

Is your firm changing its business model, or is it in a stage of failure?

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The market dictates change. Sometimes it moves toward you, sometimes away, but whichever direction, it behooves those who are beholden to the market—which is just about everybody—to get in step or get run over.

The Am Law Daily reported this week on a LexisNexis study indicating law firms of 750 lawyers or more are losing market share to law firms of 200 to 500 lawyers that charge lower rates. Big-ticket litigation matters in particular are being lost to these "large enough" firms.

This isn't a flash bulletin about a new development. The inevitability of this change has been widely written about from all corners of the legal industry for years. What the article does however, is bring more clarity to the importance of our ability to differentiate between what kind of change have we been making for ourselves and what kind of change is being made upon us by others?

The change that is being directed by the market is simple and clear. The market demands and will drive to achieve a better value proposition than what law firms have delivered in the past and are now failing to deliver in the present. The client message in this market is unmistakable: "If you cannot give me what I want, I will move my purchasing to someone who can and will give me what I want." Just like every other service and product market. The article refers to several reports that demonstrate there is clear data that this dynamic has been underway for several years, and now is material both in size and scope.

Firms that are able and willing to change their business models should retain the business. Those that cannot or will not won't retain the business. No firm is immune from this pressure. Then, what happens to the firm that does not adapt? It isn't a trick question. They will be changed, but they probably won't be in command of the process. They may survive it, or they may not.

Jim Collins in his book *How the Mighty Fail* provided a powerful insight into what he organized as five stages of failure of a business enterprise. Though it was not written for law firms, it certainly is applicable to them. [Click here](#) for a summary book review of *How the Mighty Fail* that notes the five stages of failure. Where do you think your firm sits in those five stages? And what can or should it be doing—and what is it doing—to change its course towards survival and success, as some companies have done?

Want to figure out who will be more likely to make the transition to the New Normal and who is less likely to do so? It is also a very simple exercise. [Click here](#) for a nine-point checklist of warning flags for potential failure of a law firm.

Those firms that have directed themselves to changes for improving their operational effectiveness and positive (non-cannibalistic) efficiencies are on the right track. They should have exciting and growing opportunities, perhaps as positive as any experienced in the past two decades—and that is very exciting indeed. They have invested in the sustainability of the enterprise. They will ride the wave of change and will not be upended by it.

Those firms that have directed themselves to changes (especially cannibalistic efficiencies) for maintaining partner incomes at the expense of the firm's sustainability as an enterprise are not on the right track. Instead, they have pursued what ultimately will amount to a liquidation of the firm's enterprise value until it collapses. [Click here](#) to read a very fundamental projection from four years ago that outlines how a firm can so easily fall into this course of self-destruction.

Please remember that it does not matter that the firm pursuing the latter approach has outstanding talent and does fabulous work. Recently failed large law firms were all characterized with an abundance of both. What does matter is that other firms also have outstanding talent and do fabulous work—for a lot less money. The clients are searching them out and reaching farther and farther down the supply chain in both geography and firm size to seize it; because they can. We should expect that to accelerate, not moderate, as a trend.

Of course, that is just my opinion. I might be wrong.