Adapt Or Die: Law Firms In Tomorrow's Economy

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This is a multipart series exploring the metamorphosis that needs to take place in the world of corporate law firms in order for them to survive and thrive in the future. To date, we discussed the history of the adversarial relationship between corporate clients and their outside counsel, the fate of the billable hour, and the challenges of both client development and associate training, and trends in compensation. In this final installment, we review the big picture.

All Ships Must Sail in the Same Direction, Using the Same Compass

"Client development" is probably the most oft-repeated phrase in law firms today. It has become the mantra that all are chanting in unison. Corporate clients are reducing the number of approved counsel, are demanding reduced fees and alternative fee arrangements and are taking more work in-house.

Firms are scrambling to maintain high per partner profits and are enticing lateral hires to bolster client portfolios. Responses to RFPs are swirling like snowflakes in a February blizzard and marketing departments are scouring the news and churning out leads for all out blitz pitches coming from every department in their firms.

Jill Dessalines

In the mad dash to anywhere, firms are proceeding with client development the way too many of them always have: by launching scattershot volleys they hope will land big game. But the herd is thinning, or more accurately, the small game are being consumed by the big game, and those remaining are harder to land and more challenging to keep.

In too many firms, each rainmaker follows business leads independently, with no strategic firm plan, constrained only by conflict checks. No cohesive client development strategy exists and, as a result — since they don't know where they are going as law firms — they don't know how to get there.

And as long as there was plenty to eat, there was no need for cooperation or coordination, aside from avoiding conflicts of interest, as legal ethics require. The prevalence of conflicts has caused a spate of departures from large law firms, as rainmakers are conflicted out of one potential engagement after another. So the very rainmaker laterals that law firms have been trading like NBA stars are thwarted in their efforts at landing new clients because their firms have evolved through ad hoc client development.

I discussed in an earlier article why cohesive client development strategies are key to the survival of law firms ("Ad Hoc Client Development and the Conflict Conundrum"). In order for cohesive strategies to be implemented, a new era of cooperation between all firm team members must begin. Ultimately, this cooperation will require a change in the multitudinous stratifications of law firm laborer that currently exist in BigLaw. Incrementally, though, it will at first require changes to the way client origination is compensated.

Corporate clients are remaking the way their outside law firms are compensated. As the billable hour finally dies and is replaced by value pricing, law firms will need to take more risks to enjoy the upside reward. This altered risk/reward calculus will not tolerate the "every man for himself" approach typified by the current model.

Lowered revenue will drive expenses lower, resulting in trimmed compensation across the board. Unproductive lawyers will continue to be aggressively winnowed, resulting in a core of team members working collectively to share in the risk/reward calculus. Unification of purpose and flattened hierarchies will reveal tomorrow's law firm that is leaner, less stratified, with higher revenue per lawyer figures and lower per partner profits.

In short, the clarion call from the top of Corporate America over the past several years to its workers to "do more with less," to eliminate redundancy, share in the rewards of high performance and suffer the consequences of losses, and to work cooperatively across disciplines toward the goal of corporate profitability will reach BigLaw.

These transformed firms will hedge the risks of having a portfolio of corporate clients by leveraging some of the newer delivery models (such as technology-assisted delivery to small markets, contract legal services entities or the big consulting firms) that can offer more reliable, albeit lower cost, legal services.

Whether they contract to provide services to these newcomers at bulk rates or do the traditional "buy the innovative competitor," tomorrow's law firm will adopt an economic model and a market strategy that matches that of its largest clients.

Jill Dessalines, founder of Strategic Advice for Successful Lawyers, has been practicing law for over 30 years and is a former senior vice president and assistant general counsel of McKesson Corp. She was recently named one of California's Top 10 In-House Counsel by the Daily Journal.