

SUPPLEMENT DECEMBER 2019

# LPM

LEGAL PRACTICE MANAGEMENT



## CAPITAL MINDS

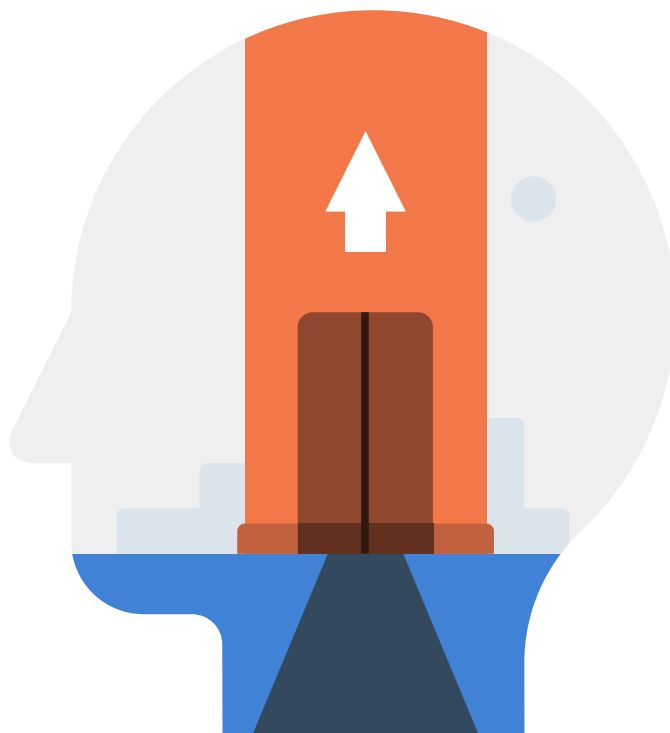
*LPM conference polling data reveals what will be on SME legal leaders' minds in the coming years*

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# On the rise

LPM conferences 2019 polling results are in! What do SME law firm leaders think about trends in the market and what's to come?  
Kayli Olson reports

If you've ever had the opportunity to attend any of LPM's conferences, you'll be well aware of our pollster-in-chief Rupert Collins-White and our mini survey about your thoughts on market trends, with which we poll attending law firms on the day. The 2019 results are in and what better way to wrap up the year than with a glimpse at SME law firm market trends as told by you and your peers.

When asked how optimistic you were about your firm's place in the legal market of the future, a pleasant 56% of respondents said they were cautiously optimistic and a further 38% were very optimistic. Very few responded toward the neutral or negative ends of the spectrum. Great news for the market, considering the number of challenges on the horizon – from regulation, economy, clients and more. When asked to rate the challenges your firm will face over the next two years, 50% said they would be more serious or much more serious, and 40% said similar to previous years. SME law firms are seemingly mentally prepared to face these issues head on, either from the comfort of having faced these challenges already or confident that they will be able to face the tougher ones to come.

So, what exactly is to come? To investigate the biggest factors impacting the SME legal market, unsurprisingly the response of client pressures on cost was the top of the list, followed by technology being exploited by firms, and regulatory landscape. These top three factors haven't changed since last year's poll.

Geraldine Collier, finance and practice manager at Dawson Cornwell, says cost is always high on the agenda. "Firms have to find ways of keeping up with rising expenditure and ensure that turnover at least increases in line with the percentage rise of spend.

"Competition to get the client through your door is high and, like any product you're aiming to sell, there needs to be some route to exposure – and if firms fail to take advantage of technology, for whatever reason, then they'll definitely fight to grab good clientele."

She stresses that having a good website is your shop window. "If you overlook dressing it up, it will not be a good money spinner. And ultimately that's what being in any business is about: making money.

"Gone are the days when a potential client would open the newspaper and see an ad about the firm; almost everyone will use the internet to find you. How much a firm is going to charge you is now easily accessible owing to the Solicitors Regulation Authority introducing new transparency rules. Potential clients can see price and service information on the firm's website, and if there isn't a website, then this information will need to be provided in writing should an enquiry be made. Not engaging in a decent website is like a shop not having a front door – you're not going to get any passing trade as you cannot be seen."

Backing this up, Collier says that the type of work you undertake and the level of competency of the person undertaking the work need to be aligned –

## Shifting habits



GARY SHAW, DIRECTOR,  
ACCESSPOINT LEGAL  
SERVICES

for example, a good paralegal can be very useful for taking on the more mundane and repetitive elements of a case, leaving the more qualified person to concentrate on being a lawyer.

“This will reduce costs for the client and help the firm be more competitive. Keeping an eye on how each matter costs through monitoring time recording can be a valuable exercise and assist with calculating profit.”

Karen Holden, founder and CEO at A City Law Firm, says: “Many traditional firms are seeing real issues owing to competition, costs and technology but I think firms that are adaptable and innovative will thrive more easily in this changing landscape.”

And despite results from LPM Legal IT landscapes report over the years, where SME law firms list bigger firms as their biggest competitor, Holden adds that large firms cannot make changes and decisions quickly – they’re slow to adapt to the ever-changing legal landscape.

That being said, Collier points out that SME firms have fewer resources to hand than their larger competitors and sometimes SMEs misunderstand the benefits support staff can bring to the table.

“If there isn’t the resource to manage a particular project, be that a new marketing campaign or even a finance initiative, the SME firms will struggle to improve and make the necessary changes in order to survive.

“And firms must keep up with what the regulatory bodies are regularly insisting we all abide by – having the time to observe the modifications being placed upon us is no mean feat; underestimate the time it takes to implement new procedures and rules at your peril – unfortunately they are a necessary evil.”

### CHALLENGE ACCEPTED

Catherine Wahlberg, managing director at Alsters Kelley, agrees that the key to overcoming the challenges to come will be how individual firms respond to those difficulties. “Business models within the legal sector have changed to be more responsive. Adapting to differing environments, challenges and demands is critical.”

Alsters Kelley has learned to be agile. “The last recession was financially tough, but it was also the catalyst for significant change and that in itself is a positive outcome. We got hit pretty hard in 2008 and the impact was serious but we gained a new skillset, too.

“The whole notion of having a three-year or five-year plan is nice but it’s very broad. You’ve got to be prepared to change very quickly behind the scenes. It’s okay to change your mind or your direction – you have to do that sometimes. Being

It’s interesting to see that around a third of firms say a millennial will potentially be running things within the next five years – so clearly, we have the talent and the confidence moving through the legal ranks.

However, over the last few years, there has been more noise and increasing pressure around the recruitment of ‘good-quality people’ and it seems that, for the foreseeable future, this will continue. Perhaps we should stop to consider a factor that isn’t helping this problem, which is the pressure being applied by clients to drive down costs. Is this preventing firms from taking the investment of time to adequately train and nurture more junior members of staff and grow more talented people? We all know that when we’re under pressure it’s easier to do the job yourself than it is to ask someone else, but perhaps it’s now time to consider more inward investment and relinquish a little off the bottom line.

That said, with a little foresight and creativity some of the simpler admin tasks in the firm can now be automated to great effect and help to pull back some of that lost margin – fewer mistakes, much faster, saving time. Once seen as a hurdle, technology is now very much a hygiene factor in most law firms and, moving forward, may start to help bridge the gap for finding high-quality staff with the growing skillsets of AI and its applications.

For the sceptics out there, we only need to look at the shift in workplace habits. It wasn’t long ago that flexible homeworking barely existed, and yet now it’s frowned upon for an employer not to at least consider it. The main reason is obvious – can someone be trusted to work when they’re out of sight?

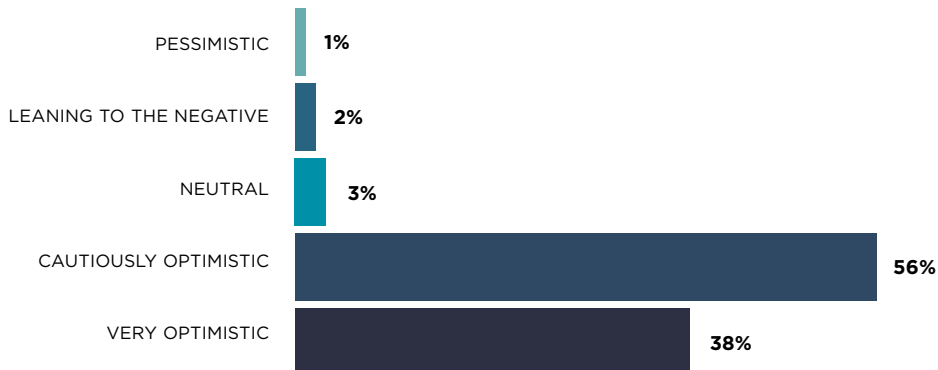
Well again, this shouldn’t be a barrier, with the gainful help of technology it’s now possible to manage some of this doubt and uncertainty through remote login, scheduled videoconferencing and remote centralised filing systems. The notion of there being a lack of quality people in the market may be promoted by the demand for office-based working.

Clearly, there are many threats to a law firms’ existence but surely the key to growth and future prosperity lies within the people behind the firm and the knowledge they each bring. People are our ‘point of difference’ and surely, with the right guidance, support, technology and tuition, we can all help to fill the so-called gap in the ‘quest for quality people’. **LPM**

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## 1. HOW OPTIMISTIC ARE YOU ABOUT YOUR FIRM'S PLACE IN THE LEGAL MARKET OF THE FUTURE?



responsive can be more important than sticking to a plan.”

Lack of funds, retaining quality staff, making changes, lack of technology and the partnership model are all hurdles that will continually cause issues at some time or other, and for some firms these topics are constant focus points, says Collier at Dawson Cornwell.

“It’s interesting that finding high-quality staff came in at 54%, with making changes following second at 24%. If firms struggle to get changes implemented – as long as they are changes for the better and not just change for change’s sake – then this will have an impact on all staff and, whether you’re a partner or support staff, you’ll want to work in a well-run practice.

“I believe that if a firm lacks respectable leadership then changes for the good will take longer to implement. And along that adjustment period, quality members of staff will become irritated and impatient, which will result in lack of retention. All of the hurdles submitted are related to one another and can have a knock-on effect, which can result in them all becoming a problem at the same time,” she says.

### STRUCTURED APPROACH

Something that makes firms more adaptable is the business model. The poll shows that 51% of respondents said their firm is already incorporated as a limited company – with 17% responding that it would be likely or highly likely to happen in the next five years. This trend is certainly nothing new, and the model breakdown seen by the number of SRA-regulated firms backs this up, so it’s a little surprising that a third (32%) of respondents said this was unlikely or highly unlikely to occur in the near future – despite potential benefits of doing so.

Tracy Jones, practice manager at Brown Turner Ross, says: “There are a number of benefits for law firms incorporating into limited companies – a number of tax incentives that make it the more financially viable option, and it allows for more flexible operational decisions, which fits more inline with the modern business world.”

Wahlberg at Alsters Kelley agrees: “We’re an alternative business structure and incorporated already, and that is really important for us. The traditional partnership model is clumsy, and people

don’t particularly want to work under it anymore.

“By not going down the traditional partnership route and being an ABS, we’ll be more able to engage with our teams in different ways and to reward and retain. We have a really strong foundation in our business support function, using people who are experts in their area of work – for example, our business development director is not a solicitor but a BD expert. Being an ABS enables ownership beyond solicitors, which we feel is very important. We want to build on expertise like this.”

With the model to back up adaptability, Wahlberg says there have been some other pressures to evolve the firm’s structure and way of operating.

She says: “We have changed our fixed fee offering and it’s continually under review, however, we’re not finding that clients balk at the idea of the billable hour as long as they understand the value of the service that they’re receiving. Some areas of commoditised work cannot be ignored for alternative fee offerings, but our experience is that clients do still value service. It’s not always about the fee alone.

“Fixed fees bring other pressures to complete the work within cost budget. Clients are aware of that and weigh up what they need and want from a transaction. The desired outcome and subject matter of the transaction influences approach to costs. The important thing is to discuss it openly and for the client to understand what they’re purchasing.”

Holden at A City Law firm highlights the upside to changing fee models: “Some smaller, proactive firms may be able to adapt to the client’s needs far more quickly and set various payment plans: retainers, fixed fees and discounts, to name a few. This enables us to stay ahead and cater to client demand. Some companies have AI tech to cut down the costs, but we fear removing the human element may reduce the advice and support that clients need.”

### TALENTED PEOPLE

Jones at Brown Turner Ross says: “The legal sector is recognising that the world is changing; agile working is becoming the norm and technology has enabled this to fit in seamlessly with day-to-day operations.

“Childcare is often a barrier for women returning to work; flexible solutions allow for

#### LPM FIRM FACTS

**A City Law Firm**

**Revenue: £750,000+**

**Corporate status: Ltd**

**10 fee earners, 14 total staff**

**Office: London**

#### LPM FIRM FACTS

**Dawson Cornwell**

**Revenue: undisclosed**

**Corporate status: Partnership**

**33 fee earners, 43 total staff**

**Office: London**

#### LPM FIRM FACTS

**Alsters Kelley**

**Revenue: £4m**

**Corporate status: Ltd (ABS)**

**48 fee earners, 92 total staff**

**Offices: Leamington Spa, Coventry, Nuneaton, Southam**

#### LPM FIRM FACTS

**Brown Turner Ross**

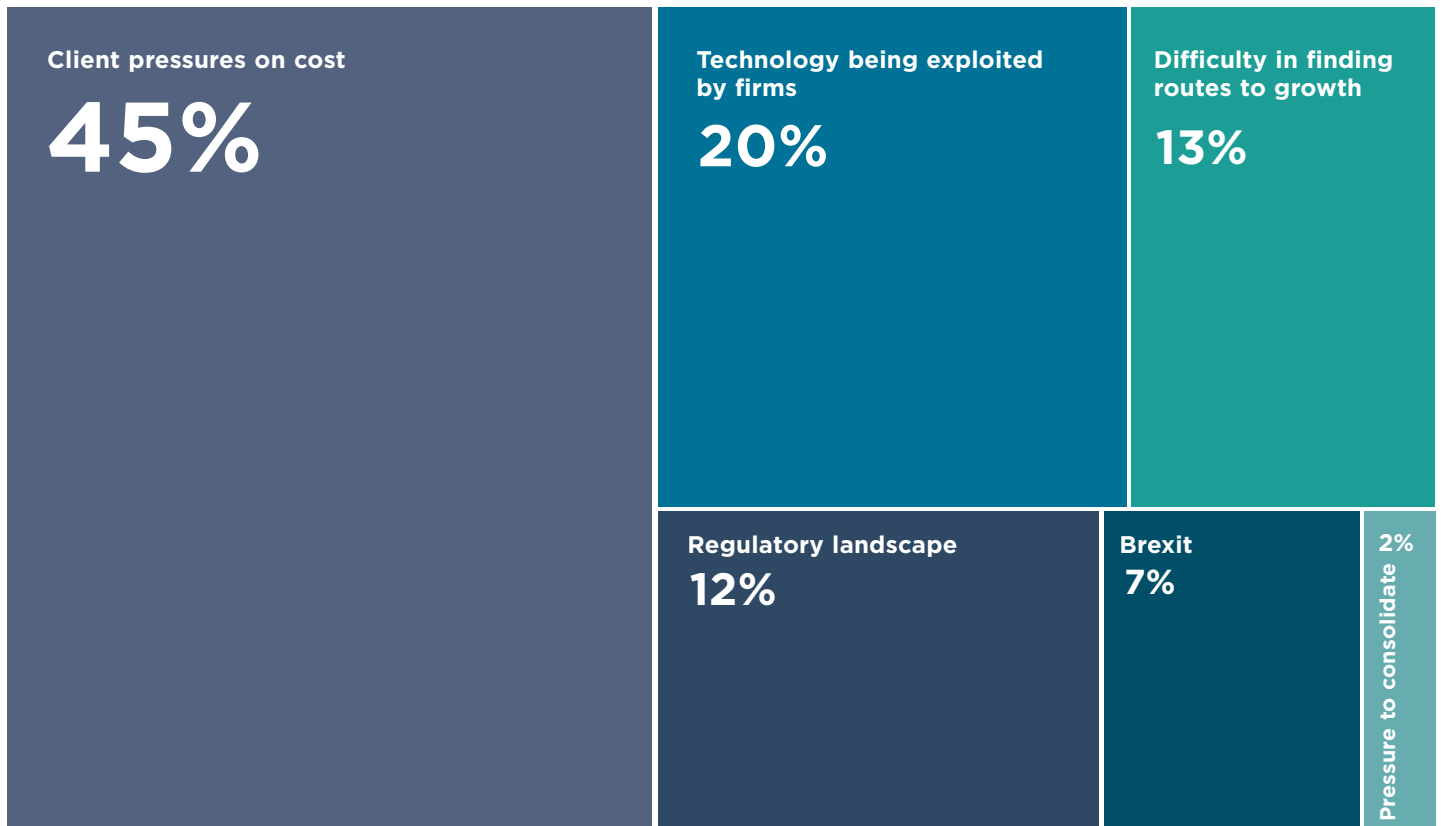
**Revenue: £2.6m**

**Corporate status: LLP**

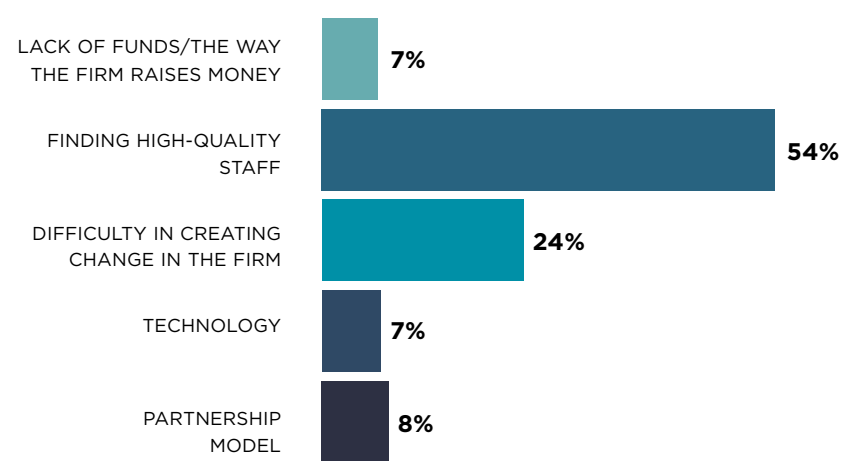
**14 fee earners, 31 total staff**

**Offices: Southport, Liverpool**

2. OUT OF THESE, WHICH FACTOR IS HAVING THE BIGGEST IMPACT ON THE SME LEGAL MARKET?



3. WHAT IS THE GREATEST HURDLE TO YOUR FIRM'S GROWTH OR FUTHER SUCCESS?



good staff to return to work and perform to their best ability around their home commitments.”

As long as people are genuinely committed, flexible working can benefit both the employee and the firm, Holden adds. “It enables a firm to get the most out of people - supporting family life and the ability to work mornings or evenings around other commitments. We see offering leave, remote and flexible working are key to keep staff motivated. And clients benefit from a happier lawyer.”

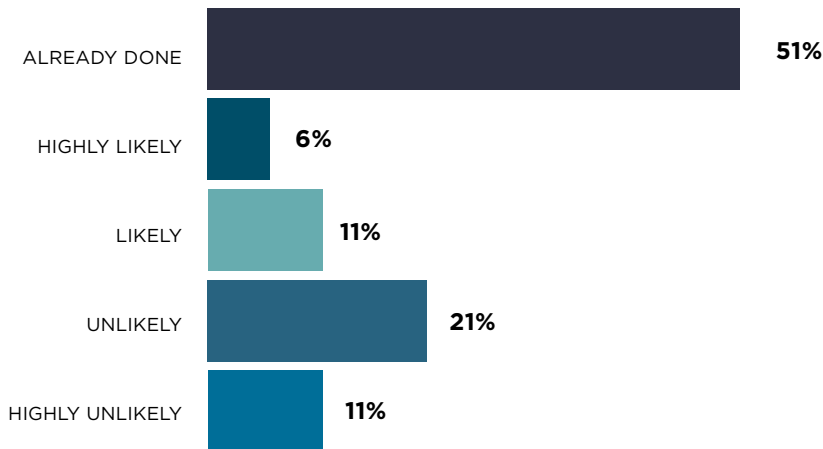
Wahlberg at Alsters Kelley agrees, but points out that it can be harder for SME law firms to offer a high amount of flexibility while at the same time meeting client demands. “If we had larger teams it seems more likely that we could build in more flexibility for staff but there are practice areas that lend themselves to more flexible working than others. There have been different levels of demand across the business for flexible working and we do try to meet staff preferences but really it boils down to the client - the model for flexible working must still meet client demands and preferences.”

Wahlberg echoes the polling result sentiment that finding high-quality staff is a big challenge: “The talent shortage is very real and a serious problem not just in our local area but across the UK.”

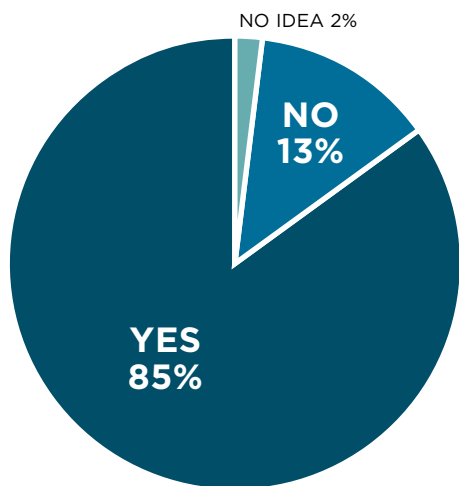
She says it’s difficult to get to the bottom of what’s caused it. It seems likely to be a number of factors. You don’t have to go back very far to when it seemed that there were far more postgraduate law students than there were available jobs, but here we are just a few years on and we don’t seem to have enough qualified lawyers, she adds.

“While looking for a one-to-three-year qualified lawyer in a particular discipline, I was informed by a

HOW LIKELY DO YOU BELIEVE IT IS YOUR FIRM WILL INCORPORATE AS A LIMITED COMPANY IN THE NEXT FIVE YEARS?



ARE PEOPLE IN YOUR FIRM OR PROSPECTIVE HIRES INCREASINGLY ASKING FOR FLEXIBLE WORKING SUCH AS REGULAR WORKING FROM HOME DAYS?



headhunter that – within a 30-mile radius of one of our offices – there were only six candidates.”

She says this has had an impact on what Alsters Kelley do as a firm. “It’s important to us that we recruit and retain high-calibre lawyers. The issue is what we do to achieve that. People are looking for different rewards and have different life expectations nowadays. They want flexibility, additional benefits and a solid work-life balance.”

“It’s not just millennials that we have to consider but the whole workforce. It’s diverse and we need to cater for different demands and expectations.”

Holden at A City Law Firm says that it’s important to recognise the difference and diversity in people: “It’s about understanding people. Not everyone is motivated by money, so creating a culture that’s both exciting and flexible is key to retain staff.

“Likewise, some want a clear career structure, while others – a firm must understand – will only stay with the firm for a short duration. Therefore, a constant recruitment plan is essential – as well as an internal promotion plan from within the firm.”



*It’s good that the legal sector is facilitating more conversations around these issues. But there is still a lot of stigma around mental health and a lot of work to be done – not just in the legal sector but everywhere*

Catherine Wahlberg, managing director, Alsters Kelley

### WELL HUMAN BEINGS

Another trend in the market, though not polled at this year’s conferences, is the rise of awareness of mental health and wellbeing at law firms.

Wahlberg points out that, key to running a successful law firm, attracting and retaining staff and providing a good service to clients can all boil down to the wellbeing of staff.

Alsters Kelley has one trained mental health first aider and is looking to train more staff. “We talk about mental health and wellness because it is important. It needs to be an open discussion. We need to learn to notice when people are struggling. We also need to speak up – it helps others to speak up and we can help to manage situations. Treating people well is important. Our culture is based on being kind, helpful and excellent, and it applies not only to clients but internally as well.”

Working in law is a stressful job – no one has pretended that it wasn’t – but it’s also very rewarding, she says.

“I’m really pleased that there is increasing awareness around wellbeing in the legal sector. If there is one message that I give to people, it’s that you also have a responsibility to look after yourself. It’s good that the legal sector is facilitating more conversations around these issues, but there is still a lot of stigma around mental health and a lot of work to be done – not just in the legal sector but everywhere.”

So, how do these challenges and sentiments stack up to those you’re seeing play out at your firm? Hopefully, despite all that’s occurring, you share the optimism of the rest of the market. There are exciting things on the horizon, after all. **LPM**

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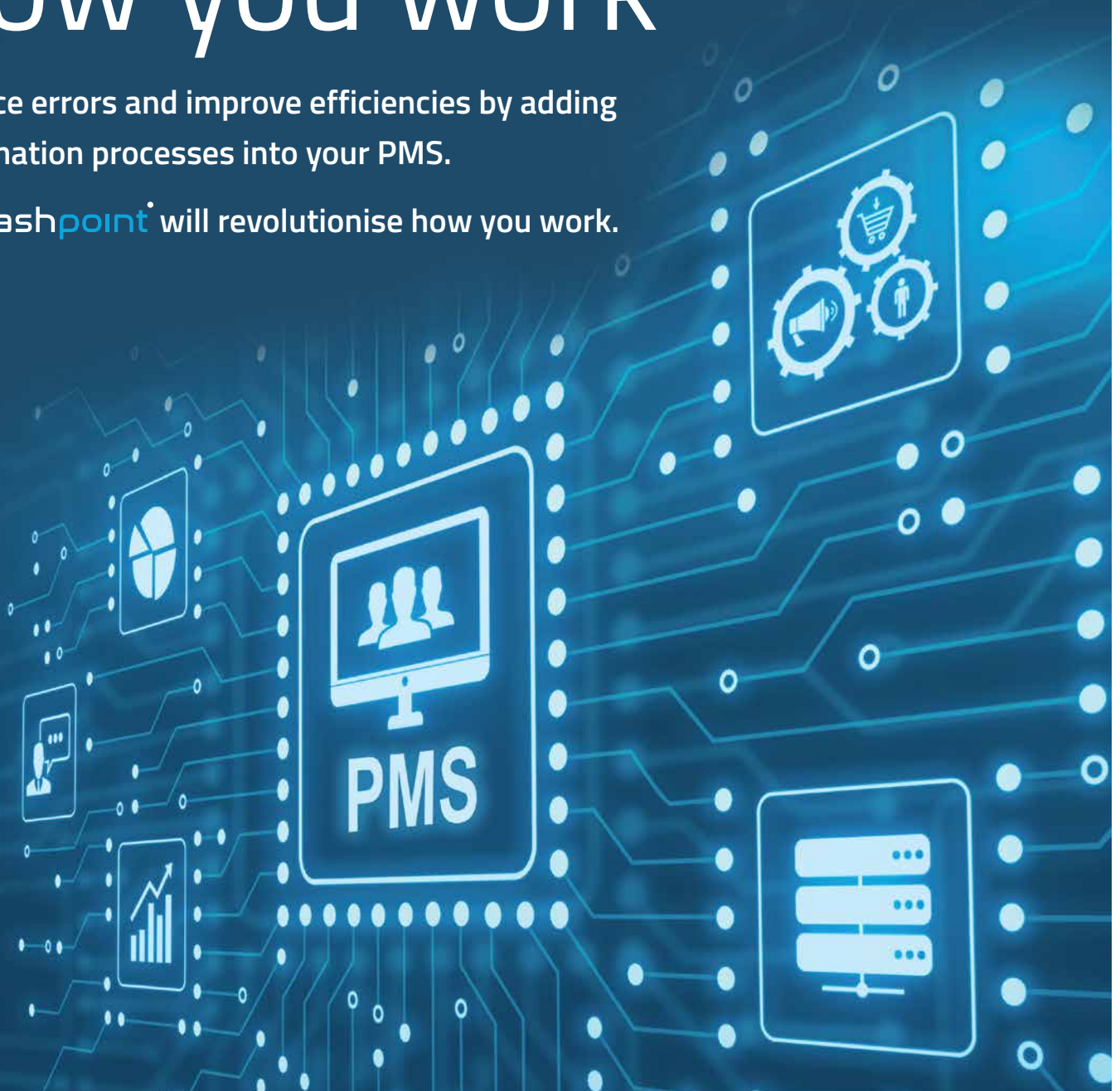
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