



LexMundi Forward

Think Tank



Structure of the Firm Flash Report

Not for circulation outside of member firms

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LexMundi Forward

The Forward think tank is a multi-year thought-leadership process designed to encourage member firms to think. It provides *strategic foresight* as food for thought for firms on the sustainability of their current way of operating and their business model. It is not a checklist of things to do nor a set of expectations to be met – nor are there definitive conclusions here (the future is too unpredictable).

Forward consists of twenty, out-of-the-box thinkers, from member firms – both Leaders (Partners, Managing Partners, Chief Officers) and “Next Gen” (Associates and Allied Professional Staff). A [list of members](#) and [background](#) on the think tank are included in this report, along with a [model](#) and [set of propositions](#), developed as a guide to this work.

The Forward think tank uses this [model](#) and set of [key propositions](#) to guide our thinking. The future of the law firms is a “wicked problem.”

Wicked problems are problems with many interdependent factors making them seem impossible to solve. Because the factors are often incomplete, in flux, and difficult to define, solving wicked problems requires a deep understanding of the stakeholders involved, and an innovative approach.¹

This flash report is the third of planned quarterly reports to give member firms a point-in-time understanding of the think tank’s discussion. This report is based on the Forward meeting held May 25, 2023 – along with additional comments and ideas provided by the participants. Included in the report is commentary and reactions from professional service firm strategists.

¹ Source: <https://www.interaction-design.org/literature/topics/wicked-problems>

Summary



Force the issue.
Have the hard conversation.
Be bold.



Firms must balance the needs of their clients (download [report](#)) and the desires of their talented lawyers/allied professional staff (download [report](#)). They must do so within a sustainable business model and operations: this question – the structure of the firm – is the subject of this report.

Modern corporate law firms are loosely based on the [Cravath system](#) but vary substantially from the original model. That model was developed over one hundred years ago in response to needs of the then newly-emerging large corporate clients. Named after the New York lawyer who developed it for his firm of the same name, the model is designed for “developing talent, incentivizing collaboration and client service, and building long-term relationships of trust.”

The efficacy of that system is now under pressure as a result of changing client needs, new technologies and industry competitors, and the shifting talent market. The changes in these three areas go to the heart of the Cravath model: client sophistication with respect to legal work has never been greater.

New technologies, while enhancing the opportunities for collaboration (especially with clients) have also armed clients with new capabilities which greatly lessens the need for external counsel while talented people have more options to move employers than ever before.

Additionally, most firms around the world are part of a legal system where lawyers enjoy a monopoly in the delivery of their services. This special position is under threat as politicians work to solve issues such as money laundering, tax evasion, and sanction compliance. They, and the public, have begun to wonder if lawyers are as much a part of the problem as the solution. Firms must also now compete with new market entrants, some of whom, such as alternative legal service providers (“ALSPs”), are not beholden to the Cravath model and so can offer greater flexibility regarding things like different client billing models and staff compensation/promotion paths.

Structure of the firm

Partnership

Of course context is everything: a firm's size, history, culture, market position, current complement of lawyers and allied professionals, and so on. And each firm has found their own – successful – way to create a structure that works for them (at least for now).

However, there are many similarities across firms; first and foremost, in that most modern corporate law firms are owned by lawyers who work within the firm itself – the partners. These owners – under a billable-hour business model – make money by selling their time and that of non-owner lawyers. The only way to make more money is to bill more hours (a limited supply) and/or bill at a higher rate. The current model does not account well for value or value-based billing.

The degree to which firms successfully employ non-owner lawyers is leveraging, which is calculated from the ratio of the number of non-equity lawyer full-time equivalents who are, divided by the number of equity partners. Generally speaking, the higher the leverage, the more profitable it is for the firm (up to certain limits). As a corollary, the more the firm is leveraged, the more the role of the partner shifts towards bringing in new work and clients (and, secondarily, developing and utilizing the non-partner lawyers). Smaller firms in smaller markets tend to be much less leveraged than bigger firms in bigger markets.

Professional service firms often use this model because of the advantages it provides including:

- Fostering a culture of collaboration and trust
- Providing individual partners with more autonomy
- Helping attract and retain talent by giving potential-partner lawyers (and others?) high pay and a stake in the firm's success.

In many jurisdictions, only lawyers can own a law firm (e.g., the American Bar Association's Model Rule 5.4 prohibits non-lawyer ownership or fee-sharing of law firms). In a few jurisdictions, non-lawyers can own part of a firm (e.g., Australia – up to 49% ownership) or all of a firm (e.g., United Kingdom – 100% through an alternative business structure).



Working hard to get our partners to understand that we're running a business!



Partners in a law firm are both workers in, and owners of, the firm. They are well trained and deeply experienced in how to provide legal services within specific areas of interest, and generally have organically learned how to develop and maintain lasting relationships with individuals as clients. However, they are typically not trained, and have little leadership experience in managing the complexity of a professional service firm delivering legal advice, services, and (in some cases) products. In fact, many partners have never worked outside of their firm (or at least in anything other than a similar firm where their firm brought them in as a lateral hire). Nor have they ever taken a course in business fundamentals.

How many partners, today, understand and can apply basic business concepts like calculating net margin of work performed? They also often lack leadership and development skills to help the 'people' side of the business.

As owners of the firm, partners tend to want to maximize the extraction of profits from the business as soon as possible (and certainly before they leave the partnership). This combination of a lack of business expertise, along with the built-in incentive to maximize cash in the hands of partners, leads to very short-term, tactical, sometimes ill-informed firm-wide decision-making. The tendency is to focus on saving money today rather than investing in the future.



Firms want to distribute as compensation every day by-and-large every dollar they make, which then leads to a lack of investment. They want to maximize compensation for partners, which means they don't invest in business professionals and people.



This is exacerbated by two additional factors. First, as we have covered in our prior Client Experience report, clients are looking for firms to deliver their bespoke legal services, but at a lower price point or as new standardized services or even products at cost-effective prices.

As a result, firms need to be much better at process improvement, application of technology, new pricing models, etc. And this requires the firm to build and pay for new capabilities mobilizing new (or significantly retrained) talented people and additional technology. It should not require selling out, but it does require an entrepreneurial spirit, with partners actively listening to their clients' and the market's needs, and coupling that with a vision for a new solution that their firm can produce. Considerable expertise and leadership is required to knit these various elements together into client-facing solutions, while ensuring they are appropriately connected into the existing legal service delivery modes.



The reality of what practicing law is. It's not just giving legal advice. Now it's a lot of operation stuff, and the operation stuff is in many cases more valued by the clients than the actual legal advice.





Firms need to think in terms of solutions.



Law firms are short-term in their perspectives – number one priority is to make money and distribute it out.



Second, decision making within the partnership tends towards a lowest-common denominator form of consensus with a short-term focus. Partly this comes from a need to ensure social cohesion across the partnership with the decisions to be made. It also flows from the fact that lawyers, as a class, tend to be risk averse and highly resistant to change. And, finally, with higher incomes, comes higher spending patterns (e.g., children in private school, expensive trips abroad). This drives an interest in short-term financial gains.

Senior partners tend to have disproportionate authority; this group also has less to gain materially from any investments of effort or dollars prior to their impending exit from the firm. In the absence of any mechanism to tie their future material success to that of the firm, there can be a tendency for them to want to maximize their own earnings in the time remaining. Ironically some of these older partners may be more willing to think big since by now they have tucked money away and/or are thinking of their legacy.



The current law firm structure does not reward forward-thinking initiatives and encourages attorneys to avoid (financial) risk, thus making firms slow to change.



Cravath system

Modern corporate law firms are loosely based on the Cravath system but vary substantially from the original model. This forms the core of how the firm operates. It is so ingrained in the firm that it can be thought of as the very DNA of the firm. Many lawyers struggle to think of a law firm having any other form than that using a Cravath system of partnership.

The key elements of the system operate in an inter-locked, reinforcing way, intended to be “developing talent, incentivizing collaboration and client service, and building long-term relationships of trust.”²



The fear and change resistance – we’re trained to find problems, avoid risk, we’re the furthest from VCs and entrepreneurs.



² Source: <https://www.cravath.com/the-cravath-system/index.html>



Cravath system element	Comments/Pressures
Hire the best from the best law schools	<ul style="list-style-type: none"> • Intense competition for talent pushing prices • Diversity and inclusion suffers • Lack of diversity reduces innovation/creativity
Partner track – up or out	<ul style="list-style-type: none"> • Generational shifts mean that the current partnership expectations fit fewer lawyers • Different roles are needed beyond just legal/technical ones • Retention of talented people will require developing alternative career tracks
Avoid lateral hires	<ul style="list-style-type: none"> • Intense competition for talent • Younger generations do not tend to remain with one employer for the span of their careers, requiring lateral recruiting for replacement hires (at a minimum)
Lockstep compensation	<ul style="list-style-type: none"> • Fosters a “Firm first” mindset which supports cross-firm collaboration but does not work well for young rainmakers who want to be compensated based on their book of business • “Eat what you kill” approach means collaboration and a strong incentive for lawyers to do work outside of their area of expertise
Client-centered	<ul style="list-style-type: none"> • Supported by lockstep compensation and collegial culture
Collegial work environment/culture	<ul style="list-style-type: none"> • Difficult to sustain if firm has multiple offices • May stifle innovation or anyone who has a different background or perspectives
Training through rotation through different groups	<ul style="list-style-type: none"> • Technology potentially cuts into this “training” work • In-house legal departments scooping up Associates once trained
Focus on high-quality work	<ul style="list-style-type: none"> • Focus on high-end, bespoke - potentially not enough to go around for all the firms with ALSP/legal tech
Demanding/long hours	<ul style="list-style-type: none"> • Intense competition in talent market • Associates increasingly demand flexible hours and work/life balance • Remuneration driven by billable hour targets rather than by superior client delivery • Can this continue to be the norm given the rise of emerging technologies (e.g., generative AI) • Post-COVID work from anywhere culture is impacting law firms

Multiple classes of employees

Another challenge for the current partnership model is that, beyond the partners, firms have three other classes of employees:

- Lawyers – those who **could** be invited to become owners
- Lawyers – those who could but will **not** be invited to become owners (in some cases these were previously owners)
- Allied professionals/staff – who can **never** become an owner (in many jurisdictions there are professional requirements and/or legislative requirements which forbid this).

There is inherent complexity in having such a variety of classes of workers; and it is a challenge to ensure the retention of the most talented, high-demand, employees while also ensuring their incentives are aligned to drive value for the firm. Often allied professionals are more driven to serve partners' tactical needs (e.g., "I want a brochure") than to drive business priorities or prepare the firm for the future. For many firms, this is directly mandated, with allied professionals simply executing on partner requests rather than owning their role and having real autonomy.

This is not so different for those who could be invited to join the partnership: lawyers within firms learn to execute tasks given to them by those more senior. Those who do so with proficiency are seen as competent, but they do not necessarily advance due to that competency.

Lawyers, generally, 'advance' annually, and the tasks assigned to them will be based on how many years they are in practice: it is almost assumed that they have acquired the necessary skill level due to the matters they previously worked on, until that assumption is disproved (footnote – Litigation may be a little different, where skills in the courtroom are a requirement). The more tasks they execute, and the more hours they bill, without any real hiccups along the way, should place them on "partner track" and for consideration of joining the partnership once they have a sufficient number of years in practice (this varies from firm to firm). This does not foster the development of process improvement, the development of new services, or even being client focused.



I think many of the business professionals in my law firm are more valuable than a lot of my partners; even though they don't bill hours and service clients directly. What they do indirectly and often directly, with clients, is immensely valuable. But their voices are often not respected enough because they're not owners.



The Status Game

Status is fundamental to any successful law firm's position in the marketplace; it is essential for attracting both clients and talent. Firms spend time and money to enhance their status and attract attention within their market. Sometimes, that can take the form of attracting lateral hires, spending on new offices, or fancy new initiatives. Everyone in the firm, and most clients outside, keep a careful eye on various external ranking mechanisms (e.g., *AM Law 100*, *Chambers* rankings).

Equally, within the firm, individuals keep careful track as to the relative status of other lawyers and professional staff. Humans, as social animals, always form groups; and there is always some form of relative status within those groups.

Status is a key ingredient of a firm's 'culture' and new members of the firm rapidly learn what is "valued" within the firm (along with "this is how we do things here").

Will Storr, in his book [The Status Game: On Human Life and How to Play it](#), argues that symbolic status has enormous power within an existing group – like a law firm. He argues there are three types of status games:

- Dominance – you win by brute force
- Success – you win by talent and achievement
- Virtue – you win through ideological purity and goodness.

In many law firms, the ‘success’ of individual lawyers is often largely defined through legal technical excellence or the quality of their clients, or positions within the legal professional organizations; while virtue is signaled by things like a high number of billable hours. The result is lots of technically-minded lawyers who work crazy hours and do not actually think about the broader needs of clients nor how to bring the entire firm’s capabilities to bear on those needs. And anyone who is “non-billable” and/or a “non-lawyer” is automatically of still lower status.

Billable hour and email

Widespread use of the billable hour started in the 1960s, while email as a communication tool only started to be used by law firms in the 1980’s and 1990’s. Both are now ubiquitous. Along with the Cravath model and the status game, these two form the basic DNA of the modern law firm. They are so fundamental that most lawyers in those firms cannot imagine any other way of working: you bill for each six-minute increment with your eye on your annual target while ping-ponging messages (and drafts) back and forth with colleagues, clients, and opposing attorneys.

But, both are universally detested and have clear negative impacts on the firm’s functioning. Email is inherently an individual – versus team – communication tool. It is structured around a “ping-pong” form of communication; and is therefore best kept to a small number of players, with limited back-and-forth, and simple content.

It is also being used as an instant messaging tool, where a response is expected within a very short amount of time. As an alternative, a firm-wide team-messaging tool would be much more effective supporting large numbers who can join in a conversation (with appropriate access controls) about topics or issues (like how to solve a client’s question or what a new client solution would look like).

Much has been written on the billable hour: the primary criticism – aside from the universal distaste fee-earners feel towards filling out timesheets – is that there is both a built-in disincentive to efficiency and a lack of alignment with clients’ broader needs and context. Billing by the hour clearly makes sense in lots of circumstances; but it clearly does not in many others.

It is, however, deeply ingrained in almost all the systems, processes, and thought processes within the firm. How to change it, and what to change it to, is a Gordian knot which firms need to cut.

When the Cravath model was conceived, neither of these, the billable hour or email, were used or even envisioned as forming part of day-to-day practice. At the time, most work was completed on a fixed fee basis, and communication was primarily done through post, when not speaking in person. The law firm, structured under the Cravath model when it was conceived, operated in a fundamentally different way; the question now becomes whether the Cravath model continues to be fit for purpose?

Yesterday's Model for Tomorrow's Firm?

This is the fundamental question facing firms today: are they built for tomorrow? Currently, firms are built in a pyramidal structure, with a smaller number of partners at the pinnacle and junior lawyers at the base, with layers of seniority in between. Clients' needs are changing, and talent's desires are also changing, as we have discussed here and in previous reports. We have also touched on the impact that technology has had on the industry and business of law, but the current law firm model does not appear well suited for today's need for near constant adaption and flexibility.

This dynamic is compounded by the fact that it may be technology that will prove to have the greatest impact on the structure of a firm going forward.

As the development of artificial intelligence ("AI") advances, it is likely that we will see significant impact on the work law firms carry out on behalf of clients. It is likely that generative AI will return some of the work performed by firms today to the desks of the client's legal team, by providing them with a vastly expanded capability. The impact of this increased capability will likely first manifest itself by returning the high-volume work that is considered "low value" to the legal departments. This is a natural first consequence of the rise of AI as that work was given to firms because the legal departments lacked the capacity - not the skills - to deliver it.



This is significant, as firms typically used this type of work to provide access to real work for juniors to cut their teeth on, in a low-risk environment, and they could do it en masse. On large projects, it is common to find teams of juniors pouring over thousands of documents; simultaneously, these lawyers are charging for their time, while also organically learning the anatomy of a complex deal or litigation. With AI potentially taking back much of this work, what will this mean for the juniors in a firm? Will a firm still require the same number of juniors, if that high volume work is not coming into the firm? Or, if some of that work does arrive, surely a prudent client-centric firm will deploy AI to handle this work, negating the need for that number of juniors?

Work displacement at a junior level will have a real impact on the makeup, and structure of law firms. Clients for some time now have been pushing back on paying for junior time, citing as reason that they should not have to pay for juniors to learn how to do their job. With the rise of AI, the junior lawyer role becomes much more difficult to justify paying for in the eyes of clients. Of course, not all juniors will be rendered redundant by AI, but there will be a significant question as to the number to be hired, trained, and advanced through the firm. It is conceivable then, that the same number of juniors seen in firms today will decrease in tomorrow's firm.

This also means that the work that law firms will be retained for will likely be the strategic work related to deals and litigation, which requires a greater level of expertise.

This expertise is generally gained over time, and therefore held by those at the pinnacle of the pyramid of the firm. It also means that the firm will need to fundamentally understand their clients' business goals to be in a position to provide this strategic advice, at a macro and not just at a matter level. As the work changes, so too will the shape and makeup of the firm, as those currently at the top are paid at higher rates. Those partners will need to do more, with less access to juniors and so will turn to technology, and specifically AI to fill this gap the juniors leave behind.

Tomorrow's firm then, may look more like the early Cravath modeled firms with an emphasis on being client centric, high value work, and a focus on the selection of the right talent, their development, and crucially, their retention, as in this new rendition of an old model there will be less juniors to fill a gap.

Critical questions

- Is the partnership model the right one for the law firm going forward?
- What does “winning” look like for your firm – vis-a-vis clients? regarding talent? for the long-term success of the firm?
- What drives personal status within your firm? How well are those things aligned with what you need to do to “win”?
- What drives your firm’s status within your market(s)? What are you known for?
- Does your compensation model go beyond rewarding billable hours and top-line revenue? What about alignment with clients’ needs? Talent development? Innovation?
- How do you improve the speed and quality of decision-making by the partnership – particularly in areas of high uncertainty? What is the role of business support leaders in contributing and participating in those decisions?
- In what ways is your firm maximizing the contribution of the different perspectives from across all classes of employees, generations, gender, race, etc.?
- How are you going to allocate profits to support important investments in business or new initiatives which help the firm respond to new market threats and opportunities?
- What kind of business support and advice do you need?
- What do you need to do to overcome the fear and resistance to change?
- Should you carve-out low-value work? If so, what work and how would you manage it?
- Is the billable hour the right model for your clients? Where might you use alternatives?
- Is email the right tool for communication? What other tools might you use to improve efficiency of work coordination, the sharing of ideas, the diversity of decision-making?

Drivers of change

The drivers for change to the law firm structure are many and have already been articulated in the Forward Think Tank's earlier reports on [Client Value](#) and [Talent Value](#):

- Cross-cutting
 - Increased client capabilities/sophistication
 - More competitive marketplace
 - New technology
- Client
 - Client frustration
 - Megatrends
 - Stakeholder pressure
 - Project management
- Talent
 - Talent frustration
 - Work-life balance
 - Diversity and Inclusion
 - Environment, Social and Governance
 - Dollars and sense
 - Working anywhere

It is worth noting that lawyers, in most jurisdictions, enjoy considerable protection from the open market with 'legal' work being reserved only for lawyers and (as previously noted) only lawyers being able to own law firms.

Both of these restrictions have been under some pressure for some time. This has been driven by a combination of a general preference by many politicians for open market solutions, access to justice issues, client frustrations, and questions arising as to whether firms are the solution or the problem related to tax evasion, money laundering, etc. Even in the United States of America, you are seeing some willingness to explore alternatives (notably in Utah and Arizona).³

Given the attractive profit margins available to law firms, and client frustrations, there has been a growth of other players looking to get into the legal services market. The Big Four accounting / consulting firms come up again; and they continue to be active in building their legal service capabilities. A number of firms have seen them enter – and then exit – their jurisdictions. But the combination of their name brand recognition (status!), relative competency in the application of technology and process efficiency, along with their ability to provide an integrated “solution” make them a threat that we must take seriously.



The Big Four are incredibly well placed in terms of financial muscles and processes utilization. This may be when they actually make a real push into legal, and we will see some real competition – including for talent.



Key strategies



Decision making and leadership, across a lot of different titles and a lot of different roles, would be ideal.



Flexibility is one of the key words for the future; the “one-size-fits-all” is from the last century.



Decision making

- The future of the firm is “important” but day-to-day “urgent” work almost always takes precedence; so find a way to ensure weekly effort on these important questions.
- Go beyond the partnership to involve a broader range of your people to better understand the problems and opportunities.
- The future of the firm is most important to new and mid-career partners; encourage them to “own” that challenge and give them a mechanism to organize their thoughts.
- Identify what “winning” looks like for your firm from three perspectives: clients, talent, and the firm.
- Strategy-making is hard, ongoing, and cannot be outsourced; identify a capable person who is paired with methodology that will work for your firm.

Align the firm

- Identify any roles which your firm is missing which are necessary to build, maintain and consistently deliver the client value and talent value you need to “win”.
- Look at your recruitment, partner-selection, and compensation systems and work urgently to align them with what you need to win.
- Recognize that different people, in different roles, at different stages in their life, have different needs.



We compensate by bringing in revenue when, in fact – because of all the pressures that we're facing – we all also need to reward deep thinking about what we really need to be doing.



I don't think it's possible to think about the law firm of the future without thinking about how to compensate lawyers in a way that will drive the right behaviors.



Allied professionals

- Your firm needs talented professionals, who understand how to lead change across a range of capabilities (e.g., business development, technology, HR); invest in them and allow them to fully participate in the decision making process.



Support is going to be more important than ever; we need professional people who can really help us drive change and they need to be mandated, compensated, and be truly part of the team.



Clients/talent

- Manage the tension between what clients need and what your talented people need; you can't last long without either.
- Happy lawyers and staff make for happy clients.



In my years as a lawyer, we've always said clients first. I am switching to think that employees should be first. Satisfied and happy lawyers and staff will be much more engaged at work, and they will better serve our clients.



If the employees are happy and highly motivated, then the clients will pay the consequences; and the consequences will be very good.



Train people well enough so they can leave, treat them well enough so they don't want to.⁴



⁴ Source: Sir Richard Branson, <https://twitter.com/richardbranson/status/449220072176107520>

Partnership model

- Look at your partnership structure and ask: is it fit for purpose? And, if not, what needs to change?
- Should the firm have a pyramid structure? Or diamond?



If there was a real, direct, disruption, I think it will be the combination of [the use of] artificial intelligence and private equity [ownership of firms].



We've been discussing this idea of whether the partnership model is the one that should stay. You have an answer: this is a business of people, not a business of capital – that is key.



Lack of partnership and ownership by business professionals (who are not lawyers) is a problem. Some of our most creative voices are from IT or project management for example: we pay them a salary, but their voices are never respected unless they're partners.



Driving change

- Use mid-career partners to help drive strategy/change.
- Look for opportunities to be more transparent, share more data, and be more interconnected.
- Start before you are ready; it will be too late if you wait until you are sure.



I have felt more like a politician over the last couple of years having to navigate across our fragile coalition in the face of all these changes.



One of the challenges we have is that, as long as our margins are what they are, there is little incentive to change.



Practical advice

Thoughts and practical advice provided by Lex Mundi Forward members:

☞☞

Different sorts of senior roles – not just partnership but other types of senior roles.

☞☞

☞☞

We are focused on diversity and bringing more voices to the table; as our senior people are aging out we are moving to multi-generational decision-making.

☞☞

☞☞

Change your Board – rejuvenate it with younger partners; have younger partners tasked to drive important change and be involved in important changes.

☞☞

☞☞

We are looking at making someone a partner next year who will split her time to also drive our AI-related projects; she will go to conferences, listen to people, and do the deep thinking we need.

☞☞

☞☞

You can get traction if you start an experiment on a small scale in a 'sandbox.' It can be less threatening to people; and then, once people see that something works, they can get a sense of FOMO [Fear of Missing Out], and then it can spread like wildfire.

☞☞

☺☺
Our juniors are extremely happy about annual performance reviews. When they request it, if you decide to address the room for growth, they take it to heart and treat it so seriously.

☺☺

☺☺
We have an R&D team that comes up with new innovations – we're able to do that in a sort of sandbox environment. Some of these initiatives that work well can then translated into the larger firm.

☺☺

☺☺
Business support is more important than ever; and make sure they have a real mandate.

☺☺

☺☺
The mixed-lockstep [compensation method] is where the difference may be; if compensation is linked to both how well they handle matters but also how you behave. There have been consequences derived from your review.

☺☺

☺☺
I encourage people to go to the Lex Mundi Institute; it raises their vision, helps them think through the economics of law firm work and to look around the corner.

☺☺

☺☺
We have an initiative where younger lawyers support start-ups – they come alive in a different way and enthusiasm is off the scale.

☺☺

☺☺
We took a partner who loves pro bono and compensated them to lead the pro bono program; that increased dramatically in 3 years. That is an indirect way of retaining earnings – you're investing in people who don't immediately bring in revenue.

☺☺

☺☺
Some of the keys are getting younger people involved; they are sitting on your answers.

☺☺

☺☺
The sandbox is working in one jurisdiction in the US: "we're going to experiment at a really small scale, we're not going to be disruptive, you can just watch what we're doing."

☺☺

Strategists' feedback

In general, there was agreement that the report was directionally correct, worthwhile, and timely. The strategists were unanimous in believing that the legal industry was facing a fundamental paradigm shift; and, consequently, firms needed to update their structure at a faster pace than they are currently.

We met individually with several strategist professionals to get their feedback on this report. Two of them actively work with law firms today; the other has a focus outside of the legal industry.

Our sincere thanks to the following for their contributions to, and views on, this report:

- [Keith Vaughan](#); Chief Transformation Advisor, Firm Transitions, LLC
- [Friedrich Blase](#); (no title), The Un-firm of the future
- [Andrew McHenry](#); Strategy, Planning and Systems Leader, Bill & Melinda Gates Medical Research Institute

New strategy, new leaders

A paradigm shift means that the firm requires a new way of thinking which can be translated into a new strategy. The strategists were unanimous that new leaders were required. They did not agree on where to find them.



The role of leadership is to find, recognize and secure the future.



Joe Barker

One view is that the source of these new leaders, and the new thinking, is most likely to be found within the mid-career partners who have two key characteristics: they will directly feel the full impact of the firm's future success (or lack thereof) during their last twenty years with the firm; and they have sufficient status within the firm's partnership to be able to convince the other partners of what that change should be. Critically, they also have a significant amount of time left within the firm and its leadership, so that change to ensure continued economic success should be seen by them as attractive and individually beneficial.

Another view is that new leadership can be found in many parts of the firm. Senior partners, with money tucked away and/or an interest in legacy may be open to big ideas. One idea is to leverage younger lawyers, identified as future leaders, to work on a longer-term vision and strategy for the firm. This model has two advantages: the firm begins today to formulate a plan to tackle the issues of tomorrow; and, these younger lawyers will feel part of the firm's management in a real way.



You don't want people involved [in strategy development] that will rain on the parade.



Whatever the source of new leaders, the trick is to find those who have status within the firm, who are open to looking at things in a new way, and who are also (and will remain) 'loyal' to the firm. Then the firm must convince these "new thinkers" that investing their time in the process is in their best interest (as opposed to the clear benefit of investing in client development and billing). Each firm will have to find what works best for them.

Pairing these new leaders with a business service leader can provide real dividends; the combination of front-line experience with management expertise can be very powerful.

Flying the plane

At the same time, of course, as the firm is working through the new strategy, someone needs to “fly the plane” by maintaining revenue growth and managing risks in the short to medium term.

Current firm leaders must simultaneously keep everything running well, while also finding a new cadre of leaders and helping them to create the conditions for change. This requires leaders to manage between two poles: consistency and change. Just staying on the course is no longer an option. Executing this is tricky, as a firm must be in a position to react to changing market, regulatory, and industry landscapes, however a short to medium term strategy is essential to execution.



Many leaders are thinking:
'my successor will worry about this,
but I don't have time for it right now.



Technology

There was a strong sense amongst the strategists that firms, by-and-large, were underestimating the pace of change resulting from digitization and the use of new technologies such as Chat-GPT. The pace of technological change has never been quicker, and it is likely to increase.



AI is going to tear up your world.
It will take away tons of work and
restructure the rest.





Part of the challenge for firms is to shift their thinking from people and billable hours to technology and managing risk (e.g., fixed pricing).

Firms face a strategic decision: do they continue to rely on their market dominance and excellent talent alone; or do they build out capabilities to handle more standardized work using technology and process improvement. If the latter, to be successful, firms should consider partnering with a legal service provider who has the know-how rather than trying to build and operate those capabilities themselves.

Compensation

A firm's compensation model is a tool to help you achieve your strategy; it is the function that needs to follow the form.

A lock-step compensation model, per force, requires brutal quality control on who becomes and remains a lawyer. Very few firms remain purely using this model; even Cravath moved (in late 2021) to a modified lock-step model.

An important – but little appreciated part – of the Cravath model is that it includes a pension plan which provides retiring partners with some vested interest in the continued health of the firm after their departure.

Making change

Many firms look around at their competitors and do not feel appreciable pressure to change. It is, however, firms' clients who are changing and are driving, or will drive, the change. Non-traditional competitors – such as the Big Four or legal-service providers powered by technology and/or off-shore capabilities – do see an opportunity and are responding.

There is a real possibility that, due to a lack of pressure and the current success firms are enjoying today, they will be left behind.



The challenge for leaders is how to build interest in, and agreement on, what the change should be. A 'burning platform' message can backfire – either because people do not believe it or, if they do it, they may flee the firm. Tapping into "what the clients' want" can be a powerful motivator. Then, pair that motivation with current examples – even very small ones with single clients – of where the firm is already demonstrating the change. The combination can be very successful.



Any time you can build on current success, you have a path forward.



The key challenge is this: how do we structure bite-sized portions so that people feel they are succeeding in changing their firm.



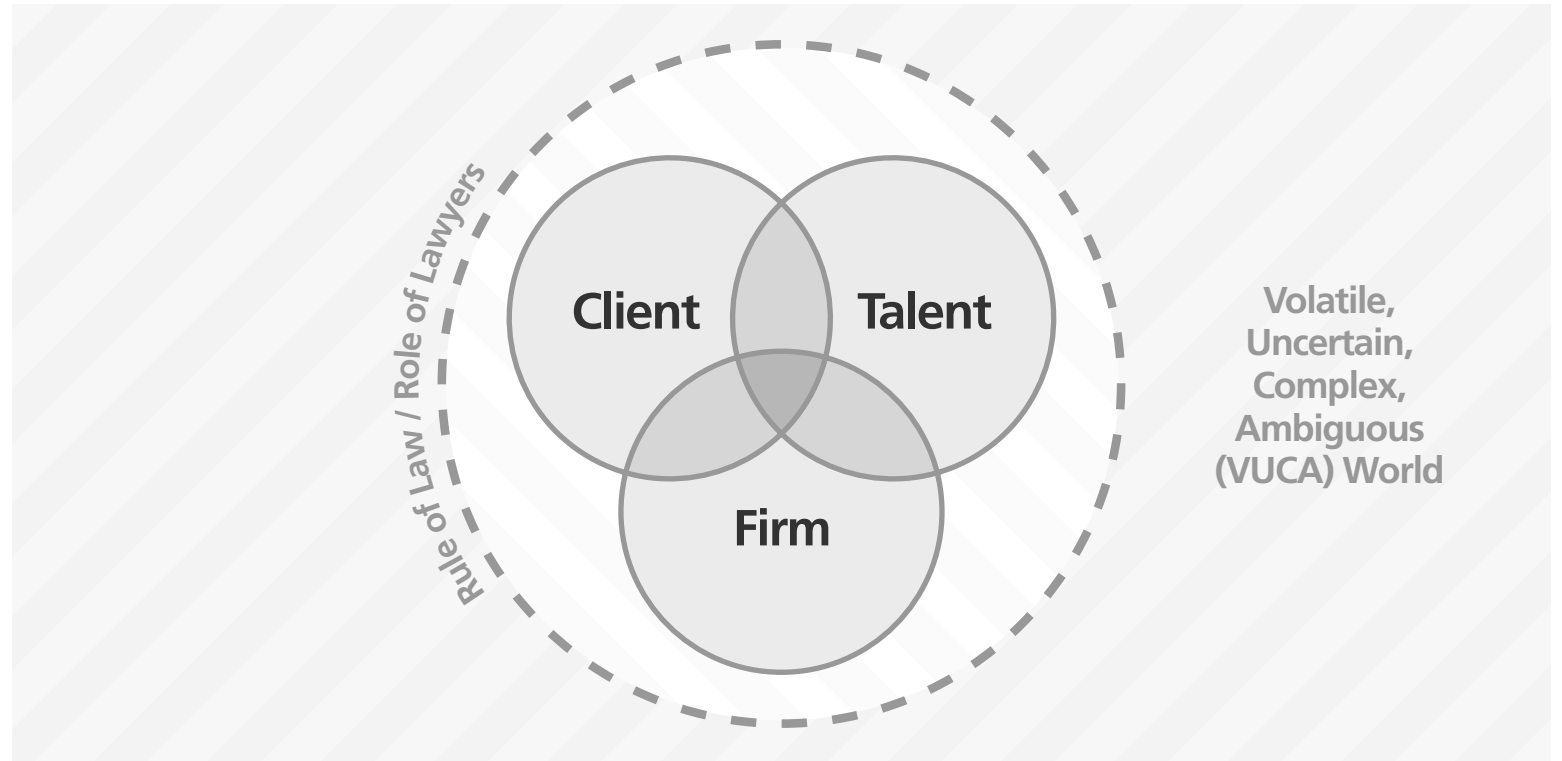


Appendices

i. Our model

The key challenge, the “wicked problem”, at the root of Lex Mundi Forward’s think tank work is:

What does a firm do – sustainably – to differentiate itself in the intersecting and (increasingly) competitive markets for both talent and clients?



ii. Key propositions

1

Corporate law firms must find a sustainable way to balance across two different, increasingly competitive, markets: that for Talent and Clients; this is a “wicked problem” with many interdependent factors all constantly in flux.

2

Excellence in legal advice is foundational but no longer sufficient; firms need to differentiate themselves with excellent working relationships and a superior client experience.

3

Digital and cloud-based technologies are introducing new business models / value propositions for both Clients along with new kinds of competitors. For Talent, these technologies are offering new roles within the industry, and a new way of working within law firms.

4

Successful firms focus on key types of clients and the execution of customer experience; in doing so they will attract the right talent aligned to their client strategy, and achieve more organic growth, with better net margins, and higher client satisfaction.

5

This wicked problem is especially challenging—compared to other professional service firms – since lawyers have more freedom of movement with their jurisdiction (i.e. in other professional services firms, professionals moving firms will face non-compete clauses and financial penalties).

6

There is a declining public trust in the larger rule-making system (which lawyers are bound to) and in the lawyers themselves; at the same time, more information than ever before is publicly available about the lawyers, their law firms, and the activities of their clients.

7

The world is increasingly Volatile, Uncertain, Complex, and Ambiguous (VUCA).

iii. About Lex Mundi Forward



In a world of transience, what makes your firm the long-term choice for careers/clients?



Forward member

Forward consists of twenty, out-of-the-box thinkers, from member firms – Leaders (Partners, Managing Partners, Chief Officers) and "Next Gen" (Associates, Allied Professional Staff). It is Co-Chaired by Tomasz Wardyński, founding partner of Wardyński & Partners (Lex Mundi member firm from Poland), and Helena Samaha, President & CEO of Lex Mundi.

Starting from a blank slate, the group is looking ahead five to ten years to think through what an independent law firm – if established today – should look. The group has identified the main challenges/opportunities facing law firms, and the lawyers and allied professional staff that work in them.

Forward is a multi-year initiative. Members are facilitated through a [strategic foresight](#) process using a combination of quarterly meetings and a collaborative Microsoft Teams site. The think tank is supported by staff from Lex Mundi's Technology and Innovation team.

The result will be a series of "flash" reports – based on those quarterly meetings – these will be provided to member firms to help guide their strategic decision-making.

iv. Lex Mundi Forward members

Name	Title	Firm	Jurisdiction
Aoife Macardle	Senior Associate, Tech and Innovation	Arthur Cox	Ireland
Bernadette Stirling	Head of Innovation	Clayton Utz	Australia
Carlos Umana	Managing Partner	Brigard & Urrutia	Colombia
Edward de Bock	Managing Partner	Houthoff	Netherlands
Elise Reecer	Associate	Davis Graham & Stubbs	USA, Colorado
Emir Bahtijarevic	Managing Partner	Divjak Topic Bahtijarevic & Krka	Croatia
Hanneke van Dijk	Business Development	Van Eps	Curacao
Helena Samaha (Co-Chair)	President and CEO	Lex Mundi	-
Hiroshi Watanabe	Associate	Nishimura	Japan
James Debono	Associate	Ganado Advocates	Malta

Lex Mundi staff: Gordon Vala-Webb, Andy McDonnell, Sunaina Arshad

Name	Title	Firm	Jurisdiction
Joan Fortin	CEO	Bernstein Shur	USA, Maine
Marcelo Simon Ikeziri	Senior Associate	Demarest	Brazil
Maria Pia Hope	Managing Partner	Vinge	Sweden
Miguel Moratinos	Associate	Uría Menéndez	Spain
Roberto Pont	COO	McInnes Cooper	Eastern Canada
Rute da Silva	Associate	Morais Leitão Galvão Teles Soares da Silva	Portugal
Sari Long	Associate	Faegre Drinker Biddle & Reath LLP	USA, Indiana and Minnesota
Sher Hann Chua	Consultant	Tilleke & Gibbins	Thailand
Todd Rolapp	Managing Partner	Bass, Berry	USA, Tennessee
Tomasz Wardyński (Co-Chair)	Founding partner	Wardyński & Partners	Poland
Yinka Edu	Partner	UUDO	Nigeria

v. Flash report process

Using the [Chatham House Rule](#), and expertly in a meeting designed and facilitated by [Overlap Associates](#), the attendees discussed:

- Where they had witnessed exceptional law-firm client experience
- What the ideal future state of client experience would be for law firms
- The strategic implications of the ideal future state from various perspectives – economic, political, cultural)

Additional comments and examples were gathered from Forward members before and after the meeting.

A draft of this report was prepared, based on notes from the meeting breakout groups, and was circulated to the Forward members for comments. After being revised, the draft was then shared with strategists who work with law firms and discussed by Managing Partners at the MP Conference (June 14-17), to seek their reaction and input.



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Bringing the best together™



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