

Making Partnerships More Profitable

In This Issue

- [Successful Partnerships](#)
- [Survive and Thrive](#)
- [The Art of Survival](#)
- [Learning to Thrive](#)

Also This Month

Upcoming Events

Webinar - [Financial Stability for Law Firms](#) - Download

06/02/2014 - [Survive and Thrive Law Society Roadshow](#) - Birmingham

10/03/2014 - [Survive and Thrive Law Society Roadshow](#) - Taunton

24/03/2014 - [Survive and Thrive Law Society Roadshow](#) - Cardiff

In-House Training

Our CPD accredited training can be a cost-effective way to ensure you achieve results throughout your firm that will impact on bottom and top lines. [More information](#).

The Profitable Partnerships Programme

This law firm business development programme helps partners and key solicitors to measurably and sustainably improve business development performance and profitability. We deliver tracking of performance across a range of key indicators, from new clients and instructions to monthly billing rates. [More information](#).

Sunday February 2, 2014

Successful Partnerships

Dear Associate,

In our first edition of the new year Barry Wilkinson addresses what it will take to survive and thrive in 2014.



As ever, any comments or shares are gratefully received.

The WRP Team.



[back to top](#) ↑

Survive and Thrive

Last year financial stability became one of the SRA's key priorities, underlining that as many as 20% of the UK's top firms were in financial difficulty – and as a consequence, the Law Society was asked to do something to help firms get onto a more secure financial footing.

As a member of the Law Management Section executive committee, I have been heavily involved in developing the package of support the Society has put together. This includes the webinar [Financial Stability for Law Firms](#), delivered together with Andrew Otterburn, and the [Financial Stability Roadshow](#) events.

In the webinar, my focus is on survival – and on cash flow in particular. The Survive article in this bulletin deals with these issues, with a slight change of emphasis from that taken in the webinar.

In the roadshows (I will be presenting in Birmingham, Cardiff and Taunton) I focus on how firms can thrive, accepting that there will be consolidation and casualties in the market, but emphasising that your firm does not have to be one of the 'unlucky ones'.

The roadshows feature some very knowledgeable and experienced people and – free for LMS members and £25 for non-members – represent tremendous value.

As ever, for a conversation about any of the issues discussed here please do not hesitate to email me - barry.wilkinson@wilkinsonread.co.uk.

Blog

Get involved in the debate - read our posts on the issues and challenges confronting your industry, and provide your own opinions on our [Blog](#).

Cash Management for Law Firms – Ark Group Sector Report

Recognising our expertise in the area, Wilkinson Read & Partners have written a definitive sector report on Cash Management for Law Firms. The report, available [here](#) from publishers the Ark Group, addresses in detail the cash flow challenges facing legal firms of all sizes, and details specific strategies for improving cash management and achieving rapid yet sustainable results.

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[back to top](#) ↑

The Art of Survival

With the SRA suggesting financial trouble will lead to failures and consolidation, but the economy growing and the legal, management and accounting sector up 7.5% and property transactions up by 23% year on year, different trends are affecting different sections of the market and stratification is intensifying.

Surviving the Upturn

In the last 100 years insolvencies have peaked in the early stages of the upturn because firms use up all their resources surviving the downturn and cannot fund growth – “overtrading”. This is particularly pertinent in the legal sector because of long lock-up periods, making growth ‘cash hungry’.

[Baker Tilly](#) and [PWC](#) predict major disruption in the top 100 firms, which if correct means that pressure on all other firms in the commercial sector will intensify. Winners will have to prioritise key business disciplines and get very good at the implementation.

Our analysis of the top 20 attributes of winners starts with:

- Financial Focus – on growth and retention, not extraction (Ed Reeser believes financial problems stem from profit distribution – for a copy of his 9 point guide, email barry.wilkinson@wilkinsonread.co.uk)
- Financial strength – a solid balance sheet with low levels of debt
- Tight lockup – the key to cash flow management, and most firms could take at least a month out of their lockup cycle
- Cost structure – flexibility and turning fixed costs into variable
- Investment – the willingness and ability to invest to drive down staff costs and improve service.

Cash Comes First

Partners must, first and foremost, ensure the survival of their firm – and this means focusing before all else on cash flow and the balance sheet.

The second edition of our book, Cash Management for Law Firms, has just been submitted to the publishers. The focus is on the underlying issues such as the profile and terms of the work and clients taken on, as much as on the superficial – like the competence of staff in recovery situations.

There are signs that firms are beginning to understand what is required, but the LMS financial benchmarking survey shows that 20% of firms have overdrawn profits for 2 years in succession – suggesting that profit extraction is still a major issue.

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[back to top](#) ↑

Learning to Thrive

There will be winners as well as losers in consolidation, and for winners the starting point will be an unrelenting focus on cash flow, lock-up and the balance

sheet.

Necessary but Not Sufficient

Although these are necessary conditions for thriving in a consolidating market, they are far from sufficient. In our analysis of the 20 attributes of winners, finance was just one theme (albeit a very important one). The other attributes could be grouped into the following categories:

- Products and services
- Clients and markets
- People
- Management

A helpful question for partners to ask themselves is: 'what are we selling, how, and to whom?'

Transactions or Relationships

Clients are generally looking for one of two things: a one-off transaction – cheap and efficient, with minimum engagement; or reassurance and a relationship – effectively a premium service, for which they will be prepared to pay.

David Maister, the American consultant, uses the analogy of medical services, ranging from the pharmacist (cheap and efficient) to the family doctor (providing reassurance and a relationship).

The key point for lawyers is to make sure that, whichever option is chosen, it is done wholeheartedly and uncompromisingly – there is no benefit in being fairly cheap or providing fairly good service.

For most firms operating in the middle market, competing successfully with low-cost providers will be difficult and therefore the decision will often (though not always) be how to deliver the premium service to clients who will be willing to pay accordingly.

The 3 R's of Business Development

Relationships are key, and so the firm's people may require training – to maximise performance in the [3 R's of business development](#) (Repeat, Referral and Recommendation).

Conversations are crucial, and we will be delivering a one-day event on 'overcoming fear of the client' for Lawnet firms in March.

Firms should focus on the profile of selected clients, to target services appropriately and achieve maximum efficiency and payback from marketing investment, and be selective about the services they sell.

There is a noticeable trend towards specialisation, with Family and Employment services following the example of Personal Injury.

Ultimately, the winners will set a solid financial foundation and leverage competitive advantages in service delivery to thrive at the expense of less savvy rivals.

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[back to top](#) ↑

