

Twenty Strategies in a Slowdown

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As pragmatists, we prefer to talk about solutions rather than the causes of the current recession. Everyone knows what is happening – bankruptcies, tight credit, foreclosures, industry consolidation, the collapse of the financial markets, fewer deals of any kind, hopefully more litigation and bankruptcy work, far fewer real estate transactions – both personal and commercial, bank failures, etc. etc. The questions are not, “What went wrong?” and “Who can we blame?” The question is, “What are we going to do about it?”

Law firms tend to be a lagging indicator of the general economic picture so we are now just at the point many other businesses were at a year ago and we will take longer to bounce back, when the turn around finally happens. As a result, many firms have not yet had the meaningful discussions that need to occur if we are to develop a strategy to deal with this downturn.

The following twenty strategies are offered for your consideration. Some of them will be helpful for you and some will be of no use to you at all but, if you give them all some thought and implement those that will work for your firm, the net effect will be the development of a strategy that will help you survive the current economic crisis.

1. **Slash and Burn** – Lay off associates/staff and drastically reduce expenses. This is often the knee-jerk reaction of many firms. Sometimes it is even the right strategy but most often it only impairs the firm’s future drastically and may take many years to overcome. Layoffs MUST be related to underperformance, lack of work and potential work. Layoffs should also not be limited to associates and staff only – you may have partners who are underperforming and show no signs of changing the way they practice. Every firm has expenses that they could eliminate but we would suggest that firm’s be selective and not weaken the strategies that will get the firm back on track. An example might be some of the marketing expenses. Some of your expenses can be eliminated but to just stop all spending on marketing could be catastrophic.
2. **Freeze Salaries** – Rather than lay off associates or staff, first consider whether you might be able to get by through freezing current salary levels. If you choose this course of action you should be prepared to undertake to all employees that the partners will not increase their own income until the freeze can be lifted for everyone.
3. **Work Share** – Associates might well be interested in sharing the reduced work levels as an alternative to layoffs. They would agree to work less hours and accept less remuneration until the work levels pick back up. In this scenario three associates might share just two full time positions. As for staff, some of them might actually be happy about working a three or four day week.
4. **Associate Compensation** – Consider changing associate increases from a lock step system to a merit based system. This encourages your best young people but not all of your young people.
5. **Partner Compensation** – Consider reviewing your partner compensation criteria to put more emphasis on those areas that are most critical in a recession. For example you may wish to put

more emphasis to client generation successes or receipts and less emphasis on hours recorded or fees billed.

6. **Focused Practice Areas** – Firms must constantly review those practice areas in which they are best suited. Even in boom times there are practice areas that a prosperous firm may well wish they didn't have. That may be due to profitability, manpower available to do good work, client demand, commoditization of the work, etc. In tough times it may well be mandatory to torpedo those underperforming practice areas. Partners, associates and staff in these areas can be re-trained in another area, be re-assigned to another area or be let go to seek their future elsewhere.
7. **Receivables** – Credit will be difficult to obtain for both the firm and its clients. By focusing on your receivables, you lessen your need to borrow and you will more quickly identify, and hopefully remedy, client situations that will be a problem. Reducing your WIP through billings may be just as important as collections.
8. **Re-Training & Re-Assigning** – Are there partners, associates and/or staff who could still be utilized if they were prepared to re-train in another, but perhaps related, practice area at least on a part time basis so that they are more fully employed? For example, could a real estate associate, partner or paralegal be used to help in a now busier foreclosure practice? Finding ways to keep people will pay benefits for years to come.
9. **Fees Plus** – Yes, there are firms out there who do not charge enough for their work. Be sure that your rates are competitive from a “below the market” perspective. If you are \$20.00/hour below your market, you may be able to raise your rates and have a very positive impact on profits.
10. **Fees Minus** – Freeze or reduce your hourly rates and let your clients know that you are sharing their pain. This is a marketing strategy that most often meets with a loyalty that will last long beyond the current downturn.
11. **Marketing I** – Use your newly found free time to do more marketing or to get the marketing training that you never had the time for before.
12. **Marketing II** – Now, more than ever, get out of the office and visit with your clients. Almost all great Rainmakers will tell you that this is the very best marketing you can do.
13. **Marketing III** - Develop the song sheet. Everyone needs to be on the same page and promoting the same concepts. Things are not terrible; they are challenging. We are not under employed; we now have greater capabilities to help our clients. We are not making less money; we are providing even greater value to our clients etc.
14. **Upgrade** – Often a downturn can be an opportunity. If your firm is in better shape than some of your competitors, this might be an ideal time to add the very best of their people to your roster and upgrade your practice teams. It is also a time when landlords are more open to re-negotiating your lease if they are feeling the pressure to keep the building full. It may also be a perfect time to negotiate new premises.
15. **Laterals** – This may be the opportunity you have been looking for to grab that lateral hire you need for one of your practice groups or that lawyer with a book of business that would have natural synergies with your firm.
16. **Contract Lawyers** – With a glut of lawyers being laid off, there will be people available to fill in temporary needs that your firm may have at a fraction of the cost of hiring a new lawyer.
17. **Acquisitions** – Is this the perfect time to acquire another firm that is not handling the downturn as well as you are? Perhaps it is time to acquire that practice team that you have always coveted.

18. **Training** – Lawyers can use their now available time to get the training that they have always wanted whether it is practice specific, marketing specific or leadership training.
19. **The Plan** – It is time for the firm leadership to step up and make the tough decisions. You must assess your talent pool, your practice areas, and your marketing efforts and develop the necessary strategies that will best suit your firm going forward. Create a realistic, valid and well communicated plan to motivate the members of your firm and to maximize the results. Keep the staff and lawyers up to date as the plan evolves.
20. **Do Nothing** – Unfortunately, this will be the strategy for some firms. We wish them luck as other firms swoop in and eat their lunch. Their best people will flee and only the underperformers will be left behind.

We hope that you have found this helpful and thought provoking and we wish you the very best in coping with the stresses of being a leader in times of economic recession.

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