

# NewLaw Essentials

**What Is NewLaw and How It Is  
Changing the Legal Industry Forever!**



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A black and white photograph of Peter F. Drucker, an older man with a receding hairline, wearing a suit and tie. He is seated in a chair, leaning forward with his hands clasped, holding a pair of glasses. He is looking directly at the camera with a slight smile. The background is a large, well-stocked bookshelf filled with numerous books. The lighting is soft, highlighting his face and the texture of the books.

*"In times of turbulence,  
the biggest danger is to  
act with yesterday's logic"*

~ Peter F. Drucker

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# Introduction

Just in three months, the popularity of NewLaw has increased substantially. Several major news stories shook the legal industry. The year started with the announcement that [Axiom acquired](#) the innovative Cognition LLP. A month later AdventBalance [announced a merger](#) with Lawyers On Demand. Their goal is to create the biggest international NewLaw firm. Not long after, Deloitte Legal announced an [affiliation with Conduit Law](#).

NewLaw is here to stay and is expanding fast. It is changing the legal sector and large law firms are facing unprecedented pressure to adapt.



The fact that the Big Four made their first move into NewLaw only serves to reinforce this thesis. If you haven't heard of NewLaw: worry not!

In this article, you'll discover NewLaw and how the concept was created. We've included success stories and comments from leading companies that have implemented NewLaw. You'll see what is so compelling about the business model that compelled many firms to turn to it.

# Introduction

## NewLaw – What is it?

There are many definitions of the NewLaw concept. Most describe NewLaw as a flexible alternative to the BigLaw business model. [Jordan Furlong](#), a legal market analyst and consultant, gives a short [description](#) of NewLaw:

*“Any model, process, or tool that represents a significantly different approach to the creation or provision of legal services than what the legal profession traditionally has employed.”*

~ Jordan Furlong

# History of NewLaw

# 2

The best way to understand NewLaw as a term and concept is to dive into its history and evolution. The idea of NewLaw is complex, so let's see how the term emerged.

The consultant [Eric Chin](#) devised NewLaw as a term in 2013. We contacted Eric to ask him exactly how this happened. Back in 2013, there were mountains of words written about BigLaw firms. The topics of the day were globalization and profit in a hyper-competitive environment.

***"At the periphery of the legal industry, when I was at Beaton, we were studying the emergence of what was then called "alternative legal service providers"***

***Eric Chin, consultant with Corporate Strategy and M&A experience at professional service firms in the Asia-Pacific region.***

Eric recalled that [Axiom's](#) founder, Mark Harris, was [interviewed by Bloomberg](#). Harris noted his firm was inappropriately labelled as an LPO. He said that there was no vocabulary to support the new category yet.

# History of NewLaw

***“With the mouthful categorisation (alternative legal service providers) when compared to the BigLaw neologism and the challenge from Mark, the term “NewLaw” was born.”***

**~ Eric Chin**

All alternative legal service providers had something in common. They started revolutionizing the legal landscape with two key approaches. According to Chin, the first one was having a ‘virtual workspace’. The other was that these organizations preferred to work with so-called “supertemps”.

Despite the NewLaw term being only three years old, forms of NewLaw actually emerged in the '90s. Back then, forward-thinking companies used technology to speed legal service delivery up. [Epoq](#), the pioneer in legal document automation, is a great example. The company was established in 1994, as one of the first to develop online legal document services. Since then, many firms have come to realize the legal sector is changing and they should adapt.

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# The difference between NewLaw and Traditional Law

An essential differentiator between the two models is the flexibility of work arrangements. NewLaw gives top legal professionals (supertemp lawyers) flexibility in their daily work schedule. This confronts the traditional ‘2,000-hours per year’ BigLaw model. The advantages for attorneys are clear - more freedom and a considerably better work-life balance.

Another key element in NewLaw firms is that they leverage alternative pricing. Most innovative companies have widely adopted the so-called “[alternative fee arrangements](#)”. Generally, AFAs are defined as all kinds of fixed fee structures.



According to many aspiring firms, [alternative fee arrangements](#) outperform the billable hour, in terms of benefits, value and efficiency. The cost certainty for clients and administrative simplicity are further big advantages.

# The difference between NewLaw and Traditional Law

Another big differentiator between the two models is the active use of legal technology by NewLaw firms. Tech solutions empower them to deliver more value to clients. Preferred options are applications that streamline all aspects of the workflow. They help firms communicate between their teams and clients effortlessly, and react much more promptly, with a faster turnaround time. Legal technology enables lawyers to show greater transparency in fees, and analyze matter-related data quicker.

The NewLaw ventures, that are innovating with respect to process and technology, will measurably outperform their competitors – some of whom are currently considered part of BigLaw – in both cost and quality.” commented [D. Casey Flaherty](#), Principal of [Procertas](#) and expert in legal tech.

Apart from the flexible work and billing arrangements, disruptive technology and business practices, there are other big differences. Dr. George Beaton has made [detailed comparison](#) of the differences between NewLaw and BigLaw. You can find an in-depth analysis of both models in his books: [NewLaw New Rules – A conversation about the future of the legal services industry](#) and [Remaking Law Firms: Why and How](#). Dr. Beaton outlines 10 hallmarks for both business models that compare their main characteristics. You can also see a detailed version of the table made by Dr. George Beaton [here](#).

| <b>BigLaw</b>   | <b>vs</b> | <b>NewLaw</b>   |
|---|-----------|---|
| Attraction and training of top legal talent.                                |           | Deployment of talent with the requisite legal and process skills. |
| Lawyers striving to deliver near-perfect technical excellence.              |           | Practitioners delivering a fit-for-purpose service.               |
| Lawyers expected to both find and produce work for clients.                 |           | Selling and producing work are separated.                         |
| Promotion of the personal brands of rainmakers.                             |           | Promotion of a corporate brand.                                   |
| Use of sustaining technologies.   |           | Application of disruptive technologies.                           |
| Leveraging' of fulltime lawyers to do the bulk of the work serving clients. |           | Flexi-work practices that match supply with demand.               |
| Creation of a tournament to motivate lawyers to become equity partners.     |           | No tournament.  |
| Tight restriction of the number of equity owners.                           |           | Non-lawyer shareholders.  |
| Structured or partnership.  |           | Incorporated.   |
| Charge clients hourly rates.  |           | Charge clients fixed fees.  |

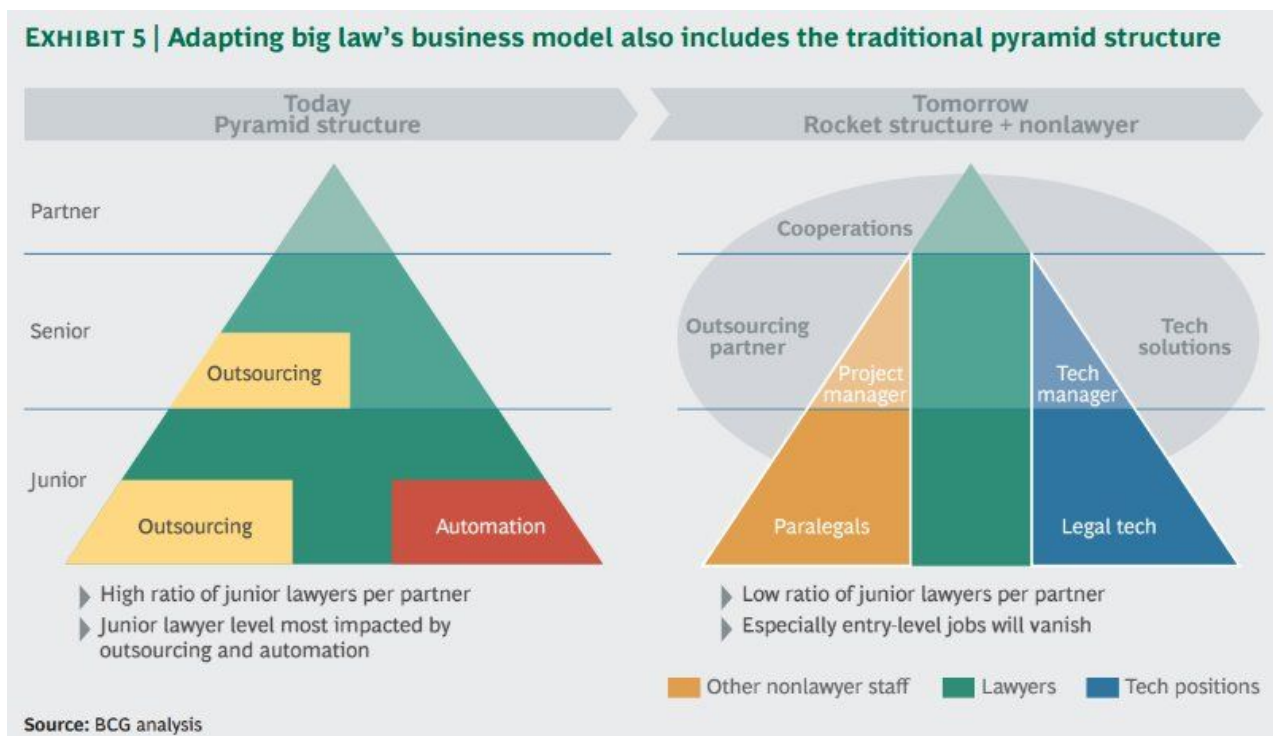
It's important to say that these elements are indicative, not absolute. As Flaherty outlined: "the term increasingly seems to be applied to anything that isn't BigLaw. And yet, BigLaw can apply NewLaw principles. And new, not-BigLaw outfits can be straight-up OldLaw with slightly lower rates."

# NewLaw firms' Rocket Structure and the 'devolution' of BigLaw

It's interesting to see the differences in the firm structure of both business models. The traditional BigLaw model is based on the partners-associates structure. Partners are joint owners and associates are lawyers who have the possibility of becoming partners. Usually, they might have to gain 11 years of experience before becoming partners!!

Recently, this conventional pyramid structure is being criticized. Let's take a look at the latest reports on the topic.

[How Legal Technology Will Change The Business of Law](#) was published in January 2016 by the [Boston Consulting Group](#) and [Bucerius Center on the Legal Profession](#). If you haven't read it, we strongly recommend it!



Source: [How Legal Technology Will Change The Business of Law](#)



## NewLaw firms' Rocket Structure and the 'devolution' of BigLaw

The image on previous page shows a prediction for future firms' rocket-shaped structure. It suggests there will be fewer associates (as well as paralegals, clerks, juniors, etc.) per partner.

The report's authors predict that the use of technology will increase substantially. This will result in automation of 'low-skill legal tasks' (invoicing, reporting...). The [rocket business structure](#) will require different types of professionals. New roles will emerge, such as project managers, legal technicians, and marketers. In future, law firms won't need so many generalists.

The BCG report isn't the only one that warns attorneys about upcoming changes. According to Deloitte's latest report [Developing legal talent: Stepping into the future law firm](#), the traditional law office will unquestionably change. The report notes that firms will need a clear strategy for dealing with changes in four main areas:

- Client demands
- Technological innovations
- Regulatory landscape
- Policy developments

An indicator of the changing business model is the devolution of BigLaw firms into less hierarchical companies.

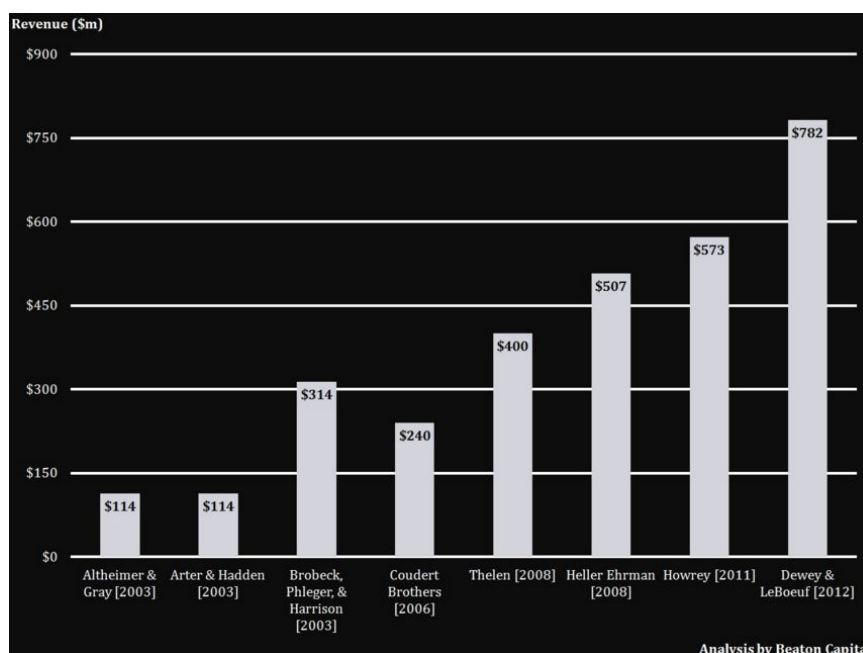
Prof. Larry E. Ribstein cited good examples in his [book](#) 'The Death of Big Law'. One of the cases is Brobeck, Phleger & Harrison, dissolved in 2003. According to him, the company failed due to several issues. First, it failed to merge with another large law firm. The company employed 900 lawyers in 2 years and raised salaries to stay competitive.

## NewLaw firms' Rocket Structure and the 'devolution' of BigLaw

***“When the tech bust hit the firm’s core practice, revenues dropped precipitously, 60 partners left in 2002, and the firm was left with significant debt and excess office space”***

**~ writes Ribstein**

Similarly, Cleveland-based Arter & Hadden expanded ambitiously, hiring almost 400 lawyers in the 1980s and 1990s. Unfortunately, the new lawyers didn't have a strong bond with the firm. Arter & Hadden didn't manage to keep the human power. Most lawyers left quickly to work for other organizations. In 2000, senior partners started leaving the firm. By 2003 their number had slumped to only 15 (from 87 in 1998).



Source: *Analysis of BigLaw firms' collapses made by Beaton Capital*

## NewLaw firms' Rocket Structure and the 'devolution' of BigLaw

Another example of a BigLaw firm collapse is Thacher Proffitt & Wood, founded in 1848. The firm was a leader in the mortgage-backed securities market. TPW had a reputation as a prestigious law firm, placed among the top 200 by The American Lawyer. Between 2003 and 2007 the firm hired up to 173 lawyers. According to Prof. Ribstein, the associate-partner ratio was 6:1. It seems that the loyalty bond at TPW wasn't strong enough either. At the end of 2008, nearly 100 attorneys (including 40 partners) left to work for Sonnenschein, Nath & Rosenthal.

Prof. Ribstein had given many other examples of firms with a similar fate and an identical pattern. Most failed trying to grow, and add revenues, by quickly hiring hundreds of lawyers. But these companies had other drawbacks too. They didn't manage to build a sustainable culture that keeps employees. This is the point where NewLaw's advantages really shine.

NewLaw rewards those who are proactive, efficient and who build meaningful relationships with clients. These elements make lawyers loyal to the organization they work for.

Let's take a look at some examples of NewLaw firms. They have all built extraordinary cultures for their attorneys and clients.

## NewLaw's Pioneers



UK-based [Halebury Law](#) is a NewLaw pioneer. It was founded in 2007 by former in-house lawyers [Janvi Patel](#) and [Denise Nurse](#). Both have worked in private practice and in-house. They noticed the changing needs of in-house teams and career expectations. In response to these needs, they built Halebury Law.

What makes Halebury unique is the adaptability in pricing. The firm's clients can choose from volume discounts, daily rates, bulk hour purchases, project rates, monthly rates and fixed fees. Each fee is tailored to the specific needs of every client. An essential part of the company is the focus on transparency and tracking the right metrics.



'The law firm reinvented.' This is the motto of [Bespoke](#) which specializes in Commercial and Corporate law. As a pioneer in NewLaw, there are six main fields in which Bespoke is different:

- innovative value-based pricing;
- cost certainty;
- complete transparency;
- use of technology and cloud solutions;
- low overheads; and
- an absence of large sunk costs;



## NewLaw's Pioneers

***“One of our most distinguished and innovative concepts is our Outsourced In-House Counsel service. This hybrid service gives clients the benefit of a senior in-house lawyer when required, without wasting time, money and effort on recruiting and headcount costs. This, together with our D.cubed pricing model facilitates our drive to better understand the client’s business.”***

~ [Jeremy Szwider](#), founder of Bespoke.

According to him, the legal industry has been craving a competitive environment. “It is more than just a passing trend. Steve Jobs once said ‘Innovation has nothing to do with how many R&D dollars you have. When Apple came up with the Mac, IBM was spending at least 100 times more on R&D. It’s not about money. It’s about the people you have, how you’re led, and how much you get it.’ The legal profession does not have the privilege of having a leader like Steve Jobs at its fingertips. However, there appears to be enough innovators and disruptors looking from the outside in and helping us push the boundaries to evolve the legal profession. Some may simply call it an iteration or an evolution in the legal marketplace – I call it ‘a revolution’.”, says Szwider.

## NewLaw's Pioneers



***"The dinosaurs didn't see the meteor coming, so we can't blame them for their own extinction, but law firms have no such excuse."***

**~ Michael Bradley, Managing Partner of Marque Lawyers**

[Marque Lawyers](#) is a boutique law firm based in Sydney, Australia. It was established in 2008 with the stated ambition of revolutionizing the way law is practised. Marque Lawyers believed that law as traditionally practised, was dysfunctional and the principal evil was charging on a time basis.

So, Marque Lawyers got rid of timesheets and created a new business model that supports how they wanted to engage with clients.

In an interview for [LegalTrek's blog](#), Michael Bradley, Managing Partner of Marque Lawyers stated that their focus is entirely on the clients' work and client relationships. This is one of the reasons they abandoned timesheets and adopted non-hourly pricing. For Marque Lawyers, this means their effort is recognized and rewarded on the basis of skills, experience, complexity, efficiency and innovation. If you're curious to learn more about the journey and business model of Marque Lawyers, read the interview with [Michael Bradley here](#).

## NewLaw's Pioneers



[Seyfarth Shall LLP](#) is an international law firm with offices in the US, UK, Australia and China. The company is known as one of the most innovative and client-oriented firms. It has adopted the [Lean Six Sigma](#) ideology and advocates 'lean' ideas across the industry.

We asked [Ken Grady](#), Lean Law Evangelist for the company, what is his perception of NewLaw and its advantages. According to him, NewLaw models embrace change, leverage computers, use diverse professionals, are agile, focus on content (not time!), and put the needs of clients ahead of the needs of lawyers.

***"All of these behaviors will benefit clients and the legal industry by bringing down the cost of justice while raising the quality. To bring home that point, we need to develop data sets and metrics that show what is happening with change in the legal industry."***

~ Ken Grady

## NewLaw's Pioneers

There are many people who are afraid or skeptical about trying new business models. Grady says that 'NewLaw naysayers' claim that slow is good in law, because it helps keep societies stable. But, he points out, that it is NOT good for delivering legal services. "What justification do we have for asking clients to pay large invoices to receive legal services when we can provide the same services, at higher quality, for lower prices? If a computer does it better (faster, less expensively, higher quality) than a human, we should let the computer do it. If the human is the better solution, we should let the human do it. Our future will be combining computers with humans, what I call the "augmented lawyer," to give clients the best of both worlds," concludes Grady.



[Conduit Law](#) is a Toronto-based firm that was [recognized](#) as one of the most innovative firms in Canada by the Financial Times. Conduit Law provides on-demand GC services. The company is a typical NewLaw firm, agreeing with clients upfront on the fixed fee and the scope of the work to be provided. Conduit was created in 2012 by [Peter Carayiannis](#).

Conduit main focus is on clients. "Our new business will provide a broader range of services ..with a national footprint, but without changing our commitment to providing high quality and cost effective solutions," said Carayiannis. To serve clients best, the firm has embraced alternative billing. It is a champion of implementing value-based pricing.



## NewLaw's Pioneers



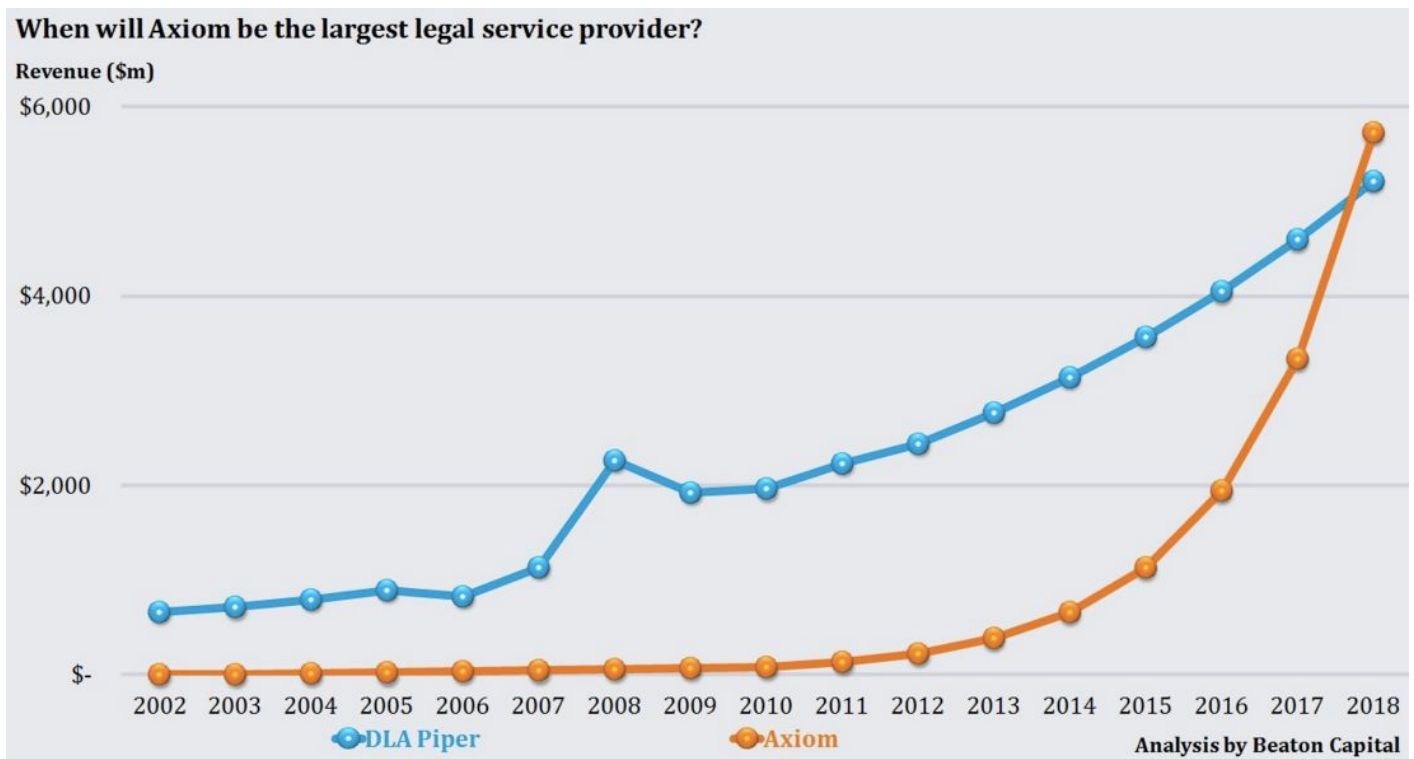
Valorem Law Group is a business litigation firm that has also crafted a unique pricing model leveraging alternative fee arrangements. The lawyers at Valorem are esteemed thought leaders, especially in the field of legal pricing. The firm has been operating under a model they designed.

***“Now, nearly every law firm of note claims to be doing the same; but beware of wolves in sheep’s clothing. For us, a fixed fee is actually fixed – not just a starting point for later increases. And we don’t boil the ocean to make a cup of tea.”***

~ Valorem Law Group

## NewLaw's Growth Predictions

In 2013, Eric Chin predicted that **Axiom will become** the world's largest legal services firm by 2018. According to the estimated prognosis, Axiom might outgrow DLA Piper by \$500m by then (see image).



Source: *NewLaw New Rules – A conversation about the future of the legal services industry*

Why is this important?

It is significant because it will cause a chain reaction among forward-thinking law firms. **The pioneers are leading** others to the new ways of practicing law. These success stories are showing that mindset, cultural and business models shifts are not something lawyers should be afraid of.

## NewLaw's Growth Predictions

The NewLaw paradigm poses major questions for law firm partners and the model they should choose for their companies. One thing is sure – for lawyers and law firms – change is inevitable. The combination of law with other kinds of expertise (like project management and legal technology competence) will be essential for those who want to thrive in future law. The legal sector is changing for the better, and we believe there's much more to come!