Firm Management:

Red Flags for Law Firm Split Ups

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Having worked in marketing and management consulting for over 20 years, I've seen certain trends that are somewhat predicatable. One of those happens every recession: firms split up. Many partners in the management committee are completely unprepared and shocked, then react too late. With my firm's assistance, however, we've helped many clients to manage and avoid these situations.

The "Unlucky 13"

What causes law firms to break up? Here are 13 reasons that we have identified, based on our observations:

1. Certain partners are highly overcompensated, compared to their billings and new business generation. This becomes especially evident in a recession or when certain industries are underperforming. For example, a real estate transactions department may carry a firm when that industry is hot -- but when it is hurting and senior real estate attorneys demand high compensation, other partners may eventually decide to take their practices elsewhere.

2. The firm is unwilling to move into new, high growth practice areas. This seems to occur more often when younger, aggressive partners see opportunities but older partners don't want to make the investment in marketing and personnel.

3. The firm is dragged down by practice areas that are low profit and low growth. This can be a very difficult situation to handle from the inside – yet outside consultants can help in making dynamic changes.

4. The firm's clients are in dying industries or industries highly susceptible to mergers or where work is being taken in-house. This is a key issue in which a seasoned marketing consultant can help a law firm to explore and develop new markets.

5. Receivables are concentrated in a few clients. Unfortunately, all it takes in this situation is to lose a major client or two and the firm is out of business. Marketing should be done before it is too late!

6. Billing and collection policies are poorly constructed and way outdated. We commonly meet with new clients and find ourselves asking "Why do you have such liberal billing policies?" There are numerous techniques to improve receivables turnaround.

7. The firm is unwilling to improve its client base to higher profit clients. Many firms get stuck in serving high volume, low profit clients. They feel that they are so busy that they can't do anything else. This is especially frustrating to those attorneys who can obtain higher profitability clients.

8. The old-line partners don't want to work hard any more. Associates see this far more transparently than the old-line partners realize, especially when associates are held to high billable hours standards.

9. The firm is unwilling to invest in marketing. This issue is actually one that is seen throughout many of the above problems. Time and again, I've been hired to work with a new firm of attorneys who say that their previous firm wouldn't spend money on marketing. Interestingly enough, these new firms often grow to become more profitable than their partners' former employers.

10. The firm maintains too high a level of overhead. For most of our smaller clients that came from bigger firms, their key selling point is "big firm expertise, small firm pricing."

11. Attorneys who generate new business are not compensated appropriately. Attorneys coming up the ranks understand that they have to pay their dues. But they only expect that situation to last for so long …

12. Associates aren't allowed to bring in new clients. Some firms use this policy as a technique to stop attorneys from developing their own book of business and leaving – yet the policy itself often backfires on the firm.

13. The partner group is primarily composed of good billers but poor marketers. Healthy firms need a mixture of both skill sets.

Be Proactive!

At **Kevin Brown Marketing & Consulting**, we offer an array of management consulting services that help our clients to deal effectively with the above issues. These efforts can actually help to stave off a split-up before it ever even started to occur. Our services in this regard **include:**

Marketing Analysis & Recommendations

- Marketing Audits / Strategic Marketing Plans
- Market Assessment Studies
- Sales Forecasting Models

New Business/Sales Programs

- Rainmaker & Practice Development Training
- Individual Coaching
- Targeted Sales Programs
- Management / Partner Retreat Facilitator

Management Consulting

- Strategic Business Plans
- Expansion / Downsizing Consulting
- Diversification Strategies
- Turnarounds & Restructuring
- Merger & Acquisition Analysis
- Growth & Profitability Planning
- Accountability & Tracking Systems
- Management Reporting Systems

About the Author

Kevin W. Brown, M.B.A. is president of ***Kevin Brown Marketing & Consulting***. Founded in 1991, the firm is known as *"The Specialists in Law Firm Marketing™"*. He is a recognized nationally expert in the field, a frequent speaker, and has published over 100 articles. Contact Mr. Brown with your questions at ph. 714-965-1556 or e-mail: kb@KevinBrownMarketing.com. For futher information, see www.KevinBrownMarketing.com.