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Cost Structure-Profitability Analysis in a Law Firm Group: A Three-Year Study

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Abstract

This dissertation aim is to examine the financial performance of a two – company law firm group over the period 2022 – 2024. The study's focus is to analyze and compare the group's operating costs, payroll expenses, legal expenses and how these elements evolved in this three-year period. The analysis aims to outline the main factors, the group and each department of the group experienced, the profitability changes during the selected period and the factors which affect firm's financial performance. By pattern presentation in a simple yet structured way the study hopes to support evaluation methods and firm's current position but also assist in future business and financial planning.

TABLE OF CONTENTS

Chapter 1 — Introduction

1.1 Background and Context

Law firms often provide services across different areas of law, which creates operational and financial complexity. Commercial, civil, criminal, family, and debt-recovery cases differ significantly in terms of workload, cost structure, and revenue generation. The coexistence of diverse invoicing approaches, such as hourly rates, fixed-fee agreements per case, monthly standard fees, and retainer-based agreements, also affects the financial management of a law firm.

Billing structures determine how legal services are charged to clients , whereas legal-related expenses are strongly influenced by the nature , complexity and monetary scale of individual cases. Costs such as court fees and similar expenses are linked to the legal process itself and may vary depending on several procedural factors, rather than the firm's pricing method.

The mix and volume of cases therefore affect the relationship between costs and revenues influencing the financial results of legal activities. For this reason, a structured financial analysis is necessary in order to evaluate performance and to understand how costs and revenues interact within the firm.

To support this background, the following section presents an overview of the group's organizational and operational structure which provides the necessary background for the financial analysis.

1.2 Overview of the Group

The law firm group examined in this thesis consists of two separate legal entities which operate under a common organizational and financial framework. The entities are legally distinct but are united in terms of organization and finance. In practice, their day-to-day operations are connected, and financial information is monitored centrally. The group works with different types of clients, including commercial clients and large corporate clients that cooperate with the firm under specific terms and agreements.

The internal organization of the group is mainly structured according to client categories rather than legal practice areas. One department handles commercial clients, including both small and medium-sized enterprises and larger companies. This department deals with a wide range of legal matters, such as commercial disputes, labor law cases, family law issues, and other civil cases. Separate teams operate for major corporate clients under specific contractual arrangements, such as Avis and Intrum, as well as for cases related to mortgage pre-notations for Piraeus Bank clients. In addition, the group maintains a separate debt recovery function, which focuses primarily on pre-legal collection activities for certain clients, including Volton, Heron, and Avis, while legal enforcement procedures are applied where required. Each team follows different contractual terms and follows different billing structures and financial arrangements.

Invoicing practices within the group differ depending on the type of client and the services provided. Commercial clients are mainly priced under cost-plus arrangements, either through case-based financial offers or general legal support services. For other corporate clients, such as Avis and Intrum, billing is based on predefined contractual terms, where legal expenses are reimbursed and professional fees are charged per legal action. Debt recovery activities follow a different approach, as fees are often linked to successful collections and are calculated as a percentage of the amounts recovered, especially during the pre-legal settlement stage.

This client-based organizational and pricing structure leads to different differences in cost allocation and financial performance across the group. Since financial data are available both at company level and at departmental level, the group allows a more detailed financial analysis for a detailed financial analysis. The analysis presented in this study covers the period 2022–2024 and is based on internal data related to revenues, payroll expenses, operating costs, and legal-related expenditures.

1.3 Purpose of the Study

The purpose of this dissertation is to examine the financial performance of a law firm group which consists of two legally distinct but operationally connected entities. The analysis focuses on the group's cost structure and profitability over a three-year period, covering the years from 2022 to 2024.

More specifically, the study aims to identify the main cost components of the group, such as payroll, operating expenses, and legal-related costs, and to assess how these costs interact

with revenue generation. Particular attention is given to differences arising from the client-based organizational structure of the firm and the various invoicing arrangements used.
The overall objective is not to develop forecasting models or complex theoretical analysis , but rather to offer a structured financial assessment based on actual operational data. Overall , the dissertation aims to support a better understanding of the group's financial position and to provide useful insights for internal evaluation and managerial decision-making.

1.4 Research Questions

In line with the purpose of the study and based on the structure of the available data, this dissertation is guided by a series of research questions focusing on the analysis of costs, revenues, and overall financial performance. The study examines both the progression of financial figures over time and the differences arising from the client-based organisational structure of the group.
The analysis addresses the following research questions:

RQ1: How is the total cost structure of the group formed, and how is it distributed between payroll, operating expenses, and legal-related costs during the period 2022–2024?

RQ2: How have revenues and profitability evolved over the examined period, both at group level and at company level?

RQ3: What differences are observed in financial performance across the various client categories and departments of the group?

Chapter 2 — Methodology

2.1 Sources of Financial Data

The data underlying this analysis are collected directly from the financial statements kept in the accounting department of the studied law firm group for the period 2022-2024. This research analyzes financial performance of the group at company and departmental levels.
Financial data were collected from the accounting information systems of the two firms that constitute the group. Specifically, the financial analysis uses trial balance, income statements, payroll reports and departmental reporting files prepared for internal purposes. Financial data include revenues, costs related to payroll, other operating expenses and costs related to legal activities for the considered period.

The utilization of internal accounting and internal reporting data ensures a detailed analysis of the operations of the group and an assessment of its financial performance during the specified period. As the author is employed within the accounting department of the group, direct access to historical financial information and internal reporting data was available for the purposes of the analysis . Permission to use the relevant data for academic purposes was obtained from management.

2.2 Methological Assumptions

In order to ensure consistency and comparability throughout the analysis, a number of assumptions have been made regarding the treatment and allocation of financial data. The assumptions were necessary due to the nature of the organization, the existence of two legal entities operating under as a unity and the goal to analyze financial performance at both company and departmental level.

2.2.1 Personnel Cost Classification

One of the group's most important cost categories is payroll expenditures. In this research an assumption made is that during the time under evaluation, workforce numbers were comparatively steady within each department. This assumption reflects the group's operating structure, in which every department has a committed staff and works under a steady payroll budget. Even though there were staff replacements and departures during the time under review. Such an assumption makes it possible to make meaningful comparisons across years and departments.

2.2.2 Consolidated Treatment of Personnel Costs

Even though the group operates through two separate legal entities, both companies share premises, management functions and personnel resources. For this reason, the costs related to personnel are examined on a consolidated basis in order to reflect the actual operational structure of the group rather than the legal distinction between the two entities. This approach provides a realistic view of how human resources support the activities of the organization.

2.2.3 Reclassification Distribution of Operating Expenses

During the review of the accounting data certain operating expenses were reclassified in order to improve comparability between the two entities. In some cases, costs such as rent, utilities and other expenses were recorded under only one company mainly for tax-related reasons despite supporting the activities of both entities. For the purpose of analysis, these costs were treated as unified group expenses so the analysis reflects their actual economic impact on the organization as a unit.

2.2.4 Shared Operation Expenses

Many operating costs are not directly related to any department , they support the operations of all departments concurrently. Rent, utilities, postal fees, and advertising expenditures are some of these costs. Since these expenses are related to shared facilities and overall operational fees the no objective basis existed in order to measure the actual consumption at departmental level.

The single exemption relates to Professional, Consulting, and Support Service Fees, were a specific fixes annual cost relating exclusively to the Intrum department was identified and allocated directly to that department prior to the allocation of the remaining balance. The residual amount was then distributed equally among the five operating departments in accordance with the general allocation approach applied to shared operating expenses.

2.2.4 Allocation of Management Costs

Departments received management compensation according to the degree of management's operational engagement in each area of activity. Since there was no clear way to quantify it, the allocation was made to as nearly as possible represent how management resources contributed to each department's operations. This method was used for analysis and to make departmental financial performance more comparable.

2.3 Analytical Approach

The analysis is based on a three-level examination of the group's financial performance. Financial results are evaluated at group level, company level and departmental level in order to provide a comprehensive view of the organisation's operations during the period 2022–2024.

The assessment focuses on revenues and payroll ,operating and legal-related expenses. Special emphasis is given on the relationship between revenue and expenses, the identification of the primary cost drivers, and the factors that contributed to profitability throughout the time under study.

In addition to the analysis of financial outcome, the study also considers operational factors that affected performance during the that period. These include changes in business activity, organisational developments and other events that may have influenced financial results.

The findings are presented through a combination of financial indicators, comparative analysis and interpretation of the available financial data in order to evaluate the overall financial performance of the group.

2.4 Limitations

The study is subject to certain limitations that should be considered when interpreting the results. The first on is that the allocation of shared operating expenses across departments is based on analytical assumptions and may not fully reflect actual consumption patterns. The allocation of management costs is based on the estimated level of involvemen tof the three partners in each department. As no formal time-recording system exists, the allocation relies on managerial judgement and operational knowledge Finally, the limited availability of publicly available financial information for comparable Greek law firms restricts the scope of external benchmarking.

As a result, any comparative analysis included in the study should be viewed as indicative rather than conclusive. The assumptions adopted were applied consistently throughout the examined period in order to support comparability between departments and across years

Chapter 3 — Financial Analysis and Results

3.1 Group Financial Performance Overview (2022–2024)

A summary of the group's financial performance from 2022 to 2024 is presented in this section. In order to determine the primary financial patterns noted during the studied period the study focus is mainly on the evolution of revenue, expenses, and profitability.

Table 1 — Consolidated Group Financial Performance, 2022–2024

ANALYSIS	2022	2023	2024	2022–24	%
Total Revenue	4.243.257,72	3.431.638,03	2.845.970,75	-1.397.286,97	−32.9%
Total Expenses	2.979.507,00	2.881.255,91	2.666.754,19	-312.752,81	−10.5%
Net Profit	1.263.751,00	550.382,00	179.217,00	-1.084.534,00	−85.8%
Net Margin	29.8%	16.0%	6.3%	−23.5 %	—
Payroll	791,38	839,08	774,81	−16,570	−2.1%
Payroll / Revenue	18.6%	24.4%	27.2%	+8.6 %	—

Table 1 summarizes the financial results of the consolidated group of the law firms' activity in 2022-2024. As can be seen from Table 1, a consistent drop in both income and profitability has been registered for the three-year period under study, whereas total expenses were more or less stable.

Thus, total income fell from €4,243,258 to €2,845,971 during the three years. This means a 32.9% decrease in the income levels observed in 2023 and 2024 as compared with the previous year. It should be mentioned that during the studied time frame the firm faced a number of organizational and nonorganizational difficulties associated with strikes of lawyers (November-March of 2024), relocations of the firm, and the implementation of a number of organizational reforms as part of the organization's development strategy designed to facilitate working with a growing clientele.

In turn, the reduction in total expenses appeared to be considerably smaller, namely 10.5%. Specifically, total costs went down from €2,979,507 in 2022 to €2,666,754 in 2024. Notwithstanding the reductions in some particular categories of expenses, total costs did not fall significantly compared with the revenue reduction.

As a result, the net profit level sharply dropped from €1,263,751 in 2022 to €179,217 in 2024. Simultaneously, the net profit margin dropped from 29.8% to 6.3%, which implies substantial degradation in the profitability levels attained in 2024 as compared with 2022. It is clear that the decline of revenue was more noticeable than that of total costs, putting much pressure on the overall performance results.

This paper proceeds with analyzing major cost drivers and the departments' performance to understand the reasons behind the observed changes.

3.2 Cost Structure Analysis

In this section we aim to evaluate the group's cost structure during the period 2022–2024 and also evaluates the extent to which changes in operating expenses contributed to the degradation in profitability observed during the that period.

The following Table 2 presents the main operating cost categories of the group together with their percentage change between 2022 and 2024.

Table 2 — Main Cost Categories and Percentage Change (2022–2024)

Accounting/ Financial Analysis				
YEAR	2022	2023	2024	Change 22-24 %
REVENUE	4.243.257,72	3.431.638,03	2.845.970,75	-32,9%
REVENUE FOR LAW FIRM AP	1.678.684,57	1.476.456,51	1.088.268,17	-35,2%
REVENUE FOR LAW FIRM KK	2.564.573,15	1.955.181,52	1.757.702,58	-31,5%
Departmental Salaries and Employee Expenses	791.384,29	839.079,63	774.813,67	-2,1%
Management Fees	216.663,22	266.000,00	145.625,59	-32,8%
Company Lawyers' Fees	597.548,90	555.501,99	384.723,14	-35,6%
Paralegal fees and expencese	151.064,05	136.324,01	92.418,22	-38,8%
Professional, Consulting and Support Service Fees	52.518,95	437.210,14	610.259,50	1062,0%
Legal Expenses	426.943,42	266.311,66	269.029,61	-37,0%
Travel and Transportation Expenses	337.762,16	71.760,97	102.476,52	-69,7%
Building and Technical Facilities Rent Expense	86.060,00	86.060,00	93.975,00	9,2%
Total Other Expenses :	319.562,01	223.007,51	193.432,94	-39,5%
TOTAL OPERATING EXPENSES	2.979.507,00	2.881.255,91	2.666.754,19	-10,5%
NET RESULT/ OPERATING RESULT	1.263.750,72	550.382,12	179.216,56	-85,8%

Conclusion from the above analysis points out that the financial position of the business deteriorated significantly over the course of the period. Revenue of the firm fell from €4.24 million in 2022 to €2.85 million in 2024, thus experiencing a fall of 32.9%. At the same time, operating expenses of the firm dropped by just 10.5% falling from €2.98 million to €2.67 million. As a result, profit fell from nearly €1.26 million in 2022 to €179 thousand in 2024 resulting in 85.8% decline in profit level.

Such differences in reductions of revenues and operating expenses imply that the company is characterized by fairly inflexible cost behavior. Despite the fact that certain expense categories were reduced along with changes in the volume of operations performed, such reductions were not sufficient for compensating the decline in revenues.

3.2.1 Payroll Expenses

The payroll expense has shown relative stability during the specified period of time, thus corroborating the hypotheses suggested earlier in the previous chapter. Salaries and other expenses related to the activities of personnel within departments equaled €791.4 thousand in 2022 and €774.8 thousand in 2024, demonstrating a decrease of 2.1%.

This trend appears to be very significant given the 32.9% reduction in the revenue generated within the discussed period of time. Although the level of activity in the corporation has significantly decreased, the payroll expenses showed relative stability and can be considered a fixed cost, since its growth did not correlate with decreasing income due to the company's commitment to its employees. Consequently, payroll expenses absorbed an increasingly larger proportion of revenue, with the payroll-to-revenue ratio increasing from 18.6% in 2022 to 27.2% in 2024. This placed additional pressure on operating profitability despite the relative stability of payroll costs.

3.2.2 Professional, Consulting and Support Service Fees

The largest structural change detected in the cost structure of the organization refers to Professional, Consulting, and Support Service Fees. The spending in this category increased from €52.5 thousand in 2022 to €610.3 thousand in 2024, accounting for approximately 1,062% increase in the specified period.

Unlike the majority of operational costs, which decreased during the analyzed time interval, this category experienced considerable growth and became one of the key factors impacting the total cost structure. The growth is attributable to several processes implemented by the organization, including relocation to new offices, investment in technology and infrastructure, increased outsourcing of services, consultations, and support required for the organization development and restructuring.
Therefore, the increase should not be interpreted solely as cost inflation but also as the result of strategic investments and organisational initiatives undertaken during a period of operational transition.
This fact is of high relevance for the organization from the manager's point of view as it proves that a certain part of profit reduction was caused by both income decrease and some operational changes that the organization attempted to implement.

3.2.3 Other Major Operating Expenses

Most of the remaining operating expenses showed decreasing tendencies consistent with the general drop in the level of business activity. The lawyers' fee was lowered by 35.6%, while paralegals' fee fell by 38.8% during the 2022-2024 period. Moreover, legal expenses were down by 37.0%, which shows lower levels of case activities within the reporting period.

The most significant drop in expenses was shown by Travel & Transportation Expenses, amounting to 69.7%. Other operating expenses also fell significantly from €319.6 thousand in 2022 to €193.4 thousand in 2024, making the total fall equal to 39.5%.

This evidence suggests that several operating expenses were directly linked to activity levels and reduced in response to falling revenues. However, savings made in those expenses did not prove enough to overcome steady payroll costs and a dramatic growth in Professional, Consulting and Support Service Fees.

3.2.4 Summary of Findings

The findings reveal that the loss of profitability from 2022 to 2024 was due to the reduction in revenues rather than an increase in operating expenses. In fact, while revenues fell by 32.9% in that time, operating expenses were only reduced by 10.5%, which resulted in an 85.8% reduction in operating profits.

There are two findings that stand out in particular. Firstly, there were no changes in salary expenses even though there was a drop in revenue. Secondly, the amount spent on Professional, Consulting and Support Services Fee skyrocketed and became a considerable expense for the group under review.

In essence, the group had a relatively rigid cost structure amid falling revenue. This combination led to a notable reduction in profitability, especially between 2022 and 2024.

3.3 Financial Performance by Department (2022–2024)

While the previous sections examined the financial performance and cost structure of the group as a whole, a departmental analysis provides a more detailed understanding of the factors influencing overall profitability. Given that each each individual department has its own client portfolio and unique characteristics of services provided, there can be seen significant differences in the financial performance of business departments.

Table 3 presents the revenue, operating expenses and operating results of each department for the period 2022–2024. The analysis aims to identify the departments that contributed most significantly to revenue generation and profitability as well as those departments that have faced financial problems consistently throughout the analyzed period.

By examining departmental performance separately, it becomes possible to evaluate the sustainability of different business activities and assess the extent to which specific departments influenced the overall financial results of the group.

Table 3 — Departmental Financial Performance (2022–2024)

Accounting/ Financial Analysis						
2022	Commercial Department	Piraeus Bank Department	Automotive Cases Department / OLYMPIC	Extrajudicial Settlement Department (HPQN/VOLTON)	Loan Management Department / INTRUM	TOTAL
REVENUE	1.776.403,11	746.510,39	304.080,44	512.836,20	903.427,58	4.243.257,72
TOTAL OPERATING EXPENSES	923.395,41	570.395,64	378.546,35	536.805,86	570.363,74	2.979.507,00
NET RESULT / OPERATING RESULT	853.007,70	176.114,75	-74.465,91	-23.969,66	333.063,84	1.263.750,72
2023						
REVENUE	1.437.991,78	479.016,01	298.892,69	444.669,20	771.068,35	3.431.638,03
TOTAL OPERATING EXPENSES	860.484,82	610.898,34	386.244,54	554.926,88	454.349,13	2.881.255,91
NET RESULT / OPERATING RESULT	577.506,96	-131.882,33	-87.351,85	-110.257,68	316.719,22	550.382,12
2024						
REVENUE	872.369,91	590.667,30	318.709,63	474.784,68	589.439,23	2.845.970,75
TOTAL OPERATING EXPENSES	735.291,89	513.967,41	364.034,74	530.198,62	523.261,53	2.666.754,19
NET RESULT / OPERATING RESULT	137.078,02	76.699,89	-45.325,11	-55.413,94	66.177,70	179.216,56

3.3.1 Commercial Department

The Commercial Department maintained its position as the main business unit in the group throughout the research period and became the leading source of the company's revenue and profitability. Revenue increased up to €1.78 million in 2022, fell to €1.44 million in 2023, and decreased further to €872 thousand in 2024. Overall, there was a 50.9% decrease in departmental revenues between 2022 and 2024.

Similarly, there was a decrease in the profitability of the department. While operating profit amounted to €853 thousand in 2022, it dropped to €578 thousand in 2023 and further reduced to €137 thousand in 2024. Despite such a significant decline in operating profit, the Commercial Department continued to be the most profitable business unit in the group and accounted for the largest proportion of total operating profit.

3.3.2 Piraeus Bank Department

The Piraeus Bank Department demonstrated the highest volatility among the group's major business units during the examined period. Revenue decreased from €747 thousand in 2022 to €479 thousand in 2023 before recovering to €591 thousand in 2024. Although revenue levels remained below those recorded in 2022, the department showed signs of recovery during the final year of the analysis

As for volatility in the operating performance of the department, it was even higher. The department had earned €176 thousand profit in 2022 but recorded losses of €132 thousand in 2023. However, in 2024, the department regained its profitability and earned operating income of €77 thousand.

It can thus be concluded that the major department's revenue and operating profit have been quite volatile over the past three years. However, the recovery in the department's operating performance in 2024 can be viewed as positive since, at least, it managed to become profitable in 2024. The only problem was that the level of profitability achieved in 2024 failed to match the one in 2022.

3.3.3 Automotive Cases Department (OLYMPIC)

Automotive Cases Department (OLYMPIC) was the smallest entity in terms of revenue generation among other departments over the examined years. Revenue fluctuated mildly with amounts of €304 thousand, €299 thousand, and €319 thousand recorded in 2022, 2023, and 2024 respectively, which means that a similar level of activity can be observed over the period.

Despite the consistency of revenue, the department experienced operating losses throughout all the three years being evaluated. Operating results amounted to a loss of €74 thousand in 2022, a loss of €87 thousand in 2023 and a loss of €45 thousand in 2024. Although financial performance improved in 2024, the department remained unable to generate a positive operating result.

A key factor contributing to this outcome is the nature of the department's billing structure. The department primarily operates under a fixed-fee pricing model, where fees are predetermined and designed to cover standard case-related expenses and a predefined service fee. In some cases, the amount of work may exceed expectations entailing additional costs which cannot be incorporated into the agreed fee. Thus, it can happen that the department is able to generate insufficient revenue compared to expenses it needs to cover in order to conduct its activities effectively.

Another aspect affecting performance metrics is the allocation of overheads. Although Automotive Cases Department does not incur the highest expenses related to its operations, there is a share of overheads allocated to the department based on certain criteria. As the cost structure cannot be separated precisely, a portion of loss is associated with the method used to allocate costs.
Despite its negative operating results, the department continues to provide value to the organisation by generating stable cash inflows and contributing to overall liquidity.

3.3.4 Extrajudicial Settlement Department (Heron / Volton)

The Extrajudicial Settlement Department (Heron / Volton) generated relatively stable revenue throughout the examined period, amounting to €513 thousand in 2022, €445 thousand in 2023 and €475 thousand in 2024.However, despite a constant revenue flow, this department experienced operating losses throughout the entire period with operating results being equal to -€24 thousand, -€110 thousand, and -€55 thousand for each year mentioned.

The department absorbs a significant share of payroll expenses due to its labor-intensive operating model and the large number of employees required to support collection activities However, the activity of the department cannot be reduced to its financial success alone. The cases that did not receive positive results of extrajudicial settlements often go through the judicial stage which creates extra workload and sources of future income with extra legal cases . In this way, although it makes no profit on its own, the department contributes greatly to increasing the company's liquidity and business development as a whole.

3.3.5 Loan Management Department (INTRUM)

The Loan Management Department (INTRUM) remained one of the group's most important business units throughout the examined period. Revenue amounted to €903 thousand in 2022, declining to €771 thousand in 2023 and €589 thousand in 2024.Despite the decrease noted for each successive year, the department managed to produce high revenue generation and to remain a valuable member of the company.

The department also maintained positive operating results throughout the entire period under review. Operating profit was €333 thousand in 2022, €317 thousand in 2023, and €66 thousand in 2024. The decrease in profitability observed for the three-year time span was considerable. However, INTRUM demonstrated profitable performance in all years compared to some other departments.

These findings clearly show that the department was able to maintain financial resilience in the face of the total revenue fall experienced by the group.As one of the few departments that generated positive operating results in all three years, INTRUM continued to represent an important source of profitability and financial stability for the organisation.

3.3.6 Comparative Evaluation and Key Findings

The departmental analysis revealed significant differences in financial performance across the group's business units during the period 2022–2024. While certain departments demonstrated consistently positive operating performance, others had persistent negative operating results with steady revenue levels

It is crucial to state that the Commercial Department continued being the primary provider of revenue and profitable results of the company. Though there were declines in revenue and operating profit, this department accounted for the major part of the company's performance in this regard. The same can be stated about the Loan Management Department (INTRUM) as it also had positive operating performance during each year of the period of analysis which speaks volumes of financial stability of the department.

In contrast, the Automotive Cases Department (OLYMPIC) and the Extrajudicial Settlement Department (Heron / Volton) remained loss-making throughout the period under review.However, the analysis suggests that their contribution to the organisation should not be assessed solely on the basis of accounting profitability since it assists in building the organization's liquidity base and providing legal assignments and business development opportunities in the future

Piraeus Bank Department demonstrated the highest performance variability. It saw considerable falls in revenues and operating results in 2023 before recovery in 2024, illustrating the importance of portfolio allocation decisions on performance outcomes.

Overall, the findings indicate that financial results generated by the business units were concentrated only in several departments including Commercial and Loan Management. Besides, other departments are important for operational and business development activities.

Chapter 4 — Discussion

4.1 Contraction of Revenue and Rigidity of Costs

The financial analysis revealed a significant deterioration in the group's profitability during the period 2022–2024. Total revenue decreased by 32.9%, while operating profit declined by 85.8%. Although these figures may initially suggest a substantial weakening of the group's financial position, a broader assessment of the business environment and operational developments provides important context for interpreting the results.

A key factor influencing the strong financial performance observed in 2022 was the gradual recovery of legal activity following the COVID-19 pandemic. During the pandemic period, a significant number of court hearings, enforcement actions and legal procedures were postponed or suspended . With the return to normal operations, lawyers faced a higher volume of cases initiated before the pandemic because of the interruption in their execution at different stages of legal proceedings. Therefore, part of revenue earned in 2022 was attributed to the settlement of cases that had been prepared previously.

At the same time, the recovery of legal activity was not entirely uninterrupted. Periodic lawyers' strikes and delays in judicial procedures continued to affect the legal sector in the years that followed.Hence, the speed of case processing remained rather low, influencing the financial outcomes in the future.

According to the analysis, the costs for operation in the organization were not reduced as quickly as the level of revenue generation. For example, the reduction in total revenue amounted to almost one third during the analyzed three-year period. At the same time, expenses related to operations decreased by 10.5% only. This fact reflects a relatively high rigidity of the cost structure with respect to labor costs and other fixed expenses.

The analysis also demonstrated that operating costs did not decrease proportionally to the reduction in revenue. While revenue declined by approximately one-third between 2022 and 2024, operating expenses decreased by only 10.5%. This finding indicates a relatively rigid cost structure, particularly in relation to payroll expenses and other fixed operating costs that could not be reduced at the same pace as business activity

As a result, profitability was compressed significantly during the examined period. The findings suggest that the decline in operating profit was driven not only by lower revenue generation but also by the limited ability of the organisation to rapidly adjust its cost base. This outcome is consistent with the characteristics of professional service firms, where maintaining experienced personnel and operational capacity is often necessary even during periods of reduced activity.

Overall, the results indicate that the deterioration in profitability should be interpreted within the broader context of post-pandemic market conditions and the operational realities of the legal services industry. While financial performance weakened during the examined period, the findings do not necessarily indicate a structural weakness in the organisation's business model. Instead, they highlight the challenges associated with managing a relatively fixed cost structure during a period of declining revenue and market adjustment

4.2 Strategic Investments and Long-Term Development

One of the most notable findings of the analysis was the substantial increase in Professional, Consulting and Support Service Fees during the examined period. While this category represented a relatively small proportion of total operating expenses in 2022, it became one of the most significant cost components by 2024.

From a purely financial perspective, this increase had a direct impact on reducing the profitability during the period .However, a broader managerial assessment suggests that these expenditures should not be interpreted solely as operating costs. A significant proportion of these expenses was associated with strategic initiatives undertaken by the group in order to modernize its operations and support future growth.

It is worth mentioning that during the period discussed, the organisation invested in office relocation , stablished new technologies, implemented new systems and changed the organizational structure . In addition, substantial resources were allocated to the development of an international business presence and the preparation of the firm for future expansion opportunities .These initiatives required the support of external consultants, service providers and specialized professionals, resulting in a noticeable increase in costs related to them.

Consequently, part of the reduced profit may also be attributed to strategic investment decisions made by management. Even though the effect of such investments is not yet fully reflected in the results presented in the study, management's objective was to create the foundations necessary for future growth and increased competitiveness.

Therefore, the findings suggest that the increase in Professional, Consulting and Support Service Fees should be evaluated within the broader context of long-term organisational development. Despite creating significant pressure on profits for the analyzed reporting period, such investments may become the source of income in the future.

4.3 Departmental Performance and Strategic Value

The departmental analysis reveal significant differences in financial performance among the group's business units (department) .While the Commercial Department and the Loan Management Department (INTRUM) was always generating operating income other departments experiencing persistent losses during the analyzed period . However, the findings suggest that accounting profitability cannot be considered the only criteria of departmental performance. The Commercial Department remained had the primer contribution to both revenue generation and profitability during the period. Despite the significant decline in revenue and operating profit the department was the key factor of success for the company.

Similarly the Loan Management Department (INTRUM) had positive operating results during the whole period and showed resistance against the declining level of profitability.

On the contrary , the results of the operation of the Automotive Cases Department (OLYMPIC) and the Extrajudicial Settlement Department (Heron / Volton) were negative for all three analyzed years .Nevertheless , these departments' strategic importance goes beyond their independent financial results. The OLYMPIC Department provides the organization a strong presence in a specialized market segment and supports long-term client relationships through its role as an exclusive service provider . Simultaneously , the department contributes to liquidity generation through the continuous flow of periodic large-scale legal assignments.

At the same time, the Extrajudicial Settlement Department has an important role in the business model of the company. Despite the high intensity of labor performed by the department, which adds a significant pressure on the company's profitability, it creates additional demand for legal services as all unresolved cases can be continued from Extrajudicial Settlements to Legal cases. Thus, a certain part of its contribution occurs through further legal tasks received .

Overall, the findings indicate that accounting profitability alone may not fully capture the strategic contribution of individual business units. Certain departments create value through liquidity support, market positioning, long-term relations with customers, as well as creating future demand rather than their total revenue performance .

4.4 Managerial Implications

The research results bring multiple implications relevant to future management decision-making within the organization. While the decline in profitability may initially suggest the need for cost reductions the obtained results imply that further improvements in financial performance will have more to do with revenue generation than additional cost-cutting measures.

The results demonstrate that Commercial Department is a key component of the firm's strategy and its principal source of revenue and profit during the analyzed period. Thus, management should continue focusing on the acquisition of larger commercial clients and expansion of high-value legal services capable of generating sustainable long-term revenue. Also, the analysis highlights the necessity of sustaining those departments that contribute to the overall ecosystem of the organization regardless of the insufficient profit that they generate on their own. In particular, the Extrajudicial Settlement Department contributes to create new legal cases for the company, while the Automotive Cases Department strengthens the organization's presence in a specialized market segment and supports client retention.

Furthermore, the findings suggest that greater attention should be given to the distribution of shared overhead costs among departments. Since certain business units generate indirect benefits that are not fully reflected , the managerial assessment of their effectiveness should take into consideration both their financial performance and strategic value to the firm.

Overall, the research supports a strategy focused on growing the company's business, developing its commercial side, and maximizing the advantages of the strategic decision making made by the company during the analyzed period.

Chapter 5 — Conclusions and Recommendations

5.1 Summary of Findings

This study examined the financial performance of the group between 2022 and 2024, focusing on revenue generation, operating costs and and the impact of individual departments on the financial success of the organization. The results indicate that the financial performance of the group is impacted by various both internal and external factors including market trends, managerial decisions, and specific characteristics of the legal services industry.

One of the most important observations is the financial performance recorded in 2022. Although the year appeared exceptionally successful and prominent in terms of profitability, the results were partially influenced by the gradual restart of legal procedures following the COVID-19 pandemic. A considerable volume of legal cases that had been delayed during previous years was completed during this period, creating increased levels of activity and revenue generation.

A specific trend became apparent in subsequent years. Financial outcome started approaching their usual levels, while the company itself went through a period of transformation and development. Increased costs incurred due to investments in , technology, systems, and international expansion added extra pressure on finances in the short term. However, these expenses were incurred in order to gain a future competitive edge.

The study also highlighted substantial differences among departments. While some business units consistently generated positive financial results, others created value in less direct ways.

Certain departments supported liquidity, client relationships, enhanced the firm's market presence or generated future legal assignments that benefited other areas of the business. As a result, the overall contribution of a department cannot always be assessed only through its reported profit or loss.

To conclude, it is clear that the financial performance of the group during the time in question was influenced by short-term market conditions and strategic planning on the part of the management. Therefore, any assessment of organizational performance should be based not only on finances but also on strategic goals set by the organization's management.

5.2 Recommendations

Based on the results of this study, several recommendations can be proposed to support the future development of the organization.

Management should continue focusing on the expansion of the Commercial Department ‘share and continuing its growth through acquiring more valuable clients. According to the analysis, the Commercial Department provides the firm's primary source of revenue and profitability, making its continued development particularly important for future financial performance.

Second, the organization should continue pursuing its international expansion strategy and maximize the utilization of the investments already undertaken. Significant resources have been allocated to building infrastructure, introducing new technology and developing organizational structure. Thus, management should focus on converting these investments into future revenue generating opportunities and long-term competitive advantages.

Also, future strategic initiatives should be implemented in phases whenever possible. Although the investments made during the period under consideration are likely to prove beneficial in the long run, implementing several major projects at once puts significant pressure on financial performance. By adopting a slower pace of project implementations, the company would be able to manage its growth aspirations better.

Furthermore, management should continue evaluating departmental performance using both financial and non-financial criteria. As is evident from the above analysis, some of the business units contribute strategically to the organization's competitive advantage beyond what would be achieved through their individual operational performance.

Finally, regular appraisals of the way departments allocate costs will help improve the level of accuracy in evaluating performance as well as providing an opportunity for management to understand better how the business unit contributes to achieving organizational goals.

In total , the recommendations made above correspond to a growth strategy based on revenues and sustainable development through the efficient use of organizational capabilities established during the examined period.

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Appendices

Appendix A –Financial Data and analysis (2022)

Accounting / Financial Analysis						
2022	Commercial Department	Piraeus Bank Department	Automotive Cases Department / OLYMPIC	Extrajudicial Settlement Department (HPΩN/VOLTON)	Loan Management Department / INTRUM	TOTAL
REVENUE	1.776.403,11	746.510,39	304.080,44	512.836,20	903.427,58	4.243.257,72
REVENUE FOR LAW FIRM AP	1.610.192,25	0,00	0,00	68.492,32	0,00	1.678.684,57
REVENUE FOR LAW FIRM KK	166.210,86	746.510,39	304.080,44	444.343,88	903.427,58	2.564.573,15
Departmental Salaries and Employee Expenses	147.208,04	142.254,04	75.032,78	262.686,85	164.202,60	791.384,29
Management Fees	23.804,98	109.541,00	17.853,72	47.609,80	17.853,72	216.663,22
Company Lawyers' Fees	311.016,92	134.809,58	44.077,19	5.278,80	102.366,41	597.548,90
Paralegal fees and expencese	95.261,47	5.119,50	31.976,30	18.706,78	0,00	151.064,05
Professional, Consulting and Support Service Fees	7.336,62	7.336,62	7.336,62	7.336,62	23.172,48	52.518,95
Building and Technical Facilities Rent Expense	17.212,00	17.212,00	17.212,00	17.212,00	17.212,00	86.060,00
Vehicle Lease/Rental Expenses	14.575,98	14.575,98	14.575,98	14.575,98	14.575,98	72.879,92
Postal and Courier Expenses	3.047,82	3.047,82	3.047,82	3.047,82	3.047,82	15.239,10
Telephone and Mobile Communication Expenses	4.143,94	4.143,94	4.143,94	4.143,94	4.143,94	20.719,72
Utilities and Third-Party Service Expenses	6.951,06	6.951,06	6.951,06	6.951,06	6.951,06	34.755,32
Printing and Office Supplies	8.674,51	8.674,51	8.674,51	8.674,51	8.674,51	43.372,56
Legal Expenses	190.090,56 €	22.658,07	53.592,91	46.510,18	114.091,70	426.943,42
Travel and Transportation Expenses	67.552,43	67.552,43	67.552,43	67.552,43	67.552,43	337.762,16
Advertising and Promotion Expenses	19.795,36	19.795,36	19.795,36	19.795,36	19.795,36	98.976,82
Consumable Materials	71,35	71,35	71,35	71,35	71,35	356,74
Taxes and Duties	2.205,98	2.205,98	2.205,98	2.205,98	2.205,98	11.029,88
Other Equipment Lease Expenses	1.787,10	1.787,10	1.787,10	1.787,10	1.787,10	8.935,52
Financial Expenses	2.659,29	2.659,29	2.659,29	2.659,29	2.659,29	13.296,43
TOTAL OPERATING EXPENSES	923.395,41	570.395,64	378.546,35	536.805,86	570.363,74	2.979.507,00
NET RESULT / OPERATING RESULT	853.007,70	176.114,75	-74.465,91	-23.969,66	333.063,84	1.263.750,72
						1.263.750,72

Appendix B – Financial Data and analysis (2023)

Accounting / Financial Analysis						
2023	Commercial Department	Piraeus Bank Department	Automotive Cases Department / OLYMPIC	Extrajudicial Settlement Department (HPΩN/VOLTON)	Loan Management Department / INTRUM	TOTAL
REVENUE	1.437.991,78	479.016,01	298.892,69	444.669,20	771.068,35	3.431.638,03
REVENUE FOR LAW FIRM AP	1.368.127,87	0,00	0,00	108.328,64	0,00	1.476.456,51
REVENUE FOR LAW FIRM KK	69.863,91	479.016,01	298.892,69	336.340,56	771.068,35	1.955.181,52
Departmental Salaries and Employee Expenses	156.080,01	150.827,44	79.554,87	278.518,52	174.098,80	839.079,63
Management Fees	29.225,65	134.484,78	21.919,22	58.451,12	21.919,22	266.000,00
Company Lawyers' Fees	289.132,02	125.323,62	40.975,67	4.907,36	95.163,33	555.501,99
Paralegal fees and expencese	85.966,35	4.619,97	28.856,22	16.881,47	0,00	136.324,01
Professional, Consulting and Support Service Fees	84.274,86	84.274,86	84.274,86	84.274,86	100.110,72	437.210,14
Building and Technical Facilities Rent Expense	17.212,00	17.212,00	17.212,00	17.212,00	17.212,00	86.060,00
Vehicle Lease/Rental Expenses	14.111,88	14.111,88	14.111,88	14.111,88	14.111,88	70.559,39
Postal and Courier Expenses	6.507,45	6.507,45	6.507,45	6.507,45	6.507,45	32.537,25
Telephone and Mobile Communication Expenses	3.047,82	3.047,82	3.047,82	3.047,82	3.047,82	15.239,10
Utilities and Third-Party Service Expenses	6.951,06	6.951,06	6.951,06	6.951,06	6.951,06	34.755,32
Printing and Office Supplies	6.507,45	6.507,45	6.507,45	6.507,45	6.507,45	32.537,25
Legal Expenses	118.571,53 €	14.133,27	33.429,29	29.011,34	71.166,22	266.311,66
Travel and Transportation Expenses	14.352,19	14.352,19	14.352,19	0,00	14.352,19	71.760,97
Advertising and Promotion Expenses	487,36	487,36	487,36	487,36	487,36	2.436,80
Consumable Materials	69,92	69,92	69,92	69,92	69,92	349,61
Taxes and Duties	2.205,98	2.205,98	2.205,98	2.205,98	2.205,98	11.029,88
Other Equipment Lease Expenses	1.787,10	1.787,10	1.787,10	1.787,10	1.787,10	8.935,52
Financial Expenses	2.925,48	2.925,48	2.925,48	2.925,48	2.925,48	14.627,39
TOTAL OPERATING EXPENSES	860.484,82	610.898,34	386.244,54	554.926,88	454.349,13	2.881.255,91
NET RESULT / OPERATING RESULT	577.506,96	-131.882,33	-87.351,85	-110.257,68	316.719,22	550.382,12

Appendix C – Financial Data and analysis (2024)

Accounting / Financial Analysis						
2024	Commercial Department	Piraeus Bank Department	Automotive Cases Department / OLYMPIC	Extrajudicial Settlement Department (HPΩN/VOLTON)	Loan Management Department / INTRUM	TOTAL
REVENUE	872.369,91	590.667,30	318.709,63	474.784,68	589.439,23	2.845.970,75
REVENUE FOR LAW FIRM AP	849.713,56	0,00	0,00	238.554,61	0,00	1.088.268,17
REVENUE FOR LAW FIRM KK	22.656,35	590.667,30	318.709,63	236.230,07	589.439,23	1.757.702,58
Departmental Salaries and Employee Expenses	144.125,68	139.275,41	73.461,68	257.186,50	160.764,39	774.813,67
Management Fees	16.000,01	73.625,66	12.000,00	31.999,92	12.000,00	145.625,59
Company Lawyers' Fees	200.243,71	86.795,18	28.378,46	3.398,68	65.907,12	384.723,14
Paralegal fees and expencese	58.279,22	3.132,02	19.562,51	11.444,47	0,00	92.418,22
Professional, Consulting and Support Service Fees	118.884,73	118.884,73	118.884,73	118.884,73	134.720,59	610.259,50
Building and Technical Facilities Rent Expense	18.795,00	18.795,00	18.795,00	18.795,00	18.795,00	93.975,00
Vehicle Lease/Rental Expenses	15.949,25	15.949,25	15.949,25	15.949,25	15.949,25	79.746,27
Postal and Courier Expenses	2.358,40	2.358,40	2.358,40	2.358,40	2.358,40	11.792,01
Telephone and Mobile Communication Expenses	5.049,80	5.049,80	5.049,80	5.049,80	5.049,80	25.248,99
Utilities and Third-Party Service Expenses	5.141,89	5.141,89	5.141,89	5.141,89	5.141,89	25.709,44
Printing and Office Supplies	2.032,33	2.032,33	2.032,33	2.032,33	2.032,33	10.161,64
Legal Expenses	119.781,66 €	14.277,52	33.770,47	29.307,43	71.892,54	269.029,61
Travel and Transportation Expenses	20.495,30	20.495,30	20.495,30	20.495,30	20.495,30	102.476,52
Advertising and Promotion Expenses	2.449,20	2.449,20	2.449,20	2.449,20	2.449,20	12.246,02
Consumable Materials	253,05	253,05	253,05	253,05	253,05	1.265,27
Taxes and Duties	2.237,59	2.237,59	2.237,59	2.237,59	2.237,59	11.187,93
Other Equipment Lease Expenses	1.118,40	1.118,40	1.118,40	1.118,40	1.118,40	5.592,00
Financial Expenses	2.096,67	2.096,67	2.096,67	2.096,67	2.096,67	10.483,37
TOTAL OPERATING EXPENSES	735.291,89	513.967,41	364.034,74	530.198,62	523.261,53	2.666.754,19
NET RESULT / OPERATING RESULT	137.078,02	76.699,89	-45.325,11	-55.413,94	66.177,70	179.216,56

Appendix D – Total Financial Analysis