

[Law Firms: Change Your Business Model to Thrive In The “New Normal” Era](#)

By [Cordell Parvin](#) on October 10th, 2013

You remember the old era, right? Certainly you remember when, if your firm wanted to generate more revenue, your firm leaders demanded that you raise your rates and demanded more billable hours.

I thought that if rates and hours defined law firm leadership, then over time law firms would have a problem. I suggested that focusing on rates and hours was like focusing on the scoreboard and not the basket (clients).

That era is likely gone forever. I wonder how many firms think that all they need to do is raise rates and demand their lawyers bill more hours?

Is your law firm more like “Blockbuster” or “Netflix?”

In May, the Wall Street Journal published a commentary: [How Netflix could suffer Blockbuster’s fate Commentary: ‘Plateau Effect’ thwarts innovation and threatens growth](#). This line from the commentary reminded me of law firms in 2013:

Why did Blockbuster burn out while Netflix burned bright?

Blockbuster failed for precisely the same reason movie theatres have lost favor — **it plateaued when it stopped providing value to customers and instead focused on short-term gains.**

When Blockbuster declared bankruptcy in 2010, US News/Money published: [How Netflix \(and Blockbuster\) Killed Blockbuster](#). This quote once again reminds me of many law firms in 2013:

But even writing off \$1 billion in debt won’t make Blockbuster competitive, and the chain’s downfall reflects the huge risk any firm faces today by just standing still.

“Legacy investments create a legacy mindset,” says Vijay Govindarajan, a professor at Dartmouth’s Tuck School of Business and co-author of *The Other Side of Innovation*. **“Blockbuster got stuck in the box. They never changed their business model.”**

Most law firms are stuck in the box and, to the extent they are changing their business model at all it is from the inside out (rightsizing) rather than from the outside in (creating greater value for clients and potential clients.) Client development in 2013 is different and more challenging than any time in my career.

A few months ago I read the Wall Street Journal article: [Law-Firm Slowdown Fuels Cuts at Weil Gotshal](#) and the New York Times article: [Mass Layoffs at a Top-Flight Law Firm](#). In both articles, Weil's executive partner, Barry M. Wolf noted that the firm expected work to pick up this year, but it hasn't. Then he noted that this is the "new normal."

The "new normal," in the view of Weil's management and echoed by legal industry experts, is that the market for high-end legal services is continuing to shrink.



In the "new normal" era, law firms are like Blockbuster in that they are not changing their business model. They seem more focused on short term gains than on providing greater value to clients. In the "new normal" era, law firms can no longer get a short term gain by raising rates and demanding more billable hours.

To maximize short term gains, firms are laying off lawyers, cutting overhead to the bone and reducing expenses. Many firms are even reducing partner compensation and de-equitizing partners.

The simple truth is that there is only a small percentage of costs that can be cut, and unfortunately the very areas (marketing and training/development) that are most likely to be cut are those that can help increase revenue. I have experienced these cuts first hand in that my client development coaching is at an all time low.

How is your firm responding to the new normal? Are you focusing your attention on cutting costs and expenses and “rightsizing?” Or, are you thinking outside the box on how you can increase revenue when “high-end” legal services are continuing to shrink.

I believe thinking like Netflix rather than Blockbuster would be a more successful exercise, and it certainly would be more energizing.

How would you do it? You might use a couple of the exercises I use with my coaching groups.

Gather your Top 10, 20 or 25 business producers for a summit. These are the lawyers in your firm with a proven track record. Divide them into three groups. Have them begin by describing what clients want differently from their law firms in 2013. What fee arrangements are most appealing to clients? How do clients value client service?

Next, based on what clients want, have one group brainstorm ideas that will increase revenue during the last three months of this year and in 2014. Have a second group brainstorm ideas that will increase revenue from 2114-2116. Have a third group brainstorm ideas that will increase revenue long term (2016 and beyond). I think you will be surprised by some of the creative ideas your best producers generate.

Then, develop 25 actions your lawyers and your firm can take to increase revenue. Those might include:

- Identify what makes client development in “new normal” era in 2013 different and more challenging and brainstorm ideas on how lawyers, practice groups or industry teams and the firm should respond.
- Identify the firm’s top 50 clients and have the lawyer responsible for the client, visit them and find out what they value.
- Host a roundtable of some of the firm’s best clients.
- Identify emerging markets and emerging clients.

- Have all the firm's partners prepare a business plan with goals and a minimum of 240 non-billable hours devoted to building client relationships. Then follow up and hold partners accountable.
- Create industry teams that seek to understand what makes clients in each industry unique.
- Have a group of lawyers study and report on what is going on in the world and how that is creating and will create new legal work.
- Create a menu of alternative fee arrangements.

The point is to have your top producers come up with an innovative action plan based on the changing legal market place in the "new normal" era and then implement it.

Can your lawyers do this on their own without help? I believe most firms and lawyers will need coaching and ideas on changing their business model and becoming more valuable to their clients and potential clients and then need follow up on implementing the ideas and following through.

Cordell M. Parvin built a national construction practice during his 35 years practicing law. At *Jenkins & Gilchrist*, Mr. Parvin was the Construction Law Practice Group Leader and was also responsible for the firm's attorney development practice. While there he taught client development and created a coaching program for junior partners. In 2005, Mr. Parvin left the firm and started *Cordell Parvin LLC*. He now works with lawyers and law firms on career development and planning and client development. He is the co-author of *Say Ciao to Chow Mein: Conquering Career Burnout* and other books for lawyers. To learn more visit his Web site, www.cordellparvin.com or contact him at cparvin@cordellparvin.com.