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We need more people!

Every law firm I have met during the past year or so has said this to me, and I have no doubt that law firms may need to recruit additional people in certain areas of their businesses due to client demand. However, I wonder whether law firms, before embarking on recruiting exercises, ever question and analyse in detail whether they **really** need more people?

I ask this question because when I work with law firms in relation to improving their financial performance, their financial 'numbers' often indicate that their existing workforce is not as busy with client work as some fee earners would like their firms to believe. Indeed the 'numbers' often show that there is capacity in the system, which is why I question whether some law firms really do need as many people as they think they need.

If law firms are to accurately assess workloads and recruitment needs, then they first need to ensure they are **measuring what matters**.

Law firms rightly require their people to record time spent on client work *('matter-related time')* because matter-related time is an important ***management tool*** for the profitable running of the business. For example:

- **To help you to know what is happening in your business;**
- How to scope and cost work;
- How to arrive at quotes;
- Enables accurate financial reports;
- **Helps to manage workloads;**
- How to budget for annual income;
- Enables you to know if you are on budget;
- **The basis of input reports - how much work is being carried out;**
- How to manage risk.

For all these reasons, capturing matter-related time is a vital element of financial ***and people management***.

However, many law firm also require their people to record what they call 'non-chargeable time' (i.e. time spent on matters other than matter-related time) and this is usually required to be recorded under various codes such as 'Admin', 'Business Development', 'Management', 'Training' etc. This is a sensible thing to do in order to measure performance when partners or other fee earners have genuine roles to perform in relation to, for example, management or business development. Likewise, time spent on training needs to be recorded.

However, the role of most fee earners is solely to **do client work,** and 'non-chargeable' codes such as 'Admin' and 'Business Development' are for many fee earners just a **DUSTBIN** for making up their required hours per day when they do not have sufficient client work to do. Worse still, law firms admit to me that they never look at the 'non-chargeable' time recorded and do not take steps to find out how their people are really spending their time. They should, because if they were to do so they would most likely be surprised (and shocked) by what they would discover!

When working with a law firm to build higher profitability, a report I will ask them to produce is one showing across the whole firm, how many matter-related hours were recorded in the previous 12 months and how many non-chargeable hours (by category) were recorded in the same period.

This exercise has sometimes shown that of all time recorded, the NON-CHARGEABLE ELEMENT recorded as 'Admin' and 'Business Development' can account for 40% or more!

What would this exercise reveal about how your people say they spend their time?

On analysis, after stripping out time genuinely spent on non-client related matters, firms are likely to discover that large percentages of the time their people are in the office (or WFH), are **NON-PRODUCTIVE.**

The analysis needs to focus not just on the firm as a whole, but also on each department/group, as well as on each fee earner, to discover how much capacity there is in the system. Questions such as this may need to be asked:

"You say you are busy, but you are only recording [3 or 4] hours per day of matter-related time, yet you are in the office for [7 to 8 hours] each day. What are you really doing the rest of the day?"

Another important financial measure on which to focus for this purpose is **GROSS PROFIT** (turnover less direct people costs) of each department / group, which can be an 'eye-opener' in relation to how well (or not so well) each department / group is using its people.

If your analysis indicates that some of your people have capacity, then that should call for a **re-assessment of workloads** which, as a consequence, may require a **re-assessment of your recruitment needs**.

If for example, fee earners are shown to have just one hour of spare capacity per day for client-related work (quite likely in many cases), how could that spare capacity be used to reduce your recruitment needs?

While doing this may possibly indicate you do not need to recruit so many people, you are likely to be still left with the challenge of retaining your existing people. ***How to make your firm one which people will want to work in***, will be the subject of another Briefing Note!