

What Difference Can a Year Make? Some Year-End Thoughts

By [Joseph B. Altonji](#) on December 11, 2014

As law firm leaders turn their sights to the annual year-end drill – “set compensation, collect AR, manage the results” – it is interesting to look back and note how much change has actually occurred in the business of law in the past 12 months, in ways both predicted and unexpected.

Early in the year, we suggested that 2014 might be the year to “[try something different](#).” For some time, we have been focusing on the growing divide between the legal world’s [winners and losers](#), and suggested that those who found themselves on the wrong side of this divide, or even stuck in the middle, should consider doing something different, rather than continuing to lose ground. After another year, it appears that many are moving in this direction. For others, basic competitive market forces have eliminated the choice as some of the year’s most visible events involved the disappearance of more long-venerable names through rapid combinations in the wake of dramatic partner exoduses. As lawyers remain skittish at any sign of their own firm’s weaknesses, the market can quickly remove choice from these firms’ tool kits. In these instances, the individual lawyers chose to “try something different.”

Less dramatic has been a noticeable change in mindset in many mid-size firms concerning their own future strategies. While generally remaining healthy, many have moved away from a knee-jerk conclusion that they “wanted to control their own destiny” in the direction of more serious and nuanced consideration of their long-term strategic goals and values. They are now asking: “How can we get where we want to be?” rather than (in effect) “What’s the best we can do if we assume independence?” The result has been a marked uptick in the number of mid-market combination discussions with less focus on the perceived need to be the “acquiring firm” in the combination. We anticipate this will continue.

Meanwhile, innovative leaders continue to drive change in the business of law. Last week, the *Financial Times* released its “[North America Innovative Lawyers 2014](#)” winners. The publication focused its “business of law” awards around the emerging application of data analytics in the business, not just the practice, of law. The publication recognized a small number of leaders on the vanguard of change for various efforts ranging from, for example, Kirkland’s use of a comprehensive private M&A database to enhance clients’ outcomes, to multiple initiatives by Littler focused on helping their clients deal with public policy and regulatory challenges. These were just a sample of a number of interesting initiatives singled out for recognition.

Equally as interesting, some of them, such as Littler and Kirkland noted above, among an already small pool, were recognized for multiple efforts. These two and the other firms cited practice across a very wide legal spectrum, handling client needs from the most critical to the most routine. Leaders in practices facing some of the strongest pricing and commoditization pressures have embraced those trends in an effort to thrive and stand out through efficiency and added value creation, while firms at the “top” of the market have refused to hunker down but have instead embraced innovation to drive new client value, as in the Kirkland example. Others, such as Weil Gotshal, were cited for projects utilizing data analytics to improve their own business processes – in Weil’s case, business development. All of these firms will likely remain “winners” for the long haul, and it is interesting to note that the 14 AMLaw firms included in these business of law innovation awards saw average 2010 – 2013 revenue growth four percentage points above the AMLaw 200 average, with some more than doubling the average revenue growth. This suggests that it is the *winners* who are trying something different, taking market share from competitors, and doing so consistently year after year, which to us is not surprising. The winners are the ones who are consistently pushing change and sometimes cannibalizing their existing business to

get to the next stage first even at the cost of giving up short-term billable hours.

The game doesn't end when we close the books on this year. Older lawyers used to lament that when the New Year started, you had to "do it all over again." Today's leaders understand that you never actually stop, and year-end results are just the latest mile marker in a long, long race. The New Year will bring a new opportunity to pick up the pace, and try new approaches once again. We urge all our friends and clients to embrace that opportunity via innovative thinking, using the New Year to continue the drive to be the best your firm can be.

Best wishes to all for a Happy Holiday Season, and a Winning New Year!