

Strong firms relish a recession

Retain good relationships with staff you fire. Go for a coffee with a client rather than throwing a party. And launch a newsletter. These are some of the lessons from the recession, says **Pippa Blakemore**

This article evaluates how firms are coping with the downturn and compares reactions to the recession. It analyses the effectiveness of firms' strategies, considers those which have worked, why they have worked and how prepared firms are to face a recession which may get worse before it gets better.

From my experience of working with more than 60 law firms worldwide, continued observation and research, I conclude that there are five common, interrelated characteristics of law firms that are successfully managing the recession. The following are strong foundations, even if the recession continues to deepen:

- 1) An enduring relationship with clients
- 2) A respect for staff; for those they make redundant and for those they retain
- 3) An innovative approach, underpinned by high quality of service and attention to detail
- 4) Effective communication
- 5) Confidence in their leaders and their staff

1) An enduring relationship with clients

Collaborative working

Firms that have worked collaboratively with their clients to build long-standing and strong relationships, face an unprecedented economic environment on a sound basis. These firms recognise that clients are not an amorphous mass but are made up of individuals with whom they have personal relationships. The lawyers identify with the pressures that many of their clients are under, including declining markets, slow-down of projects, dearth of new initiatives, increased competition, reduced income, cash-flow difficulties and less to spend on legal services. Successful firms have developed a genuine commitment to their clients, together with a deep knowledge of the context in which they work. This was reflected recently in a beauty parade, when the law firm was told that they had won because, "you knew more about our business than we did."

Current investment for long-term return

Successful firms recognise that the recession may get worse. So strengthening client relationships with those unlikely to go bankrupt must be viewed as a long-term investment, possibly with current costs and no immediate return. Changing client needs are perceived as a further opportunity to demonstrate the value of the relationship rather than a threat to it.

Cross-selling is essential

Cross-selling is no longer "nice-to-have-but-not-possible-to-do-effectively" because of internal politics and individual sensitivities about protecting a personal client base. Cross-selling is essential for survival and growth. A relationship with a client is like a tree. It will flourish if the roots go deeply throughout the firm, across departments and practice areas, and at every level from the most senior to the most junior. Similarly, the structure of the branches should reflect that of the roots and spread throughout the client organisation.

Loyalty is no longer just habit

Loyalty now has to be won over and over again. In the past, loyalty was often in reality, habit. "We instruct that firm because we always have." Now, loyalty has to be earned, monitored and constantly reaffirmed by action.

This dynamic approach is reflected by Detail Solicitors, a leading commercial law firm in Nigeria, which is increasing its turnover, size and profile year-on-year. Ayuli Jemide, lead partner, says: "Detail's relationship with a client is like walking together on an obstacle course: we identify its business goals and targets, and provide solutions for each obstacle on

its path." This approach, he says "has been encapsulated in Detail's strapline: "We mind your business!"

2) Respect for staff: those made redundant and those retained

Lawyers and support staff in many firms can be divided into two groups: those that are made redundant, let go or consolidated and those that stay.

Everybody realised that the economic meltdown, in some sectors, would lead to redundancies. Given this, the robust firms recognised it as an opportunity to strengthen their credibility and relationships with their staff, from the most senior lawyer to the most junior. Such firms applied objective and transparent redundancy criteria fairly. Redundant employees were told in a humane way, rather than by email or voicemail. They were treated as individuals with respect.

Redundancies that have been handled sensitively mean that there is a pool of ambassadors in the outside world, speaking positively on the firm's behalf. These ex-employees may need to be re-employed when the economy improves, may go in-house and so instruct law firms in future, may become entrepreneurs who need lawyers, or may influence the decision-makers on which lawyers to instruct. Handled badly, memories will be long and bitter. All the high profile and lavish marketing of the boom years will be undermined by word of mouth experience.

Successful firms also understand that remaining staff are under great pressure. Insensitively handled redundancies undermine the morale of those staying. The ever-present threat that "it may be me next" hangs over each person, like a Sword of Damocles, particularly now that some firms are in their fourth round of redundancies. Reduction in the numbers of lawyers and support staff means additional work, possibly in unfamiliar areas, resulting in longer hours and increasingly high expectations of business development, without the training, coaching and support. These pressures are often accompanied by a pay freeze, salary reductions, no bonuses, no incentives, a deferred trainee intake and the sobering sight of empty office desks, which once accommodated friends and colleagues.

Durable firms encourage a collegiate approach and generate suggestions from teams and staff. Lawyers in these firms have been galvanised into productive use of spare capacity, asking "what can I do today to make things happen? How can I be more pro-active?" Successful firms are encouraging the development of the staff rather than reducing it.

Thriving law firm in libel, privacy and international law, Carter-Ruck has demonstrated its commitment to its staff through its growth of investment in marketing and training (two budgets under threat in many firms) from the Senior Partner to the trainees. Cameron Doley, Managing Partner, says: "Our staff are our most important resource and we will continue to give them the skills to be excellent lawyers and the tools to provide outstanding service. Our commitment is reinforced by our recent move into new offices, which has been much welcomed."

3) An innovative approach

Innovation with clients

"I believe that one of the key factors for a successful law firm today is the development of innovative, tailor-made products that overlap practice areas and focus on industries," says Dr Alexander Popp, partner at Schoenherr – a leading firm in central and eastern Europe.

Successful firms have innovative approaches that are imaginative, sustainable, cost-effective and designed for the bad as well as the good times. Before the downturn, many firms invested in expensive ideas to stand out from the crowd. Even then, this generated a tension between provid-

ing the clients with the services they required and the additional cost to the firm. Many innovative approaches were appropriate when both clients and law firms were flourishing but have since become extravagant overheads.

Innovative approaches for clients have ranged from the coherent, consistent, and structured provision of global, international services, using ground-breaking technological solutions, to the creation of intranets for clients and access to fees on a real-time basis. To meet client needs, firms cannot respond in the way one did, when the client said "we want an innovative and pro-active firm". The response was, "what would you like us to do?"

Boutique London firm, Collins Benson Goldhill LLP, has continued to flourish, despite its focus on commercial property. Senior principle Peter Ruchniewicz told me that: "Our continued success in the downturn can be attributed to our innovative approach. Every lawyer is very responsive and flexible and looks for imaginative solutions, which they then implement immediately."

Innovation on fee proposals, structures and debt

There has been much discussion for years between clients and law firms on moving away from hourly rates. This is more likely to happen in future as clients look for value-based billing and demand flexibility, innovation and an imaginative approach on fee proposals and structures, which will still allow simple comparison between firms.

A similarly innovative approach is now required for clients with cash-flow problems in order that both firm and client survive. Firms are assessing the financial viability of those clients that argue over fees, delay paying fees or don't pay at all. Innovative solutions are required, such as agreed staged payments and deferred payments with interest. Firms are sitting down and talking to the clients (without charge) about how to come to a mutually satisfactory arrangement, which will strengthen, not destroy the relationship, which might happen if the firm demands immediate payment with no compromise.

Innovative approaches to client entertainment

Clients are aware that the money spent on entertaining them is ultimately their money. Therefore, cash-strapped clients want their lawyers to be demonstrably interested in their business, but also want low-cost opportunities to catch up, discuss their organisations, cement relationships and allow lawyers to demonstrate their empathy for the pressures clients are under. One law firm was being courted by a firm of accountants in the good times. The accountants hired a cinema and screened a pre-release film. One lawyer commented, "it was a great evening but nobody took an interest in my business." The half-hour cup of coffee around the corner is becoming an effective marketing and business development tool.

Innovative ideas to retain and motivate staff

A highlight of this recession is that firms have learned from the last downturn not to cut staff in swathes at certain levels to reduce costs. The consequence of doing this in the last recession was a gap at certain years of qualification which has never been filled. Responsibility is spreading down to more junior lawyers traditional roles are challenged and members of staff are asked to be flexible and adaptable as major projects slow down and there are fewer in the pipeline.

A number of firms have involved their staff in making suggestions and listening to their solutions. For many staff, the key objective is to keep their jobs, even with a pay cut. So, for example, one department was told that it had to be cut by 50%. The staff discussed this and opted to keep everybody and each to take a 50% pay cut. Other ideas to retain staff include 4-day weeks with a corresponding 20% pay cut, frozen salaries, sabbaticals, additional unpaid holidays, flexible working, job sharing and career breaks. At the same time innovative law firms are keeping in touch with those that have been made redundant.



4) Effective communication

Firms with effective communication regard unambiguous, appropriate and structured communication as an integral management tool, while constantly assessing its suitability for the job it is required to do. They have a frequent and regular approach to communication rather than a hit and run blitz that is followed by long periods of silence. They ask the following questions of any communication:

- What are its objectives?
- What is the message we are conveying?
- Who will be the receiver?
- What do we want the recipients to think, to feel, to do and to say as a result?
- How frequently should we communicate to achieve our objectives?
- What is the most appropriate method of delivery? (Not what is easiest for us, but what is best for the recipient.)
- How will the message be heard, absorbed and interpreted?
- From whom should it come?

Internally within the firm

Nowadays, most people think "no news is bad news." No communication or poor communication, in times of uncertainty within law firms, leads to frenzied speculation, which inevitably assumes the worst. This exacerbates any demoralisation and leads to demotivation.

All firms have found it difficult to balance motivation with honesty. If a firm says that this is the last of the redundancies and then makes more, it leads to distrust in the leadership. If it is implied at each stage that there may be more, then there is permanent uncertainty.

Focusing on the receiver rather than the giver of information means that a redundancy interview, in which the employee will be losing his job, possibly his house and his immediate prospects, will not begin with the interviewer saying, as frequently happens, "this is as difficult for me as it is for you."

Effective communication externally

Successful strategies have increased rather than decreased external communication. Firms are making it more personal and focused and ensuring that they stay in touch with all those with whom they have relationships. Firms are increasingly checking the value of their offer, visiting clients, talking to clients, asking well-informed questions, finding out how clients are coping, listening harder and longer to what is happening to them and what is likely to happen. Strong communication encourages the clients to give feedback on services, make suggestions on improvements and for firms to react to this positively, welcoming suggestions and not being defensive.

Superior communication enables strong firms to stand out from the competition at little extra cost and proportionately greater impact. This is because many firms have cut back on support services, whose contribution cannot be objectively measured, such as PR, press releases, events and communications. This creates a unique opportunity to raise and maintain a firm's profile in a less crowded communication market place. Firms that are successful are continuing to generate press releases and some firms have been confident enough to launch newsletters in the recession, rather than cut back.

Successful Bulgarian law firm Atanasov & Ivanov has increased its turnover and numbers of staff since the start of the recession. Ilian Ivanov, partner, told me that: "As times have become more challenging, we have felt that it is important to increase our communication with our clients and our staff. The results speak for themselves."

Taking advantage of new media

Looking to the future, firms that succeed will incorporate constantly evolving new media into their communication. Twitter, Linked-In, Facebook and Wikipedia are becoming an integral part of everybody's lives, including lawyers and their contacts. Blogs, unofficial websites and unauthorised commentaries on firms means that firms' messages have to be consistent, durable and credible because if not, this will be exposed in a variety of ways, by many people, across the web.

5) Confidence inspires confidence

Confidence inspires confidence: in clients, contacts, referrers, intermediaries and staff. Firms have to believe in themselves before others will believe in them. Underpinning the actions and reactions of the firms that will survive and flourish in the global economic downturn has been confidence built up over years. Successful firms have confidence in their leadership, their strategy and their decision-making. Confidence inspires trust in clients and motivates staff. Leaders that radiate confidence generate it in others.

Long-term confidence has been manifest well before and leading up to the economic crisis, by not going where others went (simply because that was what everybody was doing) but objectively evaluating the appropriate strategy and implementing it consistently and calmly against more opportunistic advice. They had the confidence and the control to know that the boom would inevitably end sometime and so did not distribute or spend the rapidly generated wealth in a profligate way.

Thriving firms are reacting to daily unforeseen challenges in the same measured way, incorporating imagination and adaptability. They are taking a long-term view and recognise that each day is an investment in tomorrow and the future. Rather than panic, feel threatened or be reduced to non-decision-making paralysis in a crisis, they are embracing the recession for creating the opportunities to review how they do things; to challenge the status quo and to take this breathing space to make things even better. They are reviewing the robustness of the strategy, testing it for durability, and taking action to revise it where necessary. They look forward if mistakes have been made, identifying lessons learned, rather than backward to allocate blame. They have the confidence to increase the communication to all those, internally and externally, with whom they have a relationship or would like to have a relationship.

For example, confidence in their position in the UAE has been reflected by Hedef & Partners, one of the oldest and largest law firms in the Middle East. Indeed, Hedef & Partners launched a reinvigorated new brand in April 2009, during the peak of the worldwide recession, which includes a tremendous website and highly regarded electronic newsletter.

I visited Dubai in August this year, and at a meeting at Hedef's Dubai office, Sadiq Jafar, Managing Partner of that office, said: "The launch of our new brand, at a time when many businesses worldwide were reducing marketing budgets, helped demonstrate the confidence we have in our strategy and our brand essence, which is focused on depth of both relationships and expertise."

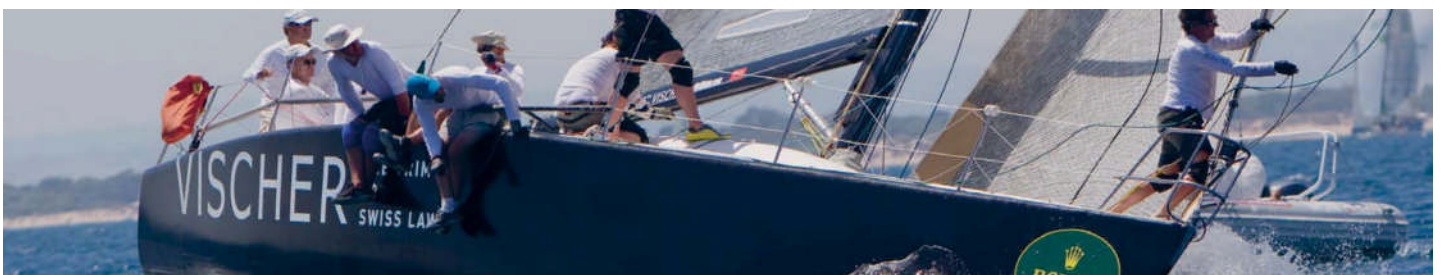
Conclusion

By constantly checking the strength of relationships with clients, respect for staff, the innovative approach, the effectiveness of communication, successful firms face the challenges of the future with confidence, despite the likely short-term challenges.

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