

# A VIEW FROM LONDON - IS THE PARTY OVER: STRESS TESTING FOR LAW FIRMS

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**Law firms need to adapt not only to the current business challenges but also longerterm legal market and consumer trends, says Richard Suskind**

Many lawyers, understandably, do not like the title of my latest book – The End of Lawyers? Yet my message is a mixed and not a negative one. I claim that the future for lawyers could be prosperous or disastrous. I do predict that lawyers who are unwilling to change will struggle to survive, but I also say that lawyers who embrace emerging technologies and new

ways of sourcing legal work will trade successfully for many years.

Many of my conclusions follow from research amongst in-house lawyers. Invariably, clients tell me they are now under three pressures: to reduce the size of their in-house teams; to spend less on external law firms; and to find ways of coping with more and riskier legal and compliance work than in the past. Both internally and externally, clients are requiring more for less.

Consequently, law firms will increasingly be asked to reduce their fees, to work on a fixed fee basis, and they will often be selected by hardnosed, in-house procurement specialists and not solely by in-house lawyers. The legal market looks set to be a buyer's market for the foreseeable future.

At the same time, new competitors are emerging, such as outsourcers and entrepreneurial publishers; while liberalisation of the legal market will bring external funding and a new wave of professional managers and investors who have no nostalgic commitment to traditional business models for law firms, including hourly billing and gearing obtained through the deployment of armies of hard-working young lawyers.

Los directores jurídicos de empresa están bajo presión para reducir sus costes internos y en servicios jurídicos externos, afirma Richard Susskind reconocido consultor. Esta situación ofrece a las empresas una posición privilegiada en cuanto a la negociación de servicios jurídicos. Por lo que los despachos van a tener que adaptarse no sólo a los desafíos de la economía en general sino

además a las nuevas necesidades de sus clientes.

To cap it all, a number of disruptive legal technologies are emerging (such as document assembly, closed communities, legal open-sourcing, and embedded legal knowledge) which will directly challenge and sometimes even replace the traditional work of lawyers. For many lawyers, therefore, it looks like the party may soon be over.

I anticipate that the market is likely to respond in two ways to these changes. First, new methods, systems, and processes will emerge to reduce the cost of undertaking routine legal work.

This will extend well beyond the back office of legal businesses into the very heart of legal practice. To achieve the efficiencies needed, I say that legal services will evolve from a tailored service at one end of a spectrum along a path, passing through the following stages: standardisation, systematisation, packaging, and commoditisation. Many new ways of sourcing will emerge (outsourcing, off-shoring, sub-contracting, cosourcing, and more) and these will often be combined in the conduct of individual pieces of legal work. I call this multi-sourcing. These changes will affect not just high volume, low value work but also, and vitally, the routine elements of high value work.

The second response by the market will be for clients, in various ways, to share the costs of legal services. Inhouse lawyers, I suggest, will frequently work together, often as part of online closed communities and find ways of recycling legal work amongst themselves. In areas where their duplication of effort and expense is considerable, such as regulatory compliance, they will collaborate intensively and so spread the legal expense amongst their number. At the

other end of the spectrum, citizens will have ready access to online legal guidance and to growing bodies of legal materials that will be available on an open source basis.

Law firms face two challenges in these difficult times. The first is to steer their businesses through the short-term difficulties of the next 18 months or so. There are no magic answers here. The best will control costs without incapacitating their practices and will invest in determined and focused marketing. The bigger challenge, however, is the long-term, when the recession recedes.

I advise that, looking across a 3-5 year time frame, each business unit within a firm should currently be subjected to stress testing – a formal evaluation of how it can face the pressures the market will bring. Some may not withstand the scrutiny and may be seen as terminally threatened by new developments. Others will find opportunities for new and exciting lines of legal business. Either way, it is as well to know now.

Richard Susskind is a consultant and IT Adviser to the Lord Chief Justice of England and Wales as well as Visiting Professor in Internet Studies at the Oxford Internet Institute. *The End of Lawyers? Rethinking the Nature of Legal Services* is published by Oxford University Press.