



an interview with
David Goldenb

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The Reality of a Virtual Law Firm

Ben Franklin said, "When you're finished changing, you're finished."

That could well be a mantra for today's law firms. It's obvious that with mounting pressure from clients to provide better billing models and more efficient models for service delivery, while faced with over-arching issues of sustainability, firms will need to be open to change as they face the future.

We spoke with David Goldenberg, a founding partner in Virtual Law Partners (VLP), a brickless-and-mortarless model for collaboration and client service that seems to have a great head start on that future.

ILTA: Tell us, David, how did VLP get started — what led you to the virtual model?

David: We owe a large part of that vision to our late CEO and founder Craig Johnson. Two of his former colleagues, who were quite familiar with his legendary skills as a Silicon Valley attorney, technologist and entrepreneur, approached him in 2008 looking for ideas on how to grow their small practice. Craig, who was retired at the time, took that opportunity to explore ideas that had been germinating in his imagination. He pondered how technology, which had matured so much in 10 years since he had founded his last law firm, Venture Law Group, could be leveraged to support a virtual practice for attorneys who preferred a non-traditional environment. Out of those conversations came the concept for Virtual Law Partners.

The three developed a website with a virtual and scalable law practice — a business model that was appealing and easy to sell to the attorneys. Built as a platform for the partners' legal practice, VLP would take a percentage off the top to manage the practice, rather than the traditional model in which all partners share all the expenses and all the profits.

Besides that business model, another obvious difference between you and a brick-and-mortar firm is that you don't have to carry the high costs of lease space, build-out and staff overhead. But what are the cultural differences?

Technology has leveled the playing field between the virtual environment and the traditional one. In both traditional and virtual firms, when you need to confer with a client or get a question answered by a colleague, you do it via e-mail, IM or the phone. That's just the way most lawyers practice regardless of the size or type of our firm. Of course, depending on the type of services they provide, traditional practices still need meeting spaces. But one of VLP's founding tenets was to exclude the types of practice areas that didn't lend themselves well to the virtual model. We don't do litigation, for example, so we don't need conference rooms for depositions.

Have there been any unforeseen benefits and/or challenges you've encountered along the way?

One challenge we faced that I don't think big firms have been focused on is building culture among attorneys who don't see each other very often. One way we tackled the issue early on was to create a Virtual Cultural Committee. Led by our Chief Cultural Officer, this group is dedicated to ensuring that we maintain a cultural bond among our partners. We believe this kind of attention on firm culture is critical to success at VLP and an important reason our attorneys stay with us rather than opting for solo practice or working for another kind of virtual environment.

Another challenge was the unexpected passing of the man we discussed earlier, Craig Johnson. There were transitional issues, as you would expect, but an amazing thing happened. Our attorneys, many of whom Craig was instrumental in helping bring into the firm, bonded and have largely stayed at VLP rather than disperse, as often happens in such a case.

To what do you attribute this?

I honestly think it's because of their belief that VLP truly offers a better way to practice. I find this quite amazing in an era when partners often move back and forth in their own self-interest, when the whole notion of family-type unity within a firm seems to have vanished. At VLP, there's an immensely strong and abiding spirit among our partners. That's a real testament to the strength of the bonds that have been built and the partners we've gathered here.

While we're on the subject of virtual firm culture, I'm intrigued about the position, Chief Cultural Officer. Tell us more.

One of the firm's founding principles was to have this Chief Cultural Officer and a committee — a group devoted to figuring out how partners could work together, interact with each other and bond. Our CCO is amazing. She fits in well into any meeting and is excellent at absorbing and summarizing the issues — to get the zeitgeist of the situation — and provide a solution or a creative answer to a particular need. She just has a natural ability for facilitation, and she has great insight. She has put together some of the best team-building events I've ever participated in or seen.

You said earlier that you've shied away from some practice areas because they didn't fit well into the virtual model ...

Yes, although we certainly remain open to adding any services in the future that evolving technologies might support.

Conversely, what areas did you identify upfront that were absolutely a perfect fit for your virtual firm?

When we started in 2008, our eight founding attorneys had all come either from the corporate and securities startup space (handling financing rounds and forming small companies rather than doing hundred million dollar mergers) and also from the tech transaction space (commercial transactions for technology companies). We all had come from big firms, and we were accustomed to working in very small teams, a partner and associate to handle financing rounds and maybe a legal assistant to handle the closing. We simply didn't need large teams or large rooms and lots of paper. That was the kind of work we did and how we were used to working, so carrying it over to VLP was very straightforward.

You mentioned paper. Typically, firms generate and maintain a lot of paper, and indeed, the law practice is a custodian of records which, of course, has tremendous compliance and risk issues associated. Tell us about paper and records management in your virtual practice.

“A lot of partners we’ve attracted have a nice size book of business but simply don’t want to work 2,000 hours a year for one reason or another, or don’t want to feel pressured to do so.”

One of our earliest decisions was not to maintain paper files. It’s in every engagement letter, every agreement with our partners, and in our firm policies. Normally when we do a deal, we simply exchange PDF signature pages, the client gets the original, and we call the deal closed. Every once in a while an opposing counsel from a big law firm asks for a paper closing set for their paper file, but normally our clients don’t ask for paper.

This system works so well for us because of our robust technology platform. All our PDFs of the closing sets and documents are uploaded and backed up with little overhead cost. And we’re proud of our smaller carbon footprint with this model.

Speaking of technology, do you find you need more technical support or less than in a traditional office?

Well, we require each attorney to provide his or her own equipment — unlike in a large firm where they would just be handed a configured laptop — so every computer that comes in is different and requires a bit of effort from both the attorney and the support staff. We require minimum standards for OS, processor speed and memory, but beyond that, tech support has to install or configure VLP’s e-mail, document management and video conferencing systems. And of course there’s a bit of training around that. You don’t have to be a computer genius — everything we use is off the shelf — but for someone a bit less tech-savvy who, for example, has never had to set up VPN, a few days’ setup time and help is usually required. None of it is rocket science.

I see from your Web site that VLP has attracted a lot of talent from different large law firms. Who is typically drawn to the virtual practice, and once they’re onboard, how do you sustain their interest and investment in the practice?

From day one, we’ve gotten a ton of resumes, and we’ve given a lot of attention to who would be the best fit with us. Not just in practice expertise, but culturally in a virtual environment. For

example, if they’re used to doing large M&A deals working on a large team, VLP would likely not be the right setup. It takes a special personality. You need to be a self-starter and have a good work environment where you’re comfortable working alone and not interacting physically with co-workers. The fact is, some personality types just might not be happy or successful with us. But like I said, we get a lot of resumes and have always had a wide selection of candidates from which to choose.

I imagine your Virtual Cultural Committee is always on the lookout for ways to keep your people’s interest in the virtual environment alive so that over time they don’t burn out from the environment of working alone.

Yes, absolutely. One of VLP’s core principles is that it should be a firm you’d never want to leave. To achieve that, we looked at the pain points for lawyers, like the minimum hours requirement and lack of control at the larger firms. We try to give a lot of that power and control back to the partners. A lot of partners we’ve attracted have a nice size book of business but simply don’t want to work 2,000 hours a year for one reason or another, or don’t want to feel pressured to do so. They want to feel like a partner and be able to work as much as they like without feeling under the gun to move up or out. Our model allows for that because of our lower cost than the traditional law firm model.

Tell us, what’s a typical day like for a lawyer at VLP — how is it different from a traditional firm?

In some ways, it’s much the same, with attorneys at their computers doing document processing, working on deals, e-mailing each other and their clients, engaging in conference calls. But of course the big difference is that our lawyers aren’t doing all that up the hallway from their co-workers; they’re working in their homes or in whatever personal space they’ve selected. We have one partner who lives in Wyoming with most

of his practice in Silicon Valley. He goes skiing for an hour or two before work, and he's online with his clients by 9:00 a.m. PT.

My office is at home. I'm able to take my kids to school or home from school a few days a week and spend quality time with them. Show me big-firm lawyers who can ski before work or carpool their kids!

What do you miss about your former life in a large firm?

Not a whole lot, frankly. My lifestyle was very different back then, and I could tolerate working very long hours. Now that I'm a family man, I just can't do that, nor would I want to. I'm a great fit for this kind of practice. I do sometimes miss the big social events and big budget things large law firms normally do, but all of us at VLP have chosen to exchange most of that stuff for a better quality of life day to day.

Has the economic downturn affected your business?

As I mentioned earlier, we've continued to add attorneys and their clients. What I'm seeing is that it isn't that clients want cheaper lawyers — everyone wants the best lawyer available, just like the best doctor or any type of professional — but rather, they're focused more and more on value, that is, the best bang for their buck. That's what our model is all about, and clearly, our clients are attached to that model.

Looking 10 years down the road, what changes do you see in the practice of the law?

I certainly agree that law firms will have to adapt to survive and thrive, but I don't think that means every law firm will become virtual. I'm sure more firms like ours will spring up because the technology allows it, but I think firms will have to embrace cutting-edge technology to better service their clients, like document management systems that clients can access, for example. We're already ahead of the game on that score because all of our documents are already stored online — it's just a matter of how and when we'll enable clients to access that. Those kinds of advances will be critical for law firms in the future.

One aspect of delivering better value to clients is providing alternative billing methods from the standard hourly fee. Do you have a unique type of billing practice that you can share?

Sure. We leave billing mostly to the individual partner, because our business model aligns the incentive of the partner and the firm. The partner is incented to pick the right number because the money doesn't go into one big pool as in a traditional firm.

But the one thing that's unique to our practice is that we have several partners — I'm one of them — who have a sort of hourly virtual general counsel relationship with some of our clients. If a client needs more than five or 10 hours a week of services, we can provide a fixed number of services for a discount to our normal rate provided the client guarantees those hours on a month-to-month basis. Several partners even spend "office hours" with their clients who aren't big enough to have their own full-time general counsel, but still have more

needs than that of a start-up. It's a great way for the client to help manage their legal costs on a fixed budget and for the attorney to have guaranteed income and a good, evolving understanding of the client's legal needs.

Let's hop into a time machine. Your three-year old is now graduating from college and wants to pursue the noble profession of law. What's the best advice you can give?

The same advice I would give today — make sure it's something you really want to do, something you'll truly love. What's that great quote . . . "The law is a jealous mistress"? It's a long haul to become a lawyer, and the work is hard. There's a lot of burnout and heartache with trying to balance your life and manage a practice. I don't think in 10 years or even 50 that's going to be much different.

David, as we wind up what's been a most enlightening conversation, let me just ask if there's anything we haven't touched on that you'd like to talk about?

I just want to go back to your question about will I see a change in law firms. What I think is that there will be a greater diversity in the type of firms out there. For instance, when VLP started, we didn't try to change big law firms, and we're not saying that big firms should be like us. What we are is a group of people who want to practice in a different way and are figuring out how to do that.

Our value is provided by our platform, so we don't need to struggle with how to offshore our work to India or some of the things that bigger firms need to think about in order to maintain per-partner profit. We built our firm on a different model precisely so we wouldn't have to think about a lot of those issues.

Big firms will still be around in the future, but we might have 50 other virtual firms competing with us. But who knows, 20 years from now we could be a 500-attorney firm. We'd still be virtual, but I think we could stand up against even the biggest firms.

Thank you, David, for giving us a really good look into your virtual world. Let's catch up in 2020. ILTA



David Goldenberg is a Founding Partner of Virtual Law Partners. Prior to VLP, David was a co-founder and partner of Lion Tech Law, a boutique law firm based in San Francisco. David has also served as general counsel for Mediabolic, Inc., the leading embedded entertainment software company in Silicon Valley, for nearly three years. David graduated from Stanford Law School in 1996, where he was Chair (Managing Editor) of the Stanford Journal of Law, Business & Finance. He received his bachelor's degree with honors from Stanford University. A member of the State Bar of California, David can be reached at dgoldenberg@virtuallawpartners.com.