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Making Partnerships More Profitable

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Also This Month

Upcoming Events

6-7/10/2011 - [Who Dares Wins - 360 Legal Group Annual Conference](#) - The Belfry, near Birmingham

24/11/2011 - [Effective Cash Flow and Working Capital Management 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](#).

Thursday September 29, 2011

Successful Partnerships

Dear Associate,



As the profession gears up for the introduction of Alternative Business Structures, we concentrate this month on the Focus and Purpose law firms need for financial strength and a successful Business Development Strategy.

Any comments are gratefully received.

The WRP Team.



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Financial Focus and Purpose

The winners in an open market will have a clear purpose and will change their approach to develop an unswerving financial focus that will allow them to build up capital value and fight off competition from new entrants.

The first thing partners must do is consciously to agree their purpose. The initial questions are:

- Which work types is the firm offering?
- For which customers?
- How?
- And in what time frame?

If the purpose is purely financial, those with deeper pockets will poach people and practices.

If it is about more than money, a strategy must be created and implemented and everyone must be 'on board'.

Moving Beyond Profit

The focus must move to financial measures beyond simple Profit per Equity Partner - including cash and growth.

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, 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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Finance may not be the purpose, but it is an essential enabler.

If partners expect a certain level of drawings each month, then this must be in the context of their performance.

The requirements must be defined and accepted - including standards, procedures, accountability, and sanctions.

Partners should have a certain fixed entitlement, which is supplemented by rewards based on billing, reduction of lock-up, client acquisition, and any management roles.

Focus on Cash

Importantly, the firm's focus and its reward structures should be more geared towards generating cash flow than measures of chargeable hours or profits.

If the standards are not met, the reward must be withheld.

Likewise, the firm must have clear budgets. A budget can be an aspiration, a planning tool, or a minimum requirement – and it should be clear which it is.

Each department head should be held responsible for the ability of his or her department to keep to their budget, and sanctions should apply where they do not.

Please email barry.wilkinson@wilkinsonread.co.uk

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Focus and Purpose for Growth

The old saying 'you have to spend money to make money' is becoming more relevant than ever for firms looking to stay independent.

Time, and sometimes money, must be invested to get more clients and to grow the capital base of the business.

This is very much a case of improving the client's experience and focusing on client care.

It could also be a question of changing the service package, or even coming up with new packages, to keep the client satisfied with both the service and the price.

Investing in the Client Base

In the past, lawyers have been reluctant to invest because they could see the cost to the firm, but often not the reward.

Those firms that continue to retain very little equity for investment will quickly find themselves overtaken by competitors with strong financial backing. Such investments require a clearly articulated business case.

This should outline who the target clients are, what the firm's goals are with respect to new client acquisition and new instructions, how the firm will reach these clients, and what investments need to be made to achieve these goals.

Adapting to Prosper

As in any walk of life, the reluctance of many partners to change is strong – and in some cases understandable.

However, there is a pressing need to be much more selective about the clients and the type of work to be done for them. Firms can no longer take on any client, irrespective of whether they fit the target profile.

Perhaps the biggest change that lawyers must face is that they should no longer regard the client as "their" client – any client now will belong to the firm, and opportunities should be explored to cross-sell.

Unswerving Focus

If a firm is serving a wide range of different clients, they will end up compromising and not satisfying anybody.

Moreover, not all clients are equally profitable, and firms need to focus on those that they can most profitably service.

However, the most pressing reason for tackling this subject is that open markets produce new competitors who focus far more closely on specific sectors of the market.

Therefore, firms absolutely must be clear about their target market and should use appropriate metrics to ensure that the goals set are achieved.

Otherwise, the battle for independence may be short-lived.

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General Counsel With Power? Oxford Saïd Business School Report

This new report, authored by Professor Mari Sako and with an afterword by Professor Richard Susskind, is available now to download [here](#).

Mari Sako is Professor of Management Studies at Saïd Business School and Professorial Fellow at New College, University of Oxford.

Richard Susskind OBE is Visiting Professor in Internet Studies at the Oxford Internet Institute and Emeritus Law Professor at Gresham College, London.

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