



# Weather the storm

The economy has hit a rough patch, bad news for clients and potentially worse news for lawyers. Two of the world's top consultants have assembled seven key strategic factors to recession-proof your firm.

**By Gerry Riskin and Robert Millard**

*Illustration by Tadeusz Majewski*

**D**an Dipietro, the head of Citibank's Law Group and also a friend of ours, is one of the foremost authorities on the business of law. So when he predicts that U.S. law firms are on the verge of battling unprecedented economic pressures, smart law firms start girding for the impact of a recession.

Our recommendation is that law firms act immediately to reassess their strategies, in order to (a) minimize the potentially firm-threatening impact of a bad recession, and (b) perhaps even more importantly, capitalize on competitive opportunities. Wise lawyers should regard an economic downturn as an excellent chance to improve their firm's performance and lay the groundwork for major strategic gains down the road.

Managing partners should consider these seven key strategic factors in order to "recession-proof" their firm.

## **1. Display strong leadership.**

The Cherokee Nation had one chief who would rule during times of peace, another to take command during war. The need for hard, courageous decisions, even sacrifice, is common to both recessions and wars. In both cases, strong leadership is critical if decisions

are to be taken and actually executed.

Law firms are extremely difficult environments in which to manage, thanks to the ferocious independence of lawyers and the emphasis on billable hours over good-quality non-billable initiatives. It is imperative that leadership facilitate rapid changes in behaviour

in order to achieve the other steps outlined below.

The challenge increases for managing partners, in the sense that dispensers of cod liver oil rarely win popularity contests. Your best relationship preserver will be extraordinary communications from you to as many individuals as practical.

## **2. Ramp up the frequency of financial data reporting.**

Things can change fast in a recession. Clients, under financial pressure themselves, terminate engagements. Revenues might contract. Debtor payment periods and writeoffs might deteriorate, putting pressure on liquidity. Accordingly, the firm's key financial metrics must be monitored far more frequently than in boom times.

Except in the most disciplined firms, many lawyers don't pay close attention to the numbers. But matters can deteriorate to the point of crisis before an alert is ever sounded. It will take some time to brief partners and review critical information regarding their practices. The earlier you start, the more successful you will be. (Coaching some of your partners will be critical — see point #4, below).

## **3. Make the hard decisions quickly and humanely.**

Layoffs, if required, must be done quickly and humanely — not only to preserve capital, but also to get the firm past this trauma and focused again on moving forward.

You must carefully assess the continued employment of underperformers. Where the market is no longer buying specific services, there are two choices: retool (quickly) or separate.

Do not misinterpret us as suggesting you rush to lay off people. Long-term considerations suggest this is a last-resort option for all personnel, except those who ought to have been asked to leave years ago.

The ramifications of layoffs are immediate and negative. Many lawyers feel a degree of personal insecurity, even at the best of times; layoffs or "de-equitization" exacerbate that. Those who remain following a purge might feel they were spared, but they might also wonder: "Am I next?"

Candid communication will be required to lend truth to assertions like, "If I haven't spoken to you personally, you face no particular threat." But



explanations will be required: “We have taken hard decisions to preserve the stability of our firm’s future....” Some layoffs can be virtually invisible – many firms hire outsourcing coaches and provide other services to those who will simply “move on” without the stigma associated with termination. This is a preferred alternative, where circumstances permit.

#### 4. Focus practice and client team leaders on short-term action plans.

You must execute more quickly in a recession than in good times, so plans of actions must be designed for rapid implementation. Plans must be focused, systematic and disciplined,

and those who actually drive them must be integrally involved in their creation and execution.

Feedback and accountability measures are critical to ensure the plans are executed, especially when they relate to the hard, courageous decisions referred to earlier. Leaders must manage the non-billable time to make sure the implementers are attending to their appointed tasks.

The forgotten step is typically the most important: one-on-one leading, coaching and mentoring. This requires most leaders to choose lieutenants to whom to delegate some of these responsibilities, especially when the leaders themselves are carrying heavy practice loads.

#### 5. Involve your clients.

In recessions, client mobility increases. Client needs evolve more rapidly as new threats and opportunities emerge, so firms need to go beyond simply expressing empathy and assuring continued loyalty. They need to actively position themselves to meet emerging key client needs. This cannot be done without actively discussing business (not just legal) issues with clients. If you don’t have client teams in place for your key clients, yesterday would be a good time to start!

Many lawyers fear candid discussions with clients, because they anticipate fee resistance that will only get worse in adverse economic conditions.

# Braver la tempête

L’économie traverse une période difficile — une mauvaise nouvelle pour les clients, et potentiellement plus mauvaise encore pour les juristes. Pour immuniser votre firme contre les effets pervers d’une récession, deux consultants de haut niveau ont élaboré sept stratégies-clés.

Le caractère chinois pour le mot « crise » est fait de deux symboles : l’un signifie « danger » et l’autre, « opportunité ». La stratégie en temps de récession représente certainement des défis. Mais si vous jouez correctement vos cartes, des opportunités surviendront, tant pour diversifier votre clientèle qu’améliorer votre équipe.

À l’attention des associés directeurs, voici sept stratégies pour rendre votre firme imperméable aux conséquences d’une récession.

#### 1. Faire preuve d’un leadership fort

Pour mettre en œuvre les six étapes suivantes, un leadership fort sera crucial, pour changer certains comportements, entre autres. Vous devrez aussi communiquer directement avec autant de gens que nécessaire, de manière à préserver vos bonnes relations.

#### 2. Un meilleur suivi des données financières

Les choses évoluent rapidement en temps de récession. Ainsi, les données financières des clients et de la firme doivent être suivies avec plus d’assiduité, tant pour leur bénéfice que pour le vôtre. Plusieurs avocats portent généralement peu d’attention à cet aspect de leur pratique. Des ajustements et des réunions d’informations sont donc à prévoir, plus tôt que tard.

#### 3. Prendre les décisions difficiles rapidement et humainement

Les mises à pied ont des effets pervers immédiats, comme l’insécurité chez les avocats qui restent en poste. Elles devraient rester une option de dernier recours. Lorsque les circonstances le permettent, couper dans la sous-traitance peut s’avérer une alternative salutaire.

#### 4. Des plans d’actions ciblés

La rapidité d’exécution et la discipline sont capitales en temps de crise. Vous devez donc vous entourer de lieutenants à qui vous pourrez déléguer certaines tâches, tout en supervisant leur travail. Ces lieutenants devront être impliqués dans l’élaboration des plans d’action.

#### 5. Impliquez vos clients

Une récession emmène de nouveaux besoins chez les clients et une firme doit savoir les combler. Le seul moyen d’y parvenir est de discuter avec eux des différents enjeux auxquels ils font face — et pas seulement des enjeux légaux. Si vous n’avez pas déjà d’équipe-clients affectées à vos clients principaux, il serait grand temps de les mettre en place.

#### 6. Gérez les attentes du personnel

Un leader doit expliquer à l’interne ce qui est fait pour protéger la firme de la récession, et l’impact de ces gestes sur la situation financière des membres du personnel. Cette connaissance motivera les troupes à changer ses habitudes, plutôt que de poursuivre sur son mode habituel.

#### 7. Ne pas perdre de vue le long terme

Garder certains champs de pratique non rentables pourrait être bénéfique s’ils sont profitables à long terme. En revanche, une récession peut être un moment excellent pour vous départir de certains secteurs moins avantageux. Plusieurs firmes de renom relocalisent certaines activités au Moyen-Orient, par exemple... Comment pouvez-vous offrir des services extraordinaires à vos clients de choix, tandis qu’ils traversent la même tempête que vous? ■

But as Jim Collins told us in *Good to Great*, we must face the brutal facts. Clients do not want to bankrupt their preferred law firms, but nor do they want to be taken for granted. Law firms

must determine what they are offering that has value and how to communicate that effectively. This involves skills that might need to be acquired, or if already present, then honed.

## Graduating into a recession?

If you're entering the profession in an economic downturn, times can be tough. Here are four tips to ride out a recession.

It's not much fun graduating from law school, carrying a huge debt load, only to find a mediocre or poor job market waiting for you. If you entered law school within the past five years, you paid boom prices for a law degree and you might end up in a bust marketplace. It's not fair — but it happens, and if you've never seen a recession up close before, it can be more than a little disconcerting.

There are lessons to be drawn, however, from those who landed in similarly soft job markets in previous downturns. Here are a few thoughts on what to do if you're taking a new LL.B. or J.D. into a recession.

**1. Don't panic.** Easy to say, not always easy to do, especially if you watch too many all-news channels. Avoid the temptation to wrap yourself up in worry, self-pity and general gloom — it gets you nowhere and it annoys your friends and family. Just because you're not employed does not mean you're not employable.

Moreover, they've abolished debtor's prison, so don't spend too much time fretting over your student loans. Cycles come and go; we've just come through a long period of general economic health, but it was still a cycle, and it was always going to end. Same goes for a recession; this too shall pass.

**2. Keep learning.** Your career is always on, 24/7/365, regardless of whether you're employed at the moment. Your law career began on the first day of classes and it will continue until you retire to a life of leisure. If you're not employed, take the opportunity to increase your skill set, broaden your knowledge base, and learn more about the legal industry and the types of law you love most.

Read journals and magazines, or if you're low on cash, blogs and e-newsletters — not only about the areas of law that most interest you, but especially

about the fundamentals of running a law business. You didn't learn them in school and you wouldn't have the chance to learn them if you were working. Invest today's downtime in tomorrow's competitive advantage.

**3. Network.** Consultants are always telling lawyers to network, make contacts, and find opportunities to market their names, expertise and brand. Practicing lawyers, in reality, don't have much time to do this; you do. Find out where lawyers meet, and join them. Attend a CBA Section meeting (student and new lawyer fees are low) in any area that even vaguely interests you.

If you really want to get ahead of the game, go visit a CCCA meeting and talk to clients — you'd never get this close to them as an associate. Meet lawyers, introduce yourself, ask questions (about their work, not about whether they're hiring), listen attentively to the answers, and follow up with the people with whom you best connected — if you're really lucky, you'll find a mentor. Make networking your non-paying full-time job.

**4. Be positive.** This is kind of the flipside of not panicking, but it deserves a final mention. You didn't become any stupider or any less attractive to employers because the economy tightened up; this had nothing to do with you. Classmates and friends who managed to land a job aren't Supreme Court justices in waiting, they just had better luck on the first go-round.

Feed your self-esteem with positive reinforcement from those closest to you. Keep a journal and record one smart thing you did every day to prepare for your next job. Learn, network, read and write. Above all, stay in touch with the law and the legal community — because you're still part of it, whether you're drawing a paycheque or not. ■

By **Jordan Furlong**. This article originally appeared at the blog *Law21* (<http://law21.ca>).

### 6. Manage internal expectations.

Business as usual can be lethal. Remember the tale of the two frogs? The first is dropped into a bowl of hot water. It jumps out. The second is dropped into a bowl of cold water that is slowly heated up. It doesn't jump out, and eventually dies.

Similar procrastination has been the death of too many good firms. Leaders need to explain internally what is being done to weather the recession and what the likely impact will be on the individual financial positions of firm personnel. This knowledge will motivate your people to do what is expected of them, rather than default to "business as usual."

You cannot communicate too well at the best of times. What most firms now face bears no resemblance to the best of times.

### 7. This too shall pass: Keep a balance with your long-term strategy.

Think strategically about whether and where to cut short-term resources. Retaining some temporarily unprofitable practice areas and individuals might be advisable if they are important to your long-term goals. On

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the other hand, a recession is an excellent time to re-engineer or sever areas that have become less profitable, but have been tolerated to avoid conflict.

Many significant law firms are heading for the Middle East in a big way. They are following the business — following the deals. How can your firm provide extraordinary value to preferred clients, as they weather the same storm you are experiencing?

The Chinese character for "crisis" consists of two symbols: one means "danger," the other "opportunity." While strategy may be more challenging during recessions, if you grasp the nettle, opportunities will arise to enhance both your client mix and your talent base. ■

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