

The Future of Law Firms — Where Is All This Heading?
Introductory Remarks to the General Counsel Panel

by

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Legal Sales and Service Organization Raindance Conference
June 23, 2004

Based on my experience with customer service *and* the legal profession, I have been asked to give a brief overview of what the future may look like for law firms.

I'll start with a quote from conference leader, Catherine MacDonagh, who said that "the key to survival is the ability to adapt to change."

I would only add that survival may depend on the ability to anticipate change and even create it in a world of accelerating evolutionary demands.

Since past is prologue, let's look *back* 30 years to see the speed of change moving *forward*...

The year is:

1974 – Advertising by lawyers is generally forbidden. The Dow Jones average is below 1,000. Gas has recently soared from 40 cents a gallon to more than a dollar. Mutual funds are for the rich, but John Bogle is starting Vanguard Funds based on the radical notion that *ordinary* people will buy *small* shares in low-cost index funds. The first personal computer has not yet been invented, but scientists have developed a prototype for communication between *large* computers that will one day be called the

Internet. Environmental law is an embryo. The first environmental laws and regulations are just starting to take effect.

1977 – The US Supreme Court puts an end to bar association bans on advertising in Bates v. Arizona, saying that “the belief that lawyers are somehow *above* trade has become an *anachronism*.” Still, so-called “services rendered” bills are routinely handed to clients with little or no documentation of time or billing rates. In-house law departments are mostly confined to large public companies.

1979 – Led by the business philosophies of Edwards Deming, Japanese auto makers are leading world markets once dominated by American manufacturers. After years of energy crisis, American executives still insist that car buyers are predominantly men who allegedly want bigger bodies and bigger engines. In 12 more years, Deming’s global work on *quality enhancement, employee empowerment and strategic partnering* will be hailed by U.S. News & World Report as the third wave of the industrial revolution. Deming disciples will improve quality and service by pioneering such radical concepts as the inverted organization chart and employee review of *manager* performance.

1980 – The EEOC recognizes a category of sexual discrimination known as hostile work environment sexual harassment. *Few* notice this change. But in coming years it will generate a new practice area with hundreds of lawsuits and numerous six-figure verdicts and settlements.

1982 – Tom Peters co-authors “In Search of Excellence,” a best-selling study on what makes businesses successful in the marketplace. Two of his principle discoveries: 1. *Great* companies have courageous pioneers who are champions of change that is driven by customers rather than executives; and 2. *Many* companies *fire* their courageous pioneers.

1984 – Seven years after Bates, it is still regarded as “unseemly” for lawyers to get involved in marketing or advertising. Law school enrollments have roughly doubled in a decade, despite the fact that former Harvard president Derek Bok has said that *too many* of our best minds are going to law school, calling it a “brain drain.” In the next decade, the profession will only get more populated and more competitive. Many companies have added in-house functions and some highly regulated companies have hundreds of lawyers on staff.

1986 – A company called Microsoft goes public after ten years of operation. It has about 900 employees. Meanwhile, a host of *renegades* from established companies, such as Xerox, are creating Silicon Valley. Their previous employers dismissed the technologies they invented for personal computers as having no value due to the dominance of “mainframe” technology. In a few years, mainframes will go the way of eight-track tapes.

1987 – The Dow Jones crashes several hundred points in one day, falling below 2,000 - causing some to predict that the “merger mania” of the 80s is *finally* over for good.

1988 – A group known as KKR concludes the *largest* merger ever recorded, the \$25 *billion* Nabisco deal. A record-breaking wave of takeovers resumes. Merger mania lives on, especially in the banking industry.

1990 - Most large companies now have “networked” pc’s at every desk, and many law firms are following suit. After a decade of explosive growth in personal computing, some “cutting edge” lawyers are even communicating with clients using a technology called “e-mail.” But other lawyers are still not sure how to *log on*.

1992 – After years of massive corporate layoffs, jurors are rendering unprecedented million dollar verdicts in employment law disputes. The Americans With Disabilities Act is generating piles of work for employment lawyers as well.

1994 – Many law firms of all sizes have started hiring marketing managers, MBAs and other professionals to assist in the development of strategic growth plans and client development programs. After a wave of firm failures in the early 90s, firm managers openly and sadly confess that law firms are at least in part “business” operations. Some companies have started using “bidding contests” to select law firms in the same way they do *other* vendors.

2000 – The greatly anticipated Y2K crisis proves to be a hoax. The world lives on and many firms undertake branding programs to enhance their identity and visibility in the brave *new* millenium. As in business, law firms are acquiring other practices, splitting up, or being acquired *more and more*.

2004 – Some law firms are now looking for competitive intelligence or other *marketing* information similar to that sought by *retailers* who compete for *customers* rather than clients. Many who once snubbed lawyer comments in the press as “unprofessional” have, like businesses, hired public relations specialists to place *their* stories in print or electronic media. Many lawyers are using “blackberries” for instantaneous wireless contact with all their clients at *any* time or *any* place. Some firm managers – even at *smaller* firms - spend over half their time on firm management issues rather than their own legal practices. But numerous firms are still run by managers and department heads that have dominant practices which leave them little or no time for people management or strategic planning.

So what will the future look like? It will probably eclipse all of our wildest imaginations, but here’s a guess:

2014 – Firms of many sizes will have the equivalent of a full-time CEO who *manages* people and *anticipates* the demands of clients and their industries. Firms will talk about their clients with the same *reverence* that retailers talk about customers. They will do surveys for “top of mind awareness” to measure how people think of them or

“customer defection” to see why clients choose their *competition* for legal service. Like other businesses, law firms will undertake “service initiatives” to *institutionalize* superior service for clients *and* to improve recognition and rewards for their best individual service providers.

2019 – There will be one paperless cyber-registry for instant electronic recording of all mortgages, deeds and other real estate documents, just as corporate documents have been recorded for years. Real estate purchasing *and* financing are as quick and easy as buying a car. All trial courts, even in Mass., will be essentially paperless.

2024 – Most law firms will have the functional equivalent of an executive in charge of sales and marketing. Those executives will be relied upon to shape the future of their firms in concert with the executive management committees. As in business, they will be called upon *first* at monthly management meetings to present reports on the competition, the clients, and the *expected trends* in the marketplace. They will be asked to create and lead an “obsession” with client service as a means of generating sales. On the other side of the coin, business boards will recognize that lawyers are among the *best* service providers in the world in one of the *most* competitive professions in the world. They will look to lawyers not only for strategic thinking, but for leadership. More chief executives will be, like Southwest Airlines’ Herb Kelleher, lawyers by training.

2029 – There are now 10 banks in the U.S. They sell insurance, mutual funds and professional accounting services. Leading edge law firms wirelessly link to their clients and to databases of contractual forms and legal solutions that enable 24/7 instant service from anywhere at any time. At these firms, even due diligence for *massive* transactions moves *rapidly* as part of a well-oiled legal machine. Lawyers at leading edge firms of *all* sizes serve hundreds of clients in a fraction of the time and cost it used to take, putting scores of “old style” firms out of business. Law school applications are *down* and trade school applications are *up*, leading one college president to lament that the *brain drain* into DeVry Technical institute’s school for plumbing is not good for the country.

2034 – Managing partners at firms of *all* sizes will actually consciously develop internal “cultures” designed to make recruiting, development and advancement work together to serve a functional ethos that reinforces the firm’s brand. The surviving firms realize that branding is not a catch phrase or clever logo, but a conscious choice to select a way of *professional* life that defines who you *are* in the marketplace. It is a choice that will define who is hired, promoted and rewarded by yardsticks for measuring client service.

Why will this happen? Because firm management will recognize what their *most* successful business clients have done to achieve *their* success.

They will see what Stanford business professor Jim Collins has documented in years of research on what makes companies successful.

They will see that the leaders and managers in *super* organizations are not flamboyant domineering personalities, but they are quiet, consistent *service-minded* individuals dedicated to meeting the needs of their customers by engaging the *souls* of their employees. They are particularly good at establishing some kind of *value* system in the workplace that is designed to produce a *cooperative* culture that fulfills a mission statement. For better or worse, great business leaders foster *values* that connect employees to their customers in a way that *transcends* mere commercial objectives. Firm leaders will see that success is also dependent upon what Collins calls “getting the right people on the bus,” so firm leaders will choose to hire and promote individuals obsessed with providing *both* internal *and* external service to others.

Now let’s return to...

2004 - Those of you who are involved in your firm’s marketing *now* have a chance to shape the leading edge of the *inevitable* cultural revolution and put *your* firm in a position to win not just the battle for clients, but for the best *employees* to serve them. “The key to survival *is* the ability to adapt to change,” but if you don’t like change, just remember the words of Edwards Deming: “Survival IS optional.”