Dan 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...
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.

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 dépar- tir de certains secteurs moins avantageux. Plusieurs firmes de renom relocalisent certaines activités au Moyen-Orient, par exemple… Comment pouvez-vous offrir des services extraor- dinaires à vos clients de choix, tandis qu’ils traversent la même tempête que vous?

explanations will be required: “We have taken hard decisions to preserve the sta-

bility of our firm’s future....” Some lay-

offs can be virtually invisible – many

firms hire outsourcing coaches and pro-

vide other services to those who will sim-

ply “move on” without the stigma associ-

ated 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 mea-

sures 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 con-
tinued 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 discus-
sions with clients, because they antici-
pate fee resistance that will only get

worse in adverse economic conditions.
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.

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 legal 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 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 talking 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 flip-side 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.)