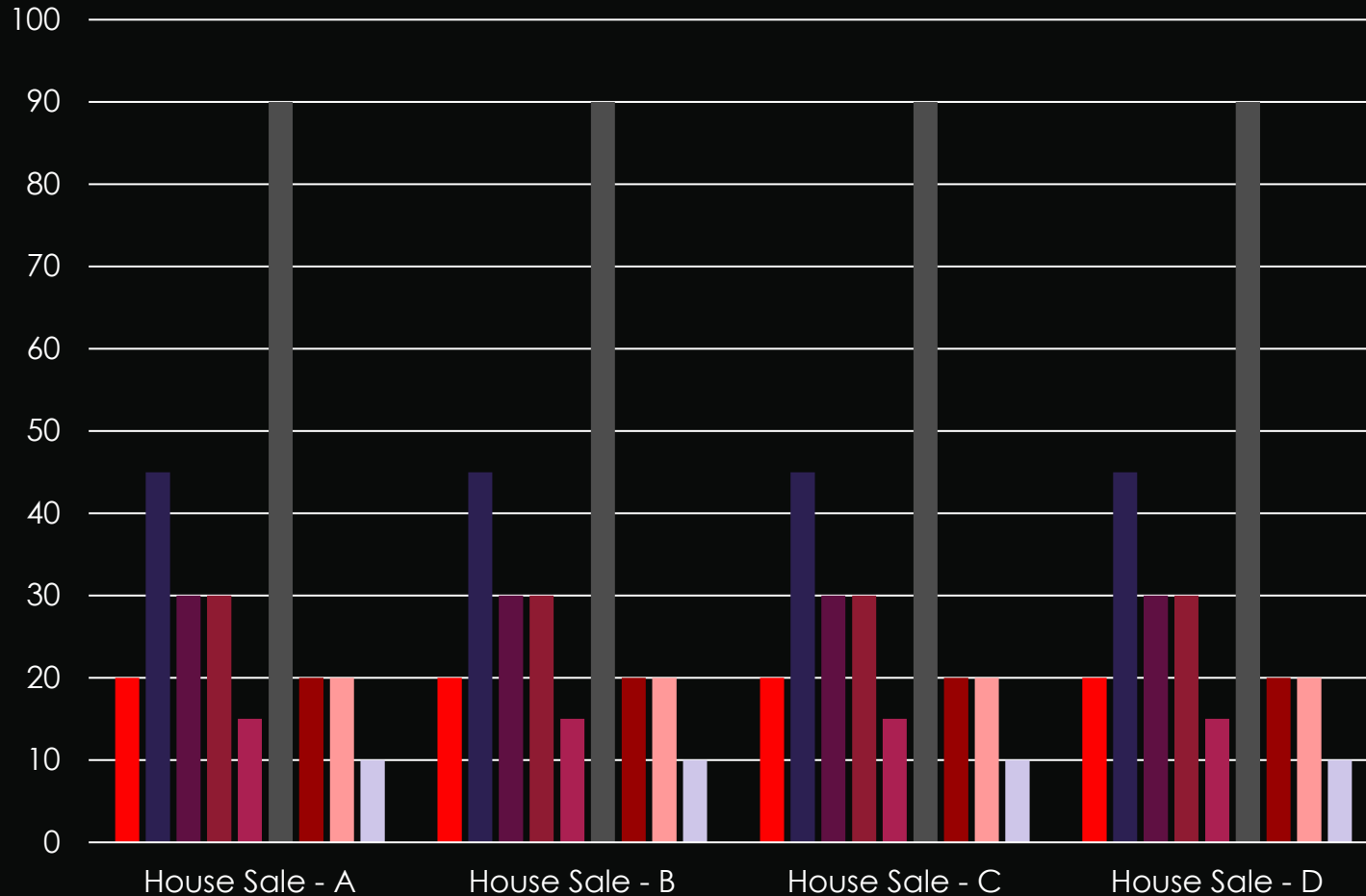
These activities are separated in time. What if all your Reports come in the same week?

When will you exchange on an instruction today?

Each Instruction has it's own similar chart.

Plan Workloads – Weeks in Advance

Yamazumi Chart – Overlaid Work



Each Instruction has it's own similar chart.

What if they overlap?
Reports in the same week?
The longest time work comes in the same week?

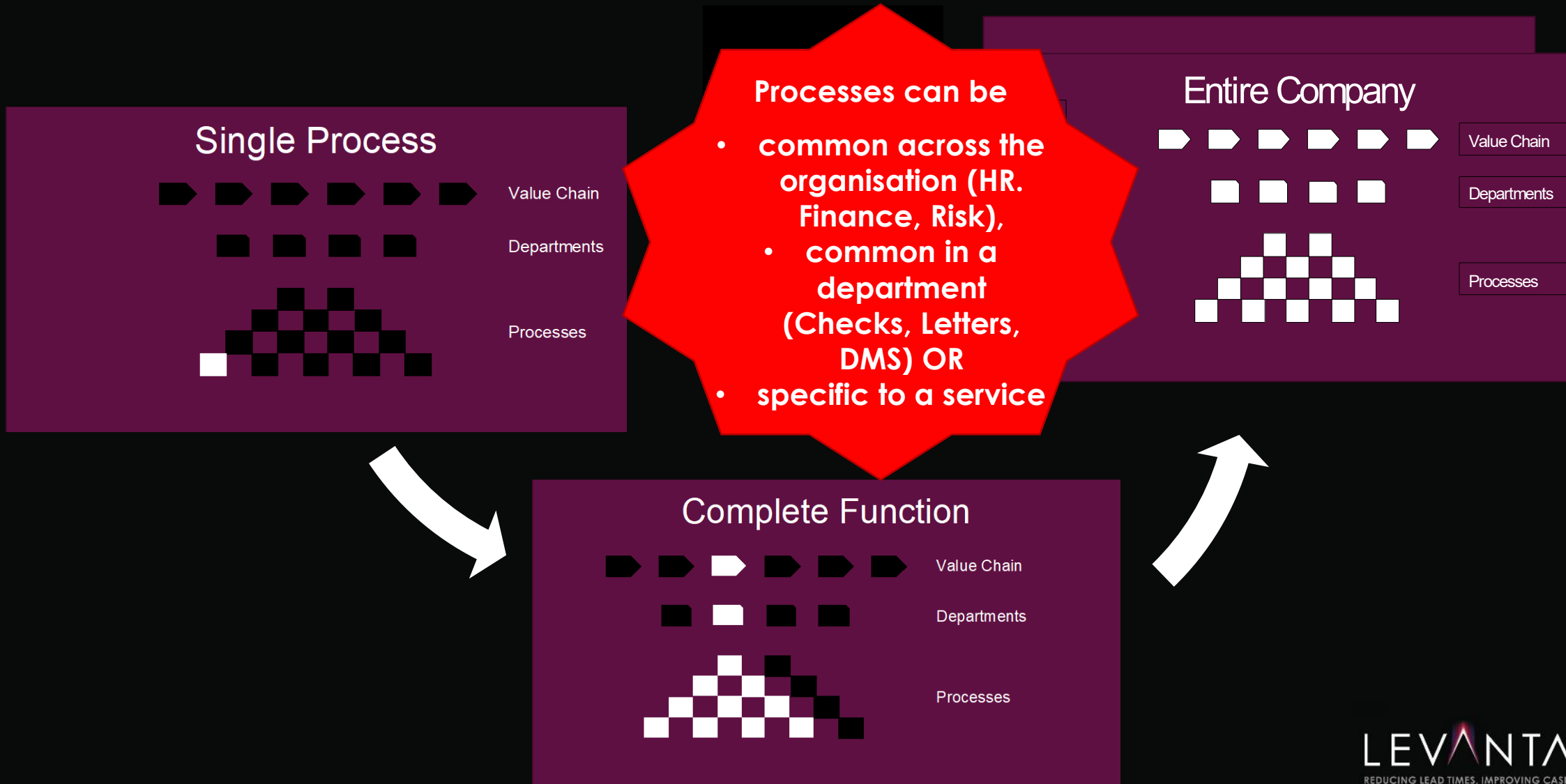
They create delays. Long days, increased risks?

What if you have no long time activities in one week?

Plan Workloads – Weeks in Advance.

Most organisations have little idea of their real capacity

Starting from one process & improving outwards



Improvements to Look For

How do you spot improvements?

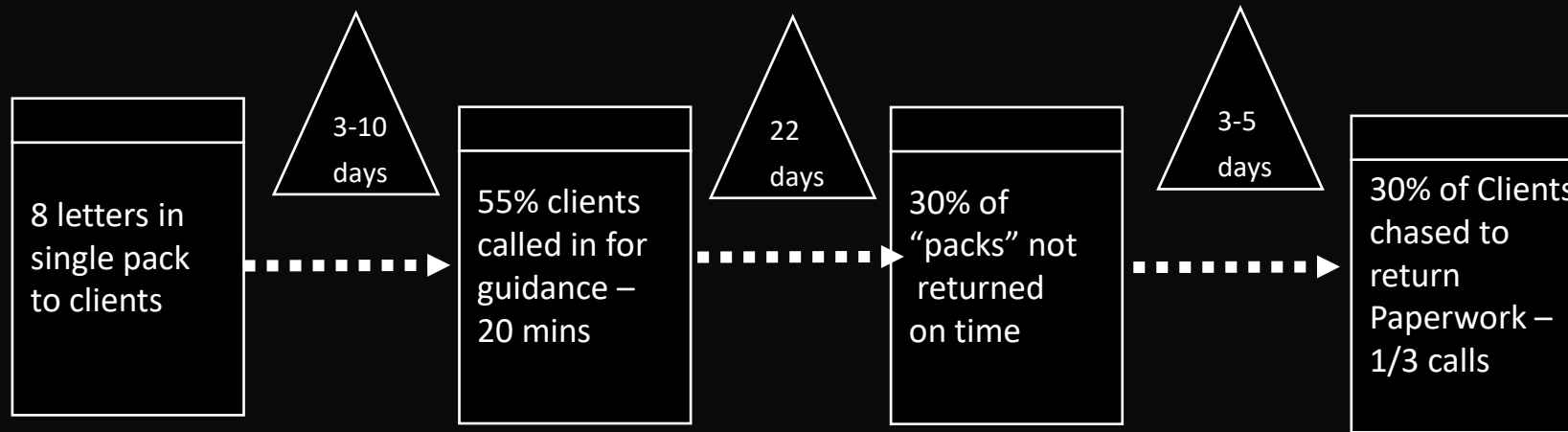
Frustrations (Wastes of Time)

- Duplicated Work
 - Re-Checking Documents, Letters, Files
 - Communication with clients, 3rd Parties
 - Cut, Paste data
- Errors by “Others”
 - Late replies, Missed Deadlines
 - Incorrect, Unclear Info Supplied
- Waiting
 - For replies, responses
 - Searching for information in files
- Paygrade
 - Is this work being completed by too high?
- Digitise, Automate, Digitalisation (BE CAREFUL)

Free Lean in Law Firms
Guide Book.

Unique BOOK:
FREE LEAN IN LAW FIRMS

Frustration of Communication

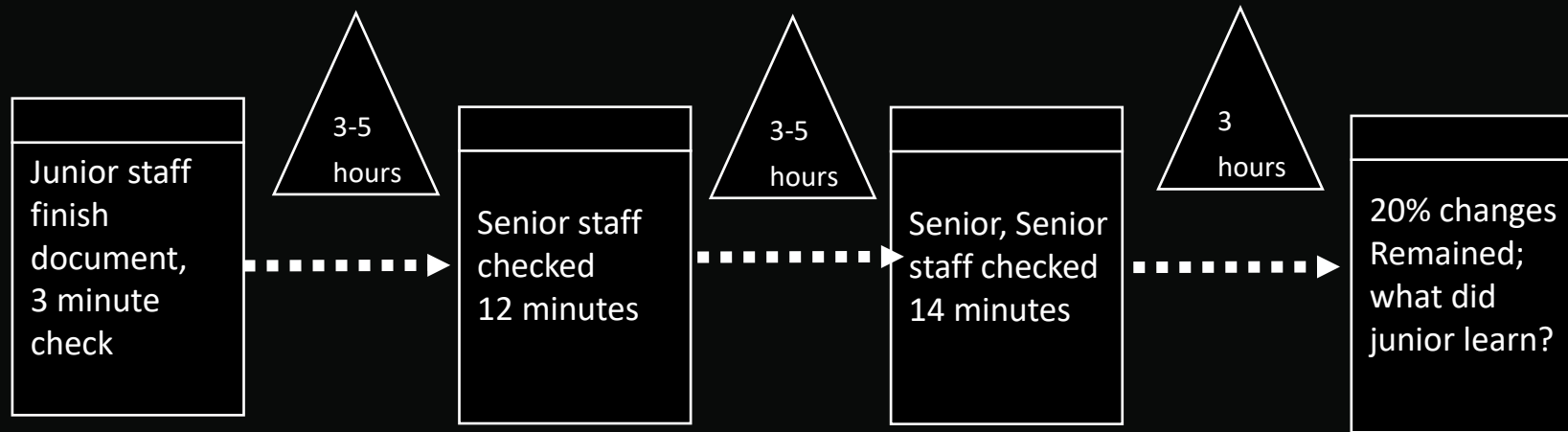


1/3 of phone calls get through first time AND the person can take the call.

- Letters
 - Didn't tell the client "what to do" in the first paragraph.
 - Often hidden in last page.
 - Signing – Victorian "on this day..... dated" v Court Document (Passport, Insurance, Mail Re-direction)
 - Reference Numbers incorrect: Client number v file number
 - Court document – which was only used in 2% of cases – frightened people
- Cause
 - Communication Errors – failure to understand the client didn't understand.

Result: just 10% called in, over 90% returned on time.

Frustration of Checking

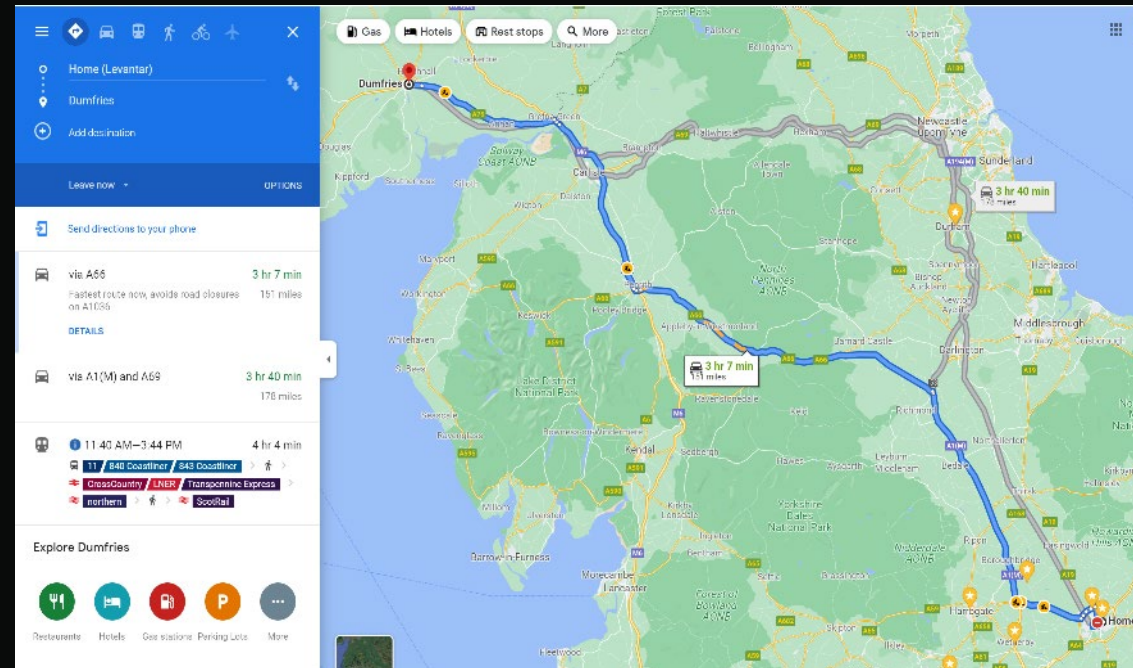
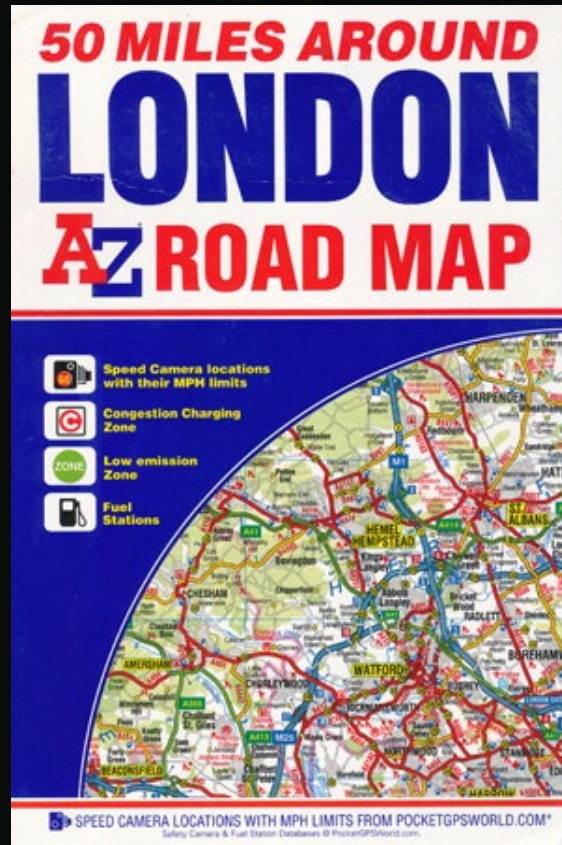


What are you checking? A system? An experienced person? Desks 3-4pm ?

- Letters
 - Junior staff used Document Management System to produce documents.
 - Senior staff made a series of changes
 - Senior, senior staff reversed a number of changes and made others.
 - What were they checking? The document generation or the junior
 - What did the junior learn?
- Cause
 - Old working practices retained after new Document System brought on board.

Result: senior checks removed, sampling introduced, management of DM system.

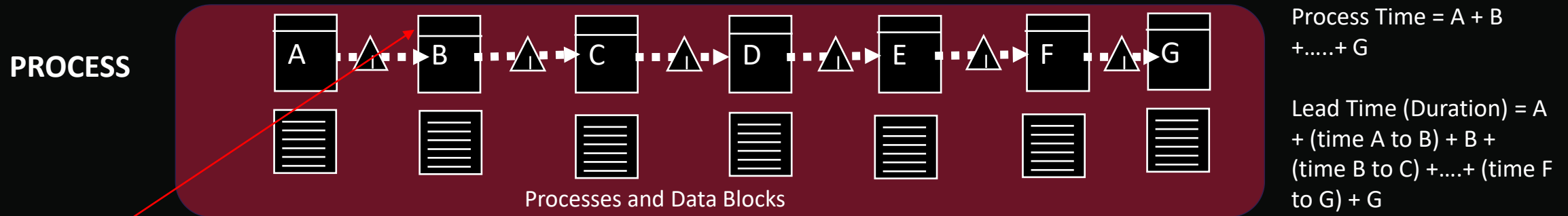
Process AtoZ – Google Maps



Improving Processes

Think Google Maps v A-Z

Pg 11 LMS Benchmarking – time recording.



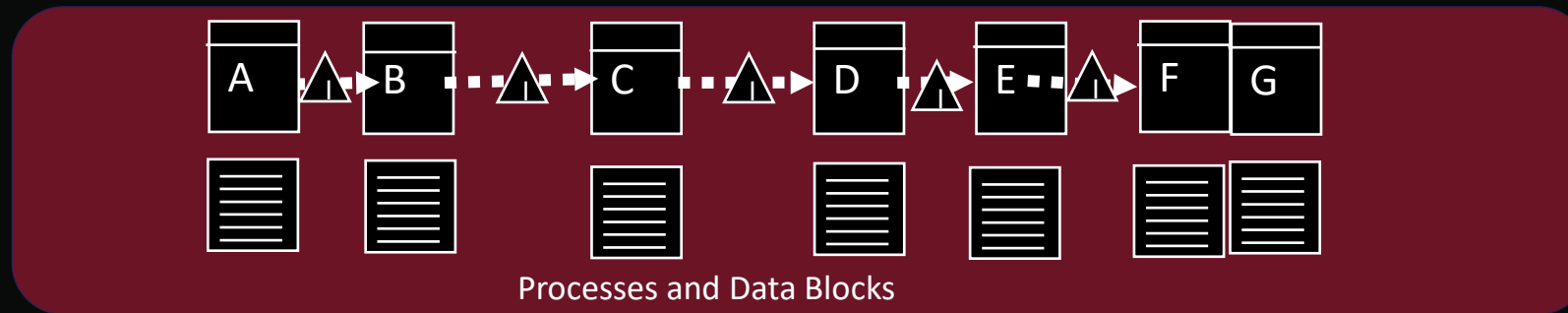
| | |
|--|-----------------|
| Step B Process Time | 300 secs |
| Time between Process Steps A -B | 1.2 day |
| Quality Rate @ Step B | 83% |
| # of Skilled Staff for Step B | 4 |
| £ of 1 unit at Process Step B | £0.50 |
| £ of 1 unit at Process Step B @ Quality Rate | £0.60 |

| | |
|---|----------------------------|
| Total Process Time | 54 mins |
| Total Lead Time | 9.5 day (4275 mins) |
| Activity Ratio = Process Time/ Lead Time | 1.26% |
| Total Quality Rate | 30% |

Improving Processes – step 1 “Flow” – What the Customer Sees

Improve 54 minutes Process Time by 10% saves 5 minutes 24 seconds
 Improve 9 days (Lead Time) by 10% saves 7 hours 12 mins
 So where should you focus?

PROCESS



Process Time = A + B
 +.....+ G

Lead Time (Duration) = A
 + (time A to B) + B +
 (time B to C) +....+ (time F
 to G) + G

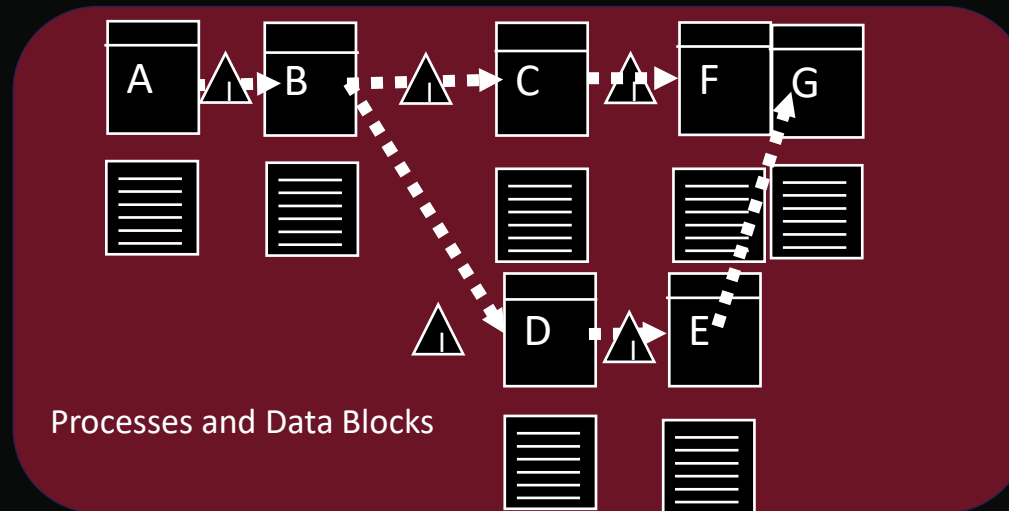
1. Reduce the Time between Steps – DON'T CHANGE THE PROCESSES (unless really obvious)
2. Reduce the Overall Duration – let “customers” see the improvement

| | |
|---|--------------------------|
| Total Process Time | 54 mins |
| Total Lead Time | 6 day (2700 mins) |
| Activity Ratio = Process Time/ Lead Time | 2% |
| Total Quality Rate | 80% |

Improving Processes – step 2 “Parallel Processes” - The Engineer in Me.

Result: Processing time for investment trusts, 250+ days, reduced to just 104.

PROCESS



Process Time = A + B
+.....+ G

Lead Time (Duration) = A
+ (time A to B) + B +
(time B to C) +....+ (time F
to G) + G

1. Serial Processing changed to Parallel Processing D & E can run straight from step B, they don't need step C first. D can start at the SAME time as C.
2. Reduce the Overall Duration – let “customers” see the improvement
3. NO PROCESS TIMES IMPROVED – PROCESS TIME IS STILL 54Mins.

| | |
|---|--------------------------|
| Total Process Time | 54 mins |
| Total Lead Time | 3 day (1350 mins) |
| Activity Ratio = Process Time/ Lead Time | 4% |
| Total Quality Rate | 90% |

Questions – Wrap Up

Wrap Up

- Improving or Cost Reduction
- Process Improvement
 - Process Mapping
 - Capacity constraints – Yamazumi (Supply Chains)
 - Flow, Series/Parallel Processing (Supply Chains)
- Why? People (Gallup Q12)
- Copy of “**Lean for Law Firms**” (PDF) – includes Lost Time Calculator
- Mark@levantar.co.uk
- 07712 69396

Legal Sector Breakfast Briefing

Questions and Conclusion

Nigel Wilson, Commercial Manager
Virgin Money

Working with



The Law Society

Tom Blandford

Legal Sector Partner

Armstrong Watson

Third Floor, 10 South Parade, Leeds, LS1 5QS

T: 0113 2211 300

F: 0113 2211 301

M: 07793 621951

E: tom.blandford@armstrongwatson.co.uk

www.armstrongwatson.co.uk/legalsector



ArmstrongWatson[®]
Accountants, Business & Financial Advisers

Disclaimer

This presentation and supporting documentation has been prepared in general terms and therefore cannot be relied upon to cover specific situations; application of the principles set out will depend upon the particular circumstances involved and we recommend that you obtain professional advice before acting or refraining from acting on any of the contents of this presentation and/or supporting documentation. Armstrong Watson would be pleased to advise on how to apply the principles set out here to your specific circumstances. Neither Armstrong Watson nor the presenters accept a duty of care or liability for any loss occasioned to any person acting or refraining from acting as a result of this presentation and supporting documentation.

Working with



The Law Society

ArmstrongWatson[®]
Accountants, Business & Financial Advisers

ArmstrongWatson[®]

Accountants, Business & Financial Advisers

0808 144 5575

www.armstrongwatson.co.uk

ArmstrongWatson[®]

Accountants, Business & Financial Advisers