

## Is This the Dawn of the Small Firm Renaissance? *By Robert J. Kaufman 75L*

**R**ecessions unmask flawed business models. In manufacturing, home building, banking, retailing and virtually every sector of the economy, even the omnipotent Am Law 200 have seen their business models assaulted and, in some instances, devastated.

The classic Big Law model of paying high salaries to first-year associates and billing at exorbitant rates is meeting with resistance from clients who refuse to pay for educating first-year lawyers. These clients now require that an experienced lawyer be assigned the task instead of inexperienced associates and demand real value for their ever-shrinking corporate legal budgets.

This is happening in a climate that requires ever more legal work in a challenging economic environment with tremendous increase in government compliance and regulations. As William Henderson, an Indiana University law

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professor and legal pundit, stated in the July 2008 *ABA Journal*, “firms without a good mix of premium practice areas will find it difficult to stick with the so-called Cravath model... For many large firms, the wheels of their hallowed business model are falling off.”

Many clients are transitioning to firms with prices that match their budgets and that demonstrate a willingness to provide flexible and innovative billing.

Small Law is superbly positioned to utilize its inherent strengths—flexibility, nimbleness and an ability to react quickly to dynamic circumstances. Moreover, as smaller firms begin to handle matters traditionally done by Big Law, these clients will realize the enormous talent pool that resides with Small Law.

Also, many small firms are incredibly technology savvy, which narrows the horsepower gap between Big and Small Law. In fact, Small Law’s ability to embrace technology and experiment with innovative software, like litigation support programs, at a relatively low cost affords small firms to be more technologically advanced than big firms.

Couple this with the price sanity that Small Law can charge because of lower overhead, and at the end of the day, small firms can truly deliver the one thing clients want—real value for their money.

The economic crisis has driven corporate America to carefully scrutinize budgets and seek lower cost providers of legal services. This plays directly to the strengths of Small Law, Mid Law and boutique practices—especially those with the reputation for delivering high quality work at a fair price.

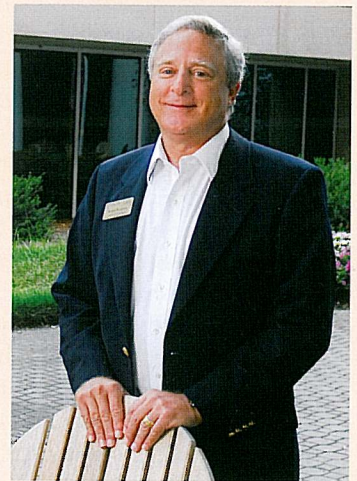
Big Law always will be needed for that “bet the company litigation” or that “mega merger;” but these developments do suggest a sea change is occurring. Big Law will need to adapt to succeed.

As many big firms evaluate their business models, papers are rife with layoff announcements and new hire deferrals. This suggests the business model to replace Cravath has not been developed or implemented yet. In the meantime, Small Law benefits from this dislocation.

Richard Susskind, a renowned legal futurist, published an important and insightful book, *The End of Lawyers?*, in which he gives his vision of the direction of the nature of legal services. He poses many challenges that await all lawyers, but he places particular emphasis on challenges confronting Big Law. He is somewhat sanguine on the prospects as to whether those challenges will be met.

Susskind’s title includes a question mark because he is definitely not predicting the end of lawyers—but there are a lot of maybes out there. He quotes William Gibson, a Canadian science fiction writer, who said in another context, “The future has already arrived. It’s just not evenly distributed yet.”

I believe a bold, bright and exciting future has arrived for Small Law, regrettably, in some measure at the expense of Big Law. Law firms, like every other entrepreneurial enterprise, are beholden to capitalism, and capitalism can be messy. In Darwinian terms, those that can adapt will survive and flourish. In these times, Small Law is better equipped to do just that.



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