

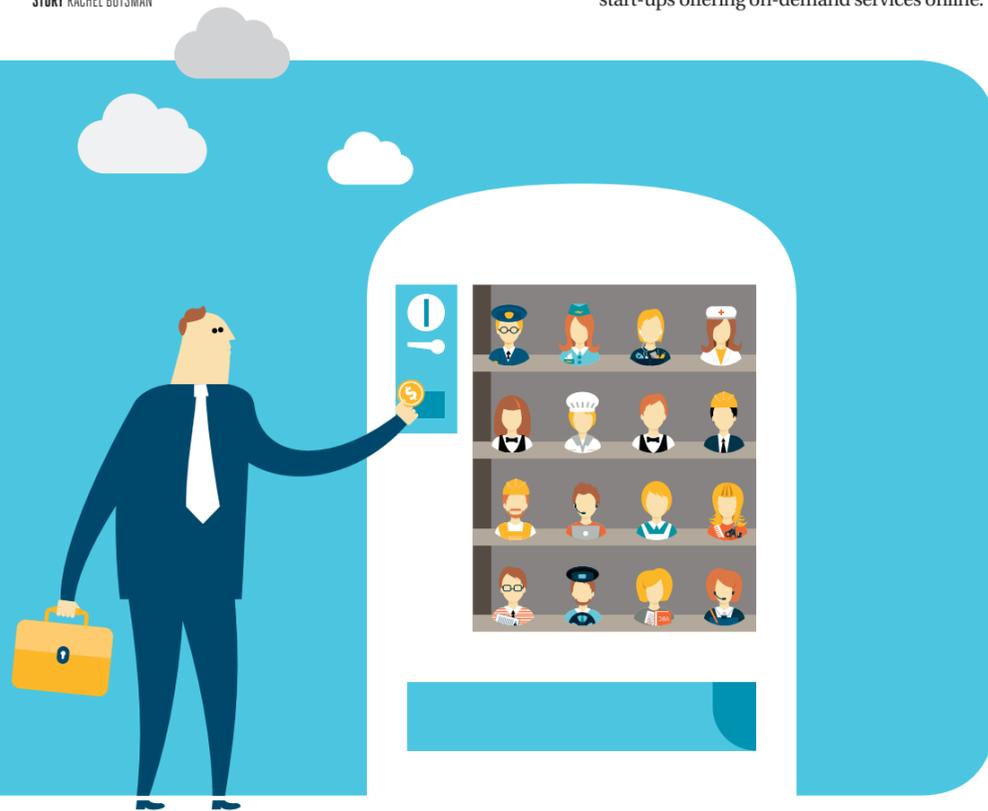


Rachel Botsman is a global thought leader on the power of collaboration

On-demand in high demand

The ranks of the large law, accountancy and consultancy firms are ripe for thinning.

STORY RACHEL BOTSMAN



When I lived in New York City, I was a senior associate at a consulting firm and my husband was with a prestigious law firm. On Friday nights, over our weekly beer and burger, we would often lament similar things.

Is it right that clients are paying steep fees for work done largely by more junior associates? How can our success be measured by our billable hours and not by the quality of work? Do we really want to slug away for a decade to try to make partner?

The model was broken for both employees and clients but even a decade ago a real alternative to the big-firm model in professional services was not clear. Today it seems likely that the world's largest professional services providers will operate in a virtual marketplace. UpCounsel for attorneys, VouchedFor for accountants and financial advisers, RecruitLoop for recruiters and Skillbridge for consulting are a handful of start-ups offering on-demand services online.

They work by matching clients with high-quality independent professionals with the skills, pricing and availability needed. It's being labelled the "on-demand talent economy" or the "Uber-fication of professional services". If you can hit the Uber app to get a ride when you need it, why wouldn't you do the same to find the right lawyer at the push of a button?

Using the internet to match people with short-term jobs is not new. On Airtasker, you can find someone to assemble your IKEA furniture; Mad Paws will find you a sitter for your critter; Helping will send someone to clean your house within a couple of hours. And then there is the rapid growth of platforms such as Freelancer, Elance and ODesk, where you can find everyone from freelance designers and assistants to web developers.

But until recently, the elite end of the professional services market has been dominated by behemoths – the Bains, Freehills and PwCs of the world – who charge premium prices for advice.

LAWYER JOKES LOSE THEIR PUNCH

Clayton Christensen, the esteemed Harvard Business School professor who coined the idea of "disruptive innovation", says innovations succeed if there is relentless focus on satisfying underappreciated consumer needs. In professional services, this dynamic is rife on both the supply and demand sides: clients often can't find or afford services at big firms and elite talent is hungry for a different way to offer, charge for and deliver their expertise.

Matt Faustman is the 31-year-old CEO and co-founder of UpCounsel, a marketplace for buying legal services from experienced, individually vetted attorneys. He started the California-based company in 2012 after nearly two years as a lawyer at Latham and Watkins.

"I'm passionate about how online platforms can take a service that has been typically expensive and complicated for many people and completely flip that experience," says Faustman. It's a worthwhile problem to crack as the yearly spend on legal services by small- and medium-sized US businesses is estimated to be \$US100 billion.

Clients using UpCounsel range from start-ups who want help with trademarking to mid-sized enterprises needing help with, say, employment or commercial contracts.

Faustman didn't expect to attract in-house general counsels at larger companies as clients but they use attorneys on the platform to add "flex-capacity" at a fraction of the cost of engaging full-time employees or contracting a big law firm. Faustman says different clients have similar concerns. "The top four priorities we are hearing are price, responsiveness, efficient discovery and transparency," he says.

The experience on UpCounsel and similar platforms – LawyerMatch, Lawtrades, Priori Legal and Lawdingo – is designed to be transparent and efficient. A client posts a brief; within 10 minutes to an hour, the platform

HOW WILL THE RISKS OF CASES AND PROJECTS BE HANDLED?

curates two or three best matches; to make the final selection, the client can chat online or call prospective attorneys with questions. Once the hiring decision is made, UpCounsel handles the administration, including billing. Indeed, clients can see in real time how much an attorney is billing, and for what.

"UpCounsel is making lawyer jokes a thing of the past because every small business can now easily discover high-quality, community-rated attorneys with the right skills for their job," says Hunter Walk, a partner at Homebrew, a venture capital fund which has invested in the company.

On large complex projects and cases with multiple parties involved, such as multimillion-dollar mergers, it is tricky today to see how virtual marketplaces can compete, given the mass in-person collaboration required. But that is likely to change. In the near term, the boutiques and mid-market firms will suffer the most from online competition. UpCounsel's transactional revenue growth is 20 per cent, month-on-month, and will transact tens of million dollars in 2015, indicating it has hit a sweet spot.

In 1937, at age 27, economist Ronald Coase published his influential essay, *The Nature*

of the Firm. Coase's theory states that large organisations make sense when it is more efficient for the buyer and seller to co-ordinate activity through a centralised hierarchy than to purchase goods and services directly.

But today, given the internet's power to connect supply and demand, the economic rationale for a traditional firm structure is collapsing. And the labour market is where it could create the most destruction.

NO SUCH THING AS A JOB FOR LIFE

US-based Freelancer's Union says one in three Americans are independent workers; a recent Independent Workforce Report by MBO Partners estimates that freelancers will outnumber full-time staff by 2020. A 2013 Georgetown University study reported that millennials change jobs an average 6.3 times between the ages of 18 and 25.

The ability to work remotely is frequently cited as the reason for this employment revolution. But something more profound is happening: there is a sea change in how people think about work and the notion of a good job.

"Independence, flexibility and the freedom to do work aligned to your interests is something we commonly hear our experts want," says Raj Jeyakumar, the 32-year-old co-founder of Skillbridge, an online platform that markets itself as providing "top-tier consultants on-demand".

His company, launched in 2013 with Stephen Morse, has a portfolio of more than 5000 consultants. They are not grads fresh out of school but professionals, typically with years of experience in blue-chip companies and top-tier MBAs. Jeyakumar recognised an opportunity when working at Marakon, a respected boutique consultancy. He noticed that many of his colleagues, despite their long hours, were taking on side projects, often giving advice to start-ups and non-profits.

"They were doing it not for the money but to fulfill a deeper intrinsic need," Jeyakumar says. "I'd hear how they wanted to be closer to the clients and work on engagements that genuinely interested them."

Similarly to UpCounsel, Skillbridge consultants are matched with clients looking for advice on everything from financial modelling and optimising operational

processes to researching markets. The start-up reports the average project spend is \$US5000 to \$US10,000 but it is starting to see projects of more than \$US50,000. "What surprised me is not just the type of projects but the type of talent attracted to the idea," Jeyakumar says.

Sydney-based Rachael Neumann had been a consultant, first with Bain and then with Booz, for about four years when she was ready to step away from the job's lifestyle demands in 2013. Neumann read a post about Skillbridge on the Bain alumni blog. Her first project was with a leading global health and beauty brand. "I felt empowered to choose," she says.

"It was a breath of fresh air to the traditional consulting experience of being assigned to a project regardless of geography or my interests ... Being in control of my own working hours, I discovered a new working style," she says. "I became much more output driven."

Neumann does not deny that her time with Bain and Booz was invaluable. In fact, she would advise someone "to get two years of big firm experience first". But she also appreciates that these roles are no longer always the most attractive job prospects for young graduates.

"Millennials are willing to trade off a steady income and the benefits of full-time employment, from healthcare to a fridge full of soda, for flexibility and autonomy," she says.

It is easy to beat up the traditional firm model and draw a utopia of virtual marketplaces without considering what a world with a fully flexible labour force implies. How must governments rethink taxes, insurance, sick pay and benefits when employees are a rarity, not the norm? How will individuals handle the risks associated with cases and projects that firms have carried? Will on-demand jobs lead to greater commodification or hyper-specialisation of labour? And will they make income less predictable and secure?

It's likely the future of labour markets will create questions even more nuanced than these. But one thing is clear – traditional firms should be worried, very worried. Never mind being the next Kodak, Blockbuster or Borders – today's challenge is to not be the next taxi or hotel company that misses how fast and deep transformation is happening, because technology is pushing and pulling apart 20th-century models of labour and services.

SNAPSHOT: ON-DEMAND MARKETPLACES FOR PROFESSIONALS

Legal services: LawyerMatch.com

Lawtrades.com

LOD.co.uk

Lawdingo.com

Priorilegal.com

Lawyermatch.me

UpCounsel.com

Consulting: BusinessTalentGroup.com

Clarity.fm

HourlyNerd.com

Liquidtalent.com

MBAco.com

Skillbridge.com

Sparehire.com