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Trending for Law Firms in 2012: What to Expect This Year

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January, 2012**

Thirty items affecting the legal profession that are guaranteed to dominate the headlines in 2012

It is that time of year when you are entitled to know what to expect for this new year. Accordingly, here is what the hot trends for 2012 will be:

- Continuing decline in legal spend on outside counsel.
- Careful consideration by general counsel whether to build or buy. [Corporate legal departments will be major competitors of law firms.](#)
- [Increased direct competition for the legal spend from LPO's and other alternate](#)

[providers of legal services.](#)

- [Increased globalization](#), with US firms continuing to open new markets, particularly in Asia and South America and [foreign firms opening US branch offices.](#)
- [Consistent with last year's trend](#), expenses will rise at a faster rate than the rate of revenue growth.
- As law firms continue to more efficiently and timely bill for matters and, [the trend of law firms whittling away at their inventories \(WIP\)](#), while not being able to replace that inventory because of the lethal combination of reduced headcounts and reduction in the legal spend, lenders to law firms will require more stringent reporting and will in some instances, reduce available credit lines.
- High end [litigation funding](#) will become increasingly popular.
- [De-equitization](#) of partners and reductions in head count will continue.
- Deleveraging of work with partners and other senior lawyers billing increased hours and the trend towards the [inverted pyramid model](#) continuing.
- [Increased lateral partner movement.](#)
- [Heightened due diligence by law firms in assessing lateral partners.](#)
- [Law firms establishing subsidiaries](#) to engage in services complementary to their services, including e-discovery, document review, legal staffing services, investment advisory services for high net worth clients and the like.
- Congress, the courts and the judicial conference will make serious progress [about modifying e-discovery rules](#), bringing down their current gravity defying costs as well as dampening down the torrent of spoliation claims and the attendant Herculean tasks companies need to take to avoid these claims.
- The urge to merge will continue. [Last year, there were more than 43 law firm mergers.](#) In 2012, there will be more. Regional firms will combine to become super regional firms and consolidate some back office operations,
- [The Euro Zone will continue to roil](#), unemployment will decline only marginally, [Congress will continue to dither about the national debt](#), housing prices will, at best remain flat or, more likely, decline slightly, due to the huge REO inventory, municipalities will continue to be in a financial vise, as tax bases decline, real growth in GDP will be marginal and there will certainly be additional bankruptcy filings by cities and counties. I know looking at all of this may provoke nausea. But, the wise lawyer and law firm will follow Rahm Emanuel's counsel that [no](#)



[crisis should go to waste and the wise man looks for opportunity in every crisis.](#)
There will be abundant opportunities for lawyers to provide counsel to various institutions affected by each of these economic frailties.

- Given weakening retail sales and decreased demand for most commercial real estate, buyers will emerge to take advantage of attractive pricing on some properties, perceiving real value opportunities. Private equity funds will move in to this arena in a big way.
- [Increased focus on collaboration](#), within the law firm, vertically with clients and horizontally with vendors of support services and co-counsel. Extranets will be enhanced and new technologies will emerge to provide greater transparency and real time feedback and collaboration.
- There will be strong tension at law firms between the competing needs to reduce support staff and [the need to enhance marketing, IT, client relations, project management and other support functions.](#)
- More paperless offices. With the bulk of communications now being electronic and the expected decline in timely services from the United States Postal Service likely to increase the trend of communicating electronically, law firms will be incentivized to go completely paperless. Incoming snail mail will be scanned and digitized. The huge cost of storing paper documents will evaporate.
- Increased use of outside facilities management companies for mail, fax, reproduction, IT, bookkeeping and legal records departments.
- [More intelligent use of office space.](#) This will include moving support functions to less expensive offices (for example, West Virginia ([Orrick](#)), Ohio ([WilmerHale](#)), Belfast ([Alan & Overy](#) and [Herbert Smith](#)), Texas ([Pangea3](#)), North Dakota ([Integreon](#)) and Kansas ([UnitedLex](#))). We will also see firms follow the lead of Pillsbury [which announced that it will move its entire back office operations to Nashville, Tennessee.](#) In addition, law firms will seriously be looking at “hotel” office arrangements, such has been the case for decades at accounting firms. An office, like your home, [is just a place to keep your stuff.](#) Today, most of your stuff is stored in the cloud or on your server.





- [Increased reliance on project management.](#)
- [Increased proliferation of RFP's](#), including [online auctions by clients for legal services.](#)
- Continued rise in use of [alternative fee arrangements.](#)
- Continued rise in clients using social media, [particularly blogging](#), to identify competent counsel, with a concomitant rise in law firms regularly posting substantive blogs and circulating [client alerts and bulletins.](#)
- Law firms will make more investments in technology than in people. The IT hotspots are knowledge management, software to farm information for the purpose of responding to RFP's, making an AFA proposal, based on prior similar work handled by the firm and for project management purposes.
- Every lawyer will tuck an iPad under his or her arm and no lawyer will attend a meeting without opening one. Continued development of [apps for lawyers](#) will simply make this tool not only essential, but a lawyer not having an iPad at the ready, risks a serious loss of credibility.
- Tough times often brings out the worst in some folks. Last year's small spike in [BigLaw partners](#) and even [other law firm personnel](#) who engaged in defalcations of client funds will sadly probably continue. Look for more headlines of such tales. Law firms will be well served to now tighten controls and checks and balances regarding client finds.
- There will be periodic announcements by a partner at a BigLaw firm stating "after 25 rewarding and wonderful years with my former firm, I have decided to open a solo practice so that I can work more closely with my clients." Sometimes these announcements will be sincere and genuine. Sometimes these announcements really mean "I've been on the job market for almost a year since [I was asked to leave my former firm.](#) I haven't been able to find a new slot and my firm wants me out right now, so I may as well give this a try."
- Virtual law firms, such as [Clearspire](#) and [Rimon](#) will continue to grow and gain real traction and increased market credibility.

- Sadly, we will also see [additional law firm failures](#).

I am quite sure that we have been fairly thorough and inclusive. If you think we left anything off the list, please let us know by commenting below. Similarly, if you think we are wrong about any of the above, post a comment.

It's going to be a challenging year. Please fasten your seatbelts, hold on to the handrail and make sure that your arms and legs do not extend outside your car. We are in for an interesting year.



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