

CULTURE SHOCK

It occurs in the legal profession too.

(Mar 06)

Having worked for law firms in Australasia and UK for many years it recently came as shock to discover that use of a shared language can and does mask significant operational differences – often described as ‘culture shock’. This first became noticeable shortly after getting off the plane and asking why a particular process was not ‘normal’. The reply which I have heard on countless occasions since was one of many versions of the well worn phrase; “That’s not the way we do things here”. This is a comment I will never get used to as it infers superiority and even inflexibility as there are always alternatives and some are better than others.

What does all this mean in the context of legal practice? This was made abundantly clear in February during the visit of a UK Lawyer. Inevitably we got talking about professional operations and a number of operational differences were brought into sharp focus. The first among these was the volume of non-lawyering that is expected by local legal employers. Starting with client engagement and ending with billing the Kiwi and to a lesser extent the Aussie lawyer spends far more of their time working through conflict avoidance protocols, database checking/updating, file coding, time recording, WIP management, credit control and finally billing than many overseas based lawyers. This could easily be explained if the ratio of support staff to fee earners was lower than elsewhere – when it is not. In many cases the reverse is true but this can be explained, to some extent, by the average size of the ordinary Australasian law firm. They are smaller and hence cannot enjoy many of the economies of scale of their larger cousins.

My colleague’s exposure to NZ practice brought another surprise that logically followed on from ‘non-lawyering’ and that was productivity. The level of practitioner utilisation in these parts is lower than Europe and the US with many local practitioners managing only 100 hours chargeable per calendar month and partners even less. This is not an accusation that in any way touches on how hard one lawyer works when compared with his/her foreign counterpart but a reflection of operational differences. If the 100 hours a month example is followed through, the implication for a lawyer who spends at least the 7.5 hours a day available for client work, is spending a third of their time on ‘administration’ and the balance on chargeable matters. My European colleague was very envious of this ratio and couldn’t imagine what it is like to have up to 2.5 hours a day, every day, for non client matters.

When examining this further, other issues emerged, particularly in the areas of HR ‘leverage’ and matter management and supervision. NZ and Australian leverage ratios are lower, on average, than England and the US – the kiwi figures of 1 partner to 1 qualified assistant being the lowest of all. This may be consistent with NZ being a small country with comparatively small urban centres, but on examination another factor is also clear; NZ partners seem unwilling to charge for time spent supervising juniors. This may explain why no NZ firm is able to match the 1 partner to 7, 8 or 9 assistants that is often achieved off-shore. It is unfortunate as high leverage ratios are the ‘Holy Grail’ for boosting profit. The excuse that clients won’t tolerate supervised juniors doing their work just doesn’t hold water.

When considering the volume of time spent on administration it started to become clear that the volume of instructions and available work may be lower than overseas. This may be explained by taking account of the number of lawyers per head of population; in NZ it is about 1:400 whereas in England it is 1:550. The primary administration problem for the European/US lawyer is how to get through the work piling up in the in-tray. This places real pressure on non-chargeable time and encourages the use of non-fee-earning staff to manage all matters not directly classifiable as ‘lawyering’. Billing is widely regarded as the most disliked factor of legal administration, yet many Australasians spend countless non-chargeable hours poring over completed matters and WIP in trying to determine the bill. Overseas I know of many lawyers who are physically incapable of managing this task and have NEVER done it. It is worth attempting to analyse and measure the consequences of using lawyers to handle routine administration when taking the opportunity cost into account. It is **never** worth a lawyer doing administrative work when viable, lower cost alternatives exist.

My European colleague was surprised to learn that when a new client is engaged, all the database checking, conflict avoidance, engagement letters/terms, allocation of client codes and even identification of cross-selling opportunities was frequently handled by individual lawyers. All these matters can be handled by administration staff using what purport to be ‘failsafe’ systems. Each component can have an audit trail designed to identify rogue lawyers who try to subvert or avoid the system. When put in place and managed efficiently huge productivity gains

are possible. It may seem glaringly obvious but finding an hour extra of chargeable time each week at \$300 p.h. will add some \$14,000 direct to the bottom line every year; an hour a day is a hefty \$70,000, per lawyer. This level of productivity improvement is achievable in most firms, regardless of size and location. Call this office on (09) 520 5360 or email co-jones.pmf@clear.net.nz to learn more.

Firms working on productivity improvements of the type outlined here report decreases in staff attrition rates, higher morale, improved client satisfaction levels and increased profits. The benefits far outweigh the costs and implementation need not be disruptive. Meanwhile my colleague is now safely back at work in Europe and delivering 1600 hours of chargeable time every year and has no involvement in billing, chasing debtors, allocating client codes or any other essential support service.