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Business Life

Smooth operators: law firms focus on post-recession efficiency

The pressure on law firms to operate efficiently has intensified since the credit crisis. Like many other professionals, lawyers have been forced to trim fees, costs and staff to survive the downturn.

By Jeremy Fleming-Jones

What sets some firms apart is their ability to harness the difficult commercial environment to find innovative ways of consolidating their relationships with clients, linking changes in practice to business opportunities.

For partnerships and in-house legal teams, outsourcing has been the buzzword of the past five years, with back-office functions hived off to low-income jurisdictions. But in the past year, a new model has emerged with firms seeking to bring functions back into their offices.

Axiom is a radical law firm concept that avoids overheads by keeping no large office premises. Instead, the firm's lawyers are either sent directly into client companies for the duration of projects, or they work from home. Lawyers are paid only for the duration of a project, so Axiom is not hampered by arguments over partnership equity – indeed, there is no partnership.

Such a model may challenge the traditional notion of firm identity, but in a highly competitive market it has two key advantages. Its lawyers work alongside clients, enabling them to feel for further work, and they take home a greater percentage of their billed pay (not less than half) compared with the 20 per cent they might expect in some partnerships.

Al Giles, general manager at Axiom, says: "There is a real appetite for innovation from our clients that is something with which the new model resonates."

So far, there have been few imitations in Europe, but in the US, where Axiom also

operates, Mr Giles says that competition is springing up, especially on the west coast and within the thriving technology sector.

Law firms remain conservative in their approach to the technology sector generally, and to applying technology to their own practices specifically.

Eversheds' scheme to introduce a global e-learning initiative across 40 offices, giving tailored and punchy seminars to staff, is an example that reaches beyond the off-the-shelf software that many law firms use. Eversheds claims it saw use of online learning among its lawyers increase fivefold as a result of the new technology.

Hot property

Increased competition arising from the financial crisis has given a fillip to law firms finding innovative ways to distinguish themselves from rivals, and the slump in the property sector has made it fertile ground for new developments.

A platform designed by TLT, the law firm, for housing association clients is a good example. The platform, on a private network, cuts the replication of individual documents on block housing transactions, and enables clients to track the progress of transactions.

Meanwhile, Addleshaw Goddard applied a business solution to disputes involving lenders, valuers and advisers. The firm offered lender clients rolling, conditional-fee arrangements for large portfolios of work, enabling the banks to deal with backlogs without the need to pay until successful cases materialised.

Another technological trend is firms consolidating their service providers, rolling the material from a number of sources on to one dedicated platform. This is what Ashurst has done with its new compliance procedures.

Bringing internal practice up to date is only one side of the equation, however,

and real efficiencies are achieved in the interface between firm and client, where some traditional firms are finding original and bold approaches to fee structures.

Mills & Reeve secured a deal in the energy sector by tying its fee to the price of a barrel of oil, while Spain's Cuatrecasas, Gonçalves Pereira gained a client that had become the subject of a tax audit by fixing the fee to the successful result of the audit.

Another scheme designed to save costs and tighten the client relationship came with Allen & Overy's work for solar-energy client Sun Ray Renewable. Instead of offering a fixed fee for the work, the firm discovered the deal was one of a number of planned projects by the client, and offered to create a document bank to be used across jurisdictions in future projects.

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Part of the deal involved a success fee based on mega-wattage production at the solar park, and the use of more junior lawyers on future deals. Gareth Price, the A&O partner who worked on the deal, says: "The process of negotiating the contract and the risk-sharing element meant we were talking on a peer-to-peer basis with the client. That put us in an invaluable position of trust."

Such fee models, based on creating a template for future work, can be applied to any pitches where a stream of projects is envisaged, according to Mr Price.

These billing initiatives attest to the diminishing power of the hourly fee, not just among the "Anglo-Saxon" firms but also across more conservative European jurisdictions.

(Efficiency 2010 rankings on the next page)

FT.com Innovative Lawyers - Efficiency 2010

Firm	Award level	Innovation	Originality	Rationale	Impact	Total
Axiom	Stand-out	New model law firm	8	9	5	22
Eversheds	Stand-out	Global e-learning for staff	6	8	7	21
TLT Solicitors	Stand-out	Building a property development extranet	7	7	7	21
Addleshaw Goddard	Stand-out	Self-funding litigation for negligent property valuations	6	8	6	20
Allen & Overy	Stand-out	Creating value in repeat transactions	6	7	7	20
Mills & Reeve	Stand-out	Locating legal experience in an instant	6	7	7	20
Allen & Overy	Highly commended	Litigation document management	6	7	6	19
Eversheds	Highly commended	Think-tank for alternative pricing models	7	7	5	19
Ashurst	Highly commended	Integrating external technology to aid internal compliance	5	7	6	18
Berwin Leighton Paisner	Highly commended	Keeping the system running in a disaster	5	8	5	18
Clifford Chance	Highly commended	Real-time interactive web conferences	5	7	6	18
Allen & Overy	Commended	Managing risk for energy traders	6	5	6	17
CMS Cameron McKenna	Commended	Pegging legal fees to the price of oil	6	6	5	17
Cuatrecasas, Gonçalves Pereira	Commended	Judging legal costs by the outcome of a tax audit	6	6	5	17
Kemp Little	Commended	Calculating profitability of fee proposals	5	6	5	16
Mills & Reeve	Commended	Free online advice on procurement law	4	7	5	16
Portolano Colella Cavallo	Commended	Practical approach to reducing litigation legal costs	4	7	5	16
SKW Schwarz	Commended	Guiding distressed clients through the recession	5	6	5	16