

PREFACE

For decades, the business of law has been one of the most profitable business models. Earnings and returns on investment are among the highest in the market. Many partners make more money than elected heads of state and have earnings that are comparable to those of CEOs of sizable companies. Clearly, the business of law has been doing something right.

Decade after decade, partner income has been steadily growing. Only the 2008 global financial crisis managed to cause a little dip. Almost every law firm circumvented this dip by quickly initiating cost-cutting operations. Because of these measures, most law firms even managed to increase profits beyond the precrisis levels.

Cutting costs, however, is a purely cosmetic solution—a matter of hygiene that improves the results without improving the underlying business. Applying cosmetics, therefore, can be dangerous.

The international legal landscape has been changing significantly over the last decade. We witnessed the rise of omnipresent international business law firms; we saw new alternative legal service providers enter the market. The Big Four accountants are setting up legal services arms that are becoming a factor to be reckoned with. In-house departments have become stronger, better qualified, and better organized than ever before. All of these developments create increased competition in the market.

One factor that will have a more fundamental impact than any other on the business of law is *commoditization*—the silent killer that will cause the death of many law firms. Commoditization arises when, from the client's perspective, multiple law firms and multiple lawyers can perform the same task equally well. Commoditization does not equal simple work or bulk work, as we are sometimes led to believe.

On the contrary, commoditized legal work can be quite complicated and require a high level of skills. It is the mere fact that many lawyers have the same skills that will make a certain type of work a commodity. Invariably, lawyers suffer from “commoditization blindness,” denying that their work is commoditized. This denial makes the issue even more severe. Commoditization will inevitably lead to pressure on price, whether it is by clients demanding lower rates or by pushing work down (handing it to a less-expensive law firm). Due to its eroding effect on profits, commoditization is the single-most important disrupting factor in the legal market today. This book is the first to raise awareness to the potentially devastating effects of commoditization.

Dark clouds are building heavily behind us in the sky. When the right measures are taken, it is perfectly possible not only to survive the storm but to come out even stronger than before. To compensate for the eroding effect of commoditization, all law firms have to do is change their business model. However simple it might seem, changing a business model might be one bridge too far for most firms. As this book argues, the inner workings of law firm partnerships are rigged against change. In reading this book, you will gain an unprecedented insight into the psychology of the partner group—or maybe even a confronting look in the mirror.

The good news is that the global legal market will continue to grow. We are not in a shrinking market. The players in the market, however, will be significantly reshuffled in the next five years, leading to the rise of some and to the death of others. Read the book and make sure your firm ends up in the right category.

Jaap Bosman