

***THE SYSTEM IS NOT BROKEN,
IT'S JUST BEEN ABUSED***

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The previously closed society of law firm management has become transparent thanks to new media and blogs. A decade ago, the business community was rarely made aware of how the economy affected law firms. As such, reactions to the downturn have given pause to firms and their clients driving some to question the traditional legal business models – to some observers the key strategies for efficiency are missing.

According to a November 2008 survey of 115 general counsel (GC) conducted by Altman Weil, outside fees and their lack of predictability are the two largest concerns. With approximately 75 percent of respondents implementing budget reductions this year, the easiest target is outside lawyers.

In this same spirit of doing more with less, some are replacing large national firms with smaller regional firms that provide lower cost structures. Others are demanding slashed or alternative fees and improved estimating for more predictable bills.

In turn, firms are feeling economic pressure and believe the idea that the system is broken. Pressure to incorporate new billing methods – whether flat fees, reduced rates or other alternatives – is a growing trend.

The system, however, is not broken. It has simply been abused and lost all sense of efficiency. Too often litigation becomes a training ground for young lawyers and pursuit of a win drives bills to unexpected heights.

Offering fee reductions only compounds the abuse. A reduced fee is not an offer of value. It does nothing to control hours or expenditures. Legal bills are based on the number of attorneys involved and the hours they spend, making the benefits quickly evaporate.

The systemic abuse has led many once-dominant firms astray. Large firms with heavy operational expenses have fallen into the trap of customizing litigation matters to drive hours rather than leveraging past work or streamlining processes. Firms need to return to the core values of efficiency, time management and client satisfaction.

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Attorneys need to be part of the overall business team by demonstrating project management skills and business savvy. True litigation management must be prioritized with client satisfaction as the ultimate goal. GCs need firms that analyze time and billing so that both have better facts about costs, frequency and outcomes.

GCs are aware that legal departments thrive when organized like a corporation. Firms would also benefit from this structure. In the corporate setting, an attorney is assigned the task of assisting in the management of all legal resources to take advantage of individual or firm strengths, as well as managing accompanying budgets for greater efficiencies. This, in turn, builds clients' confidence in the delivery of maximum value for their dollar. For the firm's part, it receives the benefits of containing costs and managing resources across an ever-increasing case load.

Budget cuts will lead to the micromanagement of legal work. It is vital for firms to prove they are efficient and focused on their client's bottom line. Firms providing a well-managed, corporate structure will be poised to survive this scrutiny. Demonstrated efficiency and effective case management makes the difference between a law firm that's seen as a business asset and one that is sacrificed in another budget cut.

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