

## In This Issue

- [Successful Partnerships](#)
- [The Fixed Costs Issue](#)
- [The Benefits of Categorisation](#)
- [Your Views - Cash Management for Law Firms](#)

## Also 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](#).

### 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.

Saturday September 28, 2013

## Successful Partnerships

Dear Associate,



This month Barry Wilkinson addresses the issue of fixed costs in law firms, and introduces the benefits of categorisation as a performance management tool with the firm's people.

As ever, any comments or shares are gratefully received.

The WRP Team.



[back to top](#) ↑

## The Fixed Costs Issue

Law firms are predominantly fixed cost operations, with high break-even points and, in uncertain times, high exposure to risk. Wherever possible, fixed costs must be made variable.

A number of the major costs— including premises, IT and insurance – are often fixed in the longer term. However, people (including both fee earners and support staff) are short-to-medium term fixed costs.

(There is flexibility in the shorter term with partners' drawings, but that is not something most partners would want to reduce!). There is generally very little scope for delaying outgoings.

### Weighing the Options

In the short term (3 months) the options are very limited.

Over a slightly longer time frame (6 months), there are options but these may in fact require a certain level of investment, such as in technology to improve processes and reduce reliance on the people/time factor. These options can include moving to cloud services as a substitute for hardware, and employing software as a service.

In the long-term (12-18 months and beyond), it is possible to transform the firm's cost structure, to introduce a far

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.](#)

higher level of variability.

This is an issue to which we will return in future months, but the scope is there to achieve reductions in costs of 20% and more, where there is both the resolve and the know-how to go about such a cost-reduction programme.

### Focus on the People

Options here include renegotiation of property leases to include break clauses, and even in some instances relocation of some or all of the business to lower-cost locations.

However, the focus must unfortunately be on the major part of the firm's cost structure – the people. Flexible employment packages and cross-training staff can play an important part, but the biggest potential for transformation lies in outsourcing.

Both legal process outsourcing and business process outsourcing are becoming more widespread, and this is an area in which firms could find themselves left behind very quickly if serious consideration is not given to the options.

For those partners who take this issue seriously and are prepared to embark on a process of change, the opportunity to forge a leaner, more sustainable business should not be ignored.

Please email [barry.wilkinson@wilkinsonread.co.uk](mailto:barry.wilkinson@wilkinsonread.co.uk)

[View full article](#)

[back to top](#) ↑

---

## The Benefits of Categorisation

Running a successful business is about far more than the financials, and the success of a law firm hinges on successful people management.

Many law firm managers will already be familiar with the ABCD approach to classifying clients:

- A - Top Clients, by value and influence. Highly profitable and a pleasure to do business with.
- B – Good Clients. These are probably repeat clients.
- C - Occasional Clients. These may even be one-off transactions, or may be of lower value.
- D – Delete. These clients cause more problems than they are worth – if indeed they ever pay their bills.

### 60-20-20

A former manager of mine (whose rudimentary analysis has since been supported by detailed research from Harvard Business School) believed that he could run a business more successfully and with 20% fewer people than his competitors, based on categorisation of staff into 3 groups.

The top 20% of the working population are star performers, who are self-motivated and over-deliver.

60% of people do the job for which they are paid.

20% of workers under-deliver and cause problems that hold back their colleagues and the firm.

His solution was simple – identify the third group, release them before they acquire significant employment rights, and use the savings to help encourage and motivate the others.

#### **Performance Assessment and Improvement**

A similar approach can be taken to performance assessment and improvement with the law firm's people. In simple terms the firm's staff can be classified as follows:

- A - Top Performers, who need support rather than management. They should be nurtured and developed (and feel appreciated).
- B - Solid performers. These people probably needing a little more management, and should again be developed and supported.
- C – Underperformers, for whom there are two routes – training and, once training has proven unsuccessful, discipline.
- D – Delete. These people are severe underperformers, who also cost management time and cause disruption.

By removing the lowest performers, the average performance can be improved, and this sends a message to those in Category C that the firm's management is not afraid to grasp the nettle.

Please email [barry.wilkinson@wilkinsonread.co.uk](mailto:barry.wilkinson@wilkinsonread.co.uk)

[View full article](#)

[back to top ↑](#)

## **Your Views - Cash Management for Law Firms**

---

Regular readers will remember that in 2009 we sought your views for the first edition of Barry Wilkinson's book, *Cash Management for Law Firms*, published by Ark.

We are now revisiting the issues for the second edition of [Cash Management for Law Firms](#), and would be very interested to hear your views on the subject - and how the situation may have changed for law firms in the past four years.

If you would like to contribute your views, please contact [barry.wilkinson@wilkinsonread.co.uk](mailto:barry.wilkinson@wilkinsonread.co.uk).

Many thanks in advance.

[back to top](#) ↑

Wilkinson Read & Partners, Warwick Corner, 42 Warwick Road, Kenilworth CV8 1HE  
[www.wilkinsonread.co.uk](http://www.wilkinsonread.co.uk) | Tel: 01926 866621