



WHITE PAPER

MODERN KNOW-HOW:

Adding Value to Your Practice in a
Volatile Legal Marketplace



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One day, you notice that a client you've regularly worked with for several years has been out of touch for quite a few months. You give her call.

At first, the client says everything is fine. She hasn't required legal advice lately. Then she alludes to paying a lot for services that seem to take longer to deliver than perhaps they should.

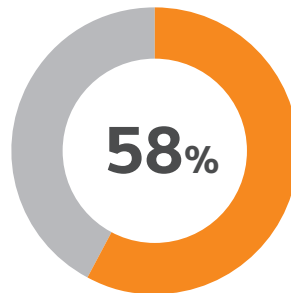
Often, she's waited a day or two for a phone message or email from your firm. She mentions working with an associate who's slow to answer her questions. Anyway, she must run — she'll be in touch.

She sounded friendly, if a bit rushed. Later on, you find out this client has hired another firm in town.

Why did your client leave? It may not seem completely clear. And that question creates a problem: As more firms are discovering, what you don't know *can* hurt you.

Clients are demanding more services, faster, from their legal advisors, causing many unprepared law firms to lose business. Clients are insisting on more value for their legal expenses, and that expectation reflects the change in legal services from a seller's market to a buyer's market.¹

What does "value" mean to clients? These days, it means quick responses and a fast resolution to their legal issues. It also means they're demanding more service for less money, requiring more and more firms to perform a higher volume of work while maintaining the same level of quality.



of respondents said they shift work from one law firm to another every two years or less

And if those clients don't believe they're getting that kind of value from a firm, they'll move on. In a survey conducted by the Thomson Reuters Legal Executive Institute, 58 percent of respondents said they shift work from one law firm to another every two years or less — and 18 percent shift work more than once per year.²

This volatility complicates an already-stagnant legal market. Data from Thomson Reuters Peer Monitor shows that, from 2013 through 2017, growth in demand for law firm services stayed largely flat. 2018 saw a 1.3

¹ The Thomson Reuters Legal Executive Institute and the Center on Ethics and the Legal Profession at the Georgetown University Law Center, *2019 Report on the State of the Legal Market*, January 2019, page 13.

² Thomson Reuters Legal, *Gain a Competitive Edge in Today's Dynamic Legal Marketplace*, store.legal.thomsonreuters.com/law-products/ns/news-views/large-law-firms/your-firms-been-fired.

³ Thomson Reuters Peer Monitor 2018, based on reported results from 161 U.S.-based law firms, including 52 Am Law 100 firms, 46 Am Law Second 100 firms, and 63 additional midsize firms.

percent improvement, but that increase primarily flowed to the large Am Law 100 firms.³ The otherwise persistently flat market has, unsurprisingly, made client acquisition and retention a paramount concern for law firms.

So, what does it take to build and maintain a law firm that modern-day clients want to hire – and retain? It requires a new mindset, one that understands what your clients truly require and what your law firm truly delivers. That is the secret to providing the kind of value that wins clients again and again. And that fresh understanding, in turn, will very likely require your firm to change the way it operates in order to become more efficient.

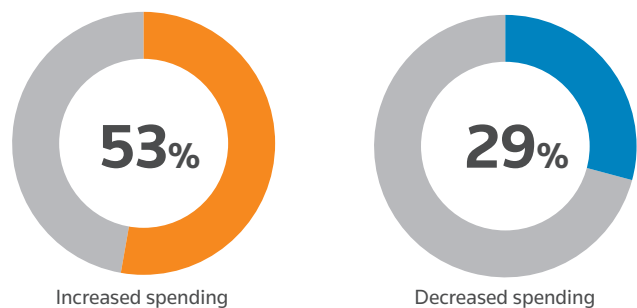
COMPETITION: MORE INTENSE AND MORE VARIED THAN EVER

The traditional law firm model has broken apart. It had a very good run. By and large, clients tended to look upon attorneys as repositories of distinctive knowledge, and they deferred to their legal counsel and their expertise. Law was considered a labor-intensive profession, and most law firms hired enough attorneys and support staff to meet client demand. It was a model that reflected a seller's market.⁴

That's no longer the case. In the social media age, people increasingly question the expertise of practitioners in nearly all professions — physicians, financial advisors, journalists, scientists and, yes, attorneys. Clients have become less deferential to attorneys' hard-earned knowledge. Many see such knowledge almost as a commodity – something available from many sources, both off- and online.

Meanwhile, law firms face increasing competition. Other firms are one source of this competition, of course. Poaching of both talent and clients has become intense,⁵ which has helped push a record level of firm mergers and lateral partner acquisitions. In 2017, legal management consultancy Altman Weil tallied 102 firm mergers and acquisitions in the U.S., beating the previous record of 91 set in 2015.⁶ In 2018, the record was broken again, with 107 law firm mergers and acquisitions.⁷

Firms also are losing business to corporate legal departments. Many larger companies are keeping more and more of their legal work in house and farming less and less of that work to independent law firms. A 2018 Altman Weil survey of corporate legal officers found that 53 percent increased their total in-house legal spending from 2017 to 2018, while only 29 percent shrunk their spending.⁸



In addition, the Altman Weil survey reported that 36 percent of all corporate law departments surveyed had shifted outsourced services back to their own legal staff. Corporate legal departments also are reassigning work from in-house lawyers to paralegals and other paralegal-professionals.⁹

The growing market of alternative legal service providers (ALSPs) suggests that technology and innovative delivery models are rapidly transforming how legal services are provided. Those services typically include document review, contract management and some types of legal research,

⁴ *State of the Legal Market*, page 13.

⁵ *State of the Legal Market*, page 14.

⁶ Altman Weil, Inc., "Law Firm Merger Market on Record-Breaking Pace," Altmanweil.com, Oct. 2, 2018.

⁷ Altman Weil, Inc., "106 US Law Firm Mergers & Acquisitions in 2018," Altmanweil.com, Jan. 7, 2019.

⁸ Altman Weil, Inc., *2018 Chief Legal Officer Survey: An Altman Weil Flash Survey*, Nov. 2018.

⁹ *Altman Weil Flash Survey*, Nov. 2018. See also *State of the Legal Market*, page 15.

such as financial transaction analysis for a potential merger or acquisition. ALSPs' value proposition combines a specific expertise with a fast turnaround – and usually at a lower cost than a full-service law firm can meet.¹⁰

In addition, the growth of DIY culture means that *pro se* representation has become a real threat to small to midsize firms in some practice areas, notably in family law. There are those who claim that more and more legal services will be supplied via automation – increasingly sophisticated artificial intelligence algorithms that can draw up wills and even write case briefs.¹¹

Mergers, acquisitions, and boosting compensation for new associates and rainmakers have become some of the chief ways independent law firms have responded to the intensifying competition. But these moves have not resulted in an overall stability of the legal market. Indeed, they probably have added to the market's instability.¹²

At this point, you might understandably wonder: "Well, what *can* my firm do to compete in this volatile market?"

The situation is by no means hopeless. Quite the contrary: Opportunities abound to thrive in this fast-paced, fast-changing marketplace. Your firm can offer value the competition can't match.

To see how, let's begin by looking at the modern legal client's needs.

WHAT CLIENTS VALUE

According to Thomson Reuters Peer Monitor data, quality and value are the chief factors clients cite for leaving a firm.¹³ True, those terms are subjective. But for many clients, they mean

receiving the highest-level service at as low a cost as possible. In today's legal market, consumers particularly value *knowledge* and *speed*. It's not sufficient to have know-how – clients are demanding their legal vendors deliver that knowledge as fast as possible.

Still, we will examine each value separately, starting with knowledge. You could also call it know-how or expertise. Clients look to their legal advisors to provide quick, accurate and trusted answers. They want to tap into them as a repository of reliable insights and resources they can't get elsewhere – though they expect those answers to be delivered almost with the speed of a Google search.

A client's legal representative should know the particular challenges their business faces – regulations, tariffs, competitive stresses and plenty more. It's the kind of knowledge you have built throughout your practice. Even so, more firms today struggle to ensure the know-how is shared by *all* the attorneys in the firm. Fewer and fewer firms have the luxury to spend the necessary time and money getting new associates up to speed on each client's profile and history.

"Most young lawyers begin their careers suffering through a period of intense trial by fire."

Joe Green, former practicing attorney and now senior legal editor at Thomson Reuters Practical Law, recalls, "Most young lawyers begin their careers suffering through a period of intense trial by fire." Once he'd learned enough to feel comfortably knowledgeable about his practice, he'd be moved up the ladder – and needing to face new challenges and learn new things.

¹⁰ Thomson Reuters Legal Executive Institute, Georgetown University Law Center, and Oxford University Saïd Business School, *Alternative Legal Service Providers 2019: Fast Growth, Expanding Use and Increasing Opportunity*, Jan. 2019.

¹¹ Thomson Reuters Legal Institute, "AI: Where the Rubber Hits the Road," Aug. 1, 2019.

¹² *State of the Legal Market*, page 15.

¹³ Thomson Reuters Legal, *Gain a Competitive Edge in Today's Dynamic Legal Marketplace*, store.legal.thomsonreuters.com/law-products/ns/news-views/large-law-firms/your-firms-been-fired.

“The treatises and training materials were typically not up to the challenge of explaining in sufficient detail what I was supposed to be doing on my deals or helping me to resolve the issues that arose,” Green says. “The more senior attorneys at the firm were very busy and didn’t always have time to answer a seemingly endless parade of questions from a lawyer just starting out.”¹⁴

The challenges that new hires are facing often leave their firms struggling to retain them. The 2017 Update on Association Attrition report found that 44 percent of associates leave their firms after just three years. That exodus has caused the top 400 law firms to lose roughly \$9.1 billion annually.¹⁵ And the loss of young legal talent hurts

One approach is to use technology tools that allow newer attorneys to learn what they need to know more quickly, and thus contribute more readily to the work of the firm. An example is Thomson Reuters Practical Law. This platform provides attorneys with reliable information and expert guidance on contracts, agreements and clauses in business-related practice areas.¹⁶

A FASTER RESPONSE

Clients are demanding quick responses to their legal needs and requests not simply because they’ve become used to it. Many of them are in

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smaller firms, too. The cost can eclipse the direct investment in hiring and paying an associate who then takes his or her skills elsewhere. In order to maintain its strength in the legal marketplace, a firm needs to retain talented associates – and prepare them to become strong partners.

Associates want to learn and to contribute. Making them feel more part of “the team” by building their talent makes them less likely to leave. Getting associates up to speed quickly also alleviates the added pressure on firm leaders who do the training – hours and attention taken away from business development and other firm management activities. Ready and available associates also go a long way to allowing your firm to provide a quick response to clients’ legal issues.

businesses where their own clients or business partners require (or at least expect) a fast turnaround.

Let’s say your firm has expertise in global business. Think of a components supplier that has received a contract via email with an overseas electronics manufacturer. That manufacturer needs those components as soon as possible – and the supplier needs to ensure the contract doesn’t make it liable for any unforeseen problems. Your fast, knowledgeable response could help that supplier client make a major sale, or even prevent it from closing its doors. (Speed, by the way, also requires basic customer-service blocking and tackling – prompt response to phone calls and emails, something too many firms overlook.)

¹⁴ Joe Green, “Lawyering Without a Life Preserver,” Thomson Reuters Legal.

¹⁵ Match and The Right Profile, *Assessing Lawyer Traits and Finding a Fit for Success*, therightprofile.com.

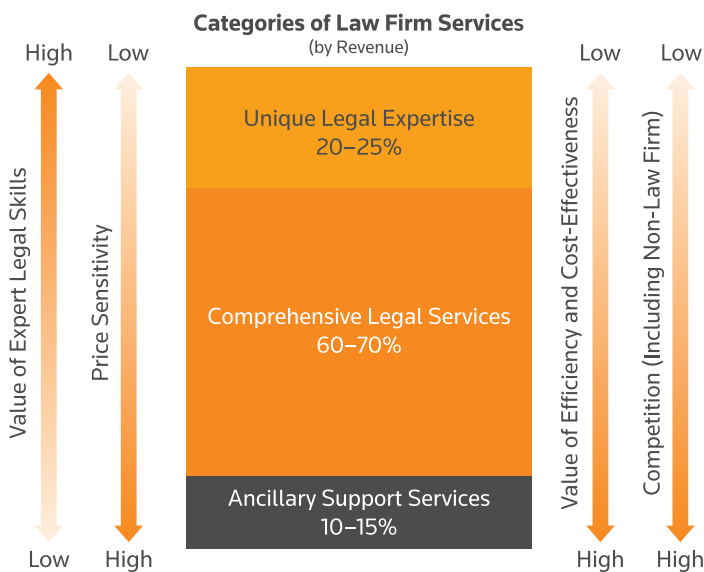
¹⁶ <https://legal.thomsonreuters.com/en/products/practical-law>.

To respond to client requests quickly, one strategy is to translate your expertise into easily accessible resources. A “knowledge management system” typically includes expertly drafted documents such as checklists, annotated practice notes and toolkits. By developing the right tools and resources, you can build a knowledge base to share with others in the firm. This system can then free you to focus on providing strategic direction and legal advice.

In sum: “The law firm that best understands its clients, tailors its offering to what the client truly desires, and delivers on the client’s expectations will reap the benefits of the 58 percent of clients who are regularly shopping for new counsel. In a mature, low-growth market, that may be the difference between firms that thrive and those that struggle.”¹⁷

Is that thriving firm yours? If not, you can reengineer your firm’s business model to meet those clients’ needs for knowledge and speed.

ADDING VALUE THROUGH A DYNAMIC PRACTICE MODEL



How your firm develops this new model depends a great deal, of course, on the nature of your practice – its specialties, its client base, its location and other variables. The accompanying model¹⁸ can provide useful general guidance as you transform a “traditional” practice into a more dynamic legal business that can meet the challenges of the model legal market.

The top segment, “unique legal expertise,” represents distinctive services requiring the highest level of skills. Clients typically tap well-established firms for these types of services, particularly firms with a highly specific expertise. Examples of such expertise include private equity practices, litigation boutiques and IP firms, as well as specialists in matters relating to high technology. For clients of such firms, cost is usually not determinative in hiring.

The middle segment, “comprehensive legal services,” represents more common services offered by most broad-based practices. These services can include contracts, regulatory issues and business dispute resolution. This service segment is a highly competitive realm, where clients are looking not only for a well-regarded firm but also one that can provide service efficiently *and* cost-effectively. These clients tend to shop around for the lowest-cost provider.

The bottom segment, “ancillary support services,” comprises the types of law-related services increasingly available from specialty firms that aren’t law firms per se, such as ALSPs. Such services include document review and coding, electronic discovery support, non-legal research, and the like. Clients tap these specialty firms chiefly for their lower cost and greater efficiency. At the same time, a successful supplier of these services must demonstrate reliability and high-quality results.

¹⁷ Thomson Reuters Legal, *Gain a Competitive Edge in Today’s Dynamic Legal Marketplace*, store.legal.thomsonreuters.com/law-products/ns/news-views/large-law-firms/your-firms-been-fired.

¹⁸ *State of the Legal Market*, page 17.

The model makes it clear which firms provide the most highly valued and least cost-sensitive services. In evaluating your own firm’s capabilities, for example, you might determine that “unique legal expertise” doesn’t accurately fit your service offerings. Nevertheless, your firm still can offer real value to your clients. Having a relatively “lower-value” practice in monetary terms should not be viewed as a complete value judgment on your firm. In fact, in its 2018 Dynamic Law Firms Study, Thomson Reuters Peer Monitor research revealed that firms judged to be “high-performing” aren’t limited to a particular size, location or practice.¹⁹

A high-performing practice, a practice whose value to its clients is reflected in its strong profitability and growing clientele, is one that builds upon its strengths – and willingly adjusts its processes to the evolving realities of the legal market. In other words, it has both the legal and operational know-how that builds a firm’s “value infrastructure,” one that delivers reliable, useful information and service in a timely, cost-effective manner.

If you determine that your firm must improve its operational performance, there are many ways to do so. The strategies you use will depend on what you see as your firm’s strengths—and the areas needing a boost in efficiency and value.

Invest in technologies and online platforms that can streamline processes. These can include automated document drafting and editing. Other technology solutions can keep your clients up to date via email about their cases – communication they will value and, often, require.

Technology also can augment your firm’s expertise. For experienced staff, a knowledge management system can make that institutional knowledge more accessible and normalized across the whole of your firm. For junior associates and for law firms serving a wide variety of legal matters, knowledge solutions like Practical Law can significantly boost capabilities. Those capabilities can include starting legal tasks supported by a professional guide or moving through a caseload with the confidence that the processes and information are valid and current.

The screenshot displays the Thomson Reuters Practical Law web interface. At the top, there is a navigation bar with options like 'Region: US', 'Folders', 'History', 'Favorites', 'Alerts', 'Community', and a user profile icon. Below this is a search bar with 'Practical Law' selected and a search icon. The main content area features a document titled 'Board Resolution Authorizing Chapter 11 Filing' by Practical Law Bankruptcy & Restructuring. The document is marked as 'Maintained' and is for 'USA (National/Federal)'. A description states it is a standard document for authorizing a company to commence a Chapter 11 case. A 'Start drafting' button is visible. A 'Note: Read This Before Using Document' is also present. The document text includes placeholders for '[UNANIMOUS WRITTEN CONSENT]/[RESOLUTIONS]', '[GOVERNING BODY]', '[NAME OF DEBTOR ENTITY] [AND CERTAIN OF ITS DIRECT AND INDIRECT SUBSIDIARIES]', and '[DATE]'. On the right side, there is a sidebar with various actions: 'Search Within', 'New Annotation', 'Hide Annotation', 'Add To Folder', 'Email', 'Print', 'Download', 'Open in Word', 'Show Drafting Notes', 'Copy link', 'Create Alert', and 'Provide Feedback'.

¹⁹ Thomson Reuters Peer Monitor, *2018 Dynamic Law Firms Study*, Oct. 2018. This study looked at the financial results of some 157 Peer Monitor firms over a period of three years (2015 through 2017), as measured by growth in revenue per lawyer, overall profit and profit margin. The study compared performance factors related to the 39 top-quartile firms with the same factors related to the 39 firms making up the bottom quartile.

Software can also help your firm more quickly and easily conduct research and boost its expertise. An example is Westlaw Edge, an online legal research tool with artificial intelligence capability that allows attorneys to quickly research a wide variety of topics, including regulation changes and litigation strategies. Westlaw Edge also can provide a “quality check” on a brief, suggesting ways to make it stronger.²⁰

The expertise you build with the help of technology can be translated into resources such as checklists, annotated practice notes and toolkits – easy-to-access resources that can allow your firm’s attorneys to focus on providing strategic direction and legal advice. With such valuable resources at your fingertips, you can ask the questions that will draw your clients out – and thus understand, meet and exceed their expectations.

CONCLUSION: KNOWING HOW TO THRIVE

In the current legal marketplace, the know-how a law firm requires comprises more than expertise in a specialty and the wisdom that comes from years of legal practice. It also includes a deeper understanding of clients and their needs. In addition, it entails a familiarity with the ways technology can help a firm provide high-quality legal services and a lower cost. That, of course, also adds value.

These are the capabilities that describe know-how in today’s competitive legal marketplace. And it’s know-how that today’s clients value most.

Here’s one way a firm can communicate its value proposition to its clients: “Our practical knowledge, built by a team of attorneys with substantial expertise across a wide array of practice areas, allows us to quickly and confidently offer the insightful guidance and answers clients require.”

This is the kind of know-how that will allow your firm to thrive even as the practice of law continues to change in often unpredictable ways.

²⁰ Thomson Reuters Legal, *Technology is Your Friend ... and Your Client’s*, legal.thomsonreuters.com/en/insights/articles/technology-client-service.

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