

Strategies

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Navigating the Economic Crisis: The CMO's Role



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The impact of the worldwide economic crisis on the legal profession is deeper and more severe than any downturn in the memory of even the most senior law firm partners. In 2008, for the first time in 17 years, average revenue per lawyer and profits per equity partner declined at the AmLaw 100 firms, according to data published by "The American Lawyer." For the second hundred AmLaw firms, average revenue per lawyer was essentially flat in 2008, while profits per equity partner suffered an average decline of 2.6 percent, compared with a 4.3 percent decline among the AmLaw 100.

In response, many law firm leaders are taking dramatic steps to try to maintain levels of profitability that will keep their top-performing lawyers from seeking opportunities elsewhere and to position their firms to emerge from the downturn in a strong enough position to participate in the economic recovery that will surely come. Many firms have already taken significant steps to reduce costs and, to keep faith with existing and potential future clients, firms are paying an unprecedented level of attention to implementing win-win alternative fee arrangements as a substitute for hourly billing. These are steps that may fundamentally change the law firm business model.

What law firms should be doing

No single course of action is appropriate for every law firm. As firm leadership considers the steps the firm should take during this recession, an experienced chief marketing officer and his or her staff—with a good sense of the internal firm dynamics and the firm's position in the marketplace—can provide valuable insights and assistance in developing the firm's strategy. This is the time for CMOs to offer assistance to their managing partners and other firm leaders, and for law firm leaders to embrace their CMO's ability to contribute to the decision-making process and to the implementation of the firm's strategy.

There are steps that all firms, including those that moved early to deal with the recession, should consider, and ways in which CMOs may—and in some cases should—be involved in the process.

Additional reductions in overhead: In light of the uncertainty regarding the timing and pace of the recovery, firms should continue to reduce costs by laying off chronically underperforming associates and partners. In addition, those that have not already done so should consider rolling back associate salaries and deferring associate start dates. Hiring of graduating law students and summer associates should be sharply curtailed. Firms should also consider scaling back or eliminating their non-equity partnership tiers; in many firms, the

non-equity tiers have become swollen, increasing expenses and keeping work from flowing to talented associates.

Elimination of unprofitable practice groups and offices: Unless an unprofitable practice group or office is an essential part of the firm's strategic positioning or can be expected to become profitable in the near future, firms should seriously consider "cutting the cord" to enable them to focus efforts and resources on the most profitable parts of the business.

Implementation of a competency-based salary structure: The time has come for firms to implement a merit-based compensation system under which associates are paid not on the basis of seniority and hours billed, but in accordance with their progress in learning their craft and contributions to the firm's work on behalf of clients.

Defining the firm's strategic place in the market: In the current environment, traditional client-firm loyalties are being severely tested and competition for new client business is intense. More than ever, firms need to position themselves to have top-of-mind name recognition in the practice areas in which they have profession-leading expertise.

Providing exceptional client service: To win clients' trust, firms need to nurture relationships, solicit and act upon client feedback and demonstrate a willingness to understand the client's business, as well as the challenges and opportunities the client is facing. As clients focus on the cost of legal services, firms must show a willingness to enter into win-win fee arrangements that can reduce the client's cost of legal services, while still providing an appropriate profit incentive for the firm.

Maintaining effective communication with constituencies: Law firm leadership is facing particularly high scrutiny from clients, law firm partners, associates, staff and the community at large. As a result, the firm's

messaging to its constituencies must be carefully crafted; false steps will be magnified by the blogosphere.

How CMOs can help

CMOs are uniquely positioned to help their firms decide which strategic measures best align with the firm's vision and goals, and to help implement those measures by developing appropriate messaging for both external and internal constituencies.

These are just a few ways in which CMOs can assist their firm's leadership:

CMOs can act as internal "cultural interpreters": CMOs typically are trusted by law firm partners, associates and staff and are often keenly aware of their attitudes and concerns. As a result, CMOs can raise the awareness of firm leadership to the cultural sensitivities at work in the firm, which will help the leadership anticipate the impact its planned actions will have.

CMOs can provide industry intelligence: CMOs who maintain an active eye on developments in the legal community can provide market intelligence about what steps other law firms are taking to deal with the recession and how those actions are regarded by the legal community. In addition, CMOs can be a valuable resource in vetting lateral acquisition candidates, helping the firm assess their business-development and client relationship acumen.

CMOs can – and should – help shape the firm's messaging about its actions: CMOs have a key role to play in setting the tone of the announcements of major actions, such as layoffs, salary rollbacks or lateral acquisitions. A firm's messaging is critical to its ability to maintain the confidence of its internal and external constituencies. The CMO should work closely with firm leadership in developing the content and tone of the message and should also help to train firm

leadership and other partners in the appropriate delivery of the message.

CMOs should help develop the firm's strategic positioning and branding: CMOs should be intimately involved in formulating the firm's branding strategies to convey its strengths as the "go-to" firm for the kinds of work that are its core areas of expertise. Firms should devote resources during this period to establishing their brand identities.

CMOs should be intimately involved in ensuring that the firm is providing appropriate service to its clients: Providing exceptional client service is particularly paramount in a recession, when clients are enduring difficult economic times. CMOs are uniquely qualified to help train lawyers in the art of building and maintaining relationships with clients. And

CMOs should oversee a meaningful client service interview process to ensure that the firm is receiving adequate client feedback and translating it into improved client service.

There has not been another period in recent memory in which CMOs have been so uniquely positioned to assist law firm leadership in developing strategies for their firms and in communicating those strategies to clients, lawyers and the rest of the law firm community. The opportunity is there. Law firms leaders and CMOs need only to take advantage of it.

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