

Welcome to this short guide that will help you to make the most out of your commercial awareness simulation.

The simulation is only a few hours long but in that time, you will be challenged to run your own practice with a number of colleagues and compete against other firms for profitable contracts and talent in the workplace.

This simulation has been designed based on our understanding of all the partners, associates and lawyers with whom we have worked in the last 25 years. Understanding the challenges that you face with clients, working on important and sometimes highly technical matters means that every lawyer's key area of focus is on providing the very best technical support and client service possible.

The aim of this simulation is to highlight how many opportunities you have in your day-to-day work to really impact profitability, cash flow and the management of **client expectation** when undertaking your work.

How does it work?

After an initial introduction and session on practice finance, you will meet four or five colleagues in a breakout room, with whom you have chosen to **set up in business**.

Each new firm will have **3 partners, 4 senior associates, 10 associates and 6 other staff members**. Each round will provide your firm with specific challenges and it is up to you and your senior management board of partners to **decide on the strategy** of the business, **contract pricing, recruitment, management of working capital** etc. to lead the firm successfully against its rivals.

Each team will be given a simple workbook (in excel) where it can record all your decisions and calculate resulting profitability. A copy of this workbook will be sent to you ahead of the session, so you can have a browse around the **five aspects of practice finance** that you will be discussing on the day. These consist of:

- **Introduction** tab: like a contents page for the tabs, used in your first board mtg.
- **Staff** tab: highlights the number of staff you might choose to have in your firm in each round and **how many hours they can work**
- **Clients** tab: highlights the work you can bid for
- **Work planning** tab: How many hours are required by each level of staff and helps you to work out if you can deliver the work won
- **Operating costs** tab: Shows the resulting costs of the staff plus a **choice** of how much investment you wish to make in business development each round
- **Profit** tab: calculates the resulting profitability of the firm
- **Cash** tab: highlighting the cash in your account at the end of each quarter
- **Summary** tab: highlights a set of your cumulative results

In each round your firm will have **15 minutes to make decisions** so there is a degree of time pressure and familiarity with the spreadsheet and your choices in each round will help. You will be joined by a facilitator who will help you manage time and also ensure everyone gets a chance to have their voice heard

What decisions?

In any firm, on a regular basis, lawyers are battling to win contracts with clients. Your firm will be offered a series of contracts that you need to price effectively if you are going to keep your staff salaries paid each quarter. Win too many and you will not have enough staff to complete the work, win too few and you will have excess capacity and a cash shortfall to meet your expenses.

Bid success is dependent upon a variety of factors – just as it is in real life:

- **Size** of the firm plays a part (**your headcount**)
- **Price** obviously, so you need to price competitively but with profit in mind
- How **well known** you are in the marketplace represented by investment in Business Development

Each round (quarter) you will take decisions as a board about each of these issues with **imperfect information**. In practice you don't know, when recruiting, if there will be enough work for people to do. You don't know which contracts you will win. Or how much of your marketing and BD is essential, or worthless.

There is a **debrief after each round** where we will highlight some of the key reasons why the decisions firms take are so important for their financial survival and the key learning outcomes and take-aways which will help you manage your work in future. In the main room we will also feedback which contracts you have won, that will enable you to calculate your profits that quarter.

What are the rules?

The simulation takes place over a number of quarters as most firms report quarterly, so we will review your performance every three months, at the end of each round.

The simulation will be as close to real life as possible so that the challenges you face will be very similar to those that any legal firm has to deal with. If you can do it in real life, we suggest you ask the facilitator in your breakout room, as you should be able to do it in the simulation. If it's impractical in real life it won't be possible in the simulation.

What to do now

- Have a look at each tab in the workbook. To make it easy when attending the session, you **only** need **complete the cells in red** – that's where you will have to make decisions in each round...
- Familiarise yourself with **your own financial KPIs** (Debtor days, WIP etc)

We look forward to seeing you on the programme and to having some fun while thinking about practice finance – who knew finance could be so engaging!

The Grogroup team

The Business Cycle



Every firm typically works through this cycle as it carries out business. Planning resources, winning and delivering work and receiving cash. For most fee earners this all goes on 'in the background' while they are client facing and completing matters. During this simulation you will see the impact of the decisions you take when liaising with clients and some of the challenges of planning resources in a typical firm.

Running a firm is a balance between having sufficient employees, winning profitable work, running matters with a cost-effective mix of fee-earners, and adopting best practice relating to time recording, billing and cash collection. The management team will do all this every day with imperfect information and as you take control of your firm during the business simulation, you will find things get very competitive, as they do in the real world, and you will experience the difficulties and issues that arise as you strive to generate a level of profit and cash expected of a successful firm.

The key performance indicators which will be used to assess how successful your firm has been will include:

- How much fee **income** and **profit** you have generated
- The extent to which you have controlled **cash** balances and cash flow
- How you have managed your firm's **reputation** and client goodwill
- Your need for **bank borrowings**
- How you have controlled **work in progress** and receivables
- How good you were at competing for and winning client work