'Change' Is a Mantra for Law Firms, But Will They Tune In?

Challenges to the traditional law firm model can be solved, according to some, by one word: Process.

By Roy Strom | January 30, 2019

Law firms are facing real challenges, but the solutions may be more straightforward than they think. Meanwhile, the talk about threats to law firms—in the absence of a market starved for profit growth—can lead to a survivorship bias among partners.

Those were some takeaways from a panel on ‘The Future of Legal Services Delivery’ on Wednesday at the ALM Business of Law Forum at Legalweek in New York.

To Ralph Baxter, the former chairman of Orrick, Herrington & Sutcliffe, nearly everything about law firms will need to change if they are to be successful in the near future. They will need to re-examine their financial model; their resources model; their underlying legal services delivery model; and their investment model, Baxter said.

“Associates earn $200,000 when they barely know where the office is,” said Baxter, who is now a board member of professional services technology company Intapp. “That is the lowest-cost resource in a law firm. And you're going to compete with [alternative providers]? Nobody starting from scratch would start with that model. And so you have to address that. And if you're not willing to address that, you're not going to have a chance at competing.”

While Baxter’s message may ultimately be right, according to James Goodnow, the managing partner of Am Law 200 firm Fennemore Craig, there is also a risk that what conversations about change will be tuned out by law firm partners who are still making healthy salaries from traditional law firm models.

"Until it starts hitting partners in the pocketbook, they will not believe it," Goodnow said. “There is no existential threat, or perceived existential threat, and so that is why there's no change. So what's the problem? We are all part of the problem. We have been saying the same thing over and over again. We've said, ‘Change is coming. We need to rethink everything.’ And the partners at the law firms have heard this. And it's like the boy who cried wolf. Nothing has happened. And the law firm partners are doing very well. So because of that, you have tremendous skepticism among a group of people who are very skeptical to begin with.”

Even so, there were real examples of changing legal services delivery models presented in the panel discussion. And they show that change doesn't need to be that complicated.

Bill Deckelman, general counsel of DXC Technology, said his company saved 30 percent on its legal costs by turning to a managed services model in a partnership with UnitedLex. Those cost-savings were achieved by lawyers who are handling contract negotiations in a disaggregated way, Deckelman said. One lesson Deckelman said he learned was that lawyers who have been doing similar work for a long time can be "jarred into" being more efficient.