



Virtually reality

By Andrew Hedley, director, Hedley Consulting

Virtual Law Partners (VLP/www.virtuallawpartners.com) was established in May 2008 with eight attorneys and now has around 50. It describes itself as a “virtually connected and geographically distributed firm that provides excellent legal service at very competitive rates”. When it was established it made the news in the US legal press for a number of reasons. The headline grabber, however, was that lawyers would charge less per hour than their contemporaries at traditional firms, but earn 85 per cent of what they billed. By looking at the fundamental costs of a law firm through a different lens, and by being prepared to challenge all of the taken-for-granted assumptions about what a firm needs to be credible in the client’s eyes, a new, still nascent model had been created. VLP’s approach appears to allow the seemingly contradictory promises of reduced client fees and increased personal income to be realised.

Will this model work for all types of practice? Clearly not. Indeed, at its outset VLP excluded litigation from its mix, but for some areas of work it will be highly effective. For a moment put to one side the myriad negative issues and challenges (which can be quickly identified) and consider this question; how much does this represent the end game for all knowledge workers in a world increasingly connected through cyberspace?

There is some evidence that the wholly virtual approach has gathered a following in the UK too, with the recession providing an added incentive for both fee-sensitive clients and cost-conscious lawyers to find different ways of working.

These new firms springing up have a number of significant advantages over the status quo. Most of them emanate from the absence of three aspects of legacy

– systems, thinking and culture. It is one thing to ‘sign up’ to a virtual working approach but quite another to follow this route from a traditional firm starting place.

On balance it is most likely that firms will become much smarter in terms of how they work by adopting those aspects of the ‘fully virtual model’ that are appropriate to their stage of development, their work profile and their client needs. If such a partial approach enabled a firm to achieve relatively modest targets, for example by reducing both its space requirements and legal process costs by ten per cent, the impact on the bottom line would be very significant indeed.

For most firms a physical presence will still be both required and desired of course – a place at which client interactions can occur, where staff can get a sense of common culture and the management of the business can be orchestrated. It is also likely that much of the work traditionally conducted behind closed doors (enabled by better IT systems, high-speed communications and enhanced project-management abilities) will happen remotely. This could be in satellite offices of the firm itself, through third-party contracts or simply by using home-working arrangements.

A virtual model potentially allows work to be undertaken anywhere in the world. This has obvious appeal for firms looking to improve the cost efficiency of those ‘heavy lifting’ elements which, while requiring a certain level of professional competency, also need many hands to deliver what is required on onerous timescales. Salary inflation, driven by the bull market, which now seems a distant memory, means that in the UK these duties are being performed by relatively junior yet expensive staff.

For the larger firms, legal process outsourcing (LPO) is the trend of the moment with low-cost centres in the developing world providing back-office legal services of ever increasing complexity to their large law firm clients. Such ‘distance’ arrangements are surely just another variation on the virtual-working theme – enabled by technology, managed at a distance, and delivering value for clients by ensuring work is undertaken at the most efficient price point. Providers are also emerging to service mid-sized firms, without the critical mass to negotiate their own bespoke arrangements, by pooling these needs and so benefitting from the cost advantages available. It should be taken as read that new entrants (as a result of the Legal Services Act) will be making full use of every cost advantage mechanism possible.

From a strategic perspective it seems that, for all but a very small number of high-value niche firms, a cost efficiency model will be critical for survival.

We should accept that the catalyst of technology, at an ever increasing pace, will enable faster, cheaper and more efficient ways of working. The questions that must be asked needs to centre on the timing of change, how best to deliver client benefit and the management of the inevitable (and deep rooted) cultural issues faced by the firm’s employees. These are questions that focus on when and how rather than if. These are the issues that should be occupying the thinking of the strategist. ■

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