The Future of Legal Services: Expert Analysis
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The Future of Legal Services: Expert Analysis

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Foreword

By Karl Chapman

The big winners are clients
Well, the good news, particularly for fleet-of-foot legal businesses and new entrants, is that the UK legal services market is an exciting place with a great future. The bad news, the very bad news for existing law firms, is that the market is changing fundamentally and not superficially. Forever.

Regulatory change, economic uncertainty, the over-supply of lawyers, the weaknesses of the partnership model, partners confusing ownership with management, changes at the Bar, legal process outsourcing, excess market profits, the changing attitudes of banks to law firm lending, off-shoring, near-shoring, the blurring of the solicitor barrister divide, the negative consequences of hourly-billing… and, if any one of these themes on its own is not challenging enough, this indicative list excludes the most significant and dramatic change agent; the client.

Clients, whether businesses, public sector bodies or consumers, are breaking free from the chains that have shackled them. Historically the lack of alternatives and the protection offered to law firms by a combination of myth and regulation protected the ‘hourly billing’ legal business model. The arrival of new entrants, triggered by the Legal Services Act 2007, has changed this. Clients now have increasing choice at a time when they are under pressure to control all costs including legal spend. The genie is out of the bottle and the legal market will never be the same again. Clients and new entrants will make sure of this.

Recently one of my colleagues was approached by a solicitor and berated for the fixed price Riverview Law offerings to businesses; particularly our Legal Advisory Outsourcing service for large organisations. He complained that we are undermining his ‘entitlement’. He had worked hard to become a solicitor and deserved the same rewards as his predecessors. He could not understand why we were providing fixed pricing. He went on to ‘explain’ that the hourly billing model was in the interests of clients. It was one of those moments when we just knew we were in the right market at the right time with the right proposition. Entitlement? Wake up and smell the coffee. It is called competition; real competition. Hourly billing drives the wrong behaviours and is primarily in the interests of partners, not clients.

This is not to say that many lawyers and law firms are not focused on the client. They are, however client needs and expectations have changed and law firms have not kept pace. It is this failure to respond to market change which has allowed new businesses to make a dramatic market entry. And it is worth reflecting on the word ‘allowed’. There would be no need for the likes of Riverview Law and other new entrants if the supply chain delivered what clients want.

In the new landscape it is not difficult to describe what successful legal businesses will
look like. They will develop great brands and have significant business development, PR, and social media activities. They will employ lawyers and non-lawyers in one integrated team. They will have a huge focus on values, recruitment, retention, development, career paths, and reward. They will understand the power of data, management information and business insight – for both clients and their own businesses. All service delivery will be underpinned by one end-to-end service delivery and workflow platform. There will be appropriate investment in research and development and experimentation, some of which will fail. One brand, one team, one platform – all focused on serving the client, not generating PEP.

But none of this is rocket science. It just sees the application of common sense business principles and practices that have been developed in other sectors and disciplines over many decades. Most CEOs and FDs would not see this as market disrupting; it can only be seen as such from the perspective of the legal market.

Making forecasts is always difficult. However, some predictions are easier to make than others. The partnership business model has passed its sell-by date. The leading legal businesses of the future will not be partnerships. Hourly billing will, for the overwhelming majority of legal work, be replaced by fixed and other pricing models that deliver certainty. The distinction between ‘fee-earners’ and ‘non-fee earners’ will be dispatched to the Dickensian past to which it belongs. Technology will play its proper role supporting high quality service delivery rather than being focused primarily on time recording. Law firms that bury their heads in the sand and hope things will ‘return to normal’ will wither and die.

And the easiest prediction of them all? The big winners in all this change are clients, and businesses who put clients at the heart of everything they do. What a great time to be involved in a £26bn market place!

Karl Chapman is chief executive of Riverview Law. Karl joined Guinness Mahon Investment Management (GMIM) in 1985. In 1987 he was Money Observer’s top-performing UK unit trust fund manager. He left GMIM in 1989 to set up CRT Group Plc (CRT), a consultancy, recruitment and training business. Under Karl’s leadership his team grew CRT to a market capitalisation of over £600 million, sales in excess of £400 million, with 2,500 employees operating from over 200 locations. Karl left CRT in 2000 and set up AdviserPlus Business Solutions in 2001. AdviserPlus is a leading advisory outsourcing organisation providing HR, employment law, and H&S solutions to organisations ranging from FTSE 100 companies to SMEs. AdviserPlus is the founder of Riverview Law which aims to change the way businesses use, measure, and buy legal services by bringing transparency and certainty through fixed price annual and multi-year contracts, plus litigation and advice packages.
Executive summary

THE PROLONGED global economic downturn has created a new world order for the legal industry, and the ramifications have been felt strongly in the UK. Faced with the threat of shrinking profits, law firms have been forced to re-examine fundamental aspects of their businesses – such as their pricing structures, workflows, and the business model itself – all in the pursuit of greater efficiencies and the ability to remain competitive.

The first Future of Legal Services report published in November 2009 when the UK was in the thick of recession. Certain changes in the legal industry were on the horizon at that time – changes which have now become a reality in the form of alternative business structures, increased regulation, advanced technology, and an increased client focus to name but a few. The pressure on law firms to adapt, to innovate, and the ever-pressing drive for efficiency and effective strategy is set to continue. Few will deny that the legal profession has entered a period of unprecedented change. While firms are now facing up to this ‘new normal’, it is still a critical and fast changing time for the legal industry.

This second edition examines the trends now shaping the legal profession as it seeks to maximise profitability in what is a very difficult market. It looks towards the future to identify the issues and developments that will shape the UK’s legal industry going forward. This all-encompassing report contains articles written by respected legal practitioners and industry specialists, and the sought-after views and predictions of these experts will address some of the questions, concerns, and even some of the fears held over where the future of legal services lies.

Not only do the contributors reveal their visions for the future of the legal industry and the new world of legal services, they also provide expert advice on how to tackle the challenges and opportunities ahead. While the future holds big change for the legal profession it must be recognised that change also represents opportunity. Firms which are open to change and to introducing new ways of working are likely to emerge from these difficult times stronger, more efficient, and more flexible to future developments. This report features an analysis of the key trends firms need to be aware of, along with practical advice on how to deal with and potentially profit from these changes.

The articles in this report tackle the big issues the legal industry is facing. They explore the concept of innovation for law firms and how alternative business structures and fee arrangements not only signal significant change, but how they can also help firms to adapt and retain clients in the future. Articles on regulation and governance explain the impact of outcomes-focused regulation and the new roles of the COLP and COFA. They highlight how governance and risk management will be crucial issues for law firms going forward. Myriad changes in the legal profession
are occurring in the form of outsourcing arrangements, IT developments, legal knowledge management, and legal project management – all of which are covered in this report. The impact on law firm employees and partners is also discussed.

One of the articles focuses on the employee value proposition and what it means in the changing legal market, while another contribution discusses the partnership model and offers insight into alternatives to this going forward. The report closes with a client and in-house focus by means of an article on CRM and cross selling, as well as a final article on the impact of industry shifts on the changing role of the in-house lawyer.

This report will help law firms and their leaders to prepare for the future and plan strategically to maintain an advantage. While no crystal ball, this report contains insight from some of the legal world’s experts on where the UK legal industry is heading, along with their guidance on strategic developments that will help law firms and legal leaders to thrive in an increasingly competitive marketplace.
About the authors

**Chris Bradish** is an associate at Maurice Turnor Gardner LLP and part of the professional practices group. He advises on partnerships, limited partnerships and LLPs, and has experience of advising on regulatory and governance issues. He has particular experience in advising on partnership disputes in the context of partner moves. Chris is a member of the Association of Partnership Practitioners.

**Toby Brown** is the director of strategic pricing & analytics at Akin Gump LLP. In this role Toby works with firm partners and clients in developing pricing arrangements and service delivery models that drive successful relationships. Prior to this, Toby served in similar roles for both Vinson & Elkins LLP and Fulbright & Jaworski LLP, where he also drove knowledge management (KM) initiatives and various marketing efforts. Before joining Fulbright, Toby served as the Communications Director for the Utah State Bar. In his tenure with the Bar, he also served as the CLE, Access to Justice and Programs Director. Toby presents nationally on legal technology, marketing, and law firm management and has served on a number of legal services boards, bar association task forces, and legal market organisations. He received the Peer Excellence Award, the President’s Award and the Anne Charles Award from the National Association of Bar Executives. Toby maintains the ABA award-winning 3 Geeks and a Law Blog with two colleagues.

**Rachel Brushfield** is director of EnergiseLegal and Energise, The Talent Liberation Company, and is a ‘talent liberator’ – a career, talent, and learning strategist. Her career heritage is originally in marketing, brand strategy, and communication for design, advertising, and innovation consultancies, and she is a certified NLP coach and facilitator in action learning sets (group coaching). Rachel is the author of two Ark Group reports, Talent Management for Lawyers (2012) and Professional Development for Lawyers (2012), and of over 18 articles, with topics including: life after managing partner, emotional intelligence, and personal branding. Rachel has done two events for the Association of Women Solicitors (AWS) London group – ‘Personal branding and social media’ and ‘Marketing yourself’ – as well as many for various associations about self-promotion, talent management and employee engagement.

**Charles Christian** is a barrister and Reuters correspondent turned award-winning technology journalist, newsletter publisher, blogger, new media maven, sometime poet, science-fiction author, and keynote speaker. He is the founder, publisher, and editor-in-chief of the Legal Technology Insider series of newsletters, websites, apps, events, and information services. He is invited to speak at conferences nationally and internationally on future trends in technology, knowledge management, media and marketing.
Kevin Colangelo is a veteran lawyer, legal services innovator, and client relationship strategist. In his role as managing partner at Yuson & Irvine LLC, Kevin is responsible for guiding and implementing the firm’s mission of combining world-class lawyers with disciplined matter management, and leading tools and technologies, for the benefit of their clients’ legal, sourcing and compliance teams. An entrepreneur and core member of the leadership team at legal outsourcing pioneer, Pangea3 (acquired by Thomson Reuters in 2010), Kevin developed and implemented many of the fundamental workflow principles and operating procedures that have become standard practice across the legal outsourcing industry. Kevin has also held leadership positions at two Am Law 100 firms and was a co-founder and leader of the Outsourcing and Technology Transactions practice at Kramer Levin Naftalis & Frankel in New York.

David Ferri is head of legal for PayPal, one of the world’s leading payment companies, for the Europe, Middle East and Africa region, based at PayPal’s European headquarters in Luxembourg. As a senior payments lawyer, he has worked in the financial services sector for many years, previously serving as VP chief legal counsel for MoneyGram International with responsibility for the EMEA and Asia Pacific regions. David previously worked as a corporate lawyer in the financial services sector at international law firm Norton Rose LLP in their London, Milan, and Bahrain offices, and is qualified in England and New York.

Mark Gould is the head of knowledge management at Addleshaw Goddard LLP. Prior to taking on the role in 2006, he was a PSL in the firm’s competition group. Mark joined the firm in 2001, changing his career path in the process; he had previously spent 13 years teaching law at the University of Bristol.

Alex Hamilton is a founder and principal at Radiant Law, a new type of law firm built from the ground-up to improve the client experience. He advises clients on outsourcing and technology transactions, including off-shoring, business process, and assisted transformation outsourcing. Alex has led a number of projects that have been recognised by the FT Innovative Lawyer Awards and was shortlisted for the FT 2010 Innovative Lawyer of the Year award.

Andrew Hedley is director at Hedley Consulting and advises law firm leaders on issues of vision, strategy, and change. Alongside project engagements, he is a sought after strategy group guide, partner retreat speaker, workshop facilitator and coach. He is the author of two Ark Group reports, Developing Strategic Client Relationships (2008) and Client Strategy in a Changing Legal Market (2011), as well as being a member of the editorial board and contributing regularly to Managing Partner magazine.

Sol Irvine is a partner, and one of the founders of Yuson & Irvine LLC. Prior to founding Yuson & Irvine Sol was a member of the outsourcing, emerging business, and technology groups at Morgan Lewis &Bockius LLP and Pillsbury Winthrop Shaw Pittman LLP. Sol brings deep technical knowledge to legal issues in enterprise technology purchasing, outsourcing, web and mobile services, and privacy and data protection laws. As trusted counsel for many leading companies, Yuson & Irvine develops data-driven approaches to the commercial contracting process.
Manju Jessa is a member of the RBC General Counsel’s Group as senior counsel and head of the International Wealth Management legal team. Manju is qualified to practice both in the UK and Ontario, Canada and has worked in private practice and in-house in both countries. Manju was named one of the Lexpert Rising Stars, which is an award for a select number of Canada’s best lawyers under the age of 40. This award together with the In-House Counsel of the Year Award in 2012 recognised Manju for her achievements in leading her team of senior counsel and contributing individually to helping her business partners around the world receive high quality, timely, cost effective, and innovative legal services. Manju is a leader in the General Counsel Group’s diversity initiatives, actively supporting pro bono work and mentoring interns, students, and junior lawyers. For this, Manju accepted the 2011 Lexpert Zenith Awards for Diversity action by in-house department and has been featured in magazines including the Women of Influence and a panel speaker.

Mike Jones is the founding director of IV League Talent Limited. He created the IV League concept to offer law firms an entirely new way of attracting top legal talent, but also to offer senior lawyers a different career opportunity. In addition, Mike is founder of Intrinsic Values Limited, a consultancy that partners with professional services organisations to leverage business development opportunities. Prior to this, Mike enjoyed a successful career of over 20 years in financial and professional services, holding senior sales and marketing roles with several leading organisations including Ernst & Young, St James’s Place Capital, Tite & Lewis and Zurich Financial Services. Mike was the first sales director appointed by a law firm and since then he has built a reputation as one of the most influential business development consultants in the professional services sector.

Rick A. Kathuria is a professional engineer (P.ENG), a certified management consultant (CMC) and a certified project management professional (PMP) with over 15 years of experience working on large international projects at top tier consulting firms. He serves in a leadership role in operating the Project Management Institute’s ‘Legal Project Management Community of Practice’. Rick is the director of the project and vendor management office at McCarthy Tétrault LLP. In this role he is responsible for overseeing major project initiatives for the firm and external vendor management. In one of his projects he was the project manager working with senior partners to develop project management training for all their lawyers, which included the design and build of the tools for the firm’s successful Legal Project Management initiative. He personally delivered training to lawyers and provided ongoing coaching to help effectively project manage various legal mandates. Rick is co-author of Ark Group’s Project Management for Lawyers (2011).

Rachel Khiara is a partner at Khiara Law LLP. She is recognised as a pre-eminent advisor in the professional practices sector, working with leading and niche firms and new entrants into the legal services sector. Rachel has a particular specialisation for regulatory and compliance work, and sat on the Solicitors Regulation Authority’s ABS/OFR Committee. She established Khiara Law LLP in December 2011, the first boutique law firm to specialise exclusively in advising legal services businesses. Services provided by Khiara Law LLP include regulatory work, restructuring advice, dealing with constitutional issues (including profit sharing arrangements), legal business outsourcing and in-house training. Prior to founding Khiara Law LLP, Rachel Khiara was a partner at Addleshaw Goddard LLP and counsel at Allen & Overy LLP.
Tony Reiss has more than 20 years of experience in professional services as a fee earner, business support professional, consultant, and coach. His current work is mostly with law firm partners and senior business support professionals in leadership, business development, and consulting. He designs and facilitates retreats and workshops for partnerships or management teams on identifying strategic objectives and tackling implementation issues. He is the winner of the LETG Award for Best Law Firm Trainer and author of The BD Handbook for Lawyers: Prospects to Advocates. Tony started his career in brand management with P&G before joining Deloitte as a management consultant leading change projects for BBC, BP, BT, International Stock Exchange, Prudential, Rank, Shell, and the United Nations. He was BD director at the international law firm CMS Cameron McKenna before setting up Sherwood PSF Consulting in 1999.

Peter Scott is a solicitor and for eight years (until 2000) was the managing partner of Eversheds LLP’s London and European offices. He acts as an advisor, trainer, and coach to many law firms in the UK and abroad in relation to their financial, strategic, performance, compliance, and business development issues, with particular focus on helping clients to improve their competitiveness through effective performance management. Peter is editor of the Practice Management Handbook and a member of the editorial board of the Legal Compliance Bulletin published by the Law Society. He is a frequent speaker at conferences for lawyers and other professionals, and his articles are published in a number of well-known legal and other professional journals. He is a consultant with Penningtons Solicitors LLP where he is a member of the firm’s Professional Practices Group.

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Richard Wyatt is a chartered accountant and a highly experienced law firm consultant. He has spent nearly 30 years advising on accounting, management, and strategy issues for law firms. He spent seven years as the finance director of a medium-sized regional law firm, during which he became fully exposed to the practical and emotional issues that influence how law firms behave. He formed Cambridge Blue Square Management Ltd. (a management consultancy firm specialising in work for law firms) in July 2011 and has recently spoken at a number of conferences and seminars on law firm management, including at the Law Society’s Law Management Section’s Finance and Business Conference, and he regularly presents the finance section in the Law Society’s Management 1 Course for post-qualified lawyers.