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The ant and grasshopper: Law firms learn a lesson



Law Firm Management

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The legal business wasn't always as booming as it is today. A decade ago, the profession went through an economic downturn that caused layoffs and sagging profits at many firms.

Some law firms emerged from the recession weakened, their ranks thinned by defections and layoffs. Some firms disappeared altogether. Many others, however, were primed to profit from the coming economic boom.

If the economic prognosticators are to be believed, the U.S. economy is about to hit similarly rough seas. Now, before a firm is in crisis mode, is the time for smart law firm managers to start planning for those seas.

Review practice areas. How are the firm's lawyers divided between the "up economy" practices, such as initial public offerings and mergers and acquisitions, and "down economy" practices, such as litigation and bankruptcy? In other practices, such as real estate, do the firm's lawyers have expertise in the whole spectrum of the practice? This is the time to ensure that the practice can do more than put together multi-million dollar deals. If the economy takes a nosedive, the firm will want to make sure it can handle the loan workouts and bankruptcies that often spike in slow economies.

Review client relations. If the lawyers' economy is slow, it goes without saying that their clients' economy will be slow too. Law firms have always had to keep clients happy, but in a buyer's market, those efforts are more important than ever. Clients assume their law-

yers are smart and competent, and they should be. But lawyers also should provide their clients with value. Providing them with the most bang for their legal buck is crucial. Keeping them apprised of legislative changes in their industry, looking out for the company's best interests (regardless of whether it falls under the parameters of the particular project attorneys are working on) and finding ways to save them money, will all pay dividends in increased client satisfaction and retention.

Review marketing. During times of belt-tightening, firms may be tempted to jettison their marketing efforts. While it may be counterintuitive, now is actually the time for them to maintain, or even increase, spending in this area. If other firms are cutting back, this may be an opportunity for a message to be heard above the crowd. This doesn't mean a firm should spend millions on advertising in the next week. But it does mean it should focus its attention on getting the best marketing advice it can afford. Is it sending out the right messages and doing it consistently? Is it targeting the right audience? Is its "look" cohesive? If the firm doesn't have a plan for marketing its services, now is the time to convene its leadership and devise one.

Review internal procedures. Are the firm's timekeeping and billing procedures up-to-date? Do its bills go out in a timely matter? Does it have a follow-up procedure? Sending out bills on a regular schedule is critical to avoid misunderstandings with clients that might have cash-flow problems. Are record-keeping systems efficient?

How much time is wasted doing tasks for which the only reason is "This is the way we've

always done it"? An in-house review of operations is a good way to root out waste, whether of money or time. Managers should ask support staffers for ideas to make the firm more efficient. They'll probably be surprised at what they come up with. They may even decide to outsource certain back-office procedures.

Review employee retention efforts. This is another counterintuitive notion, but it's actually quite practical. If the economy slows, proven producers will be at a premium, and other firms will want to hire them. It's true for partners and associates, and it's true for administrative staff.

Is the firm a nice place to work? Do employees feel appreciated? Are salaries competitive? Firm culture is a precious commodity, and it can do more to keep good employees in the fold than money or fancy perks. Making an effort to keep the most productive employees during the slow times will pay

dividends in the good times and bad.

It would be nice if the current economic boom could last forever. And, who knows, maybe it will. Not everyone is buying into the media hype of a coming recession. (Network news crews find long lines at the unemployment office much more compelling TV than record earnings statements.) Nevertheless, it's wise to be prepared.

Besides, even if the doomsayers are wrong, it never hurts to make an operation more efficient. A poorly maintained ship can fall apart on even the smoothest seas.

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