





Legal Sector Breakfast Briefing

North West 16 October 2024











Legal Sector Breakfast Briefing

Introduction

Douglas Russell, Accounting Partner Armstrong Watson











Legal Sector Breakfast Briefing

09:00 - Welcome

09:05 - Briefing

10:00 - Q&A

10:30 - Close





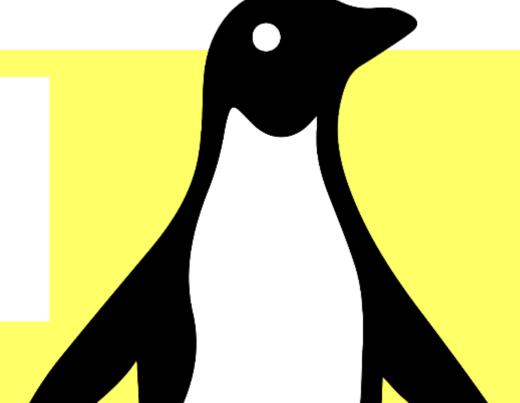


Ditch The Billable Hour!

Armstrong Watson

Accountants, Business & Financial Advisers

16.10.2024



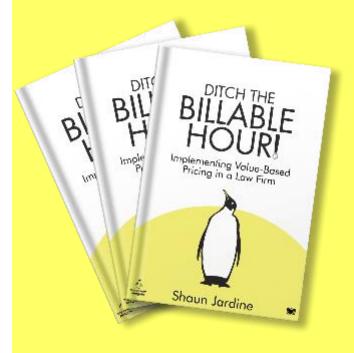
Why the name?

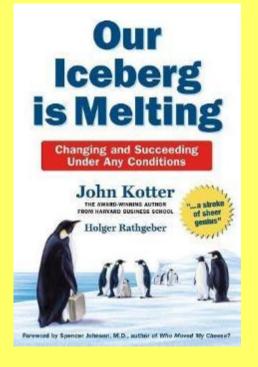


It's a metaphor for change...I am not some weirdo who dresses as a penguin ...

big yellow penguin













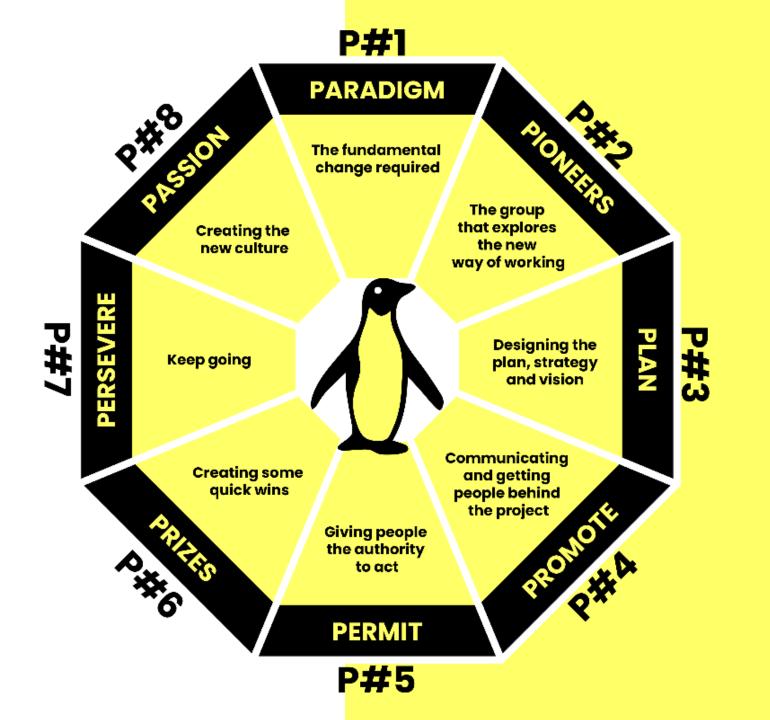
Everyone loves a penguin!

Agenda

- Apology speed! The 118 slides will be available! I kid you not.
- YOU WILL NEED A PEN!
- 8 P Point PlanTM
- Why change?
- What is value
- Pricing Confidence Surveys
- Introduction to VBP this is a whistle stop tour.
- Pictures of my kids



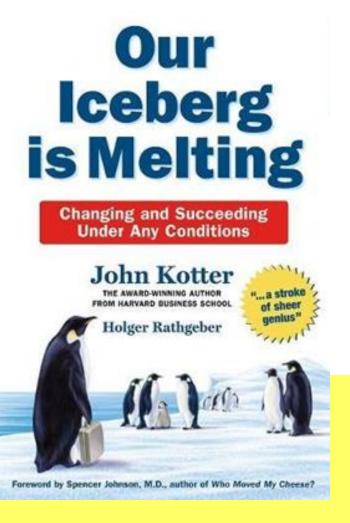
This stuff is in the book!



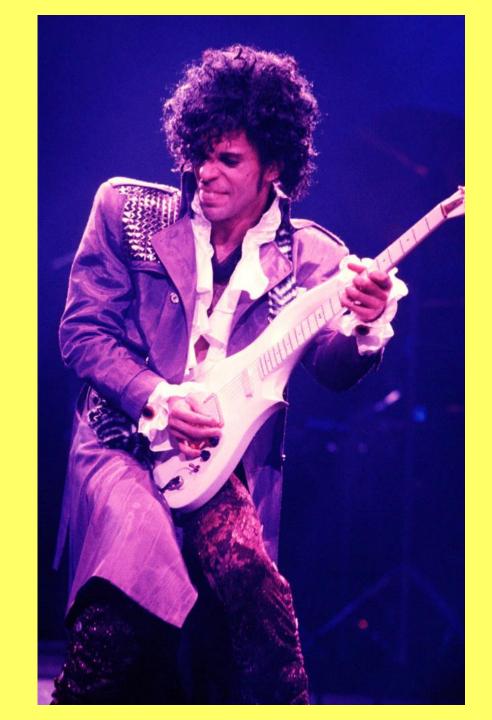


THE 8 P POINT PLAN IS KOTTER METHODOLOGY

OTHER METHODOLOGIES ARE AVAILABLE ... PRINCE 2









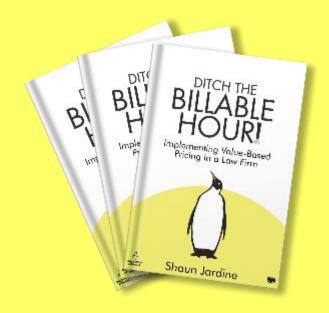


Internationally known and widely regarded as the foremost speaker on the topics of leadership and change, John Kotter is recognised to be the premier voice on how the best organizations "do" change and transformation.

He has authored 17 books on the subjects including 12 bestsellers. His books have been printed in more than 120 languages with sales exceeding two million copies.

His international bestseller 'Leading Change' which outlined an actionable, 8-step process for implementing successful transformations became the change bible for managers around the world.





8 P POINT PLAN RACI

Responsible, Accountable, Consulted and Informed

TASK LIST ..130 points!



										T
TASK										
PRELIMINARIES	Project Manager	Pioneer Penguins	Project Sponsor	EXCO/ Board	Partners HODS Team Leaders	Practice Manager	Finance	Marketing BD Comms PR	HR	Lawyers/ Teams
Buy and read Our Iceberg Is Melting.			3	1	1	1	1	1	1	1
Register with the VBP Colony website.	1		3							
Appoint Project Sponsor.				3						
P#1 PARADIGM	Project Manager	Pioneer Penguins	Project Sponsor	EXCO/ Board	Partners HODS Team Leaders	COO COLP	Finance	Marketing BD Comms PR	HR	Lawyers/ Teams
Ensure there is commitment from EXCO.	1		3	1						
Collate and review financial MI.	1		3				1			
Appoint Project Manager.	1		1	3						
Investigate how pricing is currently undertaken.	8	1			1		1			
What is current pricing strategy and policy?	3	1		1	1					
Establish how base costs are calculated.	3	1			1		1			
Gather in and review practice area pricing materials.	3	1			1					
Establish how practice areas generate fixed prices.	3	1			1					
Identify what financial training is undertaken and/or required.	3	1					1		0	
Design pricing confidence survey.	8				1		0		1	

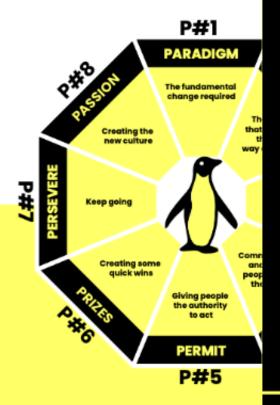


Download it free https://www.bigyellowpenguin.co.uk/vbp-checklist

VBP Implementation Checklist

P#	#5 PERMIT	Project Manager	Pioneor Penguins	Project Sponsor
87	identify obstacles to vision. How can they be overcome?	3	1	1
88	Review existing policies. Which should be retired or amended?	3	1	1
89	Conduct firm-wide pricing confidence surveys.	3		1
90	identify training needs arising from firm-wide pricing confidence surveys.	1		1
91	Concluct price sensitivity maker (Von Westendorp) exercise in each practice area.	3	1	
92	Conduct skil is matrix review.	1		
93	identify typical customer objections by practice area.	1	3	
94	Greate practice area examples of answers to handle objections.	1	3	
95	Create practice area service guarantee.	1	3	1
96	Review AAR's minutes and feedback.	3		- 1
97	Marketing/DD update report - what are their findings?	1	1	1
98	If update report - what are their findings?	1	1	1
99	HR Report updates - what are their findings?	1	1	- 1
100	Operation updates - what are their findings?	1	1	1
101	Create pricing group steering committee.	1		3
200	Bolino portimonaren tennian lartigatuan			





DOWNLOAD

YOUR CHECKLIST TODAY!

- required to implement
 VBP
- Get visibility on the size of your VBP change project
- Breaks the process down into easy to follow steps

www.yellowpenguin.co.uk

P#1 PARADIGM

The fundamental change required





Challenges we face. Is the law firm model, still fit for purpose?



Images of the Future Worlds Facing the Legal Profession 2020-2030





Does any of this sound familiar?





American Lawyer Law.COM August 28, 2023



Some of the following statements may be triggering!



"One of them is generational... 'I don't want to work as hard as you, but I want to be paid like you'.... the other is, they got used to working remotely."



"Millennials are motivated by different things."

"Younger lawyers don't desire to be partner. They haven't been shown a path that looks like something they would want to do." "The number of lawyers, particularly younger lawyers, with side gigs is astonishing."



"There is a real challenge right now...there is [a belief] that the incoming associates lack initiative, ownership and personal responsibility."



- US Tilt Institute

"Consultants and partners have even bluntly described some younger associates as "lacking accountability and initiative."



Law firms, and their partnerships, are getting frustrated with so-called 'zoom associates'.



"But more Gen Zers use what I'd call a 'clear and convincing evidence' standard: 'show me how you'll mentor or train me, what does that look like IRL [in real life], and what does that mean for me personally — now and later."

"Gen-Z / Millennials are much more inclined to say ...
'I will compromise a certain amount of income for quality-of-life and

I don't need to define myself by my profession."

work-life balance."

"I think they look up at partners and go, 'That's not what I want.'



Houston, we have a problem and It's not confined to the USA!











Source: iStock

NEWS

Lawyers shun partnership as burnout fears increase



By John Hyde | 9 April 2024

Younger lawyers attitudes have changed.

Their finances have changed. They have debt.

Their living circumstances have changed.

Law firm owners are not always aware of this.



Lawyers in Singapore would not encourage their children to become lawyers...



https://www.straitstimes.com/singapore/more-lawyers-would-not-encourage-their-children-to-become-lawyers-poll







https://www.linkedin.com/pulse/your-law-firm-ownership-iceberg-melting-what-next-lawyers-jardine/

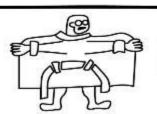


Some of the following pictures may be triggering for those who love the billable hour!



Lawyers want to be trained and mentored





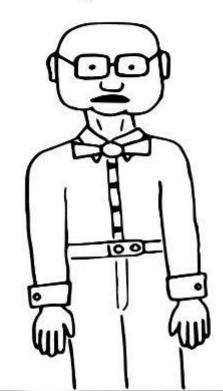
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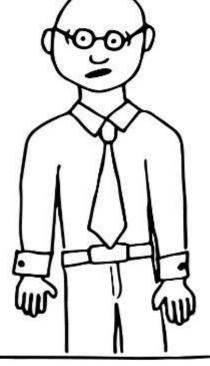
EXPOSURE DRAFTS

BY GREG KYTE

I CAN'T BILL THIS TIME, SO WE'RE DONE.









#MENTORING

Lawyers want a work-life balance







Time recording is often pointless







People lie about time recording

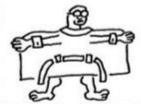






Realisation Rate For WTP Lawyers #2024





EXPOSURE DRAFTS

BY GREG KYTE

AFTER 40 YEARS AS A LAWYER
IT SUDDENLY DAWNED ON MILTON
THAT NOBODY GAVE A SHIT
HOW LONG IT TOOK HIM
TO DRAFT A WILL.

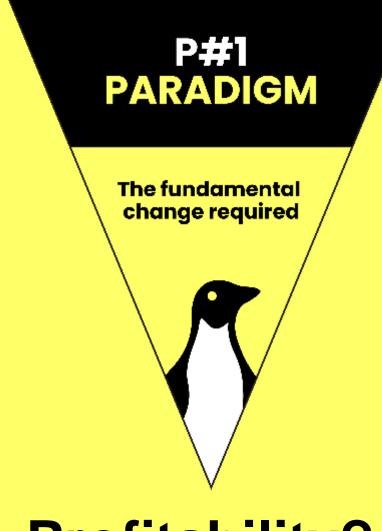




REALIZATION RATE

"The only time your client is interested in, is turnaround time"









If you only remember this.....



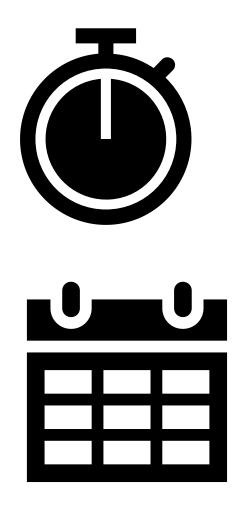
"No single management lever available to you, can boost profitability more quickly than even a slight improvement in average price levels"

Marn, Roegner, Zawanda MCkInsey and Company The Price Advantage



HOW DO LAWYERS PRICE NOW?











Relationships aren't built staring at clocks

- It's not a measure of value
- Relationships are built on value we create. Not time spent.









Master of the Rolls Lord Neuberger

"Hourly billing at best leads to inefficient practices, at worst it rewards and incentivises inefficiency.

It 'penalizes . . . well run legal business

It also penalises the able, those with greater professional knowledge and skill, as they will tend to work at a more efficient rate."

2012!











Terri Mottishead

"Lawyers are not the gatekeepers of knowledge anymore."

It will become harder to charge by the hour for knowledge identification, acquisition, collation, analysis and summaries because that will all be done in seconds by AI.



What lawyers will charge for is their experience,

Susskind Prophecies-Law and Al Conference 6th December 2023

Neural networks doubling every 3.5 months.

In 5 years, AI will be 300 000 times better.

Real impact of Gen Al not now...but in 5 year's time!

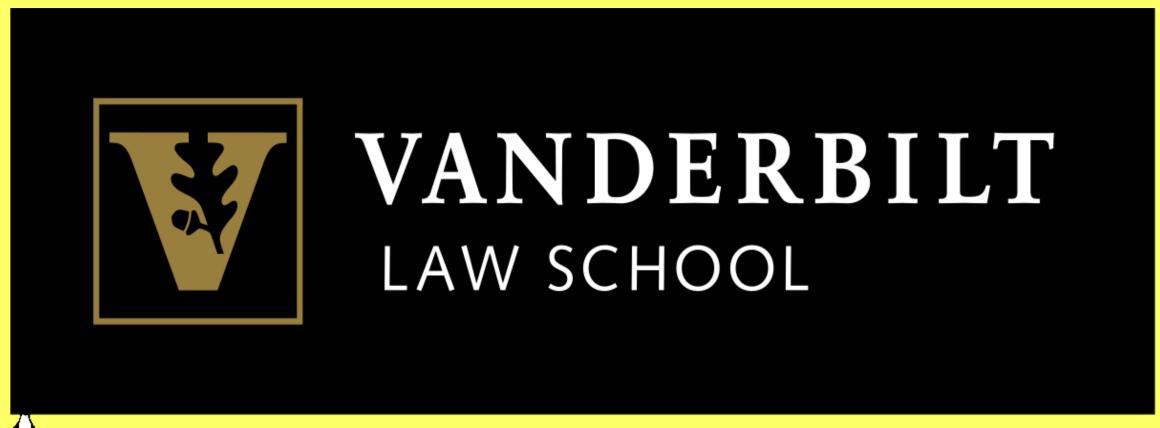


Richard Susskind



Generative Al for Legal Services Primer

https://www.coursera.org/learn/generative-ai-for-legal-services-primer





HOW DO LAWYERS FIX A PRICE NOW?



How do lawyers create fixed prices?



- Hourly rates in drag
- Lawyers price on the fly
- We make it up/ gut feel/ best endeavors...
- We follow our competitors
- Inadequate conversations with customers
- Usually scope badly.
- Bill and duck.

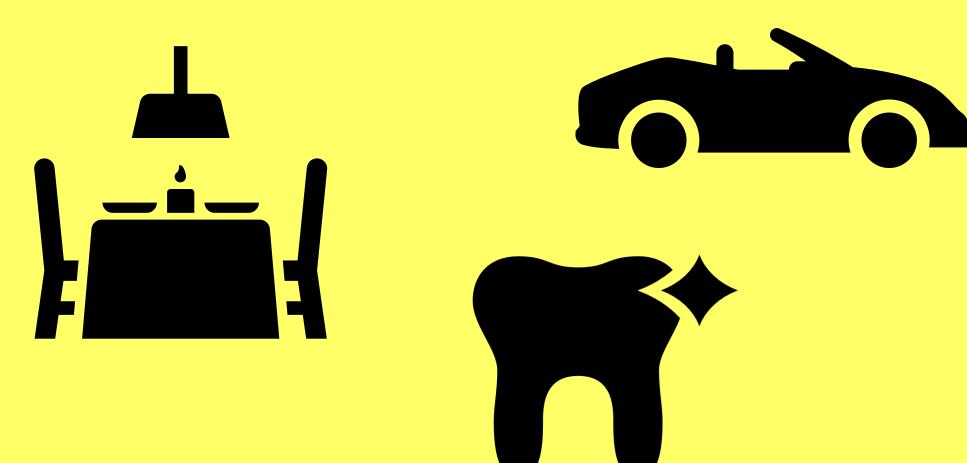








But ours Are A Measure.....







carte blanche to change

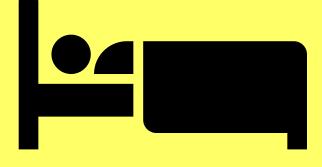
What Do We Sell?

What do clients buy from lawyers?

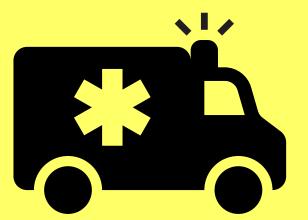


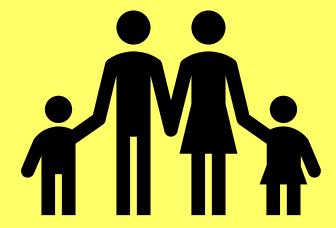














The client wants

- Results
- Certainty...they are understood
- Transparency
- No surprises
- Availability
- 'Got my Báck' Reassurance
- Clarity
- Comfort
- No extras

AND VALUE...





What is value?



"Perception of value is different to every client. It is a personalised Journey. The worst thing a law firm can do is offer a list and assume that clients see a value".

Kirsty Shenton – Head Of Client Care-Mills & Reeves



Value is opaque- the customers perception





Value is not rational

















Value is contextual







CONTEXT SETS PERCEPTION

My local furniture shop. RH England rh.com





Value is a feeling









What is value-based pricing?





Value pricing defined

"Agreeing a price with a customer which is fair to them **and** to the firm that carried out the work which created the value"

<u>or</u>

"Its not the 6 minutes it takes me to tell you the answer. It's the 6 minutes plus 36 years".









Charles Proteus Steinmetz 1965-1923

Common myths?



BIG MYTH! By trying value-based pricing we will lose money.

Q: "What do we do, when a matter we have given a fixed price on for say £10 000 costs us £12000"?



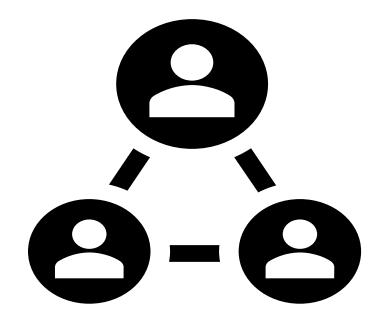
Common myths

- All clients are good clients.
- All clients are the same and should be treated the same.
- You cannot give a fixed price as you don't know what is going to happen.
- Clients are ringing around.
- Our competitors charge less so we should drop our prices.
- There is a "going market rate" for the job.
- Clients won't pay more.





Client Fit





" 'Not a good fit' is a great conclusion if arrived at early. It's a horrible miscalculation if arrived at late."

Mahan Khalsa is the founder of the Franklin Covey Sales Performance Group Let's Get Real or Let's Not Play: Transforming the Buyer Seller Relationship



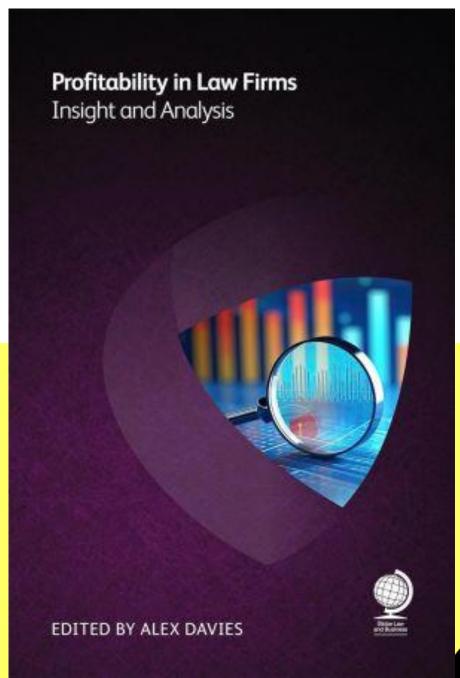
Characteristics of successful law firms

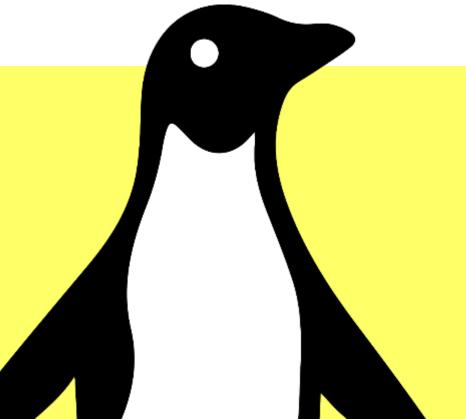
10%+ Plusers – No change will grow 10%





carte blanche to change

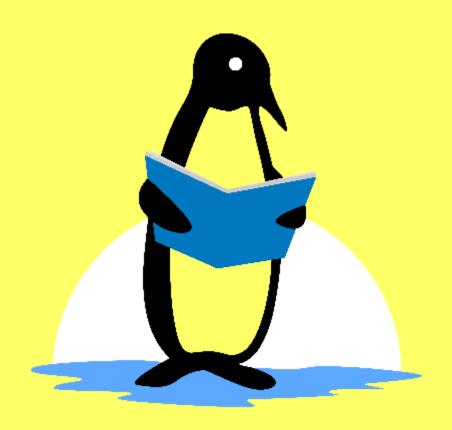




Email Me Ask me for a copy of the chapter

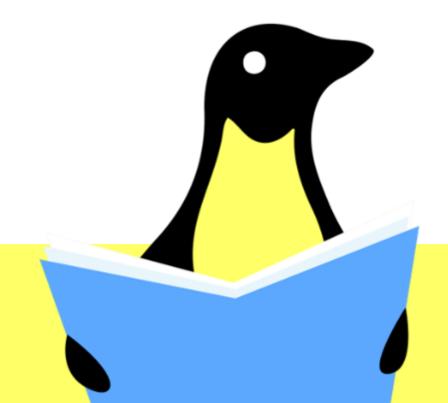


Surveys





Who Sets Prices in Your Firm?





Q20. When someone new joins your team, how is pricing training undertaken?



Wider World

When someone new joins your team, how is pricing training undertaken?

t's Not.

Fixed fees. Internally. Within Team. Time recording



<u>Survey</u>

Q17. I believe that some of the clients my firm act for should be dismissed as they are too painful and/or unprofitable to act for

A. YES! 61/53/53/80/75/75/96/62/45/77%



Q20. How are you pricing policies documented?



Wider World

How are you pricing policies documented?

No idea. Not Sure They aren't

Hourly rates

In client care letter

In heads of partners

Set by the court.

Fixed fees for some.

Banding guidance in my team



Not at all in any usable form

Q 21.

How is pricing reviewed at your firm?



The Wider World

How is pricing reviewed at your firm?

No idea/Not Sure/It isn't

Decision Of HOD/Directors

Hourly rates increase

Annually hourly rates review..
In team/dept meetings

Write offs

It's not a priority

Q 22.

How is pricing set at your firm?



The Wider World

How is pricing set at your firm?

No idea Not Sure Decision of Managing Partner/CFO/HOD/Directors

Time spent on file Hourly rates
Court Rates
Teams/Departmental



Asked of one firm with 15 lawyers in their conveyancing team



How much do you currently charge to sell a £650 000 registered freehold property with no mortgage?





£4.5-5.5k

£3000

£2,150

£2950

£1800

£3000

£3500

£4000

£1,750

£1850



£2,000

£2,200

£1650

Creating Options





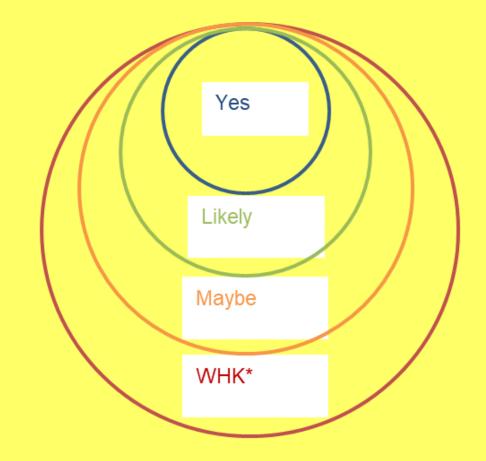
Gloss Wax	1 1 1 1 1 1
Triple Foam	V
Wash Plus	V V V V
Wash	V V V

1	orange	O ₂	O vodafone	II III	3	media
COST OF MAKING A CALL	28.8p	28p	28.8p	28.8p	28.8p	28p
COST OF RECEIVING A CALL	7.9p	7p	7.9p	7.9p	7.9p	7p
DATA DOWNLOADS (PER mb)	69.6p	69p	69.6p	N/A	69.6p	N/A
TO SEND A TEXT	8.9p	8.5p	8.9p	8.9p	8.4p	8p
TO RECEIVE A TEXT	Free	Free	Free	Free	Free	Free
BOLT ON	Calls: 200 mins, £5.10/ 30 days. Data: £3/ 30MB/day: Combo: £19/30MB, 50mins calls/100 texts/wk.	50p to connect call, then normal mins. Up to 60 mins of incoming calls free. Data: £1.99/ 25MB/day.	Euro Traveller – £3 use your existing plan for calls, texts and internet use.	Travel Booster: £1/3MB, £2.50/ 10MB, £10/50MB for 30 days or until allowance runs out.	Unlimited data – £5 a day	£3/5MB, £5/10MB, £10/25MB, £30/100MB all for three months.



Restaurant Name WINE LIST P B WHITEWINE P RED WINE BRUNELLO DI MONTALCINO \$12.5 \$55 GEWURZTBAMINER \$12.5 \$55 Sangarent Resand term Downstrament, Alto Ampt. talia PIETRADONICE SUPER \$9.5 \$45 PINOT GRICIO \$9.5 \$45 Enternet Swington, Tottonia, dala Printfirgo, Atto Artgo, Kela PRIMITIVO DI MANDURIA \$13 \$58 TERLANER CLASSICO \$13 \$58 Printles, Fugue, Nata. Print Blanc, Also Adigo, Balla \$15 \$64 JERMANN - PINOT GRIGIO \$15 \$64 BARBARESCO Nebbrots, Fredmorre, fulla Print Grigos, Trial, Italia \$15 \$64 EDDA BIANCO SALENTO \$15 \$64 MAZZEI ZISOLA Nert divola Skilly Issue Oscitoricy Pughs, Italia HOUSE WINE ON TAP ROSE WINE LA SCOUCA \$12.5 \$55 SOF ROSE TENUTA \$9.5 PIETRADGLCE ETNA ROSATO FIVE ROSES ROSATO \$15 CERASUOLO d'ABRUZZO DOC \$15 \$64

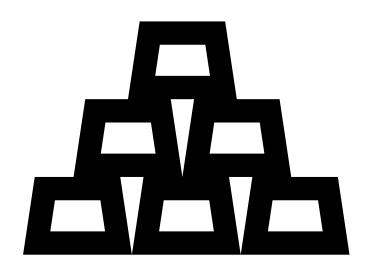
- 1. Timing. How quickly? Response.
- 2. Terms. Credit? Payment on account?
- **3. Technology.** Portal? Deal Room? Extranet.
- 4. Talent. Partner, Associate or Junior Lawyer? (KC V Juniors- Counsel)
- **5. Tailoring.** Delivery. By phone, email, in person, virtually



* WHK = Who the Hell Knows

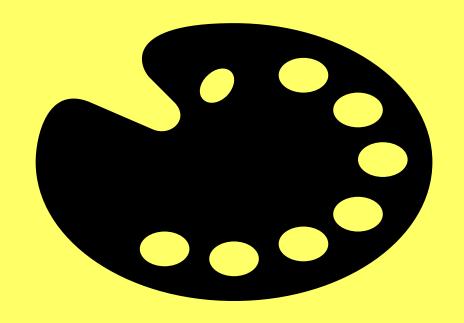


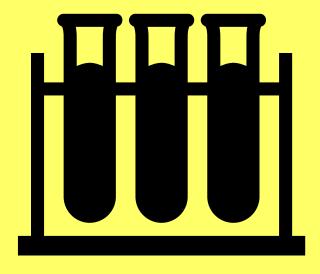
Golden Rules





VBP Is An Art Not A Science







There is no formulaic solution!

"Lawyers must learn to accept no-one has a silver bullet perfect solution that many committees seem to be waiting for.

Many firms that wait for the proven perfect solution could go out of business before it arrives."

Client Value And Law Firm Profitability Jim Hassett 2014!



Remember...

- Billing takes place AFTER the work is done
- 2. Pricing takes place **BEFOR**E the work commences
- 3. You are worth it!



Two Pairs Of Eyes On Every Price

Don't price your own work.

Why do barristers have clerks and actors and footballers have agents?

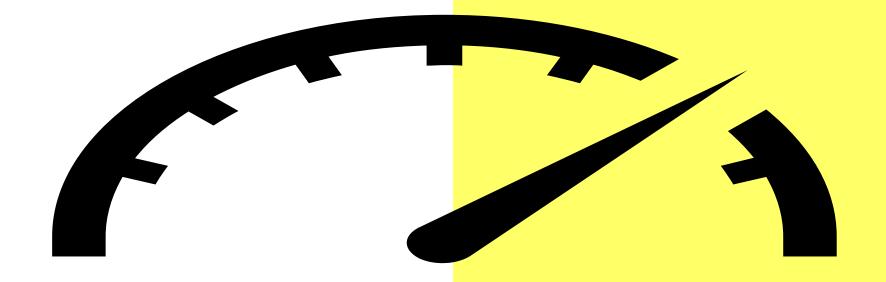






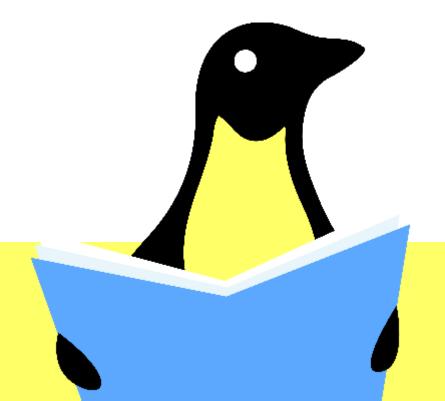


SPEED IS BAD





Reasons Not To Change?





50 Reasons Not To Change

- 1. It's too expensive.
- 2. It's someone else's responsibility.
- 3. We've always done it this way.
- 4. It's too political.
- 5. We're doing OK as it is.
- 6. We don't have the staff.
- 7. We tried that before.
- 8. This is just a fad.
- 9. Maybe, maybe not.
- 10. We've never done that before.
- 11. It needs committee study.
- 12. There's not enough time.
- 13. It's against tradition.
- 14. It's not my job.
- 15. It can't be done.
- 16. We don't have consensus yet.
- 17. It's too complicated.

big yellow penguin

- 18. It's contrary to policy.
- 19. It won't fly.
- 20. Will catch flack for that.
- 21. I'm not sure the boss will like it.
- 22. It's too ambitious.
- 23. No one asked me.
- 24. What's in it for me?
- 25. It will take too long
- 26. We didn't budget for it.
- 27. We don't have the equipment.
- 28. It's impossible.
- 29. I don't have the authority.
- 30. It's hopeless.
- 31. We can't take the chance.
- 32. They won't fund it.
- 33. It's too radical.
- 34. We have too many layers.
- 35. There's too much red tape.
- 36. It needs more thought.

- 37. They're too entrenched.
- 38. There's no clear mandate.
- 39. I'm all for it but...
- 40. It will never fly upstairs.
- 41. They don't really want to change.
- 42. It's too visionary.
- 43. It won't work in this department.
- 44. It's not our problem.
- 45. Another department tried that.
- 46. Another firm tried that.
- 47. We are waiting for guidance on that.
- 48. It won't be chargeable work.
- 49. There may be GDPR issues.

50. CBA

One Reason To Do Something Different

"Pricing for value is, to my mind, one of the most critical challenges for providers of legal services at the moment."

Professor Stephen Mayson





Benefits of Value Based Pricing



Advantages to clients

- It means predictability and certainty.
- No extras.
- Transparency, it cuts down bill review.
- It reduces mistrust
- No surprises
- Reassurance for clients- they pay what they agreed

"Your proposal looks professional, well thought out and gives us confidence"

Advantages for the business

Differentiates you from the competition.

"We will always agree a price with you for the work we carry out". Lynn & Brown in Perth

- Profits increase. Debtors will reduce. Cashflow improves.
- Clearer bill forecasting. Reduced administration costs.
- Delegate effectively.
- Teams act as teams- no hoarding of work.
- Team morale improves.
- You attract proactive lawyers. You attract and retain talent.
- You can motivate and reward lawyers who overperform.

What's in it for individual lawyers?

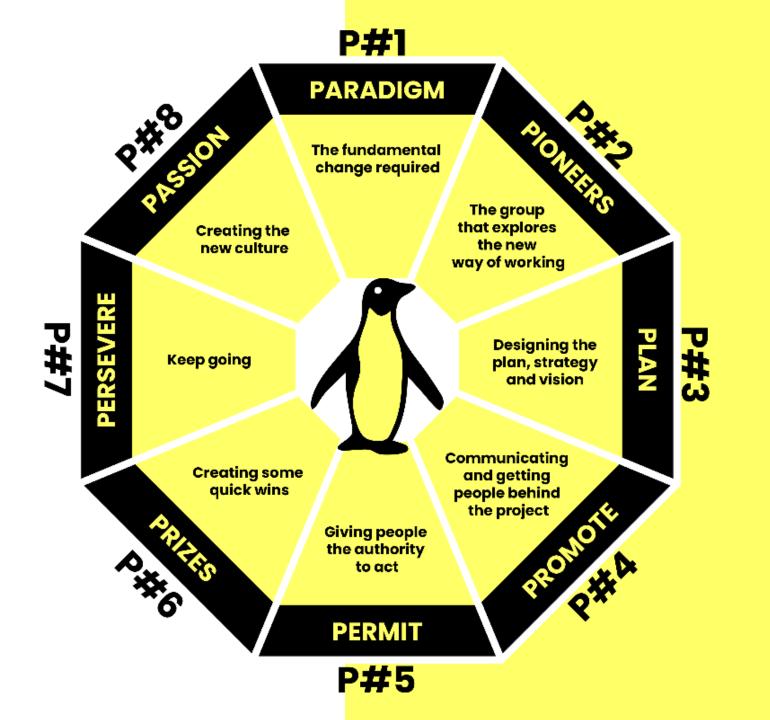
- Clients pre-authorise fees.
- You exploit a competitive advantage
- You act for clients who value your work
- You sack your poor clients
- Fewer client complaints
- You do not discount work
- You avoid client bill shock



Start the journey









Want to Know More?

WWW.BIGYELLOWPENGUIN.CO.UK

- Downloads/Podcasts & Webinars
- Invite me to speak
- Buy my book
- Have a look at Declan The Pricing Assistant

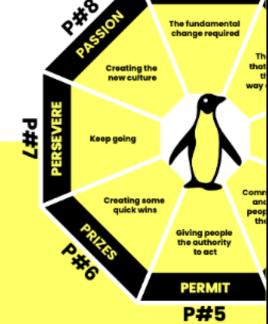
Or pick up the phone!



www.bigyellowpenguin.co.uk/events

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99	HR Report updates - what are their findings?	1	1	- 1
100	Operation updates - what are their findings?	1	1	1
101	Create pricing group steering committee.	1		3
200	the Finance of management transfers Institute on			



P#1

PARADIGM



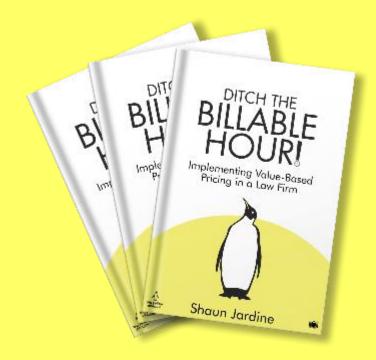
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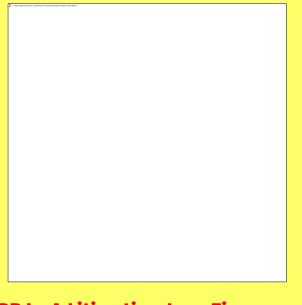
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Legal Sector Breakfast Briefing

Questions and Conclusion

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