



5 Ways Attorneys Can Better Compete With Nonlawyers

By Erin Coe

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Attorneys are increasingly facing competition for work from document review companies, business consultants and other nonlawyers, but by delivering services more efficiently and making better use of technologies like cloud services that improve client engagement, practitioners can position themselves to hold on to their clients and grow their books of business, experts say.

Attorneys are losing business to nonlawyer firms in areas of the legal industry that are becoming more commoditized, such as document review and due diligence, according to experts. Lawyers continue to fall short when it comes to marketing their expertise on how clients can prevent business problems, and business consultants are stepping in to fill the gap.

“One of the biggest threats lawyers face is competition from non-law-firm businesses that service the legal industry one way or another,” said Debra Baker, a principal at Legal Vertical Strategies LLC.

Instead of having law firms use their associates to review documents for legal disputes, clients are seeking out managed services firms to get routine work done for less money, according to Baker.

“For lawyers who’ve built their career around this area of law, this work is going away entirely unless they are giving added value like providing bundled services,” she said.

Human resources outsourcing companies also are creating manuals and processes for litigation avoidance in the employment arena, and online services like LegalZoom.com Inc. are offering easy ways to form corporations or register trademarks.

“Whether it’s a human resources consultant providing guidance on

employment issues or it’s a company providing due diligence or mergers and acquisitions advisory services on deal transactions, that’s business that is being taken away from law firms,” Baker said. “If lawyers are not providing the advisory and underlying technical pieces, the piece left for lawyers has much less value.”

According to experts, here are five ways attorneys can catch up.

Know the Competition

Law firms tend to get caught up with what other law firms are doing. But accounting firms and non-traditional firms like Axiom Law offer some key lessons for lawyers on how to improve client relations and streamline work, according to Patricia Gillette, a partner at Orrick Herrington & Sutcliffe LLP.

“We’re the only industry where we call people ‘nons’ – nonlawyers – and that signifies the arrogance of lawyers,” she said. “We believe that we’re the best and the brightest and that we can do things regular people can’t do. But the reality is there is a lot of tasks that ‘nonlawyers’ can do that lawyers have traditionally performed.”

Accounting firms, for instance, have moved into work typically done by lawyers in the white-collar crime area, providing teams of lawyers and non-lawyers to investigate Foreign Corrupt Practices Act claims.

The accounting industry continues to reinvent itself to address market needs, according to Gillette.

“Accounting firms are very client focused,” Gillette said. “They have compensation systems that reward team building and collaboration. They constantly reinvent themselves and measure efficiency and productivity, so they are focused on how to be more efficient and are just more business savvy than lawyers and law firms.”

Axiom, meanwhile, handles

contract review, compliance issues and other legal matters using a range of experts, from paralegals to contract negotiators to lawyers. Law firms should look closely at how it uses project managers and systemic approaches to routine tasks to streamline work, according to Gillette.

“Axiom figured out that commoditizing routine legal matters lets you deliver services more efficiently,” she said.

Rethink How to Provide Legal Services

Successful law firms need to understand what legal services clients want and how they want to receive them, according to Mitchell Kowalski, a lawyer and the author of “Avoiding Extinction: Reimagining Legal Services for the 21st Century.”

“A law firm can no longer say, ‘This is the way I deliver legal services — take it or leave it,’” he said. “People will leave it.”

If lawyers realize that an aspect of their practice is highly routine and can be done at a better rate by a competitor, they need to find ways to provide the same service for less money, according to Baker.

“It’s more than just looking at alternative fee arrangements,” she said. “Lawyers need to look at ways to deliver the same service in a different way or provide different services that meet the needs in the market.”

Baker said one of her clients had left her job as an intellectual property attorney at a large law firm to start her own strategic planning firm. In addition to prosecuting patents and registering trademarks, the attorney offers clients strategic advice at a flat-fee rate to determine how their IP fits in with their business objectives and helps clients understand the short- and long-term effects of their innovations, Baker said.

“It’s very innovative and helps solve a problem by going beyond the legal issue alone,” Baker said. “Lawyers bring so much more to the table than some of those online services or business consultants because they can bring combined business and legal advice, but they often fail to articulate that out in the market.”

Staff Projects More Effectively

Part of the way lawyers can offer more competitive prices for their services is by looking more carefully at how they are staffing projects and delegating work.

If a transaction requires 10 percent of high-level strategic thinking, but the rest of it involves more procedural work, the partner overseeing the project may want to assign the bulk of the work to paralegals and lower-cost associates, according to Baker.

“If you start running a team and managing a legal project more effectively, you may be able to offer a lower price while making more money,” she said. “By doing less work [on that project], the partner frees up time to do more work for other clients and ultimately make more money.”

Gillette said that when Orrick realized more than a decade ago that having partners and associates reviewing sometimes thousands of documents for a case wasn’t cost effective for clients, the firm decided to move the work to its West Virginia office, where it could be done by trained document reviewers. By keeping the work in-house, the law firm maintains quality control, which reassures both the lawyers and the clients.

“Because of the market differences in West Virginia, we can charge less for the services performed than if those same services were performed by employees in New York or San Francisco,” she said. “I haven’t had a client say it wants to use an alternate source

[for document review].”

When electronic discovery was initiated, many companies other than law firms were quick to offer automated solutions and software at much more attractive costs, but law firms are improving how they compete by offering contract lawyers at much lower or fixed fees to do the legwork required to manage e-discovery, according to Julie Savarino, managing director at Business Development Inc.

“They are also working hard to create fixed fees for many common services and the knowledge management systems needed to deliver those services profitably,” she said.

Make Better Use of Technology

While technology can help drive down costs for legal services, it also can be used to improve how firms engage with their clients and bring more transparency to their practice, according to Kowalski.

By taking advantage of online cloud services, lawyers can give clients full access to the documentation of their cases, he said. Through a dashboard system, clients can view what needs to be done on their cases, what information they still need to provide and what lawyers may be waiting on from the other parties.

“Making greater use of the cloud allows for client interconnectivity with the law firm,” he said.

Law firms also may want to consider whether certain practice areas should create mobile applications to educate clients on their rights and help them comply with the law, he said.

In the entertainment practice area, a firm could create an app that guides clients on how they can avoid agreeing to a movie or book deal before a contract is drafted on royalties, he said. In the IP area, an app could be offered that helps new inventors protect their innovation while they are waiting for it

to be patented.

“It could be a checklist of do this, don’t do this, and here’s a link to the firm’s website so that when clients are in that situation, they know the lawyer is happy to chat,” he said.

Start Small

Law firms are not going to change overnight, but if they start on one area they think they can do better to enhance client services and build on top of that incrementally, they would see greater results, according to Baker.

“Maybe it starts with a note you put on a bill that says, ‘If you are not pleased with your services, please contact me,’ to show that you are concerned about value and the client,” Baker said. “Maybe the next step is charging clients to review something proactive about their business, and then the next is tracking all the hours you’ve worked to look at whether some of the work could have been done by someone else.”

Baker suggested lawyers also could try to have conversations with clients about their experiences with the firm and how it can work with them to provide better value.

“You’d be surprised by how many clients would be open to that conversation,” she said.

Now that lawyers are no longer the only game in town in the legal market, nonlawyers have started to chip away at work attorneys have traditionally done — and that trend is not going away, according to Kowalski.

“The legal profession is one actor in the legal services industry with different players and different strengths,” he said. “The successful people will figure out how to put the pieces together to provide the best value for clients.”

-- Editing by Kat Laskowski and Elizabeth Bowen.