



Our business is developing yours

## Resistance Continues but the Business of Law is Transforming

### **The Resistance Movement**

It has been said that change is the only constant in the world. Nagging realities in the legal marketplace continue to place pressure on law firms, of all sizes, to confront the demand for inevitable changes.

The days of straight billable hours and traditional client-attorney relationships may be slipping away. A few of the pressures law firms are telling us they feel from clients and the marketplace include having state of the art technologies, increasing the use of contract lawyers, corporate legal departments creating their own metrics to codify the cost of performing legal tasks, AI, knowledge management, more specific and customized delivery of legal services, and providing more staffing options. An increasing number of firms are incorporating big data analytics to efficiently reduce risks, cost and time needed to complete matters.

At the 2017 Legal Marketing Association Conference, one member of the general counsel panel stated, “Any law firm that tells me they can’t provide a fixed fee for a particular matter does not truly understand how their firm operates.”

### **Hard Fought Innovations Continue to Raise their Weary Heads**

While there are pockets of innovation from some law firms, most are lagging behind according to the latest 2016 report from Altman Weil, “Law Firms in Transition” <http://ow.ly/flvU30bKkP5>

The pressure to change is the new reality as market demand for legal services has not returned to pre-recession levels. Managing partners and firm leadership may say they need to become more efficient but most have not made significant advances in how their firms deliver services. Many firms reported they have excess capacity but are having difficulty convincing partners they must change. In fact, the report states only 44% of firms have significantly changed their strategic approach to efficiency. The report continues asserting that 59% of law firms conveyed that they are not changing because clients haven’t asked for it.

The obvious disconnect is that firms need to take on a proactive role finding out what changes clients would like. I refer to the adage, “Someone is talking to your clients. Are they listening?”

Corporate legal departments are not immune to boardroom scrutiny and pressure. Shouldn't law firms take the leadership position in having these frank conversations with their clients? In this seemingly timeless piece written by William J Flannery some 15 years ago, "It's the Client Stupid!" <http://ow.ly/iHbc30bpFJU> client's first is the clear message. It's like the message in the story of the sign of the telltale heart – the demand just keeps growing louder and louder.

### **The Warriors Pursue**

The problem of law firms not customizing service delivery for individual client needs increasingly perplexes in-house counsels. They often tell me during client feedback interviews they are stymied that few of their outside counsels have stepped up to the plate to work through the process of improving the delivery of legal services based on their individual company's needs and requests. To this end, corporate legal department attorneys have formed a group, CLOC, to focus solely on this problem of legal operations beyond what the Association of Corporate Counsel has done.

"The Corporate Legal Operations Consortium ("CLOC") is a non-profit organization consisting of legal operations professionals providing education, sharing best practices, networking, establishing a professional organization and community, and driving positive change across the corporate legal services ecosystem. CLOC is the "go-to" organization for information about legal operations and connections to the best legal operations professionals in the business."

[www.cloc.org](http://www.cloc.org)

Mary O'Carroll, head of legal operations at Google, is a member of the Executive Leadership Team at CLOC. Mary purports, "We used to talk about being on the verge of change. We are no longer on the verge of anything. We have crossed over to the next stage and there's no denying it. We are remaking an entire industry together. Those who don't adapt will simply cease to exist. Before you know it, what once seemed like crazy ideas will become the new normal."

At the end of the 2016 inaugural CLOC conference, Mary O'Carroll delivered the closing remarks. We know that better legal operations are in the works already. Here is a bit of what Mary had to say:

"Please do not recreate the wheel. Whether you need to think about establishing a diversity charter or implement esignatures, reach out to the CLOC community and leverage work that others have already done. And if you've just completed something great, let CLOC know and find time to share it with others. It's the only way we'll make progress as a group and profession. It's good for all of us. So as I said, this education and sharing component continues to be a major focus for CLOC and we're just getting started. We need to refine our plan on how we will deliver content and sessions with you all, so please do stay tuned and stay involved. This is exciting stuff!

"The third objective of the Institute was to bring the ecosystem together. This Institute is different and unique from other conferences because it's not just legal ops folks. This is completely intentional. We want to build bridges and break down silos. Ops directors cannot transform the future of how legal services are delivered by themselves! We need to be working side by side with our partners: the firms, the vendors, the technology providers, the law schools, etc.

“There is a big problem in the forward progress of this industry because of the historic silos within which we operate. There is a stupid perception that there is an us (in house teams) vs. them (the law firms). As a result we’ve got corporate legal departments talking to each other, law firms talking to each other and trying to meet client needs, software providers sometimes playing in the space in the middle trying to meet conflicting demands, and then some disruptor on the sides trying to shake things up. Again, I find this infuriatingly inefficient. Instead of guessing what other parties want and assuming there is some kind of us vs. them, we need to be talking and collaborating. We’re all in this together. Better outcomes with less effort is good for everyone.”

Adam Stock, Chief Marketing Officer for large west coast real estate firm, Allen Matkins, is a thought leader in the area of creating better client services with a heavy emphasis on technology. He is currently programming software and developing strategies to deliver products and services based on client preferences and needs. Adam tells us, “The legal industry is ready for disruptions – the delivery of services is difficult for most established companies, but it is particularly difficult for law firms. Dependence upon the ‘billable hour’ has had a corrosive effect on innovation at law firms, because the model penalizes efficiencies and stymies the investments in more efficient models of delivering services.”

### **Big Firm – Small Firm: It’s the Same**

Five years ago large firm refugee, Ernie (Will) Klatte, started his own boutique labor and employment law firm, Klatte Budensiek & Young-Agresti (KBY). The firm based its core principles around client relationships and service, being a substantive resource for firm clients and contacts, and forming a team of professionals who care more about the practice of law as a profession of service than the number of hours they bill. [www.kkbylaw.com](http://www.kkbylaw.com)

KBY has been successfully growing its practice with large and mid-size corporations by innovating distinctive alternative fee arrangements and service options providing its clients with custom service based on their needs.

Will feels that, “Different clients have different metrics by which they gauge performance. As a small firm, we have to be extremely adaptable to client’s legal operational needs. We are very transparent with our clients about the way we manage our engagements, and we are very receptive to new ideas to add more value to the client relationship, whether it be through new operational requests, alternative fee arrangements, new software, staffing, or sharing resources. As evidence of our commitment to continually improve legal operations, we have a paralegal dedicated to interfacing with clients on knowledge management issues and document management. Partnerships at large firms traditionally make less money being efficient. For those firms it’s primarily about billing and collecting by the hour. Our industry is swiftly moving past this traditional system.”

Bryan Cave is a firm that has been paying rapt attention to the changes taking place in terms of legal operations and how law firms must innovate in order to meet client needs and continue to flourish under this new order. According to Steve Sunshine, a member of the firm’s Management Committee, “We have spent years developing an approach to alternative fees that includes proprietary analytics software in combination with a team of professional analysts who work with our partners daily on staffing, pricing and project management. We enhance our approach by sharing the analysis with our clients. Of equal

importance, our approach includes frequent conversations with our partners to build their trust and belief that working with our analytics team produces great results with clients.” [www.bryancave.com](http://www.bryancave.com)

## Conclusion

The 2017 CLOC Institute closed on May 11. According to leadership of the organization this second CLOC meeting moved the needle forward even more to a place of collaboration, sharing and transforming the future of legal services delivery. Leaders in CLOC are the first to admit that defining legal operations is still in its infancy but the definition is coming together.

CLOC’s website defines legal operations as a “multi-disciplinary function that optimizes legal services delivery to a business or government entity.” They define 12 areas of service:

- Strategic planning
- Financial management
- Vendor management
- Data analytics
- Technology support
- Alternative support models
- Knowledge management
- Communications
- Growth and development
- Global data governance/records management
- Litigation support
- Cross functional alignment

It seems as though the squeaky wheel is getting the grease. Those law firms that have taken on process improvement of the legal operations in their clients and targeted marketplace are having an advantage as we watch law firm traditional services morph. 2017 could become the tipping point year in which a significant number of Big Law and smaller firms begin to accept that change is inevitable and that the time may be now.

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