

Love the crisis:

10 tips for Managing Partners to handle the economic crisis

By Prof. Laurent Marliere

The title of this editorial is not intended to be provocative, but implies some alternative thinking in these gloomy days when the word “crisis” or “crunch” is on everyone’s agenda.

The legal industry is certainly not immune to the crisis, but, in general, lawyers benefit from a certain level of stability.

“When the economy goes well, things go well for lawyers. When the economy goes bad, things go even better for lawyers.”

Law firms are experiencing times of change and thus times of opportunity. The standards to manage and market a law firm are changing as clients’ expectations are changing. Innovation is paramount in these shaky times.

Of course, some of London's most visible law firms sent shock waves around the world. The size of the media attention given to some of these firms has naturally created concern amongst partners at offices elsewhere in Europe.

Cutting partners’ heads off as happened in some UK-based firms, certainly has a psychological impact. However, some of these global firms’ continental offices were actually hiring partners or appointing new partners when their fellows in London were being sent back on the street.

“Smaller but more profitable” appears to be the new London mantra. While lawyer redundancies would be viewed in London as prudent administration in difficult times, across continental European law firms, this action could be viewed as a result of bad management.

The global economy might be in the grip of the worst financial crisis for 80 years, but Europe's law firms are not being equally affected by the downturn. A slow-down in activity in your law firm may actually be the ideal time to brainstorm and think strategically.

It is tempting to just slash costs when a recession bites. However, it pays to give some considered thought to what should go and what should stay. Many good firms have emerged and been built in a recession and the lessons learnt in lean times can turn to gold when the environment improves. And history tells us it will improve. A clear sign is that banks are reinvesting substantially in advertising campaigns to sell their products

Intelligently containing costs by using the right tools to understand the clients who deliver bottom-line profit vs those that cost you money, along with smart ways to motivate your staff to be more productive can make a huge difference. You need to hang on to your best clients, and motivated staff who know what they are doing can help you do just that. We have compiled 10 tips to help you manage your firm during the crisis. You might want to consider these...

1. Support sales

Look for opportunities to better connect partners with clients and prospects – and improve sales staff performance at the same time. In a law firm, not all partners have a “salesman” profile. It might be the right time to train or coach them on their commercial ability and help them review their clients’ portfolio. Your senior associates might also be “hidden” business referrers. Make them come out of the woods and discuss the issue with them.

Partners’ performance on “sales” also needs to be tracked, with more leads being directed to the more successful partners. Consider if all your staff know how to recognize a sales lead and, more importantly, what to do with it.

2. Simplify pricing

Law firms often create complex pricing models and these can be a headache for both the lawyers and the clients. Your firm could increase revenue and profit on new contracts by centralizing disparate information. Unnecessary discounts and inconsistent pricing often lead to unclear proposals and are rejected by clients who want crystal-clear prices as they face pressure on budgets.

Even if it is sometimes challenging, especially with litigation cases, try to quote the cost and terms of your key products or services so that you do not just sell expertise, but you sell expertise with a transparent client-friendly pricing.

A word on discounting: “It is unwise to pay too much, but it is unwise to pay too little. When you pay too much, you lose a little money; that is all. When you pay too little, you sometimes lose everything, because the thing you bought was incapable of doing the thing it was bought to do. The common law of business balance prohibits paying a little and getting a lot. It can’t be done. If you deal with the lowest bidder, it is well to add something for the risk you run, and if you do that you will have enough to pay for something better.” – John Ruskin (1819 – 1900)

3. Get into figures

You need to have and review an updated dashboard of your firm with all your key performance indicators (KPI’s) . Gathering detailed metrics on the performance of your business – including suppliers and clients – can help trim unnecessary waste by giving you a window into what is happening in different areas of your firm. In uncertain times, it is paramount to have a cash flow analysis, identify slow-paying clients and focus on matters that are exceeding WIP levels agreed with the client.

Ask yourself whether all clients are worth it in a recession and apply the Pareto rule 80/20 (20 percent of clients generate 80 percent of business). Now is the time to consider letting go of unprofitable elements of the firm and releasing this energy towards new initiatives that will thrive in the next economic upturn.

Try to optimize the supply chain by asking who are your suppliers and if they all perform to your expectations. Pull the data on the company’s assets out of your system too and ask yourself what assets are worth keeping and what aren’t.

This will enable you to reach a smart pricing methodology to preserve profitability in sales

negotiations – and reduce the pressure to discount too heavily.

4. Streamline processes

Another technique is to combine sometimes complex back-end processes with a client-friendly web front-end so customers can help themselves. This also saves on staff costs. The question is how can you work smarter with the use of technology across the whole firm?

Now is time to review and question your process and workflow. In a law firm, sharing knowledge, precedents and know-how is important. How can you be sure that the advice Partner A is giving has not already been given by Partner B? Or indeed is consistent with your firm's policy.

You need to have a back-office that will help cut out inefficiency in relation to searches, precedents, interviews, meetings... Do you have the right practice or knowledge management software to help you achieve this?

5. Innovative & inexpensive marketing

Media expenditure in newspapers, magazines, on radios & TV tends to come under pressure in tough times. So is it just about negotiating discounts for this spend? No, there are smarter ways to approach your marketing spend by improving your website, email marketing, social networks, electronic networks like LinkedIn, Xing, Twitter, Facebook and, increasingly, blogs.

If your corporate culture can cope, get creative by targeting email newsletters with edgy or controversial content. You benefit from low cost mail distribution, direct links through to your website and also, potentially, from the viral effect to grow your prospective customer base. Remember the content of these emails must provide value as people will just ignore those that only have a 'selling message'.

Also try adding a newsy blog to your website. By generating new fresh content you attract Google traffic, encourage a longer stay on your pages and develop rapport with visitors that will pay back if they go on to become clients. Identify those people in your organisation who will ensure that the content for the blog will be kept current and fresh.

When there is less billable time, invest your time in business development and marketing efforts that, when the economy is booming, you usually don't have time for. Learn how to use the social networks, write articles and why not a book!

6. Review IT

The IT budget is another that comes under pressure when expenditure is squeezed, but there are a number of ways to continue to deliver incremental process improvements or simply save costs. Here are a few:

- Consider free software services like Google Docs or Yahoo Search for your non-secure working needs. These web-based services allow staff to work on and review work-in-progress at any time. They're good for getting remote workers to collaborate, as they don't all need to be in the same place and can view the work plan whenever they want.

- Look to buy in services that you can't support, such as CRM, and opt for a hosted open-source CRM service as IT is not part of your core business.
- Cut back on the toys. Do your people really need the latest expensive smart phones or are they just status symbols? Indeed, do they all need high-end € 2,000 laptops when there are now € 300 netbooks that might serve just as well for their mobility needs? Netbooks are the small, internet-enabled notebooks with flash drives (just like your USB stick) that can run simpler, less resource-hungry or browser-based applications that might be all you need to meet your business needs. They are small and light and so are ultra-portable, with no moving parts. They are also great for web/online applications.
- Upgrade rather than replace. Many PC problems can be solved by simply applying more memory. If you are running Vista, for example, your PCs are using a lot of memory. Upgrading your memory can be a cheap, effective way to improve productivity and reduce the load on your IT support team.

7. Train for better productivity

Staff productivity is another big recession issue, but many law firms pay very little attention to training even though it can raise productivity considerably.

It is amazing how much more effective partners and associates can be if they are actually trained to use software properly, for example. A more in-depth training on the basic software like Word, Excel or even Outlook for personal marketing purposes can be a real winner. Needless to say, partners and associates should regularly be trained on how to use the firm's management software and to get more out of that system.

Not all lawyers need to become computer experts. But, in the present downtime, perhaps you could use this time positively to upgrade your staff's skills and reap substantial rewards.

8 Make staff more productive

It is a simple thing to say, but delivering real change initiatives takes time and effort – and time out from the day-to-day grind.

- Team building. This is not a luxury in recessionary times, as it could provide the competitive edge you need and help motivate staff to perform at above and beyond the level you need them to. Recession also has a substantial impact on human relations and partners or associates tend to be more individualistic. It is wise to consolidate the team spirit to secure the overall results of the firm. A team needs clear goals and a mix of personalities to deliver. Good teams are built on trust. Trust is built via communication efforts and interaction that are not exclusively technical or professional; you need to reach the individual.
- Performance management. Law firms should view themselves as coaches, setting goals to motivate staff, associates and partners. Without goals, employees often view work as a pointless grind. Clear guidelines and one assessment every semester are also part of this. Yet often, particularly within smaller organizations, these elements simply do not exist. Implementing an effective goal-setting policy and an assessment policy are not expensive, but they provide a direct substantial benefit to the firms. It pays dividends, as lawyers know what their jobs are and their performance can be measured, and this, in turn, contributes to the bottom line.

- Time management. Law firms generally use time-management software as a means of both controlling staff and as an aid to billing – it allows them to itemize lawyers' time on client accounts. It may be wise to review your time management policy now, especially if you have utilisation issues. This can reduce time-wasting, as staff have to log their use of time in anything from 30-minute to six-minute intervals, which keeps them focused on doing productive work. Some people swear by it; others hate it. It requires investment, but can pay dividends in both staff productivity and improved client billing and relationships.
- Getting tough. If you do have to get really tough with staff that spend too much time surfing the net, just lock out the problem sites. You should also have an IT-use policy – and make sure everyone has a copy. This should prohibit improper use of work PCs and can be referred to in disputes.

9. Alternative staffing resolution

People in your firm are aware that there is a credit crunch out there. So it might be the right time to ask them for a specific commitment and you can probably draw on specific skills from your existing resources. Some of your associates might help with other commitments like compiling a specific precedents database or assisting in your marketing department or improving some operational management issues. This will limit your investment towards external consultants and keep the staff motivated.

10. Laying off staff?

Think creatively here too – you'll need them again when the upturn comes back. So, if you can, instead of making people redundant suggest they go part-time. Some people might even prefer this, or if they don't, they will probably see it as preferable to redundancy. You may lose them to another job, but you will retain their goodwill. And, if they do choose to stay, you will retain their skills, while trimming the wages bill. The working-from-home option is also popular with some partners, particularly those with young children, and can help trim office rental costs.

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