



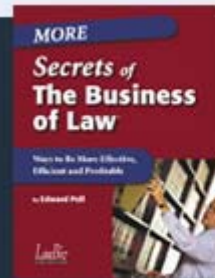
Week of **January 20, 2009**

What Do GM and Big Law Firms Have in Common?

A longtime reader of my email newsletters recently reminded me of an item I wrote nearly three years ago, concerning how the Japanese auto makers started from scratch in this country but built up a dominant position by learning what their customers wanted and then providing it. "The American car makers," I wrote, "no longer listened to their public, no longer made cars with quality, and no longer cared about their legacy and long term reputation. The Japanese did." My bottom line comment, which has turned out to be even more prescient than I expected: "General Motors, once the largest corporation in the world, lost sight of the fact that its real purpose was serving customers, not making cars. Before too long we may read about GM's bankruptcy."

At the time I wrote these words, Heller Ehrman, Thelen Reid, and Thacher Proffitt were all strong, viable law firms that had been in practice for many decades. All three have failed within the past six months, and odds are that more will follow. The failures that brought GM near to bankruptcy are well documented. While these three failed law firms each had unique problems, it is also clear that inadequately serving their customers played a role at each. In the 1960s, the titans of Detroit laughed at the idea that funny little Japanese cars would ever gain hold in this country. We see the end game today.

All of this reminded me of stories that I read in the past year. *The Wall Street Journal* reported on New York-based Axiom Global, Inc. Axiom caters to corporate clients by having more than 200 lawyers on staff, many of them from the top tier of Wall Street firms that traditionally have high billing rates. Companies hire these lawyers as needed, often at discounted rates. The rates are less because the lawyers often work from home or at a client's location, keeping overhead costs to a minimum. The firm estimates that clients can save up to



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50% on their legal costs by using such an arrangement.

Meanwhile, the *ABA Journal* described how a group of lawyer-entrepreneurs started a new legal venture called Virtual Law Partners. The firm employs lawyers who work at home, saving on overhead and costing clients less in legal fees, and eventually hopes to employ hundreds of lawyers working from home doing all kinds of legal work for companies, except for litigation.

This is not to say that the Skaddens and Lathams of the world are immediately threatened by such arrangements, but if the company that was once the world's largest corporation can be reduced to begging for handouts because it lost sight of what customers wanted, law firms that lose sight of the cost efficiencies that their own clients want should certainly pay attention to these innovative business models.

Personal Commentary

Last Friday, I spoke to the California State Bar on the subject of *Managing Client's Expectations*. Several people during the conference approached me to say that they subscribe to and read *LawBiz® Tips*. Thanks to those who told me they look forward to this newsletter and how it helps you in your practice. I encourage all of our readers to let me know what challenges you are facing and how I can help you. In these times of change, there are many opportunities for increased growth and profitability - you just have to be alert to them. Many of my coaching clients are reporting success from our efforts, as I hope you are. Best wishes for a very successful 2009!

Best wishes,

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