



# **THE FUTURE IS HERE: 10 TRENDS AND WHAT YOUR FIRM SHOULD BE ASKING ITSELF**

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## The Future is Here: 10 Trends and What Your Firm Should be Asking Itself

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Two things are clear right now. First, dramatic changes have already occurred and will continue to occur in the legal profession (actually, most are affecting all sectors of the economy.) Second, these and other new changes will be permanent, i.e., this is not a pendulum swing that will swing back. The marketplace is driving these changes – law firms must adapt. We cannot control the change, only what we do with it.

Our last blog post [Is Your C-Suite Siloed or Collaborative?](#) discussed the need for better collaboration among a firm's administrative departments and their leadership. This same team will be critical to firms as they seek to understand and adapt to the changes ahead.

Let's look at some of the recent research on trends. I have discussed ten of these trends in greater detail below:

1. Demand is down and affecting rates, revenue and profits
2. Surplus of lawyers as supply exceeds demand
3. Widening gap between tuition/debt and income/jobs
4. Managing partners finally acknowledge permanence of changes
5. Growth is through laterals not associates
6. Legal Process Outsourcing companies expect 84% annual compound growth in two years
7. Other options for legal products and knowledge
8. Information technology will continue to transform
9. Traditional law firm model will disappear
10. Brand new employment opportunities open up for lawyers

**Trend 1:** According to the most recent [Citi Hildebrandt 2013 Client Advisory](#), demand is down, rate increases are down, revenue is almost flat and profits per equity partner are down.

Metric	2004–08 Compound Annual Growth	2008–12 Compound Annual Growth
Demand	3.7%	-0.4%
Rates	6.7%	3.4%
Revenue	9.8%	0.8%

PPEP	6.0%	1.7%
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**Trend 2:** According to the Bureau of Labor Statistics and the American Bar Association, Legal Sector Employment from 2010 – 2020 is projected to generate an annual surplus of 22,700 of law graduates who won't find full-time employment that requires a law degree. While 44,500 law students will graduate every year, there will only be 21,800 new lawyer jobs.

This surplus is further exacerbated by the fact that the supply greatly exceeds demand resulting in significant overcapacity. Only 49.5% law school grads obtained jobs in law firms in 2011. According to the National Law Journal 250 survey, 2012 alone saw a decline of 4% total lawyers including 8.7% total associates. New jobs decreased from 33% to 21% in just 2 years.

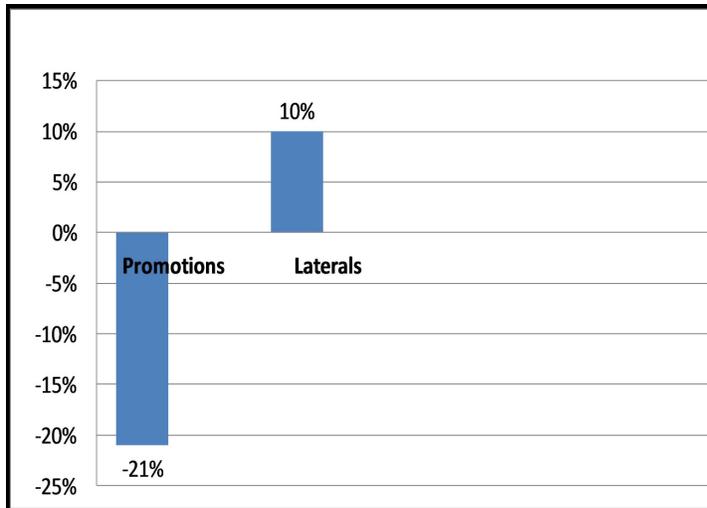
**Trend 3:** Although the median starting salary has declined from \$72,000 in 2009 to \$60,000 in 2012 – nearly a 20% drop, the average law school tuition debt has increased 435% since 1985, with average debt at \$150,000/student. Obviously, this calls into serious question the value of a costly education which many if not most law graduates will have difficulty repaying both because the average legal salaries are down for the 49% who can find a legal job and those that can't are unlikely to find a position that pays at a level that enables them to repay debt.

**Trend 4:** We are finally seeing firm leadership acknowledge that these changes are permanent. The [2013 Altman Weil Law Firms in Transition Flash Survey](#) found a dramatic difference in the attitudes of managing partners from 2009 to 2012:

'Yes' - Permanent Change	2009 Response	2012 Response	Change in %
More price competition	42.4%	95.6%	+53.2
More commoditized legal work	25.5%	89.7%	+64.2
More non-hourly billing	27.9%	79.5%	+51.6
More contract lawyers	28.3%	74.6%	+46.3
Fewer equity partners	22.8%	72.1%	+49.3
Smaller first year classes	11.4%	62.2%	+50.8
Reduced leverage	12.1%	56.7%	+44.6
Lower PPP/Slowdown in PPP	13.2%	55.6%	+42.4
Outsourcing legal work	11.5%	46.4%	+34.9

**Trend 5:** Related to the decline in new lawyer jobs noted in Trend 2 above, firms are primarily growing through lateral hiring, not by advancing homegrown talent. According to the [Citi Hildebrandt 2013 Client Advisory](#), from 2007 to 2011, associate promotions decline by 21% at the same time as growth through laterals increased 10%. What does this portend

for current associates/counsel? How will this affect the culture of firms if the growth is primarily built through laterals (most of whom are brought in because of big books of business?)



**Trend 6:** These previous trends mostly are measured within the law firm environment. But what is happening in the rest of the legal service provider universe? Clients are aggressively seeking alternatives to the traditional service model. As evidence, the legal process outsource world is alive and well. It is projected that this industry will enjoy 84% annual compound growth in the next two years. In 2012, the industry garnered \$640 million. By 2014, this is estimated at \$4 billion. The top ten LPOs include: Bodhi Global Services Ltd., Clutch Group, Cobra Legal Solutions, LLC, CPA Global Ltd., Integreon Managed Solutions, Inc., LawScribe, Inc., Mindcrest, Pangea3, Quislex and UnitedLex.

And many law firms are building and spinning out their own "contract lawyer" and discovery subsidiaries. Just last week, Legal Week reported that two U.K senior practitioners have left their positions to join this type of provider: [Nigel Kissak, former head of litigation at Pinsent Masons joined LPO Exigent](#) and former GC at Financial Times, [Tim Bratton, will join Berwin Leighton Paisner's Lawyers on Demand](#) as its first practice development director on September 1.

**Trend 7:** In addition to legal process outsourcers, there are many other options that clients and consumers have to access and purchase legal services as well as content and knowledge than from traditional law firms. The list of names is long and growing but includes Law Zam, LegalZoom, Rocket Lawyer, Legal365, CorpNet, Legal Force, Modria, Practical Law Company and countless others.

**Trend 8:** Information technology is transforming global society, and the legal profession is no less affected. When we refer to "disruptive" technologies and approaches, it means these don't merely sit alongside traditional work methods – they fundamentally change habits. By 2020, the average desktop will have same processing power of human brain. Who can guess what will happen by 2050? Web 2.0 is based on collaborative user experience, free knowledge, and social media. Predictive coding - which [according to Pangea3](#), "is based on complex algorithms that approximate artificial intelligence" and while it is not likely to fully replace a person's role in discovery, it is making the process much more efficient and quick. Another approach to disputes using technology, [online dispute resolution](#) -- either as automated or assisted negotiation -- is being used to significantly reduce the cost and contentiousness of many business disputes.

**Trend 9:** Given the considerable changes and disruption in the profession and broader marketplace, one has to assume that the traditional law firm model will soon be outdated. On the practice side, everything from pricing, project management, technology and client account management are receiving close scrutiny. On the people/talent side, the traditional pyramid is disappearing. In the old model, partnership has been the golden ring whereby most associates who were hired aspired to be future partners. Cases and deals were staffed to allow maximum leverage so work could be pushed down to lower cost lawyers, and the churn of document review and due diligence led to huge profit margins. The busiest lawyers also have been expected to lead, manage and make rain. In the new model, there will be a new and different range of professionals serving in and leading firms, including lawyers and others. The number of equity partners, i.e., owners, of these firms, will continue to decrease and those other than lawyers may have a stake/share in

the profits. This is likely to open up many more opportunities in firms than there are now.

**Trend 10:** In his most recent book "Tomorrow's Lawyers," Richard Susskind describes the many types of roles and employees likely to be needed in law practice of the future. Many of these will require a law degree but not necessarily one that is acquired through traditional law school curricula. These curricula will need to change dramatically to provide appropriate training for these new skills and positions:

- Expert trusted adviser
- Enhanced practitioner
- Legal knowledge engineer
- Legal technologist
- Legal hybrid
- Legal process analyst
- Legal project manager
- ODR practitioner
- Legal management consultant
- Legal risk manager
- Technical specialists: patent agents, economic analysts, etc.

Susskind also proposes that in addition to current employers (firms, companies, governments, contract firms) the types of businesses that will employ lawyers and legal specialists in the future will also open new avenues:

- Global and regional accounting firms
- Management consulting firms
- Legal publishers
- Legal know-how providers
- Legal process outsourcers
- Retail businesses
- Legal leasing agencies
- New-look law firms
- Online legal service providers
- Legal management consultancies

These trends and other changes will certainly challenge firms to consider and introduce new organizational models, business and pricing models, approaches, tools and processes. Senior professionals who help manage law firms can take an active role in leading this change to help their firms prosper. The following questions might initiate dialogue to help get the departments working both in their respective teams and across departments to address the challenges and develop solutions.

## **Questions for Lawyer Recruiting/Hiring, Training and Professional Development Leaders:**

- How will you change your partner and non-partner staffing to meet client needs of the future?
- Will your firm only hire lateral associates since clients don't want to pay for new lawyers? Where will you find your lateral associates? Who will train them if not your firm?
- How will your firm define requisite skills and hire for different types of roles? Where will they hire from (only law schools or will there be other providers?)
- With which types of new employers will you be competing for top talent?
- How will you better screen/select law graduates to be sure they have the requisite skills your firm (and your clients) needs?
- If you do hire entry level associates, how will you train them faster and smarter?
- What program re-design will you undertake to train for new competencies, e.g., project management, commerciality and finance, technology, pricing, client account management, business development?

- How will you incorporate remote and eLearning into your training curriculum? Will you "build or buy" this training?

## **Questions for CIOs, CTOs and Directors of Library/Information Services:**

- How will technology support or hinder the evolution of law firms?
- What tools and training do lawyers and other firm professionals and staff need to adapt to changes that clients, competitors and globalization are driving?
  - Software, applications, document management
  - Technology operations: data bases, mobility, remote access, voice and data
  - Information and records management; knowledge management; legal research
  - Extranets, intranets
- What tools will law firms need for better pricing, eDiscovery, marketing technologies, practice support?
- What new staffing skills will the IT department need?
- What new core competencies are required, e.g.: competitive intelligence, efficient legal research, using IT to facilitate e-access?
- What new and specialized information products and tools will law firms need?
- How can you harness all that is now available for free on the Internet?

## **Questions for COOs, CFOs, CAOs, CHROs and Executive Directors:**

- How will you hire and manage talent given the new roles/competencies required in HR, IT, accounting and finance, benefits/payroll, marketing, facilities?
- What will the new organizational structure look like?
- How will you collaborate with all key operations functions within the firm to reduce duplication and enhance results and processes?
- Will you reconfigure your working spaces to reduce costs by:
  - Moving lawyers or services departments to lower cost centers/areas?
  - Encouraging and supporting virtual/remote employment?
  - Outsourcing administrative functions and/or legal functions?
- How will you also help drive more revenue in addition to ways to cut costs?
- How can you help the firm deliver better value, more efficiency to clients?
- How will you help develop better pricing models?
- How can you make the merger/acquisition/lateral integration process more effective in your firms?

## **Questions for CMOs, CBDOs and CSOs:**

- How will you monitor the radically changing landscape and new competitors?
- How will your firm be clearer on its value proposition and differentiation?
- How will your firm deliver and add value? How will you measure this?
- What will you do to systematize client account management and client feedback?
- How will you and your team better understand and embrace technology, process improvement, project management and pricing?
- What new products should your lawyers be developing and offering?
- Into which markets should the firm expand?
- How will the firm meet global needs of clients? Referral networks? Alliances? New offices?
- How will your team drive more revenue into your law firm?