

TURNING AROUND A LAW FIRM

Over the last decade we have seen harsh economic realities catch up with many law firms. Tougher environmental challenges such as new competition, continued cuts to the legal aid budget, less support from banks in the professional sector, and clients demonstrating less loyalty to solicitors based on better visibility of the market, has but to real pressure on margins. Coupled with a lack of business management expertise in many firms compared to most other industries it is no surprise many practices in the legal sector are struggling.

Turning around a law firm is a huge challenge but can be done in many circumstances with the right approach.

The 10 point plan below provides an outline for a managing partner to turnaround their law firm. It won't be pretty and will take plenty of hard work but by following a process it will provide every opportunity to get the firm back to where the partners need it to be.

1. Dictatorship – this sounds harsh but someone needs to take full control of the situation with every decision the business makes being agreed by that individual. This is a crisis so a 'war room' type environment should be created with all decisions made. Nothing but turning around the business should be contemplated.
2. Utilise expertise – a lot of firms understandably don't have all the areas of expertise in-house to turn a business around so consider the use of experts who know how it can be done.
3. Identify the most relevant management information (MI) required to assist in turn around business decisions and get it implemented. Big packs of MI often traditionally used in partners meetings should be discarded and the turnaround MI should be concise and to the point to help relevant and good decision-making.
4. Define and implement a rigid strategy for turning the business around with actions, responsibilities, and timelines. Review, amend, and update regularly.
5. Be brutal – tough decisions are inevitable and the overall firm has to take priority over any one individual or department.
6. Cut non-income creating costs. A trap often fallen into is to cut departments that are lost making when they still make a significant contribution to central overheads. Look at non fee-earning areas to cut in the first instance.
7. Hold people to account. Allocate tasks and make everyone aware what is expected of them and follow up regularly. The requirements need to be part of the turnaround strategy.
8. Share the situation with staff. People will sense when there are issues in the business and it is likely that you will find much willingness to help and an appreciation of your openness from a call to arms.
9. Keep communicating and ask for ideas from staff but stay focussed to the plan and only consider ideas that the members of the 'war room' consider relevant and potentially helpful. You are likely to get some constructive input.
10. If all else fails look at other options. A merger might work to reduce central costs. Beyond that a Creditors Voluntary Agreement (CVA) could provide breathing space with administration being a last option. But hopefully by following points 1-9 these avenues won't require consideration.

