



Financial Management in Law Firms

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About Sadock Magai

Sadock Dotto Magai (Magai) is the Managing and founding Partner of DLA Piper Africa, Tanzania (IMMMA Advocates). Magai heads the Banking and Finance department at the firm. Sadock garners praise for his unrivalled track record in providing legal advisory services to clients in the banking and finance practice in Tanzania. Prior to founding IMMMA Advocates, he worked within the legal department of the Central Bank of Tanzania (BOT) for eight years as one of its legal advisers. Apart from advising clients on Tanzania laws, Sadock continues his extensive cross-border practice, whereby he advises clients on transactions related to project finance, oil and gas, and public-private partnerships. Sadock has successfully advised numerous mining companies on financing, and legal and regulatory aspects of their mining operations in Tanzania.

As one of the founding partners of IMMMA Advocates, Magai duties and responsibilities include among others, training and mentoring young lawyers joining the Firm. This is well embedded in IMMMA Advocates philosophy of creating best and excellent lawyers in the Tanzanian market. It is also well within the philosophy of IMMMA Advocates to have a well -organized succession plan for the Firm. Together with other partners, IMMMA advocates have trained and mentored more than one hundred lawyers from Tanzania and offshore from 1997 when it was founded till today. These lawyers have found their places as partners and associates within the firm, have formed owner firms, are employed in government offices, the judiciary, and as in-house legal counsel to companies in Tanzania and offshore.

Sadock has been consistently ranked by Chambers and Partners as an Eminent Practitioner, by IFLR1000 as a Highly Regarded Lawyer, and by Legal 500 as a Leading Individual. Sadock is also a regular contributor to the "Chambers Global Practice Guide", a Banking and Finance guide which covers over 200 jurisdictions across the world.



Sadock Magai

Managing Partner
Head of Banking and Finance Department
Sadock.Magai@immma.dlapiperafrica.co.tz

About IMMMA Advocates

27 Years of Experience

20 Lawyers

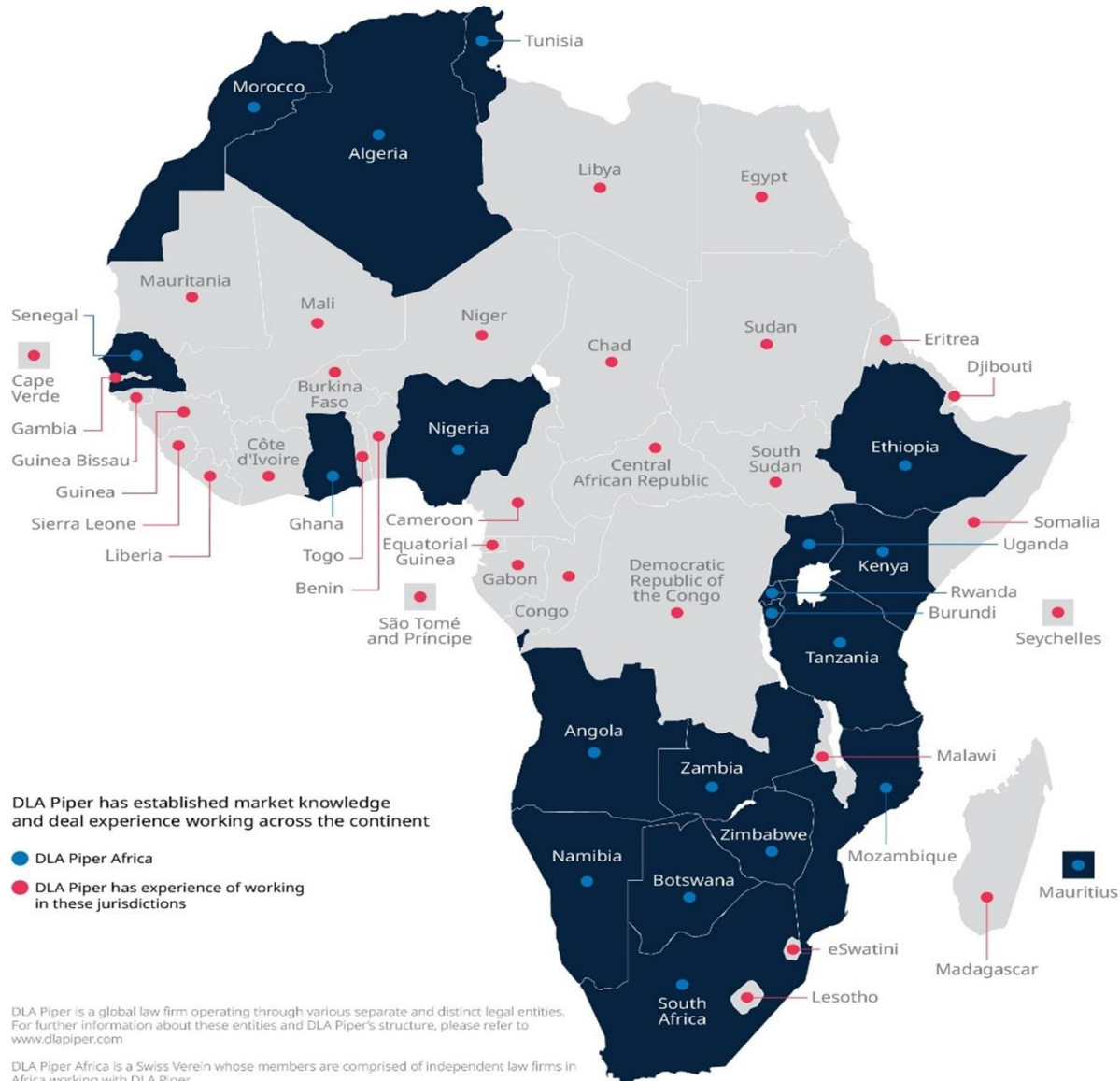
1 Location
Dar es Salaam

13 Support Staff

Market Recognition



Global Reach



- ✓ We have over **430 Africa-based lawyers**
- ✓ Offices in **20 countries in Africa**
- ✓ Covering **10 key sectors**
- ✓ Offering **Global, national, and regional expertise**

IMMMA Advocates is a member of DLA Piper Africa, a Swiss Verein whose members are comprised of independent law firms in Africa working with DLA Piper. IMMMA Advocates became part of the DLA Piper global group of law firms in 2006. DLA Piper carries on the business of governing and coordinating the international law practices carried on by its members through various practicing entities established in various jurisdictions throughout Europe, the Middle East, Asia-Pacific and Africa, and in America, in collaboration with DLA Piper LLP (USA), (together DLA Piper Group). Through the DLA Piper Group, we are strategically placed in a position to tap resources across the globe that can assist achieving the project goals. www.dlapiper.com/africa

Financial Management in Law Firms

- The first and a key point to consider is that a law firm is a business with the key objective of making profits. This places financial management at the heart of its operations.
- Financial management is therefore not just about managing the financial process; it starts right from the engagement of the client and runs through the whole matter and client management process to the closure of the matter. It runs at the heart of the law firm operation
- Client engagement and onboarding plays a key role in financial management. It is very important to state and agree the terms of engagement clearly with client during onboarding by use of an engagement letter. This should clearly cover points such as the matter fees, billing & invoicing procedures and payments are set out and agreed on as these all affect the financial cycle.
- Internal process such as matter budgeting, time recording, WIP and disbursement monitoring management, billing and invoicing processes need to be clearly articulated, followed and enforced in order to help reduce leakages in the financial management cycle. Time recording for instance should be non-negotiable as it is critical in managing fee earners productivity and ensuring that matters are priced correctly for profitability.

Financial Management in Law Firms

- It is also very important to manage the productivity of fee earners to ensure they are being optimally used. Setting clear and having specific, measurable, achievable, relevant, and time based (“SMART” as we abbreviate it) and having in place key performance indicators (KPIs) to be used to evaluate the fee earner performance is critical. KPIs for the business services team in the finance department also to help with the billing and collection process. KPIs should reflect in the performance management process and linked to reward.
- Reporting is a critical tool to help with financial management. Work in Progress (WIP) reports help with performance conversations, and matter revenue reports help with the assessment of profitability.
- Technology also plays a key role in financial management by enhancing the efficiency and visibility of fee earners productivity through enabling processes such as matter budgeting, time recording, WIP management, Billing and Invoicing.

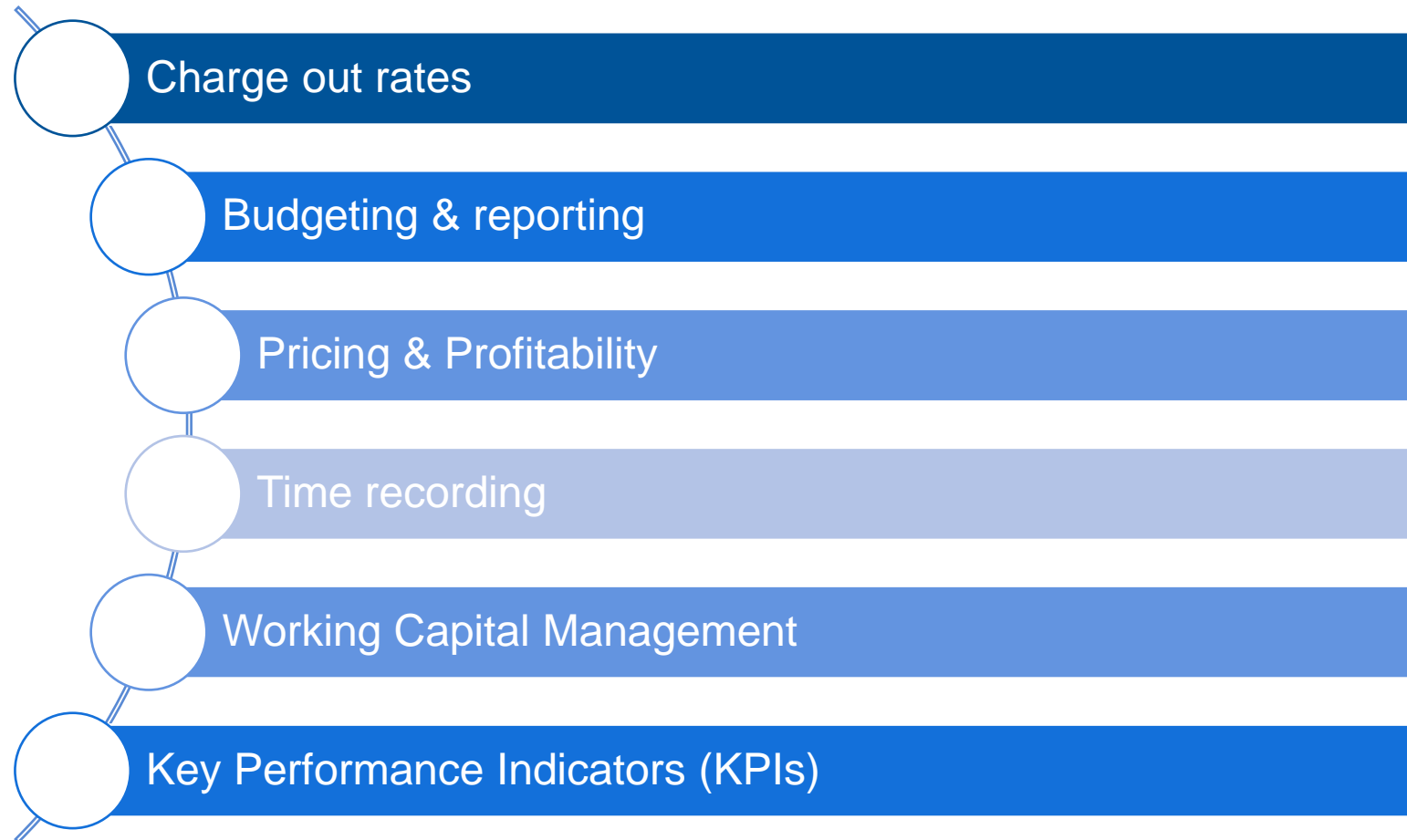
Matter Management

- Conflict of interest check
- AML/KYC checks
- Client engagement documentation
- File opening & allocation of matter no.
- Time recording
- WIP & disbursement management
- Billing
- Collecting
- Receipting
- Closure & archiving



Finance & financial hygiene

The fundamentals



Key Performance Indicators

Examples

- Utilisation per fee earner
- Fees per fee earner
- Total Fees billed
- Recovery rate/write off%
- Average rate billed
- WIP
- Unbilled disbursements
- Debtor days (30,60,90 etc)
- Provisions



Recovery rates - important

- **Example – which is better?**

- Recording all time (equating to 100,000) and billing the client 80,000 which produces a recovery rate of 80%?

OR

- Recording only 80% of your total time and billing the client the total value of 80, 000 which equates to a 100% recovery?
- Discuss
- The write- off % and recovery rate is an important statistic/trend to monitor and manage



Time recording

- **Accurate and timeous time recording is critical and fundamental to the success of a law firm**
 - Record time immediately or as soon as possible after completing a task
 - The later the harder – recollections become less precise with time
 - Record time at least on a **daily basis**
 - Record all time
 - Billable & non billable
 - Fixed fee arrangements – still record your time
 - All time should be accurately recorded
 - Ensure **consistent narratives** for purposes of billing etc
- **Monitoring of fee earner utilisation on a regular basis**
 - Very important
 - Do you have a monitoring system?
- **Expenses/Disbursements**



Working capital management

“Lock up” - the amount of capital tied up in the business

- Work In Progress (WIP)
- Debtors
- Disbursements



Working capital management

Fundamentally important

WIP DAYS

DEBTOR DAYS

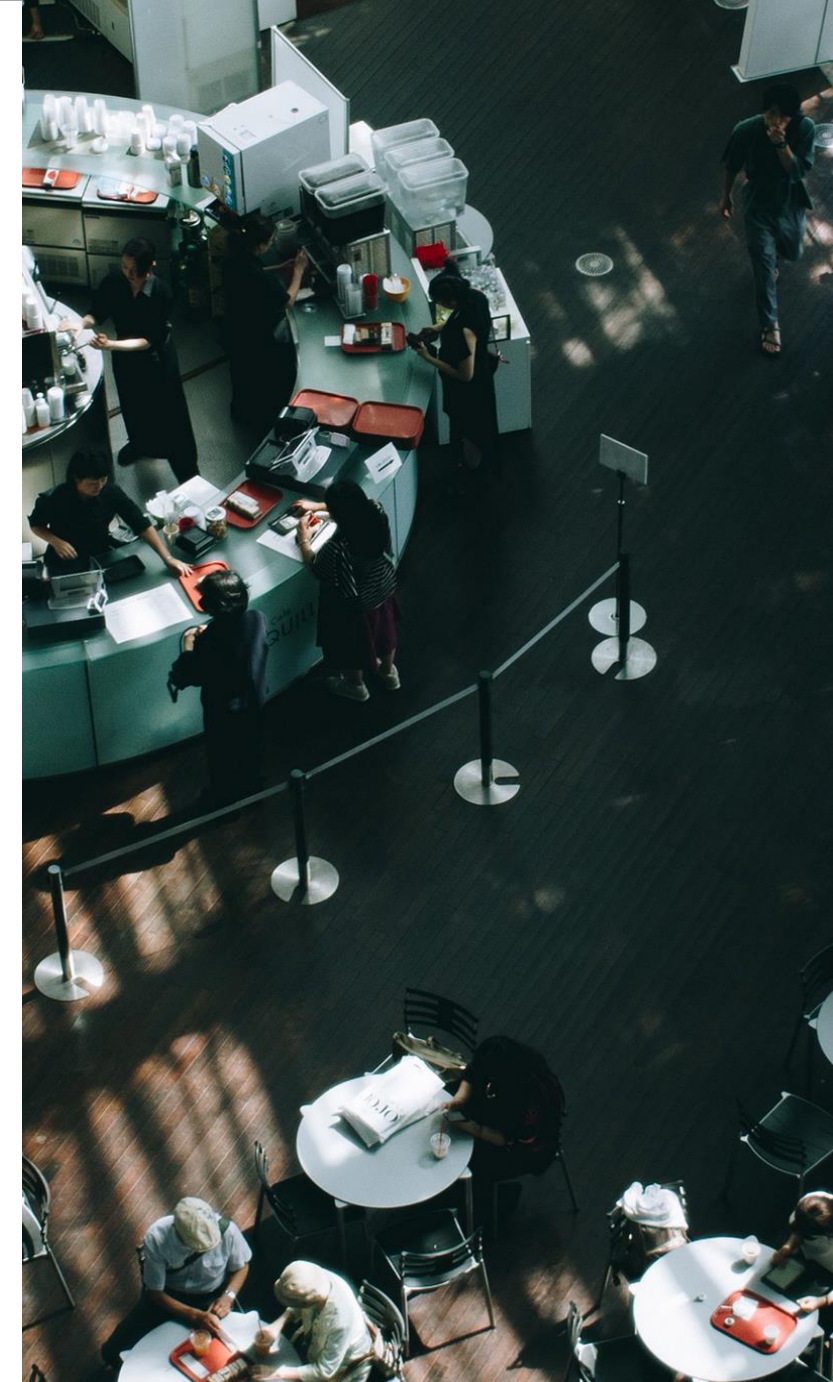
Fee Earner Records Time

Invoice Raised

Invoice Paid

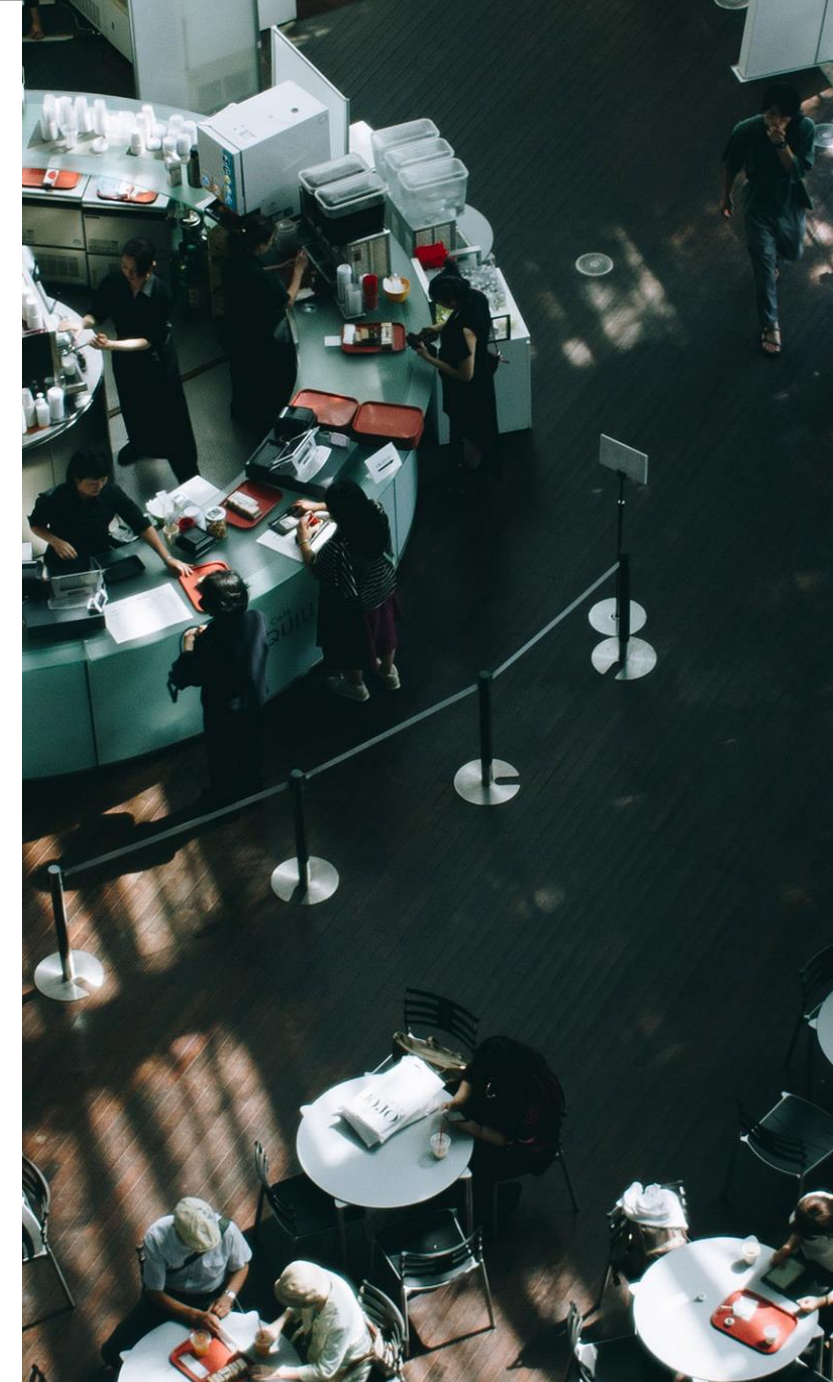
How to improve lock-up

- Include a billing schedule in the Engagement Letter
- Consider Interim Billing
- Bill as soon as the matter completes
- Monitor fixed fee matters



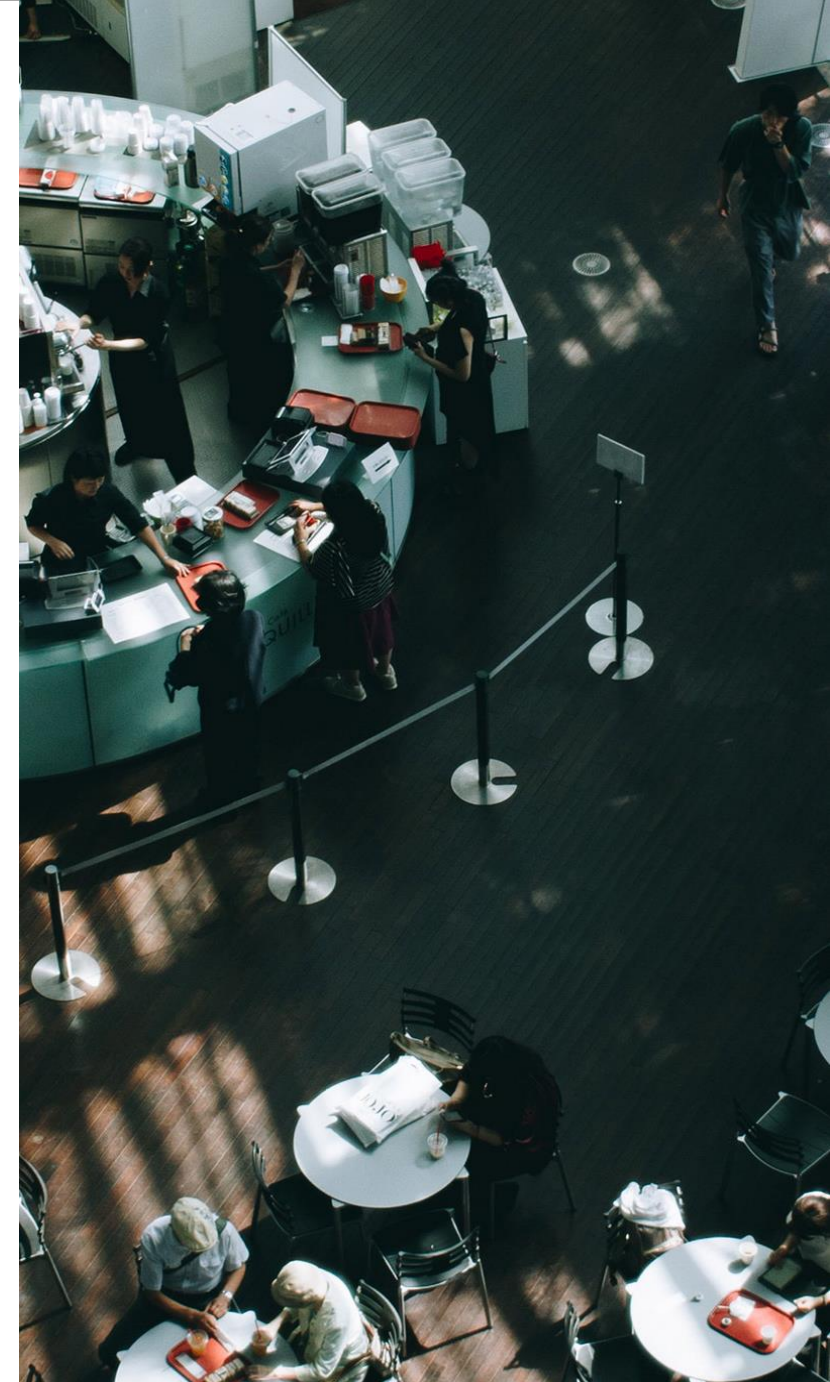
How should we manage our debts?

- Speak to your client about the fee
- Have a clear narrative
- Agree the fee as early as possible
- Agree when the bill will be paid
- Follow up regularly



Financial management

- Getting the price right
- Accurate time recording
- Timeous billing
- Timeous collection



Succession Planning

What is Succession Planning?

- Succession planning in law firms entails the deliberate and strategic process of identifying, nurturing, and empowering the next generation of leaders within the organisation.
- It goes beyond merely filling vacant partner positions and it involves:
 - cultivating talent as soon as they are identified
 - transferring knowledge, and building their capability including through exposure to management responsibilities
 - fostering a culture of growth and development



Importance of Success Planning to Law Firms

- Succession planning for law firms is critical in maintaining clients and the trust they have in the organisation
- It mitigates risks associated with unplanned/unexpected departures or incapacitation
- Succession planning helps a law firm stay competitive in the market by keeping up with the evolving landscape
- It also helps a law firm improve its efficiency due to the benefit of different management skills of the younger generation





Thank You

Q & A

Our Contact

IMMMA House, Plot No. 357,
United Nations Road, Upanga,
PO Box 72484,
Dar es Salaam, Tanzania
T +255 22 22 11080, +255 22 22 11081, +255 22 22 11082
Email: info@immma.dlapiperafrica.co.tz
Web: <https://www.dlapiperafrica.co.tz>

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