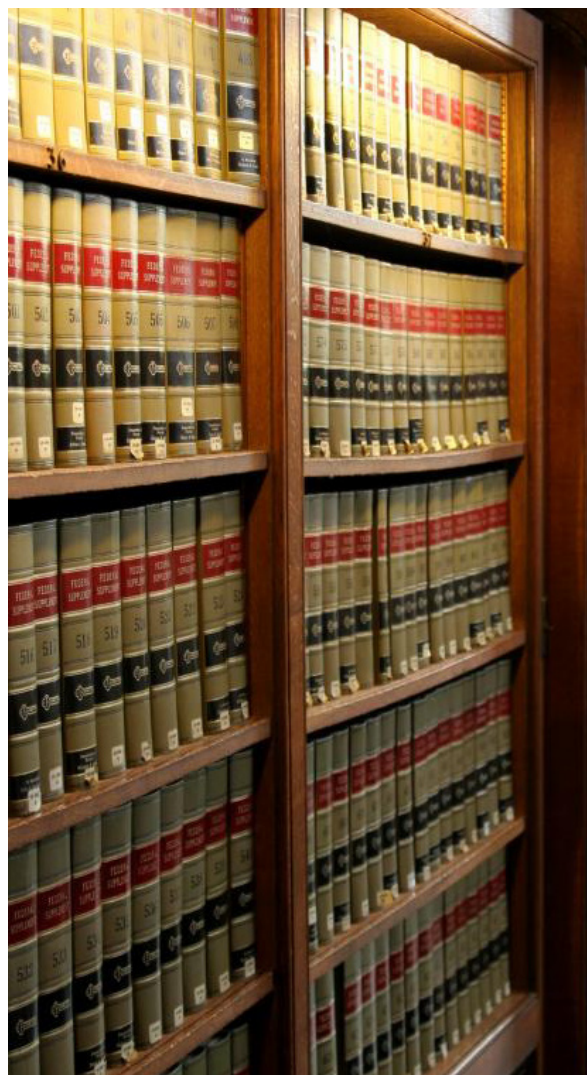




Emergence of Virtual Law Firms

Will these new-age firms bring a paradigm shift in the legal services landscape?



Abstract

This Whitepaper sets out to study the impact on corporate legal service buyers by the emergence of non-firm firms.

This paper covers the origin and demand drivers for these unconventional emerging law firms.

Overview

One hallmark of the new-age economy is the need to define business in terms of customers changing needs. Defining a law firm from the lawyer's point of view is simply no longer workable and will have vast implications for the practice of law and the structure of law firms. Information technology enables an organization to differentiate itself along several critical dimensions:-

- Time
- Space
- Matter
- Substitution of high-priced labor by electronically-based information service.
- Elimination of intermediaries through direct contact with the customer
- Customization of product or service to the specific needs of the individual buyer.

The rise of information technology within the legal profession is having unanticipated consequences. Not only technology is challenging the inefficiency of current scenario, but is also creating opportunities for new forms of law firms and law practice.

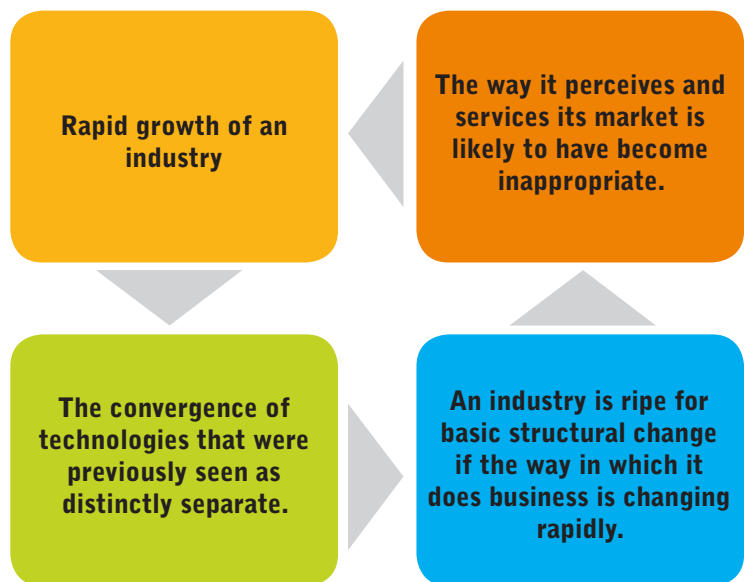
For the past 20 years U.S GDP has grown at an average of 2-3% annually, whereas the price of legal services has grown constantly at 8-10% on an annual basis, which clearly shows the price-to-value deviation.

Industry Re-structuring

According to Peter F. Drucker, a renowned influential writer, there are four early indicators that a major industry is about to undergo structural changes:-

Going by the aforementioned indicators, it can be symmetrically mapped to legal services industry's current position.

The emerging technology has made possible the creation of a law firm which offers legal services that exploits the benefits of new information technology and uses those benefits to create an explicitly competitive strategy. In the new economy, enterprises that incorporate the benefits of advanced information technology will have a major competitive advantage.



What is a non-firm/virtual law Firm?

Although traditional law firms are adopting changes, still persistent hesitation remains to make an effort to lean down their profits. Virtual law firms like Axiom, Clear spire, Valorem originated from this junction, with an aim to provide efficient services by using technology and eliminating disparity between price and value.

A virtual law/non-firm firm could be defined that:

- Has a stable core group of attorneys;
- Has established collaborative relationships with other, specialized law firms that possess expertise that's occasionally needed;
- Is glued together with appropriate computer and telecommunications technology; and,
- Expands and reduces personnel as needed.

Although there is no restriction on the practice areas they cover, they are often specialists in niche areas such as intellectual property or employment. They are generally smaller outfits, ranging from teams of under ten to almost 100 consultants.

These firms operate on a virtual level, brought together by an internet-based secure server that houses all their files online. Non-firm firms would act more of as a complement to outside counsel rather than as a replacement to traditional law firms.

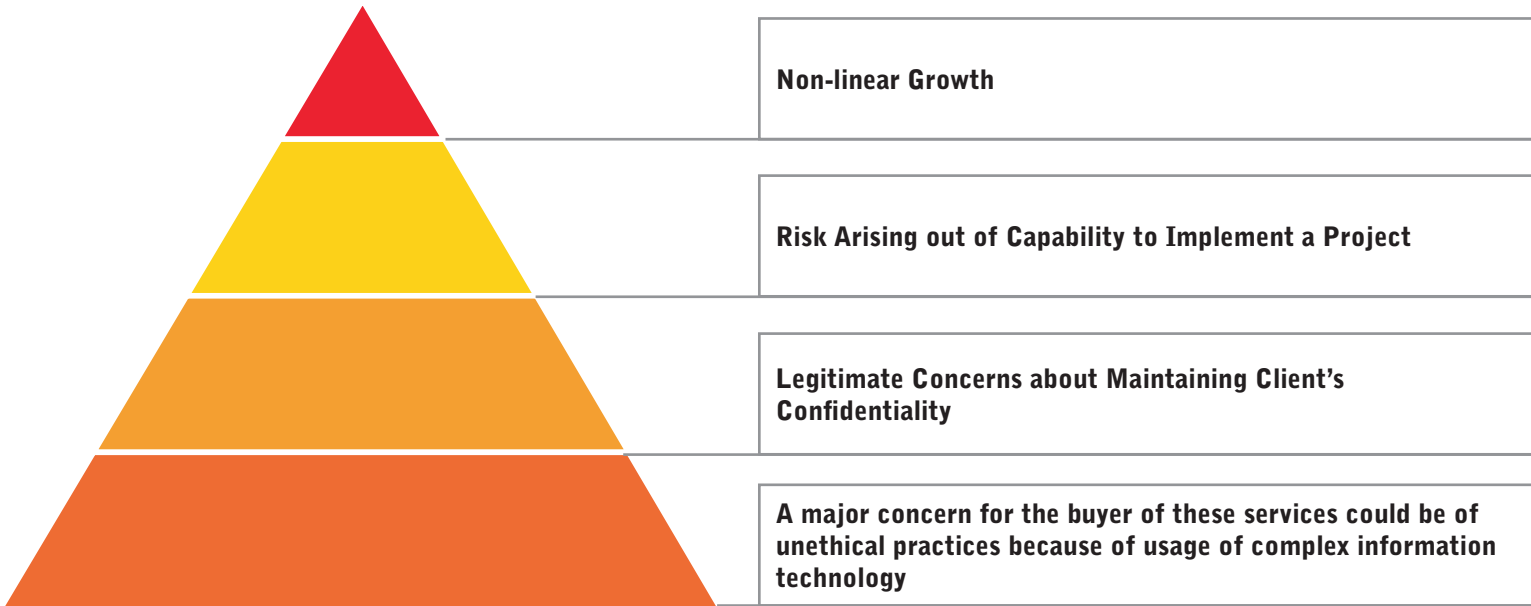
Non-firm firms are charging clients much less than an Am Law 200 firm — probably about 50% less. This cost reduction is supported by the elimination of the partner profit model and all non-productive overhead. Additional major efficiencies come from some of the most advanced process engineering, information technology, and Knowledge Management systems applied to legal practice.

Comparison between Traditional Law Firms and Virtual Law Firms

Features & Benefits	Virtual Law Firm	Traditional Law Firm
"Unbundled Legal Services" offered for a fixed-fee online.	Yes	No
Pricing and Fees: - Affordable Fixed Fees	Yes	Sometimes
Utilization of Document Automation Technology to Save Money	Yes	No
Overhead Costs are often lower.	Yes	Sometimes
24 x 7 access to the lawyer.	Yes	No
Transparency in terms of Services Offered and Fees Charged	Yes	No
Online Legal Advice	Yes	No
Secure client space where documents can be archived and stored online for later viewing.	Yes	No
Convenience of a secure and online relationship with an attorney.	Yes	No
Responsiveness and reduced turnaround time due to the use of advance information technology	Yes	No



Challenges ahead for Technology-oriented Law firms



Impact on Legal Services Industry

Probable impacts on the industry could be:-

- Proactive adoption of information technology tools for service delivery by law firms.
- Disintermediation of the Industry
- Reduction in tangible components of the service

Impact on Corporate Buyers

Probable impacts on the corporate buyer could be:-

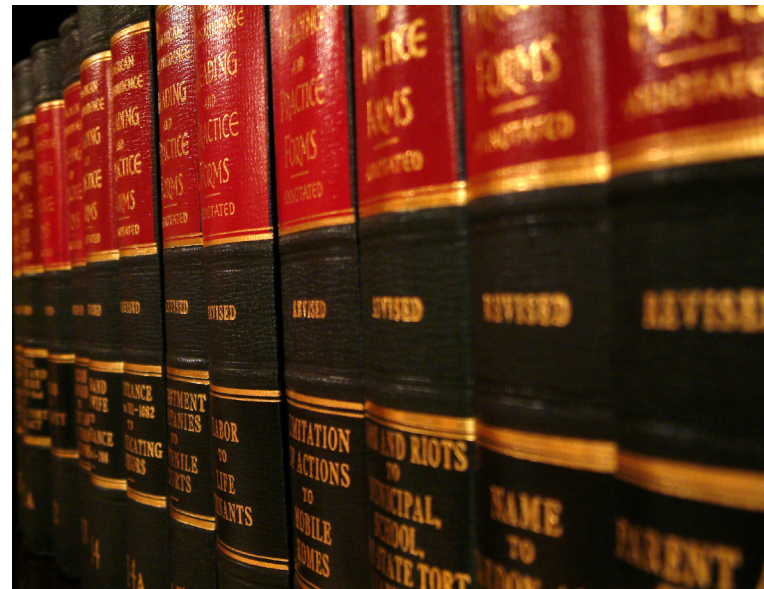
- With pressure on in-house counsel to reduce legal spending, virtual law firms could ideally fit the scene. With their lower pricing, lower overhead costs, better technology, and round the clock availability, these firms will push their place in the supply base of large buyers for providing transactional services.
- Opportunity to reduce the overall legal spend
- Better project management will result into reduced administrative costs.

Impact on Legal Services Industry & Corporate Buyers

Service economies are reacting and adjusting to having too many intermediaries. Every intermediation adds costs that are passed on to the consumer. Eliminating intermediation is one of the key ways to being the least-cost producer. The more intermediary a job or business is, the more vulnerable it is to disintermediation. The lawyer is the classic intermediary, acting as a broker, between the individual or corporation and legal system. In the legal sector of economy, disintermediation is creating major business opportunities by reducing the value-added chain to its most efficient number.

Because the lawyer cannot be eliminated from the legal transaction without major regulatory reform, which is unlikely, it has become critical to design law firms where the lawyer's role is optimized without introducing diseconomies of scale.

Non-firm/virtual law firms have adopted this strategy to offer legal services to their clients by optimizing lawyer's contribution and aligning interests with those of clients.





Conclusion

The process and content work each represents one quarter of legal spending, then they together represent about a \$50 billion market for larger enterprises. Assuming that the NFF's which would be huge upside for the NFFs. The associative downside for Traditional law firms (TF) is probably greater, because every dollar of revenues the NFFs get probably means \$1.50 or \$2 of lost revenue for the TFs, and perhaps a similar level of lost profits.

Source:

http://www.abajournal.com/legalrebels/article/adding_value_and_forging_alliances_with_non-firm_firms/

http://www.abajournal.com/legalrebels/article/the_rise_of_the_non-firm_firms

http://www.axiomlaw.com/Docs/Forbes_Mark_harris_New_Precedent_For_Law_Firms.pdf

http://www.abajournal.com/news/article/at_virtual_law_firm_lawyers_will_work_at_home_earn_85_of_billings/

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