



THE FUTURE OF LAW PRACTICE

TOMORROW: A SNEAK PREVIEW FOR THESE FIRMS THE FUTURE IS NOW

BY STEVEN T. TAYLOR

In the midst of a turbulent legal market, lawyers would be wise to heed these words: “It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change.” That’s from a guy who knew a thing or two about change—Charles Darwin.

Many believe a tectonic shift is rocking the foundation of the legal profession and those firms that don’t respond to it will become extinct species. Don’t believe that? Consider Heller Ehrman or Wolf Block or Thacher Proffitt & Wood, or any of the other previously “strong” firms that collapsed in on themselves in the past two years.

Some just don’t see the proverbial handwriting on the wall. Others do. Mark Harris is one of them.

The Category Creators:

Serving the Other 80 Percent

In 1998, Harris was an associate at New York megafirm Davis Polk & Wardwell when he happened to see a bill going out to a client for a matter he’d worked on. The bill equaled his entire annual salary—and it only covered services rendered for January and part of February. He realized then that whatever other money he pulled in for the firm for the rest of the year would either be spent on overhead or line the partners’ pockets.

“After that I quickly became obsessed about profit margins and, more importantly, the excessive overhead and cost in the delivery of an entirely information-based service,” Harris recalls. “It didn’t seem the practice of law should require the 25-floor vistas and the mahogany paneling and the fine art on the walls and the law library that nobody went to.”

The result of that thinking? In 2000 Harris and an entrepreneur friend, Alec Guettel, co-founded Axiom Law—a very different law firm with a very different business model. It’s based on this concept: Most commercial law firms are designed to support

“Tomorrow: A Sneak Preview—For These Firms the Future Is Now” by Steven Taylor, published in *Law Practice*, January/February 2010, Volume 36, No. 1. © 2010 by the American Bar Association. Reprinted with permission.



Chris Millerchip and Jeroen Plink of Practical Law Company in PLC's New York City office.

the most exceptional of legal matters, the top 10 to 20 percent of complex work. Axiom is designed to service the other 80 percent of that work.

“We do a lot of things a conventional law firm does but we’ve stripped out two-thirds of the cost structure of a one-size-fits-all approach,” says Harris, who serves as Axiom’s CEO, adding that his firm has dismantled two main proponents of the traditional firm: “The physical overhead and the pyramid, severely leveraged economic structure.”

The stripped-out overhead comes from the fact that, in the main, Axiom’s lawyers don’t have traditional offices. Its 280 attorneys nearly all work on-site with clients or from home offices, or when some are serving as part of a larger team on a matter, they work from hoteling arrangements at Axiom’s New York headquarters space. The firm has two floors of a 150 year-old, no-frills warehouse building in SoHo, where a relatively small staff of 55 performs marketing, client service, accounting, finance and other functions.

Management has replicated significantly smaller versions of this setup in San Francisco, London, Chicago, Los Angeles, Boston and Washington, D.C., too.

In New York, the firm has 20 desks that its lawyers can use when they need to meet as a team. “Meeting once a week, we can have 100 lawyers across those 20 desks,” Harris says, “200 if they meet once every two weeks. This is an interesting way to think about the future. This is where we think it’s going.”

Axiom doesn’t hire new law school graduates or train junior lawyers either. The minimum years of experience its hires must have is four, but most have between eight and eighteen years. Moreover, most are refugees from some of the nation’s top firms who were weary of the work-till-you-drop demands.

The lawyers are paid a salary with benefits, enabling them to know what they’ll make annually if they’re fully engaged during the year. But they don’t have to be if they don’t choose to be,

which allows for the flexibility that some lawyers love about the firm. “When they’re not on an engagement, we say they’re ‘on the beach,’ and they don’t get paid,” Harris says, adding that their salary resumes when they start working again and their benefits are never interrupted.

Now to some this may sound like a temporary arrangement. But when asked if he dislikes the term “temp,” Harris quickly responds. “Temp is a four-letter word for us,” he says. “Our lawyers are not temporary. And, we serve over half of the companies in the Fortune 100 in the markets we’re established in. The work we do for them is never work they entrust to a temp firm. It’s sophisticated work.”

Given that it has brick-and-mortar offices, Axiom can’t exactly be categorized as a “virtual” firm either, although Harris hears that term a lot as well. “Axiom is engaged in category creation,” he says. “We’re trying to invent a whole new category of law firm. When you’re doing that there is no vocabulary.”

But there *are* cost savings to clients, as Axiom can provide its services at sometimes half the rate of most other firms. “Our cost advantage comes from getting rid of 90 percent of the physical overhead,” Harris points out proudly, “and getting rid of the pyramid, which typically supports the 100 lawyers at the top all making a couple million dollars a year. Our clients are happy and our lawyers are happy.”

At the Intersection of Partnership and Publisher

The attorneys employed by Practical Law Company (PLC) strolled out the front door of some very prestigious firms to join this unique company. From Skadden Arps, Clifford Chance,

Sullivan & Cromwell, King & Spalding, Goodwin Procter and beyond, the list of alumni firms is impressive. It's this sort of pedigree that lays at the foundation of what's one of the most inventive legal-field operations in the nation.

While "legal-field operation" is one way to define PLC, here's another way to describe the company, which sells training products to help corporate attorneys navigate the highways and byways of transactional law: "We're a sort of hybrid between a law firm and a legal publisher; it's a unique model," says Chris Millerchip who, with Robert Dow, left London's Slaughter & May to co-found PLC in Great Britain in 1990. The outfit opened a New York office in December 2008.

What initially set them off on such a venture? "Robert and I would sit around a table as a deal was being done, and we realized that we weren't the only ones who didn't exactly know what was going on," says Millerchip, PLC's chairman. "We thought, 'Wouldn't it be great if we could read a magazine

that told us how these deals work, how they're structured, why they happen, what the legal mechanics were, what the tax reasoning behind it was?'"

So they decided to set up their own company and publish the needed information themselves via *PLC Magazine*, which quickly became the publication of choice for Great Britain's M&A and other finance attorneys. "It was like a cookery book for lawyers," Millerchip says. "The key thing about the market we created was that it was popular both with in-house counsel and in private practice."

Then, as the Internet took off in the ensuing years, PLC fully embraced it. It now provides a range of subscription-based online resources to build lawyers' know-how in topics that fall under the two core categories of Corporate & Securities and Finance. The majority of the nearly 200 lawyers the company employs (most of whom are in London) write content for the associated Web pages. Both in-house counsel and private practitioners subscribe to these online training resources on a fixed-fee basis, at a price dependent on the number of people who will use the products.

"The foremost benefit of our service is that we allow lawyers to practice more efficiently, and we do that by making available a number of resources," says Jeroen Plink, formerly of Clifford Chance, who is CEO for PLC's U.S. operations. "On the more junior level, we offer practice notes that

teach how a transaction is typically structured. Recently, I met with the senior partners at a top-five U.S. law firm and they said, 'We tend to forget, as senior partners, what it's like to be that deer-in-the-headlights associate who really doesn't know anything.'"

So for young lawyers doing M&A work, for example, access to PLC's practice notes on how to perform due diligence can help get them up to speed. In a way, this service supplements, or even replaces, a training session between partner and associate. "The reality is most partners don't have the time for this sort of training, and some partners aren't very good at it," Millerchip says. "Some people say it's like having a virtual lawyer working with a junior attorney, teaching an associate how to draft a document, how to negotiate, helping through the transaction step by step."

Midlevel and senior attorneys find benefits in PLC subscriptions as well. Many, for instance, are interested in PLC's standard forms, its up-to-date model agreements with drafting tips. Also, one of the more popular products in the United States is a database called *What's Market*. "It allows you to find out in under five minutes what other leading firms are doing, for example, in breakup fees, in M&A transactions," Plink says.

Looking forward, the company has started to expand its product line into other practice areas, and before too long will provide products in such fields as litigation and real estate, employment, environmental and antitrust law.

For Millerchip, Plink and their teams here and in Europe, it's all about improving efficiency for busy lawyers and their firms. "Now some attorneys may think, 'If it's making me more efficient, I'm charging fewer hours, and so



John Crockett III, Chairman of Frost Brown Todd, in Louisville.

PHOTO: David R. Lutman, Louisville, KY

this is making me less money,” Millerchip notes. “But what we sell is actually an efficiency tool that can increase their profitability. That’s the prevailing argument, particularly with alternative fees becoming more popular.”

Apprenticeships: Seeing Less Pay But More Training as the Norm

Legal profession observers often say it’s the smaller and more nimble firms that break new ground with innovative policies and programs. While there’s truth in that notion, big firms can and do blaze trails, too.

Take, for example, a new associates program at Louisville-based Frost Brown Todd, with 475 lawyers in offices throughout the Kentucky, Indiana and southeastern Ohio region. The partners there have launched a revamped first-year associate training-and-compensation system, which is best described as an apprentice program—an innovative model that a couple of other firms have embarked on as well. (Find more about those other firms in the Managing column on page 60.)

According to Frost Brown chairman John Crockett III, the old model had to go for a twofold reason: because the billing demands on first-years at law firms all over the country have been getting higher and higher, and clients have become more and more dissatisfied with inexperienced associates working on their matters. “We listened to clients,” he says. “We want to develop better lawyers faster than we and others have been able to do in the past. There’s gotten to be such pressure on associates and partners with the billable hour.

We wanted to relieve that pressure.”

Of course, there has also been a lot of stress placed on partnerships, as starting salaries were reaching stratospheric levels and climbing ever higher—at least until the recession hit. So, responding with its new program, Frost Brown reduced first-year salaries to \$80,000 in all of its offices. Previously, the going rate had varied depending on the market, with \$98,000 in Louisville and \$107,000 in Columbus.

Importantly, program participants receive something in exchange: The firm dropped its first-year associates’ billable-hours requirement from 1,800 to 1,000 hours; plus, it increased hands-on training efforts with the goal that young lawyers will receive an additional 1,000 hours of on-the-job education. In the associates’ second year, they’ll jump into the system at 1,800 billable hours and an increase in pay.

In a sense, the new program fills in for something Crockett believes is missing in today’s big law firm culture. “Like other firms, we’d gotten away from having guest-chair opportunities,” he says. “I’m a litigator and the ability I had as a young attorney to go alongside a partner and watch him or her take a deposition as a spectator was a valuable experience for me.” So the firm has divided up the 1,000-hour educational program into these “guest chair opportunities” as well as more formalized in-house training at the practice group level—and it has apprentices serve on client-service teams.

Perhaps the most exciting component for apprentices is Frost Brown’s arrangements with clients allowing the

first-years to work inside legal departments and alongside in-house counsel. That is, on some days, the associates report directly to the corporate clients. “This gives our young attorneys the ability to see up close how our clients operate, to learn our clients’ business in ways that we haven’t been able to offer in the past,” according to Crockett.

Some critics say that apprenticeship programs like those at Frost Brown and other firms are merely a means to slash starting salaries, save money and, consequently, boost profit-per-partner levels. Crockett, however, dismisses that and points out that incoming associates were very happy when the firm announced this move last year.

“When we first trotted out the program, I was encouraged to see letters from incoming lawyers expressing their gratitude,” he says. “They were appreciative that we were doing this rather than deferring their start dates to a date to be named later. They came into it excited and energized.”

What’s more, Crockett likes the career development of the apprentices thus far, although the firm will conduct a thorough assessment of the program after its initial year is completed. He also expects the program will become a part of normal operations at Frost Brown—and will likely catch on with other firms.

“I don’t think we’ll see a return to business as usual after we emerge [from the recession],” he says. “I think this model very well may be the future.” LP

Steven T. Taylor (stevetaylor77@comcast.net) is an award-winning freelance journalist living in Portland, OR, who writes on various subjects in the legal media.

PRACTICAL LAW COMPANY®



For more information about Practical Law Company:

646.562.3405 | www.practicallaw.com

Request your FREE trial today.