

Forty Years of Legal Game-Changers

By the Consultants of Altman Weil, Inc.

Game-changing events can occur on a micro scale, like a bases-loaded hit that breaks open a close baseball game. Game changing can also occur on a macro scale like Walter Camp's tossing the ball forward in the 1906 Yale-Princeton football game that transformed that sport forever. Macro-scale game-changers occur in business and economics as well, and they include:

- Development of the steam engine
- Emergence of railroads
- The Drake oil well
- Invention of the internal combustion engine
- Introduction of the income tax
- Commercial application of electricity
- Invention of the computer
- Splitting of the atom
- Introduction of the Internet and World Wide Web
- Development of wireless technology

In the 40 years since the founding of Altman Weil in 1970, we have seen a number of macro-scale game-changers in the legal profession. When Altman Weil was formed in 1970, very few firms had more than 100 lawyers (only 87 law firms did ten years later in 1980). In 1970 there were 355,000 lawyers in the entire US. Partners billed at \$100 an hour or less. New lawyers started at salaries less than \$10,000 per year. Think of what has happened since then. We have seen, over the lifetime of Altman Weil, a series of game-changing events in the legal profession.

The 1970s

Emergence of the Discipline of Legal Management

Mary Ann Altman's and Bob Weil's *How to Manage Your Law Office*, published by Matthew Bender in 1973, was the first publication on

management of a law office since Hale & Dorr's Reginald Heber Smith's 1943 publication, *Law Office Organization. How to Manage Your Law Office* was Matthew Bender's best selling single volume for decades. It led to the evolution of the legal management profession, specifically the formation of the Association of Legal Administrators in Altman Weil's offices in 1972, supported and administered by Altman Weil for its first five years under a management contract. It also led to the development of what was then known as the ABA Section of Legal Economics, now the Law Practice Management Section, in the early '70s. Altman Weil consultants were active in leadership of that section through the 1980s and into the '90s.

Time-Based Billing

A 1971 Missouri Bar survey, highly publicized, revealed that lawyers who kept track of their time made substantially more income than lawyers who did not do so. Lawyers seemed to interpret this to mean that lawyers who bill by the hour made more. Clients reinforced this, believing that time-based bills gave them greater scrutiny and induced accountability. Time-based billing became the norm in the legal profession.

Legal Economic Benchmarking Data

The 1970s saw publication of statistical legal economic benchmarking data in the form of the Altman Weil *Survey of Law Firm Economics* (established in 1972), now the Incisive Media *Survey of Law Firm Economics*. Other entries into the market included surveys by PricewaterhouseCoopers, Citibank and Wachovia (now Wells Fargo).

Advent of Legal Marketing

Two US Supreme Court decisions, in 1975 and 1977, *Goldfarb vs. Virginia State Bar* and

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Bates vs. Arizona invalidated bar association minimum fee schedules for legal services and extended First Amendment advertising rights to lawyers. This in turn led to formal marketing by law firms and the formation of Altman Weil's marketing department and its services to law firms in the development and implementation of marketing plans.

The 1980s***Independent National Legal Press***

Although *The American Lawyer* and the *National Law Journal* were started in 1978, their real impact occurred during the 1980s. These publications opened the kimono of major law firms to public scrutiny, and unlike the statistical benchmarking surveys of law firm economics, they reported on *individual* firm economic performance in revenues and profits. Publication of these data became influential in management of major law firms, much like the *US News & World Report* rankings of colleges, universities and, yes, law schools, influence policy in those institutions.

Introduction of Information Technology to Law Firm Back Offices

Altman Weil formed its technology group in 1977 to assist law firms in computer system selection and implementation. IT entered law firms in the early 1980s in the form of automated time and billing systems, which reinforced time-based billing. IT systems also led to the generation of management information and to word processing for document production. Law firms could measure productivity and profitability of components (offices and practice groups), and even individual lawyers, based on these data. Law firm secretaries and support staff could become more productive as a result of replacing typewriters with word processors.

Globalization

Baker & McKenzie, White & Case, Coudert Brothers and some of the London-based "Magic Circle" firms became pioneers in the development of the global law firm so that they could support the emergence of global clients in the world economy. Today there are three firms with more than 3,000 lawyers operating on a global basis, and a dozen more approaching that size. Altman Weil assisted many of these firms in the development and implementation of their global strategies and their implementation, in conjunction with our strategic alliance consulting partners in the UK.

The Personal Computer

In the late 1980s, introduction of the personal computer enabled lawyers to do things at their desk that used to be done by legal secretaries and other support staff. This began a gradual reduction in the ratio of support staff to lawyers, a significant development since employment costs are the major overhead factor in US law firms. The 2008-2009 recession resulted in the elimination of large numbers of support staff positions in law firms, and most of these reductions will be permanent, in recognition of the computer skills of new lawyers entering the profession.

The 1990s***Total Quality Management (TQM)***

TQM was a bust in law firms, due to unsophisticated attempts at application of its principles to law firms by TQM specialty consultants. Significant elements of that management discipline, however, have been adopted by law firms, including the idea of "partnering" with clients and solicitation of direct client feedback. Altman Weil was a pioneer in the use of client surveys, creation of opportunity reports for development of new business based on those surveys, and the

ability to benchmark law firms' clients' responses to an ever-expanding database of client responses from other firms.

Multidisciplinary Practices (MDPs)

MDPs emerged as a significant factor in the rest of the world during the early 1990s, and by the late 1990s the (then) Big Five all had emerging global networks of captive law firms. The ABA struggled with this issue and ultimately rejected the concept of non-lawyer ownership in law firms. The demise of Arthur Andersen in 2002, albeit from reasons not related to MDP, and the subsequent adoption of Sarbanes-Oxley, killed this concept, at least for the short-term. Altman Weil was a global leader in the MDP debate and one of its principals was Chairman of the International Bar Association's committee on this issue, which liaised with global organizations such as the World Trade Organization, CCBE (The Council of Bars and Law Societies of Europe) and the ABA Commission on MDPs.

Strategic Planning

The 1990s also saw the adoption of corporate-style strategic planning by law firms. Altman Weil developed deep consulting capabilities in this area and assisted hundreds of firms in development and implementation of institutional strategies for achievement of competitive advantage. Strategic planning for law firms, practice groups and offices remains a staple of Altman Weil's consulting practice and has never been more important.

Emergence of Corporate Law Departments

Before the 1970s, many corporate law departments were the dregs of the legal profession, handling only commodity legal work for major companies. In 1982 the American Corporate

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Counsel Association (now the Association of Corporate Counsel, or ACC) was formed, and professionalism in this segment of the marketplace exploded. Law departments recognize that it is a buyers' market and are beginning to exert pressure on their suppliers (law firms) to do things better, faster and cheaper. No longer is it only commodity work that is the substance of corporate law department practice; for quite some time, and increasingly, "important" and "strategic" work is being handled in-house as well.

The 2000s

Communications and Telecommuting

Technology innovations have enabled lawyer-client communications to become seamless and instantaneous, globally. Lawyers now are on call 24/7. Developments in IT also enable lawyers to practice, either individually or within the context of a law firm environment, from wherever they wish and with around-the-clock availability. This has created a new set of challenges, but also a new set of opportunities for law firms embracing non-traditional work styles.

Diversity

The Pro Bono Institute supported by the American Bar Association, and the ACC's Diversity Initiative of the mid-2000s have resulted in focused, strategic attention from major law firms to the provision of more opportunity for female and minority lawyers. Corporate clients have hired law firms on the basis of positive demonstrations of a commitment to diversity, and have "fired" law firms that failed to show progress in this area.

Convergence

One of the trends in corporate law practice is the consolidation of legal

work in a smaller number of outside law firms, to facilitate management of that work and to increase bargaining capability on fees and other issues. Large companies have reduced their panels of outside law firms, from hundreds to dozens or fewer. This trend is continuing, providing an excellent opportunity for regional, national and international law firms to win legal work from major corporations situated in the United States and elsewhere.

Value Challenge

Finally, pricing and legal fees have received such attention in the profession that the ACC has established a database for collection of information on the performance of law firms that will be available to members and that will facilitate outside law firm selection by their targeted clients, major corporations. This represents an effort above and beyond that of independent rating agencies such as Chambers and

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Scenario Planning

Devastated by the effect of the 2008 and 2009 recession, many law firms have had to make adjustments on the fly, hoping for the best. Downsizing, layoffs, de-equitization, restructuring and the like have been accomplished on an ad hoc basis. The prudent use of scenario planning, such as that used in business and industry, might have better prepared law firm management to respond to these challenging times. In 2007 Altman Weil became a premium co-sponsor of the Legal Transformation Study 2020, conducted by Decision Strategies International, to take a long look forward at possible scenarios for the profession. This study has provided the grist for long-term planning for a number of major law firms, and is provocative in its presentation of possible future realities for the legal profession, some of which may not be pleasant for law firms mired in past models. It remains an important and critical tool for law firms looking to secure their futures in an ever-changing world.

Martindale-Hubbell, and even the new initiative announced by *U.S. News & World Report*. It is potentially another game-changer as we look five and ten years down the road to the future of lawyer-client relations.

Conclusion

Things of course continue to change, and new game-changers appear. Today we see the profession discussing and utilizing strategies such as outsourcing, temporary and contract attorneys and paralegals, off-shoring, and alternative fee arrangements (i.e., pricing of legal work on other than an hourly basis). Whatever tomorrow holds, however, it is clear that the past 40 years have been a period of significant and dramatic change in the practice of law, both here and around the world. ♦