

With the Economy on Edge, Lawyers to the Rescue.

It's no newsflash to report that we're in the midst of a significant economic downturn. That being said, here's an important message for businesses across industries and their general counsel: when the economy is in turmoil, lawyers and law firms can be a godsend, especially when companies optimize their legal spend to extract a maximum return on investment.

Inflation? Sure. Recession? Not So Fast.

The signs of mounting inflation are everywhere. Domestic consumer prices continue to steadily rise, with the Consumer Price Index up 0.6% in March alone. Wage growth, another inflationary signal, is increasing as well, a reaction to strong job growth and workers demanding higher salaries to keep up with the cost of living.

To stem the tide (and lower prices), the Federal Reserve is raising interests rates. As of this writing, the federal funds rate ranges from 4.75% to 5.00%, as high as it's been since 2008. As a result, cash flows are tightening, businesses are seeing diminished consumer spending, the housing market has slowed, and stock indexes remain volatile—the most recent culprit, a lack of consumer confidence in banks that rattled markets.

Whether or not our current economic cycle is ultimately labeled a recession (as opposed to a more moderate slowdown), the financial headwinds being felt in virtually every sector are very real. But the news isn't all bad, as there's much that businesses and their GCs can do to leverage outside legal counsel to navigate the challenges ahead and flourish despite them.

How Companies Can Lean on Lawyers During Inflationary Times

As we wait for the economy to rebound, it's more important than ever for businesses to find ways to generate ROI from their legal spend. GCs can do so by retaining the most efficient legal service providers—those who possess industry and subject matter expertise and who can provide next-level work product. The benefits of engaging counsel with legal and industry know-how are many. Attorneys that fit the bill are able to easily identify not just legal concerns, but broader business issues too. In fact, the right team will solve problems with an eye toward achieving business goals, in which case dollars spent on legal actually benefit bottom-line corporate objectives.

There is more. By virtue of the economic obstacles that lie ahead, companies would be wise to focus on corporate governance, legal risk management and commercial law protections. For instance, GCs might consider directing outside counsel to renegotiate unfavorable vendor agreements, change payment terms, and restructure debt to the

extent necessary and possible—this in lieu of spending on more discretionary matters. They should look to strategically utilize litigation as well.

Warren Buffet famously said, “Only when the tide goes out do you discover who’s been swimming naked.” Put another way, in a down cycle like the one we’re experiencing, weaknesses are exposed. And with the tide now ebbing, vulnerability on the part of adversaries and competitors can be seized upon by way of litigation to recoup financial losses and expedite the resolution of claims. At the same time, for businesses on the receiving end of lawsuits, it’s important to remember that cash-strapped plaintiffs will likely have a greater appetite for settlement when the economy is suffering.

Beyond litigators, companies need business lawyers now more than ever—attorneys entirely aligned with client goals. Job number one of quality legal counsel is to dig in to understand the ultimate commercial objectives of the organizations they represent and to use their expertise and organizational, operational and industry know-how as tools to achieve those ends. That’s the differentiation that can quickly turn a legal spend from a cost center to a source of real value.

What’s on the Horizon?

Without question, attorneys that pair true industry expertise with next-level work product are the ticket to an optimized legal spend. As the powers that be work to bring inflation under control and markets and supply chains normalize, companies and their GCs should focus on leveraging the right outside legal counsel to turn current economic headwinds to their advantage.

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