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FACING COMPETITION FROM THEIR CLIENTS, MORE FIRMS ARE RE-THINKING THEIR STRATEGIES

“Law firms have some new competition these days: their own clients.”

That’s how reporter Jennifer Smith, a member of the Law Bureau at the *Wall Street Journal*, began her article in the September 15th issue. Among the examples she gives is an analysis by BTI Consulting Group Inc. that 58% of larger companies are keeping legal work in-house this year compared to 50% last year. Another is the report earlier this year by the Association of Corporate Counsel on its survey of more than 1,200 legal officers. It found that 63% of them now “in-source” legal work that they used to send out.

This trend began six years ago when some clients informed their outside counsel they would not pay for work handled by young associates. One of the results has been the growth of alternate service providers (ASPs) and legal process outsourcers (LPOs). Another has been the growth of Alternate Fee Arrangements (AFAs). And still another has been the growth of the legal department in some companies and organizations to handle the increased work load. All of this has had a negative impact on some firms, smaller and mid-size as well as large, and has been one of the reasons for the increase in mergers this year.

However, it is not the end of the world for the strategic-thinking law firm!

As is widely recognized, and as we have been reporting, many smaller and mid-size firms have been doing well. One of the principal reasons, of course, is their lower rates. But another – at least with many of our clients – is that, in their strategic planning, they are taking a hard look at their practice areas and client service structure. Furthermore, in their marketing and business development, some are also targeting middle-market companies that have no interest in expanding their legal departments.

Growth, not just survival, often comes from how one responds to unexpected competition.

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Robert Denney Associates Inc. provides strategic management and marketing counsel to law firms, companies and non-profit organizations throughout the United States. Previous Communiques as well as information about our services may be viewed on our web site.

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