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Making Partnerships More Profitable

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Also This Month

Upcoming Events

12/07/2012 - [Realising Your Potential](#) - Association of Women Solicitors, Grosvenor Hotel, London

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

Monday July 2, 2012

Successful Partnerships

Dear Associate,

This month Barry Wilkinson underlines that mid-sized firms should remain optimistic about the future, considering the key attributes of winners in a deregulated market (which we will address in detail over the coming months), and discusses the different roles partners perform - and the importance of clarity and suitability in each role.



We are always happy to receive guest contributions. If you have an article you would like to share with our readers, please contact anthony.wilkinson@wilkinsonread.co.uk.

We have made some technical alterations to our website this month, so if you experience any problems please let us know.

As ever, any comments are gratefully received.

The WRP Team.



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Never Lose Faith

A number of commentators have recently highlighted the increasing encroachment of ABS into the market and the potential difficulties this could cause for medium-sized conventional firms, generally producing an atmosphere of doom and gloom.

Assessing the Scale of Change

Our own analysis, based on the patterns which have emerged in other deregulating markets and our own independent research, is that in the medium term there will undoubtedly be a significant consolidation in the middle market, and that many firms will see their future being best secured through merger with compatible firms.

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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We are, however, conscious of Bill Gates' maxim that "we tend to overestimate the scale of change which will happen in the next two years, but significantly underestimate the scale of change over the next 10 years".

It is also clear that, whenever markets do deregulate, a range of opportunities open up, but they are only exploited by firms with the positive approach of seeking opportunity and acting decisively. There will be significant winners as well as firms losing out.

While our seminars have been described as "frightening but invigorating", we try to put the main focus of our attention on identifying the attributes and actions of winners – we will let other commentators do the frightening, whilst we will attempt to invigorate.

The Attributes of Winners

Our profiling of the attributes of winners highlighted 20 key features covering five areas:

- Clients
- Services
- People
- Management Structure; and
- Finance

More Strengths than Weaknesses

Whilst the audience may be to some degree self-selecting, the pattern of self-assessment at seminars indicates that most attendees have far more strengths than weaknesses – but that almost all firms have work to do in some areas. Incidentally, follow-up work suggests that some lawyers can be very hard on themselves, giving themselves unduly low scores – and perhaps they overrate their competition.

The self-assessments show the biggest areas of concern to be in finance and client selection. The finance issues amongst medium-sized firms are mainly as a result of weakened balance sheets, which can be the subject of rapid and significant improvements, while in client selection there is still a fear of turning down unacceptable work.

Achieving a Position of Strength

We believe very strongly that firms prepared to look into the future and to play to their strengths, preferably with their finances in order, can be extremely competitive and look forward to a successful future – they may well be involved in mergers, but generally from a position of strength.

To paraphrase Admiral Stockdale (of Jim Collins fame), "Confront the brutal truth – but never lose faith."

Please email barry.wilkinson@wilkinsonread.co.uk

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The Lawyer's Three Hats

Edward De Bono identified that in carrying out our jobs we have to fulfil different roles at different times – we wear ‘different hats’.

Our analysis has shown that the typical equity partner in a medium-sized law firm wears three very distinct hats – investor, manager and fee earner.

Ability and Clarity

Firms need to be good at all three, but a lack of clarity about roles can lead to a distorted decision-making process.

A partner who is concerned about the performance of particular areas or individuals may decide to take it upon themselves to interfere in areas for which they are not directly responsible.

This creates confusion in the minds of the employees about whom they answer to, and it erodes the authority of the manager who is actually responsible for getting the job done effectively.

A Balancing Act

Partners obviously have to balance the conflicting demands of the different roles. In theory, investment should be the top priority – the continued existence of the firm and the income available to the partners being the most important issue – with management second and fee-earning third.

But this hierarchy is usually inverted. Many partners operate on the basis that the most important thing is to generate an acceptable level of fees themselves before they can be in a position to devote any attention to management or investment, particularly in difficult times.

The Inverted Hierarchy – Institutionalised

This thought process can become institutionalised and often dominates the process of selection for the roles of partner and manager.

Many partners believe that intelligent, capable people who earn a reasonable level of fees will be able to divert some of their time into ensuring that other people employed by the firm will produce a result.

Far too often in our analysis we find that the economics of a medium-sized law firm do not bear this out. Put simply, if the profits of the firm are less than the fees of the partners, you are subsidising your staff.

To Conclude

For better or worse, the days of the law firm as a "thinly capitalised workers' cooperative" are coming to an end. Partners and staff need clarity about their responsibilities, and selection of people for a particular role needs to be based on their suitability for that role, not on their competence in a completely different one.

Please email barry.wilkinson@wilkinsonread.co.uk.

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Barry Wilkinson Elected to the Executive Committee of the Law Management Section

Barry Wilkinson has recently been elected to the Executive Committee of the Law Society's Law Management Section (LMS).

The team at Wilkinson Read would like to thank everyone who supported Barry's election.

More pertinently, as the only member of the Committee based in the Midlands, Barry would be very keen to hear from anyone who may have suggestions, comments or concerns to be considered by the Committee.

If you have anything you would like to raise with Barry, please do not hesitate to email him at barry.wilkinson@wilkinsonread.co.uk.

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