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**Panel: Small firms are more cost effective**

By Katheryn Hayes Tucker, Staff Reporter

Growing dissatisfaction with the billable hour dominated a discussion last week between in-house counsel and lawyers from boutique firms, who used the issue to make their case that smaller firms are more efficient than big firms.

Questions posed from the floor of 130 in-house lawyers—members and guests of the Georgia chapter of the Association of Corporate Counsel at its monthly meeting—revealed concerns about rates, hours billed, burnout, turnover and dissatisfaction with work at law firms.

“I don't think anyone is saying law firms can't provide efficiency, but their business model is structured so that inefficiency is encouraged,” said Susan Hackett, the general counsel of the Washington-based corporate counsel association. Reflecting the remarks from the group, she said the big law firm model focuses on hours billed rather than efficiency and results, leading to a 90-minute conversation on alternative billing arrangements, budgets, negotiated rates and other ways to create a more efficient and value-driven law firm business model.

The discussion was part of the continuing Value Challenge initiative, begun at the national in-house bar association's annual meeting last year. Hackett said the group plans to add a Value Challenge index this year to allow members to recommend firms that align cost with value.

The day turned out to be a high-profile opportunity for the Georgia chapter of the International Network of Boutique Law Firms, which sponsored the lunch at Maggiano's Little Italy Cumberland Mall and provided the four panelists to lead the discussion. The organization is a network of single-discipline firms identified as prominent in their respective fields of practice in major cities across the United States and Canada and around the world.

The panel included Robert E. Banta, founder of Banta Immigration Law; H. Lamar “Mickey” Mixson of the litigation firm Bondurant, Mixson & Elmore; Charles M. “Mac” Cushing Jr. of the transactional law firm Cushing, Morris, Armbruster & Montgomery; and Jeffrey R. Kuester of Thomas, Kayden, Horstemeyer & Risley, an intellectual property firm.

The panelists made a case for boutique law firms as leaner, more efficient and more stable than their big counterparts, adding that boutiques are often debt-free.

They handed out to the attendees a pamphlet titled “The ACC Value Challenge—Reconnecting Value to Costs: Delivering Value through the Boutique Law Firm Business Model.” The document said, “Alternative billing arrangements have the ability to transform the legal landscape by better aligning the goals of the firm with the goals of the client.”

Such a “smart alternative billing arrangement” includes, the paper said, risk-sharing between the firm and the client, a predictable budget and incentives for the firm to achieve specific results as quickly and efficiently as possible.

The document asserted that law firms should be able to “manage pricing and scope the way other service providers do,” and that the more alternative arrangements are used, the better both firms and corporate counsel will get at doing so. “Boutique firms,” it said, “are ready to offer these arrangements now. They are willing to share the risk with the client in achieving better results while controlling costs.”

“You want to make sure your lawyer has more skin in the game,” Banta advised the group. “In my big law firm days, we said, ‘we'll do it, and at the end, we'll tell you what it's going to cost.’” He said that law firms need to become more aggressive about taking risks to improve efficiency and value.

“When the law firm takes the risk, you'd be amazed at how efficient it is,” said Mixson, whose firm last year won a \$281 million verdict on behalf of a businessman suing Turner Broadcasting System Inc. over an aborted deal to buy two sports franchises. “We love to do that because we make more money by saving money.”

Mixson said his firm is “extremely profitable,” has no debt and is in a position to offer clients savings because of its lean structure. “We can’t staff cases with 20 associates because we don’t have 20 associates,” he said. “We don’t hire 100 associates a year knowing that only two will make partner. We hire one or two associates a year knowing that both of them will make partner – or hoping they will.”

Mixson, the current president of the Georgia chapter of the International Network of Boutique Law Firms, said that smaller firms benefit from the expertise of partners, who outnumber associates. He advocated the use of budgets and other cost-management techniques used in other industries. “There is no reason why legal services can’t be budgeted,” Mixson said. As an example, he used construction management contracts, with plans, schedules, phases, change orders and communication at all levels.

Communication is another key to improving value and relationships between general counsel and outside counsel, panelists said. “If something is going to cost more money, you need to communicate that,” said Banta. “More communication is required all along the way.”

Hackett urged the corporate counsel present to use the economic crisis combined with growing demand for alternative billing arrangements as an opportunity to make changes in their outside counsel choices. “If they have what you want, reward them with business. If they don’t have what you want, don’t reward them,” she said. “If we reward those who do what we ask them to do, then I think we will all have a better and more collaborative relationship.”



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