inquiries@edge-international.com

Big Firms in Small Cities: Go Virtual!

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By Mike White

Eversheds Sutherland! Norton Rose/Chadbourne Parke! Arnold & Porter/Kaye Scholer! If it's such a bad idea to get bigger to create scale and capability, why are so many smart leaders at so many leading firms doing it? As a regional or mid-market full-service firm, it's easy these days to feel pretty un-validated by all of this activity. To be sure, it makes objective sense for these firms to expand their footprints and their capabilities through these combinations. There is real opportunity for firms in establishing recognized best-of-breed cross-border transactional and regulatory expertise, as cross-border expertise often represents the highest rate/highest margin work. In short, the "footprint arms race" is real and makes sense for many of these firms. However, as is the case with most forms of dislocation and change, vacuums are created and opportunities are presented that other firms should think about exploiting.

Per Malcolm Gladwell in *David and Goliath*, those that have "overwhelming force" in the market just by being bigger often drag along liabilities that can impair their ability to compete on other fronts in the market – think IBM vs. Microsoft; think Microsoft vs. Apple; etc. What vulnerabilities has global BigLaw created for itself by establishing a physical footprint everywhere? How do these vulnerabilities relate to real changes in the way Global 1000 companies are trying to experience, consume, and procure commercial legal services? The answer here lies in advances taking place in two areas: procurement and technology.

It's not news that procurement departments have been asking corporate law departments to experiment with new law firms that, on paper, seem to offer differentiated value. It's also not news that procurement departments are asking outside law firms to innovate with legal project management methods and shared risk billing practices. What *is* news is that next-generation procurement department / law department collaborations are focusing on true labor arbitrage. Procurement is asking, "Is there any reason we can't do better than pay a local BigLaw firm $700-$1,000 per hour for certain complex work that is delivered at the highest level by tier I law firms headquartered in tier III cities with tier IV cost structures . . . ?" Sophisticated law departments are taking the time to learn about the best law firms and practices located in cities like Birmingham, St. Louis, Pittsburgh, Cincinnati, Chattanooga, Little Rock, or Tampa. These efforts are gaining momentum in part because of the evolution of LegalTech in breaking down the distance between client and law firm; technology is doing its part here through collaboration platforms and dashboards that provide clients with a virtual proximity to their law firms and their matters. Even very remote clients have never had better visibility into the legal work as it is being produced. As a result, companies are particularly open to using "extra-geographic" law firms in transactional practices like M&A and lending, as well as in many IP litigation practices (via *pro hac vice*).

As the delivery of legal work becomes increasingly virtualized, full service law firms in tier III (in terms of population and size, *but not* in terms of overall quality!) and perhaps even in some tier II cities should capitalize on this procurement trend. In helping firms put together a plan to source work and clients outside of their region, I encourage my clients to think about the following:

- **Prospect Identification**: Put together a list of companies known for having market-leading procurement and supply chain functions. Get close to the supply chain consultants at AT Kearney, Bain, Accenture, et al., and find out which corporate law departments have a supply chain mentality. There's a decent chance that this mentality has worked its way into the outside law firm selection methods of the in-house lawyers.
- **Efficient Outreach and Relationship Cultivation**: While the delivery of legal work is becoming more virtual, the relationship-cultivation process still requires a lot of in-person, hand-to-hand combat. Law firms should put together a set of outreach scripts designed to have a first call with persons of consequence inside the targeted law departments. Other providers (e.g., supply chain consultants working with the target companies, other providers working with the target companies, etc.) can provide warm introductions to the law departments, or perhaps some of the internal clients of the law departments. Finally, firms should put together a list of connectors from their client base and in-house lawyer relationship base who in turn likely have many contacts inside law departments of particular interest.
- **Business Development Execution**: Once you have identified and qualified your best prospects, your next step should be to set up physical, face-to-face meetings and make those plane tickets! Without laying out the basic sales process lifecycle here, once you get in dialogue with a prospect, you will then be on a "closing footing" as long as you can validate: i) the need for legal work your firm can do, and ii) an appetite for having more legal work performed by more affordable, remotely located law firms.
- **Packaging**: Companies don't like lawyers who conjure up "positioning" on the fly; rather, they want to know that you've thought through thoroughly where you fit as a firm, and why your unique value proposition really is part of your firm's DNA. You ought to be able to speak to examples of your firm's virtual delivery of legal services, and you ought to have a one-page description of why your firm is good at it and how you do it.
- **Service Delivery Innovation**. Law departments that are seeking out the rate arbitrage benefits of working with remotely located law firms are sophisticated, and they will expect law firms to bring a lot of process to the table when managing legal work. Many firms talk about matter management, legal project management, and timekeeper staffing commitments, but these law departments will expect you to live and breathe these things. Fulfill their expectations and support your delivery of legal services with the kind of process discipline that will reinforce the value they already ascribe to you from your lowered rates. "We can deliver to you a cheaper cost structure *and* ensure that no billable hour will be invested in your matter *casually* . . .."
- **Pricing Innovation** – firms should not be bashful about proposing non-standard, shared-risk billing arrangements. There is no more resonant sound-byte for proclaiming "We are on the same side of the table with you" than by putting some of your own fee realization at risk, based on pre-defined matter management or outcome criteria, or quality measures.

Tier I full service law firms based in tier III cities: Your time is now! Take the time to understand why the law departments at the heart of high margin opportunities would appreciate what you have to offer, *and then deliver a high quality, virtual experience!*