

legal futures



THE RIDDLE OF PERCEPTION



As the world shifts and the rules change, we explore the differing – and often conflicting – perceptions of independent lawyers.



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REPORT**



One of the genuine pleasures of my work as editor of *Legal Futures* is spending time with people and firms that, at least to my mind, 'get it'. They get that there is a different way of 'doing' law. They get that this change is exciting, not scary, and that they can come out of it as stronger, better and still professional businesses. And they get that, in matters other than the actual law at least, the customer can know best and it would be a good idea to respond to that.

So I am grateful to LexisNexis for sponsoring and hosting this latest *Legal Futures* roundtable and allowing me to bring around their table representatives of law firms that, in their different ways, exemplify this. It's not all about alternative business structures and leading-edge technology – although they are the ones that often catch the headlines. It can also be about more subtle changes to form and focus that set firms out from the pack.

These firms are not seeking to break the traditional law firm model or put a stake through the heart of the market, but they have chosen distinctive paths and are ploughing them with vigour and success. There is, of course, much to treasure in the traditions of the legal profession that have grown up over so many years, but there is equally no reason to preserve them in aspic.

The brief for our discussion was innovation and how firms can pick their way through the many pressures on legal practices over the next 12-18 months, as well as what LexisNexis's Bellwether report earlier this year called 'The riddle of perception' – which showed that many lawyers do not know their clients quite as well as they think they do.

But if I've learnt nothing else in 20 years as a legal journalist, it is that the profession always finds a way to survive and thrive. Apocalypse is predicted but never comes. These are smart people doing smart work, and they are finding ever smarter ways of going about it.

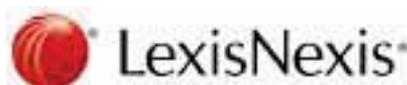
Neil Rose

Editor, *Legal Futures*



Legal Futures – winner of the Legal Journalism Award at the 2014 Halsbury Legal Awards – is the leading news resource tracking the fast-evolving legal landscape. Written by professional journalists, it provides cutting-edge daily news coverage on alternative business structures, new market entrants, regulatory change and innovation in all its forms. Its unique blend of hard-hitting journalism, market intelligence and expert analysis makes it the first port of call for anyone interested in keeping pace with the transformation of the legal market.

Our sister site, *Litigation Futures* (www.litigationfutures.com) has meanwhile become the go-to source of information on the world of costs and funding in litigation, with daily news and opinions on the massive changes wrought by the Jackson report and government civil justice reforms.



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Charting the future

This *Legal Futures* roundtable, featuring some of the most eye-catching innovative law firms, was hosted at the headquarters of LexisNexis in London

Round the table were:

Neil Rose

Editor, Legal Futures (Chair)

Sophie Barrett-Brown

Senior Partner, Laura Devine Solicitors

Martin Bunch

Managing Partner, Bates Wells Braithwaite

Ed Fletcher

CEO, Fletchers Solicitors

Paula Fowler

CEO, Fisher Jones Greenwood

Stephen Gold

Law firm consultant

Rupert Hawke

CEO, Cartwright King

Chris Nott

Senior Partner, Capital Law

Jon Whittle

Market Development Director, LexisNexis

Sarah Plaka

Marketing Manager, LexisNexis

Neil Rose: Do law firms need an angle nowadays to help them to stand out?

Chris Nott: I think that normal rules apply. With any successful business, you can clearly say what they do. One of the problems that our competitors have had is that they have tried to be all things to all people. I can give you plenty of examples of that on my own patch; a commercial firm happens to have a bloke who is good at probate, and so they still do probate.

Martin Bunch: It does help to differentiate. We are the same, in that we did not do what we have done because we wanted to differentiate, but because we felt that it suited what we already were. It was also an opportunity to tell the world that we are different. All law firms profess to be different in some way, but as you said, most of them have the same problems and present in the same way.

Paula Fowler: I do not see it as a challenge. All of the solicitors and fee-earners within the firm are experts in their fields; we do not have any jacks-of-all-trades. Nothing but excellence is good enough, and if you aim for that, you will get there and that is what your reputation will be.

If all else fails, everybody else's bad reputation precedes yours, so by default, you stick out. It is not just the legal side of our work in which we are expert. Our IT is expert, as is our management; we do not have lawyers with no management training pretending to be managers. We are all unique in our own special ways, and we play to each other's strengths.

Neil Rose: How different is it for clients approaching your firms now compared to five or 10 years ago?

Sophie Barrett-Brown: In my own firm, I do not think it is that much different. I sometimes feel like a bit of dinosaur in the context of innovation; I am against innovation for innovation's sake. Fundamentally, the service that we offer is about a very personalised service with the client.

Rupert Hawke: I agree. Ten years ago, we offered a similar quality service to the one offered now. All that has really changed is the way we communicate with people; there is better technology for that now. It might be the text message reminding the client that they have a court date in two days' time, or an email rather than a letter. Those things are great for us, because sending an email is obviously a lot cheaper and time-efficient than sending a letter. It is also better for the client in terms of communication. In terms of the service, however, I do not think that it has changed particularly.

Ed Fletcher: Fletchers are in a different market, and for us it has changed quite a lot, certainly in the way we look at our service provision for customers. We did a lot of market research with customers, and surprise surprise, what they wanted was not what we thought was good for them. They wanted fast and fair resolutions to their claim in a friendly, service-driven way.



Rupert Hawke: Like any firm, we get a few complaints, and nine times out of 10 it is because we have not put an arm around the client. It is not about the technical elements of the law or anything like that; it is because we have not given them a phone call.

Ed Fletcher: The most important part of the process is speaking to the client, and when they get off the phone, I want that metaphorical arm round the shoulder: "You've got Fletchers. It's all going to be okay. Get on with your life and we will sort this for you."

The perception gap

Jon Whittle: In our research, there was a disparity between what lawyers thought clients wanted, and what clients said that they wanted. One of the interesting things clients said was that lawyers were essentially obsessed with the input, whereas clients were obsessed with the output. They said that lawyers were only interested in the law, while they simply wanted a resolution to their problem. All law firms seem to struggle with the concept of clients asking only for a resolution to a problem, and not for 'good law'.

Chris Nott: The fact that you are a good lawyer is the foundation of the market. What matters is how you do your job and relate to colleagues and clients. My head explodes when I see PQQs [pre-qualification questionnaires for tenders]: "What is your response time protocol?" You write me an email and we will answer it. What actually matters is what you put in your email: how empathetic and subtle you are, and your emotional intelligence as opposed to your intellectual intelligence. That is the stuff that the profession needs to concentrate on.

Neil Rose: Can you teach emotional intelligence?

Chris Nott: Most people who get to the top of our profession are pretty bright. There is a role for techy-nerds; just do not let them near your clients. The job of the managing partner is to do individual evaluation: 'you are very good at this,' 'you are very good at that.' There is a role for all shapes and sizes in what we do.

Stephen Gold: If you actually ask the clients what it is that they want, the very act of asking makes a tremendous difference to the quality of the relationship.

Chris Nott: To loop it round, one of the ways in which this manifests itself is in lawyers doing newsletters and talking about the law. Clients come to firms because they assume that they know the law; they do not want it to be fed back to them. What firms should be talking about in their newsletters is the things that matter from a commercial perspective, and the issues around which people operate their business. Firms should be

In their own words – Chris Nott

I am founder, and now senior partner, of Capital Law, which I set up 10 years ago. We are based in Wales, and have just been named Welsh Law Firm of the Year. Our business model is based on commercial law; we do everything that a chief executive needs to run their business.



tuned into the dialogue over the development of human capital. Newsletters should not read: 'Big news: Section 164 amended by the House of Lords.'

Stephen Gold: Other professions are so much better at it. When senior accountants retire, they do not have a lot of trouble getting good positions in the corporate world, whereas when senior lawyers retire, it is a lot more difficult, because the perception is that we are technocrats first and businesspeople second.

The need for non-lawyer managers

Paula Fowler: Although they recognised that they needed to bring me in six-and-a-half years ago, it has not stopped [the partners] wanting to carry on playing. I opened one of our retreats two or three years ago by saying, "I just want you to tell me everything that you know about law, because I am going to start practising next week", and their faces were just like yours. I said, "You are tinkering at management; why can't I tinker at law?"

I was speaking to a firm a couple of weeks ago, and their senior partner, a high-performing fee-earner, had been slotted into the role of managing partner. That cut his fee income by two-thirds overnight. I asked him how much he thought it would cost to bring in a practice manager or managing partner, and how much he had lost financially. He said nothing, and that is all I needed to know. It is not rocket science; people train as lawyers because they want to be great lawyers. Some want to end up being businessmen, and that's great, but it is very difficult on the whole to juggle the two.

Rupert Hawke: The problem with a lot of law firms is that they see themselves differently to other industries. Of course, they are not, and that is a danger. I have seen examples of firms that think that because lawyers earn the company a fortune, they can become great managing partners. They then appoint lawyers, lose the fees, and find that they have dreadful managers; they lose twice over.

The most important thing is for legal firms to appreciate that lawyers are there to earn fees, and they do not always make good managers. The CEO's role is to pick the team and identify who can do what, and who can do it best. We have lawyers who are managing directors, and others who are not.

Are you running a business?

Martin Bunch: We have brought in a senior management team including BD, accounts and IT directors to help us with those things, because we have to be more business-like in our approach. We have looked at the brand and how many products we can offer. Firms have to be run like, and see ourselves as, businesses; we are not special and different from other professional services firms.

Accountants actually do so many things better than lawyers in terms of how they run their firms and practices. Lawyers have an obsession with the Legal 500, whereas accountants do not even seem to worry about how they are rated or who rates them.

Sophie Barrett-Brown: The client's perception is very interesting. When we first started winning awards, we were terribly indifferent about it and thought it was a lot of nonsense. However, clients absolutely loved it.

Ed Fletcher: What has been most important to us has been getting into the Sunday Times 100 Best Companies to Work For. Unexpectedly, that has revolutionised our recruitment, and also our customers' perception of us. We have listened and conducted a lot of engagement surveys with our people. Little things that you would not have thought of have come out of those surveys, but they can make a huge difference. We now provide fresh fruit every day and have just upped our number of bananas by 50%; we have listened to what the people want, and they want more bananas. It makes no difference to our spend on fruit every day, but it has made the firm a much happier place.

Sophie Barrett-Brown: Somebody said, 'The customer is always right'. Actually, in a sense, it is the staff. If you get happy, motivated, passionate, engaged, committed staff, then you get the delivery to the client.

Jon Whittle: How do you manage the internal tension if you have got lawyers who want to do law and customers who want results?

Martin Bunch: In some of the larger firms, you can concentrate only on the law. You can go into financial services law or FCA; there are areas where you can just be a techie lawyer. However, law firms are businesses, and you have to have lawyers who understand that they are also businesspeople.

Stephen Gold: I do not find that people wrestle with the conflict between being a lawyer and a businessman. Pretty much everybody understands that they are there to contribute to the revenue of the firm, and that they have to behave in a certain way in delivering advice. Law firms are massively more business-like than they were even 20 years ago.

[But] many firms have an obsession with the billable hour, and feel that the only way to make a contribution that gives you status and influence is by putting through the fees. People then make the rational decision not to get involved in BD or other things, because it is taking them away from their treadmill and putting their position in the firm at risk. Firms are not good at letting lawyers know that there are all sorts of other ways in which they can make a contribution of real value to the business, and encouraging them to do that. Instead, they tend to say, 'Six-minute units. Get on with it, mate.'

Neil Rose: Chris, are you still mainly billing by the hour?

Chris Nott: We do not mainly, but it depends what area and sector you are in. A lot of workers fix a price. We still have the discipline of asking people to account for their time. We do it slightly differently in that we have a minimum. In order to not go bust, we need everybody to do a certain threshold. There are then certain people who get brownie points because they are big generators; they will make you super profits, and that is what they are good at doing. There



In their own words – Paula Fowler

I am managing partner of Fisher Jones Greenwood. We are a regional firm, but we also have an office in Fleet Street in London. We are primarily a high street firm, but we have a couple of niche areas in immigration and healthcare, specifically dentistry, which is lacking from the industry at the moment. We also do legal aid, although we are pulling away from it probably as fast as Cartwright King is running towards it. We are fortunate to have had growth year-on-year, which I hope continues in a very controlled manner.



**In their own words –
Stephen Gold**

I founded a law firm in Glasgow in the 1980s with my wife and my mother-in-law. Over a 27-year period, we grew to about 500 people, with offices split between Scotland and Manchester. Our specialism was applying process and technology to legal work, and our main clients were insurers, banks, and large consumer organisations. We merged with Irwin Mitchell in 2007. I stayed on as a partner, and was latterly a consultant to the business services executive board, after which I thought my rather strange journey from midget to behemoth might make a consultancy proposition.

My biggest client is a member of the global elite; my smallest client is a two-partner firm in the middle of Glasgow. It is all great fun. What has always struck me through my career is that the really important issues confronting law firms, no matter their size, are pretty much the same: how to win business, drive performance, extract value and give customers a great experience. The zeros are greater the further up the scale you go, but the fundamentals do not really change.

are other people who are good at bringing work in, and others who are good at developing background knowledge in the marketplace. The trick is making sure that somebody who is happy as Larry having done a 12-hour day, seven days a week, and who punches the air when they go home, is not required to go off and do something else. It is about playing to the strengths of everybody. However, there is a certain minimum that virtually everybody is required to put in.

We think it is normal to project a job and contract a price on it with a set of assumptions. If one of those assumptions comes off, then we will sit down and have a sensible conversation. People thank us for doing that; it is not a problem.

Sophie Barrett-Brown: Do you measure, and if so, how, the non-fee-owning rate of performance?

Chris Nott: We have a thing called Capital Contributions, which is a measured scorecard. The extent of your financial contribution depends on who you are. A billable-hours beast, who wants to do 12 hours a day, seven days a week, will have a score heavily weighted towards that, and other people will be weighted by other factors. Employees agree what the scorecard will be, and then we will have conversations based on how they are performing.

Having observed another firm, I am also trying to track sources of work. This firm has a matrix in which lawyers are said to be either winning work, overseeing and managing work, or doing work. You can then put a number around each of those things. For example, if we spent a year hunting for and then secured a new corporate client, we would be scored a percentage against all the income that the client brings in over the next two or three years, even though we might not do the work. Behind that really simple statement, it is very difficult, but we are working on it.

Paula Fowler: We do not measure it in a numerical, computerised way, but have decided to base our team meetings around a series of factors that staff wanted to bring into the equation, such as client development and knowledge sharing. Although it is not scored, it is spoken about from a team perspective in every single meeting. That is another way of engaging staff in that regard and taking everyone's thoughts and feelings into consideration. And we have bananas, too.

Neil Rose: Martin, is it integral to what you are now as a B Corporation?

Martin Bunch: It is, yes. We have talked about something similar to what you were saying. We have these five areas, and we make sure that the financial side of it is only one of those five areas [the others being leadership, client development, impact and contribution to the wider firm]. People come up with appraisal-type objectives that they are going to carry out. Individual fee-earners have their own business plans at the start of the year, and they have these five areas that they are matched against. If they are better at just doing the work, clearly it will be more weighted to that.

However, we do stress to everybody that it is about the full five. We have now set up an employee forum, where employees can feedback into the firm about what they want to do.

Employee ownership

Neil Rose: Is anybody around the table thinking about employee ownership, or at least a measure of it?

Rupert Hawke: Most certainly. Everyone wants to be loved and know what is going on. If you sort those things out for your staff, you are probably halfway there. Cartwright King are in a tough game. We have got people slogging away doing legal aid who do not get paid a fortune,



In their own words – Martin Bunch

I am managing partner of Bates Wells Braithwaite. We are an approximately 35-partner law firm. Within the last two years we became an ABS, so that we could take on partners who were not lawyers. We set up a corporate finance consultancy with an accountancy team, and we now provide a new sector on social finance and social impact bonds, mostly in the voluntary sector. BWB helps to measure the impact of charities, campaigns, and such like.

We also last year became the first law firm in the UK to certify as a B-Corporation. This is a certification a little like Fairtrade for coffee; it is about being a socially responsible business. In line with the government's mission-led businesses review, we are helping them to decide what a mission-led, socially responsible business might look like.

but do it because they love it. One has to try and make their working environment as good as possible.

Providing the opportunity to own something goes a long way to retaining them and making them feel part of the firm. We are looking at potentially doing something like that. We would have something like a shareholders' meeting every six months and ask their input. That goes a long way, and I would imagine is the future for quite a lot of firms.

Paula Fowler: A few years ago, we floated the John Lewis-style of ownership, but a majority of our equity partners were dead against it because they felt that it would have cut into their profit share. Due to our process of going down the SundayTimes 100 route, we have created a staff liaison group, which I see as a precursor to some kind of employee ownership scheme.

In a couple of years' time, when the balance has shifted against those with an equity stake, there will be more younger people with more time to go, who are more enthusiastic and realise the importance of staff engagement and employee ownership. It is interesting that both Rupert and I feel that, because we are both non-lawyer partners. The law has changed in our lifetime to enable us to do something, and I am sure that if we drive something like that, it will be because we were given an opportunity that previously did not exist, and we want to share that.

Martin Bunch: We are very interested in employee ownership and the ways of doing it; at the moment, it seems that there are several different ways of skinning this cat. It helps if you are a fairly new firm that is just setting up or is quite small, because you then have a blank canvas rather than having to change the firm.

We were talking to one firm that set up a new equity partner, which was a staff ownership pool, and everyone had points and could vote. The firm said that the change of behaviour was quite extraordinary, and that even some of the secretaries were asking, 'Do we need to take on this new person?' They were becoming much more engaged, much more interested in what was happening and the expenses that they were making; it really did increase engagement going forward.

However, they still had to retain some decision-making for senior partners, and that caused some friction, because there was not true democracy in that respect. It is a very interesting thing, and something that law firms will have to approach in a much more open manner.

In their own words – Rupert Hawke

I am the CEO of Cartwright King and have been there for 10 years now. I am an accountant by trade. I joined as the FD 10 years ago, four years ago became MD, and now I am CEO. We are a national firm that has grown from the East Midlands outwards, to Gateshead in the north, Reading in the south, and everywhere in between. We are a business of 300 people, and are probably now the biggest provider of legal aid in the country.



How much demand is there for alternative ways of working?

Rupert Hawke: The stumbling block is that lawyers, by their very nature, are quite conservative beasts; they are not necessarily entrepreneurs. As the marketplace changes, however, that will grow and grow. We have certainly seen interest from our franchise offering. I see a few 40-year old associates or senior associates in the industry, who have good followings in particular areas of expertise and desperately want to get into equities, but those days are now long gone for most people.

They might be earning £50,000 a year and thinking that they should be getting more for their work, and they can be getting more; there is the opportunity for them to earn £150,000 or £200,000 in fees a year. We can give them a brand, back office, PII, COLP, COFA, etc. They can earn £100,000 a year and we can take £50,000 to cover our back office and cash flow; it is a win/win.

That opportunity is something that more and more qualified legal people will be looking to follow in the years to come, because the traditional equities route has been removed or diminished quite significantly for most.

Chris Nott: I do see a massive shift towards other things that matter. Weekends are sacrosanct, holidays are valued, and respect and the freedom to be oneself are massive things and are prized. There then tends to be a percentage who then say, 'Yes, but I want a share of the upside as well, please'. It is about measuring who goes where.

Rupert Hawke: You're right. There are also not as many people who want that upside as there was 10 years ago. Interestingly, we have offered a franchising opportunity, and not one of our internal staff has asked whether they could be involved. I am surprised by that, but perhaps it illustrates your point that they are quite happy. We are in a very competitive market and people are risk-averse.

Stephen Gold: If you scratch the surface of the average lawyer, you find somebody who is analytical, suspicious, reserved, risk-averse and absolutely petrified of personal failure. These are all the things that make you great advisors, but not good entrepreneurs.

Sophie Barrett-Brown: The millennials issue is one that we talk about quite a lot. We have an incredibly dedicated, hard-working team, but they do not want to work hard in the way that we worked hard at that stage in our careers. They are looking for different things, and it is difficult.

At our firm, they get a different kind of lifestyle, but they do not get paid as much as if they did that job for one of the big firms. However, they make that choice. They do not want to work 12 hours a day, seven days a week, and we do not force them to do that, but I think there are some who possibly want to earn the money that you get from doing that but they do not want to do it. It is trying to make them understand that it is a life choice.

Neil Rose: Does it make a better firm?

Martin Bunch: I am not sure it is better. Without being evangelical about our B Corp, we have found that having this has struck a major chord with millennials and new trainees, because the catchphrase is 'Using business for good'. Millennials come in and see that we live what we are talking about or we try to anyway.

We fall down sometimes and it is a challenge, but we are trying to use the business for other purposes, like having an impact on our clients, our environment, our suppliers and all those things. People come and see us trying to do it and they really like it. They know that they are not going to earn as much as they would at Freshfields or Allen & Overy if they come and work for us, but there is a quid pro quo in that they get their weekends and a better lifestyle, as well as a business which is trying to do something.

Ed Fletcher: You cannot play at it, otherwise they will see straight through it. The values cannot just be on the coaster. We have got something called 'Love living our values every day' and that is stitched into everything we do. Millennials have got a great nose for it and they know if you are talking bullshit about this message. They know it. It is how you turn up to work every day and how you treat one another.

Stephen Gold: To what extent does every successful private enterprise – whether it is a law firm or anything else – need at least a proportion of really driven people who are prepared to go the extra mile pretty much all the time?

Chris Nott: It is critical. We are in danger of tarring all millennials with the same brush. I have got people in that age group with unbelievable engines. There is a world for that sort of person, and there is a world for people who live their lives a different way. The minimum should be not to disrespect the latter, but I personally think embrace it and roll with it.

We had a transaction weekend where all the deals were coming to a head one weekend and we got it all done. We were proud as punch. They might just ask you for two weekends off in lieu though.

The threat of new entrants in the market

Paula Fowler: Two or three years ago it was a real concern because organisations like the Co-op, Saga and the AA had bigger, better infrastructures with more access to funding and CRM systems. We feared the unknown, but as far as I am concerned that fell flat on its face.

I am not sure who it was said earlier that if you are a brand new firm, coming into the market, you have not got the historical baggage that I am sure we have all still got. It may be a bit of a concern, but they also do not necessarily have the knowledge that we have around this table that you gain through growing up in the industry. They have still got to make their mistakes.

Neil Rose: Do you feel insulated to some extent by being in such a tight niche?

Sophie Barrett-Brown: To a degree but, equally, if you have got all your eggs in one basket, you



In their own words – Sophie Barrett-Brown

Laura Devine Solicitors is a multi-award winning, very niche firm dealing exclusively with immigration. Our main office is in London, and we also have one in New York. We now have around 45 staff in London and 15 in New York.

Our market is not the volume, very commoditised type of immigration work. We do have lots of corporate clients, but we also have lots of individuals, from ultra-high net worth to pro bono work.

One of our defining features is that we win awards not only for our work but for our management. We happen to be an all-female partnership, consisting four female partners; whether that is relevant to our management style, who knows? We are very much known for our well-being initiatives with staff and the type of working environment we have created.



**In their own words –
Ed Fletcher**

I am proud to be chief executive of Fletchers Solicitors. We are involved in medical negligence, representing people who have sustained catastrophic injury. We have been named number one in the motorbike injury market for around the past decade. There are 330 of us in sunny Southport, the diamond of the Merseyside Riviera.

We have been a limited company since October 2007. We are also an ABS, and we are very proud of our corporate structure.

can also be quite vulnerable. Although we are practising in one area, we have a very diverse client base and we also do US immigration law as well. Brexit is keeping us very busy. There is a promise to reform immigration and human rights, so that could contract the market.

In our field, there have been a lot of different players getting involved in immigration and purporting to do it differently, in particularly some of the very big bulk-type providers, with a much more commoditised approach. They can do it much cheaper than we can but they offer something completely different.

We have not actually found it to be presenting itself as competition. We do not want the 3,000-applications-a-year client because we could not deal with it and frankly, it is incredibly boring work. It is about finding your niche and what you offer that is a little bit different and always having an open mind.

Chris Nott: The big change that is going to occur in commercial services over the next 10 years will be driven by customer service dissatisfaction. The service that the bulk of firms are providing, they think it is great but the clients do not think it is great and they are stupidly expensive. They are driven by an unrealistic profit per equity partner (PEP) expectation. You get some average person, who is okay and can do their job but is not particularly brilliant, expecting to earn a minimum of £500,000 a year and ideally, if they play their cards right, £1m. That seems to me to be a knackered model and market forces are going to change that somehow or other.

We sit there in our own little woodpeckerish way, chipping away at it, because I provide a better service at a cheaper price. If I am managing to do that from a zero base, you can bet your bottom dollar that some private equity person is going to say, 'Okay, there is a big opportunity. I can take over the commercial legal services market by a different route, which is I create a model whereby I meet the service expectations and undercut the price.'

I do not think we are cheap by any means, but we are half the price of the people I am selling against. I think that is the real problem. The accountants will do a looky-likey. I do not think they are going to come in and undercut, because that is not their model. They will say, 'We control the route to market, and therefore we will take this work.'

How far can technology go?

Neil Rose: One of the most interesting professional services developments in the last year or two has been KPMG launching a tech-based product to target SMEs, which is obviously a market they had left behind a long time ago. They promise a personal account manager, but it is all very tech-based. I do not see why something similar could not happen in law eventually.

Stephen Gold: It depends on which area of law. There are existing examples, such as Peninsula in the employment law space, which turns over £63m a year. I do not think there is one lawyer employed in the whole organisation. That is £63m out of our market in a pretty fundamental area of law. It is owned by the Done brothers [founders of Betfred]. They had a really bad experience in employment law. Somebody took them to a tribunal, they had a really bad experience and they thought, 'It has got to be better than this.'

Chris Nott: It goes into the point that I was making, which is that that is a person who has a 100% business approach to stuff saying, 'Okay, I can do that. I can make that work miles better'. It is a multi-billion-pound market.

Stephen Gold: That is right, but there are not an infinite numbers of areas of law that you can do that with. It is having process skills. In my [old firm], we ended up with just under 500 people and only 22 of them were lawyers. The work we did was commoditising processes and good technology, but it was a certain kind of work. For example, we had a massive practice area in remortgage work and we thought we could apply that to residential conveyancing. We were wrong, because the element of personal service that is required in residential conveyancing made an almost zero-touch approach completely inappropriate.

The smart guys will think, 'Which are the areas of law that we can pick off?', just as the Done

brothers did with employment. People come to you because you are really good at what you do and they come to you with things of real importance, where it is their livelihood at stake. You are not necessarily going to want to deal with a website or deal with somebody remotely for that. The challenge for us as a profession is to really focus on the things we can do best.

Chris Nott: How would technology affect my market? One way could be smart contracts. You write a corporate bond, which requires execution things to happen over its life. There are people in the City who implement bonds, commercial contracts, loan agreements and that sort of thing. What happens [with a smart contract] is that the bond does it for you. The bond does not exist in paper, it is a computer programme and when it says that accounts must be delivered on a certain day, it will automatically do that. It will make automatic interest payments. It will calculate everything up. It connects all the banks and it does the payments.

Just before I started practising, you would have banks of secretaries typing because no one could type. Now you do not have banks of secretaries because we can all touch type. None of us can code, so what will happen in five years' time is that we will have a bank of coders, sitting there writing the contract not on paper but in code, logging it in and what will happen by the time my sons start practising is that they will be able to code, so the lawyers will do their own coding.

Sophie Barrett-Brown: It will potentially happen within the more transactional areas of law. Maybe that day will come but I think we are a long way off the computer programme being able to put their arm around the client. For those areas of law which are perhaps more personalised, where the advice is not just about the law but is about what is right for you with your particular sensibilities and priorities, your appetite for risk and whatever else, for quite a long time that is still going to require a human being. That is the part of our market that we try to put ourselves in.

Ed Fletcher: We make lifelong friendships with our catastrophically injured clients, but actually they just want the results. It is an added extra that they get a counsellor or a social worker and everything else that comes along, but if you were able to say, 'Okay, instead of in six years' time, it is six months after your injury and here is a cheque for £5m'. We can tell you where to go. What would they say? They would not want to look at my ugly mug for an extra five years.

Stephen Gold: There is an interesting analogy with the document providers LegalZoom. When they first started, they thought that people would just buy their stuff and go away and use it. What they found was that people would pay their \$20 to LegalZoom, download whatever form they wanted and then think, 'Am I doing this right? I need to actually go and talk to somebody.'

So they did a deal with Jacoby & Meyers, the biggest consumer law firm in the US, where if you wanted to go and get advice from a real live human being on the document that you had downloaded, you would go to them and they would charge appropriately and LegalZoom would get a cut of it. It is what retailers call a 'bricks and clicks' approach. The remote service takes you so far, but actually you are buying judgement. It is not just the soft, touchy-feely things like empathy, it is judgement.

Ed Fletcher: If you stripped all of that negotiation away and said, 'We have got a box here that can do that', what would the consumer want?

Chris Nott: When it gets to negotiation, there are certain things that are dead cert, but there are other things where you are in a range. In the contractual world, you have got loss insurance, which comes into most negotiations at some point. How do you evaluate that? One person who is a cool negotiator and a bluffer can talk up that price against somebody who is a panicker.

Ed Fletcher: If there was an algorithm that would work that out for them, right at the start of the process, they would take it.

Chris Nott: They would take it. You have got to remember, I always say, we sell the one service that no one wants to buy. No one wants us. If they could get the output that we provide without having to deal with us, they would do it.

Customer journey

Jon Whittle, Market Development Director at LexisNexis UK, highlights research that shows how successful lawyers will be those who genuinely understand what their clients want and then work to meet those demands



I am often intrigued by the way in which law firms talk about innovation. Listening to lawyers, it seems that innovation is rarely about responding to demand. They talk about driving growth by tracking the changing needs of the market or, indeed, by spotting trends in consumption of legal services and leading the market by delivering a service that matches that evolving demand.

For many, innovation is couched in terms of how they develop, evolve or enhance the way in which their firm supplies legal services to their clients (and it usually is *clients* – law firms rarely use the language of other service providers – *customers or prospects*). Ultimately, we've found that they are focused on supply – improving the way they deliver their legal advice.

LexisNexis has been tracking the way in which the independent law firm market is evolving for some time. A key part of our annual series of Bellwether reports looks at the priorities that small and mid-sized law firms have identified for growing their business and the areas in which they intend to invest to deliver growth.

The good news is that the sector is buoyant, with the majority (81%) of firms saying they are very or quite confident about the future for their firms. What fascinates me is what we find when we drill into their priorities and look at the areas on which they are spending money. For most, the key priority in driving growth is to embrace fixed fees for some or all of their business – 43% of this year's research sample believe that introducing fixed fees will enhance their growth.

At the same time, making a deliberate shift towards introducing fixed fees is a distant number 12 on most firms' list of investment priorities – with only 13% planning to implement change in this area. Surely, if fixed fees are seen as a major driver of growth, more firms would be working towards this objective?

The efficiency imperative

When we looked at what clients of law firms want, our research gives a clear steer – clients want value for money. Overall, while more than three-quarters of the lawyers in our survey think their service represents good or excellent value for money, less than a third of clients (27%) feel the same.

So, why such a big disconnect? The answer appears to be that many lawyers simply don't understand what their clients' value when they instruct a solicitor.

Clients value 'efficiency'. They expect their requirements to be properly understood and value a quick resolution. Lawyers, on the other hand, don't rate these drivers anywhere nearly as highly. Instead, they put costs at the top of the list; many have subsequently lowered fees and now feel they are offering excellent value for money. This simply isn't the case in the eyes of the client.

Law firms also frequently misunderstand efficiency as communication and keeping to a timetable as providing regular updates. They tend to focus on improving the quality of the legal advice they provide and refining the manner in which they communicate their advice. Clients, however, assume that good law will be part of the service and therefore just want a quick and efficient resolution to their legal issue.

No law firm will survive without being able to deliver 'good law' – that is the definition of a good law firm. Modern and innovative firms have recognised the need to invest in the latest research and guidance products and they work with service providers like LexisNexis to use the full range of tools, services and drafting solutions that ensure they can deliver legal advice that is accurate, up-to-date and properly researched.

They understand the value of these tools to enhance their legal practice, and these services form a backbone to any innovative firm. Even in innovative firms there can, however, often be a reluctance to recognise that the technologies that deliver the good law need to be supported by a culture, a mind-set and an approach that recognises the clients requirements and which aligns the firm's activities behind what their customers truly want.

Increasingly, innovative law firms understand what their clients' value – and what value for money looks like. These entrepreneurial law firms are making their business all about genuinely understanding and delivering to their clients' needs, and are subsequently developing their firms in order to drive value for money initiatives.

The research shows that 76% of these entrepreneurial firms have embraced fixed fees, and are more likely to have a proper client service policy and to be using CRM software. Interestingly, these firms are also more inclined to employ business experts in marketing and client engagement and have non-lawyers in key management positions. They are statistically more successful in terms of growth (58% are growing compared to 38% of the non-entrepreneurial firms). And, what's more, those firms who operate on a fixed-fee structure are also much more likely to have well-above-average client retention rates and excellent client enquiry to conversion rates.

But why does fixed-fee matter so much in determining value?

Some 89% of clients who instructed a lawyer on a fixed-fee basis reported that their final bill was in line with their expectations, while 63% of those paying on a variable basis reported that their final bill was more than they expected. Many law firms appear nervous about introducing fixed-fee services. The concerns centre around pricing and finding themselves exposed to losing profit. In consequence, many firms assume that fixed fee means reduced fee and work to remove as much service as they can from a fixed-fee engagement. This is often missing the point. Clients are happy to pay for value – price is fifth on their list of priorities.

One can speculate that firms who offer fixed-fees are more inclined to complete a matter quickly and limit potential exposure and, by extension, deliver a more efficient client experience.

Conclusion

Independent law firms have to keep moving forward to succeed. In fact, 95% of our sample of law firms agree that standing still is no longer an option and that investment in processes and technology is now a continuous demand for all law firms. True innovation, however, looks at the telescope from the other end.

Firms that concentrate on what their clients' value, who genuinely understand what drives success from a client's perspective – and who then shape the way they deliver their service to meet those demands – will be the firms that truly deliver exceptional innovation and succeed.

Three-quarters of lawyers agree that their brethren are not well adapted to deal with change. But those lawyers who can change in ways that clients' value and who drive change on the understanding that their client is increasingly king – they will be the firms whose innovation drives sustainable, defensible growth.

Clients value 'efficiency'. They expect their requirements to be properly understood and value a quick resolution. Lawyers, on the other hand, don't rate these drivers anywhere nearly as highly. Instead, they put costs at the top of the list; many have subsequently lowered fees and now feel they are offering excellent value for money. This simply isn't the case in the eyes of the client.



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