

Industry Disruptor Warns Law Firms: Don't Take Client Trust for Granted

The CEO of UnitedLex joined a senior Google executive and others Tuesday to discuss the evolution of the business of law—and how traditional firms could lose their edge.

By **Miriam Rozen**
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People who are preoccupied with legal industry innovation tend to pay attention to Daniel Reed—especially after Reed, the CEO of the fast-growing enterprise legal services provider UnitedLex Corp., inked what is regarded as the first major outsourcing deal with a corporate law department late last year.

At a panel discussion in New York on Tuesday, Reed's message to traditional law firms was clear: Clients' trust is your biggest edge over the competition.

His advice: "Do not lose the trusted adviser status."

Reed issued the warning to an audience of mainly lawyers gathered to hear Reed and other panel members discuss the evolution of legal services delivery. The event took place at a forum on the business of law that is being held this week as part of ALM's Legalweek 2018 conference.

"Don't lose the higher realm," Reed warned the audience. "It's a lot of harder to make it in a law firm than it is in a law department," he said, so outside counsel "have trusted adviser status still."

But, he cautioned: "They are losing that."

"That battle is going to get waged over the next few years," he predicted.



(Photo: David Handshuh/NYU)

People listen to Legalweek speakers at the New York Hilton Hotel in New York. Tuesday, Jan. 30, 2018.

In December, nearly 200 members of the in-house legal department at Fortune 200 technology services company DXC Technology Co.—including some of DXC's most senior lawyers—started getting their paychecks from UnitedLex. Under a five-year contract, UnitedLex has a team of more than 250 lawyers and professionals handling contract management and immigration matters for DXC while also negotiating deals for the Tysons Corner, Virginia-based company.

The new structure cut DXC's legal department costs by 30 percent, said Reed, who is a former associate at Greenberg Traurig.

In "a perfect world," UnitedLex, which was launched 2006, would not have to exist, Reed said at the discussion. Instead, law firms would have developed more of their own alternative models for delivering legal services.

Reed did not rule out that, in the future, some kind of hybrid of a traditional law firm and an alternative services provider may surface. He even hinted that there may soon be "mergers with alternative legal providers with mainstream law firms."

At the same event on Tuesday, Mary Shen O'Carroll, the head of legal operations, technology and strategy for internet giant Google, stressed that alternative legal services providers have definitively drawn her company's attention.

But, echoing Reed, she also underscored that traditional law firms still hold top-dog status with her employer.

Asked if Google had moved much of its legal work to alternative service providers, she said, "We have moved some work but not the high-value work."

Law firms are still delivering "the high-quality work," O'Carroll said.

O'Carroll focuses on cost in her role at Google, and that can make alternative legal services providers an attractive option. But in reality, she said, there are 600 lawyers in Google's law department who ultimately decide who to hire for legal matters—and their instinct is still to rely on traditional outside counsel.

"They are coming from law firms; that's all they know," she said.

Mark Cohen, CEO of the consulting firm Legal Mosaic and the chief strategy officer for legal business management concern Elevate Services, agreed that law firm culture's influence on corporate clients' legal purchasing decisions is significant. Dramatic changes will unfold only "when lawyers are no longer controlling the buy and sell side," of legal services contracts, he said.

But O'Carroll also highlighted the rising significance of legal operations professionals—even if lawyers more often still dominate. She noted that the professional organization Corporate Legal Operations Consortium (CLOC), two years ago had a roster of only 40 members; it has now grown to 1,200, she said.

When corporate clients bring legal operations professionals to the negotiating table, and law firms bring pricing professionals, then "the conversations start getting interesting," she said.

All on the panel agreed on one thing: In the long run, the law firm business model will have to evolve.

The one corporate GC on the panel was the most insistent on that point.

"Some firms will be immune," to the disruptive forces "for a while," said Mark Smolik, vice president and general counsel for DHL Supply Chain Americas.

But not for long, he warned.

His own view: "I cannot afford to pay you \$800 an hour," he told the audience. "You operate in a hypercompetitive environment. You have to be able to sustain meaningful value."