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The Metropolitan Corporate Counsel®

Northeast Edition

www.metrocorpccounsel.com

Volume 16, No. 5

© 2008 The Metropolitan Corporate Counsel, Inc.

\$10 per copy

May 2008

The Legal Landscape Of The Future – An International Perspective

Bryan Hughes, UK Managing Partner of Eversheds LLP, outlines key findings from the international firm's recent "Law Firm of the 21st Century" report, the challenges facing legal firms and their clients and the benefits of working with a global law firm.

Editor: First, please tell our readers a little more about Eversheds.

Hughes: Eversheds LLP is one of the largest international law firms, providing legal services to the business and finance community and across a wide range of industries both in the private and public sector. Headquartered in the heart of the City of London, Eversheds International has over 2,000 legal and business advisers. Access to specialist legal expertise is provided through 37 international offices, which are based across Europe, the Middle East, Asia and Africa. Global clients include multinational organizations such as Tyco, DuPont and Brady.

The firm is experiencing rapid growth and developing a reputation as one of the most pioneering in the legal sector, following the introduction of our unique project management approach to planning and billing and launch of our innovative Global Client Management methodology (GAMS). In addition, the recent publication of our much publicized "Law Firm of the 21st Century" study has further cemented this reputation.

Editor: Why did you produce the report?

Hughes: The legal services industry has changed considerably over the past decade and continues to evolve to meet the needs of client operations in increasingly complex and challenging global markets. The "Law Firm of the 21st Century" report is our attempt to pinpoint the issues that matter most to law firms and their clients and is designed to inform our thinking and practises for what promises to be a challenging decade ahead.



Bryan Hughes

Editor: What sets this report apart?

Hughes: In order to give the truest possible picture of what lies ahead for the legal industry, we believed it was absolutely crucial to canvass the profession in its entirety.

What makes this study unique is that it comprises opinions from both sides of the legal fence, including the top international law firms as well as 50 of the world's most prominent businesses. Moreover, we weren't afraid to tackle some of the thornier issues that have historically followed the profession, such as fees.

Editor: What were the top line findings from the report?

Hughes: The research paints a fasci-

nating picture of the opportunities and challenges facing the top legal firms and their clients as they look forward to the next decade. What is clear is that the legal market will experience change and there are a number of pivotal areas which need careful consideration, by both law firms and clients, if the legal sector is to continue to flourish. These findings are borne out by a further recent study, part sponsored by the firm, titled "Legal Transformation Study; Your 2020 Vision of the Future," which identified a number of key trends and uncertainties likely to impact the legal profession over the next decade, and presented various strategic planning scenarios for how legal services may be delivered in 2020.

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**Wake Up To The Future:
How Corporate Legal Services Must Change
Save The Date – Thursday June 12, 2008 NYC**

Future Legal Landscape

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In overview, the “Law Firm of the 21st Century” report covers how the client/lawyer relationship is changing, the shape and structure of future law firms and trends in the way top clients are buying their legal services. In addition, it looked at what the impact of commoditization and standardization will be on top lawyers and clients and challenges associated with achieving a credible work-life balance.

Editor: Tell us more about the findings on billing trends.

Hughes: Perhaps unsurprisingly, rising fees and the cost of buying legal advice proved the key concern among clients, with over half (55 percent) believing that the current growth in law firm fees was not sustainable. Controlling costs is a major concern for clients who are increasingly calling on their legal providers to justify fees and over half (53 percent) thought that lawyers needed to be more commercial and align themselves to their clients’ business. But many top law firm partners are out of sync with their clients, with only 21 percent of them mentioning the need to control costs or add value as a concern.

The study highlighted the ambivalence lawyers and their clients have to the hourly rate. While most partners (82 percent) and clients (86 percent) believe the hourly rate will be alive and well in ten years time, most acknowledged that it was not the most advantageous billing process for clients. A third of clients (32 percent), in turn, expressed their deep dislike for the billable hour.

Editor: What did the survey reveal in terms of trends in commoditization?

Hughes: When asked about the reported trends of a move towards commoditization of legal services, most partners and half of clients questioned (53 percent) agreed that commoditization and standardization were significant trends in the legal market. However, they were not expected to eradicate the existence of the expert, individual lawyer as some commentators have recently predicted. 70 percent of partners believed that the type of work they did would be immune to commoditization and they actively wanted to avoid that trend in their practices. However, just over half the clients could see that commoditization was a potential way for private practice lawyers to add value.

The reality is that premium services become increasingly standardized and then commoditized as they become common. Partners in law firms need constantly to question whether what they are doing remains “premium” and if, as is often the case, it is not, they need to do two things differently. First they need to move into another “premium” area and, secondly, facilitate the commoditization of the work that is no longer premium. Without such rigorous questioning, partners will be seeking to do non-premium work at a premium price, which is not sustainable.

Editor: What was the verdict on the area of work/life balance?

Hughes: The majority of partners interviewed (77 percent) believe that law firms are good places to work, with one third believing they had become better places to work over the past ten years. However, partners were split about whether a credible work-life balance is possible. While nearly half (46 percent) felt that achieving a work-life balance should be a key goal for firms, others (48 percent) were more pessimistic, stating that 24/7 client demands meant it was unachievable.

Clients, on the other hand, did not feel responsible for the compromised work-life balance felt by City lawyers. Over half of them (52 percent) thought a credible work-life balance was achievable. However, the same proportion felt that this could only be realistically achieved if firms made significant changes to their approach and management.

The idea of flexible working also split the respondents on both the client and partner side, with 56 percent of partners and 45 percent of clients stating that flexible working did not offer a credible solution to work-life balance. However, similar numbers of clients (41 percent) and partners (38 percent) believed that offering flexible working should be a key business objective in order to attract talent and retain the best employees.

Editor: How is Eversheds addressing the main issues arising from the report?

Hughes: In 2007, Eversheds invested heavily in a project management system to bring greater transparency and cost certainty in the way legal services are delivered in the industry. The firm uses the system to predict, structure and manage costs and timescales for clients.

When launched, the approach was unique in the legal industry. We invested £10m in new systems and documentation for clients and trained over 2,000 staff. The firmwide launch followed the successful trials of DealTrack in the corporate finance arena and RAPID Resolution in litigation and dispute management. The DealTrack model is now used for all the firm’s non-contentious work and RAPID Resolution for the firm’s contentious activity. The approach delivers a number of benefits for clients including predictability and control of cost, reduced workload and business disruption and value for money. As such, several clients now use this model, including major international corporations such as Tyco and Brady Corp.

In the area of greater transparency and commercial thinking, Eversheds’ Global Account Management System (GAMS) is a unique, web-based infrastructure that was developed following the launch of the project management approach. This is a particularly useful for businesses which operate across a number of jurisdictions, using Eversheds lawyers across a number of international offices. By providing a business with firm cost estimates prior to every instruction, clients get absolute control of what we do and make the best use of their own legal resource and external

spend.

For example, many multinationals have grown by acquisition, which means every time they buy a company, it comes complete with a number of subsidiaries each with its own set of outside lawyers. This could result in a roster of hundreds of law firms across the world – this makes it a nightmare for a general counsel to control, leaving them open to inevitable risks. The GAMS system addresses these concerns.

The key benefits of GAMS are that it allows the business to understand its total legal spend and how to control it. The system also allows the business to produce evidence of delivery of value, it provides accurate budgeting of costs on all matters and there is real transparency in costs on projects.

In terms of the trend towards commoditization, Eversheds already works in a way that is anticipating this. While the majority of our work does require specialist knowledge, we assess each project on an individual basis. This means ensuring the right team is in place at the level required, as well as having the right systems and processes to get the job done. We firmly believe that we need to adapt to market changes – if our lawyers are doing the same things in three years, then they won’t remain competitive.

In relation to achieving a work-life balance, Eversheds’ “Lifestyle” initiative demonstrates how flexible working can be achieved. Eversheds is committed to providing its lawyers with a credible work-life balance, thus helping to ensure that it is a great place to work. However, being an international law firm, and due to the nature of some of our work, we understand that we have to respond to our client needs, whether they are in the U.S. or Shanghai. With this in mind, we have invested heavily in technology that allows our lawyers to be accessible anywhere in the world. We don’t expect our lawyers to work 24/7, which is why we ensure we have teams in place to ensure client needs are met without compromising the work-life balance of our employees.

We also regularly ask our employees what they think via our Pulse surveys. Recent Pulse surveys have shown that 83 percent of Eversheds employees think the firm is a great place to work and 81 percent are proud to work at Eversheds.

Editor: Looking at the North American market, what are you finding that corporate clients look for in a global law firm today?

Hughes: As always, quality of service and technical expertise is absolutely paramount as are productivity and accountability. More than ever, clients value peace of mind that their projects are delivering desired outcomes on time and on budget.

Looking beyond service delivery, in relation to emerging markets, having a presence in areas where clients are growing is a major plus. The ability to offer experience-based insights on handling and approaching legal issues and how laws and regulations are being enforced locally is absolutely invaluable.

This is where working with an integrated, global firm is of real benefit. Dispersion of legal work can create real problems where it is necessary to marshal the efforts of a number of independent law firms across a region to resolve a problem. The effectiveness of our approach is illustrated by a recent situation in which a client was confronted with a waste electrical directive affecting the whole of Europe. In the past, the regional counsel for Europe might be faced with dealing with perhaps 30 or so different law firms to try to find out what the different rules are in each of the countries in which it would be affected by the regulation. Under the Eversheds’ model, we were able to get lawyers from our offices in the five big jurisdictions on a conference call. We talked through the issues, came up with our strategic solution, and then we effectively implemented it across 30 countries with our local offices adapting it to local conditions. This saved time and a lot of money and very much reduced risk.

Editor: How are North American corporate clients’ international legal needs changing with the economic downturn?

Hughes: With the ongoing credit crunch continuing to affect the global financial services industry, we are finding that legal resources are increasingly sought-after and needed especially in client growth areas, which are typically emerging markets that are often remote.

In the current climate, law firms must be extra careful to resource assignments cost-effectively and to be mindful of wider business issues and objectives when doing so. As such, up to date information is absolutely essential to efficiently track legal issues and outcomes as is the ability to swiftly spotlight problem areas and respond equally swiftly to avoid costly disputes. This is where account management systems such as GAMS really come into their own.

Editor: Where next for Eversheds?

Hughes: These are particularly exciting times for the firm as May sees us complete our move to One Wood Street, our new international headquarters in the City of London. The move is significant – not only will it be our new state-of-the-art headquarters, to be used as a base for our international network, it is a physical symbol of Eversheds’ commitment to become a true global player in the legal sector.

We will also continue to work in a way that sets us apart from our competitors – our study clearly indicates that international firms will face a number of key challenges over the next decade. By continuing to invest in the best people and systems, we believe we are well-placed to meet these challenges head on, further cementing our position as a pioneer in the international legal services sector.

Bryan Hughes is Eversheds’ UK Managing Partner and additionally responsible for UK Operations and the firm’s Client Relationship Programme. Previously Bryan was Chief Operating Officer of Eversheds and is a practised litigator.

Please email the interviewee at bhughes@eversheds.com with questions about this interview.