

It's Time To Change The Law Firm Business Model

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Every year, statistics on women and minorities in the legal profession are reported. And, every year, these statistics reveal very little change in the number of women and minorities in the ranks of partnership. In response, some firms have adopted policies seemingly designed to encourage diversity and equality. Yet, despite this response, the makeup of law firm leadership largely remains unchanged. In fact, Catalyst estimates “that it will take more than a woman lawyer’s lifetime to achieve equality” with their male counterparts.[1]



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So how do law firms change this painfully slow rate of progress? It takes more than adding a diversity policy or a women’s leadership program to the current law firm business model. For law firms to effectively address these sobering statistics and address the needs of current and future lawyers, the typical law firm business model needs to transform. And law firm leadership needs to embrace the transformation and support policies and programs that invest in their attorneys and staff.

Some may ask — why? Why change the way we’ve been doing business for decades? We’ve been successful thus far ... The answer to this question is really quite simple — we’re living in a time unlike any other and maintaining the status quo in today’s rapidly changing global economy is not an option for future success. Law firms need to reflect the global marketplace to attract clients and future business. In a world of “do-it-yourself online” legal services, law firms need to distinguish themselves and add value to their legal services. They need to retain talented lawyers for stability in times of change and to reduce the costs incurred by high turnover. Thus, while adapting to change is typically not the nature of a lawyer, change is critical to the future success of law firms.

Inadequacies of the Current Law Firm Business Model

The typical current law firm business model is based on a lifestyle that has not existed in several decades. The successful lawyer bills as many hours as he can and spends the rest of his time rainmaking, with his wife at home taking care of everything else — the house, the kids, parents, etc. This is the path to equity partner status — prioritizing high billable hours and rainmaking. The lack of diversity in equity partnerships and the data on the number of accomplished women lawyers leaving the profession[2] demonstrate that this model does not address the current reality of life for talented lawyers. And the current model is also not consistent with the future pool of professionals, known to some as “millennials,” who seek work-life balance.

And yes, over the past few decades some firms have instituted policies, such as flex-time and paid parental leave, in response to the lack of work-life balance of the typical law firm business model. However, the glacially slow rate of change in the number of women and minorities achieving success and recognition in all levels of the legal profession demonstrates that these policies are merely a Band-Aid on a wound that needs surgery. Moreover, the data suggest that policies geared solely for women are short-sighted and miss the point of truly addressing work-life balance.

Why aren't these "work-life balance" policies effective? Because, for the most part, these policies are not consistent with the law firm business model. The result is that these policies often become window dressing and lawyers are discouraged from using them. Take paid parental leave as an example. In 2015, Above the Law reported the results of its survey on paid parental leave: women lawyers receive an average of 14.33 weeks of paid maternity leave and male lawyers receive an average of 6.33 weeks of paid paternity leave.[3] These numbers are not terrible. What is disappointing is the reaction when male and female lawyers attempted to take paid parental leave in accordance with their firm's policy. Lawyers reported that they were admonished for low billable hours during the months they took parental leave. Female lawyers who returned after paid parental leave were given less interesting matters and less work. Similar treatment was reported by lawyers trying to use their firm's other family friendly policies such as flex-time or telecommuting.[4]

The data also suggest that women's leadership programs within law firms are also not effective in advancing the legal careers of women. In December 2016, the New York Times reported that women make up the majority of law students.[5] However, Catalyst reported that in a survey of the 50 best law firms for women, only 19 percent of the equity partners were women.[6] Women's leadership programs need to focus on the law firm as a whole by addressing unconscious bias and exclusionary informal practices.

This information shows that trying to integrate these policies into the typical law firm business model just doesn't work. Successful policies require a new model and a different approach to managing a law firm.

The New Law Firm Business Model

So, how does one transform a business model that has persisted for decades? Law firms can look outside of the typical law firm to find a successful business model that reflects diversity and equality and achieves results. One potential source of successful business models is another type of yearly statistic — the "best places to work" data. Fortune publishes its "100 Best Companies to Work For,"[7] where two-thirds of a company's score is based on the results of an employee survey.

A review of Fortune's report reveals some commonalities among companies where 95 percent or more employees express a sense of pride and a belief that management is competent at running the business:

- Open communication and transparency, including data on salaries
- Programs to support professional development of under-represented groups
- Workshops on inclusion and reversing biases
- Family care programs such as backup childcare; elder care resources; parental leave where employees do not have to use all of their personal time
- Flexible schedules, compressed work weeks and telecommuting options
- Teamwork awards

- Perks such as free beverages, subsidized public transportation, fitness and nutrition classes, social outings/gatherings
- Generous health care benefits

The results of Fortune’s employee surveys also revealed that employees were willing to “go the extra mile” to get work done or serve a client. Employees are willing to work hard to achieve results for employers who invest in their success. Makes perfect sense.

What does this tell us? Successful business models include a broad focus. In addition to prioritizing profits (billable hours, rainmaking), law firms need to also concentrate on their resources — lawyers. This transformation will lead to law firms where lawyers are committed to the firm, their clients, and their practice. This transformation is critical. The market for legal services has significantly changed and only law firms that adapt will realize future success.

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[1] Catalyst Quick Take: Women in Law in Canada and the U.S.. New York: Catalyst, 2015.

[2] Id.

[3] Which Biglaw Firm Has The Best Parental Leave Policy? By Staci Zaretsky, May 11, 2015, <http://abovethelaw.com/2015/05/which-biglaw-firm-has-the-best-parental-leave-policy/>

[4] Id.

[5] Elizabeth Olson, Women Make Up Majority of U.S. Law Students for First Time, NY Times, December 16, 2016, http://www.nytimes.com/2016/12/16/business/dealbook/women-majority-of-us-law-students-first-time.html?_r=0

[6] Catalyst Quick Take: Women in Law in Canada and the U.S.. New York: Catalyst, 2015.

[7] 100 Best Companies To Work For – Fortune: <http://fortune.com/best-companies/>