

## PERFORMANCE DISCLOSURE

It is not just for the 'Big Boys'

(June 05)



As part of our continuing campaign to lift the level of law firm performance disclosure in New Zealand we are pleased to be able to report the information published in the last newsletter has not caused the sky to fall in! Moreover, we have noted an upsurge in data hitting the overseas media from firms who are outside the 'top 100'. By way of example our attention has been drawn to articles in the English print media about a North West of England practice who were keen to broadcast a significant performance improvement.

To place the figures in context the fee income for the 100<sup>th</sup> largest English firm is £15 Million or about NZ\$39 Million at current exchange rates.

The reports in question concerned Ricksons, a firm established in 1974 with offices in Leeds, Manchester and Preston.

Below are some public domain comments:

"The firm's turnover was up by 16% on last year's figure of £9.1 Million to £10.6 Million; swelling the ranks of its partnership to 36, up from 29, with staff numbers totalling 220."

Anthony Hughes (managing partner) said; "We have made great strides taking the firm to a new level. Its success has been built on three key factors – service philosophy, expertise and our realistic desire to become one of the UK's biggest regional law firms"

Later he said; "Later in 2005 we shall be drawing up relocation plans for Manchester and Leeds as we require bigger premises. This time next year I am sure we will be reporting further growth with the intention of breaking the £15 Million turnover mark by 2008."

For the record the two quotes were taken from the website [www.ricksons.co.uk](http://www.ricksons.co.uk) NOT from the media. Firms who genuinely want to raise their public profile need to do more than claim; "we are the biggest, brightest, best" etc., as they do in New Zealand. Existing and prospective clients deserve more respect and are looking for quantitative management performance measures. Firms should be pleased when fee income grows. This is something to be proud of, not to hide. LBP remains surprised that no announcement has been forthcoming from the 'great and the good' about who is first to break the \$100 Million T/O figure. To place this in context all the international accounting firms' performance figures are available for scrutiny in the same way international law firms are ranked. Left in the dark clients have no way of telling whether the productivity of their legal services provider is improving or declining, what further expertise may be available and a range of other signals indicating how well the business is managed. Qualitative blandishments uttered during a client lunch and expensive art works in the boardroom are not real indicators of success.

Performance data need not be based solely on gross fees but should include other factors:

- The % of fees spent on professional development/continuing education
- The % of fees derived from the largest client
- The % of fees derived from each area of specialisation
- Capital equipment replacement policies
- Debt management
- Fee income per partner/fee earner and the rate of growth/decline etc., etc

It is LBP's belief performance disclosure would promote productivity improvements, improve client retention and assist in developing a culture more inclined to associate price with value. Left as it is the reputation of the profession will continue to languish and inaccurate speculation on earnings will be perpetuated. Clients deserve better, after all, who matters more?