

Case study

Solicitors achieve overhead savings by stemming decline in turnover and reviewing working practices with Menzies

- Solicitors operating from one office in Surrey with declining turnover and profitability
- Menzies 80:20 assessment of the client base and review of working practices identified inefficient working practices and excess staffing
- In excess of £70,000 in overhead savings annually by stemming the decline in turnover and improving cash flow - enabling them to settle their tax liabilities without the requirement to exceed their overdraft.

The issues

The business has operated out of an office in Surrey for a number of years but had seen turnover and profitability decline, especially over the last three years. As a result partner drawings were decreasing and they were struggling to settle their income tax liabilities within the existing overdraft facility.

The solution

Following a meeting with Menzies it was agreed that detailed management information was required in order to determine the cause of the declining turnover and profitability. It was agreed to undertake a review of the client base to determine whether the 80:20 rule applied, i.e. was the business generating 80% of its business from just 20% of its clients and therefore, in effect, 80% of the clients were only generating 20% of the business. Finally, it was agreed to review the staff overhead costs within admin support to determine whether by changing working practices it would be possible to reduce costs.

The management information provided, identified that the analysis of turnover supported the Pareto principle and 75% of the business was indeed being generated by 20% of the clients. However, by comparing the analysis for the last couple of years the clients generating this 75% were changing as turnover fell.

When the results were discussed with the client it became apparent that larger clients had been lost because of declining service levels specifically brought on by directing attention to the demands of the 80%. All too frequently the demands of these clients, who were not generating significant fees for the business, were getting in the way of the more valuable larger clients.

The benefits

The review having highlighted the service level issue enabled the partners to focus on their key client relationships to stop the decline.

The review also considered the working practices that were being adopted in terms of how staff were being utilised. It became apparent that some partners were using the services of support staff whereas others were fulfilling their own support needs by adopting alternative working practices, i.e. using email rather than dictated correspondence. Whilst it was accepted that not all correspondence to clients could be handled by email, an increasing amount did not necessarily require secretarial support staff.

Inevitably, there was some reluctance to a change in working practices that had been central to how the partners had operated for many years. However, when support staff savings were established at £70,000 it was accepted that the changes were wholly worthwhile.

Our recommendations

Solicitor or partnership driven businesses should regularly carry out an 80:20 assessment of their client base and review working practices. Regular internal meetings are beneficial and will help to review where there is decline in turnover and profitability.

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Disclaimer

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