

## Turnarounds and Crisis Management

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Any law firm can fall victim to a convergence of financial pressures that simultaneously and unexpectedly arise despite management's best efforts. The global recession and the resulting decrease in demand for legal services have exacerbated the financial stressors on many law firms.

Firms on shaky financial footing before the recession are quietly struggling to stay afloat, while some have already dissolved. Even some prominent and 'stable' law firms are having financial difficulties in this turbulent market. The legal profession has a track record of large firms failing under a cascade of bad news with little warning.

What can initiate the downward spiral?

- **The loss of a key client and a few key partners** can cause revenues to decline and overhead expenses per lawyer to increase, thereby dramatically depressing net profits.
- **An unfunded partner retirement obligation** established decades ago may turn into a financial drain as 'Baby Boomer' partners reach retirement age and the firm's rate of growth slows.
- **Occupancy costs** related to excessive office space can substantially drain firm profits.
- **Bank debt** borrowed to finance leasehold improvements for new office space may become a drag on cash flow if lawyer headcount declines instead of increasing, as originally planned.
- **Borrowing on the firm's line of credit** to invest in promising lateral partner candidates might subsequently be regretted if those lateral partners do not deliver the revenue and profit expected.
- **A compensation system that rewards unproductive behavior** may convince partners who are contributing to the firm's success to leave for a firm that will fairly compensate them for the value they deliver.

When several of these factors occur simultaneously, any firm can experience severe financial distress. Once partners begin to lose confidence in the firm, there may be a domino effect of key partners leaving, per-partner expenses rising, profits declining, and more partners leaving — ultimately threatening the firm's survival.

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Altman Weil has successfully helped a number of law firms forestall an impending 'death spiral,' assisted many financially struggling firms to restructure their operations to increase net profits, and has counseled hundreds of law firms on how to maximize their profitability.

### **Altman Weil can help turn around your law firm:**

**Crisis team:** Altman Weil will immediately deploy a team of strategic and financial experts to assist your firm in resolving its fiscal crisis. If necessary we can assign one of our consultants to act as an interim COO on site while the situation is stabilized.

**Immediate stabilization:** Our initial efforts will focus on containing the crisis, stabilizing the situation and restoring confidence in the firm's leadership. By bringing in an experienced crisis team, you will send a positive, reassuring message to your partnership.

**Financial analysis:** We will undertake an objective and comprehensive analysis of the firm's economic strengths and weaknesses. All aspects of operations will be evaluated in detail to identify bottlenecks to profitability, including an analysis of branch offices, departments, individual lawyers and clients.

**Focus on future profitability:** Our advisors will concentrate on increasing your firm's future profitability, including improving utilization of timekeepers, optimizing associate leverage, improving realization, reducing overhead expenses and, if possible, increasing pricing through innovative ideas, such as alternative fee agreements.

**Customized modeling:** We will create a customized planning tool specifically for your law firm to model each of the key variables affecting the firm's future profitability. This enables firm owners to see the projected financial impact of each proposed change in advance.

**Restructuring plan:** We will work closely with the firm's executive management to re-negotiate vendor contracts, develop and implement more efficient and effective business processes, stabilize cash flow, and overhaul each area that has hindered the firm's financial success. The end result is a practical Restructuring Plan comprised of separate, but integrated, financial, operating and marketing plans. We augment the Restructuring Plan with a longer term business strategy crafted to take advantage of the firm's strengths relative to its competition.

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### How You Benefit:

If your firm's profitability is trending down, or key partners are threatening to leave for any reason, you can turn the situation around before you reach the crisis point.

See why Altman Weil is the leader in legal consulting. Visit [www.altmanweil.com](http://www.altmanweil.com) or call (610) 886-2000 to learn more about our services.