

AFTER THE PARTY: WHAT TO DO WHEN YOUR MAJOR CLIENT LEAVES

You thought you saw this coming and now there is no doubt that the client who has represented 15 to 20 percent of your practice for the last few years is cutting back drastically on your legal services.

If this scenario describes your firm's situation then several steps need to be taken.

Prevention/preparedness

First of all, the departure of a major client should never be a surprise. It is your job to see to it that the company's decision makers are in frequent consultation with their attorneys--you.

Some of that consultation must concern itself with the prompt payment of attorneys' fees. All too often a long silence from the client is followed by a notice of bankruptcy which leaves your firm (now known as unsecured creditor) with one or more months of unpaid invoices not to mention the loss of future business.

Secondly, a good offense is the best defense. One or two large clients should not dominate the firm's income statement. Vulnerability to shifts in the client's perception of the firm, to economic distress in the client's industry has to be measured and monitored. A firm largely dependent on one industry or on one or two clients should concentrate its marketing efforts on diversification and upgrading the next lower tier of clients.

Personal Impact

Assuming that, despite best efforts, the firm is now facing a significant revenue loss, partners' reactions will run the gamut from disbelief and denial to hasty action. Commonly, all partners will realize that their personal incomes and future plans will be altered and that their families may be impacted. For those attorneys who worked closely with the client there may be a loss or change in friendships. If the client left for another firm, attorneys many feel a loss of self-esteem or firm prestige. Then, if staff have to be let go another difficult scene is in store.

A more serious impact may impend if a great deal of income has been lost and one or more partners have been idled by the client's departure. The still fully employed partners will be faced with the need to "carry" those partners for a period of time while they regroup. The strain on partner relations can be tremendous and considerations of splitting off can loom.

Business Impact

Dealing with the loss of a major piece of business can be handled either positively or negatively. Staff can be given the impression that the firm is crippled or that new avenues of opportunity are opening up.

The first step then is communication within the firm. Everyone who may be affected (ranging from termination to the possibility of small raises this year) needs to be told what has happened and how the firm expects to deal with the loss. Knowing that the office grapevine went into operation moments after the event, the firm's management must immediately begin planning and then communicate those plans to the affected staff so that the wrong people don't begin work on their resumes.

Plans can take essentially two forms—contraction or business development.

The first reaction of partners may be to cut staff in order to alleviate the strain on their personal incomes. Another motive is the opportunity presented to go back to “the old days” when the firm was small and open collared. Issues under the contraction scenario range around which staff members to let go. The principal thrust should be to retain and re-train good staff members (associates, paralegals, and secretaries) and eliminate marginally productive people. This is also a good time to ask for new levels of billable hour productivity or administrative involvement from partners and staff. As Kottter says in Leading Change what really can bring about positive change is a good crisis.¹ Do not reduce the ratio of support staff to attorneys too drastically. Also be careful of laying-off paralegals and asking attorneys to do that work and clients to pay for it at higher billing rates. The associates on staff were hard won through extensive recruiting and training efforts and their career futures need to be safeguarded to the extent possible. At the same time the associates will recognize that the specialization they were burning midnight oil to master may now be diluted and that advancement may be slower for the foreseeable future.

In short, contraction of the firm needs to be dealt with through open communications of realistic expectations on everyone's part.

The second way to handle loss of a major client is new business development. Here a warning: if the firm is in financial distress as a result of the client loss and a state of shock reigns, do not expect to wake up the next morning as premier marketers or to instantly attract stand-in clients. The best clients are won over a long period of time--months, even years. Also, it costs money to do marketing, usually in the form of lost billable hours. Nevertheless, establish a timeframe and marketing plan and adhere to it. Then establish a line of credit and prepare to weather for a period of eight to fifteen months the dip in income and productivity with no noticeable marketing results on the horizon.

Keeping in mind the adverse circumstances under which the firm renews its marketing efforts, this is not the time to pioneer new areas of legal practice. Concentrate on developing or shifting legal work that they are able to do to the affected attorneys. Retraining may be required but should be minimized. It is unwise to try to isolate the problem as one belonging, for instance, to the asbestos litigation department, and expect those attorneys to remarket and retrain themselves.

Cohesiveness and team spirit must prevail if business development is the direction the firm

¹ John P. Kotter, *Leading Change*. (Boston, MA.: Harvard Business School Press, 1996) 35.

chooses to take.

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