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Surviving the Economic Downturn

by Anna Savic

The current economic downturn has presented the legal community with an unfamiliar business environment. Law Firms and Corporate Legal departments and its members — attorneys, legal administrators, paralegals, and staff — have been challenged by this period of economic stress, and all indicators suggest that the slowdown is still in progress and that recovery for the legal sector will probably not occur before 2010. Declining demand, revenues and budgets have required firms and companies to aggressively address these challenges by cutting costs, reassessing, and restructuring, making whatever changes are necessary to protect their financial position.

Layoffs at all levels; reduced or delayed entry level and lateral associate attorney hiring; frozen or decreased compensation; cutting of hours and bonuses; use of furloughs; overtime restrictions; reduced budgets for CLE, subscriptions, and travel; and elimination of perks are just a few of the tactics being utilized by firms and companies to address the slowdown.

Although Real Estate and Transactional practice areas have been primarily affected, most practice areas have been impacted. There has been increased merger and acquisition activity among firms, while others have dissolved. Most everyone feels at risk. So, how does an employee proactively prevent him/herself from being another casualty of the recession?

Employees, no matter what level, are an integral part of a team that provides legal services to their clients, and as such, can assist in the employer's efforts

to adapt to this changing business environment. Each member of the team is a firm asset and can provide a valuable contribution. While it is a given that attorneys need to spend more time on business development during a tough economy, they cannot be expected to do it alone. The entire team should and can add value and assist in these efforts. The best way an employee

can ensure job security is by adding to the bottom line. And, how an employee responds to these challenges could be the difference between being out of a job, maintaining status quo, and/or thriving in this new legal marketplace.

Legal Management needs to welcome and encourage creativity and brainstorming from their employees. All employees, not just the management committee and

rainmaking partners, need to be vigilant in recognizing new opportunities, processes that get work done more efficiently, and trends as they develop. Employees at all levels are interacting with clients and hearing their concerns, and can provide valuable customer insight and intelligence that can identify problems, needs, or areas for improvement. Law firms and corporate clients law departments should work together to tackle common problems and streamline processes, actions that will improve and solidify the client/law firm relationship. When employees offer suggestions and share client feedback, the end result should translate into new business, retaining existing business, and uncovering new cost-effective methods that save money and/or improve customer service.

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Legal Administrators, as cost centers, need to be especially cognizant that if they don't add to the bottom line, they are vulnerable. Responding to client demands for reduced costs and flexibility is a smart business practice in this economic climate but in order to do so and remain financial viable, the firm will need to cut costs elsewhere or become more cost efficient.

Legal administrators must help in this pursuit by researching and seeking out better, more cost-effective ways for the firm or legal department to deliver quality legal services. Better utilization of technology, use of contract employees to supplement existing lean staff, creation of alternative employee tiers and career paths (such as the Staff Attorney tier, who are on a non-partnership track at lesser salaries and lower bill rates than the firm's regular associates), increasing and suggesting different marketing or business development efforts, locating alternative cost-effective benefits that save money yet still attract and retain valued employees, and suggesting new associate compensation structures (i.e., merit pay) that reward rainmaking and marketing efforts, are just a few areas to consider addressing.

Attention needs to be directed to the firm's business model and strategy, diversity of client base, and cohesiveness and ability of different practice areas to work together as a team. Legal Management needs to evaluate, assess, and challenge the current "best

practices" and take advantage of the silver lining to this recession — an opportunity to make significant changes to the way "it's always been done."

Relieving employee stress also needs to be on management's radar. The firm's top billers need to remain happy and confident with the firm's stability and management direction so that they don't begin

to consider other options. Staff needs to be reassured that the firm is healthy and able to survive this recession — lots of closed door partner meetings and to-the-bone cost cutting are warning signs that tell employees to polish their resumes, check out and start a job search on company time. Don't eliminate activities that provide for a "team" and "fun" workplace environment in your cost-saving efforts. Seek out activities that are not too pricey, and combining an ice cream social or morning fruit and bagels with a brainstorming meeting or

business development training session will provide you with more bang for your buck. Employees still need to feel valued and treated with respect and one of the easiest ways to do this, at no cost, is to say "thank you" and "I appreciate and recognize your hard work and efforts."

While this economic downturn has presented the legal community with an unfamiliar business environment, it has also provided an opportunity to enact needed changes within the legal marketplace and in the delivery of legal services. Teamwork, a willingness to embrace change, creativity and innovation, and taking the necessary steps to implement efficiencies and better practices are the survival tips to weathering this economic storm. ⁴1

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