

SCALES TIP FOR LAW FIRMS

They're hiring again, but clients are closely watching their costs

By **Jamie McGee**
jmcgee@tennessean.com

Nashville's largest law firms are reporting a new wave of hiring, but instead of pronouncing a full-blown recovery after the recession, they are describing a new normal where clients are paying more attention to costs than ever before.

"The legal industry certainly hasn't rebounded to pre-2008, but it has steadily improved and is much better than 2008 (or) 2009," said Bass Berry & Sims managing partner Todd Rolapp, whose firm announced 18 new hires in December, 15 in Nashville.

Throughout the recession, firms nationwide, and many in Nashville, reported layoffs and structural changes as the economy reduced overall client demand and firms sought to reduce expenses. Boosted by an improving economy in a growing market, local firms are now viewing the industry more optimistically.

Waller, Nashville's largest law firm, announced in December that it had added 20 lawyers to its Nashville offices, and Baker Donelson Bearman Caldwell & Berkowitz has hired 22 new Nashville attorneys in the past year.

Frost Brown Todd has announced plans to add 50 Nashville lawyers in the next two years, having increased to 28 from 12 since 2010. Butler Snow's Nashville office has grown to 50 attor-

neys from two in the past two years. Bradley Arant Boult Cummings added 14 new lawyers in the past year.

During the downturn, Waller laid off at least 30 people, including six lawyers, and reduced its equity partnerships to 55 from 85, with some choosing to leave the firm. In 2009, Bass Berry & Sims said it had cut 32 staff members, including 10 attorneys, reduced the size of its summer class and deferred start dates for new attorneys.

Across the U.S., some firms closed, and many prestigious, large-scale firms accustomed to decades of rapid growth cut staff and reduced pay for both partners and associates, with layoff announcements continuing through 2013. Employment rates for law school graduates fell to 85.6 percent in 2011, the lowest since 1994, according to the National Association for Law Placement Inc. in Washington, D.C.

Scott Carey, managing director at Baker Donelson's Nashville office, said corporate attorneys who had seen work levels decline during the recession are seeing demand pick up in areas such as real estate, tax, and mergers and acquisitions. Baker Donelson has added lawyers in those areas.

"We were probably fairly typical through the recession, in that our hiring trends were more conservative," Carey said. "Now, as the demands of our clients are in-

» LAWYERS, 4D

creasing, we are adding lawyers."

Alternative fees

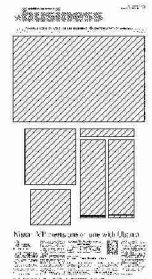
Along with demand for more legal work, clients are seeking more cost control on legal matters and asking about alternative fee structures that replace the traditional billable-hour model. Instead of waiting to discover the bill after a transaction or issue is resolved, with alternative arrangements in place, clients and lawyers establish costs in the early phases of a project.

While it allows firms to control how much profit is made on a particular case or deal, it also can mean not getting paid for some work if the cost estimates end up being inaccurate, said Waller Chairman John Tishler. He estimates that 20 percent of Waller's payments are based on alternative fee models, compared with about 1 percent in 2007.

"I strongly believe that's here to stay and, frankly, I think it's a good thing," Tishler said. "It helps the client and the law firm get their (heads) around on the front end what something is going to cost."

Such arrangements, done correctly, can be a win-win, said Dan Elrod, partner at Butler Snow.

"(Clients) get to predict it and budget for it, and it eliminates any incentive in the law firm to overstaff matters and to have more senior people working on something, when in fact it could be done by a less-experienced person," Elrod said. "It eliminates incentives for inefficiencies within law firms, and that's the win on the client side. The



win on the lawyer is it really creates more of a true partnership between us and our clients about how we are going to handle their legal affairs.”

Contract attorneys

Corporations and law firms are also increasingly turning to contract attorneys who are retained for particular projects. For legal service companies such as Brentwood-based Counsel on Call, which provides legal services on a project basis, that means opportunity.

“Innovative law firms are looking for ways to save their clients money, and their clients are ultimately demanding they look at more cost-effective structures,” said Eric Schultenover, regional director at Counsel on Call. “A company like Counsel on Call can bring those innovative law firm partners the resources to meet those demands.”

The company, created in 2000, has quadrupled its revenues since 2009 as firms increasingly outsource due diligence and e-discovery services to Counsel on Call, and it has grown to more than 1,000 lawyers in seven markets, up from 600 in 2009. Schultenover said law firms now represent about 25 percent of the company’s client base, compared with about 15 percent two years ago.

Bob Patterson, who is Bradley Arant Boult Cummings’ Nashville office’s managing partner, said firms are having to increasingly think like a business.

“(The issue) for all law firms is how do we ensure our clients get the best service possible even while they want to spend less and less money on le-

gal services?” he said. “You hold yourself to certain standards and you have to perform to them.”

Reach Jamie McGee at 615-259-8071 and on Twitter @jamiemcgee_.



GETTY IMAGES / ISTOCKPHOTO



Attorney Bahar Azhdari works in her office at Waller, Nashville's largest law firm, which in December announced it had added 20 lawyers to its Nashville office. JAE S. LEE / THE TENNESSEAN



Scott Carey, right, is a managing partner at Baker Donelson, which has hired 22 lawyers in the past year. He says the industry is not back to where it was pre-recession, though, and clients increasingly want alternative payment options. LARRY MCCORMACK / THE TENNESSEAN