

## Here We Go All Over Again... Or Not

By [Joseph B. Altonji](#) on August 7, 2023

The legal industry has been on the verge of either “ending as we know it,” or being forced to endure massive change, every five to ten years since at least the 1980s. Consider some of the history:

- When computers became desktop tools in the 1980s and into the 1990s, many worried that the practice of law would be automated and the need for lawyers decline materially. I recall one firm I visited in the early 1990s. When I asked why they still had so many typewriters around, they told me that “if we gave our lawyers computers, it would greatly cut our billable hours...” I have no idea if that firm is still around!
- With the rise of the internet in the 1990s, predictions abounded that on-line platforms would significantly cut legal revenue. Instead, online tools have benefited consumers, and significantly improved the value commercial lawyers (and others) can deliver to their clients.
- Around the turn of the century, the “threat” of multi-disciplinary practice raised survival fears across the industry, and perhaps helped drive a push toward industry consolidation and growth. Then Enron happened...
- The “Great Recession” shifted the power dynamic between law firms and their clients, forcing firms to rethink their business models, including pricing, associate compensation structures, and everything else. Thoughtful articles predicted the “end of the industry as we know it.” The Chair of one of the largest and most successful firms at that time told me, “If we (firm) don’t change how we do *everything*, we won’t be here in three years.” They are still around, still among the largest, and still one of the best. Somehow, a lot of their legal services and most others are *still* priced by the hour!
- Covid came and literally wrecked the world, and again, the fear was that law firms would fail *en masse*, but instead most thrived and law firms delivered record profitability (yes, the government helped.). We are still feeling the lingering cultural effects of this one.

Now along comes Generative AI and once again some worry that the implications for legal are dire. We’re about eight months into the brave new world and, of course, articles with hyperbolic titles weigh in on how AI will “revolutionize” or “radically alter” or “transform” the industry. Maybe it will – and more likely in good ways than bad. However, just because the titles are hyperbolic does not mean they have nothing useful – and more balanced! – to say. Remember that not all these articles are written by lawyers, and in the media world, as the saying goes, “sizzle sells.” It’s likely going to be important that law firm leaders approach the future with a sense of measured discipline combined with a curious openness to change.

### What’s Likely to Happen?

We are not here to predict how technology will evolve, or where Generative AI will have the most impact from a technical perspective. None of us have the crystal ball necessary to assess exactly what the industry is likely to look like a decade from now because of increasing adoption of Generative AI tools. Those tools are already making inroads into law firm operations, primarily on the administrative and marketing sides to start, rather than in practice, per se, due to appropriate cautiousness when it comes to assuring the tools get the right answers, with nudges from the insurers. They will go much farther as they are refined and improved and become ubiquitous in the practice.

However (we believe!) law firms will still be here, and those who adapt well will continue to thrive.

Most firms are just beginning their exploration of AI's implications. The challenge can seem daunting, especially for those, like us, not fully immersed in the world of technology. Naturally, and appropriately, most are focusing much of their early effort on ethical considerations – what can we do, what can't we do (at least for now), and what risks does all this create? Over time we anticipate that, as with many other industries, AI will be transformative (positively) in law and ultimately touch all or most areas of the firm, which does leave us with significant questions about the future, including (in no particular order):

- Will AI *finally* lead the industry to get serious about pricing transformation, or will we stubbornly cling to billing by the hour when the AI makes so much of the basic work so much more efficient? Will we just bill a lot more for the higher-level “partner” effort to make up for the lack of ability to sell associate hours?
- How will young lawyers learn and develop, as many of the tasks they currently undertake get turned over to technology? If we can't train lawyers the old-fashioned way (on client work), where will the next generation of partners come from? Will we move more toward a lower cost “apprenticeship” type of model (think medical residency) for developing younger generations of lawyers? Will larger firms begin to focus on other longer-term developmental models to assure they have the experienced talent they need? Will this alone be a major differentiator between long term success and dwindling, or worse?
- Related, will associate classes, and firm “leverage,” shrink dramatically? What will this mean for profitability?
- What will a “successful partner” look like in the future? What kinds of skills will be needed to create the client confidence needed to get – and keep – the firm hired? Will “understanding the client's business” take on a whole new technology-enabled meaning? Will different kinds of “continuing education” be required for success?
- Will some practices or parts of practices for some firms be fully replaced by AI-driven tools accessible to corporate clients (e.g., immigration, some kinds of mass tort settlements, much of IP, leasing, etc.) or consumers (at least basic levels of estate planning, consumer disputes, etc.) Will the current “high end” firms stop sending work to middle market firms for lower cost services (e.g., due diligence, etc.) in favor of having internal tools that handle much of those formerly time-consuming tasks?
- How will partner compensation models work? Time, and potentially individual working fee credits may become far less meaningful. “Origination” may be everything – or will this concept become irrelevant as clients associate themselves with firms offering the best “platforms” for their needs?
- What kind of capital structures will we need in the industry? Will we become far more capital intensive to support sophisticated platforms? If so, where will the money come from? Will this be the driver that really opens the industry to outside investment?
- What will the support structures need to be? We are already shifting away from the traditional “administrative assistant/secretary” models in favor of diversified support capabilities including pricing, technology, etc. Will we reach the point where the term “administrative assistant ratio” has no further meaning?
- How will governance work? Will firms continue to be managed and led by those partners who reach the peak of their legal/professional career and get anointed by their partners or will we need a completely different type of skill set, bringing top level management by professional businesspeople to the forefront, with all the cultural change implications that would imply?
- How will practice management evolve, and what kinds of skills will Practice Group Leaders need?

We could keep listing questions, but the point is clear. Yes, the business of law, and the structure of the legal industry will change. Those who adapt to it will thrive, and some may fall by the wayside, but that has always been true as we've moved through one "end of the industry as we know it" period after another. As long as we live in a world governed by rules (hopefully forever!) there will always be a need for those who can help guide people and businesses through the challenges imposed by those rules. None of this assures the success or even permanence of any individual law firm or lawyer, and that right must continue to be earned every day.

At LawVision, we are committed to helping our clients and industry friends navigate the challenges imposed by changing conditions in the industry. We hope we can help make it easier for firm leaders to find their paths to success as the industry faces significant pressure for change...yet again.

For help with your firm's best path, contact [me](#) at (847) 867-2220 | [jaltongji@lawvision.com](mailto:jaltongji@lawvision.com).