

Having trouble reading this email? [View it on your browser](#). Not interested anymore? [Unsubscribe Instantly](#).



Making Partnerships More Profitable

In This Issue

- [Successful Partnerships](#)
- [Beyond Budgeting](#)
- [Targets - Aspirations and Imperatives](#)
- [Webinar Feedback and Topics](#)

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](#).

Wednesday October 31, 2012

Successful Partnerships

Dear Associate,



This month Barry Wilkinson looks beyond budgeting to the advantages of Quarterly Rolling Forecasts and considers the imperative approach to targets, which must be treated as more than aspirations.

As ever, any comments or shares are gratefully received.

The WRP Team.



[back to top](#) ↑

Beyond Budgeting

As the midpoint of the financial year, September can be a good time to review progress against budgets.

The business world has become so unpredictable that a budget conceived a year earlier can have been overtaken by events, and no longer be meaningful – so many companies have moved "Beyond Budgeting", often into Quarterly Rolling Forecasts (QRF).

Focusing Attention

The usual approach to QRF is to set detailed targets/forecasts for no more than six individual months and to set outline quarterly targets/forecasts for the succeeding 6 to 12 months.

There are two advantages to this approach:

- It focuses the main attention on the nearest time periods, for which people can be held properly accountable
- It starts the process of thinking about the significant potential issues earlier.

Given the extent of changes likely to occur in April 2013,

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

If you no longer wish to receive this email [please unsubscribe.](#)

especially in PI and Legal Aid, far more medium-sized firms should be using a QRF now.

Minimise Risk – Plan Early

The following simplified approach should help:

- Test whether the current year budget is still credible. Take the results for the half year to date and double them. If the answer is less than budget, ask partners to justify why they feel that the second half-year is likely to be better.
- Ask each partner for any significant changes likely to occur in their market within the next 12 months – and what results they would expect in the first half of next year if do nothing is done.
- If significant change is expected and either risks or opportunities are foreseen (and for many firms the risks are manifold) it is time to start putting action plans in place now, and potentially preparing both Plan A and a Plan B version of the QRF for the next 12 months.
- Repeat the quarterly process at Christmas, which may provide more early warnings of the prospects for next year and allow plans to be tweaked and any necessary actions to be taken in time.

Avoiding the Icebergs

There can be no simple panacea for the challenges in the emerging legal market, but keeping a regular watch on the medium term future will maximise a firm's chances of avoiding the icebergs lying ahead.

Please email barry.wilkinson@wilkinsonread.co.uk

[View full article](#)

[back to top](#) ↑

Targets - Aspirations and Imperatives

In my recent Law Management Section webinar "Using Financial Efficiency to Reduce Costs and Increase Profit" more than 75% of the audience indicated a target of over 1000 chargeable hours per fee earner per year.

Another benchmarking survey has shown that in provincial firms the targets for fee earners average approximately 1100 chargeable hours per year, but that the actual hours achieved are typically around 80% of this target.

This provokes the question – are targets aspirational or imperative, and would fee earners know the difference?

Communication Breakdown?

Significant underachievement seems to be a regular feature. Therefore the next question is: are targets realistic, is there a tolerance of underperformance – or, perhaps, do firms fail to communicate properly the underlying rationale?

I also took part in another webinar (this time in the audience) and the presenter suggested we should

recalibrate the way we express performance to highlight the amount of time which is unproductive rather than the amount of time which is productive.

His point was that if we set someone a target to make 90% of their hours chargeable, if they achieve 88% (i.e. a 2% shortfall) it seems as though they almost got there.

Recalibrating Expectations

However if we express it by saying that their target is to have no more than 10% of their time non-chargeable, and they end up having 12% non-chargeable (the same 88% chargeable), then they can be seen to have wasted 20% more time than was allowed for. This allows the firm's management to focus more attention on what went wrong.

Utilisation and Realisation

It has been apparent to us for some time that the two key metrics most determining firms' profitability are utilisation and realisation – i.e. how many hours we are able to charge for and how much we are able to charge for them.

We have seen a number of examples in recent months of slippage in both utilisation and realisation rates, and in some cases it is clear that not only the fee earners, but sometimes the partners are not conscious of the consequences of the shortfalls. There have clearly been some failures in communication.

Perhaps a change in focus towards highlighting the potential costs of unproductive time might increase the awareness of how damaging it can be and ensure that individuals and firms can reduce waste and increase their productivity.

Please email barry.wilkinson@wilkinsonread.co.uk

[View full article](#)

[back to top](#) ↑

Webinar Feedback and Topics

Barry Wilkinson's recent Law Society webinar received the highest feedback the Law Management Section has received (an average score of **4.6 out of 5**) and we are therefore considering a series of further webinars on financial topics.

If you have any suggestions for law firm finance-related topics that you would like to see covered, please email barry.wilkinson@wilkinsonread.co.uk.

[back to top](#) ↑

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