

# MAKING YOUR HEADCOUNT, COUNT: thinking laterally and innovatively to stay in business

By **Patricia Wheatley Burt**



**W**ith all the alarm bells going off about a recession, and our Prime Minister now saying the depressing words about a global recession in parliament (22/10/2008), it seems we should believe the doom mongers.

The fact that everyone is talking themselves into this deepening recession is a reflection of the power of the press, TV and other media – and our desire to believe ‘bad news’. Bad news sells – but so does good news, and we all need a ‘drop of hope’ in amongst all this gloom.

Let's start a revolution to stay in business. Let's challenge each other to devise more imaginative ways of reducing fixed costs than by slashing headcount. Of course, many firms are facing stark realities that require swift and decisive action to keep trading; but is making your previously much-sought-after, talented and experienced staff redundant the only way to do this?

In other economic downturns, the first areas we saw sacrificed were:

- ◆ Quality;
- ◆ Training;
- ◆ Travel;
- ◆ Marketing;
- ◆ Client services (including entertainment and those fancy biscuits); and then, of course,
- ◆ Making staff redundant

But at what cost? Redundancy:

- ◆ Takes time;
- ◆ Takes emotion;
- ◆ Requires human resources (HR) and legal advice to ensure compliance with our contorted legislation; and,

not have the skills, nor (maybe) the time to deliver. This puts the business at risk across all the areas normally covered in, say a business continuity plan.

So what exactly can you do?

### Step 1

First, share your concerns with all your partners, team leaders and staff. Explain what overall percentage cost savings on fixed costs are needed, and ask them to help you – and so help everyone else, to keep their jobs. To do this successfully, the management board has to:

- ◆ Be honest and transparent in communicating this information, including demonstrating what you personally will be doing;
- ◆ Share clear and simple financial information that can be regularly published and updated; and,
- ◆ Be committed to take action across the board – and that includes you.

### Step 2

One option is for everyone to take a pay cut for the next two to three years, so that everyone has the ability to stay in work. Surely it is better to have something rather than nothing? Most



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- ◆ Takes cash out of the business, especially if you adopt the 'black bin bag' approach much favoured by a finance director I know.

Is it wise to throw the baby out with the bathwater? Isn't it time to challenge management boards to apply some of King Solomon's Justice? Do you want 'the baby' to survive – or to keep your half?\*

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### The revolution

The danger practices face is that if they just remove, say, business services staff, then the fee-earners become close to non-functional. And if they remove fee-earners, then those remaining have too wide a range of law to cover. All those brilliant marketing and branding statements become invalid, the firm becomes incapable of trading to the quality and service levels required because the remaining staff will either

law firms have contractual obligations on leases, have bought computer equipment, desks, telephone systems and so on, and leaving them empty and idle means that that capital invested is now wasted. Maybe the more senior partners and fee-earners can take a bigger pay cut to demonstrate this is truly across the board. For example:

- ◆ Senior equity partners – 25 per cent pay cut;
- ◆ Junior equity partners and associates – 20 per cent pay cut; or,
- ◆ All staff – 15 per cent pay cut.

Or you could cut guaranteed pay to 50 per cent and introduce performance related pay – i.e. staff get a share of what they actively help to generate.

### Step 3

How can you save your firm from this boom or bust cycle? You need to agree better deals on all your other costs, for example:

- ◆ Revisit flexible benefits as a shopping basket that staff can pick and choose from, balanced against their pay cut;
  - ◆ Introduce reduced and/or flexible hours, hot-desking, remote working – so staff incur less costs on travel, child care, and so on;
  - ◆ Agree overtime is worked at the basic rate of pay – or included in the role;
  - ◆ Revisit sick pay and maybe link it to holidays as ‘total time away from work’, and either reduce the number of days – to say 25 days in total – or re-visit the rules on paid absence; and,
  - ◆ Reduce holiday entitlement to no more than, say, 20 days per annum (if we have less income we can’t go on holiday as much as we used to) – so five days fewer holiday would be the equivalent of having five more fee-earning days per year – therefore increasing productivity/activity.
- ◆ Talented and capable people – the demographics show that we do not have enough young people coming through the supply chain, so losing them now will be a greater risk for the future;
  - ◆ To re-recruit fee-earners to meet future needs – this takes at least three to six months. If you are, in two years time or so, taking on new staff who have been out of work for anything over 12 months, they will need retraining, time to build experience and to build client and staff relationships. If this happens to your practice, you could end up being unable to take advantage of the upturn; and,
  - ◆ To save on redundancy costs – if you can persuade your staff to work for less, and give more, you can avoid paying out costs and getting nothing back.

And this is for a fixed period only, of say two to three years, to take us all through this rocky period. This will require re-negotiation of contracts of employment, revisions to the staff handbooks and consultative groups who will have to consider how they will help their members by demonstrating lateral thinking and flexibility.

### **Making it possible to keep going – staying employed and in business**

You need to win all your staff’s co-operation, so you need to be in (or quickly create) a robust, transparent and strong culture to make this possible. Those who are less far down this road will just find it harder to get there – but why not



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#### **Step 4**

Of course, we will all have to charge slightly less for our goods and services. In order to stay in business and to retain those longer term relationships:

- ◆ You will need internal and external HR and legal consultants to help facilitate this;
- ◆ Link to local traders – get discounts for your staff;
- ◆ Re-negotiate your leases, mortgages, finance, loans – everything; and,
- ◆ Ask for discounts whenever purchasing anything – and offer them too.

If we all do this, we can all survive a little further. This is about taking a selfless approach – surely the partners would prefer to have a bit of something, rather than nothing of nothing?

#### **Preparing for the future**

Think about how you can position your businesses so that you are ready for the up-turn – which will happen. When it does, firms will then need:

have a go. Your partnership and management team need to demonstrate you can manage for the future, and this requires strong, heroic and creative management; but you cannot do this without the co-operation of your staff. So start that dialogue now... start the revolution by providing everyone with a drop of hope and let us all create a Tsunami of positive action. *FDLegal*

*\* King Solomon was renowned for meting out consistent and fair justice.*

*One day two women came into his court disputing who was the real mother of a baby. King Solomon listened to their statements, and then suggested that as he couldn't decide who owned the baby, he would have the baby cut in half. At this the real mother cried out: 'Let this other woman have my baby – I don't want to see him killed.' So, at once, King Solomon knew who the real mother was.*



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