



Bellwether Report
2017: TWO
LexisNexis



In today's rapidly changing legal landscape there are unprecedented opportunities to streamline working practices and satisfy an increasingly tech-savvy and informed client-base...

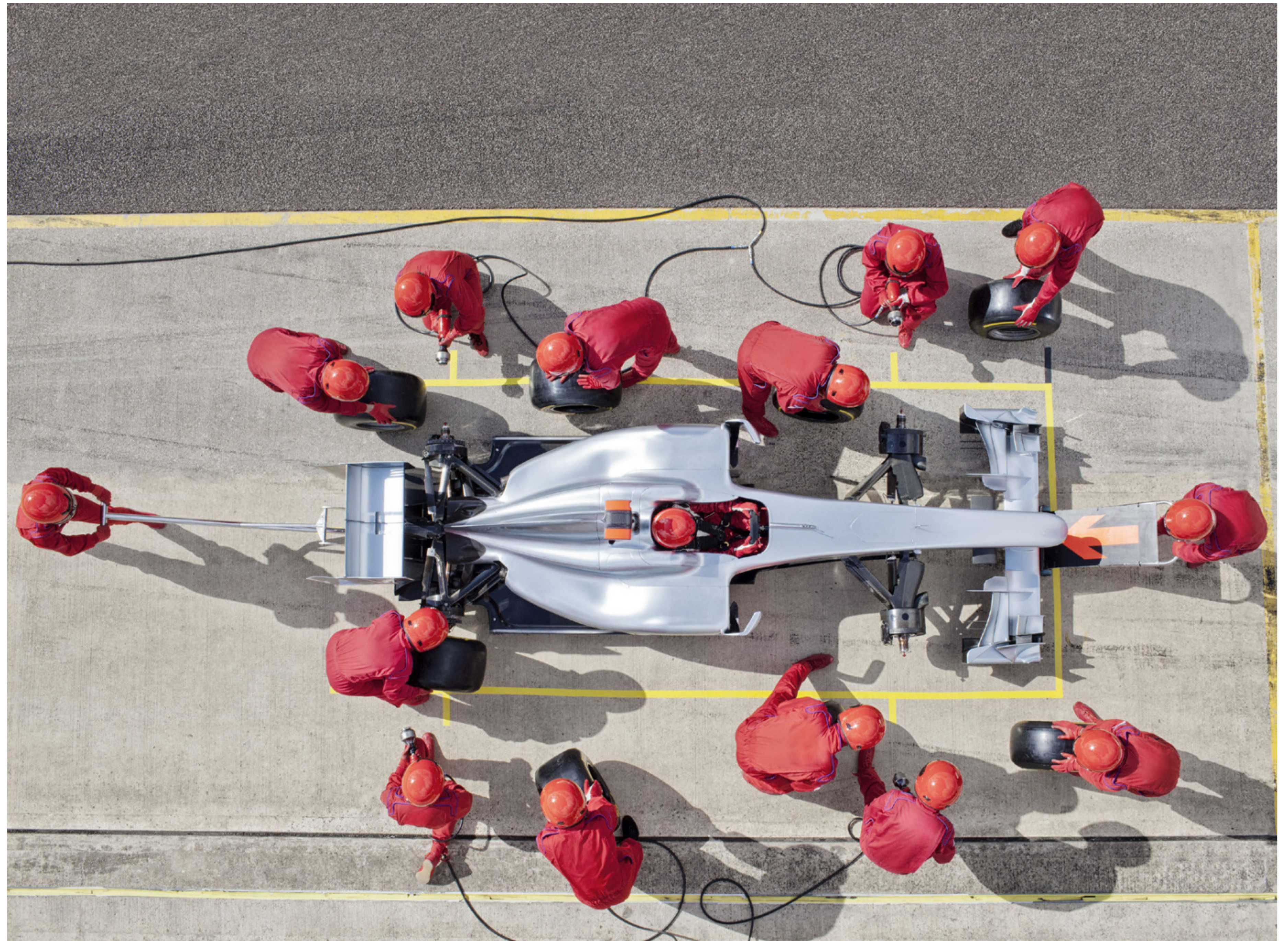
But will law firms answer the call to adapt and evolve, or get left behind?

The legal profession is at a crossroads. Clients are demanding change, but law firms appear to be in a holding pattern, pledging forward-looking action, while cleaving to traditional thinking, from hourly billing to old school assumptions on what they believe is in their clients' best interests. In the push and pull between past and future, a chasm between words and action has started to emerge.

The crux of the matter is efficiency.

- What does it mean to lawyers in today's market, and do they value it in the same way as their clients?
- How do they believe they can deliver it, and are they succeeding?

Whether they realise it or not, law firms are in a race to evolve – and they cannot afford to lose.





Our previous Bellwether reports have explored the most significant emerging trends impacting independent law firms: the imperative for smaller firms to specialise (*Survive or Thrive, 2013*), the emergence of a new breed of entrepreneurial lawyer (*Brave New World, 2014*), the paradigm shift of the ‘smart client’ (*The Age of the Client, 2015*), and the differences in perception between lawyers and clients (*The Riddle of Perception, 2016*).

This report follows on from *The Art of Success*, the first Bellwether report of 2017. It takes the temperature of a legal profession on the cusp of major change – the calm before the storm where present meets future, and tomorrow’s technology becomes today’s must-have.

We explore how firms are tackling the pressures of change in the profession-wide race to stay ahead of the curve when it comes to client-centric, forward-thinking, efficient service.



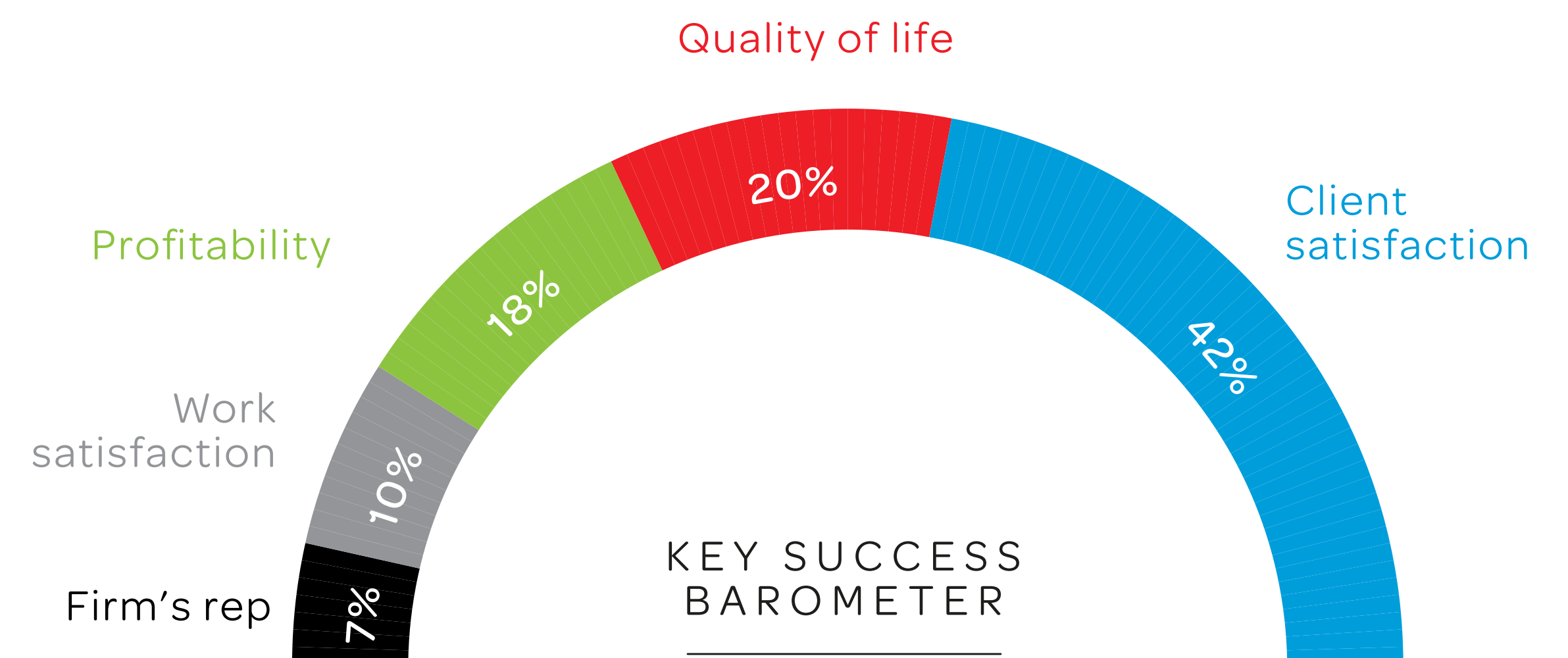
The previous Bellwether report of 2017 revealed that lawyers are cautiously optimistic about the future. But last year, we discovered vast differences in perception between lawyers and their clients, especially concerning efficiency.

Where clients identified efficient service as their second most important priority, lawyers mistakenly assumed it would be ranked much lower.

This discrepancy was telling so we decided to look deeper and see if this was still the case. After all, the majority of lawyers consider client satisfaction to be the most important barometer of a firm's success. Indeed, our research suggests that commercial success is a direct result of happy clients – more than even profitability.

So, if client happiness and client expectations are that important, are they being taken seriously? Are firms now providing or still promising the efficient service their clients demand? We spoke with almost 150 lawyers to find out.

Today's clients value efficiency and they have come to expect that their legal supplier will be, at least as technologically advanced as they are. Continual technological advancement is seen as standard. The firms that are adapting have the potential to race ahead, while those that don't risk being left behind.



1. The dividing line: efficiency

“ It doesn't take long to spot the lawyers who aren't being quite so efficient. They don't get the same level of positive feedback from the clients. ”

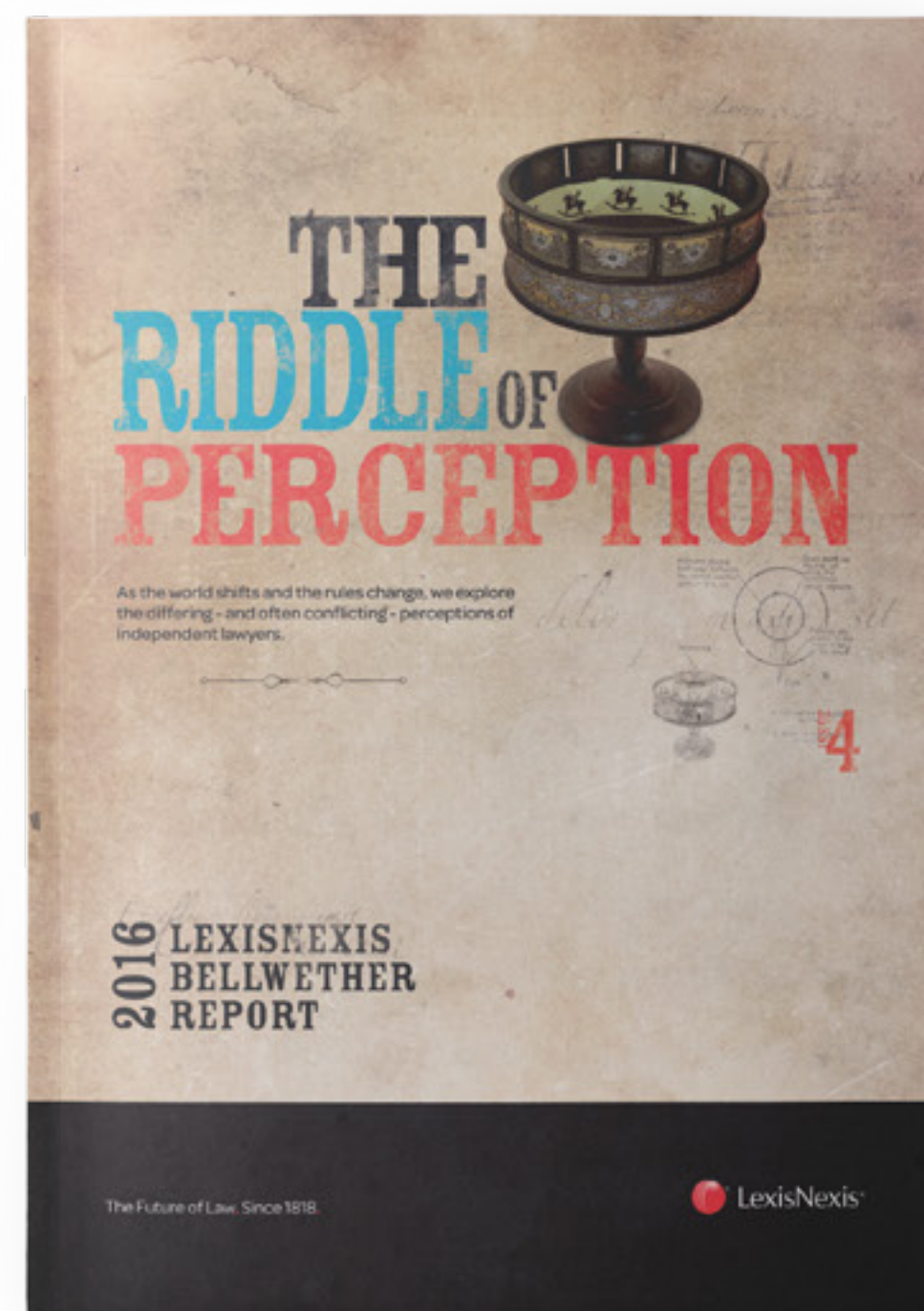
– Lawyer

1. The dividing line: efficiency

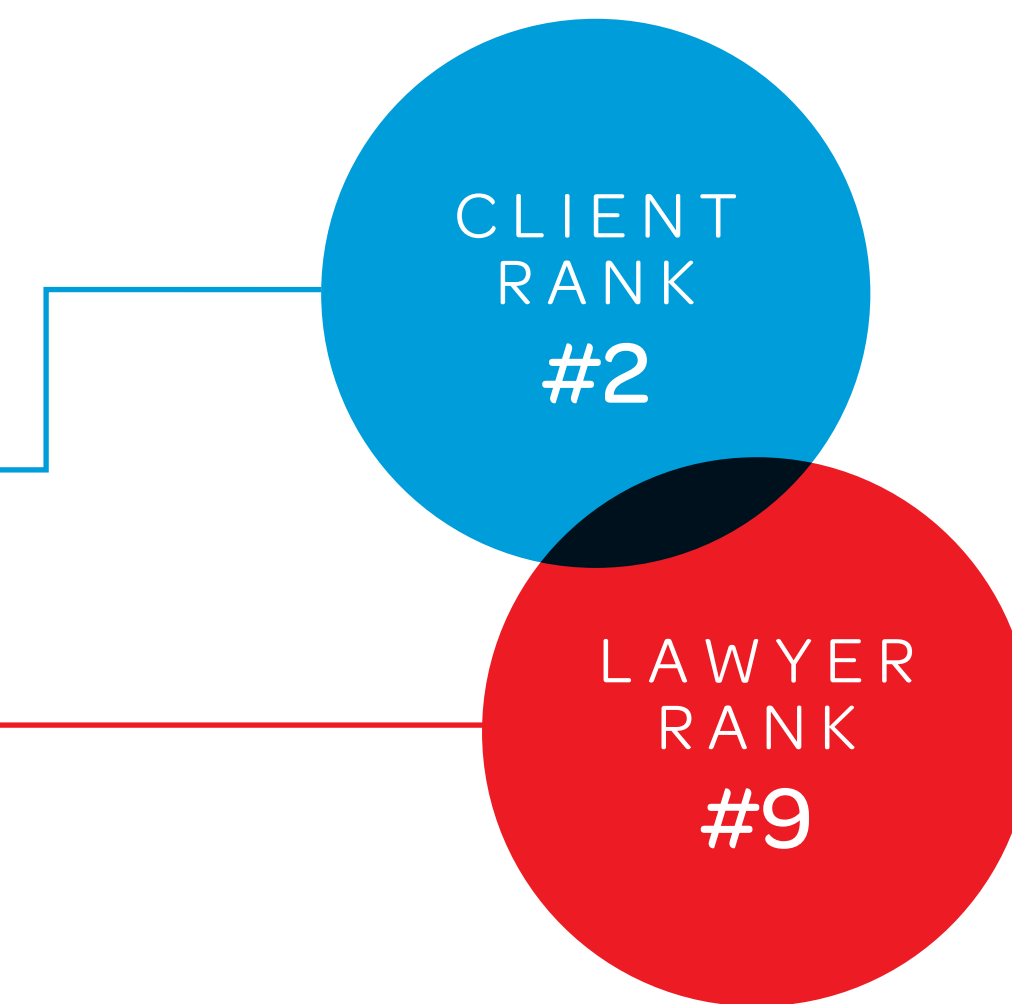


Lawyers and clients are divided over what they value and prioritise in the legal process.

From our 2016 Bellwether report, we know that many lawyers underestimate the importance of efficiency and timeliness to clients.



EFFICIENCY AS RANKED BY CLIENTS AND LAWYERS



BASE 48

1. The dividing line: efficiency



Lawyers consider pricing clarity to be of primary significance, further highlighting the deep divides between the expectations of clients and the assumptions of lawyers.

Looking at pricing in more detail, we discovered that the mindset for lawyers is still overwhelmingly hourly.

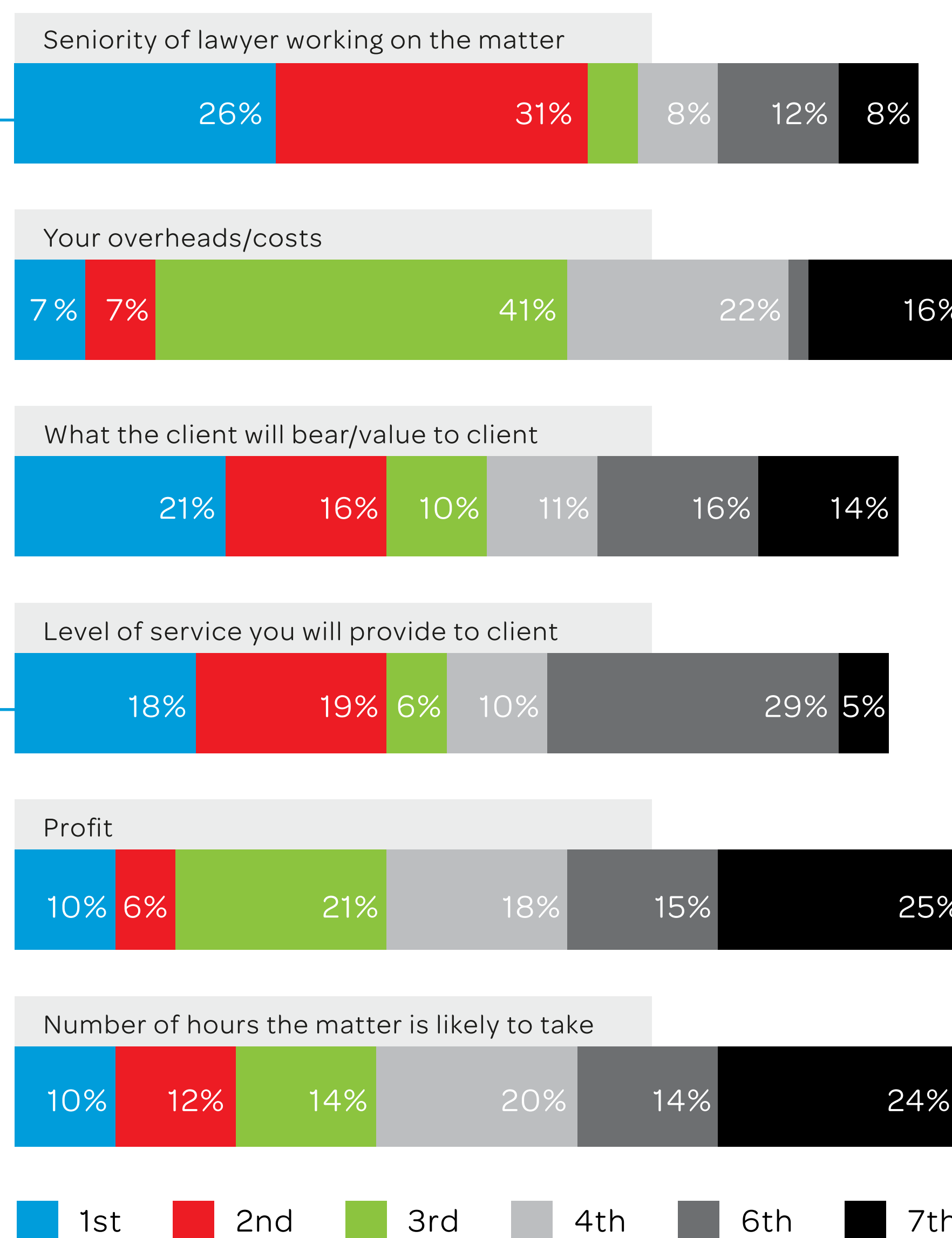
1/4 of lawyers believe that the seniority of the lawyer working on the case is the main consideration.

18% of lawyers believe the level of service provided to be the top priority.

But this doesn't seem commercially minded; hourly rates seem to still have a stranglehold on the thinking in this area.

Only **2 in 10 lawyers** believe that providing what is of most value – e.g. efficiency, timeliness, and addressing needs – to the client should be the primary factor when deciding costs. There is a fundamental difference in values at work here. Could the dissonance between client desire and lawyer perception exist because lawyers don't take clients at their word?

FACTORS INFLUENCING PRICING OF NEW INSTRUCTIONS



A lawyer said:

“Sometimes what the clients think is for their benefit – i.e. the short, sharp, quick “just do it” approach – isn’t actually for their benefit. They don’t know enough to know what they need.”

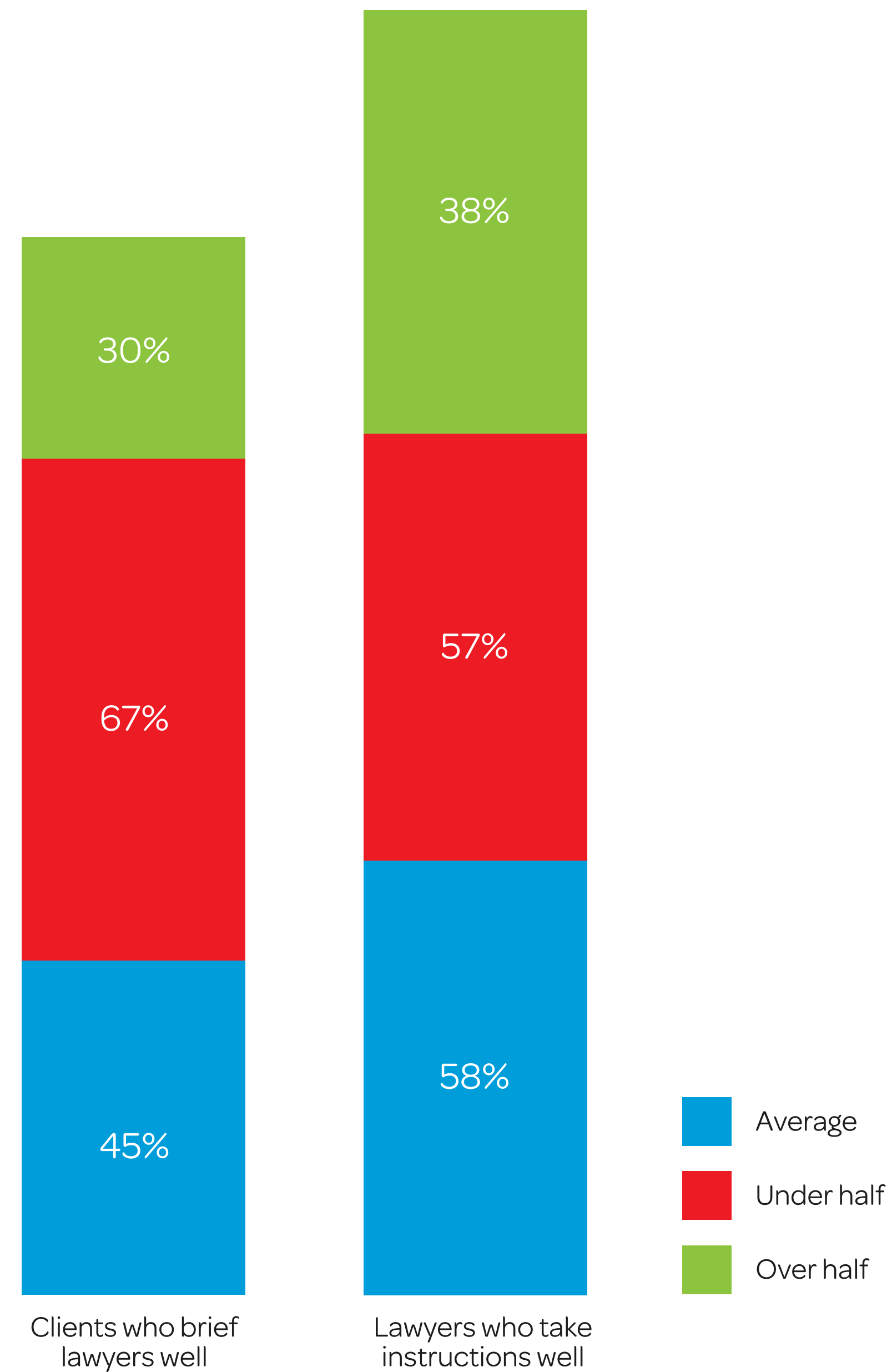
RANKING / ORDER OF PRIORITY

BASE 153

1. The dividing line: efficiency

On average, fewer than half of clients are felt to be good at briefing. But lawyers are only slightly better at taking instruction; the shortfall highlights how much work is potentially jeopardised from the outset. Given how important this is, it's alarming to see that the profession judges itself wanting in this area.

PERCEIVED % WHO BRIEF / TAKE BRIEFINGS WELL



BASE 153

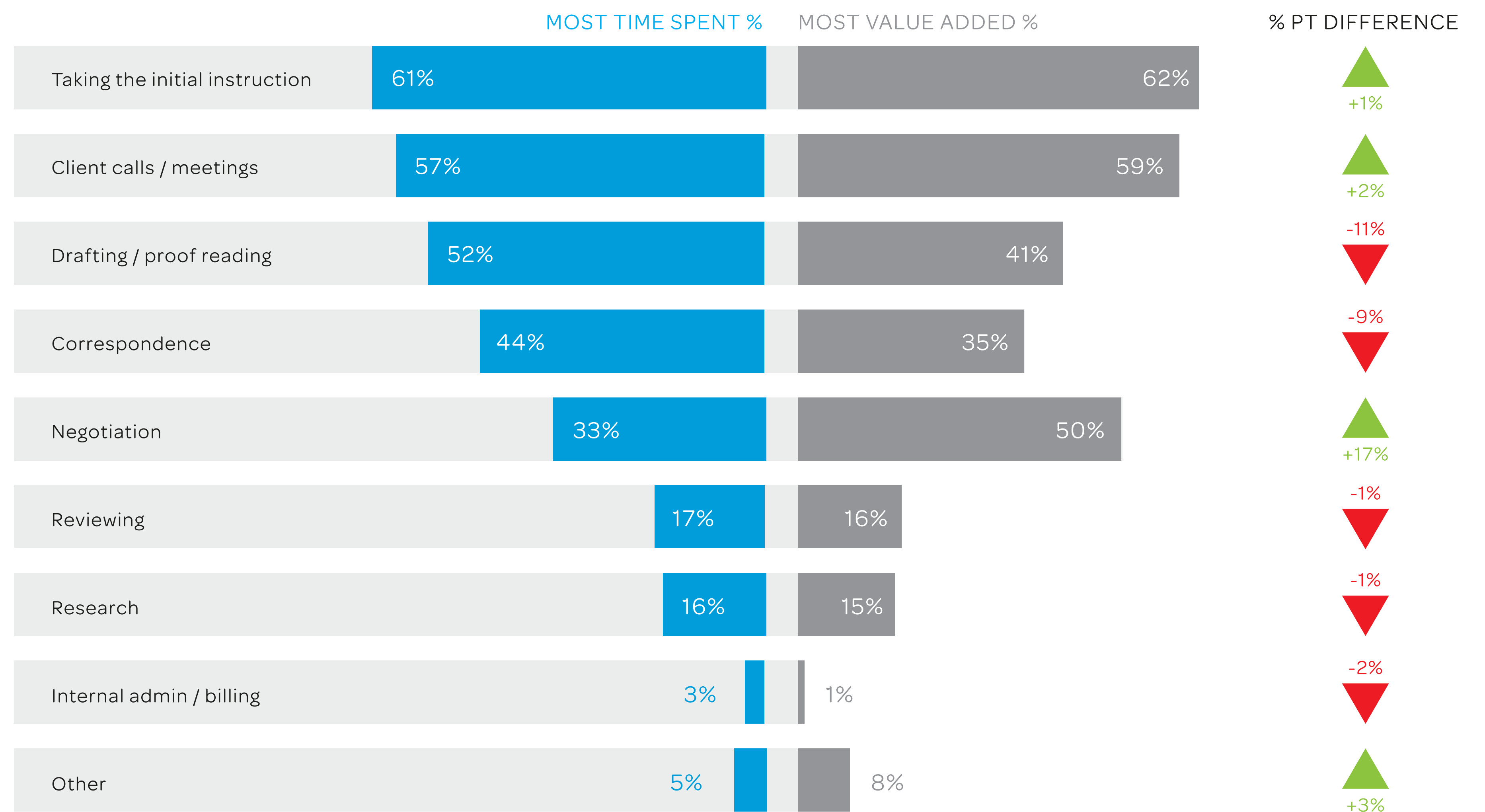
1. The dividing line: efficiency

Largely, it seems that lawyers feel that time spent per matter stage is commensurate with value delivered.

Negotiation, in particular, is seen to be efficient; it's the task where lawyers believe they add the greatest value relative to the time spent. For drafting and correspondence, on the other hand, lawyers believe the time they spend doesn't add as much value.

Are these tasks being underestimated, or does it indicate that these tasks could be handled more efficiently? With only half of lawyers using legal tools for drafting, and even fewer for correspondence, it's a necessary question to ask.

COMPARISON OF TIME SPENT AND VALUE ADDED



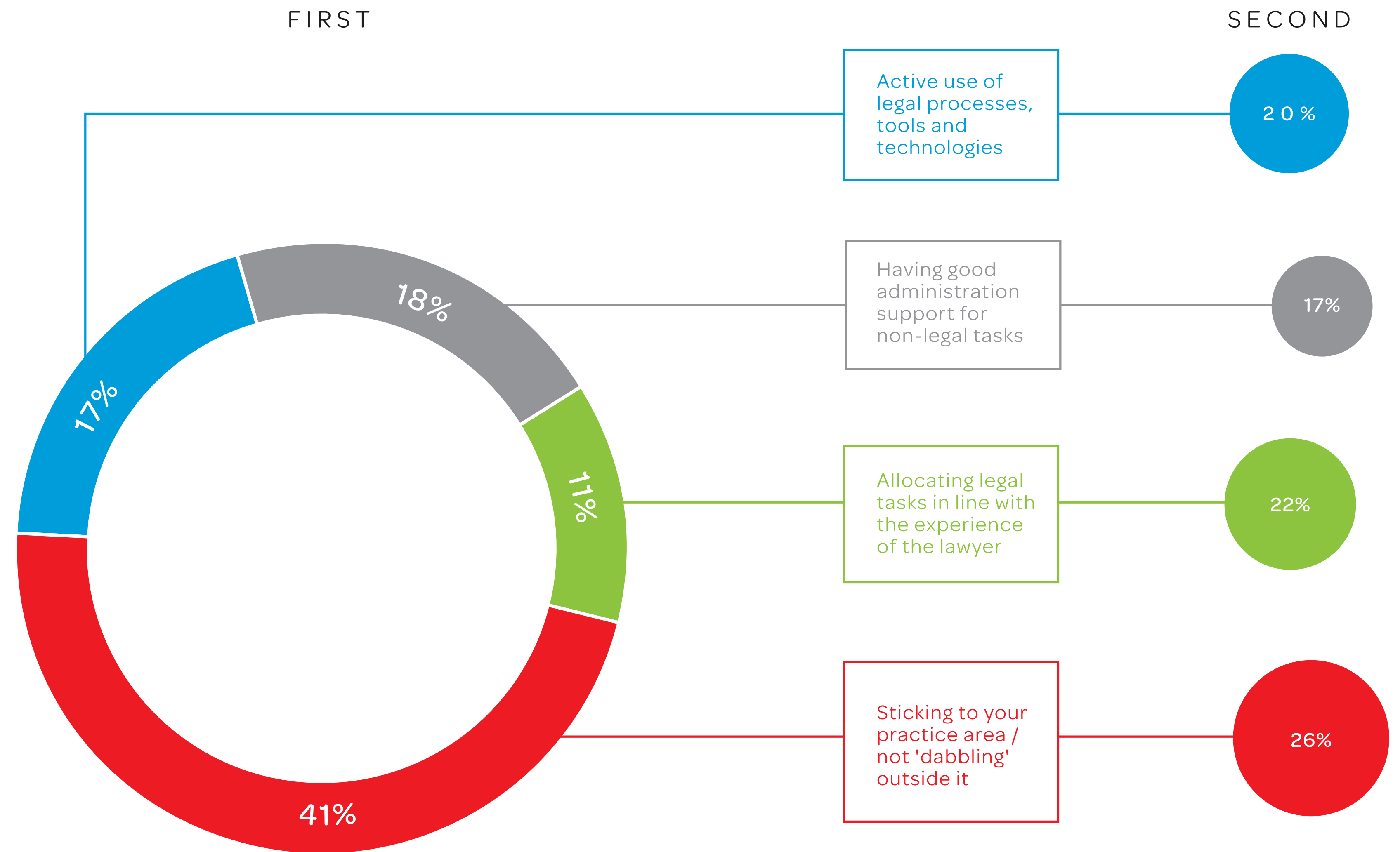
BASE 153

There's a disconnect between what lawyers believe makes them efficient, and their willingness to change and invest in efficiency measures.

“I get to do my work, and that's success for me.”

Lawyers identified four key efficiency drivers within law firms, so we explored this further. Do such activities help firms become more efficient?

MOST IMPORTANT EFFICIENCY DRIVERS



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Referring vs. Upskilling

“The thing is, you have to cross-sell... it's all part of creating brand awareness.”

Rankings were mixed as to which activities lawyers considered the most important drivers of efficiency in their law firms.

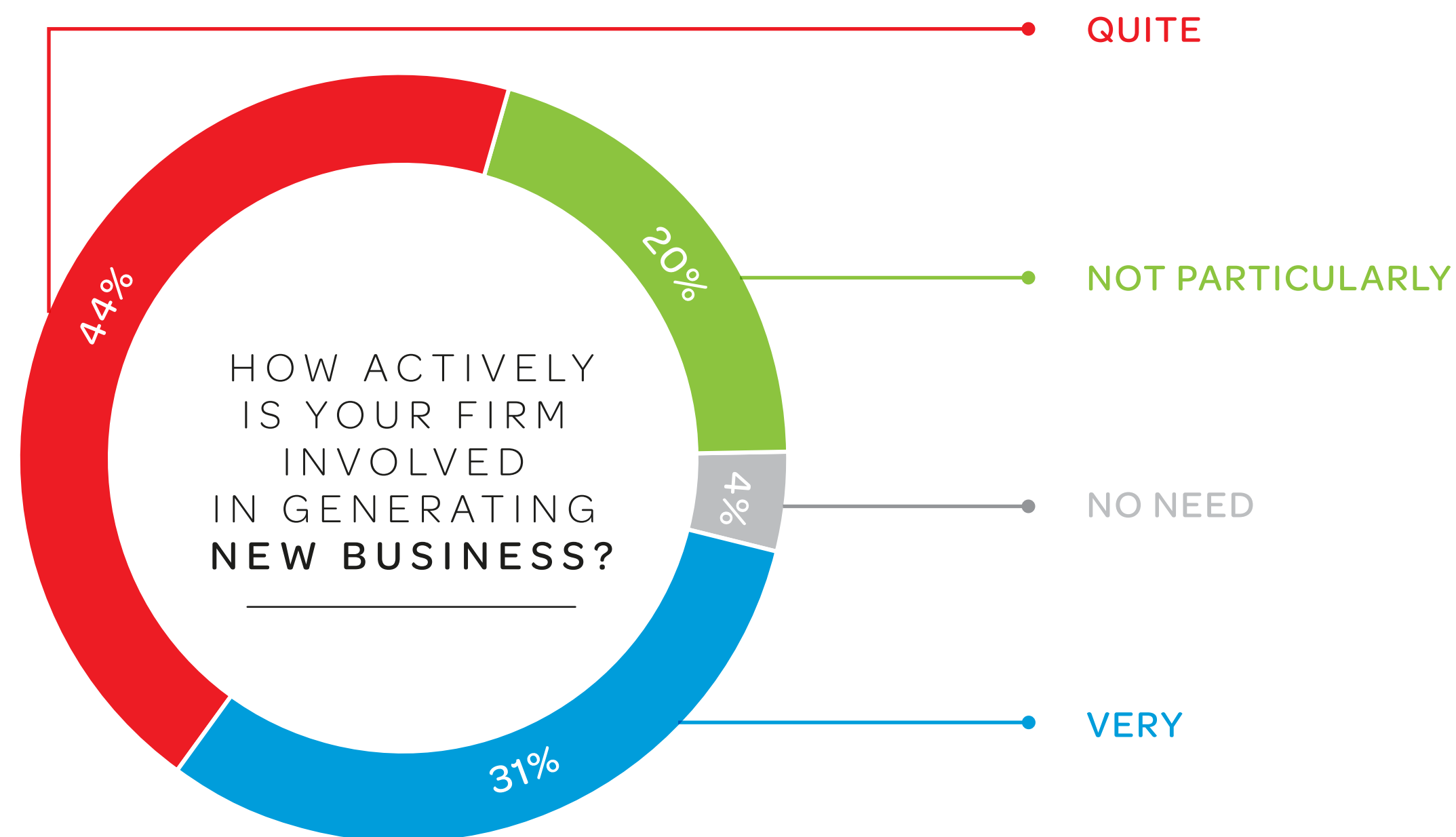
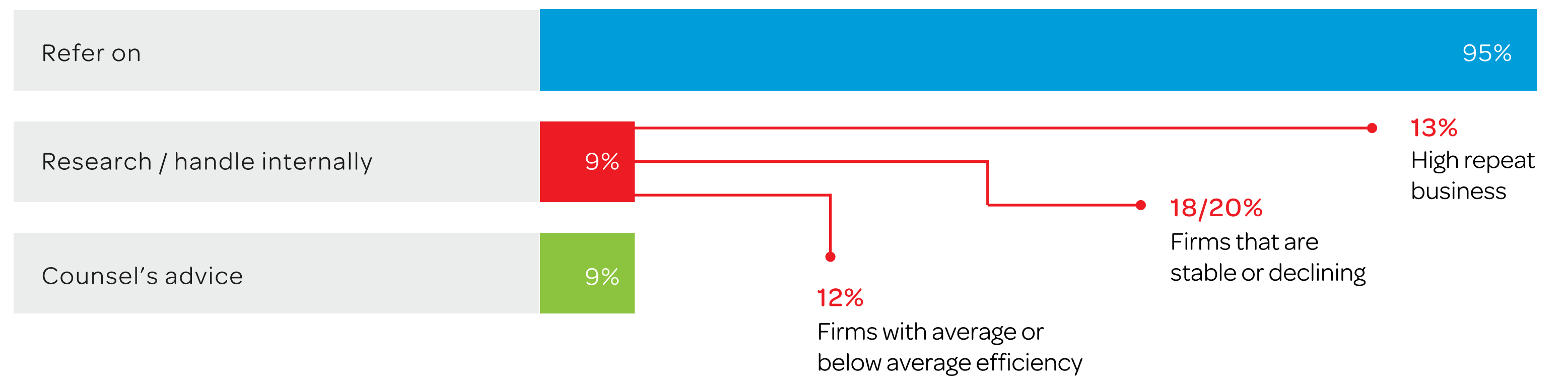
But ‘not dabbling’ outside of core practice areas emerged as the frontrunner, with over a third of lawyers ranking it as the **top contributor**.

However, firms report that **65%** of the enquiries they receive on a regular basis fall outside their main practice areas; only **9%** look into them or handle them internally. Instead, **95%** of lawyers refer such enquiries to other firms. But are they missing a trick? Since almost two thirds of firms are actively pursuing initiatives to generate new business, why not start with the business that comes directly to your door?

A lawyer said:

“You should be continually upskilling and keeping abreast of what’s going on anyway.”

HOW ENQUIRIES ARE HANDLED WHEN OUTSIDE OF FIRM SPECIALISM



BASE 140

Using technology

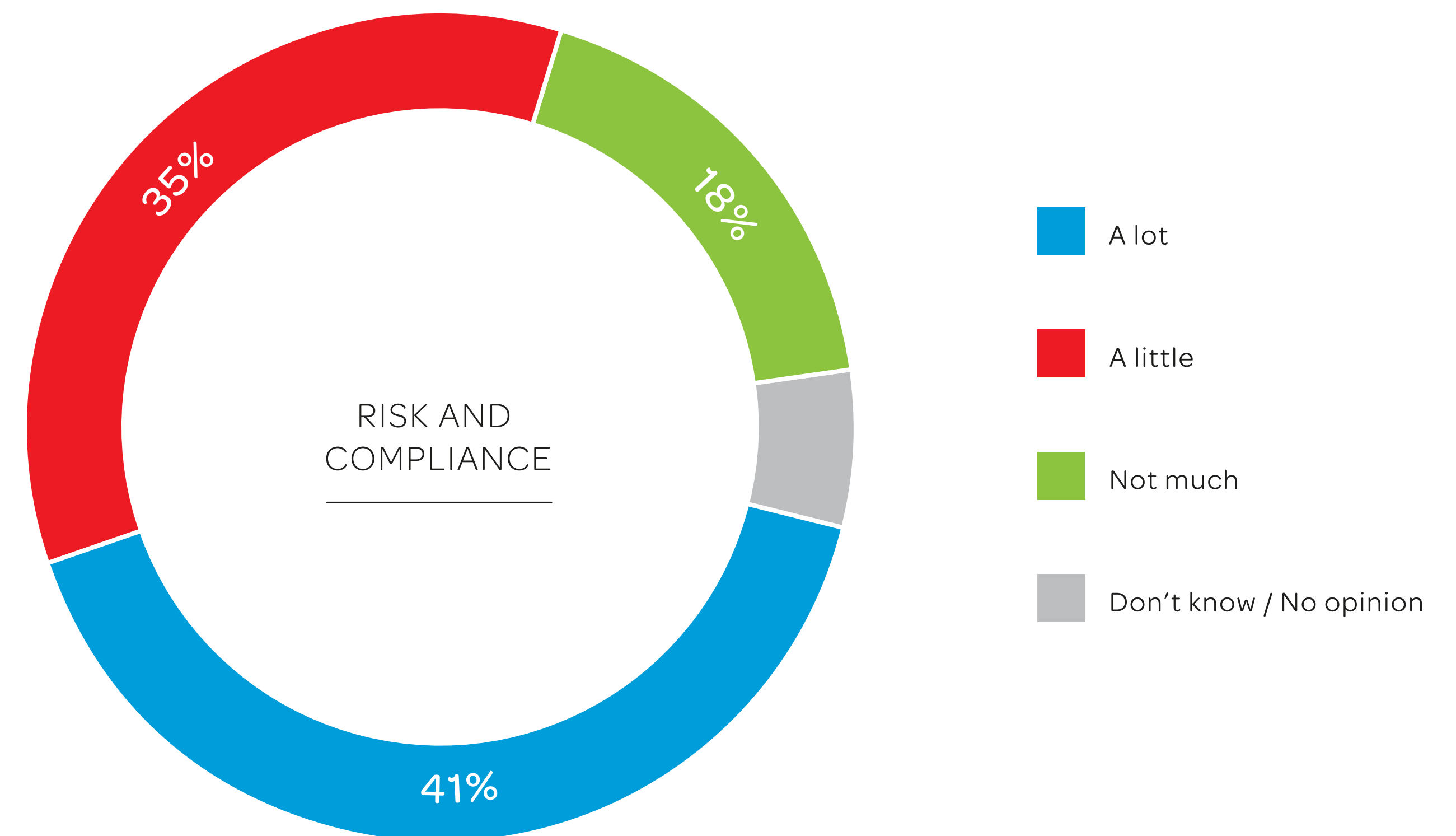
Only **17%** of respondents consider the active use of technology to be of primary importance when it comes to driving efficiency.

But that doesn't change the fact that legal tools and technology are used by **97%** of firms in day-to-day tasks.

Almost all the lawyers we spoke to agree that technology contributes to workplace efficiency across the board. Risk and compliance is the only area where a more significant percentage diverged from this thinking, but still, the majority agreed that technology and tools make a difference.

However, there is a marked disconnect between words and action.

HOW MUCH DO RISK AND COMPLIANCE TOOLS CONTRIBUTE TO EFFICIENCY



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Back in 2016, **92% of the lawyers** we spoke to asserted that *'continued investment in technology is no longer optional' – it is a 'must'*. Furthermore, lawyers themselves are aware that they don't make use of the tools available.

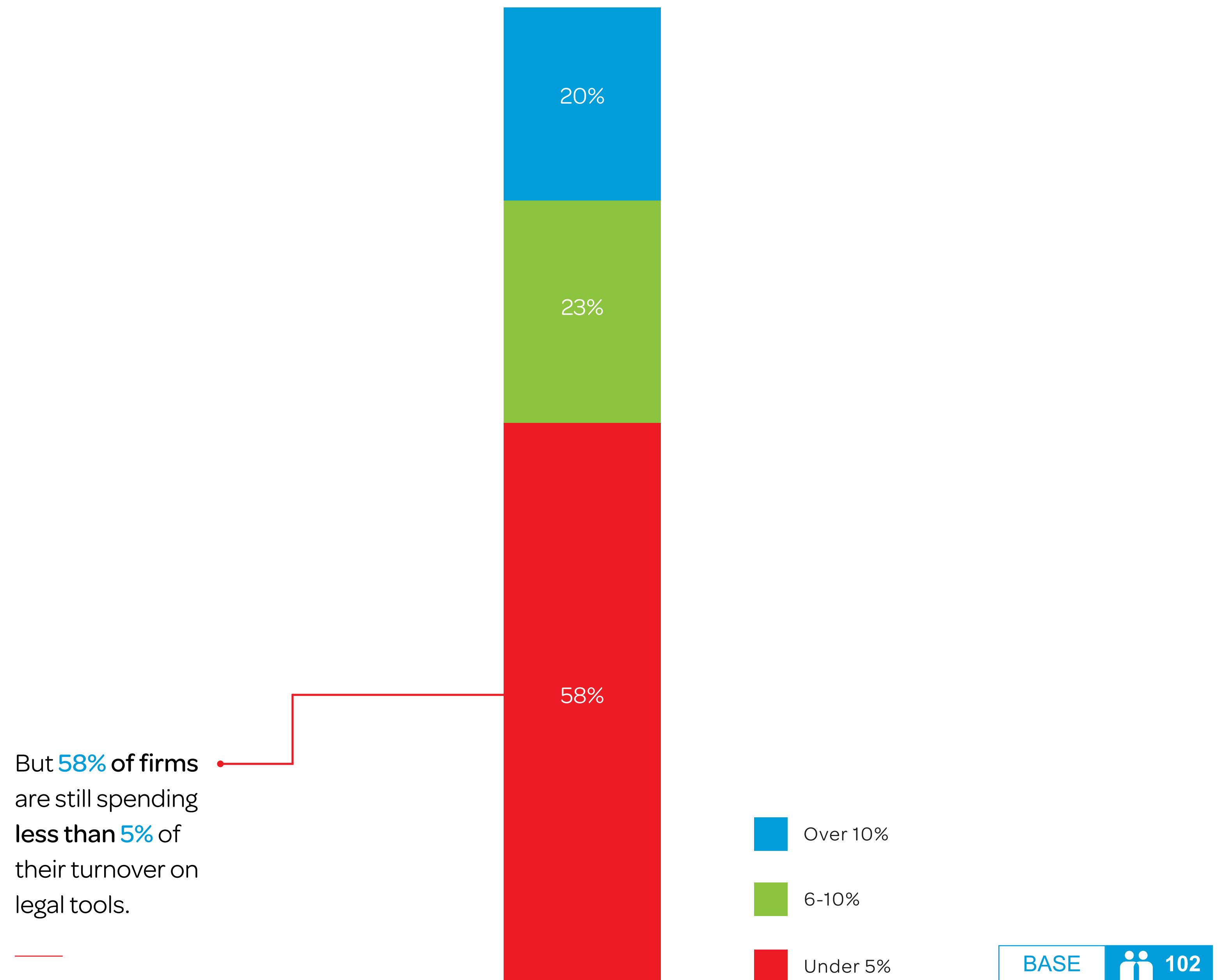
The majority of lawyers who use legal tools believe they contribute to efficiency, but for each type of tool, even lawyers who don't use them admit they are useful.

So, the question remains, why do lawyers underestimate and firms underinvest in them?

This is curious, especially considering that over half of decision-makers and lawyers surveyed in our **2016 Mind the Gap report** believe that technological advancement and investment in the best systems and processes are important characteristics of a *'great law firm'*.

Many of the lawyers we spoke to cite systems and processes, as *'fundamental'*. *'Without them, you just cannot practice,'* says one. They also contribute to a pleasant working environment, due to *'the feeling of being supported by having properly-managed systems in place with back-up.'*

PERCENTAGE OF TURNOVER SPENT ON ONLINE LEGAL TOOLS

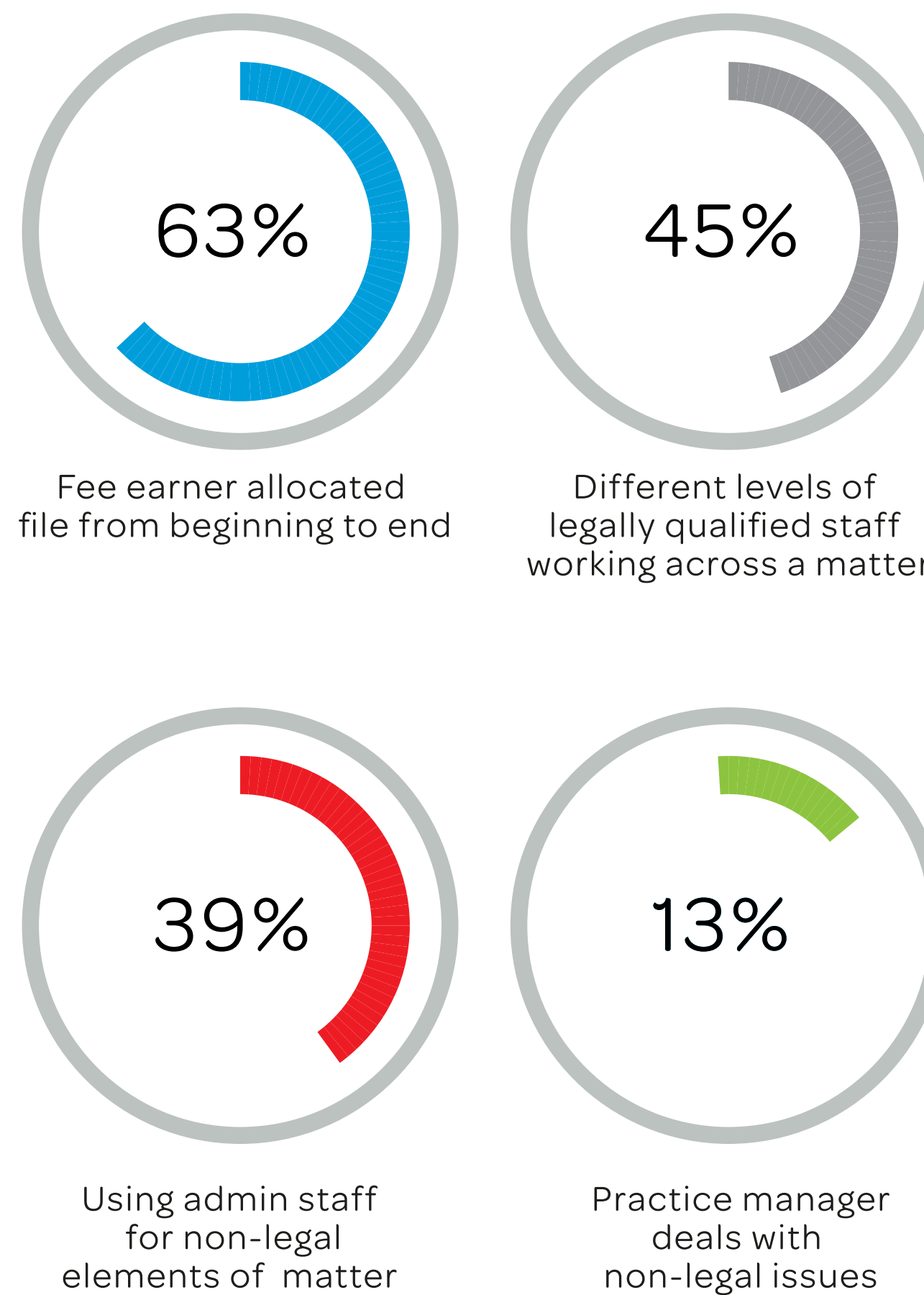


Administrative support

How time is spent, and by whom, is crucial to determining and driving efficient practices. A senior fee earner's time is valuable, so why spend it on non-legal tasks that could be assigned to an administrative assistant?

Considering that more than half of lawyers believe clients judge value based on outcomes, and they acknowledge that tasks can be accomplished more efficiently with legal tools, then why not use them?

ALLOCATION OF LEGAL MATTERS



A lawyer said:

“There are certainly non-fee-earning things that could be done better by non-fee-earning people.”

In the words of another:

“Life is very simple at the moment – I can just sit here and do my work, thanks to my administrative assistant and my accountant. I get to do my work, and that’s success for me.”

Allocating tasks in line with experience

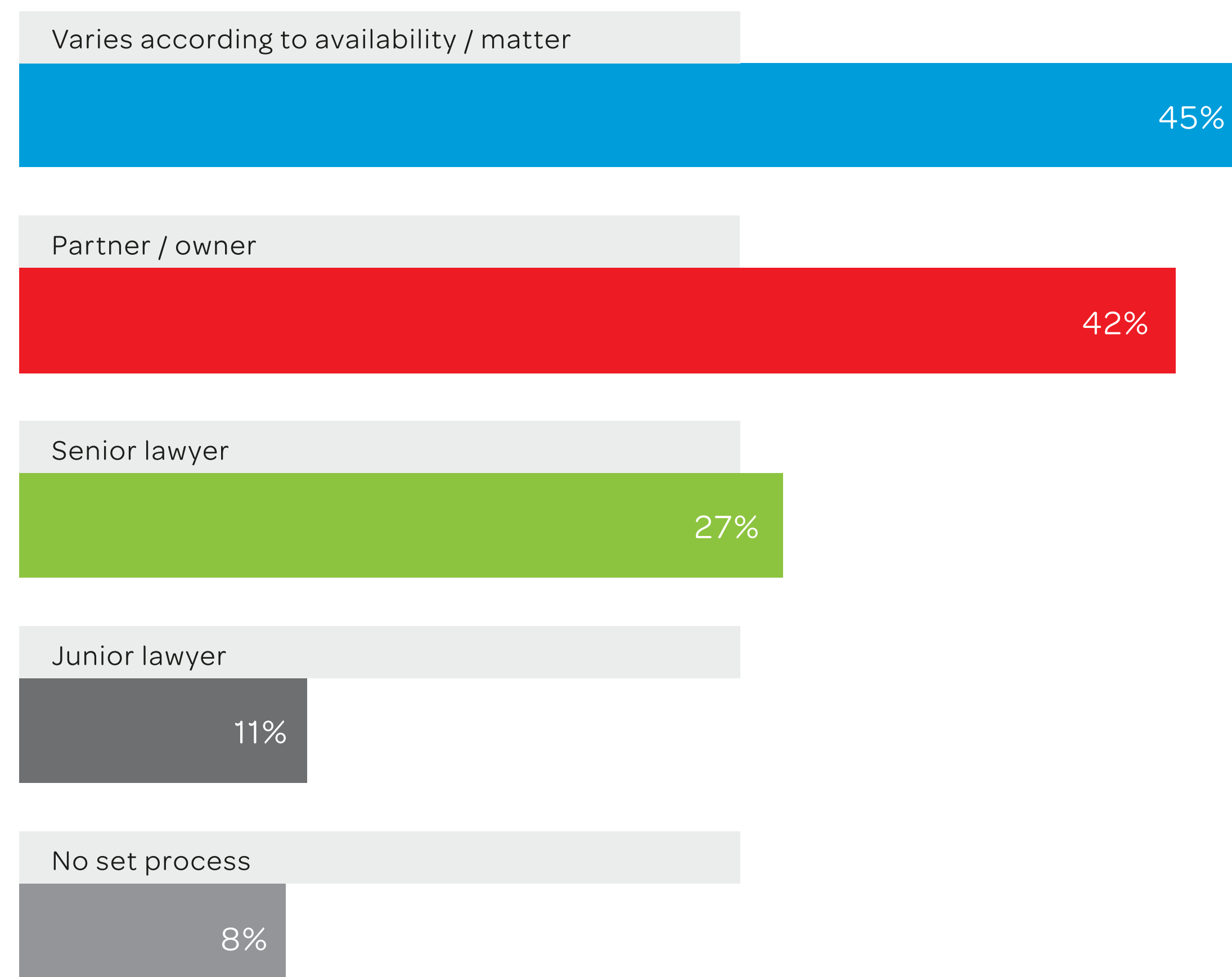
Just under half the firms we spoke to use differing levels of legally qualified staff during the life cycle of a case.

Take initial instructions, for example, where the majority are reportedly handled by senior members of the team and just **under 1 in 10 firms** say they have no set process for allocating instructions at all.

Furthermore, **70%** of lawyers during the instruction process simply use an open pad/question process, compared with just **33%** who use a centralised, streamlined case management system.

When asked whether they consider their firms to be performing efficiently overall, only **49%** would categorise it as “average”. It’s worth considering whether this could be improved if tasks were allocated to the correct members of the team – and with the correct legal tools at their disposal.

PERSON RESPONSIBLE FOR TAKING THE INITIAL CLIENT INSTRUCTIONS



3. Technology: the inevitable frontier



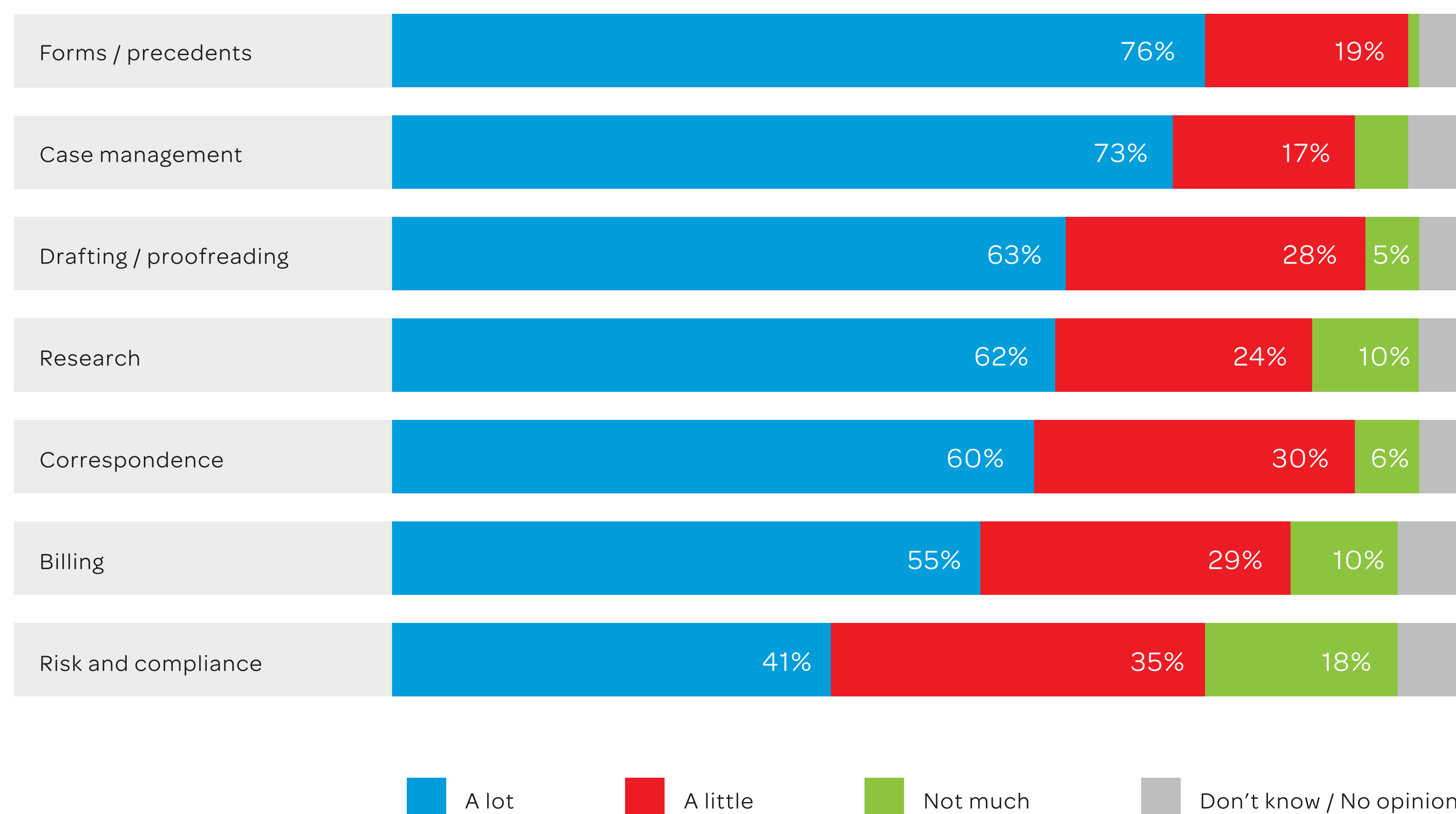
Lawyers may not be 'well-adapted' to change, but that's no longer an excuse – in today's market, technology is not just necessary, it's inevitable.

“ It's not about what's good short term, but in having systems that will efficiently trace our information in 5-10 years time. The research tools are a must have, you can't live without them.”

81% of firms spend less than a tenth of their turnover on legal tools.

Our previous reports confirm that the use of technology is not just necessary, it's inevitable – and our findings this year are no different. When asked about specific tasks, the majority of lawyers strongly agree that technology makes a significant contribution to efficiency.

DEGREE TO WHICH LEGAL TOOLS CONTRIBUTE TO EFFICIENCY



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3. Technology: the inevitable frontier

On average, lawyers use around **4 out of 7** legal tools, but almost two-thirds of lawyers still rank the active use of technology low in the list of efficiency drivers. Why is that?

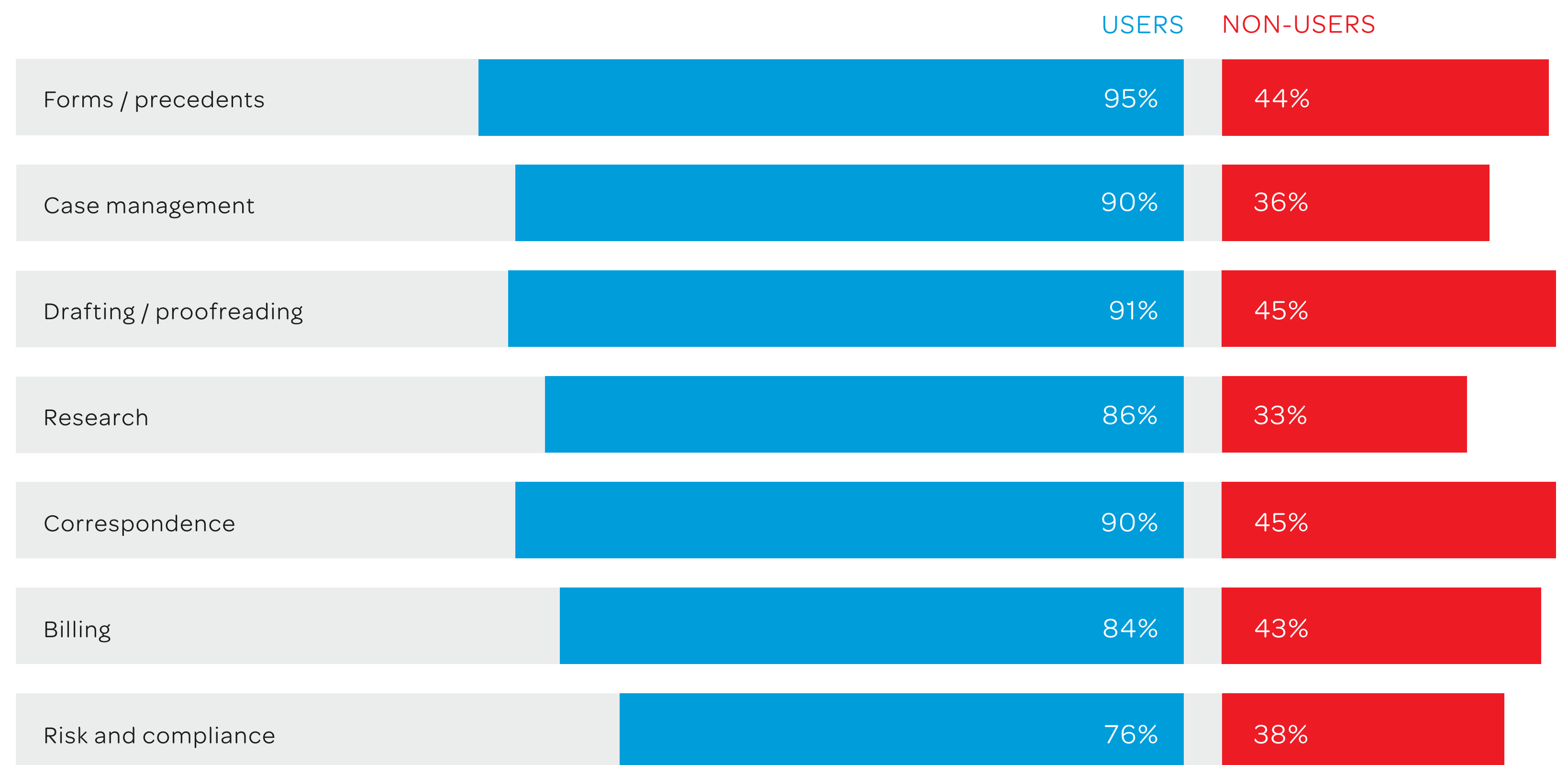
There is a divide between users and non-users of legal tools, which may go some way to explaining the lack of uptake.

Those who use legal tools find them to be a vital component to efficient working practices, but it's hard to convince non-users to give tools a go, even though they accept such tools could help. Not only would the use of tools make them more efficient, freeing them up to spend more time on the business side of the practice, but it would improve client servicing – and efficiency is precisely what clients want.

95% of lawyers who use legal tools for forms and precedents say that they make a difference, with **76%** of them stressing that the contribution is significant.

For even non-users, **44%** accept that it would help make them more efficient.

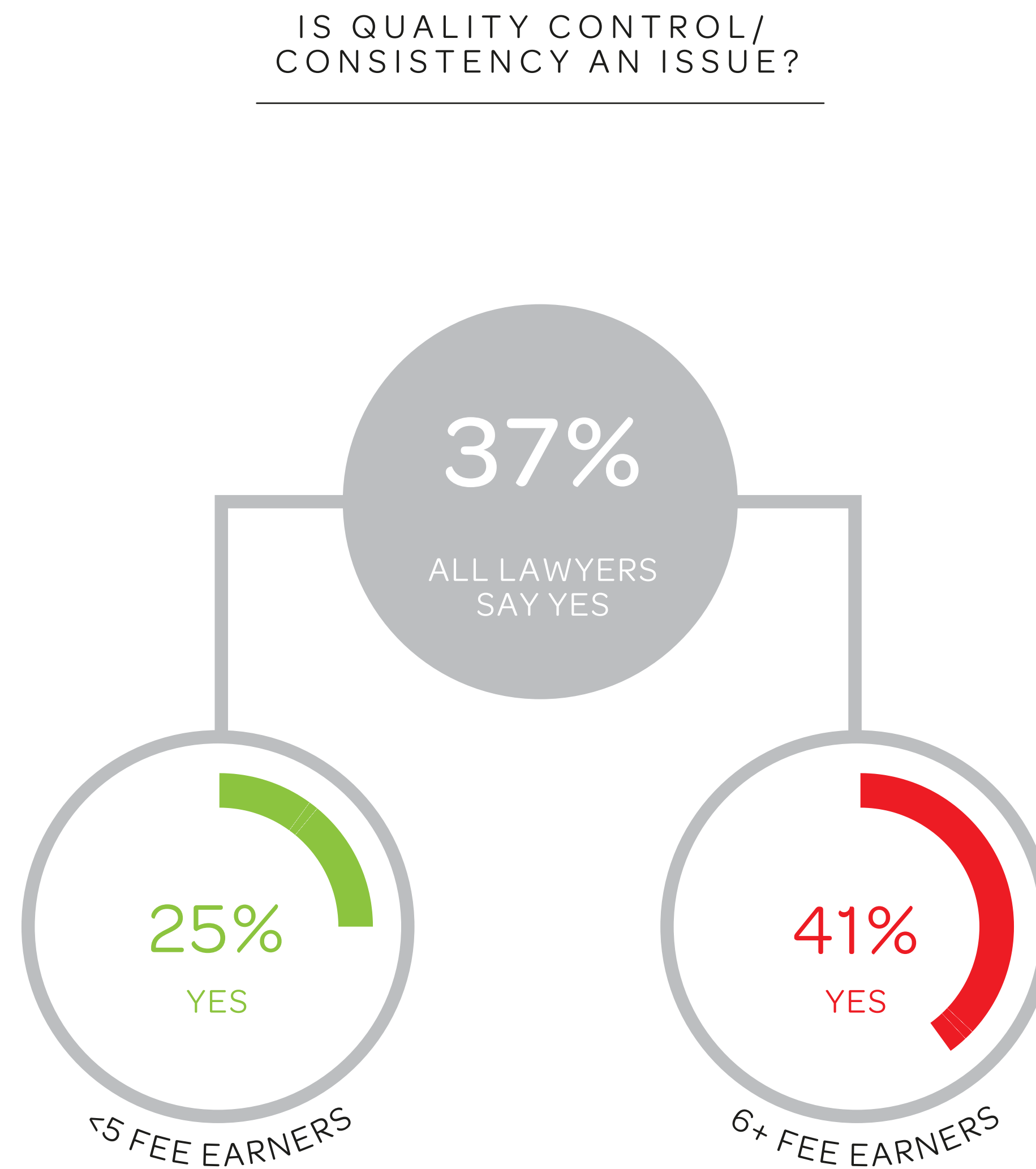
HOW LEGAL TOOLS IMPROVE EFFICIENCY
USERS VS NON-USERS



BASE 153

3. Technology: the inevitable frontier

Furthermore, digitising processes and using technology properly would solve the problem of consistency that many firms are experiencing. Roughly a third of the firms we spoke to are encountering consistency problems, and it seems the issue is worse for firms with more than six fee earners on staff. The bigger the firm gets, the harder it is to ensure that work is consistent.



3. Technology: the inevitable frontier

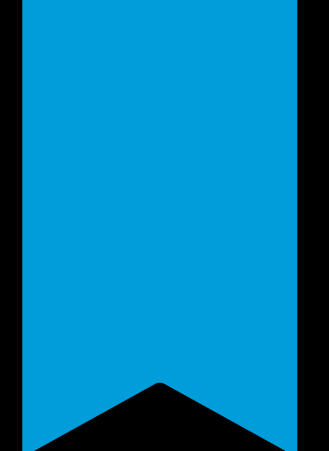
96% of firms use tools to ensure consistency, with templates for correspondence and precedent-sharing proving to be the most popular. However, our research suggests that such problems are not necessarily aligned with the greater use of tools, but the better use of them – arguably, it depends more on how they are used.

This is something that should be tackled early on, whenever possible, by ensuring that proper systems are in place. As one lawyer suggests: *‘if you’re starting up, while life is quiet and you haven’t got a huge client base to service, spend the time and invest the money in setting up good systems. That way, you’ll have everything at your fingertips when you start to get rushed off your feet.’*

The problem lies in getting lawyers to take a long view. As one lawyer points out: *‘in the early days when I was on my own, I was probably rather systems heavy. But that stood us in good stead when we later developed into a larger firm. It’s not about what’s good short term, but in having systems that will efficiently trace our information in 5–10 years time.’*

% OF LAWYERS WHO USE TOOLS AND PROCESSES TO PROVIDE A CONSISTENT SERVICE

Standard templates for correspondence	85%
Shared precedents for legal work	75%
File sharing	54%
Risk and compliance pro-forma tools	46%
Pro-forma spreadsheets for calculations	44%
Guidelines for firm’s tone of voice	22%
Proof reading software	9%
Any of these	96%



73% of lawyers agree that adapting to change is not where their strength lies, but it's no longer optional.

The challenge has been issued:
keep up with the times, or accept defeat.

So the question becomes – do you want to be in practice a decade from now? If so, you have no choice but to invest in the technological tools that will enable you to keep up.

4. Catch up or give up

With lawyers acknowledging that the service they provide needs to improve, the time has come to make a change – it's now or never.

As we discussed in our 2015 report, today's clients are educated, informed, and have concrete opinions about what they wish to receive from their lawyers.

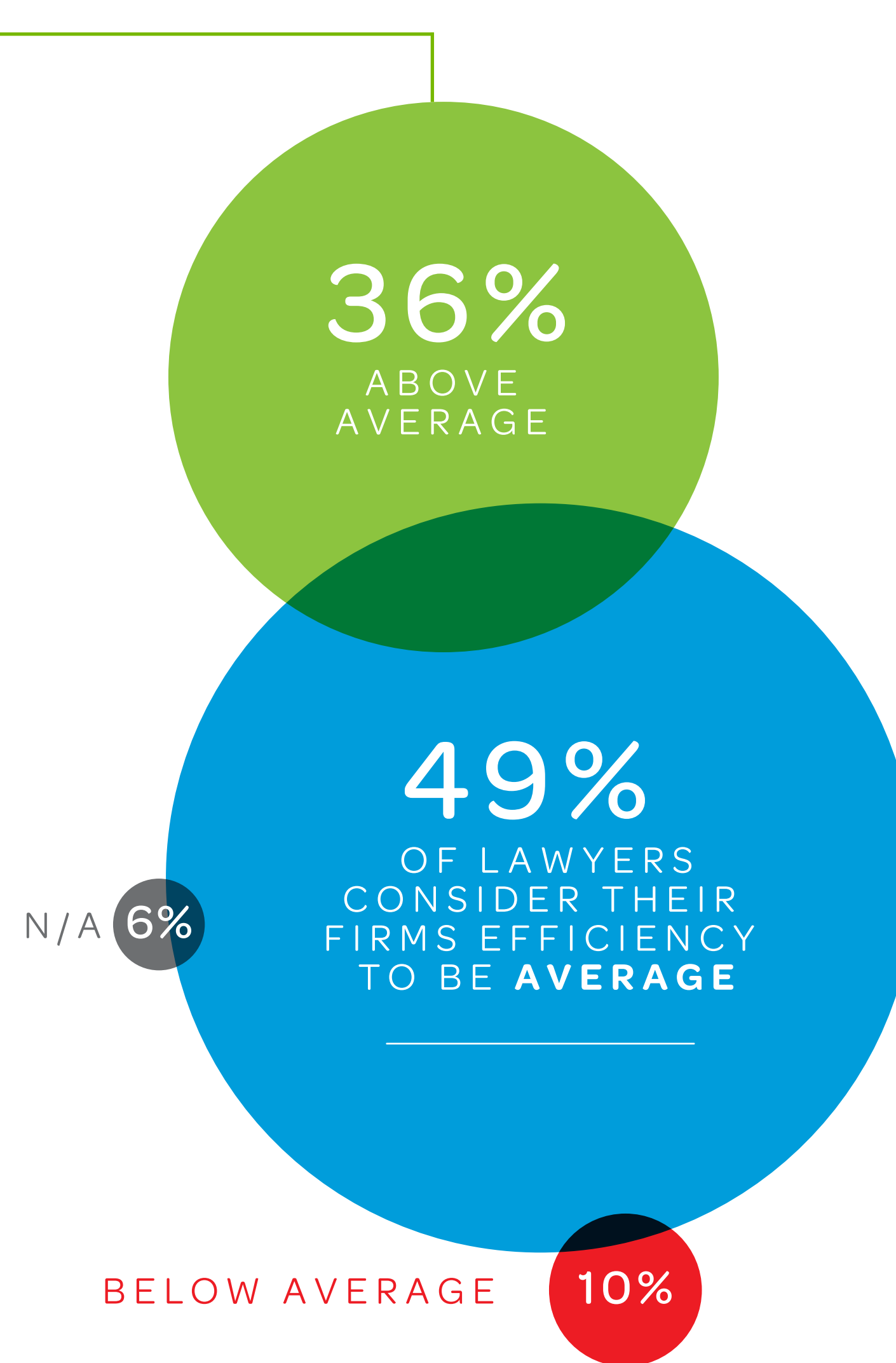
But there is a gap between what lawyers think clients want, and what the clients themselves want. The issue on either side of the gap is efficiency. From our research, we've concluded that technology offers the best tools to bridge it, and the sooner they are utilised the better, before the gap gets too wide.

Back in 2015, 80% of lawyers felt they provided 'above average' service, but this clashed with 40% of clients who actually believed that this was what they received.

At least in terms of efficiency, lawyers do acknowledge that there's a problem, according to this years research.

HOW FIRMS RATE THEIR EFFICIENCY

36% of lawyers think they're providing an 'above average' service in terms of efficiency



A respondent said:

“Clients view what you’ve achieved, not how long it took you. If they don’t see a match between what you’ve achieved and what you’re charging them, there’s often a sense of grievance”

BASE 153

4. Catch up or give up

Taking a closer look, it seems that firms with fewer than 5 fee earners are happier with their performance. The figures drop significantly when there are more fee earners on staff; the majority of lawyers at these larger firms think their efficiency is simply 'average'.

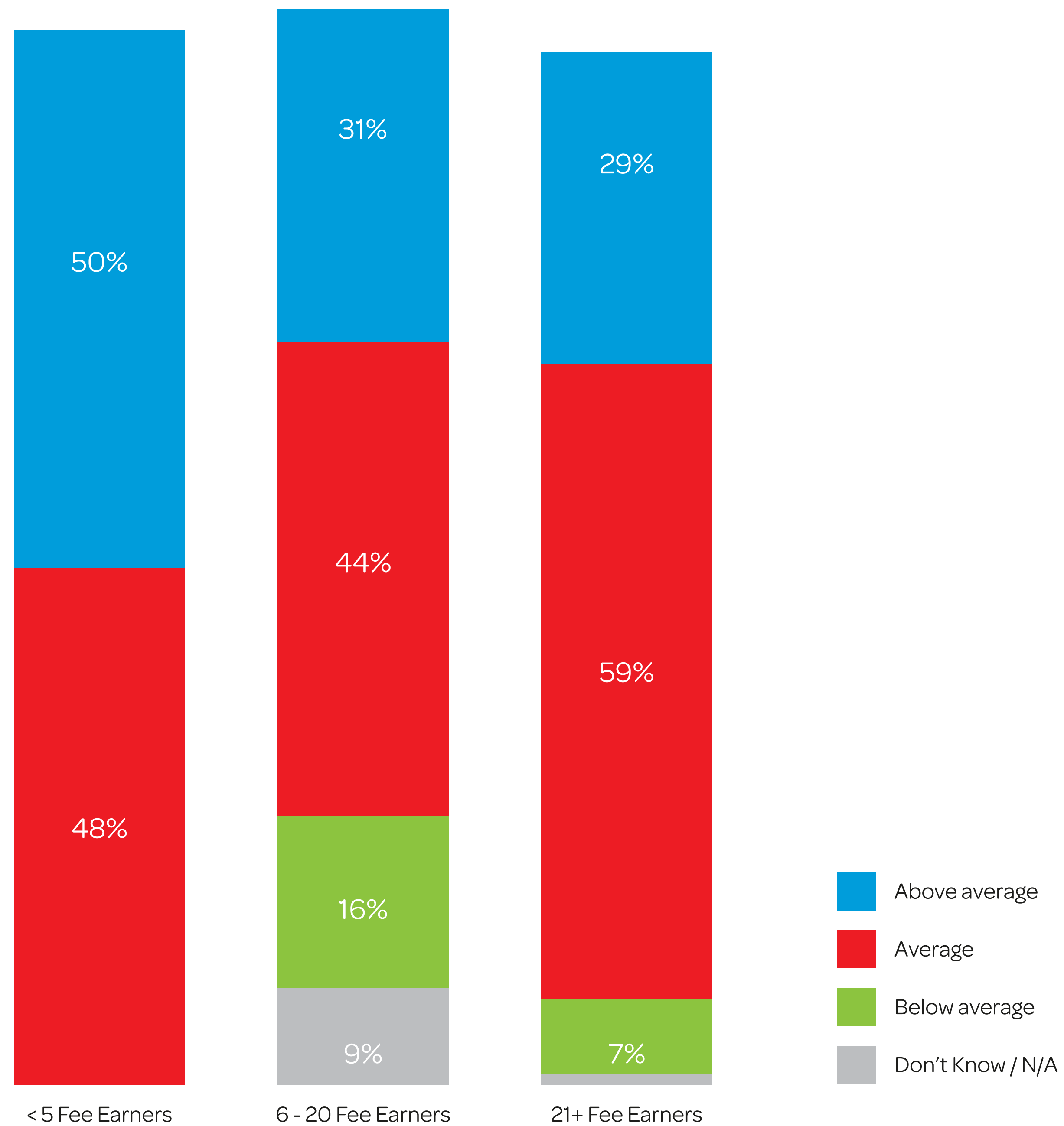
So are smaller firms more efficient? Or do they lack foresight, overlooking the processes they could be implementing now to allow for future growth?

This is something we're going to explore in more detail in the future.

A respondent said:

“It's about structure. You have to think big, and look ahead. What happens when your company grows? What will your archiving be like, and your records?”

RATING OF EFFICIENCY BY SIZE OF LAW FIRM



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This is a pivotal moment for law firms.

A holding pattern has emerged, whereby many firms have identified the changes necessary to improve efficiency, working practices, and client satisfaction, but have not yet made the leap from words to action. They have acknowledged that changes need to be made, without actually making them.

So, the question is: do they believe their future is worth investing in?

The sooner firms take the leap across the divide, the faster they'll outpace the competition. The possibilities – particularly the utilisation of the full roster of legal tools and technologies – are well within reach, and clients are ready and waiting.

While the short-term changes may seem demanding, requiring a restructuring and re-evaluation of working practices, the rewards are well worth the effort. In addition to creating real and rewarding relationships with clients, based on mutual understanding and clarity of purpose, lawyers have the chance to focus on their work, with support from administrative staff and technological tools that make their day-to-day tasks easier, faster, and more client-friendly.

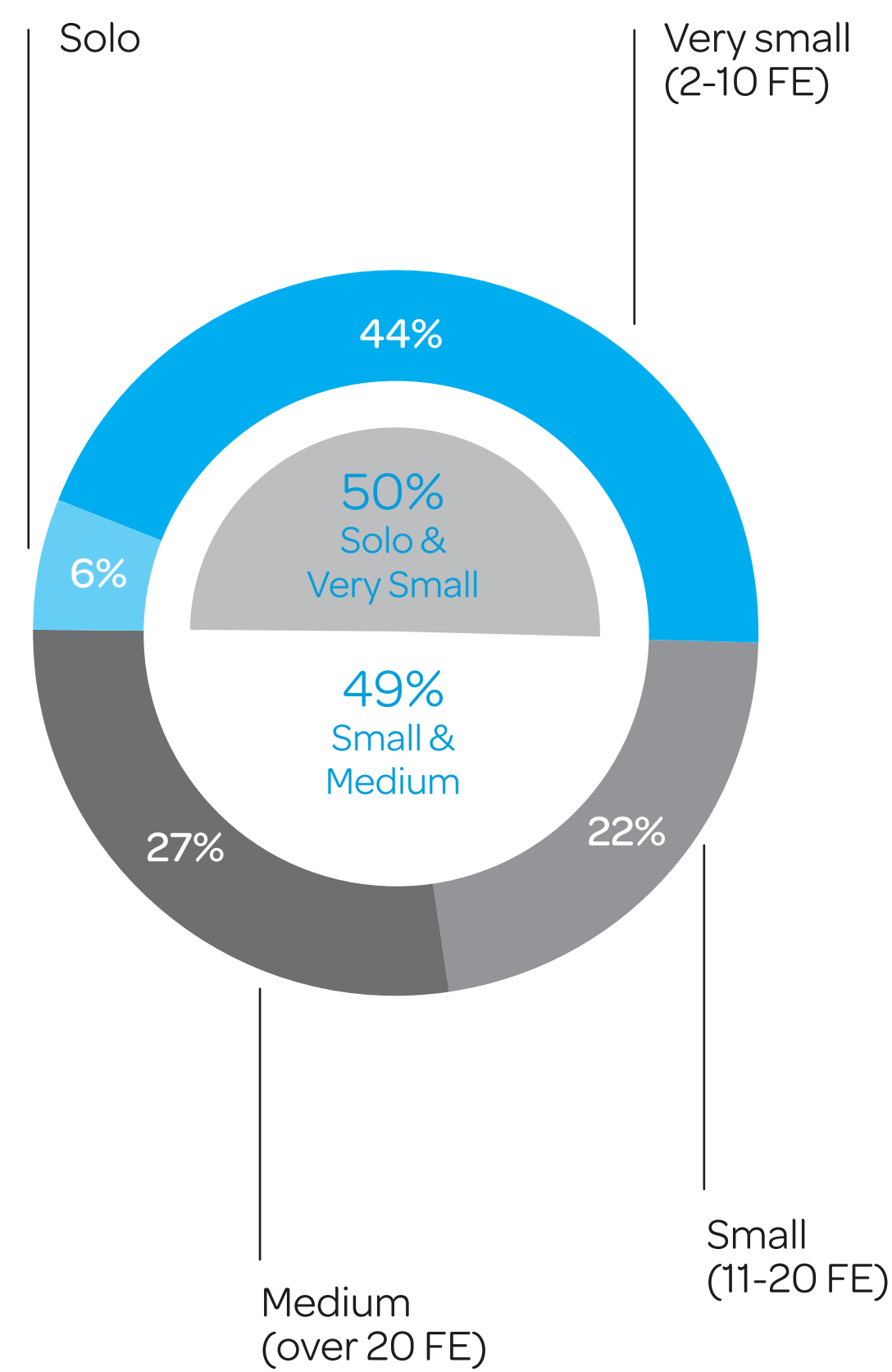


Our research sample for this report included 10 in-depth interviews, followed by an online survey among 149 lawyers, via the LexisNexis databases.

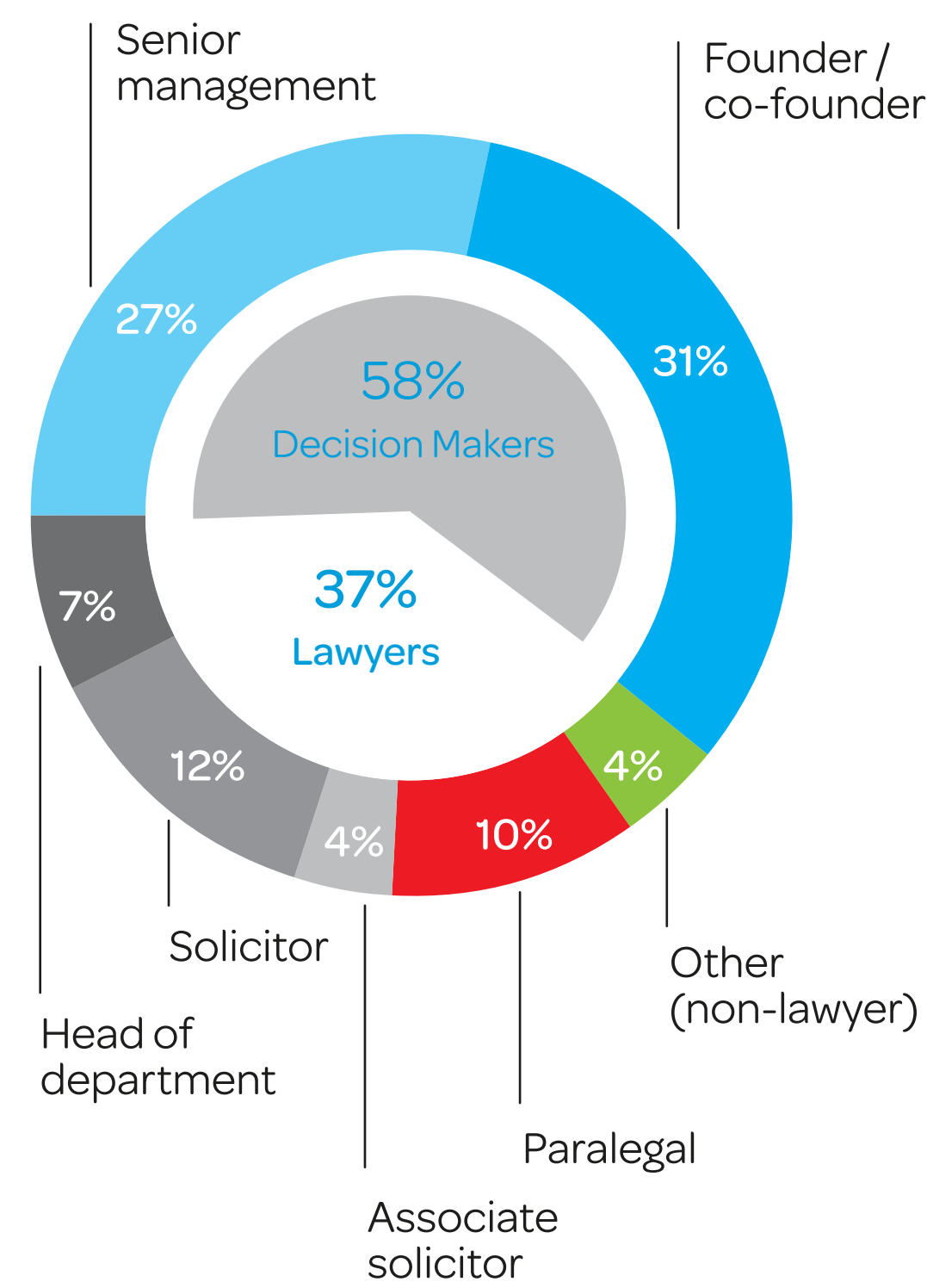
The majority of respondents were decision-makers spread across the country in firms that were equally split between small and medium-sized, and very small or sole practitioner outfits, with a good balance of specialist and generalist practices.

The research was conducted throughout June 2017, by an independent market research agency, Linda Jones & Associates.

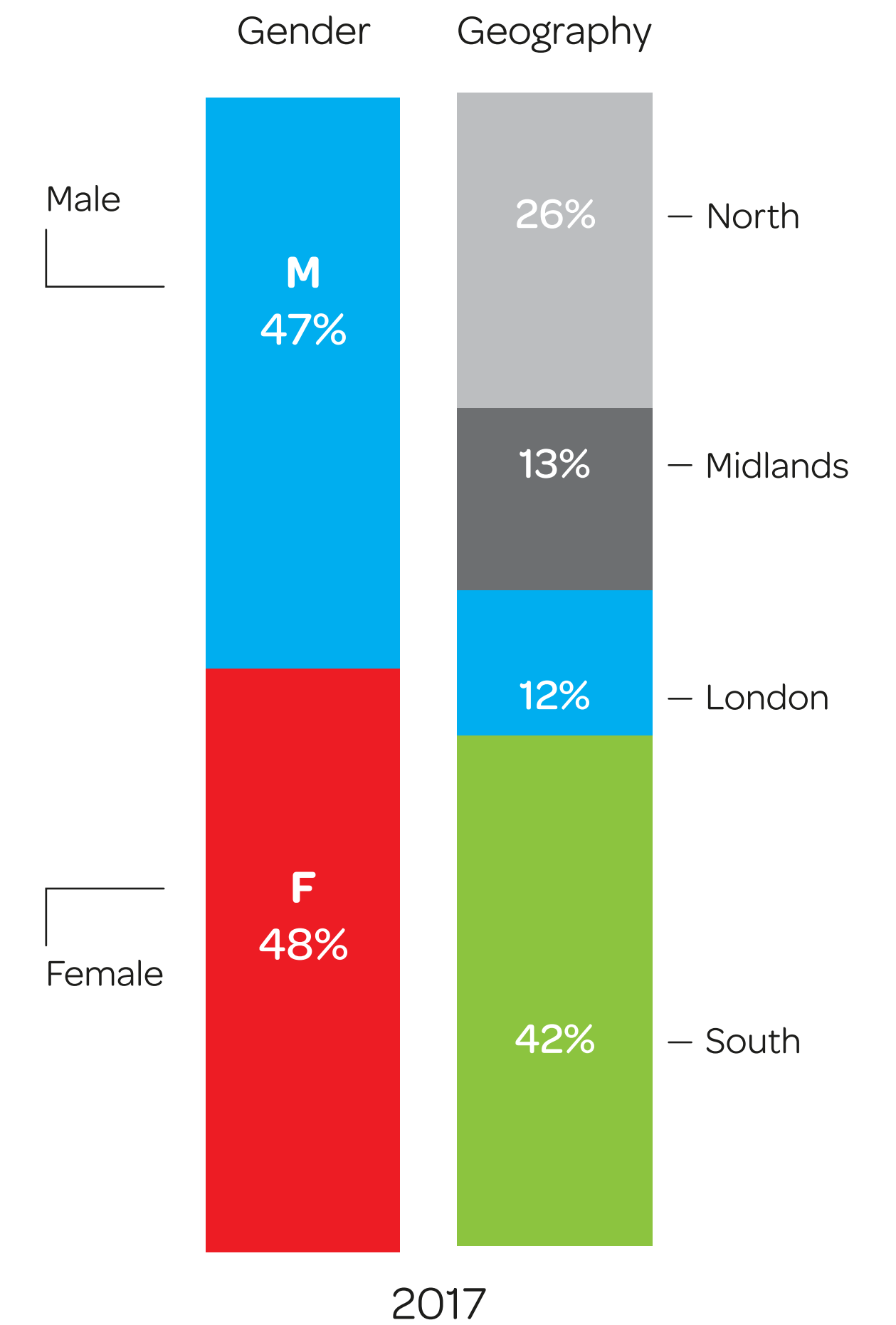
PRACTICE SIZE



RESPONDENT'S ROLE IN FIRM



OTHER DEMOGRAPHICS





Jon Whittle is Market Development Director at LexisNexis, responsible for the company's offering for the independent legal sector – independent, smaller law firms and sole practitioners.

Jon Whittle

Market Development Director
LexisNexis

With 17 years of experience in research, insight and business strategy, throughout his career Jon's been passionate about understanding and representing the voice of individuals to big businesses.

Jon is currently focused on advocacy and community development for independent legal practitioners.

He produces cutting-edge research, such as the industry-leading annual Bellwether report into the changing landscape for independent legal practitioners and supporting the business of law firms.



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