

3 Worries Keeping Managing Partners Up At Night In 2018

By **Aebra Coe**

Law360, Grand Rapids (January 1, 2018, 3:04 PM EST) -- Law firms are facing a business environment in 2018 filled with land mines as work is moved in-house and to alternative legal services providers, new technologies infiltrate the market and the ongoing lateral churn creates upheaval.

Navigating the potentially explosive terrain this year will require a deft hand on the part of leadership as law firms attempt to find the right path forward to become formidable players in the legal industry of the future.

"Across the industry, in my discussions with others, it seems clear there is a recognition that there will be some changes and that firms have to do things differently," said Jeffrey Gray, firmwide managing partner of Davis Wright Tremaine LLP. "The challenge is figuring out where you should be on the change curve."

In areas of practice management, business models, technology and staffing, law firms will have to make choices about how quickly they want to adopt new ideas, or whether they want someone else to take the lead — as well as the risk — and follow close behind.

"Sometimes, it's good to be out front; other times, it's better to let others get out front and see what works and what doesn't work. The challenge is to figure out where you should be," Gray said.

Here, managing partners at six BigLaw firms detail their biggest worries for 2018.

The Human Element

The moving parts of how to manage the people within a law firm is one of the most pressing issues for leaders as the expectations and goals of many lawyers change and steep lateral turnover has become commonplace.

Research from Citi Private Bank's law firm group shows that there is an average partner turnover rate in U.S. law firms of 17 percent each year, with about half of those incoming and half outgoing partners.

"No firm is exempt from having its partners poached," said Willkie Farr & Gallagher LLP Chairman Steven Gartner. "Years ago, there were firms that would never have lost a partner and today everyone has to worry about someone poaching your best talent."

The lateral movement, as well as retirement of baby boomer partners, creates a pressing need for maintaining continuity, according to Brian Duffy, CEO of Greenberg Traurig LLP.

"It's our obligation to make sure we're doing everything we can as a firm to provide the continuity of talent that's so critical to our clients," Duffy said.

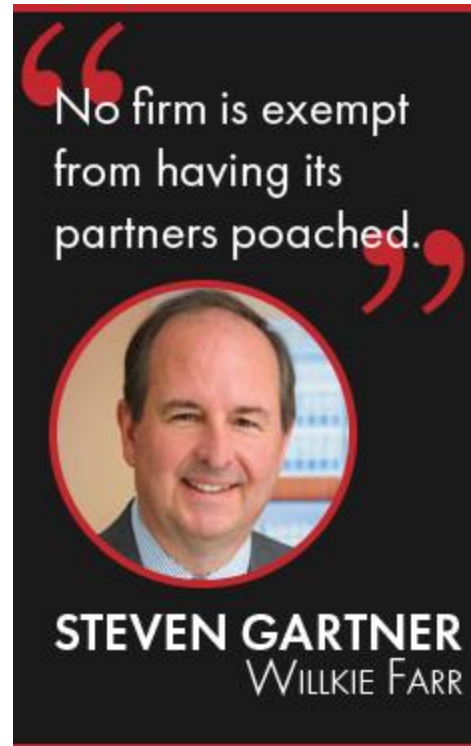
That means not only retaining talent, but properly training young attorneys to become the leaders of the future, he explained.

"We've got the next generation — millennials are stepping in and getting ready to become partners," Duffy said. "We need to do that in a way that is respectful to those retiring and respectful of the up-and-coming generation so they can achieve their professional dreams."

And in 2018, law firm leaders are also sweating the challenge of building the right team of lawyers to serve clients as a new presidential administration's policies are implemented and companies face "radical change" in health care policy, trade policy, taxes and immigration law, according to Philip Inghima, chair of Crowell & Moring LLP.

Inghima says his firm is doing that both by bringing on laterals — 21 in the last year — and "building from within."

"We're very conscious of the need to continuously look at internal promotion," he said. "Some of the youngest talent in the firm, among mature lawyers, is often very well positioned to get out front and help translate challenges into opportunities."



Business Models

A flood of alternative legal services providers have entered the market in recent years, taking on specific types of legal work and operational tasks that were once performed by law firms. At the same time, demand has remained largely flat across the industry, and there has been an influx of new technology.

All of that has created a shift in the role of law firms and how they deliver legal services, according to Barry Levin, managing partner of the newly merged Saul Ewing Arnstein & Lehr LLP.

"I think that what's happened is law firms are being forced to approach the way they practice law in a different way," Levin said.

Two ways that law firms have begun to react, he said, is by developing niches, becoming top experts in specific areas of law and industries, and by working to adopt new billing structures.

While the billable hour isn't dying, it is "under siege," Levin said.

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SAUL EWING

He predicts there will be even more alternative fee arrangements used in 2018, arrangements in which law firms must get creative in order to understand what their clients' goals are in particular engagements and partner with them to achieve those goals in an "effective, efficient way in a budget that works for the client."

The pressure on the historical business model of law firms is being felt across the industry and is weighing on the minds of law firm leaders, said Steve Humke, chief managing partner at Ice Miller LLP.

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changed," Humke said. "It's a change that puts pressure on a lot of firms."

Rather than simply raising rates each year, law firms have had to get more creative in how they deliver services and bill for them, and they've been pushed to become more efficient, he said.

"I think it's a net positive," Humke said.

Law firms can be profitable in a number of different ways and the task for many in 2018 is discovering what approach is best for them, according to Gartner.

"The challenge is to understand who you are, where you want to be and what you want to do in terms of your structuring and your growth," he said.

New Technology

The legal industry has experienced an influx of new technology in recent years — practice management software, document drafting systems and other tools, including those built using artificial intelligence — that present opportunities for law firms to increase their efficiency and precision.

"If law firm leaders aren't thinking about that, they probably don't have a pulse," Duffy said.

The technology presents leaders with a number of challenges — what to use, how to implement it, and how quickly to act. The industry has a need for technology professionals and third party technology providers who can seamlessly connect lawyers, clients and technology, Duffy said.

"To identify those technologies, identify those innovations and to implement them across a law firm of 2,000 people, that is a challenge and it's an opportunity. If we don't rise to that challenge someone else will. Clients want it and it's incumbent on us to find a way to deliver that in a way that meets their needs," he said.

Many law firms face a "build or buy" decision — do they hire people to participate in and drive the creation of the technologies of tomorrow, or do they purchase the technology once it's been created? According to Gartner, the "game changer" in legal technology is likely to come from outside the legal industry.

"I think it will likely come from a technology company with bigger and better resources," he said. But that decision of how quickly to act is, in the meantime, on the minds of managing partners.

Another concern with regard to technology is the changed pace of the practice of law that has been ushered in by technologies that enable quicker, sometimes immediate, responses to client questions, according to Humke.

Data produced by legal malpractice insurance carriers shows that the portion of claims attributed to errors has skyrocketed in recent years, an issue he believes may be caused by the accelerated pace of the ways in which legal advice is provided.

But, when it comes down to it, he says, law firms need to make "a lot more" investments in their businesses to become more efficient and meet client demands, including in technology.

"You have to increase your understanding and utilization of technology to eliminate unnecessary costs," Humke said. "Law firms now have to manage our businesses the same way our clients have been managing their businesses for 30 years. You can't feel sorry for yourself."

--Editing by Katherine Rautenberg and Rebecca Flanagan.