

Making Partnerships More Profitable

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Also 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 Report

Recognising our expertise in the area,

Sunday July 28, 2013

Successful Partnerships

Dear Associate,



This month Barry Wilkinson introduces the 3 R's of business development for law firms, and focuses on balance sheet issues.

As ever, any comments or shares are gratefully received.

The WRP Team.



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The 3R's of Legal Business Development

Our approach to sustainable business development encompasses a six-part strategy involving:

- Repeat business from existing clients;
- Referrals from existing clients to their contacts;
- Strategic alliances with other professionals ;
- Networking in the local professional community;
- Keep-in-touch programs with all of the above; and
- Showcase - including website, seminars, articles, etc.

Repeat, Referral or Recommendation

At a recent law management section seminar, David Gilroy of [Conscious Solutions](#) identified that amongst their client base (over 200 law firms) the overwhelming majority of incoming work came, in essence, from three sources - Repeat, Referral or Recommendation.

This fits very closely with our view that "your next piece of work is likely to come from someone who knows you, or someone who knows someone who knows you".

So, we now focus even more closely on the top three issues - repeat work, referrals and strategic alliances, or "the 3R's of Legal Business Development" - i.e. Repeat, Referral and Recommendation.

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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Asking the Question

We often find in interviewing clients they say that the best work comes by the recommendation route - either from satisfied clients, or from other professionals.

However, when we ask the supplementary question "how often do you ask your clients for a referral?" the answer is usually "very rarely". Even when we ask "how often do you ask other professionals to recommend you?" the answer is "rarely more often".

Since 92% of your work is likely to come from these sources, learning to ask constructively for more work from existing clients or close contacts is one of the most important skills for any lawyer, and will put you ahead of your competitors.

Please email barry.wilkinson@wilkinsonread.co.uk

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Focus on the Balance Sheet

The SRA have focused attention on the "financial stability" of UK law firms – including pronouncing that 20% of the top 150 firms were in financial difficulty.

They have also said that they could not understand why the banks continue to support some firms -yet most of the data published on the top firms shows that they are making very healthy profits.

Concerning Management Information

One of the issues of concern to banks is the quality and reliability of the management information upon which they make their lending decisions.

At a conference late in 2011, the number of firms represented who stated that they produce a full set of accounts every month - including both profit & loss account AND a balance sheet - was astonishingly low, given the quality of the audience.

Part of the service we provide to law firms, sometimes at the behest of their bankers, is to review the quality and reliability of the information provided, and it is unusual to find a comprehensive, up-to-date balance sheet included.

Even when we do find a balance sheet of sorts, we often have significant queries about the valuations of assets - in particular the Work in Progress and, above all, Goodwill.

The liabilities side of the balance sheet is often even sketchier – and a closer investigation often provides an unwanted surprise in the amount of off-balance sheet liabilities (accidental or deliberate). In particular, amounts owing to HMRC can be out of date, or understated, and liabilities to former partners can be invisible.

Understanding the Position

In the absence of a regularly circulated, full – and reconciled - balance sheet, it is hard to see how partners can truly understand the financial position, indeed the stability, of their firm.

We take the view, perhaps charitably, that much of this in smaller UK firms is simply a lack of thoroughness.

More chillingly, American commentator Ed Reeser has consistently expressed the view that in many firms, the partners do not understand the position because the Management Team does not want them to. This [article](#) makes very uncomfortable reading.

Either way, regular circulation of a full, current balance sheet is becoming more important than ever.

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