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The Clock is Ticking: In Five Years, Traditional Law Firms May be Extinct. What Are You Doing to Avoid Being an Artifact?

**Jerome Kowalski
Kowalski & Associates
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We recently [warned](#) that traditional law firms were in danger of being replaced by Internet based providers of legal services, unregulated entities not owned or even having lawyers perform the legal services. We also [addressed](#) the issue of unregulated LPO's, similarly not owned by lawyers and often heavily populated by lawyers not even being educated at an American law school and certainly not being admitted to the bar in the United States.

On the heel of those reports, Paul Lippe, founder and CEO of

www.legalonramp.com wrote a compelling piece in the ABA Journal entitled "[The Rise of the Non-Firm Firms.](#)"

Paul posits, quite correctly I would say, that entities that he calls "Non Firm Firms" ("NFF's"), namely the group of vendors that compete with traditional law firms for providing legal services, have five distinct advantages over law firms, with which traditional law firms ("TF'S") cannot compete.

First, Paul notes that the "non firm

firms” “do a few things and only those things: typically e-discovery, due diligence, contract review and management, research, and other high-volume activities.” They are pointedly not full service law firms. They recognize, as Jeff Carr the voluble distinguished general counsel at FMC has long noted, that legal services can be into four buckets: counseling, advocacy, process and content. Paul goes on to note, “Counseling and advocacy work is the true province of lawyers and requires specialized expertise and judgment; process and content work is generally repetitive, information processing work. Because the process and content work has been “bundled” with the TF’s bread-and-butter advocacy and counseling work, it has been delivered and charged as if it were high-value work. But it’s not. So clients will start to unbundle some of the process and content work to the NFFs, and it is likely that large companies will pick one NFF to work with directly, and then tell all their TFs (or at least their TFs who haven’t figured out how to work with NFFs) to work with that designated NFF.”



Next, Paul notes that the NFF’s are designed from the ground up, engineered with a view towards providing efficient services, not hidebound by any pre-existing norms, giving them enormous pricing advantages. Their owners are investors who seek out a profit from their investment, not from their labors, as is the case in the TF. Paul goes on to note that since these NFF’s

are the new kids on the block, they are far more receptive to feedback from their clients. Then, assuming that the market for legal services is a total of \$50,000,000,000 annually, Paul estimates that the NFF’s will grab 10% of that market by 2016 (current reports suggest that NFF’s will gross \$2.5 Billion by next year, up from \$500 Million only two years ago). Paul suggests that for every dollar the NFF’s grab, TF’s will lose between \$1.50 and \$2.00.



Paul’s solid advice to TF’s who want to survive is:

A. Do a rigorous inventory of your process and content Work. Don’t just sit around and persuade yourself that everything you do is advocacy and counseling: Do a force-ranking of your time from five largest recent matters and characterize at least 25 percent as process and 15 percent as content. Then look at that work and ask yourself the **Jack Welch** question: **If you were starting a new business to do that better, faster and cheaper, how would you do it?**

B. Study the methods of the NFFs. Go to websites for Integreon, Axiom and NovusLaw and really understand what they’re saying. Don’t dismiss it as “jargon” or

“buzzwords.” (What do you think nonlawyers think of words like *indemnification* or *disclosure*? All specialized language sounds jargony to the nonspecialist.)

C. Develop an alliance with an NFF. Pick one and do a project with that firm.

D. Ask your clients for systematic feedback, and discuss with them how to do process work more efficiently.

Adding to this discourse, the eminent [Sir Richard Susskind](#) just [announced](#) that there is a five year expiration stamp on traditional law firms. Sir Richard said that by 2016, both law firms and corporate general counsel “will embrace legal process outsourcing, off-shoring, de-lawyering and agency lawyers.” Susskind observed, “the endgame will not be about labour [he is British, you know] arbitrage: ‘I predict that the third phase, from 2016 onwards, will involve great uptake of information technology across the profession, such as automated production of documents and intelligent e-discovery systems – these are applications that will be staggeringly less costly than even the lowest-paid lawyers.’”



There is truly not much air that

separates Lippe’s and Susskind’s prognostications, views and recommendations.



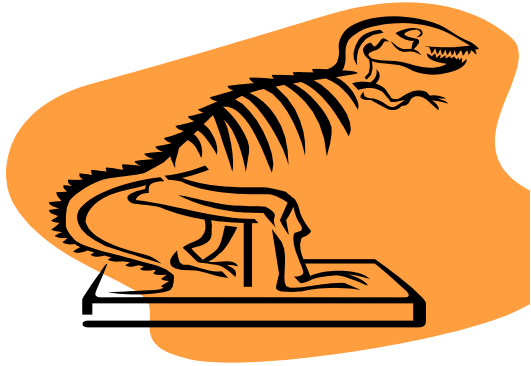
Professor Susskind highlighted four main strategies GCs could embrace – driving down law firms’ prices, reshaping the in-house department, combining the two, or starting with a blank sheet of paper and undertaking a comprehensive legal needs analysis for the business. “Once these requirements have been identified, the task then is, dispassionately, to identify how best to resource the full set of needs, drawing not just on conventional lawyers but on the new legal providers too.”

Describing this last option as the most ambitious, he said it will “deliver the most cost-effective and responsive legal services for large businesses in the future”. It ties in with his vision of “legal process analysis” and multi-sourcing, where the legal requirements of an individual matter or a whole business are analysed to determine the most efficient way of sourcing each element of it.”

And that, as Sir Richard previously observed will be the end of traditional law firms.

Few have the ability to start with the blank piece of paper and focus on “faster, better, cheaper,” a daunting challenge for

traditional law firms. Some, such as www.Clearspire.com and www.rimonlaw.com have started on that path and their models seem to be gaining impressive traction.



The point is that the clock is ticking. It took over a century for the traditional law firm to evolve. Susskind and Lippe are warning us that we are five years away from extinction.

What will you be doing to avoid being the T-Rex in the museum display case?

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Jerry Kowalski can be reached at jkowalski@kowalskiassociates.com