



THE PROFILE SEARCH GROUP, LLC

Consultants to the Legal Profession

College of Law Practice Management 2010 Futures Conference & Symposium Highlights

Clients and Colleagues,

As a Fellow of the College of Law Practice Management (colpm.org) I recently had the opportunity to attend the College's Annual Meeting and 2010 Futures Conference & Symposium at American University, Washington College of Law. Several presenters and attendees provided thoughtful insights pertaining to challenging issues confronting the legal sector. Outlined below is my summary of several Symposium topics that present challenges and opportunities to improve the business of law.

Is the Legal Sector Prepared to Adapt

Aric Press, Editor in Chief of American Lawyer Media and a College Fellow, commented on ALM's survey of AMLAW 200 firms which will be published in the near future. Participating law firms were asked if they anticipated a fundamental shift in the legal services industry, their overwhelming response was "YES". The next question asked the law firms if they were anticipating changing their strategy, their overwhelming response was "NO".

It may be that many firms have been preoccupied battling the recession and have not adjusted their strategic plan but it is clear significant plan adjustments need to be on the horizon for law firms desiring to flourish not just survive the decade ahead.

World Capital Markets & Emerging Markets

Peter Zeughauser, Chairman of the Zeughauser Group stated that, "Demand for legal services long term will grow as the world's financial and intellectual property assets continue to grow and natural resources become more scarce." He further suggested that the U.S. will be a magnet for litigation and global law firms will need to have a U.S. litigation practice in order to capture this business. He projected that a small number of firms will dominate the global legal market.

Zeughauser also advanced his view that:

- U.S. law firms should focus on the 1% of U.S. companies (2,270 entities) that are multinational companies. These multinationals represent 48% of the exports, 37% of the imports and 74% of the R&D.
- Law firms must grow market share dramatically in the world's largest economic powers and attract U.S. inbound foreign investment and dispute work.
- China and India will eclipse the G-6 very quickly. American law firms are mistakenly focused on Europe in their drive to globalization.
- To the extent there will be a Global 20; five Western firms will be squeezed out by Chinese law firms.

India Rising

Zeughauser also mentioned that India will be a difficult market for American law firms to penetrate as they will allow lawyers from other countries to practice in India only if their respective countries allow Indian lawyers to practice. U.S. attorneys may be the only attorneys in the world unable to practice in India because the fragmented American bar admittance system does not allow for a national bar admission. Will Hornsby, Counsel of the American Bar Association's Division of Legal Services, speaking on his own behalf, stated that a U.S. national bar is unconstitutional. The ABA will probably take the position that Congress can't regulate the practice of law under separation of powers.

This is a complex issue which ABA president Steve Zack requested President Obama to address during his recent trip to India. We will see if this topic was raised and if the President was able to get India to establish a more reasonable policy.

Asia Merger

Zeughauser and Press of American Lawyer Media appeared to agree about possible future merger activity. Zeughauser stated that the coming transcontinental mergers will inevitably focus on Asia. Press commented that the future belongs to the merger across the Pacific and mentioned the Chinese law firm of King & Wood.

King & Wood has over 800 attorneys in 16 offices including offices in Palo Alto and New York. It will be interesting to see if a major U.S. or U.K. law firm secures a merger with King & Wood in the near future.

Law Firm Predictors of Success

Caren Ulrich Stacy, a newly inducted member of the College with extensive experience in professional development, is gearing up to release significant research concerning the best predictors of success for attorneys in law firms.

Watch for the results from her company, Lawyer Metrics. The profile of successful attorneys, associates and partners may reveal some surprises.

Talent Management

Talent management was discussed as a key driver for law firm success and several presenters at the Symposium commented on various issues relating to legal talent:

American Lawyer Media's Aric Press took the position that law firms do not take recruiting and retaining talent as seriously as their clients do. He said that he would welcome information to the contrary. For those inclined to share a contrary opinion his email address is apress@alm.com.

The Profile Search Group's knowledge supports the view that some top-tier firms have reduced their investment in professional development during the recession. Some firms have significantly cut their professional development staff and PD budgets. Many firms have continued to chase lateral partners with the intention of importing significant talent with portable practices only to have their hopes dashed when the results fail to keep up with the promises. Our industry watch and intelligence confirms that many firms have themselves to blame for these outcomes. Firms often fail to conduct comprehensive due diligence of incoming lateral partner candidates. Many firms do not possess a robust lateral integration program that monitors the lateral's business plan versus actual business intake. In addition, firms often fail to track the cross-selling opportunities that the lateral's proponents promised to deliver.

Patrick Lamb, founder of the Valorem Law Group, commented on two issues that are confronting the legal sector. He suggested the need for firms to create positions that are long term so that the attorneys holding those positions are satisfied with their roles even if they do not become partners. Lamb also stated that partners think because they have ownership rights they should also possess management rights.

We see many firms struggling with the formula for how to make the practice of law satisfying in addition to financially rewarding. Firms are developing models with career positions for non-partner tract attorneys. Our experience supports the position that focused professional development programs will help firms develop alternative models which yield competitive financial results. Concerning the issue of ownership rights and management rights, we often see many law firms running away from the best attributes of the partnership model while corporations are trying to embrace aspects of partnership in their enterprises. The Profile Search Group view strongly supports firms that are trying to preserve their sense of partnership. However, it is difficult for firms to preserve the best elements of partnership when the management of the firm cannot lead because they are in a perpetual consensus building and placating loop. Firm leaders should be given the management responsibility and the commensurate authority and partners should be focused on achieving business results in their practice disciplines.

Mark Robertson, past chairman of the ABA's Law Practice Management Section, made the point that attorneys need to develop project management skills.

Project management is not a passing fad and firms where project management skills are possessed by the attorneys and management staff charged with the practice management responsibility will gain a competitive advantage. The firms with this edge will understand their costs, be able to provide accurate estimates and deliver more value in a timely manner at lower cost.

Zeughauser stated that there is a dearth of legal talent in the Emerging Markets - BRIC Countries (Brazil, Russia, India and China) and in the N11 countries (Indonesia, Philippines, Bangladesh, Egypt, Korea, Nigeria, Turkey, Vietnam, Iran, Mexico and Pakistan). He pointed out that vetting talent in Asia is difficult – there is less talent and less able talent. A couple of Chinese law firms are presently recruiting U.S. law school professors to train their Chinese lawyers.

The demand for legal talent in these emerging markets may present opportunities for U.S. attorneys who are willing to aggressively embrace relocating to one of these countries for the long term. Law firms may need to adopt the model of successful U.S. corporations who have developed a large component of ex-pat management staff who develop international business skills and take on long term assignments in a specific market and/or move within markets in a broad geographical region.

In-House Counsel on the Rise

A theme emerged at the Symposium that in-house counsel are increasingly moving into the driver's seat and will be dictating the agenda for the law firms that wish to represent them. Simon Chester, former president of the College, an English solicitor and partner in the 500 attorney Canadian firm of Heenan Blaikie, noted that General Counsel are moving more to the center of company management and the Trusted Advisor role is moving inside the corporate law departments.

These trends may suggest that managing in-house law departments, like law firms will continue to become more complex and require General Counsel to strengthen their management systems and their management teams. Higher caliber business managers may well be recruited to supplement the in-house management teams.

Outside Capital Investment in Law Firms

The introduction of capital investment in law firms by non-attorneys was a subject of one of the presentations and was also a discussion in a breakout session in which I participated. Australia has permitted outside investment in law firms since 2007. The law firm of Slater & Gordon is listed on the Australian Stock Exchange and has tallied up significant financial gains.

The Legal Services Act passed in the U.K. permits British law firms to go public. It also allows U.K. firms to sell ownership in the firms to private investors and merge with other non-law firm entities. This law becomes effective in 2011 and it appears that there is significant interest on the part of private investors. Indeed, Lyceum Capital, a London-based investment firm has raised \$500 million to target opportunities in legal services.

In the U.S., the Washington DC bar allows attorneys and non-attorneys to join together in partnerships that practice law but there does not appear to be any substantial stampede in that direction. What will happen if outside investment takes a firmer hold in law firms outside of the U.S.? Will individual jurisdictions, New York, Chicago, Washington, DC and Los Angeles, begin to explore ways to capitalize on the potential of capital infusion? If that does happen what impact will outside investment have on how law firms are governed and managed? Will formal Board of Directors become commonplace in AMLAW 100 firms?

InnovAction Awards

Every year the College sponsors the InnovAction Award intended to identify innovation and ingenuity in law practice management. The award is designed to inspire creative thinking in legal services. Pro Bono Net (probono.net), a national nonprofit organization working to increase access to justice through innovative uses of technology and increased volunteer lawyer participation was the 2010 InnovAction Award recipient for their product, Law Help Interactive, which provides a national infrastructure for online document assembly and helps tens of thousands of low-income people each year to complete needed legal forms.

This is a very substantial and worthwhile program and I encourage anyone interested in learning more about Pro Bono Net and Law Help Interactive to contact PBN Executive Director, Marc O'Brien at mobrien@probono.net.

I found the Symposium particularly informative and thought provoking this year. Hopefully you will find this information useful, possibly prompting some discussion within your firm during these challenging times for the legal services sector and firm leadership. Some topics, emerging markets, the ability to practice in India and Asian merger activity, may at first blush appear to have limited impact on the U.S. legal sector; however, globalization has led to a more closely linked legal services industry where distant ripples turn into rogue waves without much warning. The need for the legal sector to support pro bono programs like PBN's Law Help Interactive and the talent management issues discussed at the Symposium go right to the heart of the legal profession. The rise in influence of In-House Counsel and the potential of outside investment in law firms may have game changer potential.

The Profile Search Group has been successful in assisting our clients in recruiting high-caliber talent. Clients know we differentiate our practice by our guiding principle of developing a thorough understanding of our client's culture and character and applying our judgment to attract the appropriate talent. We look forward to continuing to partner with our clients and we also welcome meeting and working with new firms. We are most appreciative of the many referrals from clients and colleagues.

Please contact us if we can be of assistance to you or the firm. Also, let us know if you have questions or comments concerning the College of Law Practice Management or the 2010 Futures Conference & Symposium. Best wishes for a peaceful Thanksgiving.

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The Profile Search Group is a national recruiting firm. Our core practices include:

- Assisting law firms recruit lateral partners and senior management talent.
- Assisting corporate law departments recruit legal talent and management talent to support the General Counsel.
- Assisting legal talent in exploring alternative law firm platforms or corporate law departments for their practice.

As part of our relationship with our clients we provide coaching at no charge to any member of our client's senior management team. We encourage members of the senior management team to discuss any issue on which we can be of assistance or serve as a confidential sounding board. We endeavor to remain in contact with our candidates and monitor the integration process.