

Legal Sector Breakfast Briefing

18 September 2024



Legal Sector Breakfast Briefing

Welcome & Introduction

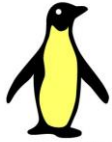
Douglas Russell, Accounting Partner
Armstrong Watson



Legal Sector Breakfast Briefing

- 09:00 - Welcome
- 09:05 - Briefing
- 10:00 - Q & A
- 10:30 - Close





**big yellow
penguin**

carte blanche to change

Ditch The Billable Hour!



Armstrong Watson

Accountants, Business & Financial Advisers

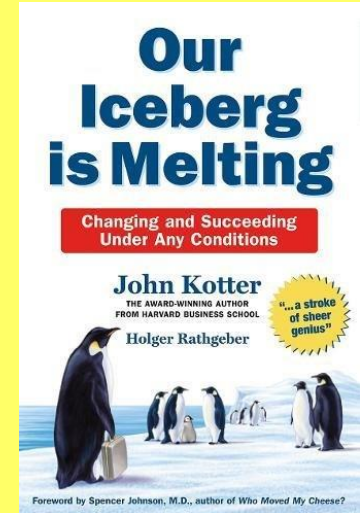
18.9.2024



Why the name?



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



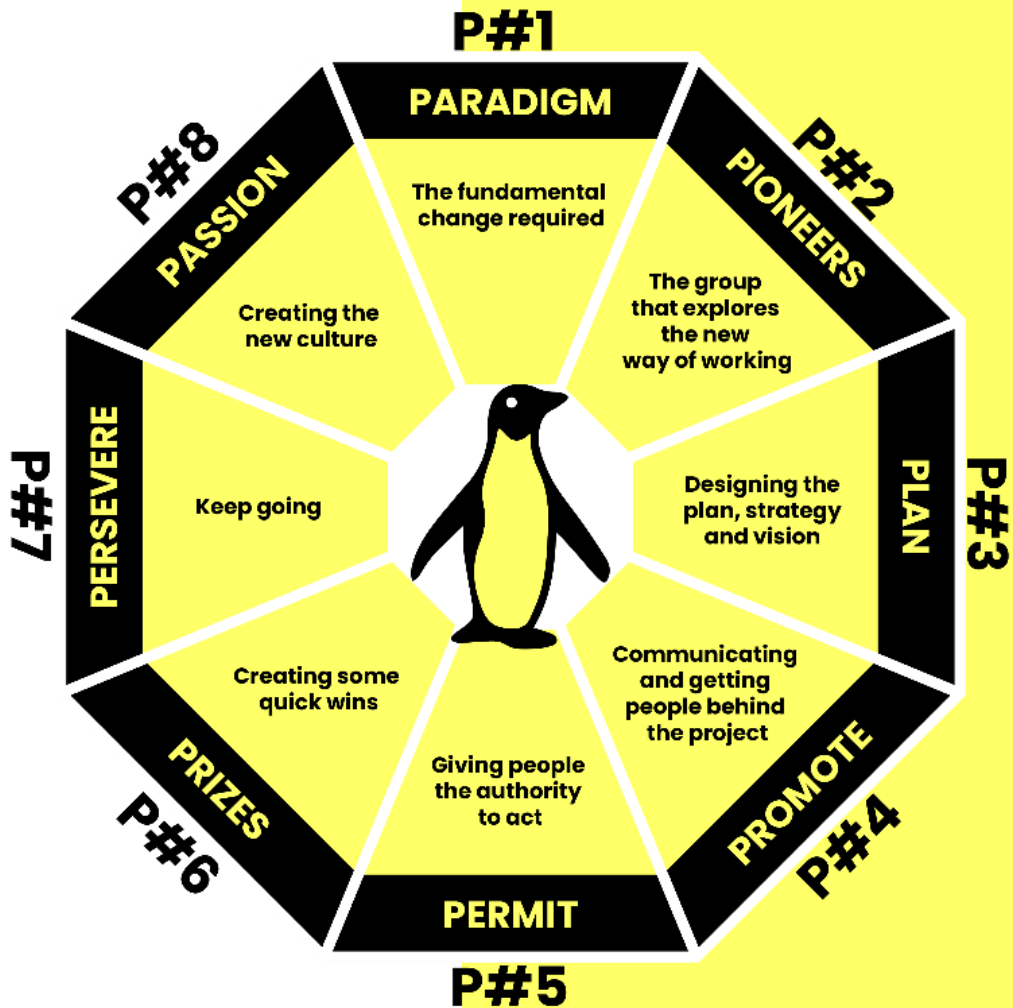


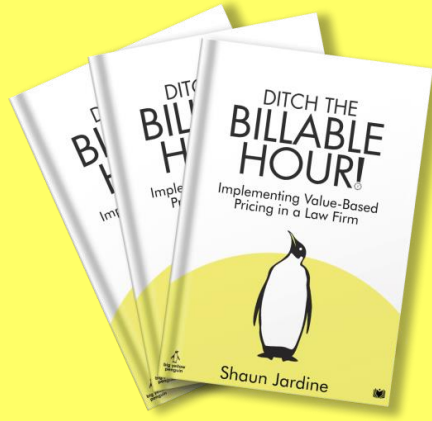
Everyone loves a penguin!

Agenda

- Apology – speed! – The 118 slides will be available! I kid you not.
- **YOU WILL NEED A PEN!**
- 8 P Point Plan™
- 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!





8 P POINT PLAN RACI

Responsible, Accountable, Consulted and Informed

TASK LIST ..130 points!

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 <i>Our Iceberg Is Melting</i> .			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.	3	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		1	
Design pricing confidence survey.	3				1		1		1	



Download it free

<https://www.bigyellowpenguin.co.uk/vbp-checklist>

VBP Implementation Checklist

P#5 PERMIT	Project Manager	Pioneer	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 Conduct price sensitivity meter (Van Westendorp) exercises in each practice area.	3	1	
92 Conduct skill matrix review.	1		
93 Identify typical customer objections by practice area.	1	3	
94 Create practice area examples of answers to handle objections.	1	3	
95 Create practice area service guarantees.	1	3	1
96 Review JAR's minutes and feedback.	3		1
97 Marketing/BD 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



8 P POINT PLAN
RACI RESPONSIBLE
 ACCOUNTABLE
 CONSULTED
 INFORMED

DOWNLOAD

YOUR CHECKLIST TODAY!



Identify all the tasks 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

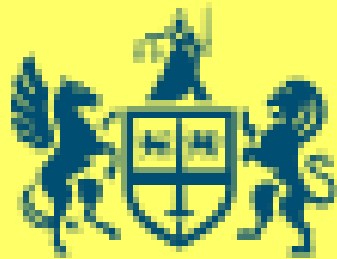
P#1 PARADIGM

**The fundamental
change required**



**Is the law firm model,
still fit for purpose?**

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



The Law
Society

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 work-life balance.’

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

*"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

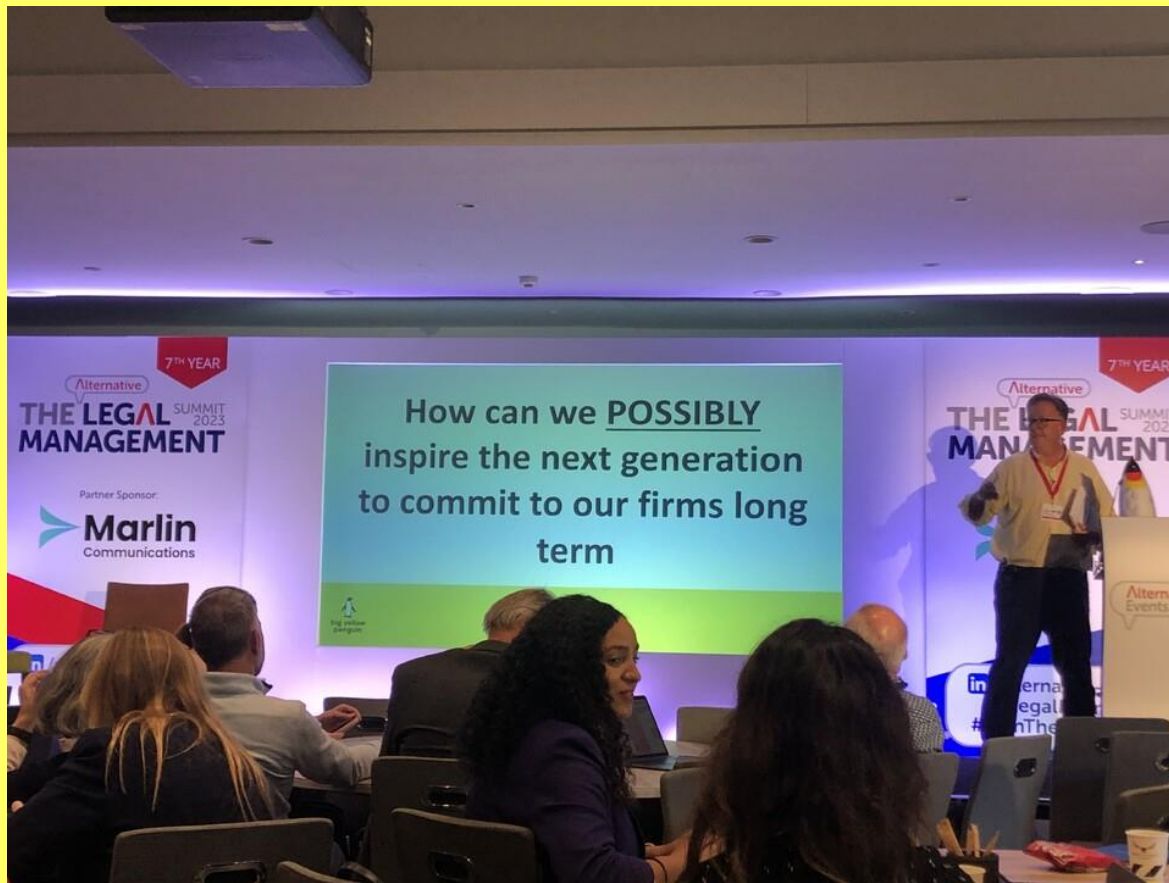
NEWS

Lawyers shun partnership as burnout fears increase

By **John Hyde** | 9 April 2024



**big yellow
penguin**



Ask for a link to the article





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

**Lawyers want to be
trained and
mentored**



**big yellow
penguin**

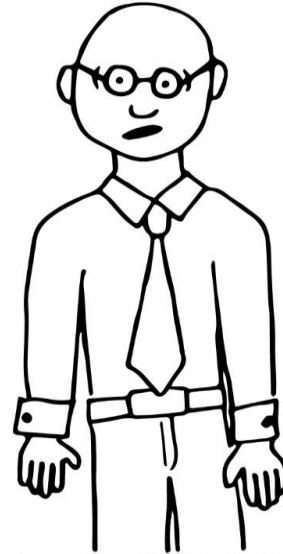
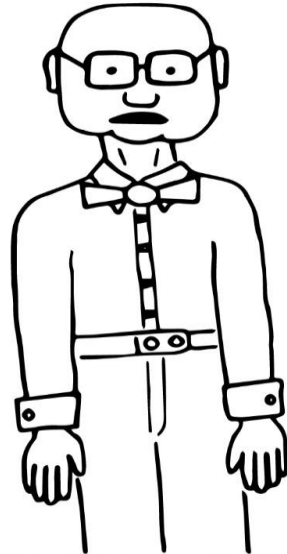


EXPOSURE DRAFTS

BY GREG KYTE

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

OH,
I GET IT.



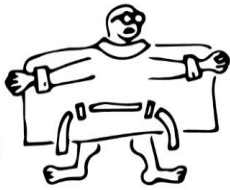


#MENTORING



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Lawyers want a work-life balance

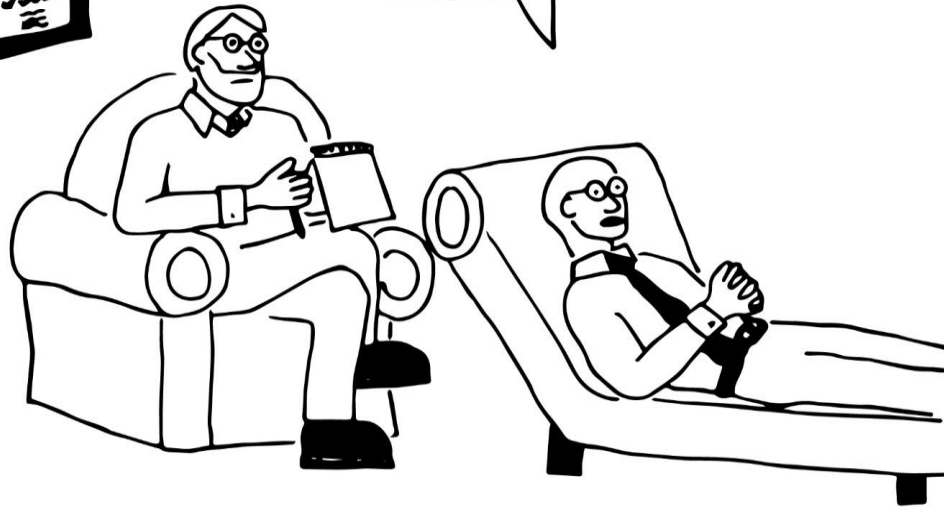


EXPOSURE DRAFTS

BY GREG KYTE



IT'S NOT THAT I CAN'T SLEEP.
IT'S THAT I CAN'T BILL MY
TIME WHEN I DO SLEEP.



Greg



big yellow
penguin

**Time recording is
often pointless**



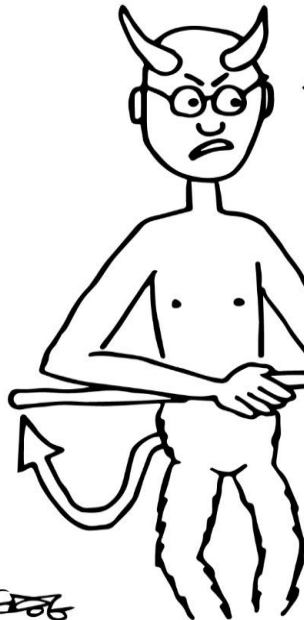
**big yellow
penguin**

EXPOSURE DRAFTS PRESENTS



TIME RECORDING IN HELL

BY
GREG KYTE



YOU'RE A SALARIED EMPLOYEE
AND WE GAVE THE CLIENT A
FIXED PRICE, BUT YOU STILL
MUST FILL OUT A TIMESHEET
FOR ABSOLUTELY
NO REASON!



Greg Kyte



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penguin

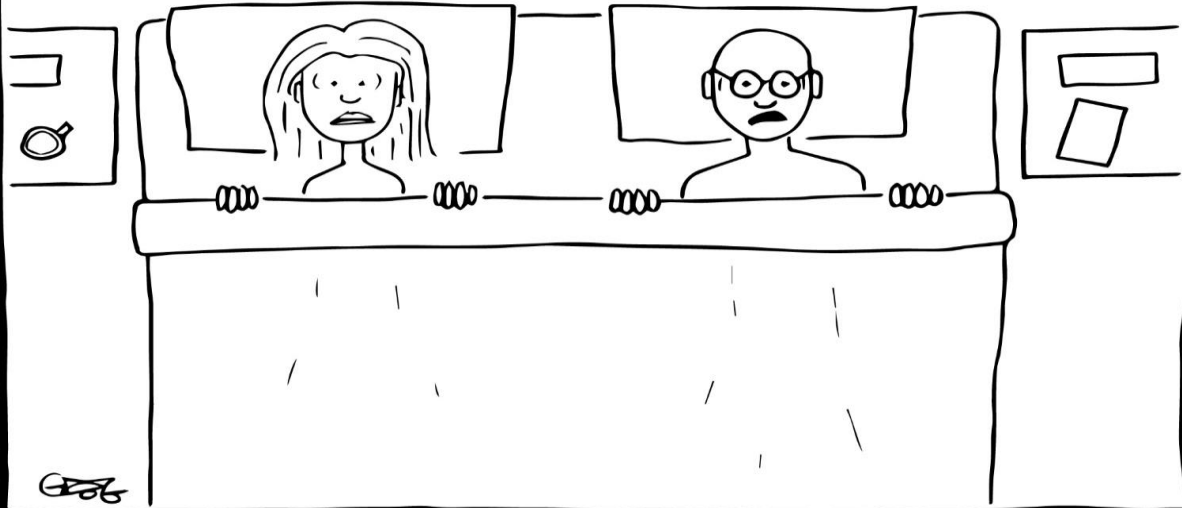
People lie about time recording



EXPOSURE DRAFTS

BY
GREG KYTE

CAN WE JUST
ROUND UP TO 6 MINUTES
LIKE I DO AT WORK?

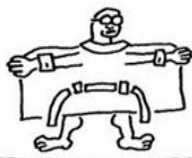


Greg



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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



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“The only time your client is interested in, is turnaround time”



**big yellow
penguin**

Their finances have changed. They have debt.

Their living circumstances have changed.

Younger lawyers attitudes have changed.

Older lawyers are not aware of this.





Source: iStock

NEWS

Lawyers shun partnership as burnout fears increase

By **John Hyde** | 9 April 2024



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penguin**

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>

P#1 PARADIGM

**The fundamental
change required**



Profitability?

**If you only remember
this.....**

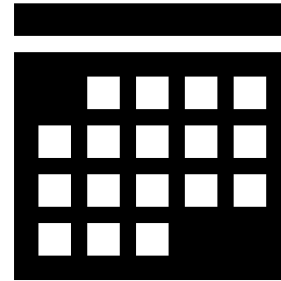
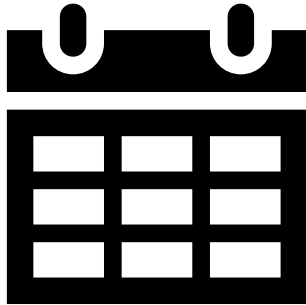
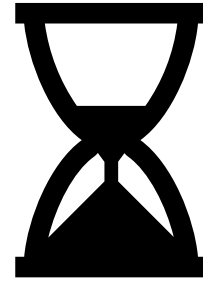
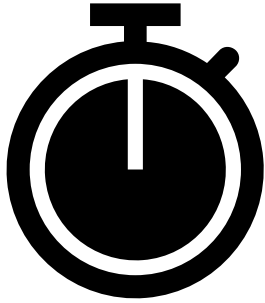


**big yellow
penguin**

“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.



**WHEN YOU GET PAID
BY THE HOUR**



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penguin

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!



**big yellow
penguin**



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 AI 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 AI not now...but in 5 year's time!



Richard Susskind

Generative AI for Legal Services Primer

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



VANDERBILT
LAW SCHOOL



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penguin

HOW DO LAWYERS FIX A PRICE NOW?



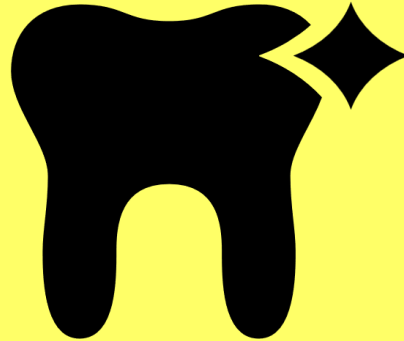
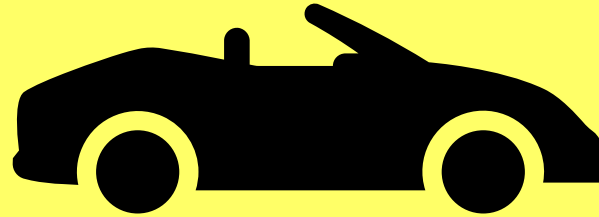
How do lawyers create fixed prices?

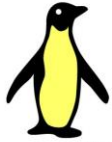


- Hourly rates in drag
- Lawyers price on the fly
- We make it up/ gut feel/ best endeavors...
- We follow our competitors
- Inadequate conversations with customers
- Usually scope badly.
- Bill and duck.



But ours Are A Measure.....

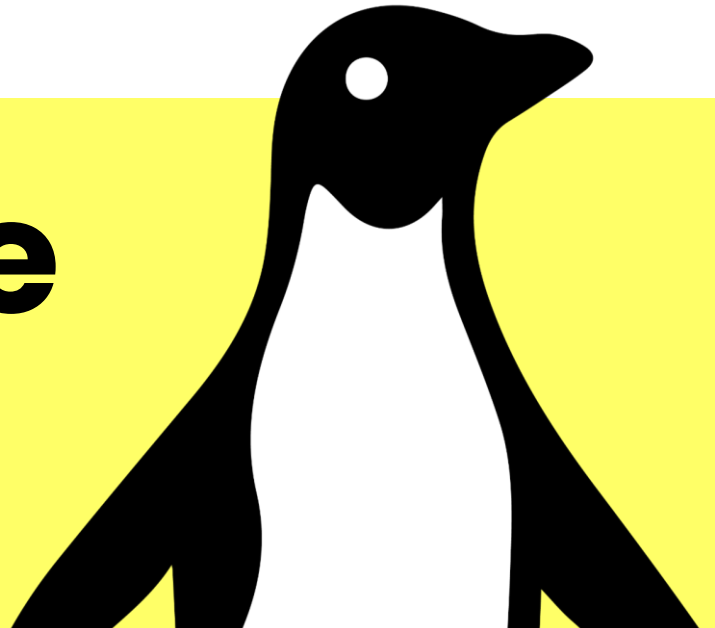




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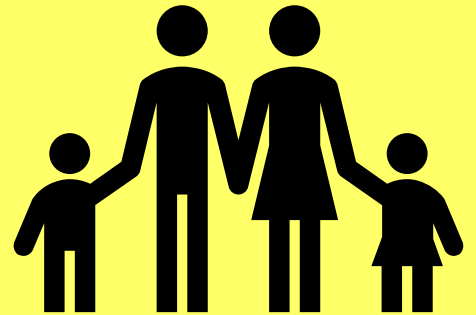
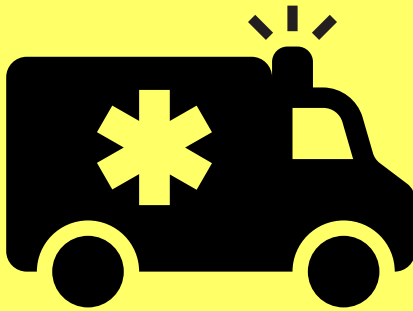
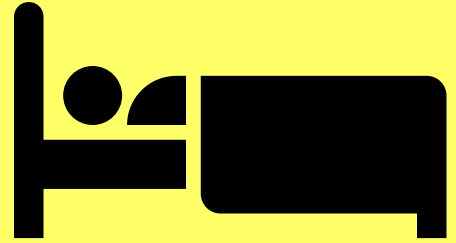
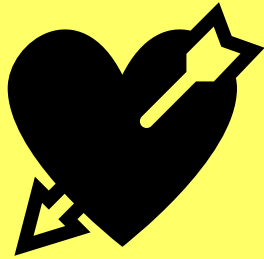
carte blanche to change

What Do We Sell?



What do clients buy from lawyers?





The client wants

- Results
- Certainty...they are understood
- Transparency
- No surprises
- Availability
- 'Got my Back' – 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

The logo for L'Oréal Paris, featuring the brand name in white serif font on a black rectangular background. The word "L'ORÉAL" is on the top line and "PARIS" is on the bottom line, both centered.

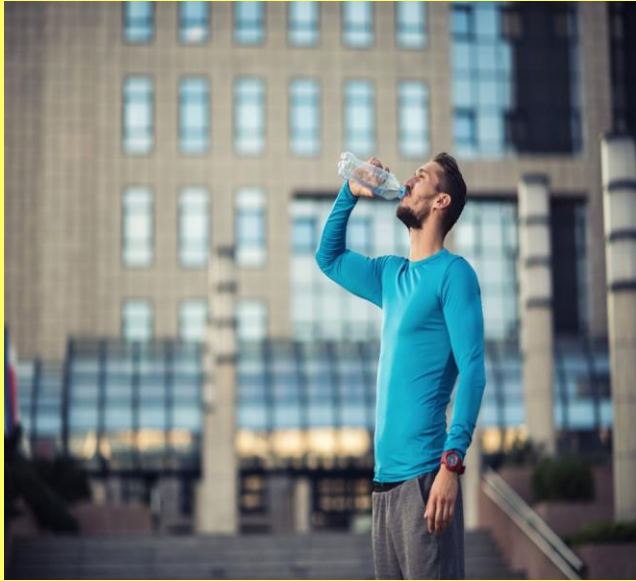
L'ORÉAL
PARIS

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”*

or

“Its not the 6 minutes it takes me to tell you the answer. It’s the 6 minutes plus 36 years”.



big yellow
penguin



Common myths?



BIG MYTH!

**By trying value-based pricing we
will lose money.**

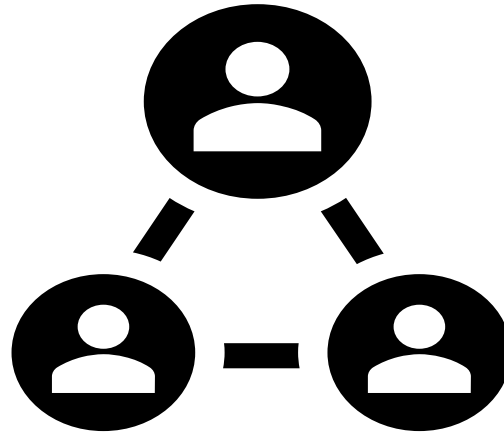
Q: "What do we do, when a matter we have given a fixed price on for say £10 000 costs us £12000"?

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.”***

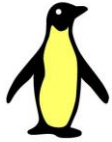
Mahan Khalsa is the founder of the Franklin Covey Sales Performance Group
Let's Get Real or Let's Not Play: Transforming the Buyer Seller Relationship



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penguin**

Characteristics of successful law firms

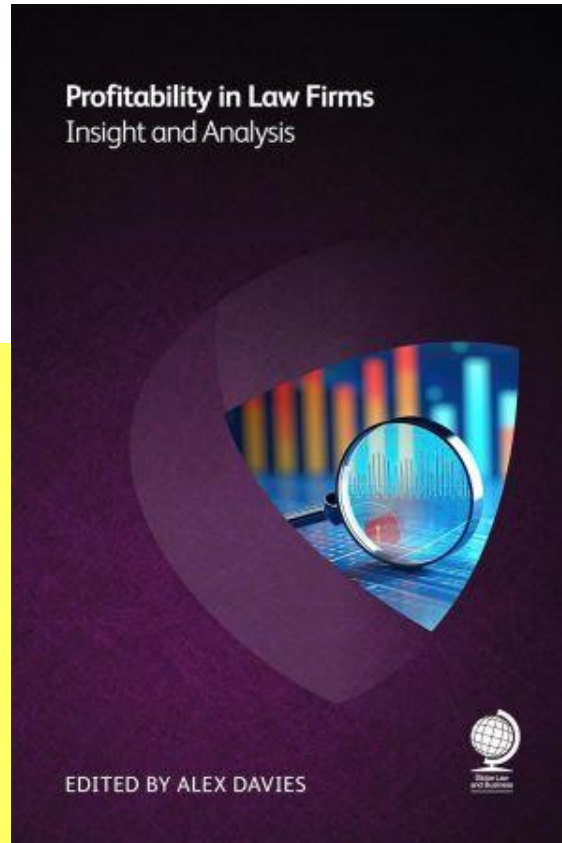




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penguin**

carte blanche to change

LEGAL ICONOCLASTS SURVEY

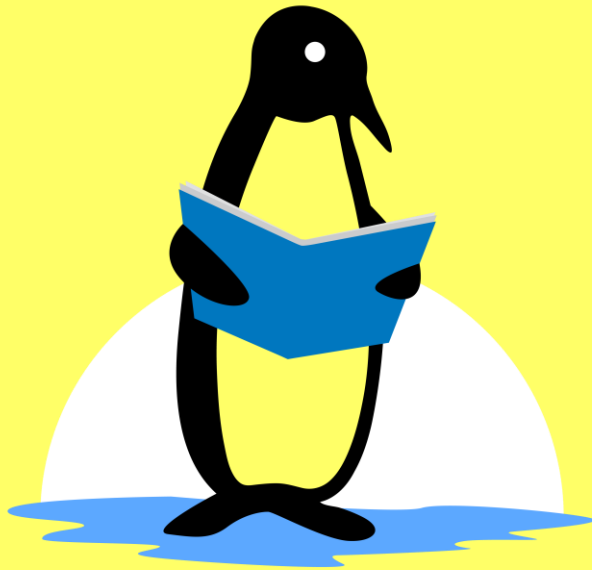


**Ask me for a copy of
the chapter**

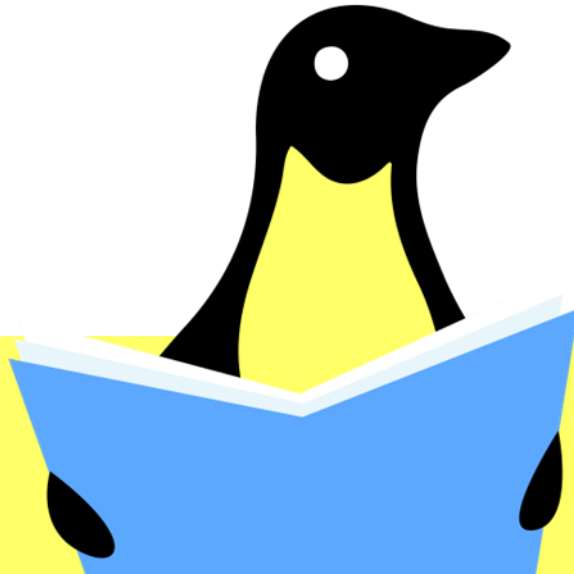


**big yellow
penguin**

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?

It's Not.

Fixed fees. Internally. Within Team.
Time recording



Survey

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?**



**big yellow
penguin**

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



big yellow
penguin

Q 21.

**How is pricing
reviewed at your firm?**



**big yellow
penguin**

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?**



**big yellow
penguin**

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**



**big yellow
penguin**

**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

£3500

£3000

£4000

£1,750

£1850

£2,000

£2,200

£1650



Creating Options

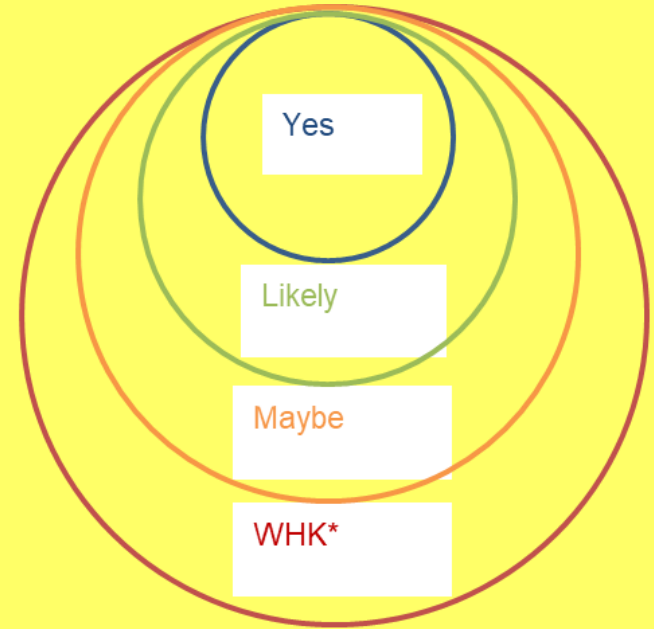
Menu	WASH & DRY					WAX & SHINE			PROTECT & ENHANCE	
	HAND PRE-WASH	WHEEL WASH	BODY WASH	CHASSIS WASH	TRIPLE FOAM	ALLEY SPA	BODY WAX	TYRE DRESSING	CHASSIS WAX	PRO-SHIELD
Ultra HD	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Pro-Shield	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Wax Plus	✓	✓	✓	✓	✓	✓	✓	✓		
Gloss Wax	✓	✓	✓	✓	✓	✓				
Triple Foam	✓	✓	✓	✓	✓					
Wash Plus	✓	✓	✓	✓						
Wash	✓	✓	✓							

	orange	O ₂	vodafone	T-Mobile	3	Virgin 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.



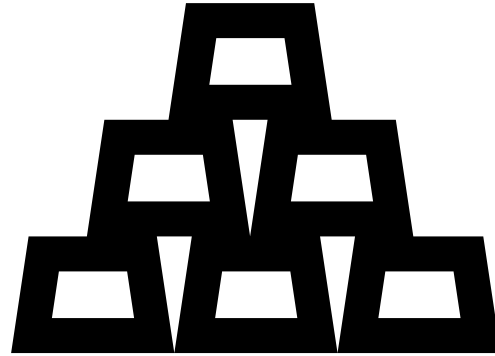
Restaurant Name					
WINE LIST					
RED WINE	🍷	🍷	WHITE WINE	🍷	🍷
BRUNELLO DI MONTALCINO Sangiovese, Toscana, Italia	\$12.5	\$55	GEWURZTRAMINER Gewurztraminer, Alto Adige, Italia	\$12.5	\$55
PIETRADONICE SUPER Cabernet Sauvignon, Toscana, Italia	\$9.5	\$45	PINOT GRIGIO Pinot Grigio, Alto Adige, Italia	\$9.5	\$45
PRIMITIVO DI MANDURIA Primitivo, Puglia, Italia	\$13	\$58	TERLANER CLASSICO Pinot Blanc, Alto Adige, Italia	\$13	\$58
BARBARESCO Nebbiolo, Piedmonte, Italia	\$15	\$64	JERMANN - PINOT GRIGIO Pinot Grigio, Friuli, Italia	\$15	\$64
MAZZEI - ZISOLA Nero d'Avola, Sicily, Italia	\$15	\$64	EDDA BIANCO SALENTO Chardonnay, Puglia, Italia	\$15	\$64
HOUSE WINE ON TAP Merlot 75%, Cabernet Sauvignon 25% 🍷 \$6.5 🍷 \$14					
ROSE WINE	🍷	🍷			
LA SCOLCA	\$12.5	\$55			
SOF ROSE TENUTA	\$9.5	\$45			
PIETRADOLCE ETNA ROSATO	\$13	\$58			
FIVE ROSES ROSATO	\$15	\$64			
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

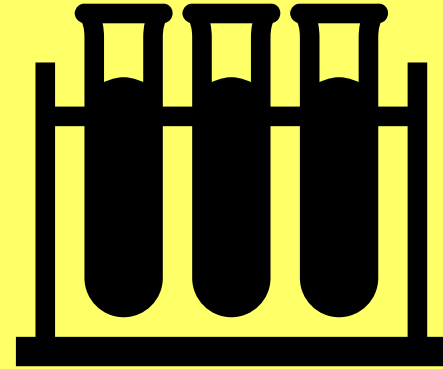
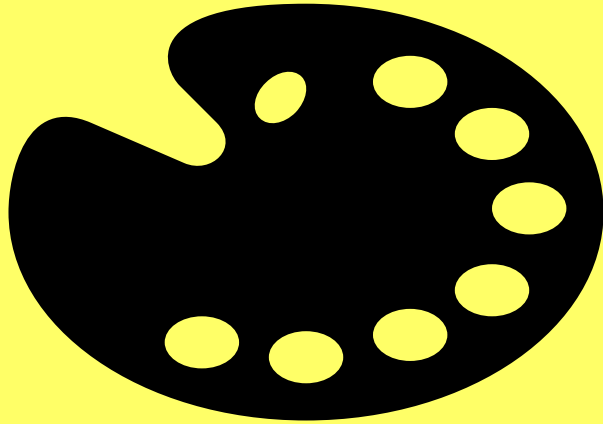


* WHK = Who the Hell Knows

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...

1. Billing takes place **AFTER** the work is done
2. Pricing takes place **BEFORE** the work commences
3. You are worth it!

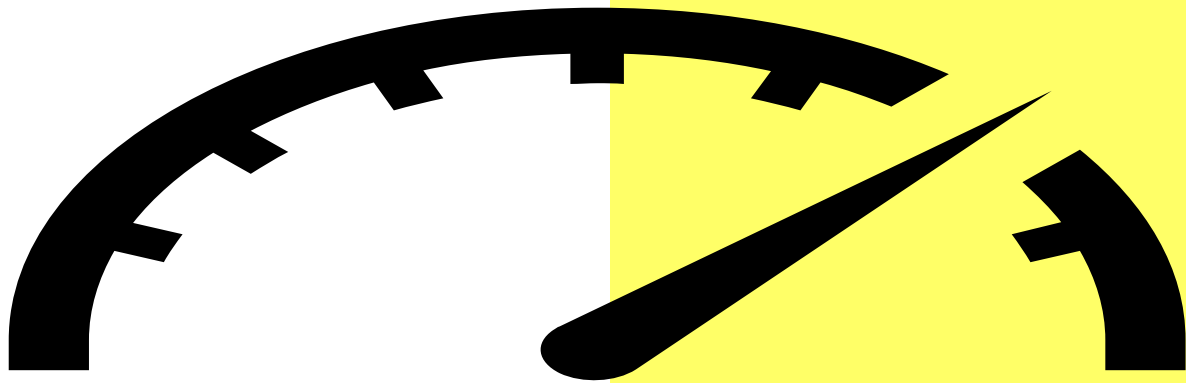
Two Pairs Of Eyes On Every Price

Don't price your own work.

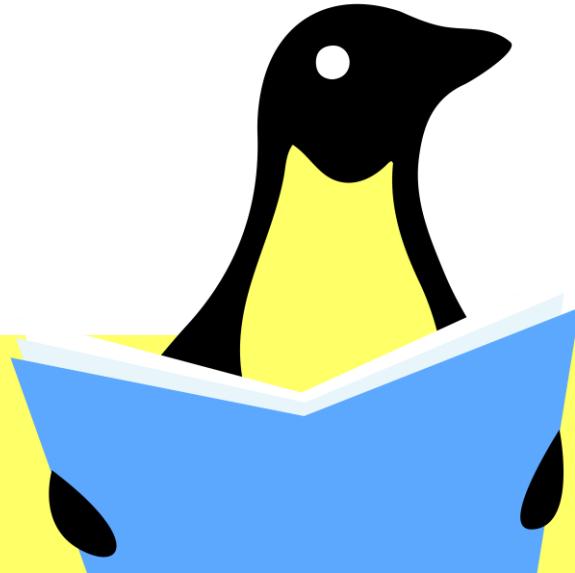
*Why do barristers have clerks and actors and
footballers have agents?*



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.
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.

The need to understand value – from a client’s perspective – and the ability to construct an appropriate pricing offer are now key attributes of a modern practitioner.”



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”.

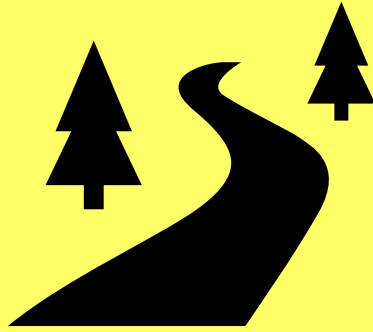
Lynn & Brown in Perth

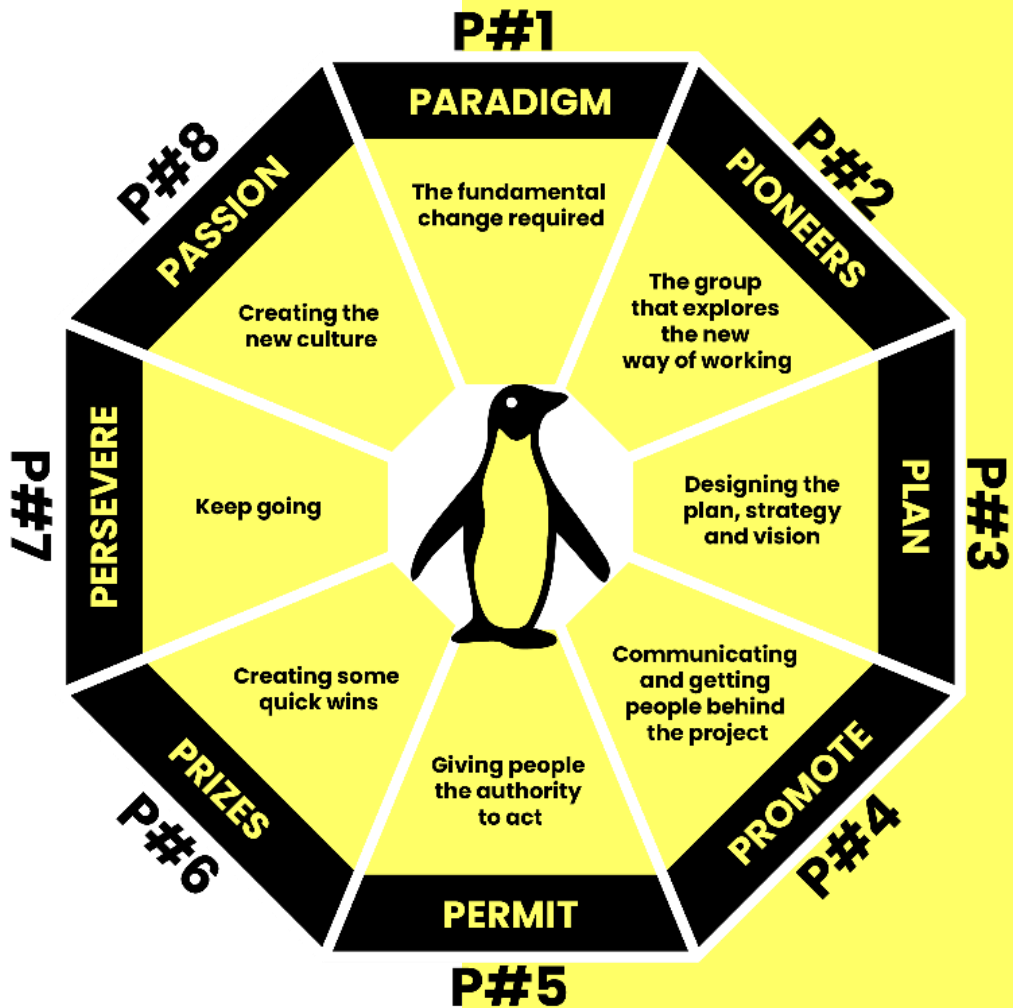
- Profits increase. Debtors will reduce. Cashflow improves.
- Clearer bill forecasting. Reduced administration costs.
- Delegate effectively.
- Teams act as teams- no hoarding of work.
- Team morale improves.
- You attract proactive lawyers . You attract and retain talent.
- You can motivate and reward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





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VBP Implementation Checklist

P#5 PERMIT	Project Manager	Pioneer	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 Conduct price sensitivity meter (Van Westendorp) exercises in each practice area.	3	1	
92 Conduct skill matrix review.	1		
93 Identify typical customer objections by practice area.	1	3	
94 Create practice area examples of answers to handle objections.	1	3	
95 Create practice area service guarantees.	1	3	1
96 Send out JAR's minutes and feedback.	3		1
97 Marketing/BD 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



8 P POINT PLAN
RACI RESPONSIBLE
 ACCOUNTABLE
 CONSULTED
 INFORMED

DOWNLOAD

YOUR CHECKLIST TODAY!



Identify all the tasks required to implement VBP

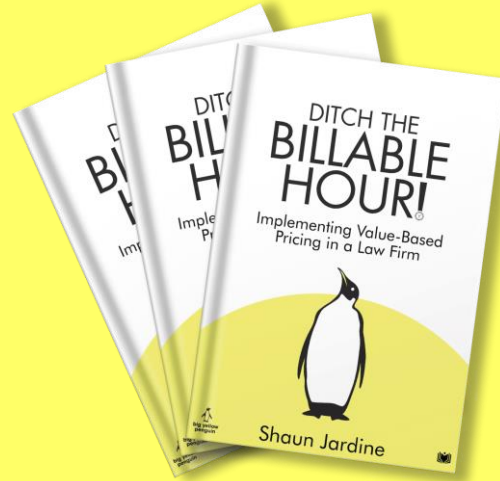


Get visibility on the size of your VBP change project



Breaks the process down into easy to follow steps

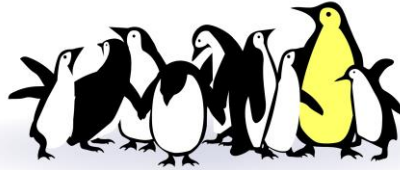
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EDINBURGH

27/29 November

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penguin



QUESTIONS?



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Legal Sector Breakfast Briefing

Questions and Conclusion

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