

The Definitive Law Firm Management Guide

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Executive summary

MANAGING A law firm in these troubled times, most law firm managers would agree, is a tough assignment. There is extra strain on leadership due to a confluence of pressures: the economic downturn and the tightening of the legal services market. Those law firms which will emerge least damaged from the fierce market and economic conditions will reflect good leadership and effective management. This report highlights the essential skills required to lead the firm through these difficult times. It is aimed at those occupying management positions, and who are currently facing critical business, financial or people-management decisions – this report addresses such issues, and provides practical guidance on tackling them.

The best-practice guidance within these pages has been written by a range of individuals with extensive experience in management and/or skills development within law firms. The report acts as a comprehensive management resource in the critical areas of leadership, business development and client relationship management, financial and people management.

Although no one knows what the future holds, clear changes in the legal services market, initiated by the Legal Services Act 2007, and compounded by the economic downturn are set out. Expert advice is accorded to readers on how to prepare for such challenges and, in some cases, actually use the economic situation to their advantage, so that they

can emerge far stronger when market conditions have stabilised.

Part One of the report examines the essential management skills and capabilities required to manage the firm in a bear market, starting with leadership skills – the bedrock of good business management. While in a bull market law firm management is primarily about identifying the next lucrative area of practice, geographical market, or industry sector, in a bear market the main focus is to maintain profitability at a time where companies are looking to decrease spend by using in-house lawyers, rather than outsource work to external law firms, and pull the plug on expensive corporate deals. A good partner is no longer defined as simply being a good lawyer, and this chapter discusses the attributes needed to become a good leader.

Some skills are considered more important than others when managing a firm in the current economy. Business development has always been viewed as an essential part of the partner's role, but now, more junior lawyers are expected to bring in new clients. Law firms need to hone the business-development skills of their lawyers. Chapter 2 provides an outline of these skills – contrary to what lawyers see as 'selling' – as well as a masterclass on the process of selling the law firm's services, winning clients and developing those relationships. Additionally, expert advice on how you can make your law firm stand out from the competitors in

the early stages of business development is provided.

There has never been a more critical time to understand financial management in your law firm than at present. All partners and managers need to have a good understanding of how the business makes its profits and how it manages financial risk, in order to help improve financial success of the firm. Chapter 3 summarises the fundamentals of law-firm finances. It provides jargon-free advice on what law firm managers should be considering in the current economy, what role they play when it comes to the firm's profits, and long-term measures on improving cash flow.

While the attention may leap initially to profitability and financial management in a market downturn, it should not be forgotten that effective people management is the cornerstone of strategy for survival. A law firm's people are its most important, profitable and expensive asset, and therefore, managing them should be an important part of managing the firm as a whole. It can be a particularly challenging time to manage people as important decisions need to be made regarding salary cutbacks or, worse, redundancies. It is important, therefore, to be able to lead, support and provide encouragement to your staff throughout this period. Written by experts in the field of people management, Chapter 4 discusses the practical aspects of managing people effectively and the activities managers must undertake, in order to maintain productivity. The chapter offers expert advice on how to deal with difficult situations and difficult people, how to use the appraisal process as an employee-morale booster, and how to carry out an effective interview to ensure a cost-efficient recruitment process.

Part Two explores the critical business issues that managers need to be aware of and know how to tackle, in order to weather the storm. As well as examining each individual business and management issue in turn, the second part of this report discusses some of the opportunities that law firms can exploit to build a strong market and cash position. The first chapter focuses on risk management and compliance. Increased scrutiny is expected from the Solicitors Regulation Authority (SRA) and the newly-established Legal Services Board, to ensure that firms are complying with ever more complex regulations, including the Money Laundering Regulations 2007 and the SRA Code of Conduct. Firms need to be scrupulous in their compliance procedures and processes; this chapter provides best-practice guidance on how to identify, manage and reduce risk, and outlines the processes which should be put in place if law firms are to avoid colossal non-compliance penalties, or potentially catastrophic threats to the business.

Careful financial planning has never been more important, as law firms review their costs and spend and plan for the future. Cost-cutting is a delicate process and should not be undertaken without having a proper strategy in place. Chapter 2 advises on such matters, so that mistakes commonly committed in past recessions can be avoided. It also advises on future capital investment, so that law firms do not lose sight of their long-term financial objectives.

At this stage, the question that might arise is with all the issues managers are meant to deal with on a daily basis, where is the time to fee-earn? Chapter 3 addresses some of the issues involved with balancing fee-earning work with the management role, and provides potential solutions to this particular challenge. Chapter 4 expands on the theme

of resource efficiencies and considers some of the time-saving processes you could be putting in place, which can ultimately lead to cost savings.

Law firms are currently struggling to bring in business as clients opt to keep legal work in-house as a cost-saving measure. Chapter 5 outlines some initiatives which law firms can use as business tools to help them appeal to an increasingly demanding and sophisticated set of clients, and at the same time enhance their reputation.

The final chapter of Part Two sends a clear message that short-term survival should not be the only focus of law firms, but that they must be prepared for the rapidly changing and more competitive legal market that lies ahead. If they are not prepared, the smaller firms that manage to survive the economic downturn risk being swept aside by the new and invigorated competition brought about by the Legal Services Act 2007. Chapter 6 discusses the changes that lie ahead and to which lawyers need to be responsive, looking at long-term strategy beyond the immediate challenges presented by the economic downturn.

There is no doubt that holding a firm together in such a period will require effective leadership and efficient management. This report is a definitive guide to managing your law firm in these challenging times.

