How to Protect Your Practice in a Recession

ABA Journal’s Susan Berson offers ten tips to those who wish to protect their practices in a weakening economy. Berson urges lawyers to focus not only on managing the bottom line, but also advises them to provide “value-oriented services” and tells them they must adapt their marketing techniques to the economic environment.

Berson’s ten tips are as follows:

1. **Cash Flow**
   
   Honestly evaluate your balance sheet. By drafting a worst-case scenario over a twelve-month period, and identifying changes which could be made, you could prepare your business for the worst. Also put aside money while you still have it to provide protection.

2. **Credit**
   
   Because good credit is so important now, consider extending your line of credit before your worst-case scenario occurs, should it occur at all. Berson points out it is “better to approach a lender with a positive financial forecast than when your balance sheet reflects a recession.”

3. **Accounts Receivable**
   
   Pay attention to the debts clients owe. Before allowing an amount to increase significantly, speak with the client. This would be better than allowing the debt to increase and then end up with no compensation at all.

   Another option to managing tight cash flow is to negotiate with suppliers and service providers. If dealt with ahead of time, debts you owe them may be paid on a 45-day schedule instead of a 30-day schedule. This is far better than paying late and having poor relations develop.

4. **Spending**
   
   Don’t think too small here. What will really matter are cuts in travel costs, ensuring you have no duplicated duties in administration, and having a staff that meets your needs efficiently.

5. **Research**
   
   Find out how a recession will impact clients. As necessary, cut needless services, add new ones, and expand old ones with new features and specialties.

6. **Go Where the Work Is**
   
   If you have a specialty area that is booming somewhere else and is receding where you are, then go where the work is available. Expand as necessary. Being adaptable and flexible will ensure your future in the business.

7. **Pricing**
   
   Smaller firms will receive more notice as they are able to offer the same services as larger firms, but at lower rates. Most firms raise rates 8% each year without increasing services. Clients may not appreciate this in the current economic climate.

8. **Loyalty**
   
   Keeping old clients costs less than getting new ones. Maintain competitive pricing and excellent service. Let your clients know you appreciate and value them.

9. **Market**
   
   Analyze what skills and services set your business apart from others and market those skills. Consider taking old skills and services and “repackaging” them to fit current needs.

10. **Schedule**
    
    Maintain an even work schedule even if billable work is scarce. Keep a good attitude and get involved in pro bono work, if necessary, to build and retain skills. Look for
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