For private practitioners, in-house counsel, and other professionals in the legal industry, these are both exciting and nerve-wracking times. In 2010 it seemed as if the last decade of global developments have been mere preparation for the wave of changes we’re seeing in the legal industry. What now sounds like a whisper of innovation may increase to a steady roar. No laying back on the status quo. This is a time to think deeper and make moves.

**Corporate Counsel Reduce and Streamline**

From our vantage point, corporate law departments worldwide are taking actions to perform better and increase the value they deliver, while they spend less. They’re engaged in much broader change now, ranging from small practical steps to major structural changes. With help from process engineers and procurement experts, corporate counsel are finding less expensive ways to make and buy legal services than many law firms typically provide. They value their law firm advisors, but their focus is now on differentiating the value of legal support and using the expertise of select law firms for only a portion of the work that those firms used to do, start to finish.

In-house lawyers still care about performance, now more than ever. Strong performance is essential when aggressive regulatory enforcement and far-flung global growth increases legal risks in multiples. Companies rate law firms very highly on technical competence, and as legal professionals they work hard to deliver high quality legal services in their companies, with in-house and outside resources.
In the end, however, many General Counsel recognize that it’s rarely technical competence that earns them a pay raise, a bonus, or even job security. In an environment where corporate profit margins are squeezed and will be for as far on the horizon as we can see, overhead costs simply must contract—including Legal. Budgets guidelines are strict, and budget cuts may arrive throughout the year.

Sure, there’s more demand for Legal than ever before. And the bosses of General Counsel are serious about complying with laws and regulations where they operate. Yet day-to-day management (unless there’s a crisis afoot), shows that corporate leaders’ first focus is the numbers.

To lower costs, corporate legal functions are shifting administrative work out of the law department and into lines of business, outsourcing to India, and building lower-cost legal processing centers in high-growth regions of the world. In-house counsel are part of corporate initiatives to streamline functions such as contract management. Finding IT tools to make multi-jurisdiction processes more efficient is more important than ever for corporate lawyers, as is building the competencies and bandwidth to excel in emerging markets.

**Law Firms Address New Imperatives**

Meanwhile, law firms are not standing still. Many global law firms have made enormous strides to respond to their clients’ changes, with the institution of project management training for lawyers, the establishment of viable alternative fee structures, and serious steps to reduce their administrative costs in order to offer more flexible options to clients. Beyond the Anglo-saxon firms, however, many firms are unclear how to respond. Nothing is settled yet, and they know it is risky to abandon professional services models that have been reliable for decades. Since these changes take time, those firms will have some catching up to do.

While lawyers in many firms are still betting on a return to the *old normal*, just as many others are confronting the imperative to deliver transparency and value. In client value judgments, service delivery seems to be overtaking legal technical excellence in importance, especially since clients feel they can readily find highly competent lawyers. This is driving changes in what services firms offer and how.
The *new normal* changes how law firms manage their businesses. Associate compensation, career tracks, and staffing on large projects is changing dramatically. Some law firms are taking steps to more closely align their metrics with their clients’ metrics, using the type of forward-thinking of many successful companies today.

When speaking at inside and outside counsel events this year, my question to delegates has been: How long do you think these cost pressures will last? Will things go back to how they were? Will corporate legal budgets grow again? The reply is very consistent: “No, things will not go back to how they were.” We recognize that demand for legal services will be constant, and some practices may command higher prices given the wave of regulatory reform and the increasing complexity of business globally. But overall, from Amsterdam to Johannesburg and Washington to Beijing, there is consensus that things have changed for the long term.

**Modes of Global Expansion Change**

In the international competitive strategy area, the biggest change in law firm growth is that expansion methods are more diverse today. Opening offices in every hot market is no longer common practice, partly because of the sheer quantity of emerging markets, not all of which merit a brick-and-mortar presence.

In some growth markets, changes in local politics and economies have created a wave of legal demand that then subsides (e.g. parts of Eastern Europe). Presence in these markets may be of short-term interest but eventually not of long-term interest relative to other priorities.

For these reasons, as well as law firm “spend-aversity” that came with the recession at ELD we see a shift in expansion strategy towards creating productive liaisons with local law firms. In some firms, senior partners focus a great deal on initiating and maintaining solid working relationships with liaison firms. Other firms drive business development activities using lawyer teams that focus on fertile markets from another office location. Lawyers are put in charge that have the target market language capabilities, business connections and the desire to build a clientele.
In 2010 we are pleased to donate 700 pounds sterling (roughly US$1,100) to the good work of Advocates for International Development (www.A4ID.com) and $500 to International Senior Lawyers Project. This contribution is partly from proceeds of Bright Ideas book sales. We’re happy to help both A4ID and ISLP to make possible high quality pro bono legal assistance around the world, with participation of both outside lawyers and inside counsel.

Publications of interest

all can be downloaded from www.ELDInternational.com

Bright Ideas White Paper – April 2010
Follow-up to ELD’s book published in 2009, Bright Ideas: Insights from Legal Luminaries Worldwide. In articles and comments, legal industry leaders opine on the changes taking place among global law firms and corporate counsel.

The China Syndrome – Legal Week, January 2010
Leigh Dance assesses the rise of the homegrown in-house lawyer in China.

Charting a new frontier – with Hassan Hassan, Legal Week, February 2010
GE Healthcare’s Hassan Hassan comments on the challenges facing the modern general counsel in an increasingly global and risky business environment. Leigh Dance helped Hassan write the essay following a Dubai roundtable discussion.

In 2010 we are pleased to donate 700 pounds sterling (roughly US$1,100) to the good work of Advocates for International Development (www.A4ID.com) and $500 to International Senior Lawyers Project. This contribution is partly from proceeds of Bright Ideas book sales. We’re happy to help both A4ID and ISLP to make possible high quality pro bono legal assistance around the world, with participation of both outside lawyers and inside counsel.

ELD International, Inc. is a leading global legal services management consultancy founded in 1993 by Leigh Dance. We have two principle areas of work: advising law firms on international growth, expansion and global business development; and advising global corporate law departments on structures and approaches to improve overall performance. Leigh Dance leads projects with support from the ELD team and a number of strategic allies.
Contact Leigh Dance at eldance@eldinternational.com or by phone: +1 631 726 5430 or +32 47 891 6184.