

How Firms Can Thrive in the “New Normal”

By Edward Poll



THE LEGAL PROFESSION REACHED A POINT where upheaval is the new normal. Certainly large law firms are changing in response to recession, technology and client demands. Will the sole and small firm practitioner survive the current and future turmoil? The answer can be found by assessing three issues: Where is the economy headed? Are there reasons for optimism? And, if so, how can small firms thrive in the new normal?

Where is the Economy Headed?

Economists and politicians are calling the last few years the Great Recession. But actually it was a depression of a magnitude perhaps as serious, though different in details, as the 1930s. One key difference, which the legal profession exemplifies, is technological unemployment. Consider the fact that e-discovery software can analyze documents required for litigation discovery in a fraction of the time and for a fraction of the cost when compared to using lawyers for the task. Profitability for the firm will come from swiftly analyzing the millions of pages that electronic documents represent. And document review lawyers will be out of a job.

Technology will continue to impact the cost and quality of the legal service/product delivered to the clients. With overhead cut to the bone, partner income stagnating and fewer students entering law school, the legal profession must change. That is the theme of the April 2012 Practice Management Institute program in Santa Monica, “The Path to Prosperity.” The only questions are what will the change be and who will lead it.

Is there Reason for Optimism?

What does this mean for the average lawyer, the ones that serve the 99% of our society? Look at another time of massive change, the 1960s, when companies like IT&T and Gulf & Western faltered because they became too large to operate. They had to break up; the survivors had to develop new customer bases in order to start growing again. The same thing will happen in the future legal community, thanks to two trends:

- BigLaw will falter and, as technology is accepted, sole practitioners and small break-away groups from BigLaw will cater to the 99%, the consumer-oriented clients and small companies. The work is there for those whose cost flexibility and technology advances enable them to be competitive.

- New laws need lawyers to interpret them and advise their clients on how to stay out of trouble and pursue opportunities. Clients depend on lawyers, not law firms, for this.

The firm that adopts technology to reduce the costs of its operation, and then passes the savings onto the client, will be successful. These firms will focus on small to mid-size businesses and individual issues that will always be there as long as people need lawyers.

Thriving in the “New Normal”

Planning for the future is the underlying principle of business success. Lawyers should plan for three fundamental strategies to ensure future survival.

1. *Focus on a target market and become the recognized thought leader in that market or industry.* A thought leader is someone who has demonstrated his/her capabilities and knowledge of the industry involved; has become known to the public by being the author of a book or article; has been a speaker at a conference or in the news media; or is an internet leader in podcasts or blogs. The channel of ideas distribution is not magic; attorneys must be all over because one never knows from whence that phone call to utilize one’s services will come.
2. *Use technology (knowledge management, client relations management and other tools) to become more efficient.* Improve the delivery of one’s legal service, all at the same time lowering the legal costs to clients. It is the overall legal cost, not the hourly rate, that the client cares about. This requires alternatives to hourly rate billing that maintain an attorney’s level of per-unit fees without discounting value to the client.
3. *Pay attention to the realization rate.* Realization is simply the percentage of what is billed that is actually collected. Low realization means you need more cash to stay in business while waiting for clients to pay—the equivalent of extending them credit. Strive to get paid quickly using contingent, fixed, capped, value fee approaches to make the most of the leverage from technology. Alternative billing founded on value to the client, not just units of time, can help ensure prompt payment.

These three strategies define what is called the 3Dimensional Lawyer®. Get the work; do the work; get paid for the work. In other words, market for new clients, produce the work and reap the profits. Business schools call this marketing, production and finance. Every business needs them. They mean success for one’s law firm when done right. ↗

Edward Poll, J.D., M.B.A., CMC has an extensive background in business and law which has made him one of the nation’s most sought-after experts in law practice management issues. Starting, operating and exiting the law practice are issues of keen interest and focus of Poll’s writings and presentations. He can be reached at edpoll@lawbiz.com.



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