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Making Partnerships More Profitable

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Also This Month

Upcoming Events

08/12/2011 - [Financial and Business Planning for Law Firms](#) - London

24/01/2012 - [Improved Cash Collection for Law Firms](#) - 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

Wednesday November 30, 2011

Successful Partnerships

Dear Associate,



This month Barry Wilkinson addresses the impact of rising costs and falling revenues on law firm profitability, while Simon White considers the implications of short-term training and introduces our alternative approach in the [Profitable Partnerships Programme](#).

We are also continuing to offer free access to our report [Beyond ABS: The Future for Independent Law Firms](#).

Any comments are gratefully received.

The WRP Team.



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Focusing on the Bottom Line

The past month has seen increasing evidence to suggest that rising costs coupled with falling demand are putting yet more pressure on law firm profitability.

The main points are clearly worrying: costs increased, as firms finally made investments they had been putting off in 2009-10; meanwhile, demand for legal services dropped.

Furthermore, fee rates have been overtaken by costs, so productivity is falling. Just as concerning is the fall in the level of WIP and the decrease in cash collected – for the first time since the second half of 2008.

A Fork in the Road

What the above analysis does not reveal is the divergence between firms. As economic forecasts suggest that another recession is more and more likely, we firmly believe that the profession has reached a fork in the road.

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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Successful firms, with a keen focus on the financials and a clear business development and investment strategy, will continue to reap their rewards. Other firms without such a focus are starting to fall further and further behind.

Ultimately, increasing spending while revenues fall is a recipe for disaster. The linked trends of divergence between the best firms and the rest, and the squeeze on profits from higher costs and lower income, will only accelerate the consolidation that we believe is coming.

A Structural Approach to Managing Cost

One of the biggest issues facing law firms in 2012 is therefore how to manage costs. I will be addressing this issue at the [Financial and Business Planning for Law Firms](#) conference in London on December 8th.

I believe that cost structure will become a strategic issue rather than a tactical afterthought – and the penalties for getting it wrong will be severe indeed.

Turning fixed costs into variable is more important than ever. It is now apparent that cutting overheads, whilst still necessary, will no longer be sufficient.

The erosion of the billable hour means that realisation rates will suffer, and so fee earner costs will have to be managed down. In those sectors which are opening up to Low Cost Competition the necessary cuts will be beyond many. And so the divide may widen further.

Cost structure is a crucial element of the business model, and this is something that will separate the winners from the losers in 2012 and beyond.

Please email barry.wilkinson@wilkinsonread.co.uk

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Ebbinghaus and Training

Over a century ago, the German psychologist Hermann Ebbinghaus demonstrated – as psychologists and trainers still recognise today – that there is both a 'learning curve' and a 'forgetting curve' associated with learning.

Any short-term training course will necessarily have only a limited effect. Shortly after we have first taken on the information from the course, we are bound to forget a significant proportion of it.

Therefore, the most effective form of training is ongoing, in which we have the opportunity to put into practice the techniques learned.

Learning and Forgetting

According to Ebbinghaus (as well as modern experts), the sharpest decline in recall comes in the twenty minutes immediately after taking the information on. Forgetting then slows exponentially over the hours and days that follow.

The learning curve is also exponential, and suggests that the most information is retained after it is first put into practice, and subsequent reinforcement helps in retaining further information, but that the returns diminish over time.

The implication is if participants actively use the techniques they have learned shortly after learning them, the likelihood of forgetting is reduced. The more that new techniques are practiced and reinforced, the more effective they will be.

Profitable Partnerships

Our [Profitable Partnerships Programme](#) is about changing behaviour and changing attitudes, to foster an environment of success within teams, departments and firms.

We use practical exercises to reinforce the learning, and offer ongoing training and support to maximise the benefits from the programme.

Fee earners are encouraged to develop in the following areas:

- Confidence & holding conversations about value
- Developing habits & building trust
- Creating a showcase & using social media
- Niche, Keeping in Touch & personal business plan
- Value pricing for lawyers

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Financial and Business Planning for Law Firms

Law firms today operate in an increasingly competitive and uncertain environment, which is changing the role of financial management within law firms. Financial planning and control is ever more important, so better planning, forecasting and budgeting processes are being developed and implemented.

But successful implementation depends on partner approval and buy-in, with the Head of Finance recognised as their (internal) trusted advisor.

This event will provide the tools both to help you navigate this new climate to secure your firm's financial future, and to maximise partner support for resulting actions.

Book [here](#).

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Beyond ABS: The Future for Independent Law Firms

Our complimentary report, researched earlier this year with

managing partners, senior partners, senior bankers and academics, is available to download [here](#).

We welcome any feedback.

If you would like a pdf copy of the report to save, please email anthony.wilkinson@wilkinsonread.co.uk.

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