WilkinsonRead & PARTNERS

Making Partnerships More Profitable

In This Issue

Also This Month

Upcoming Events

05/06/2013 - LMS Small Firms Event: Going for Growth - 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 our Blog.

Saturday May 18, 2013

Successful Partnerships

Dear Associate,

This month Barry Wilkinson addresses the financial difficulties highlighted by the SRA, and considers forward-looking approaches to performance indicators.

As ever, any comments or shares are gratefully received.

The WRP Team.

Tweet Like

back to top

Staying Out of Financial Difficulty

The SRA has now announced that it has identified 150 firms it deems to be in ‘very serious financial difficulty’.

The Solicitors’ Journal has quoted SRA executive director, Samantha Barrass, saying firms must act quickly when encountering financial difficulty – including ‘removing or suspending individuals who may have failed to act with integrity’.

Barrass went on to underline that the SRA will not tolerate ‘the reckless trading of firms into insolvency’, and that action would be taken including referral to the Solicitors Disciplinary Tribunal, and even placing conditions on the practising certificates of individual solicitors who have exacerbated financial problems at one firm, to prevent them from moving to another.

This only serves to highlight the pressure on firms to maintain sufficient levels of profitability and cash buffers – pressure not only from lenders and suppliers, but now from the profession’s regulatory body.

No More Business as Usual

The obvious conclusion is that firms must do everything they can to stay clear of the financial problems that are leading to increasing numbers of insolvencies throughout the market.

However, what is also clear is that the behaviour of individuals within the firm will be coming under increasing scrutiny, and that firms (especially those SMEs that rely on a few key people) can no longer afford to carry those who do not adhere to strict financial disciplines. The bottom line is that individuals who behave irresponsibly could be costing their firm its independence.

Beyond Compliance

In this context, the role of the COFA or COLP is crucial. However, beyond the compliance issue there is also the broader question of financial standards.

The point that the behaviour of individuals has a very direct impact on the firm's performance is not limited to regulatory issues, and firms should take the opportunity to ensure that all fee-earners are held to account for their financial performance.

This means, as we have argued for some years, that firms should employ 'standards' not only for chargeable time, but for billing and the collection of debts. Remuneration should be directly linked to financial performance, and heads of departments should be responsible for the performance of their own area.

This is no longer simply a question of how much the partners can take home each month; it is now a question of the firm's survival – and that is more important than any individual.

Please email barry.wilkinson@wilkinsonread.co.uk

View full article

back to top

Misleading Performance Indicators?

Regular readers will know that we have for several years used the concept of the pipeline to track work brought in; work done; value created; and value locked up. This information is now available in dashboard format on a variety of IT systems.

And yet, only last week I met a new client who said "In the end, the thing we really look at is Costs Received".

Lagging Indicators

The problem with this is that Costs Received is the ultimate in lagging indicators.

This is particularly relevant for family or PI departments, both subject to significant recent changes – which may make both Costs Billed and Costs Received unreliable indicators.

The nature of family legal aid work has been not only

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.

Forward

Know someone who might be interested in the email? Forward this email to a friend.

Unsubscribe

modest value but also very long lock-up periods with a significant amount of cash tied up. The scope of family legal aid has been greatly restricted through LASPO and so very little new value will be created in most firms.

However, because of the lock-up cycle, there will still be significant billings for months to come – and recorded income from many fee earners may not diminish by much. In most firms if the fee earners are to remain productive they will have to replace the legal aid work with privately paid family work.

Certainly the lock-up period will be far shorter. If they do this the key indicator, Costs Billed, will increase markedly because two sets of work (old legal aid and new private work) will be being billed at the same time.

More worryingly, many legal aid firms and fee earners are finding it hard to replace the legal aid with privately paid work and so the fee earners are in fact unproductive and in truth underperforming. However, the Costs Billed data will still be showing reasonable levels of billing and this may persuade firms not to make some very necessary cost reductions soon enough.

By focusing on the whole of the pipeline, starting with new instructions received (volume and value), including chargeable hours, and separating the billings into categories of old legal aid and new private, firms will be able to properly monitor the performance of these departments.

A Changing Market
Similarly, the changes in PI can produce a situation where the amounts being billed reflect the market at the time when the cases were taken on. The levels of income coming from existing files will be greater than the value being generated by the same work on new files, especially in road traffic accidents.

This will again lead to misleading indications of the profitability of the work being done today, which will only be capable of being billed at new reduced rates. And of course once the Jackson reforms are fully implemented the situation will only worsen.

It will be absolutely imperative to have more sophisticated leading indicators and to place much greater reliance on proactive management of the pipeline to turn time into cash.

Sadly, those who rely on monitoring Costs Billed or Costs Received as their primary indicators of the health of their firm may find out too late that the main measuring stick could not be trusted.

Please email barry.wilkinson@wilkinsonread.co.uk

View full article

back to top

LMS Small Firms Event: Going for Growth

On June 5th the Law Management Section and Small Firms Division of the Law Society are holding a joint event designed to give delegates the knowledge and skills needed to update and develop new business models in an ever developing virtual world.

The event will provide delegates with practical tools and advice on how to how to get started, and will look at the benefits of using online resources and social media to help drive a business forward.

back to top

Wilkinson Read & Partners, Warwick Corner, 42 Warwick Road, Kenilworth CV8 1HE
www.wilkinsonread.co.uk | Tel: 01926 866621