

There are lots of things firms can do (MBAs are a lot less good at innovation than they think they are, and lawyers can be better); the important question is will they. That's really the critical question - all else is secondary.

Some of the answers don't match my thinking. Q1 and Q3: I don't think it's a money issue. It's a risk issue; will firms be willing to try something new? Will clients be willing to accept something new (other than different fee arrangements)? I don't have answers to those. My practice (patent prosecution) does lend itself to some areas of more efficient execution, but I haven't really pondered new ways of delivering the service. Q2: I think that business professionals would need to work in tandem with lawyers to change the process. An outside observer of how things are done might have better insights into how to improve the process, as opposed to someone who is embedded in it. Q4: Again, from the patent prosecution standpoint, some things could easily be outsourced. But there are export control issues with regard to some of the underlying technology and associated rights-related issues when doing some of this work outside the US. But since patent laws are territorial in scope, we regularly rely on foreign firms.

The bonus question seems a bit too broadly phrased; it seems likely that some law firms (e.g. top-end boutiques) will be able to glide along nicely by sticking to their current model, albeit tweaked a bit when necessary. By contrast, those firms outside this charmed group will really begin to struggle as their business model falls apart at the seams for all the reasons you set out in Growth is Dead, and it's not clear to me that they have any realistic prospect of re-inventing themselves.

Remember Peter Drucker's question, "what business are you in?" Are you in the litigation business? Are you in the legal solutions business?

The vast majority of legal work being performed today is commoditized (or capable of being commoditized) and law firms should seek to compete in those areas by prioritizing process and design. When every firm is capable of delivering the same quality of product, customers will differentiate first by price (which we see in fee competition) and second by intangibles such as ease of use. Ultimately, the focus on process and design will address both of these areas because (a) increased competition will lower prices to marginal cost, so the firm with the lowest marginal cost (achievable by better process and design) will win work and (b) investments in process and design will improve the usefulness of the end product. One area of focus should be on automation and standardization of key deliverable documents within your firm - but this is low hanging fruit and everyone can quickly scale up a solution to achieve the same result, so other than some first movers this won't provide a competitive advantage for very long. Another area of focus should be the integration of non-legal data and expertise into your firm's deliverables. When everyone can deliver documentation of a similar quality at a similar price, then the competition will become about the "extras" you can include. For example, you should always have market intelligence handy in a format that can be provided to your clients together with your legal deliverables so that, if you have given them legal options to consider, they also have handy the necessary commercial information to guide the decision (e.g. your loan documents should come with actively updated links to the latest pricing in the relevant industry sector for similar borrowers; your construction contracts should include embedded links to the relevant sections of the engineer's preliminary reports). In other words, you must deliver legal advice plus something else if you wish to compete. There is a breed of lawyer who wants no part of this, and seeks only to deliver narrowly tailored legal advice on the particular question asked (subject to a variety of assumptions which clear away all of the issues the client actually cares about). Those lawyers will not survive the new competition. If you want to thrive going forward, you must become comfortable integrating your legal analysis into commercial considerations. You must look for ways to make your advice relevant to other issues, rather than independent from them.

I don't think any of the answers to the last question really capture my view. Law firms' response will depend on how they are positioned and which market segments they serve. There will be room for high-end advisory services which can evolve from the existing model of delivering legal services, but there will also be volume plays for lower complexity work where LPO, technology and process will form part of successful business models

Asking law firm lawyers about the future of legal services is like asking dinosaurs about whether those pesky little mammals might ever amount to anything. It's all happening elsewhere, and by the time those at law firms perk up it's pretty much going to be over. Law firm lawyers won't go away any more than big lizards have, but the new world coming will not be the one they have dominated.

It's not that technology will make law firms obsolete (it is of course a good starting point for provocative presentations, in comparison even Richard Susskind starts to sound almost timid), they can just as well coexist more or less happily. Technology can certainly potentially take some of traditional law firms' revenue away from them, but much of the growth will also come from meeting hidden demand which is not catered for by traditional lawyering for a number of reasons (and price is just one of them).

Only caveat to the above responses is that lawyers are driven to be successful, so some will no doubt succeed in either developing new businesses within their structures to compete or establish themselves in an elite niche. But it will be the cream of the crop who succeed, with many of the those in the mediocre ranks falling by the wayside.

The rigors and integrity of legal professionalism are not incompatible with integrated collaboration with non-lawyer businesspeople and workers - it's about time that law firms understand and leverage the skills and disciplines that non-lawyers can bring to legal work ... after all, from the corporate client's perspective, there is no such thing as a legal problem - there are only business problems. - Susan Hackett

I do believe law firms can fight back (not sure they "will be able to," but they "can" if they want to) and that it won't be by honing their conventional model. I'm not sure, though, that law firms will only be able to fight back by creating their own captive LPOs. There will be lots and lots of trial and error on this score (can be through a combination of captive LPOs, in-house R&D, shifts to non-legal project managers, etc.) but the one thing that is clear is that the only firms that will make it intact will be those with the most progressive-minded management (and partner base, since they, too, need to support and get with the program). "Innovate or Die" could never be truer than it is now with the legal profession.

I wonder if law firms look to promote and benefit their lawyers or see themselves a provider of legal services. In my opinion, these are increasingly unsymmetrical goals.

I think we can anticipate a lot more mixed practices (eg law firm and LPO hybrides), as providers realize that "full-service" for many clients actually means to be able to serve in all value levels (ie High-end, Ordinary business & Commodity), rather than in the traditional sense.

LPO is all about eDiscovery and few other tiny niches. As to outside capital, many good firms are awash in capital. Strong firms are actually having the best years in their history right now; these kinds of programs are hosted and paneled by consultants who are selling a myth of the failure of the legal practice model.

All the "innovation" that I've seen more or less drops the ball when it comes to professional responsibility. I'm sticking with the traditional model.

Expertise is substantially commoditized at various tiers of firm (international top tier, M&A speciality etc.) and lawyers compete largely based on their ability to develop and nurture relationships--that is, based on personality and marketing and networks, as opposed to what great lawyers they are. Legal services in the transactional area are largely based on personal relationships. Process is not that relevant. Litigation is different. The biggest change coming to "law" is that its share of GDP is going to decline.

Take a look at Michael Raynor's recent work - Innovators' Manifesto. His research shows that incumbents generally fail trying to launch their own disruptive innovation (i.e., "creating your own captive LPO). Likewise, disruptive innovators tend to fail if they try to transition into or adopt the more conventional model. Successful law firms will need a combination of co-creative innovation (see Prahalad); sustaining innovation on their existing model; and collaboration with or co-opting of LPOs (for example, integrating LPOs into their practice for selective things that can't be done efficiently by BigLaw). Also, while LPO hasn't hit BigLaw on a substantial scale yet, Axiom, Clearspire and others are growing fast enough to hurt pretty soon - certainly by 2015.

For the bonus question, while I have agreed that the solution is "honing their conventional business model", as that was the most appropriate choice of the three; it will take a little more than just "honing" and some "overhauling" may be required.

Culture within big firms will be a barrier to change. If you want real innovation then you have to do it outside of the walls of a large law firm and start with a clean slate and hire people committed to the new vision. You will never get the majority of the partners in a large law firm to commit to serious change. As the rise of LPOs will be gradual, the level of urgency for change will not be sufficiently felt to implement radical change within law firms.

Process, design, but also effective market segmenting when we're talking about differentiation. Who is the firm trying to sell to and is that expertise specialized and value to that segment. When we talk about expertise becoming commoditized it's when it's not targeted effectively

There will be a small handful of real experts and a whole chain of mid tier firms supported by LPOs and captives. Distributed working and flexible online delivery for consumer law; specialists for corporate delivering to fixed fees.

Law firm clients will continue to demand change to a model in which they believe they are paying excessive amounts for juniors undertaking work of limited value. However, clients and LPO firms alike, NEED the risk assurance and advisory expertise of established law firm brands. Established law firm partnerships are, by nature, short-termist in thinking / reward structure. The future is a global superset (a la consultancies) who can provide the expertise PLUS process efficiencies, together with niche sector-oriented specialty firm branded operations. Fascinating times. tw

I should probably just clarify that I'm from the UK, so we can now look at outside investment in law firms. I like your idea of Apple-esque law stores.

Lawyers are stumbling toward the recognition -- forced on them by the most sophisticated clients -- that clients need big and sophisticated firms only for the big and sophisticated transactions and the big and sophisticated litigation. Clients may also want big firms for large volumes of repetitive work, but those firms don't need to be sophisticated, only big. The run-of-the-mill big firms priced themselves out of the market for repetitive work, the stuff that isn't exciting but that comes in volume and pays the bills, by charging for it as if it were sophisticated work. Law firms that can deliver volume efficiently are getting that work, and BigLaw isn't going to get it back, because a Wall Street BigLaw firm can't be Saks and Sears under the same roof.

Outside investment also poses some ethical challenges. Good example, Binder and Binder, was a law firm. Became a non-attorney firm to accept hedge fund money, now they appear to be one of the largest law firms in the country, misleading vulnerable clients who often believe they are attorneys. Great blog. James Bellefeuille

My answer to bonus question is only as to LPO's -- litigation document review, due diligence, contract management. Axiom (and maybe Clearspire and Riverview) are a different question - because they are really law firms, just without high-cost offices and high-cost, inflexible long-term employment commitments to or by their staff. They are just cheaper, not really better managed or more technology-based or process-smart than any law firm could choose to be. The "capital" needed for R&D in partnerships is mostly partner time, and the capital needed for process design and management is mostly other people time. Outside capital isn't necessary to solve either of those problems. Partner and other lawyer compensation/performance metrics changes ARE necessary.

The history of disruptive innovators attacking incumbents is not a pretty one (if you're an incumbent, that is). Combine that with lawyers' unbelievable resistance to change and one has to be worried about the survivability of BigLaw as we know it.

It really friggin' sucks to be a young lawyer right now.

I have yet to see a convincing argument that law firm partnerships need outside investment. I think the issue is often rather that the perceived ROI doesn't warrant an investment.

Progress also requires that inhouse counsel start to think more like business people. Some do, but not enough.

Part of the reason we caught unaware, despite having decades to watch other industries innovate in the face of the exact same dynamics, is that we had no diversity of thought, imagination or perspective in our leadership. Not to mention gender or ethnic/racial diversity.

You've ignored non-hourly compensation models, which can significantly change the dynamic.

This survey pits good vs. evil. The more likely future is that there will be hugely profitable law firm partnerships and there will be very successful non-traditional models as well. The question isn't which model is going to win - it's knowing where to be standing as this market changes.