

INNOVATORS IN THE PROFESSIONS

Talking With Ronald Martin of Holland & Hart, Steven Moore of Akin Gump and Michael Pollack of Reed Smith

Law Firm Strategic Planning Officers

We may be witnessing a new trend evolving in some of the Nation's leading law firms.

A recent news clipping concerning the opening of a new office by Palo Alto's Wilson, Sonsini, Goodrich & Rosati featured as the spokesman for the firm, one Jeffrey D. Saper. Jeffrey's title was Managing Director of Strategic Planning. A quick look at the firm's web site revealed that Jeffrey is the member of a seven-member Executive Management Committee for the firm.

Now was this not the same Wilson Sonsini that a number of years back publicly eschewed any notion of engaging in formal marketing or sophisticated management systems? And yet, here they are now with one of their executive team charged with the responsibility for directing the firm's strategy. We were curious.

A further and thorough search of the top 700 law firms showed that indeed, there are another half dozen firms wherein some member of the Executive Committee held some formal title associated with strategic planning. Of course a number of firms may have a Planning Committee and list some attorney as the Chairman or Head of that Committee. What is always revealing about those appointments is that the attorney selected as Committee Head has no visible position on either the firm's executive or management boards. It is almost as if the management of the firm didn't quite know what to do with "old George" so let's get him out of our hair by giving him this committee to oversee. And then the committee might meet once during the upcoming year.

What we are now witnessing, with a handful of firms, is an entirely different structure signaling the importance of strategy. And, with the emergence of some individual, who in most cases, is relinquishing a significant portion of their otherwise billable time to devote to the firm's future directions.

While Jeffrey Saper was not able to join us, we did have a fascinating discussion with a number of his counterparts in other firms during a recent conference call. Ronald M. Martin is the Strategic Planning Partner at Holland & Hart, Steven S. Moore is Director of Strategic Initiatives (firm-wide) with Akin Gump Strauss & Feld, and Michael B. Pollack is Director of Strategic Planning at Reed Smith.

Edge: As you gentlemen know, we were intrigued to discover that while each of you has a slightly different title, what you all share in common is that you have a definite connection to the firm's executive committee with specific responsibility for spearheading the firm's strategy. And

you also represent only a handful of firms across the nation which have such a structure. Perhaps we might start by having you each tell us what your specific job entails, what responsibilities you have, and, for the two of you who are lawyers, how you spend your non-billable time? We'll start in alphabetical order. Ron Martin, please start.

Ron Martin: My title is strategic planning partner. Within the executive team of Holland & Hart, we have a chairman of the management committee, a managing partner and my position. The three of us run the executive branch, of our firm. It's made up of 240 attorneys and we practice throughout the Rocky Mountain region from the Canadian border to the Mexican border. My responsibilities include strategic thinking, our strategic plan, supervising the marketing department, and heading up research and development for innovation. I also try to spearhead creativity and innovation within the firm, and I'm responsible for legal partnering with outside-firm alliances as well as client partnering. It also involves coaching for those who want to do what they love.

Edge: Thank you, and on to Steven Moore, Steve is the administrative professional in the group.

Steven Moore: Thank you. My job is somewhat different. I should first give you a little bit of background. I was the firm's chief financial officer in a former life. I left Akin Gump and went to PriceWaterhouseCoopers and I did law firm consulting for a period of time. Last summer I was approached by the firm to come back into a role that was not terribly well-defined; they just knew what their needs were. One of my first initiatives was to write my own job description and figure out what we were going to call the position. My role is, perhaps, one notch down from a strategic thinking standpoint from that of Ron and Michael. It's more associated with supporting our strategic planning committee – which is chaired by our chairman, Bruce McLean – and in the execution of the strategy that we develop. I do attempt to support the committee and our management and executive committees by providing information necessary to formulate this strategy. But we really still look to Bruce who is a very dynamic individual.

My job breaks down into essentially three components: pricing, profitability and expansion with a heavy slant to the financial analysis side but also I attempt to incorporate the big picture, if you will, into the financial analysis that I do. I work with the chairman a great deal. I also work with our practice managers in attempting to improve the profitability of their sections, price our services and analyze any expansion strategies that we have.

Edge: Onto you, Michael Pollack.

Michael Pollack: Somewhat like Ron and his firm, we have a three-member management team which includes our managing partner, our director of legal personnel, and the director of strategic planning, which is the job I hold. It's a relatively new position for Reed Smith, about nine months old, and we're still in the feeling-out process to determine exactly what it entails. But a couple of main areas that I'm responsible for is – one, I oversee the strategic planning process for each of our practice groups. By the way, as part of the process that created my position, we also moved to a practice group management structure – away from a geographic management structure. And we now rely on our practice group leaders to do strategic planning for their own groups. I supervise that process and make sure they do it in the confines of firm's overall strategy

which I really help develop along with the other two members of the executive branch.

Additionally, I have responsibility for considering mergers with other law firms and significant acquisitions – as opposed to the hiring of one or two partners at a time, which our legal personnel department handles. I’m also charged with the consideration and development of ancillary businesses, which involves everything from partnering with clients to developing businesses out of whole cloth.

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Communicating and Revising Your Strategic Direction

Edge: Thank you. Gentlemen, does your firm have a formal strategic direction articulated? If so, how is it formally communicated to the lawyers and staff? And how often do you find a need to revise your strategies? Ron would you like to go first, again?

Ron Martin: Because our platform is the Rocky Mountain region, our focus has been to try to dominate this region, from a standpoint of client service. This concept of dominating the region has become internalized as part of our culture. When we look strategically we focus on where the compass is going as opposed to where the map is. This is our compass. We are consistently making changes to stay on that course.

How do we communicate that message and stay in touch? I would say through repetitive e-mails. Before e-mail, we would not be able to broadcast messages in this. We support our strategic thinking and beliefs about the firm through what [business management expert and author] Tom Peters would call “Wow!” messages, where we lay out the results of heroic maneuvers that people in the firm have made as a way of encouraging and inspiring others. We also keep our people posted on the latest trends, so that they are aware of what’s happening outside the legal profession, and what’s happening with their clients.

In our view it’s all about relationships, those both inside and outside the firm. From the inside standpoint, you can’t just cross-sell if you don’t know your partners. You can’t do it unless you know each other well enough to create opportunities to build and sustain those relationships. Outside, it’s even more clear that what’s going to hold us together as a law firm and make us successful is the level of relationships we have with our clients.

One thing that you had asked about is how often we revisit our strategic plan. Much more often than we have in the past, which I think is a sign of the times. Historically we would put a lot of people’s efforts – many, many hours – into coming up with a strategic plan that would guide us

for five years. This was in the days when law firms and law firm management were less dynamic. Often, those plans sat on the shelf and we would look five years later and ask, “Gee, how did it all turn out?” You can’t do that anymore. Today we must be constantly dynamic. Gone are the days of the five-year plan. While we need a direction in our strategy, we also need to be nimble and flexible, and very willing to change direction. That’s the way to succeed.

Steven Moore: To lead into the strategic plan, I need to mention our business planning process. We do a business plan that is detailed every two years. The feeling there is that if you do it every year it becomes sort of repetitive, but every two years we do a very detailed business plan, and our practice leaders are very involved in that process. Overlaid above that is a strategic vision that is articulated by our chairman that is not reviewed on a set time line. Rather it’s revisited as we see the world changing or our firm changing. And indeed, that occurred over the summer and recently has culminated with a sort of a restatement of strategy, which is essentially to be a leading international law firm with a reputation for excellence and a client focus, and beyond that to review core values, and also talk about execution, as to how we’re going to get where we want to be. That was communicated out for the first time by video conference to all of our offices, and then distributed via e-mail after the fact. On a regularly recurring basis, I would agree with Ron, e-mail is really the way to reinforce strategy and execution.

Michael Pollack: We have a formal strategic plan, which has a direction that probably resulted from the fact that, last fall, we went through an election for a managing partner. We have these elections every three years. And as part of that election process, which was an open election, we had two contenders, each candidate articulated his own strategic direction, and we’re now following that of the winning candidate. This direction was articulated pretty well through the campaign process, and through what is now a revised management structure. We just had a chance to reinforce it again through a meeting of all of our attorneys the first weekend in September. We’ve had some excellent opportunities to do that over the last nine months. We’ve also used e-mails and we meet regularly with our practice group leaders who are then responsible for making sure that the message is carried through to the rest of the firm. They also help the executive committee develop our plan. I agree with Ron about the extinction of the five-year plan. We do plans once a year. We don’t spend months developing plans. Instead, we spend weeks. But we’re flexible too. As things work, we adopt them into the plan, as things don’t work, we get rid of them. For us it would be difficult to develop a plan much less frequently – maybe two years – but I can’t see going farther than that.

Involving Other Partners in Setting Strategy

Edge: The next question may seem a little repetitive of the last, but here is the underlying philosophy if you will. I’ve jokingly made reference to law firm managing partners that if you really want to screw up a strategic plan, bring in a consultant. Because invariably what happens is the consultant actually creates the strategic plan. When the consultant walks out the door, the partners say, “Well, that was a great strategic plan. I hope it works.” There’s very little buy-in in the process. I think we’ve all observed a little bit of the same in when firms in great numbers went to hiring marketing directors. All of the partners breathed a sigh of relief and said, “We don’t have to concern ourselves about marketing anymore. We’ve got Mary who’s charged with

that; she's going to look after us." So, the issue arises: To what extent do your other partners now think that they no longer need be concerned about the strategy of the firm because that's your responsibility? How do you involve other partners in helping set the firm's strategic direction? This could especially be an issue if, as Steven said, you've got a visionary like Bruce McClean at the head of a firm and he's got some very strong feelings. Or, as Michael said, we're going according to the candidate that won the election. Ron?

Ron Martin: I would say that the most important piece of buy-in is listening. If people feel they're listened to, even if others agree with them, and whether the result turns out to be what they would have hoped, they feel like they've had the opportunity to be listened to and make a contribution, that creates ownership. Because we're about to go through our strategic planning process, I've spent two-and-a-half months, in talking for about an hour with, so far, 84 of my partners. We have 11 different offices in six different states and that takes a lot of time, but if you don't do that you really lose the opportunity to hear from the people who will not speak up at firm meetings, the people who are more introverted. They will not feel like they are included or a part of this. They'll consider it somebody else's plan.

We also have been gathering and sifting through geographical, financial, demographic, information about our clients and ourselves. We're following the traditional analysis, making sure that we know about our strengths and weaknesses, our opportunities, and threats. We are thinking very seriously of bringing a client on board as part of the small task force that will be putting together the strategic plan. To be client driven, to be client-oriented, we think that may be necessary. Whether someone who is a client is willing to spend the time that will be necessary may be a different question, but we need that input. We need ideas, and I'm sure everybody who has gone through this knows this is true: Ideas are wonderful, they're a lot of fun, we can use them in the ivory tower. But the fact is, ideas are worthless unless they're implemented. In order to do that we must not only to say, "Gee, we will do these things." But also we must attach action plans to them that deal with the who, what, when, why, how of the planning process so we can get it done. To get buy-in we need leadership, which comes from the top – or, more accurately at this point I suppose, the center. In service organizations, what you really need are champions. People who say, "Here's an idea why don't you go run with it" are not helpful. People who are dying to make that idea become reality are what we want. If you can put those people in charge of getting those things to happen, then managing can happen. Otherwise, it's really not going anywhere.

Steven Moore: I'm not sure I can add a lot to that; it's very well put. I will say, from just a procedural standpoint, to accomplish the listening in an effective manner with respect to our most recent initiative for reviewing strategy and defining who we are, our chairman spent a lot of time on the road going to the partners in all the offices in relatively small sessions to hear what they had to say. Because it is a fact, as Ron points out, there are people who have good ideas and are influential but fail to speak up in a large crowd. So we spent a good deal of time devoted to that. We, of course, also have formal committees and we have a formal strategic planning committee that does meet about four times a year with an agenda to discuss how we're doing and whether we should change any of the directions that we've got. When we've really focused on re-examining it all, there was a lot of road time and a lot of listening.

Michael Pollack: Our planning process involves all our practice group leaders, there are about 25 of them, as well as the people who head up our different markets, and several of what we call industry teams that focus on cross-selling to the industries where we have some real recognized strength. They reach out to the people within their groups to help build their own strategic plan. So we've really decentralized the process to a large extent in order to get ideas from as many people as possible. In addition, those of us on the management team travel a great deal around to different offices and we really get ideas from everybody, and they don't always come through me. They could come through the managing partner; they may come through the director of legal personnel; or they may filter up through any of the other members of management. So we really have a very open pipeline for people to get involved. Communication here is key, and it really depends on how your firm is structured and how communication works best in the firm, and you have to tap into that in order to build effective plans.

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Strategizing Across Multiple Offices

Edge: Each of you is with a firm that has many different offices. Akin Gump has international offices. Reed Smith has a strong regional presence, and as Ron mentioned at the beginning of our conversation, Holland & Hart has its Rocky Mountain focus. So with all these offices – and we've touched on this a little already – how does the multi-site geographic diversity affect your job? Ron, we'll go to you first.

Ron Martin: I think what we have to recognize is that each one of these offices has its own mini-culture, and its own personality. The umbrella of the firm has to encompass those mini-cultures. This is especially true when you're dealing with places in which people can't charge the hourly rates that people in other offices can charge. We have to honor their view of their world. We've got to make room for their ideas. We must honor them as part of the whole. The diversity that is added by being in Boise, Idaho, Billings, Montana, and in Washington, D.C. is very valuable. And again, it gets back to listening; those people really have to feel listened to, and that someone has reached out to them to make sure that their view of the world is part of the process. From my point of view, the bigger the tent, the more diversity, the better off you are.

For us we have an equal number of partners in both the Denver office and in the combination of the regional offices. There's a tendency of all us to have a parochial viewpoint. That is whatever outlook your home base or mothership has about the world and the profession are often seen as better and more accurate by those folks who live in the mothership. People in the regional offices are people who actually tend to be more innovative, more creative, built lower to the ground,

understand the numbers better. They see themselves as being more responsible for their own office. All of those peculiarities and differences have to be taken into account. I just don't think there's any question that in a firm that has multiple offices, it just takes that much more time to make sure everyone feels honored and everyone feels included. The more regions that you have and the more cultures that you cover, the more this would be true.

Steven Moore: Well I think that's right. And, we do have the advantage to some extent at Akin Gump in that the firm started in Dallas, Texas in 1945, but we have Washington as our largest office in terms of head count and we have several offices of approximately the same size that are clearly meaningful in the big picture. All of our offices are meaningful in the big picture. All of our offices are meaningful and they're all important. We really have a culture that doesn't have a mothership, and I think that probably works to our advantage. We have worked hard over the years to attempt to have full and diverse representation on our various committees and in our various projects. If an initiative is put forth, we do try to have good geographic representation. I think we have been relatively successful with that and I think it's very, very important. We are spread out from Moscow to Los Angeles, so we actually have logistic issues like what time of day can we all get in on a conference call. But for the most part we work through those items. It creates a bit more air travel and a few logistics issues, but if you work hard at it and you really do have the representation, I think you can get the buy-in that's so critical.

Edge: And, Steven, today's technology helps with that, doesn't it?

Steven Moore: It does indeed. Absolutely. No question about it.

Edge: Thank you. Michael, what about at Reed Smith.

Michael Pollack: We've actually made a conscious effort this year to overlook the geography. And as I described before, we've moved from a geographic-based to a practice group-based management structure. And, I think Ron said it well, there is a diversity that one can get from bringing people from different offices together in thinking about the planning process, and we try to meld those differences into a plan that's stronger than it would be if we just did it on a geographic basis. I think as long as everyone feels included and no office feels left out, then it works well. We have had the challenge this year of including an international office for the first time in this process, and there the difference in the market makes it a little more difficult to have them involved in the process to the same extent but we still try to learn from what they do and they've really helped us do things better here.

Edge: Let me ask a follow-up: What office opened up at Reed Smith on the global front?

Michael Pollack: As of January 1st we've opened two offices in the United Kingdom, one in London and one in Coventry.

Edge: Michael, are those practice groups driven by industry?

Michael Pollack: No. We have practice groups that are driven by traditional ways lawyers practice law: real estate, corporate securities, etc. We also have what we call industry teams,

which take a cross section of lawyers in different practice groups and bring them together to help sell to particular clients and potential clients in an industry. We have three of them now: financial services, healthcare and technology, and we have clients for whom we do a wide variety of work and for whom we'd like to do a wider variety of work. The idea is to take our industry expertise and try to sell it across different groups.

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The Role of Innovation in Firm Strategy

Edge: I have had a personal focus for quite awhile now on innovation and how innovation has a role, maybe even a driving role in some instances, with the firm's strategy. It has been said that professional firms really have only five ways to differentiate themselves: fees, service, quality, specialty, and innovation. Today, Towers Perrin, the national human resources consulting firm, has a chief innovation officer. At Deloitte Consulting, their global director of strategy, innovation and eminence holds periodic contests among the professionals for their wildest innovation ideas. Their most recent contest brought in 176 ideas competing for a \$10,000 prize. At Cap Gemini Ernst & Young, they hold brainstorming meetings with academics, clients, and researchers to identify important issues and opportunities three to five years before they appear on the radar screen of most everybody else. Tell us a little bit about where innovation fits in your firm and whether you are pursuing any specific initiatives.

Ron Martin: Holland & Hart sees itself as a place where it has a culture for being cutting edge. In the Rocky Mountain region, people tend to see themselves as mavericks, as different. This does give rise to a John Tredennick and CaseShare, which is really cutting-edge technology. For instance, CaseShare helped save Sears – according to Sears' officials – a million dollars in making its process for advertising more efficient. That is, in going from a 21-day-process where something moves from desk to desk CaseShare established a system so that it would all be used through the Internet. He has cut down that 21-day-process to about 36 hours by getting advertising for Sears done nationally, along with extensive use of extranets. CaseShare is a business that is owned in large part by our firm, but it is also owned by the principals that are involved including John and his top people, and a couple of outside directors. That has been very successful. I've had a number of law firms ask me how in the world can you get that done, and I think it really comes from partners who do want to believe that they're cutting edge, and once they've bought off on that, it makes it much simpler to say we'll devote the capital necessary to

make sure this gets done.

We also had one of the first law-firm marketing directors in the country. We have the first and only director of diversity, whose full-time job is devoted to making sure that we are diverse. We have a partnership responsibility committee which came out of a tragedy many years ago when one of our partners committed suicide. With that concern, we created a group that actually is in an orbit outside of management altogether. Each partner in the firm meets annually with this partnership responsibility committee in order to see how that individual is doing, how is she feeling, what's going on in her life, so that we can somehow help. All of this is on a confidential basis. We have full-paid sabbaticals once every five years for three months, and all of that is meant to enhance innovation.

As to what are the ways to get innovation going, you've got to have the base and the belief that innovation is an important thing within your firm. If you don't have that as part of the culture, I think it's very difficult, because lawyers by nature are risk-averse, and these are not risk-averse times that we're in. I think promoting innovation requires keeping a constant vigil. I requires allowing people to make mistakes, because lawyers will be afraid to make mistakes. They'll constantly be worried about billable hours, and you have to give them permission and you have to make heroes out of the people who are actually stepping out there to be champions – the John Tredennicks of the world. You have to take people who are fine lawyers and give them permission to do what they are dying to do, what they love doing. An example of that is a person in our firm who is in the process of doing space law. I don't think real innovation comes from the kinds of things that we see that are in the nature of gimmicks and games. I think it comes from a cultural commitment of making people who do it be seen as and become heroes and legends within the firm.

Edge: Steven, at Akin Gump, any mavericks? And how do you encourage the innovation process amongst your people?

Steven Moore: We have a fair amount of innovation and it seems to occur without having put in place some of the creative mechanisms that you've referred to in your question. We don't have a chief innovation officer per se. We do seem, culturally, to be willing to take some amount of risk and try some things that, if they've been well-thought out and seem to make economic sense, we will venture into them. That may come from some of our heritage. As I'm sure you know we have a significant policy practice. Bob Strauss, our founder, is certainly a well-known name in that area, and that's an area that's affected maybe more than some other traditional law areas by other forms of competition. Not all of our competition in the policy area comes from law firms. Some comes from public relations firms and market research firms, for example.

We have several innovative initiatives under way. And they seem to bubble up from practice managers. We are very much aligned along the practice management model, the same model as Michael has described that Reed Smith has. And it seems creative ideas come to the table from those people and maybe because we have a history of not turning every new idea down, there's doesn't seem to be much fear of running it up the flagpole.

Edge: Michael, over to you. I recall a time when Reed Smith was kind of a real frontrunner in

terms of technology and advertising your tech law group in airline magazines. How are you stimulating innovation today?

Michael Pollack: I think that our lawyers are very creative people. What you really have to do is help them identify the ideas that they think are good and then help them develop those ideas. I think if left to their own devices, they'd say, we ought to do this, we ought to do that. But they might not ever take the time to invest in it. There are some exceptions but as rule I think that would be the case. My job is to both encourage the ideas and then work with those lawyers who seem to have both the best ideas and the energy to make them happen. It can look like a long road to come from the idea to the fruition of that idea. If I can provide help, and make sure that the resources of the firm are put to use to help them, then we feel we can do a better job of bringing some of these ideas to market, so to speak.

Edge: So they look to you as the internal champion?

Michael Pollack: Right. To whomever is filling my position. Like I've said, this is a new position and process for us but people have not been shy about sharing ideas with me, which is great. And I encourage them to keep going with those ideas that I think make sense.

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The Trend Toward Ancillary Businesses

Edge: Steven. I can't tell you how many times in the last two or three years I have seen articles in the legal press about this firm creating a financial services consulting business, or this firm creating an environmental consulting subsidiary. Of course it's a trend pushed forward in no small part by the incursion into the legal profession of the Big Five accounting firms, as well as other reasons. How do you see the trend evolving particularly in light of today's economy and the shape it's in? I spoke to one of your Washington competitors recently and the managing partner said, "We were about to develop a particular ancillary business but we decided to hold off on it. We're going to be cautious." So what are your thoughts about that and how are these opportunities generated? Furthermore, what processes or methodologies have you seen for encouraging and inspiring this kind of innovation within a law firm culture. After all, this is a profession that traditionally is not known for embracing new ideas?

Steven Moore: Well perhaps in the very short run there may be a tendency toward caution and holding back. But in the long term, my view is that the pace will accelerate. We will be in different lines of business and we will be in an environment of the multi-disciplinary practice. I

think law firms should not fear being run out of existence by the Big Five, but rather embrace the notion that the traditional bill-by-the-hour model has served us well but it doesn't fit all situations where we have the ability to provide quality services.

I think it's a natural follow-on that we will develop subsidiary businesses that make sense, and some of these will have very different pricing models. The industry as a whole is challenged by the notion that we are cash-based, not accrual-based, businesses. And that has some effect on how much you can invest in ancillary services before it has a material effect on current income. So that's a natural barrier to expansion and diversification. But I think the process has begun and the environment we find ourselves and which we are moving more deeply into will accelerate.

In terms of process and methodology, as I mentioned, we don't really have any formal process designed to encourage out-of-the-box thinking. We tend to do two things: We tend to have these ideas come out of our practice managers. And, when we know we have a specific issue that needs to be addressed, we identify a committee with a specific task to come to the table with some innovative ideas on how to solve that issue.

Edge: Michael you mentioned earlier that one of your charges is to look into ancillary businesses. How would you answer the question?

Michael Pollack: Well, what we try to do is look at it from a client's side. When a client approaches us and asks us to solve a problem for them, to the extent that we cannot solve it ourselves and need to involve others, we ask ourselves: To what extent can we provide that other service as well? As an example, we have a fairly significant health-care practice. There are a lot of companies in the health care business that are trying to comply with the Health Information Privacy Protection Act. That involves a legal audit and a fairly significant technology element to it – how do computers share files? If a client wants to do a HIPPA audit and figure out if they are complying, at the moment Reed Smith cannot provide 100 percent of the service necessary to do that audit. Right now the client has to find someone on the technology side to do the job. Some of the Big Five firms can provide both and other non-legal firms can as well. But we look at that think we ought to be able to provide a one-stop solution to that problem. It's around those types of examples that we've really started to focus on creating ancillary businesses.

Those ideas usually come from people on the line. We've challenged them to identify situations like that and talk to us about ways to provide more services to our clients.

Edge: Good example. Ron?

Ron Martin: I think – and this is in line with what Michael was saying – the first thing that we look at when we look at ancillary businesses is, does it complement our practice and our clients? Is there a synergy with client needs? That's very different than going out and trying to compete in an area where we don't have much information. When it comes to ancillary businesses, it takes champions, who are individuals with passion and who are allowed to prosper and fulfill their dreams in an environment where there is enlightened leadership and inventive thinking. You have to have the culture that says, "It's ok to do this, and you will prosper if you do it."

Our thought is that people are here to do what they love doing. We want to give them permission to do what they love and their passion will drive them to make it happen. It has to happen in effect against all odds, because lawyers are so risk-averse. It is very difficult for lawyers to understand that the world has turned upside down on them. The risk is now in not risking. What was once safe is now dangerous. Inertia is dangerous.

Edge: Could each of you tell us what ancillary businesses your firm has. Steven?

Steven Moore: We have a consulting subsidiary that is targeted to the health-care industry. We have a venture in the policy area with a public relations firm to jointly market and provide services in that area. We have a subsidiary company that is involved in the residential real estate area, providing some technology solutions for document preparation. And we have a venture financial advisory service to foreign sovereigns.

Michael Pollack: We have two limited ancillary businesses in the corporate services area. We also do work for insurance companies in the licensing area. We'd like to develop more such businesses over time.

Ron Martin: It breaks down into three. CaseShare, which provides tech solutions for clients concerning legal uses that they have. We have Persuasion Strategies, an ancillary business of trial support with the graphics media and jury consulting. Finally, we have a company that offers diversity training to other law firms, corporations and organizations.

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The Biggest Change To Impact The Profession

Edge: Putting your strategic thinking, futurist hats on for a moment, what's the one big change that you think will have an impact over our profession in the next couple of years? Ron?

Ron Martin: First of all, I think there will be dramatic change over the next 10 years. The most important change that must occur, which has already been mentioned, is the concept and practice of billable hours. Right now we sit at a incredible conflict-of-interest with our clients. It comes down to profession killers. Billable hours create the wrong incentives. The longer the work takes, the more fees we are paid. The more bodies that are thrown at a matter, the more fees we are paid. The more inefficient we are, the more fees we are paid. Out of that process, the harder we work, the more money we make and the more unhappy we are. We've got to see tremendous change because the clients are not going to put up with that any more. The recession that I think

we are in is going to exacerbate that issue.

Currently, we have no choice but to be involved in technology but all the incentives are telling us that technology is the enemy. If we're paid by the billable hour then the quicker and the more efficient is done the less money we're going to make. We need to find creative ways of getting around the billable hour. I believe that the survivors out of this particular issue will be the folks who can make those changes, make them quickly, add real value, and actually have partners doing partner work. They will be partnering with their clients.

Steven Moore: I've mentioned that I do think we're going to move into the multi-disciplinary practice, and I do think that is going to change the landscape significantly. I think the consolidation that we've seen over the last several years is going to continue and will be dramatic. There will be some very, very large firms and other firms that are successful by really understanding their business and who compete successfully because they can produce quality legal work at a lower cost. So I think you'll see further fragmentation in the profession and I think you can overlay that with multi-disciplinary practice. And, I think over time, we'll see more of our work move away from the billable hour. But it is a considerably ingrained concept in our profession and in corporate general counsel as well. So this move will take some time. But we'll see this change happen.

Michael Pollack: I think the change away from the billable hour will be the biggest change. What will drive it will be that some firms will not only ask clients whether or not they're interested in alternative fee arrangements but suggest what they should be, show them how they'll save money using them and then sell the arrangements to a broad base of clients. One thing that is happening with technology is that clients are getting very good at comparing the efficiency of law firms across certain tasks. When they are better at doing that, it will place more pressure on firms to become more efficient. That will change the internal thinking of law firms and of lawyers.

The Effects of Technology

Edge: That offers a good segue to another question. With law firms like Clifford Chance aggressively forecasting that online legal services could account for 20 percent of the firm's business within the next five years, how do you see technology affecting the practice of law in the near future? Michael?

Michael Pollack: I've looked at the Clifford Chance model and I really have some doubts about whether or not technology is going to turn law into a do-it-yourself operation. Often clients don't know what their problems are and it takes someone skilled in listening and understanding the legal framework to identify their needs. But I do think to the extent that technology can be used to make lawyers more efficient that will be where will see technology play even more of a role in our profession.

Edge: We've seen a lot of changes in the practice of law because of technology. What will we see in the future?

Ron Martin: I think we'll see an ever-increasing change. I think the Internet itself is basically a delivery system – in three respects. It is a way for the potential client to get information so that lawyers can be retained. That is the reason we have our web sites. Second, it is a means of document-preparation and manipulation. An example of this is the deal rooms that we've seen come about. Finally it is also a vehicle for relationship communications. It's not as good as face-to-face but it is a way of keeping that constant client contact. The sum total of the three of those is all about efficiency and democratization of services so that more clients will be able to get more information and with lawyers and law firms in a new way. That makes it a massive tool.

I, too, tend to disagree with the Clifford Chance 20-percent prediction. To get to 20 percent that are using that, it seems to me that you're going to have to go commodity broadcast products, or one-size-fits-all service. I can't imagine that Clifford Chance lawyers, and I know Holland & Hart lawyers are not real big on doing mind-numbing commodity work.

Edge: Steven.

Steven Moore: I agree with Ron and Michael about the 20-percent figure. Although it is of some concern that the UK firms are pumping as much money as they are into the development of technology solutions. I don't tend to believe that many of the firms that are highly successful are going to make a large percentage of their revenue off of transactional charges that are directly related to technology innovations. Nevertheless, it is an initiative that every firm has to address. And you have to spend the money to do the deal rooms and other sort of infrastructure necessary to deliver your product as efficiently as possible.

How Firms Increase Profitability Going Into A Recession

Edge: As we wrap things up, let me ask one more question – about the profession and the economy. Simply put, how do firms go about increasing profitability, more importantly their revenue per lawyer, if we're going into a recession. Your thoughts. Is this something you've had your eye on? If it continues to bottom out, how is the economy going to affect strategy? Ron we'll start with you.

Ron Martin: Great question. I think of Betty Davis. In one of her movies, she says, "Fasten your seatbelt; it's going to be a bumpy ride." The reason it will be a bumpy ride is because each economic component is our way of looking at the world. The legal profession says the billable hour must drive it. But there is a different way to practice law, which is based on knowledge management and be able to repeat results, having products – not commoditized products – but ones that can be specialized to the individual needs of a client that increase revenues and profits.

To the degree that we move to a system where lawyers are rewarded for being efficient, we actually will end up with partners doing partners' work, associates doing associates' work, legal assistants doing legal assistants' work. That will increase leverage. I think we'll come to a time where all of the instincts of lawyers are wrong. The more we wring our hands about September 11, the more fearful we get, the more conservative we'll become and the less risk-taking will

take place. The only way to increase profits is by increasing the risk, with our clients and partnering the results. It means taking on more contingent-type fee litigation. The only way to overcome that natural tendency to pull our horns in is to be very clear and communicate extremely well that this is not the time to do that. Now is the time to put ourselves out there, to get the brass ring because there will be so many who will fall by the wayside the longer this recession goes on.

Steven Moore: Well put. To drop it down it a level, to get to operational issues – regarding revenues and profits – I would say my first reaction is that the one place where law firms have the ability to do a lot better is in the area of realization, actually getting paid for the a higher percentage of the sweat equity that’s put into a client or matter. As an industry, during very successful times, we probably have a great percentage of our lawyers performing at highly productive levels and we can’t expect huge increases in their productivity. But we also have lawyers who are not productive and clients who are not profitable. There will be a higher degree of scrutiny and a need to deal with under-productive people or unprofitable clients.

Michael Pollack: I do think this is the flipside of the billable-hour questions. That is, if clients don’t demand the change from the billable-hour, ultimately law firm economics will demand it. That’s the one thing that will change. There are other areas that you can adjust – for instance cutting further on commodity, low-fee work or reducing associate turnover. Turnover has a big impact on profitability. But these are short-term areas. The billable-hour change carries longer and deeper ramifications.

Edge: Thank-you gentlemen.