Business Development in a Recovering Economy

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At last there is good news: **The legal profession has entered a recovery economy.** The grinding downturn that brought layoffs of 5,259 lawyers – 4.3 percent of the lawyer workforce nationwide, according to the Nov. 9, 2009 *National Law Journal* – is ending. Four separate research studies support this conclusion:

- The 2010 Client Advisory by Hildebrandt Baker Robbins. **The legal market finally "bottomed out"** at the end of 2009.
- The Law Firm Group at Citi Private Bank. "**We believe the worst is over**," said Dan DiPietro, advisory head of Citi, an arm of Citigroup.
- The BTI Consulting Group in its "Premium Practices Forecast 2010." It predicts **corporate legal spending by large companies will grow nearly 5 percent**.
- The February 2010 Robert Half Legal survey of 300 attorneys from among the largest law firms and corporations.

But there's a catch. Relations between lawyers and business clients have changed permanently. The research studies cited above agree that law practice will not go back to pre-recession business as usual. Some of the changes include the following:

- **There is a client rebellion underway**, reflected in the 25,000-member Association of Corporate Counsel's "ACC Value Challenge," which insists that lawyers cease billing by the hour. See www.acc.com/valuechallenge for the details.
- For the foreseeable future, attorneys will face **a buyers' market for legal services**, in which clients will increasingly focus on the overall value of the services they receive.
- Law firms that had routinely (since 2006) imposed on corporate clients 4 to 6 percent rate increases annually will face **resistance to any fee increase at all**. Instead, clients will respond with demands for discounts in hourly fee arrangements.
- **Cost-cutting has reached its limit**. Many law firms have already slashed staffing, occupancy, and travel expenses to the bone.
- **The only route back to prosperity is through business development** – increasing the "top line" with new files, new clients, and new revenue.

On a positive note, all the traditional in-person business development techniques work well in a recovery economy, and lawyers now have a host of online social networks to use to get new business using the Internet. More on that momentarily.

A Silver Lining for GPs and Solos

Happily, there is a silver lining for solo practitioners and small-firm attorneys, who make up the majority of State Bar of Wisconsin members. First, smaller firms were much less affected by the downturn than the nation's largest law firms – those with net operating income of $34 million or more and 150 lawyers or more (the "AmLaw 100" and "AmLaw200"). Smaller law firms experienced less of a decline in demand, rates, revenues, and productivity, according to the Hildebrandt research. Many mid-sized law firms were actually *hiring* during the 2009 downturn.

In fact, there is a major economic trend underway in which corporate clients are abandoning high-fee megafirms and actively seeking out boutique and small firms – because their services are just as good and their fees are hundreds of dollars less per hour. I attended the most recent national conference of the ACC and heard the following:

"**Milwaukee is the new Mumbai. Many general counsels are going to the #1 firm in a second-tier city to find a law firm**," said Christopher Mirabile, president, Association of Corporate Counsel, Northeast Chapter and managing director of the Race Point Capital Group.

In other words, the Fortune 500 are looking for smaller firms. In the past, corporations had hired megafirms as a "cover-your-behind" tactic, so that if they lost a big case they could defend themselves by saying they hired a top law firm. This attitude has by and large vanished. Today, in-house lawyers are under strict orders to cut their legal spending and stay within their budgets. I have personally coached lawyers in small firms who have successfully lured major corporate clients from megafirms, simply by offering lower fees for equal skills.

The Altman Weil 2009 Chief Legal Officer Survey found that only 10 percent of the law firms that chief legal officers hire are firms with more than 750 lawyers. However, 30 percent of the firms are "small" firms with fewer than 100 lawyers. This means there is a rare opportunity for small-firm lawyers to knock on the doors of corporate general counsel and get a warm reception when they introduce legal services that boost the company's bottom line.

The practice areas of smaller firms were least affected by the recession. Big-firm practices like mergers and acquisitions, intellectual property prosecution and litigation, capital markets, corporate tax, and "bet the company" litigation saw significant declines in the last two years.

Conversely, research shows that the following practice areas are expected to grow in 2010:…

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