

In This Issue

- [Successful Partnerships](#)
- [The Role of the FD and Law Firm Strategy](#)
- [How Buyers Buy](#)

Also This Month

Upcoming Events

There are no events this month.

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.](#)

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

Thursday January 31, 2013

Successful Partnerships

Dear Associate,

Our first bulletin of 2013 addresses two major strategic issues - the role of a law firm Finance Director, and how buyers buy legal services.



We would like to wish all of our readers a (belated) happy New Year.

As ever, any comments or shares are gratefully received.

The WRP Team.



[back to top](#) ↑

The Role of the FD and Law Firm Strategy

The FD's role has changed in recent years, from being audit and compliance based to an often more strategic role. How the FD fits the firm's strategy is important.

Recent [McKinsey research](#) has identified four profiles of top-flight finance professionals. UK law firms operate in a very specific market, but the study is thought-provoking, especially as the findings differ from Managing Partners Forum research. The profiles are:

The Finance Expert

The professional with years of experience in finance functions, this first background lends itself well to compliance and standardisation of processes – vital elements of financial management for a successful law firm – and is important for firms without other strong leaders in finance or which need to make major efficiency gains in the finance function. Unfortunately, this is the case for many medium-sized law firms.

The Generalist

Leaders with broad experience, often in more operational or strategic areas. The opening up of the profession to

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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different ownership and management structures means that forward-looking firms seeking to expand may look beyond traditional finance profiles to individuals with experience in the wider business world.

The Performance Leader

Finance leaders “with strong track records in transformations both within the finance function and throughout the organization” – professionals whose focus is on costs, performance metrics, and standardisation of data and systems. Again, these are all qualities an excellent law firm FD would require.

The Growth Champion

“Common in industries with frequent disruptions that require dramatic changes in resource allocation—and in companies that plan to grow considerably or reshape their portfolio of businesses through aggressive M&A or divestiture programs.” In a disrupted market, and for firms that see their future prosperity depending upon acquisitions and considered portfolio management, the growth champion could have a role to play.

Although trying to fit a particular individual to a given profile may be artificial, thinking about the FD and their role helps with considering the firm’s strategic direction, as well as skills gaps to be filled.

Growth by Acquisition?

Will growth be sought by merger and acquisition, or by more organic means such as lateral hiring – or will the firm eschew expansion to focus on its core competencies and niche expertise?

This leads to the issue of the broader management team. Apparently, a team of individuals with deep expertise performs well together, and so deep financial know-how is likely to be an important consideration.

Strong capability across the finance function may unfortunately be lacking in the middle market, and so the FD will often take a more hands on role (and perhaps strategic and operational expertise found elsewhere).

Beyond Finance

Finally, the wider remit of the Finance Director should also be addressed. They may be well placed to handle non-finance issues well, but not if this detracts from their management of the firm’s financial performance.

How the firm chooses its FD and their role will have a significant impact on strategy and operations, and merits deep consideration.

Please email barry.wilkinson@wilkinsonread.co.uk

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[back to top](#) ↑

How Buyers Buy

Another recent [piece of research](#) looked at how buyers buy various (non-legal) professional services. We have taken the opportunity to reflect on lessons for law firms.

The first conclusion is that the overwhelming majority of people buy on the recommendation of a friend or colleague, underlining the importance of relationships in this market.

Know Your Competitor

A slightly less obvious finding was that 75% of the competitors identified by the buyers in the sample were not even considered to be competitors by the sellers – i.e. many firms simply did not know their competitors.

Even the savviest firms should be thinking very hard, not only about competing firms, but about what kind of products and services might be substitutes for their own offering.

It seems that many sellers in professional services markets underestimate the value of education as a way of reaching clients. It also appears that firms often overestimate the role of cost as a factor in buying decisions.

Although important, more buyers prioritise expertise and skills, and a similar number value an existing personal relationship.

Becoming a Trusted Advisor

Interestingly, many buyers perceive the real value a provider brings in becoming a trusted part of their team and informing better decision making, as well, of course, as providing solutions to problems.

Client loyalty seems to be most influenced by the degree to which they feel that the seller has delivered in their promise, and they are most receptive to new service offerings when they receive a personal call or visit.

It also seems that many satisfied clients do not refer new business to their provider simply because they are not asked, and that most would in fact be willing to do so.

Although not groundbreaking, this all underlines that relationships must be paramount, first and foremost with existing clients. Firms should conduct robust analyses of their markets, and service, becoming a trusted adviser, and solving clients' problems are of crucial importance.

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[back to top](#) ↑