

# Value will still be the name of law game

Too many attorneys are chasing too little work, but more balance expected in '10

BY CHAD ERIC WATT | STAFF WRITER

The stresses brought on by the current recession have law firms nationwide behaving a lot more like the businesses they serve.



Broadly, businesses have been cutting costs everywhere, including legal expenses.

"The law business ... is facing a general contraction in demand for services," said Carol Glendenning, a partner in Strasburger & Price LLP, a regional law firm

based in Dallas. "That hasn't happened to us before."

The law business contains some counter-cyclical components. For example, when transaction work slows, bankruptcy and litigation typically become busier.



BAGGETT

"In the late 1980s and early 1990s, Texas was worst-first," said Mike Baggett, shareholder and chairman emeritus for the Dallas law firm Winstead PC.

That meant bankruptcy and workout assignments came quickly for North Texas attorneys. With Texas in more of a best-and-last position in the current recession, upticks in those counter-cyclical practices haven't been able to compensate for downturns on the other side of the office.

That has led to layoffs among the tall-building law firms in downtown and deferrals for top law school graduates who thought they had a job soon.

"When very good firms cut (staffing) significantly, others might say, 'I've got cover,'" said Mark Medice, with Hildebrandt, a national professional services consulting firm. "2009 and 2010 will give firms cover to take on changes they haven't been willing to take on before."

## LAW

Comparing 1st quarter employment totals, 2008 to 2009



### JOBS

2008 24,768

2009 24,331

Net loss: 437 (-1.8%)

Source: Texas Workforce Commission

That includes cutting back on associate pay, furloughing staffers and attorneys and even rethinking how they want to serve their clients.

Still, the cutbacks at law firms haven't kept pace with the contracting demand for legal services. With more lawyers chasing a diminishing amount of work, business clients are in the driver's seat.

"Clients are in a position to say 'we want value,'" Glendenning said.

That's leading to renewed discussions about alternative billing structures for law work, said Mark Weintrub, a career in-house lawyer who last year started an outsourced general counsel practice called General Counsel Law PC.

"There are more mid-tier firms and a few large ones who have been willing to entertain fixed-fee and alternative-fee structures," Weintrub said. "It's not a revolution, but an evolution. A lot more pressure is being put on firms."

And beyond layoffs, Dallas law firms are throttling back on what they pay associates.

Texas law firms have engaged directly in a war for talent, with some offering promising law students the same pay they would get from white-shoe New York firms.

"Based on my discussions, they're finally saying no, we can't do that because of the economic climate," Weintrub said.

The coming year will see gradual improvements in some aspects of the law business. Transaction work will remain slow, and work that does get done on that front will be subject to a new degree of fee pressure.

"Clients are being very sensitive to how much it is going to cost," Weintrub said.