Behind the numbers

With a background in accounting and technology consulting, Jason Haines joined Allen & Overy as IT director in 2007 before also becoming finance director last August. Here he describes how our decision to invest through the downturn and controlling costs are beginning to show results.

For many firms, recession is a time of retrenchment; doing everything to make sure that an inevitable squeeze on profits is kept under tight control.

A&O has taken a slightly different tack, consciously choosing to invest in its network through the downturn by opening key new offices in Australia, Qatar, Washington, D.C. and Morocco – and making key lateral hires in France and Germany.

"It's not a size game; it's a quality game," says Jason Haines at the end of his first year combining the roles of finance director and IT director. "That means offering the best legal advice, having the best lawyers and being able to offer an on-the-ground presence in the places our clients want to be."

Results for the year to the end of April 2011 show the fruits of this strategy. Turnover rose by just under 7% to £1.12 billion with our fast growing Asia-Pacific region registering an astonishing 46% increase in revenues, indicating that the firm has hit the ground running in new markets.

There was strong growth too in New York (a notoriously tough but crucial market for international law firms), Central and Eastern Europe and the Middle East. Turnover in Western Europe (including the UK) remained relatively flat, in sterling terms.

Across the network the firm was consistently busier during the year, particularly in the second half, and the trend has continued into the new financial year. The Banking and Litigation practices posted particularly strong growth.

"The great challenge for us is this: if you don't seize opportunities to grow now, then – when the market comes back and we are completely through the recession – it becomes more difficult and more expensive to invest," says Jason.

"In our view you've got to invest a certain amount of your current profits to build for the future. So for the last few years we've taken some of the returns from our established European offices and invested them in key markets like Asia and New York to generate a long-term return."

That has an inevitable short-term impact on the bottom line, where profit before taxation was flat at around £431 million. But new offices tend to follow a two to three-year journey from start-up to profitability. "Next year we expect a much stronger bottom line," he says.

The investment programme has been coupled with a concerted effort to control central costs. The Canary Wharf office in London was closed and some support services are being relocated to a new centre in Belfast. Around £4 million was invested in Belfast during the year with a further investment due in 2012. Jason predicts these decisions will produce "substantial returns" from 2013 onwards.

Efforts to manage working capital more efficiently during the year reduced the average "lock up" time – the gap between work being done for the client and payment – from 138 to 131 days. "That 7-day difference has an important impact; it means we have something like an extra £21 million of cash in the bank. That is cash we can use to make further investments in our future."