



Bellwether Report - LexisNexis
2017: ONE

The Art of Success: Why Independent Law firms are thriving

Today's independent law firms are stealing a larger share of the market by putting quality before quantity. What is driving their success – and why are they confident about their future?

Report ONE of three for 2017



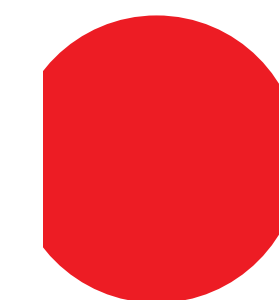


The first Bellwether report of 2017 is based on 10 qualitative interviews and quantitative research with 118 lawyers in independent law firms, focused on the theme of success.

- What makes an independent law firm ‘successful’?
- What makes a lawyer ‘successful’?
- How does life at the smaller end of the law firm spectrum compare to life in the top tier?
- How have past experiences shaped their ethos today?

Since 2013, our annual Bellwether reports have been a voice for those often unsung, small and independent law firms across England and Wales who are embracing new ways of working, challenging old ways of thinking and redefining what law firms can do.

Given the ever-increasing speed of change and the variety of business models, we’ve decided to expand this year’s research and divide it into three reports, spread across the course of the year – with each wave of research building on the last. Working in conjunction with a specialist, independent Market Research Agency, Linda Jones & Partners, we will be tracking and reporting on changes and developments throughout the year, delving deeper into topics as they arise at each stage.

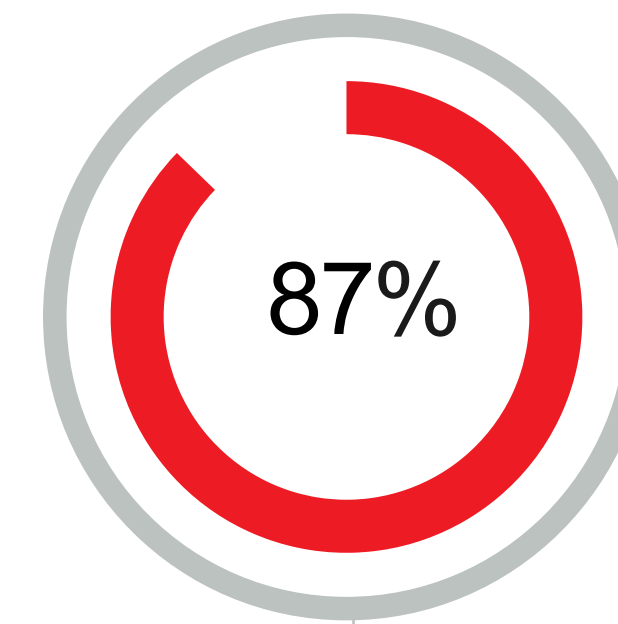


It's been a turbulent twelve months since last year's Bellwether report, with significant political and economic change influencing the feelings and attitudes of independent law firms.

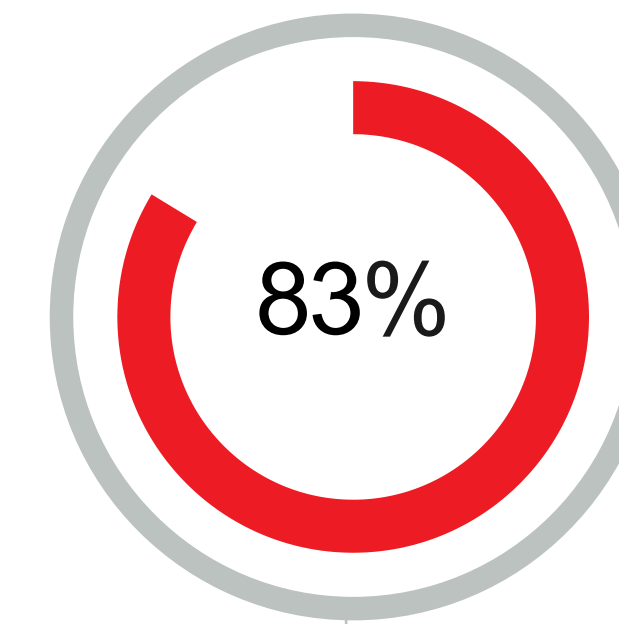
Nevertheless, today's independent law firms remain cautiously optimistic about the future – confident they can steal business away from their rivals by offering their clients a more bespoke experience, and their people a better quality of life.

Our research reveals a new generation of enlightened decision makers, who've deliberately walked away from life in the top tier, with its high pressure 'billable hours' culture, in order to create a new kind of firm, with a focus on quality over quantity.

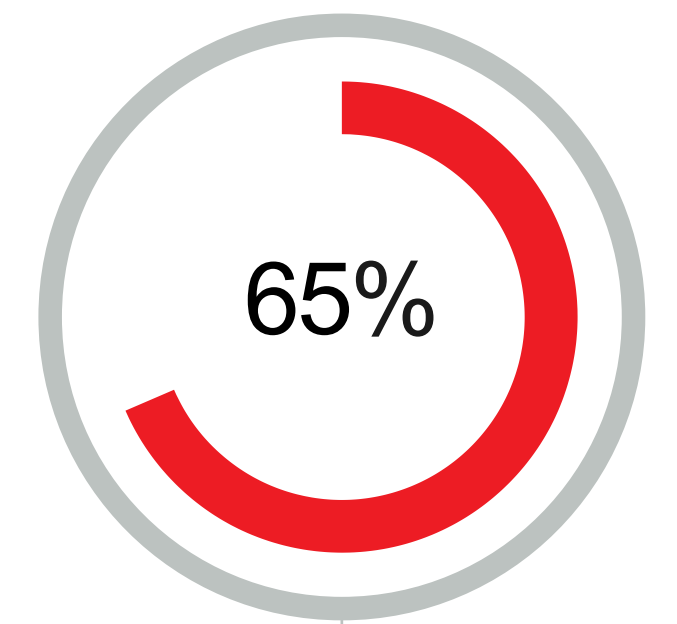
Rather than chasing growth for growth's sake or fixating on unrealistic targets, they're focusing on delivering first class legal services and creating a better working culture and environment for their people: firms where happy, productive, staff deliver a more personal, more 'human', level of service.



of independent law firms are in good health.



are feeling confident about the future.



see being bespoke as the key to their success.

INSIDE...

Defining success

Most independent law firms see success as a trinity of three important elements:

- 1 the quality of their expertise,
- 2 solid commercial logic,
- 3 commitment to treating staff and clients with respect.

Being a 'good' lawyer isn't just about knowing your law or being a skilled craftsman. It's about understanding how to apply the law to serve your client's business and personal needs. It's also about exercising common sense. Having excellent people skills is as important as being commercially savvy.

Crucially, our research reveals that nearly a third of respondents think that half the profession are not actually capable lawyers – a strong indication of the importance of these three elements.

Breaking with the past

Most decision makers and lawyers in independent law firms have experienced poor staff morale in the past. Consequently, good staff morale is one of the top factors that drives the ethos of the law firms in our sample and is a major contributor to lawyers' job satisfaction.

In good shape

The vast majority of smaller, independent firms are either stable or growing – with most planning to expand in the next five years. At the same time, many at the smaller end of the spectrum (especially those with five fee earners or less) are content to remain as they are, not willing to jeopardise the ethos that makes their firm successful or compromise their hard-won work/life balance.

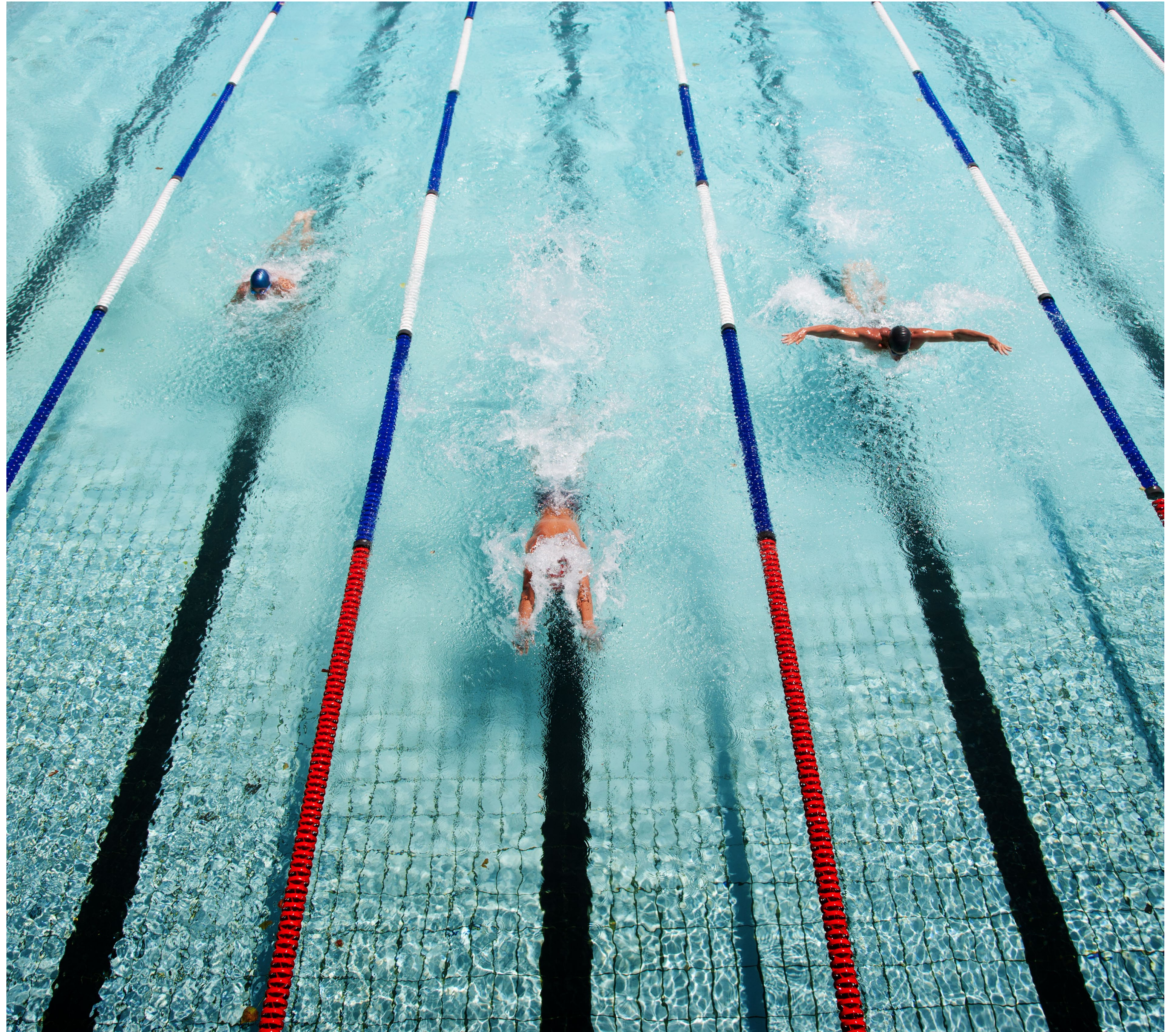
Cautiously optimistic

More lawyers are feeling 'quite confident' compared to recent years, but fewer are feeling 'very confident'. Overall the decision makers running small law firms seem happy with their firms, happy with their lot, and reluctant to return to life in a large firm or the top tier.

The future looks set to be challenging, but also increasingly 'boutique' – with smaller, more specialist firms looking to steal business from larger, more established and traditional firms by focusing on quality over quantity.

“Success will come at a point when we can pick and choose the work that we do.”

What makes a law firm ‘successful’?
The quality of expertise, the length of the client list, the state of the balance sheet – or is it a question of culture?





To what extent do the following criteria contribute to success?

Quality of legal expertise within the firm



Financially sustainable/not over-committed



Treats staff with respect



Loyal client base/trusted advisor role



Have shared goals/values across the team



High job satisfaction across the team



Well-positioned/has competitive edge



Well-informed about client's business



Empowers lawyers to spend time needed on the case



Operates a responsible and fair pricing policy



Good at marketing



Prepared to invest in short term



Supports flexible/remote working



Top priorities

The one thing almost every respondent recognises is that the quality of legal expertise within the firm is the primary contributor to its success. 57% of our sample cited it as their top priority.

While this might sound obvious, it is worth pointing out that respondents are becoming increasingly aware that the quality of their legal expertise is the key differentiator for their firm's success.

Independent firms live or die by the quality of their advice, and more are beginning to realise that they should celebrate and promote their expertise, rather than assume that it is understood.

The next 3 most significant contributors to success:

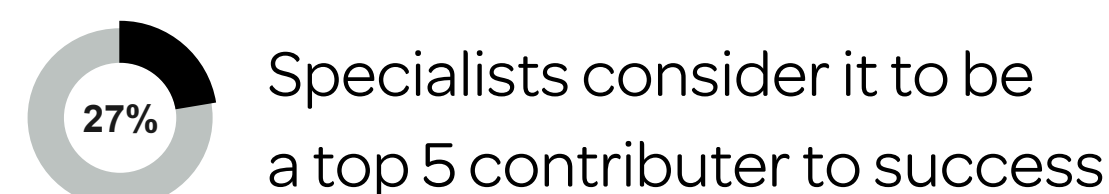
- Being financially sustainable/not over-committed
- Treating staff with respect
- Having a loyal client base

These all combine to create a 'virtuous circle' within most independent firms.

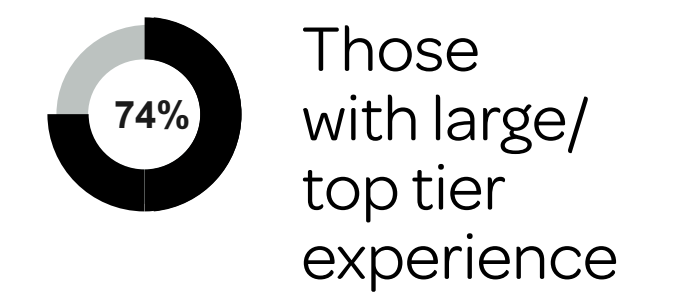
Sound financial management means there is less pressure to hit unrealistic targets.

This contributes to happier staff which, in turn, means clients receive a better service, which leads to repeat business, which contributes to a healthy balance sheet.

Knowing about your client's business is more important when you specialise:



Quality of legal expertise ranked higher for:





For many, success has less to do with the number at the bottom of the balance sheet and more to do with the less tangible things, such as being a force for good or enjoying a better quality of life.

Small & specialist

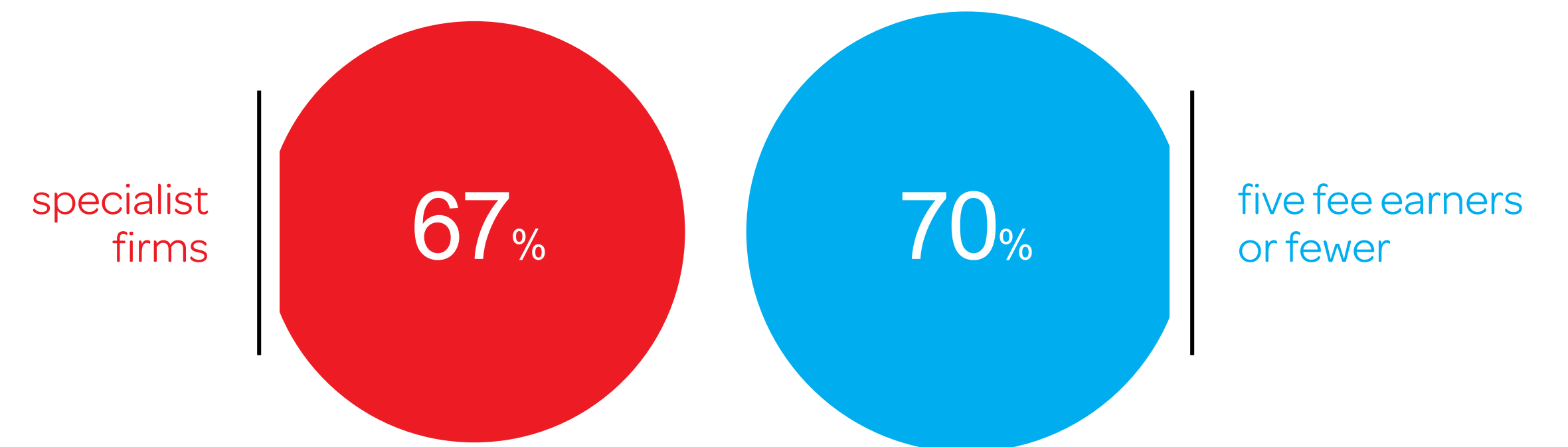
The smaller or more specialist your firm, the more the quality of legal expertise seems to matter. **67% of specialist firms and 70% of firms with five fee earners or fewer cited it as a contributing factor (compared to 57% across the whole sample).** For niche firms, expertise becomes a key differentiator.

Our smaller and more specialist firms also identified more issues as 'top priorities', placing greater emphasis on shared goals, marketing, flexible working and having the freedom to be selective about their clients. Specialists also placed greater emphasis on being well-informed about their client's business (27% vs. 19% across the whole sample).

Respondents said:

“Making a difference is an important measure of success.”
“Success will come at a point when we can pick and choose the work that we do.”

To what extent is the quality of legal expertise seen as a top priority for success?



A respondent said:

“Happy hens lay happy eggs - it's about recognising what investment would pay dividends. Giving staff the feeling they matter. If you care about them they ultimately care about you.”



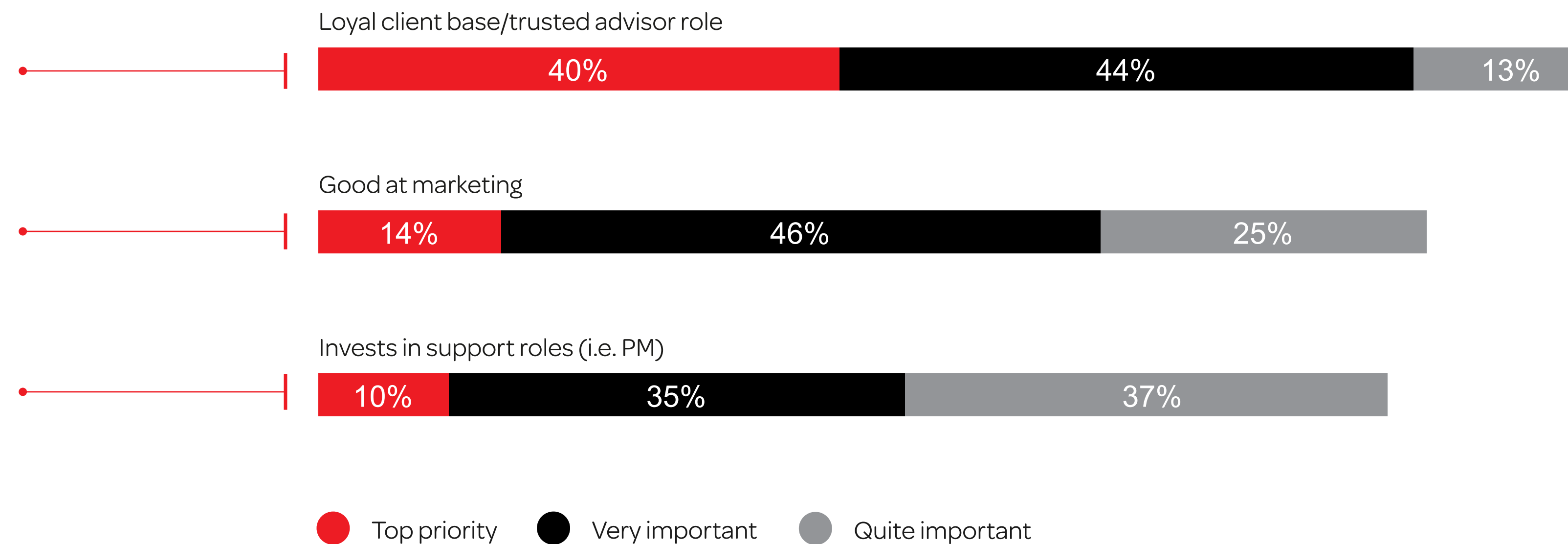
Marketing & support

40% see having a loyal client base as a top priority for success

14% see being good at marketing as very important for success

10% see investing in support roles like Practice Manager as a top priority

To what extent do the following areas contribute to success?



The themes above have persisted over the five years we have been surveying the market. Law firms are focused on the law, on the quality of their work and increasingly, on driving business success – but consistently underestimate the importance of marketing and the value that can be added to a business by bringing in dedicated professionals with non-legal business skills. Is this simply because lawyers are focusing more on retaining the clients they already have, over acquiring new ones?

Or could it be that they underestimate the role played by marketing and support in building client loyalty?

Respondents said:

“It looks to be a luxury to have a Practice Manager for such a small practice. The reality is that it allows us to concentrate on work and clients, we don’t have to be negotiating the insurance, etc.”

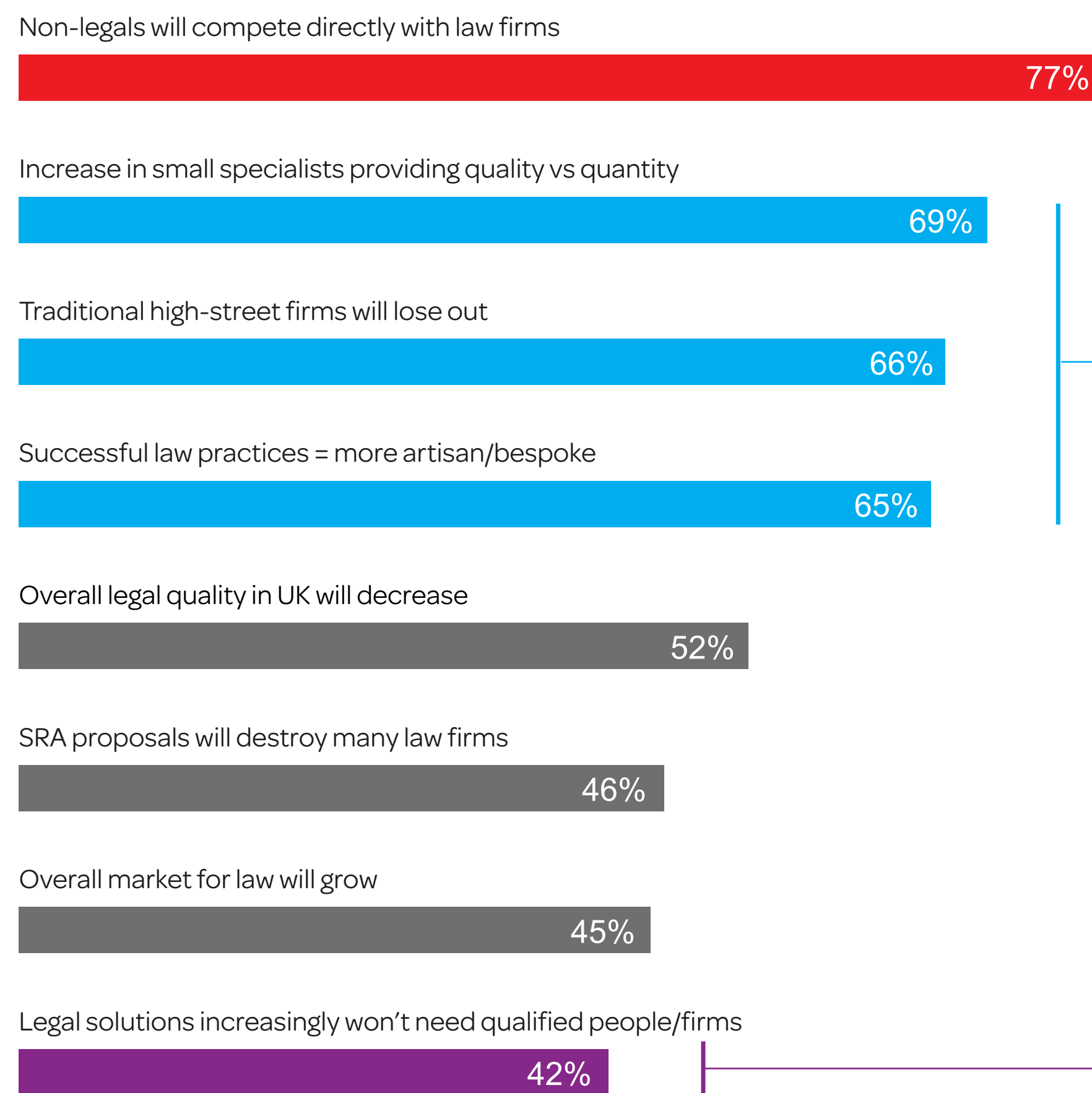
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“Marketing is an area that always suffers. It tends to be something people put on the back burner.”

Looking ahead

With so much uncertainty surrounding the future legal landscape, we presented our sample with a selection of possible scenarios and asked them to pick the ones they felt were most likely to happen in the next three to five years.

The future landscape: Percentage of respondents agreeing with the following statements



• 77% agreed that non-legal businesses will compete directly with law firms

• The next top three answers all paint a similar scenario, where smaller more specialist firms will start to steal business away from the traditional high street firms who aren't able to offer the same level of bespoke service.

• 58% believe that legal solutions will still require qualified legal professionals.

In the next three to five years:

Believe in an increase in small specialists providing quality vs quantity

69%

Think that legal solutions increasingly won't need qualified people/firms

42%

“Being a ‘good’ lawyer isn’t just about knowing your law or being a skilled craftsman, it’s about understanding how to apply the law to best serve your client's business and personal needs, and exercising common sense.”

**What makes a lawyer
a ‘good lawyer’?
Are they in the majority
– or the minority?**





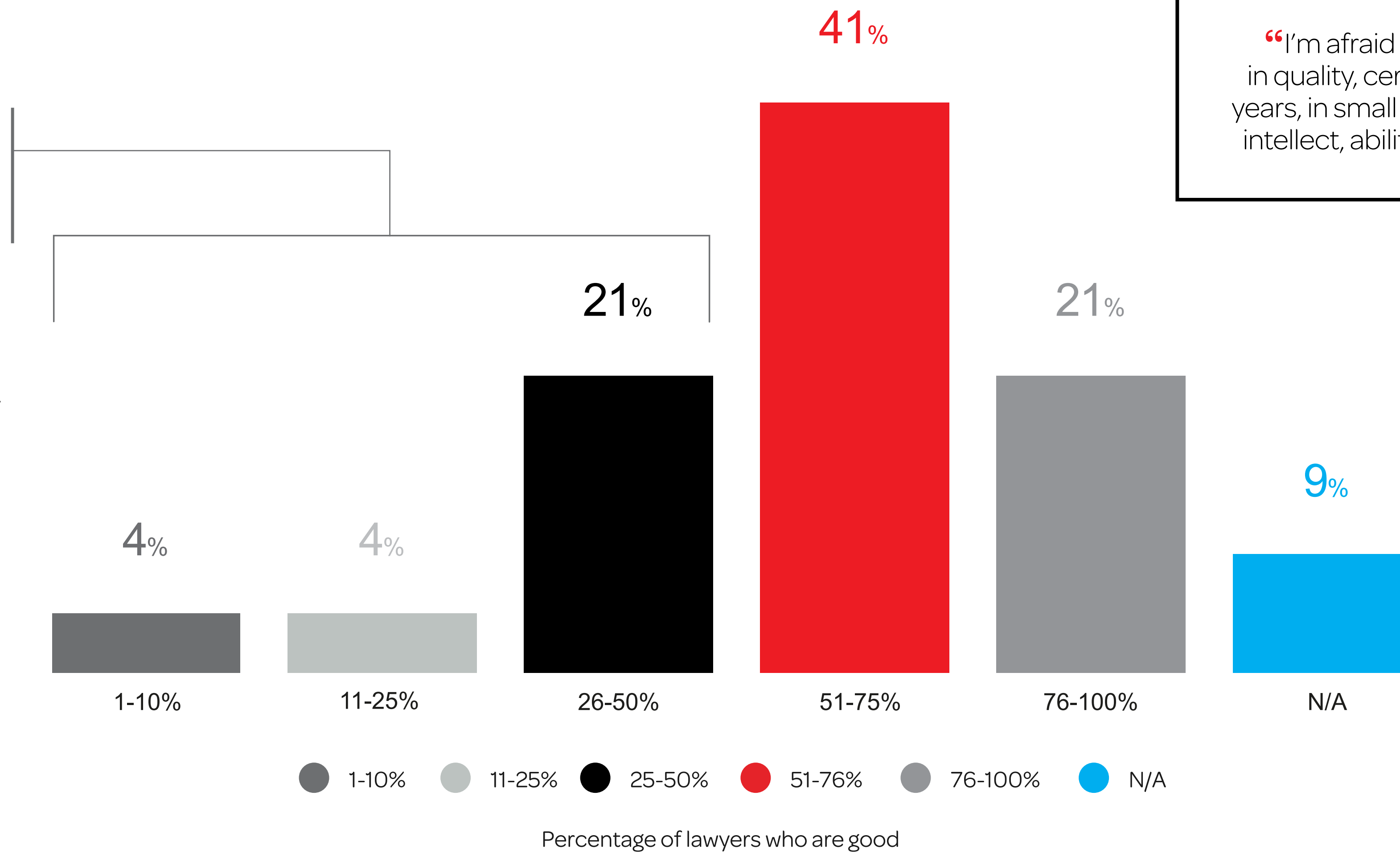
When we asked our sample what percentage of lawyers they thought were 'good' lawyers, the average came out at 62% – neither a ringing endorsement, nor a damning indictment.

Nearly a third felt that 'good' lawyers are actually in the minority, sitting somewhere between the 1-50% mark.

However, this may simply be a sign of a growing drive to improve standards, and greater awareness of how the quality of their legal expertise and advice is as a key differentiator for independent law firms.

Increasingly, it would appear, independent law firms see quality as a given.

What proportion of lawyers are good in your view?



A respondent said:

“I’m afraid I’ve seen a decline in quality, certainly in the last five years, in small firms – particularly in intellect, ability to think and skill.”



69% of the respondents said understanding how to apply the law to their clients was of highest importance in defining success for lawyers.

The good lawyer - top priorities

Understands how best to apply the law to the benefit of the client



Common sense



Skilled legal craftsman



Human qualities



Commercially astute



Team player



Uses technology to get the best legal solutions



Sound grasp of the business world



Good at marketing



The good lawyer

According to our sample, the top priority isn't simply knowing the law, but understanding how best to apply the law to get the best result for the client.

But what precisely does 'good' mean in this context? Is it all about having the right legal knowledge and skills? Or is it also about having good people skills, common sense and commercial savvy?

A respondent said:

“I don't want someone to quote clients section numbers and regulation numbers. No one gives a monkey's. They want to know what to do.”

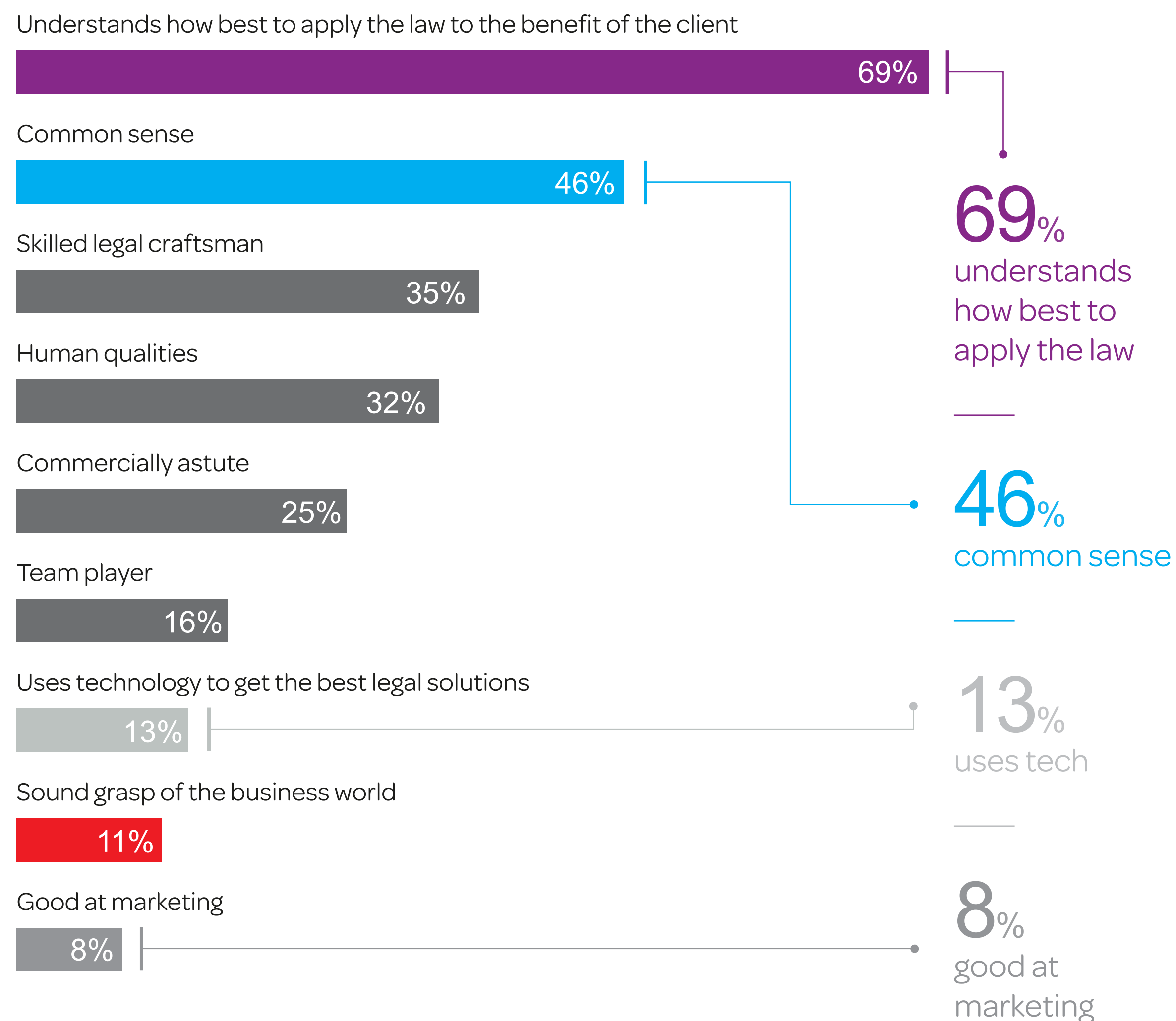
In the words of another:

“I don't think clients come to you because they think you know the law. They come to you because in the past you've represented their interests very well. They've got what they wanted out of deals, you're easy to talk to, easy to reach...”



Intriguingly, only **11%** said having a sound grasp of the business world was a top priority.

The good lawyer - top priorities



Interestingly, the second most important thing is common sense – even more so than being a skilled legal craftsman, having human qualities or being commercially astute.

For independent lawyers, the ability to exercise common sense and apply real-life experience to their legal expertise is a major driver of success. Respondents are particularly scathing of firms that follow the same ‘cookie cutter’ approach for every client, without considering what each individual client actually wants to achieve.

Intriguingly, only 11% said having a sound grasp of the business world was a top priority – despite 69% saying understanding how to apply the law to your client was of highest importance. This begs the question: is it possible to do one without the other?

Being good at marketing and good with technology are still trailing behind, at the bottom of the list of priorities. This suggests lawyers still don’t see marketing as part of building closer relationships with their clients, or how technology can free up time spent on routine tasks that could be devoted to clients instead.

A respondent said:

“Actually, a lot of lawyers don’t have to do a lot of law all the time – they have to use common sense and business nous.”

BASE 118

“Today’s new enlightened decision makers are determined to learn from the past and create a happier, healthier working culture within their own firms.”

One thing on which both lawyers and decision makers in independent law firms agree is the importance of good staff morale.

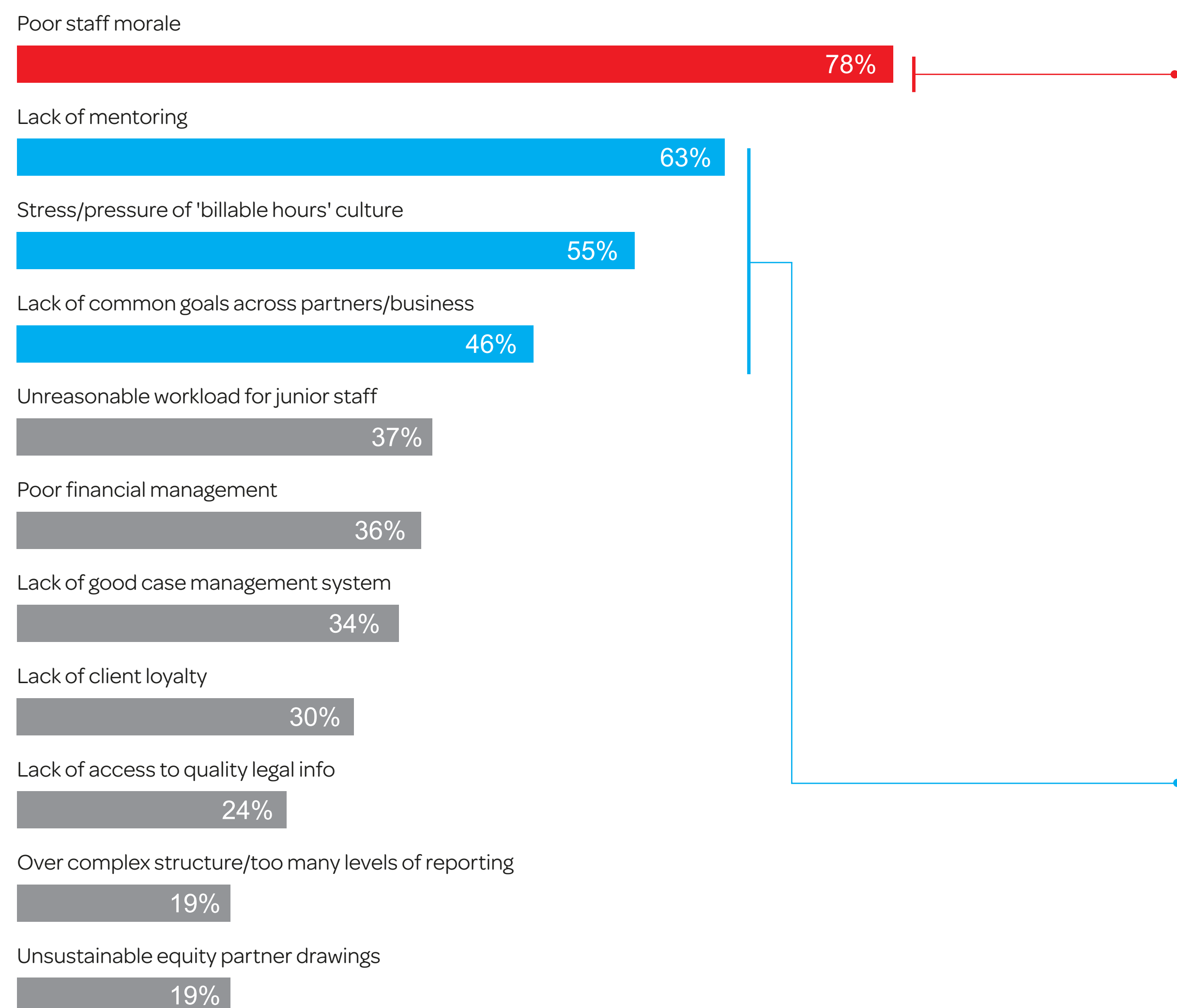
For decision makers, it’s one of the main factors behind their firm’s ethos. For lawyers, it has the most impact on their job satisfaction.





When we asked our sample what negative issues they'd experienced in their careers, their most common complaint, by far, was poor staff morale.

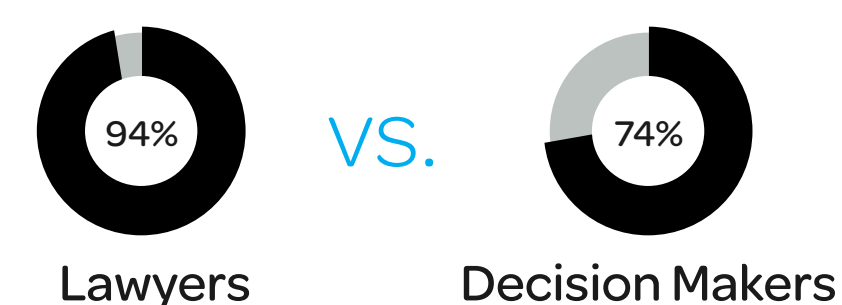
Issues experienced



Horrible histories

Overall, 78% said they'd experienced poor staff morale in the past.

Among lawyers, however, the number was even higher: a staggering 94% compared to 74% among decision makers.



On average, each person said they'd experienced around four of the listed issues. Yet again, the average among lawyers was higher (5.1 issues for lawyers vs. 4.4 for decision makers).

Other top complaints were lack of mentoring, the stress and pressure of working in a 'billable hours' culture and a lack of common goals across the partners and business.

A respondent said:

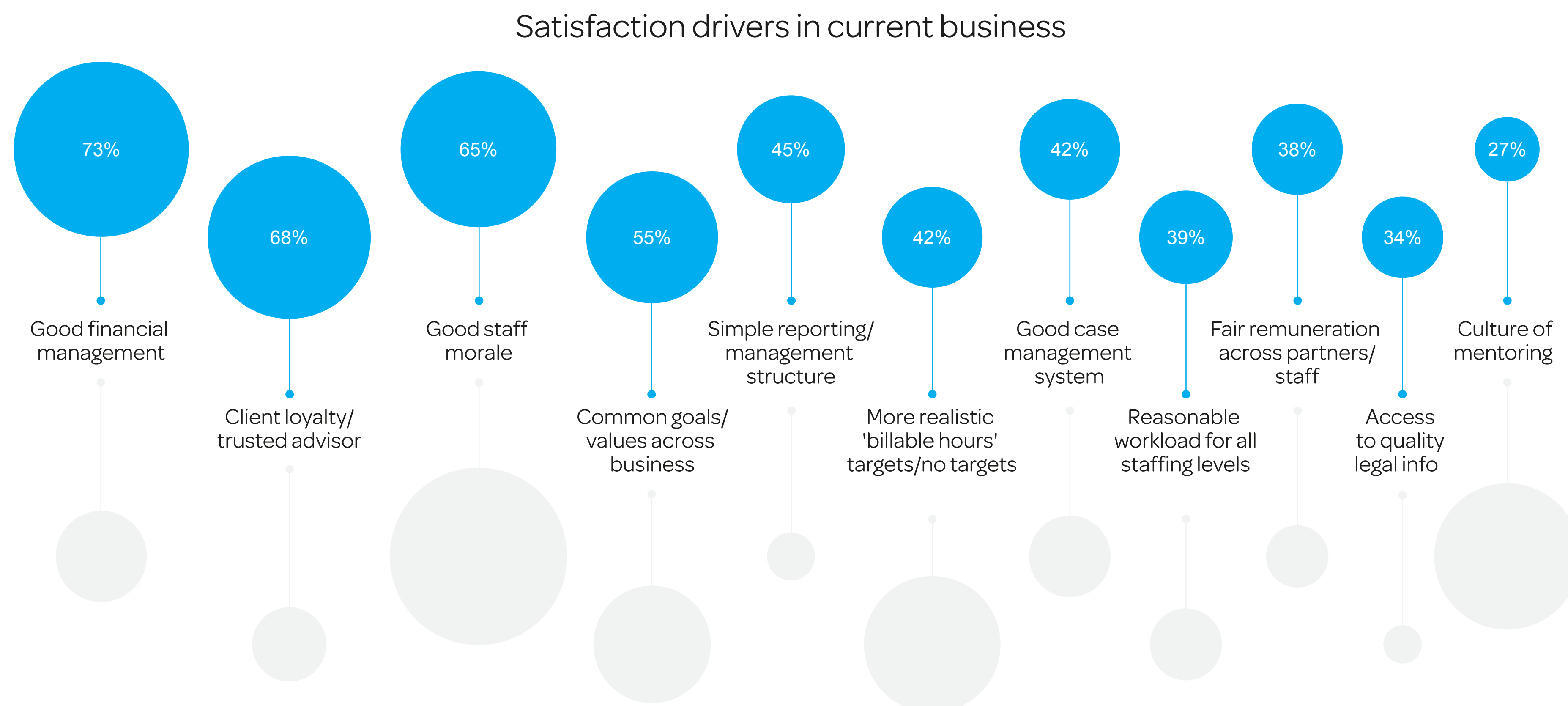
“What annoys me is the attitude of ‘it was like that in my day’... aren't we supposed to be progressive? Aren't we supposed to learn from these things?”



Which driver has been the most fundamental in shaping the ethos/practices of your current firm?

Lessons learned

When we asked our decision makers to name the things that drive their current firm's ethos today, the top three were good financial management (73%), client loyalty (68%) and 'good staff morale' (65%).



Lessons learned

Indeed, when you compare our decision makers' past experiences and their current ethos side by side, there's a clear and strong correlation between many of them. This includes common goals across the business, realistic targets and reasonable workload.

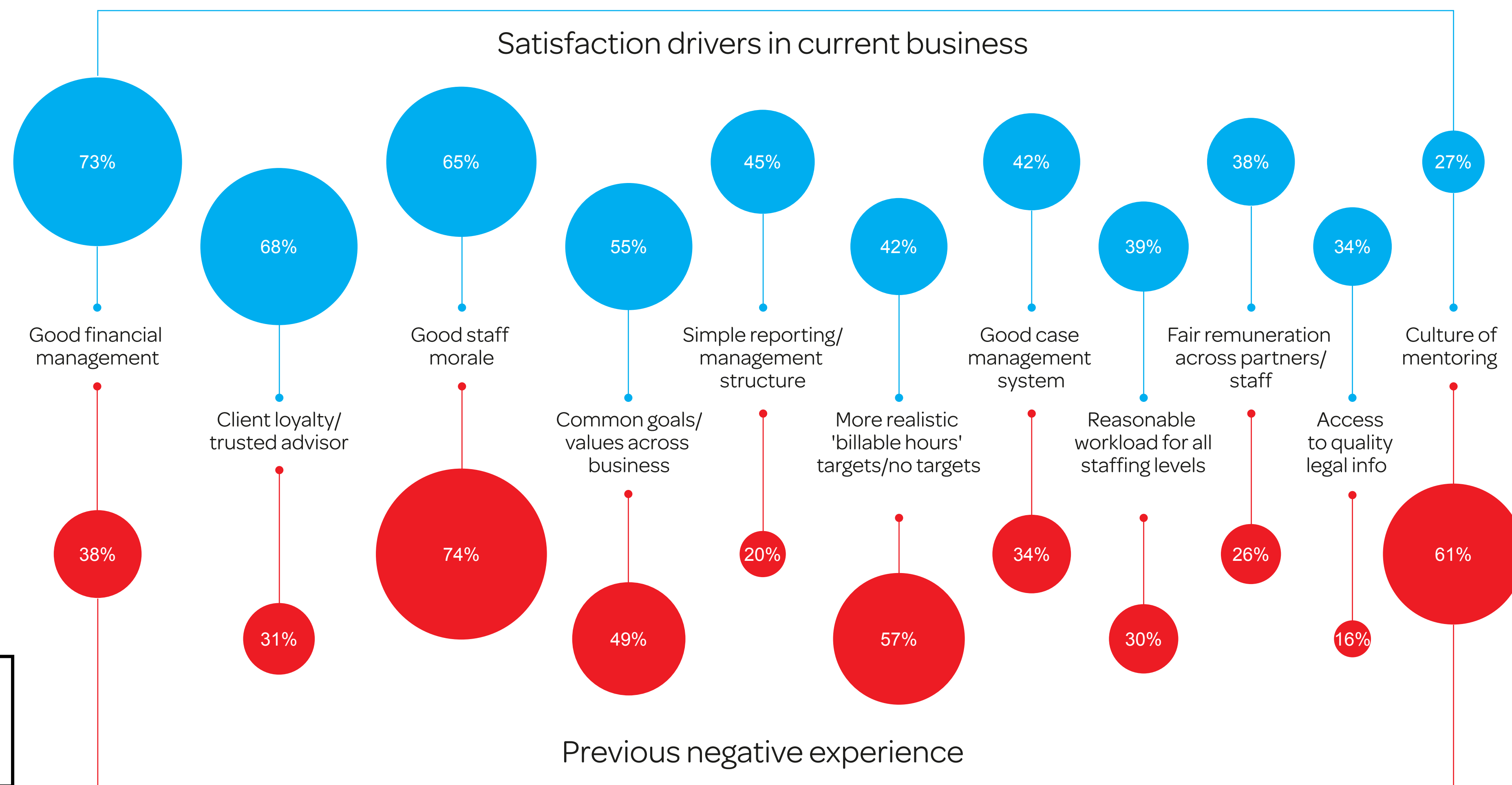
This suggests that today's new enlightened decision makers are determined to learn from the past and create a happier, healthier working culture within their own firms today.

The only exception to this approach where independent law firms look to counteract the negative experiences of their past career is in the area of mentoring.

A respondents said:

“We don't check and monitor people's time because that's against our ethos.”

Which driver has been the most fundamental in shaping the ethos/practices of your current firm?



Even though 61% of our decision makers complained of a lack of mentoring earlier in their career...

...Only 27% cited mentoring as a driving factor behind their ethos today.”

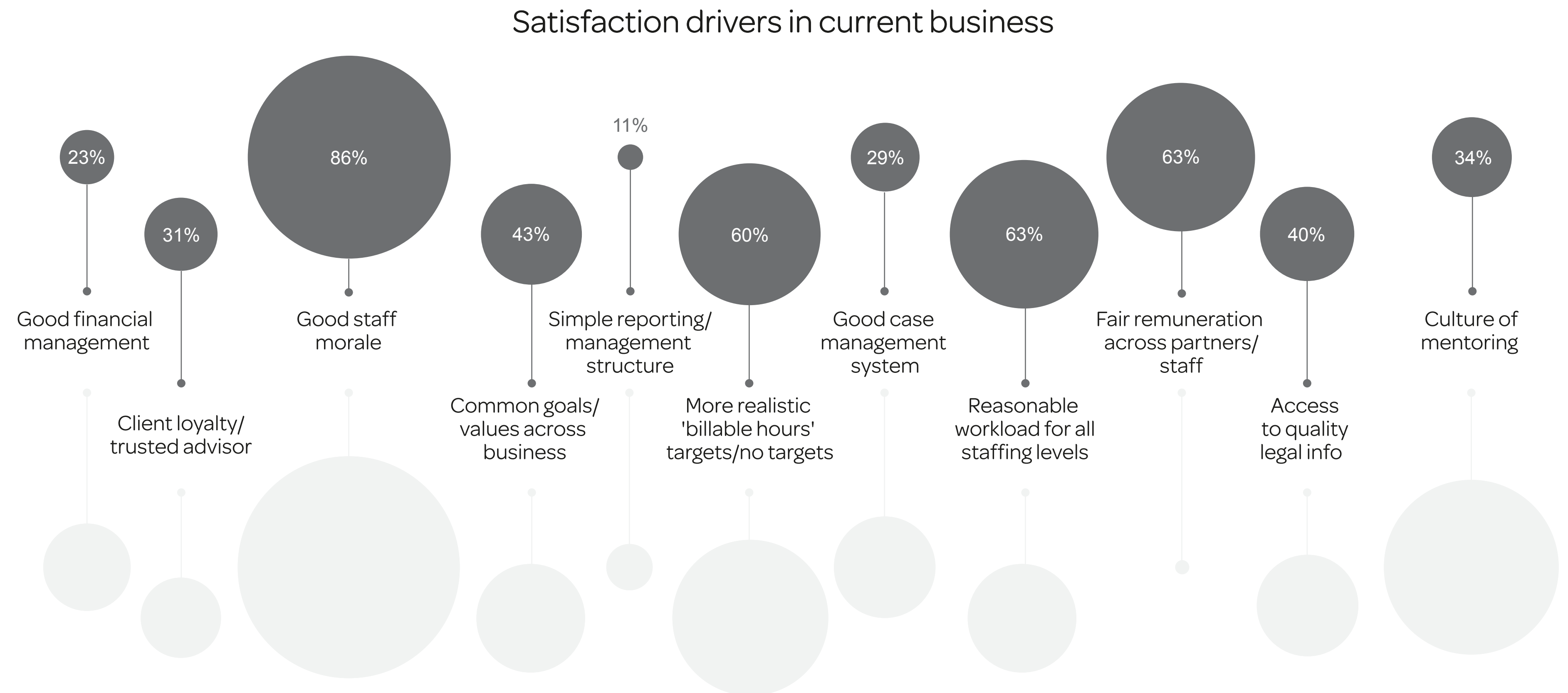
BASE 74



Happy hens

If today's decision makers are keen to keep their staff happy, what do lawyers themselves say has the biggest impact on their own sense of job satisfaction?

Which driver has the most impact on job satisfaction?





Again, as with the decision makers who run independent law firms, there's a high correlation between many of the negative experiences that lawyers have experienced in the past and the things that drive their sense of job satisfaction today.

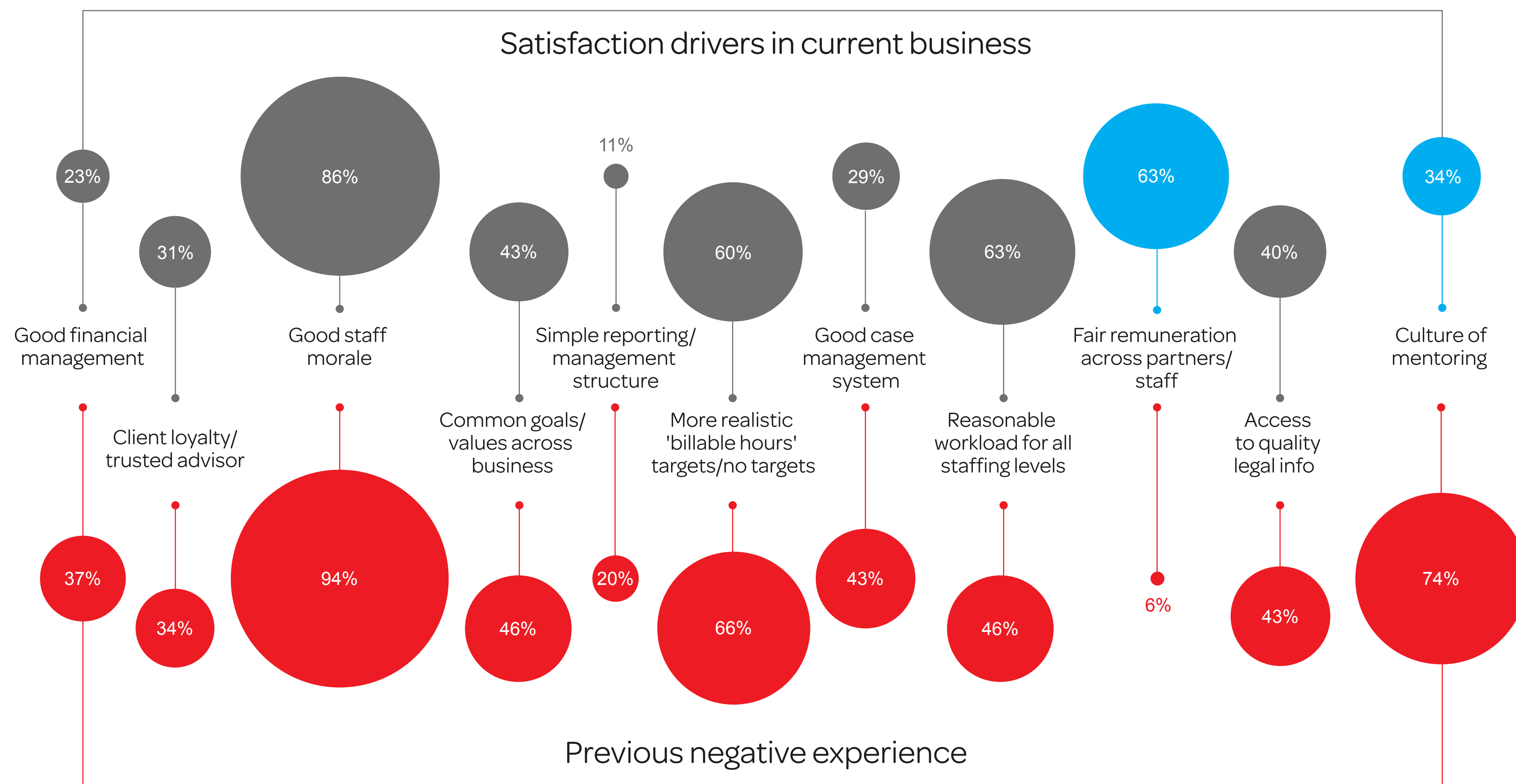
There are, however, two notable exceptions. Even though 'fair pay across partners and staff' is a top factor (63%), only 6% said they'd experienced unequal pay.

The other exception is the same as for decision makers – a lack of mentoring. Even though 74% of lawyers complained about a lack of mentoring, only 34% said it affected their job satisfaction.

The perceived disparity in how independent law firms distribute profits has long been a bone of contention for 'rank and file' lawyers, and it would seem that an equitable division of the spoils remains a considerable driver for many.

For lawyers, having a reasonable workload, salary and the tools to do the job are more important than 'the big picture'.

Which driver has the most impact on job satisfaction?



“74% of decision makers who’ve worked in larger firms wouldn’t go back – but 45% of lawyers wouldn’t rule it out.”

75% of lawyers in the independent firms we spoke to had worked at larger firms in the past. Those past experiences have shaped their opinions today.

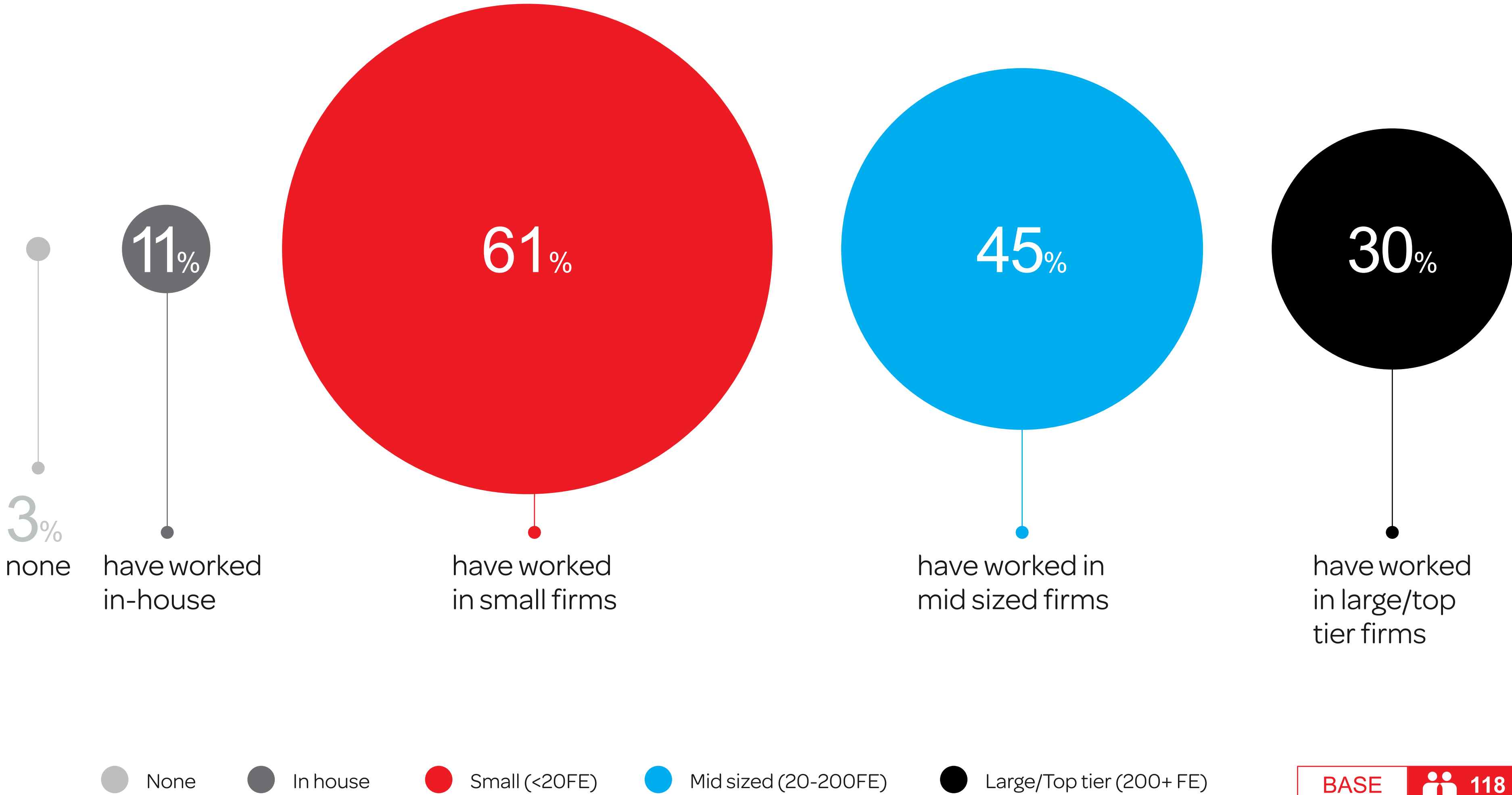




A broad church

When you look at where lawyers in small independent law firms today have worked in the past, it's a rich mix.

What is the background of the lawyers we interviewed?



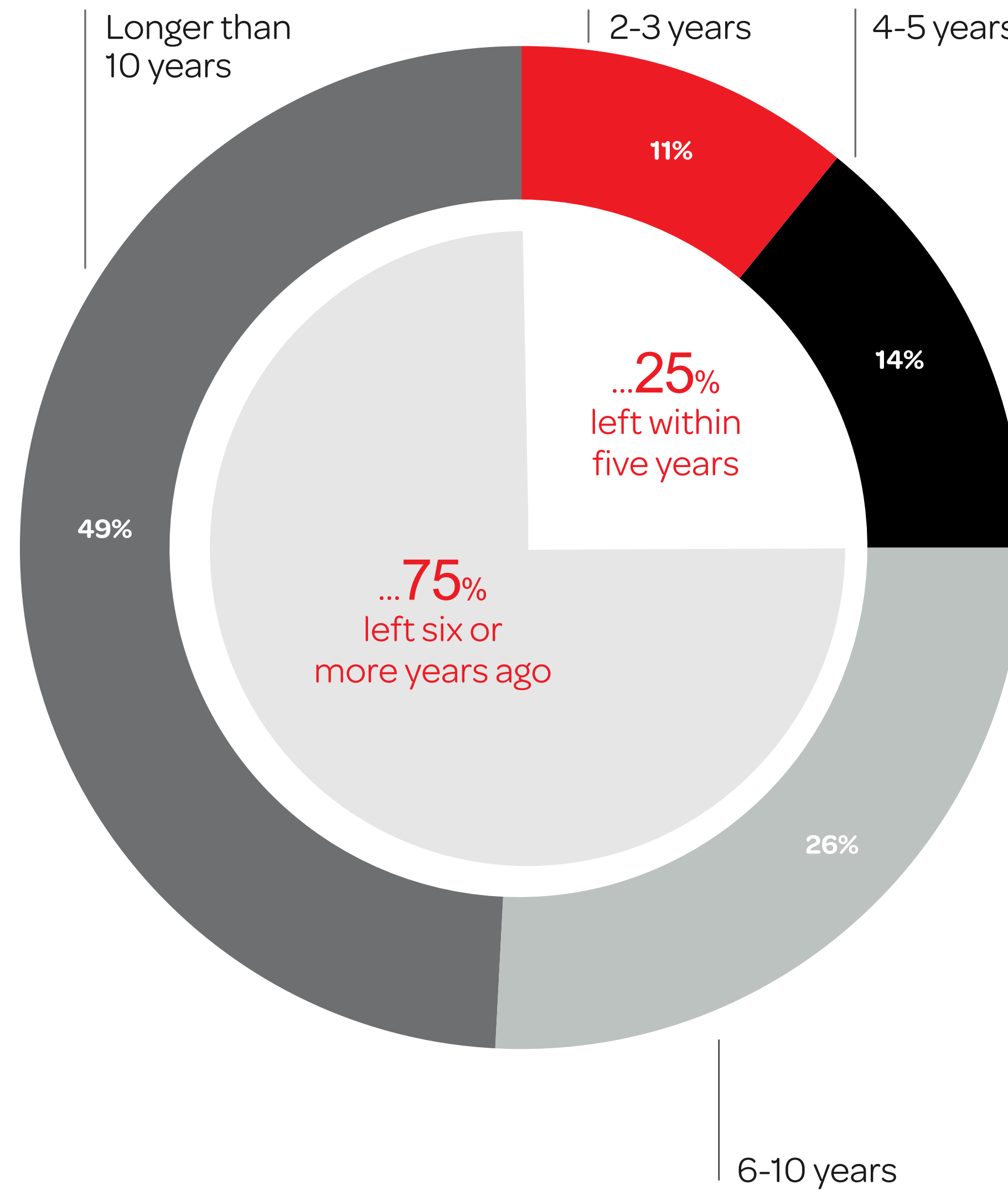
Recency and longevity of large firm experience

Clearly, the notion that small and independent law firms do 'second class law' simply isn't true. These are seasoned, highly experienced lawyers, who know the law and how to apply it in real world situations.

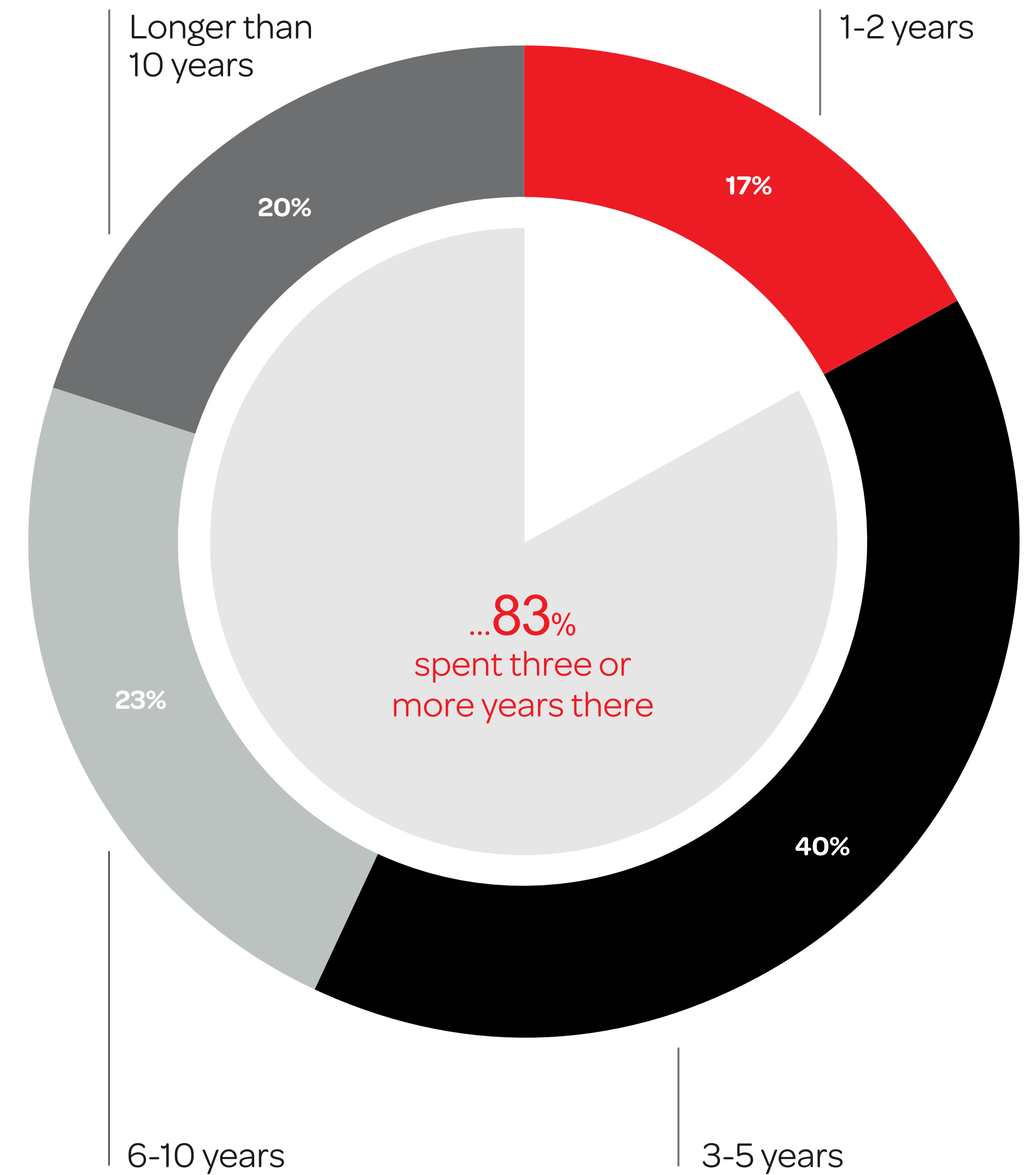
A respondent said:

“What we are providing to clients is the totality of our life experience. The fact that most of us have spent most of our lives being lawyers means there is a very heavy legal content in that life experience.”

How recently were they in top tier?



How long were they in top tier?



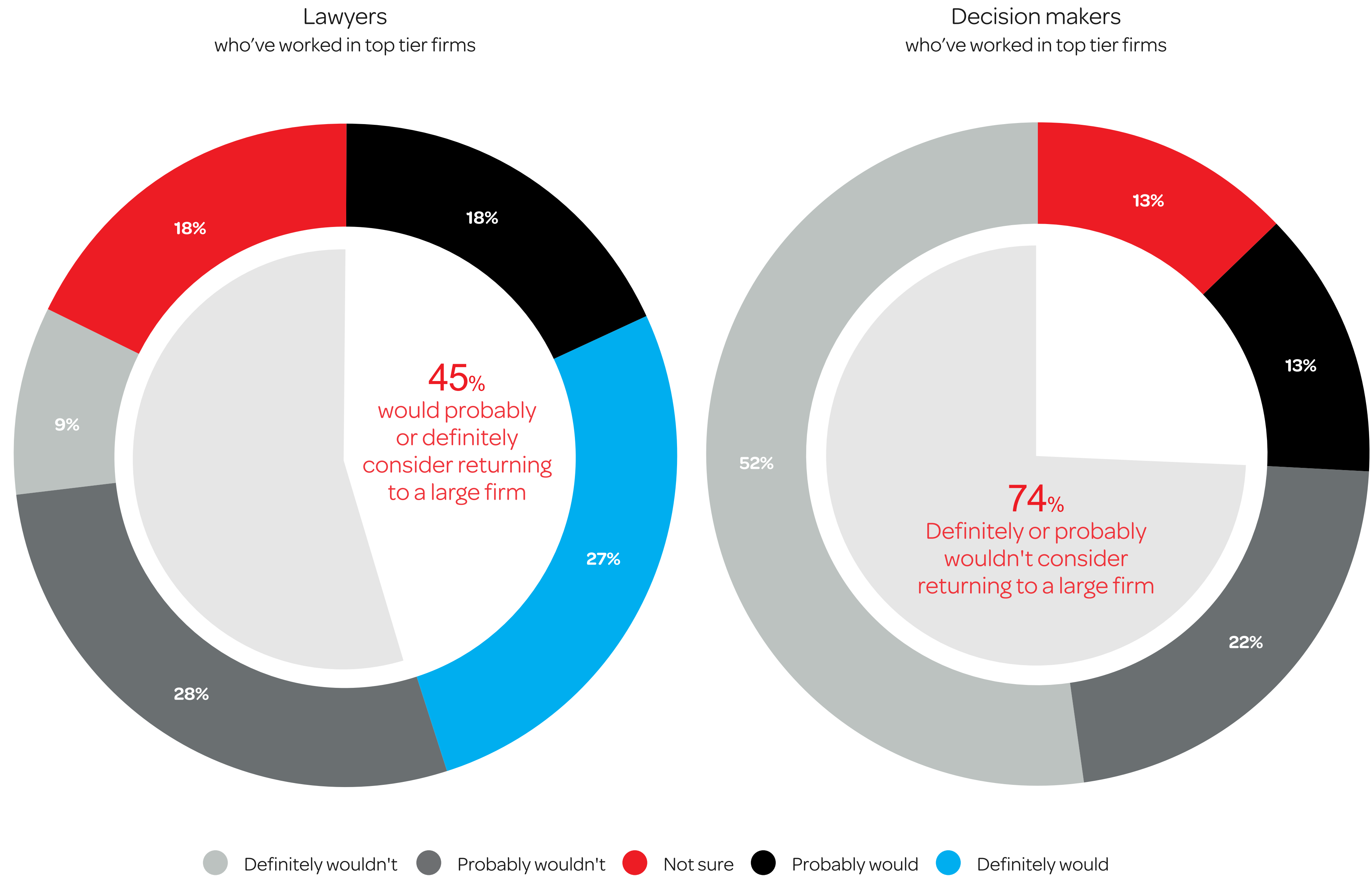
BASE 35
LAWYERS WITH TOP TIER EXPERIENCE



Once bitten, twice shy

When we asked those with top tier experience whether they'd ever consider returning to a top tier firm again, most of them said no, they probably or definitely wouldn't.

However, the decision makers among them were decidedly more opposed to the idea than the lawyers.



BASE 13

BASE 23

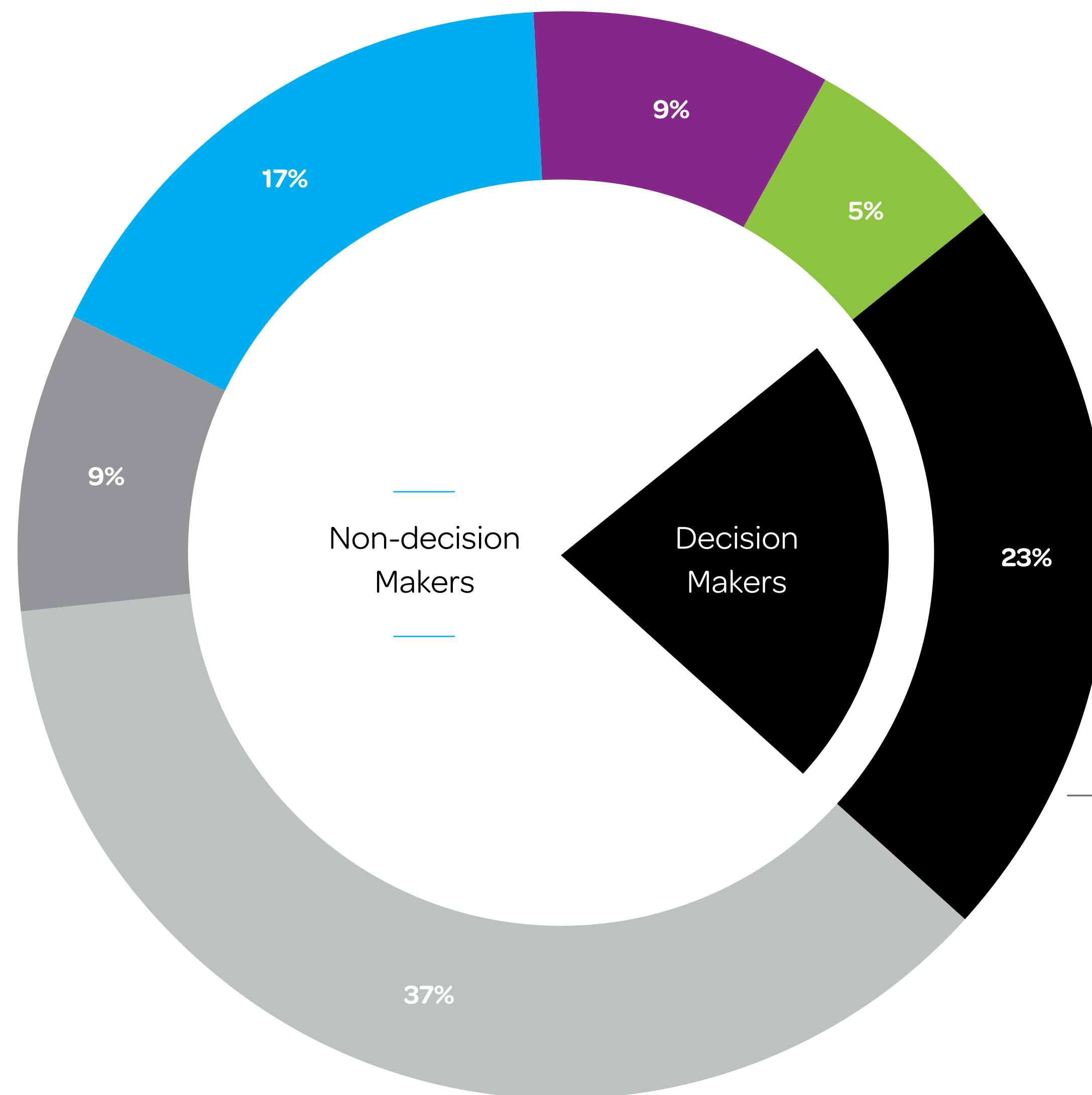


So why are decision makers more reluctant to return to life in a large firm?
One reason could be seniority.

When we asked those who'd worked at top tier firms what position they'd held when they left, the vast majority were below management level.

The majority of those who are decision makers today weren't decision makers when they worked in the top tier. Put simply, they prefer being a bigger fish in a smaller pond, where they have more of a say and a better quality of life.

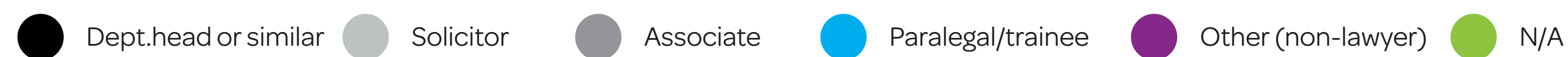
Position on leaving large firm



A respondent said:

“One of the other reasons why I wanted to set up on my own was the unrealistic targets which are often set for junior solicitors. These actually encourage them to dream up some of the time that they spend or to stretch it out. They are under pressure from all sorts of directions to clock up 5 chargeable hours a day.”

Only **23%** were at Department Head level (or equivalent) when they left.



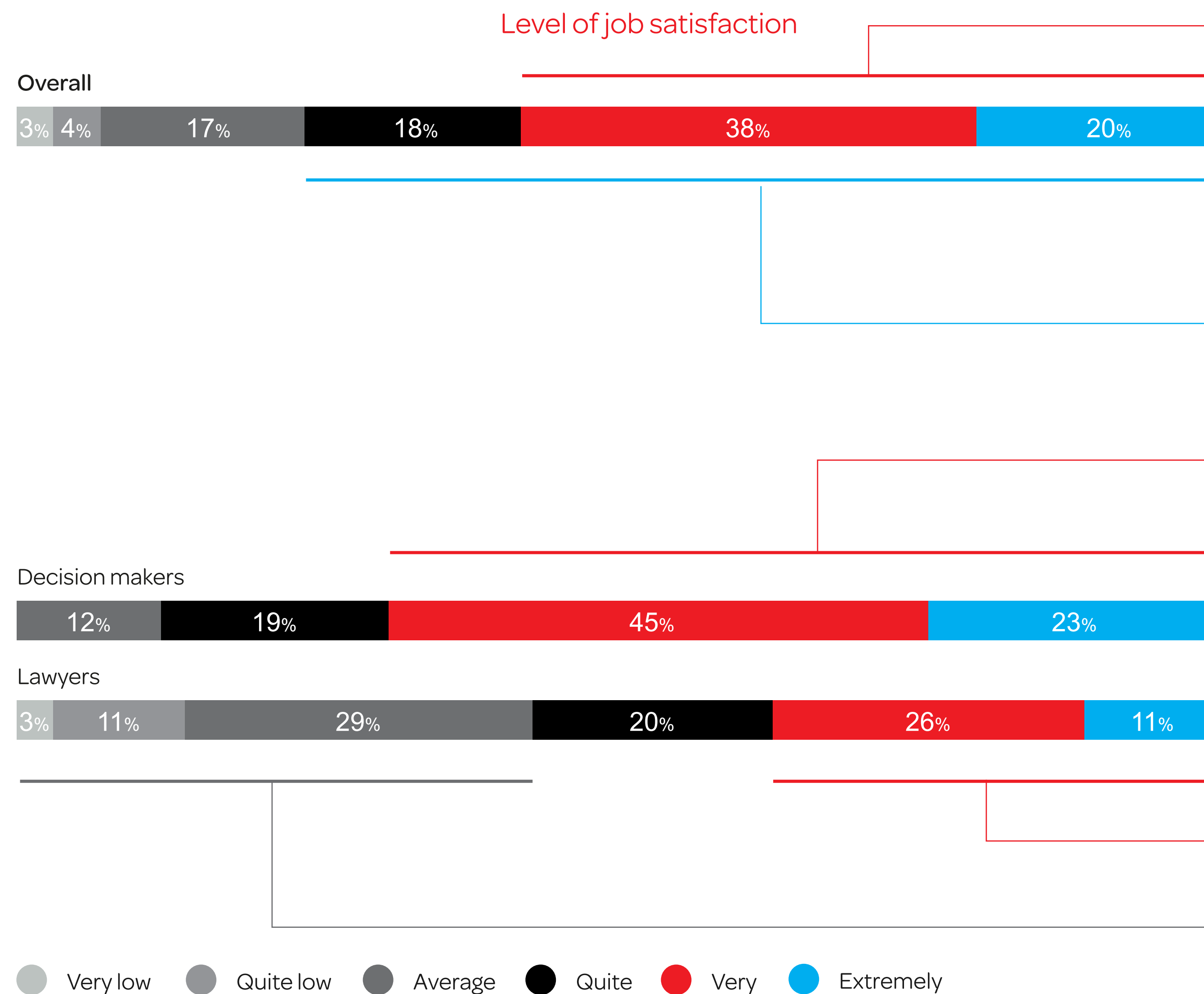


Current job satisfaction

Overall, job satisfaction among independent lawyers is very high.

Yet, once again, there is a split between decision makers and lawyers.

Perhaps unsurprisingly, it seems that the view looks rosier from the top.



58% rated their job satisfaction as 'very' or 'extremely' high

76% said they were broadly happy with their lot

68% of decision makers rated their satisfaction as 'very' or 'extremely high' vs.

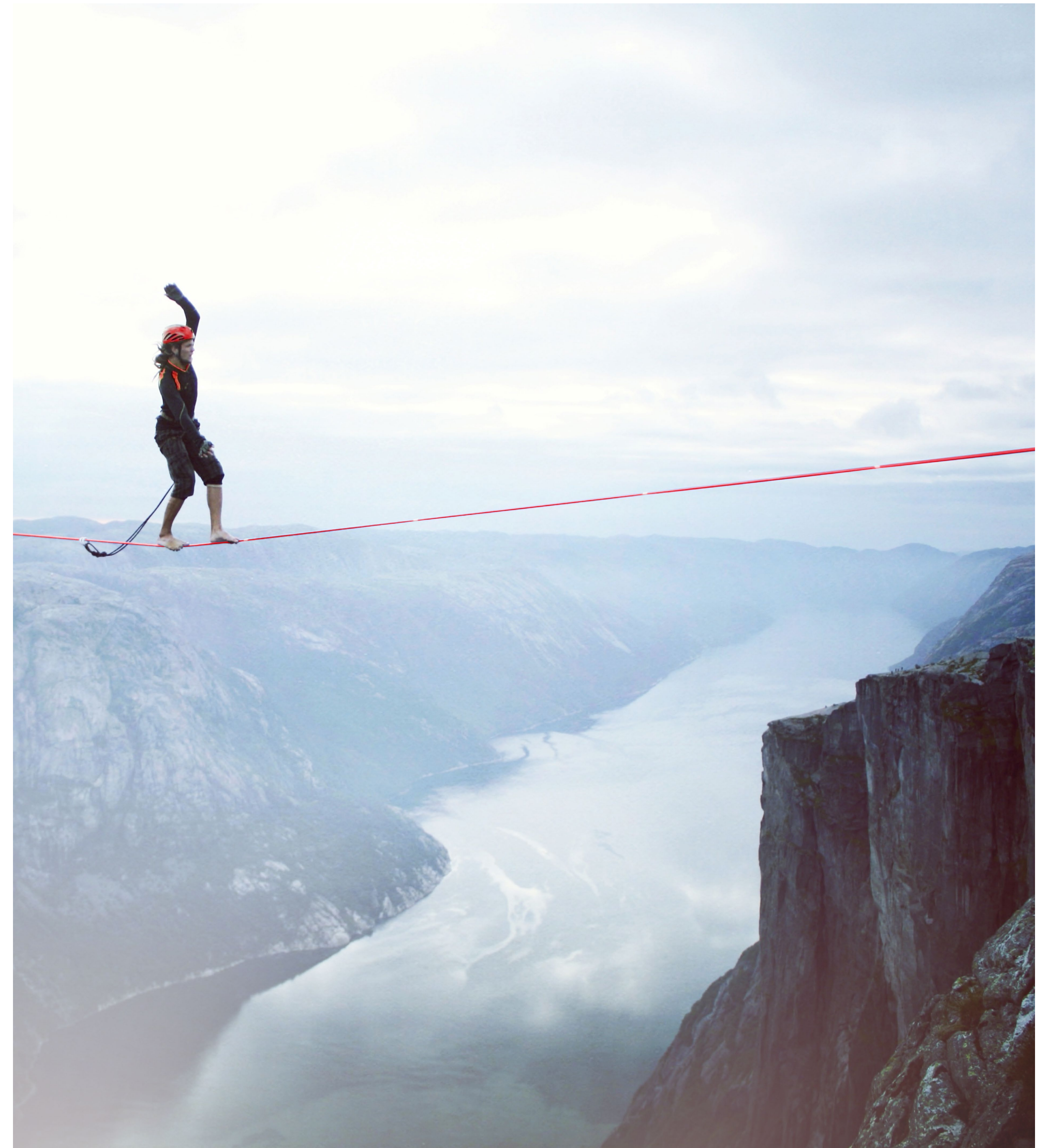
37% of lawyers'

43% of lawyers working in independent law rated their job satisfaction as average or low

BASE 118

“None of us want to grow an empire that we can’t deal with.”

With Brexit on the horizon, a new administration in the White House and political change in Europe there’s a great deal of uncertainty in the air. Despite this, most independent law firms are feeling cautiously optimistic about their future – and are poised for growth.



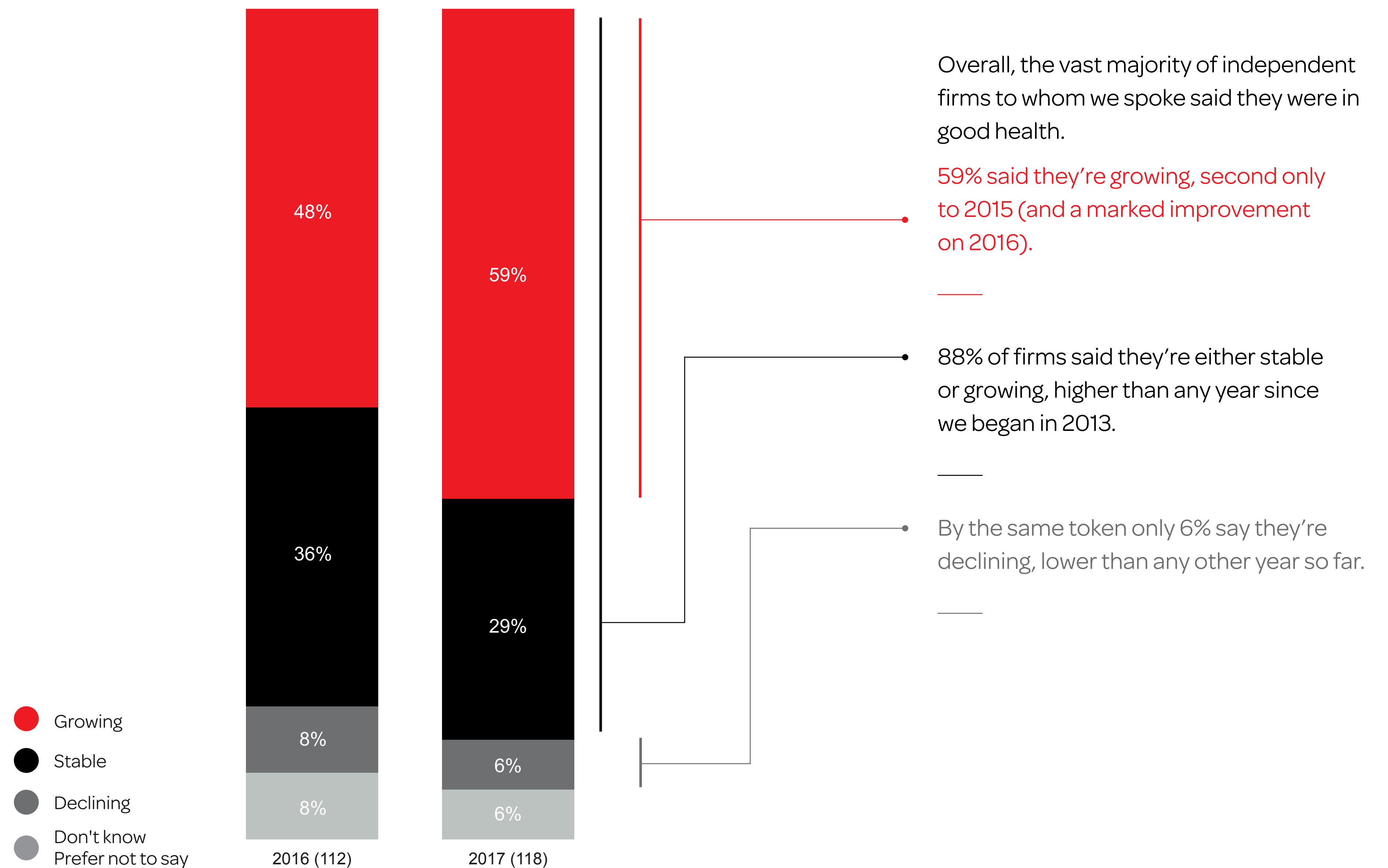


How do firms rate the current performance of their business?

Current performance

With five years of accumulated data to compare, the trends are becoming clearer and more robust, allowing us to track both performance and confidence, year to year.

We conducted our research in the period following the decision to leave the EU and during the early days of the Trump presidency. Regardless of these events, the clear majority of independent law firms are not only thriving but planning to grow in the next three to five years.



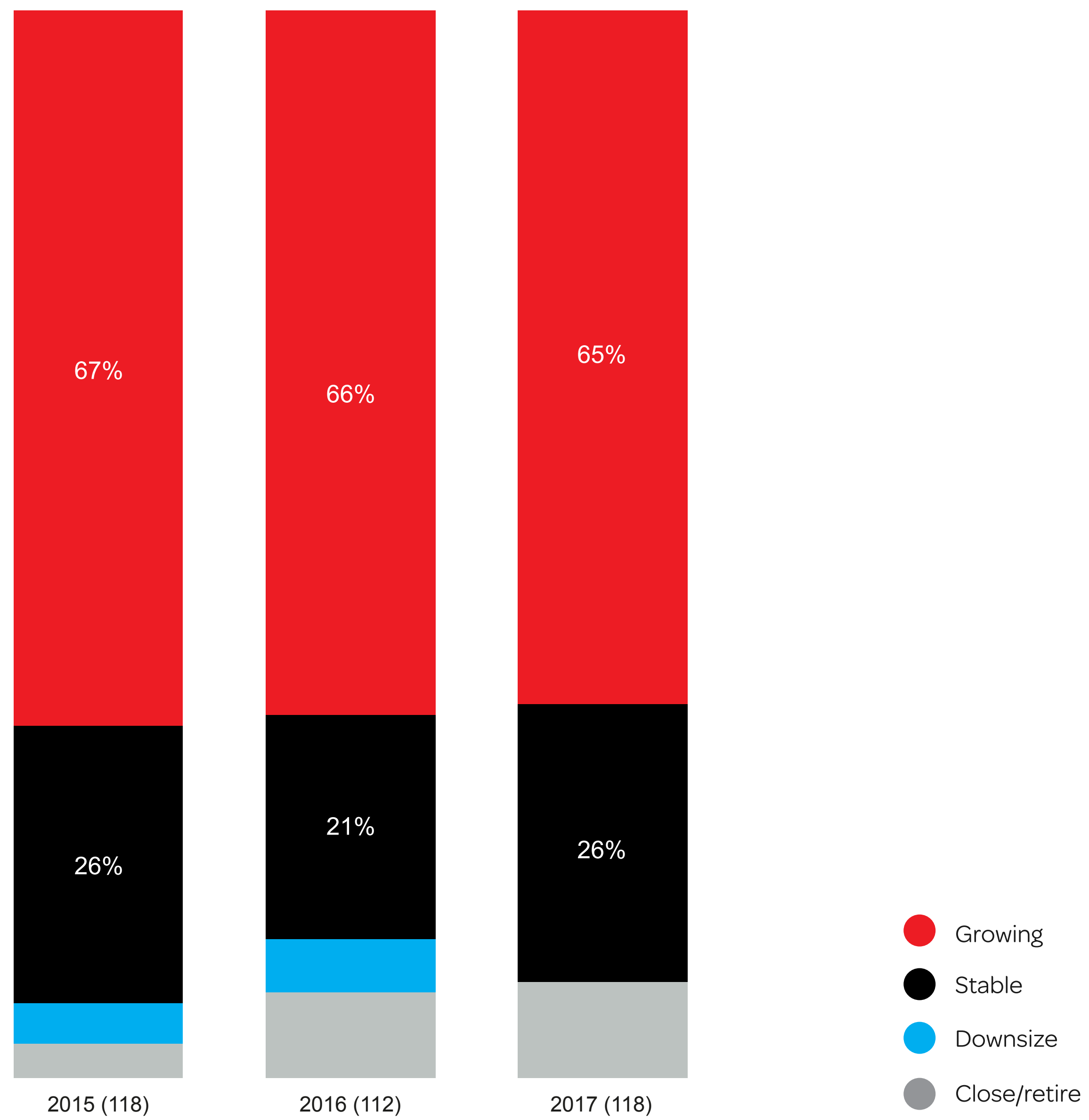


Five year practice plan - A robust picture

Five year forecast

Looking ahead, to the immediate future, **65%** are planning to grow, which is broadly in line with the last two years.

However, none of the firms to whom we spoke this year are planning to downsize, which once again makes the overall picture the most robust we've seen so far.





Smaller firms & the status quo

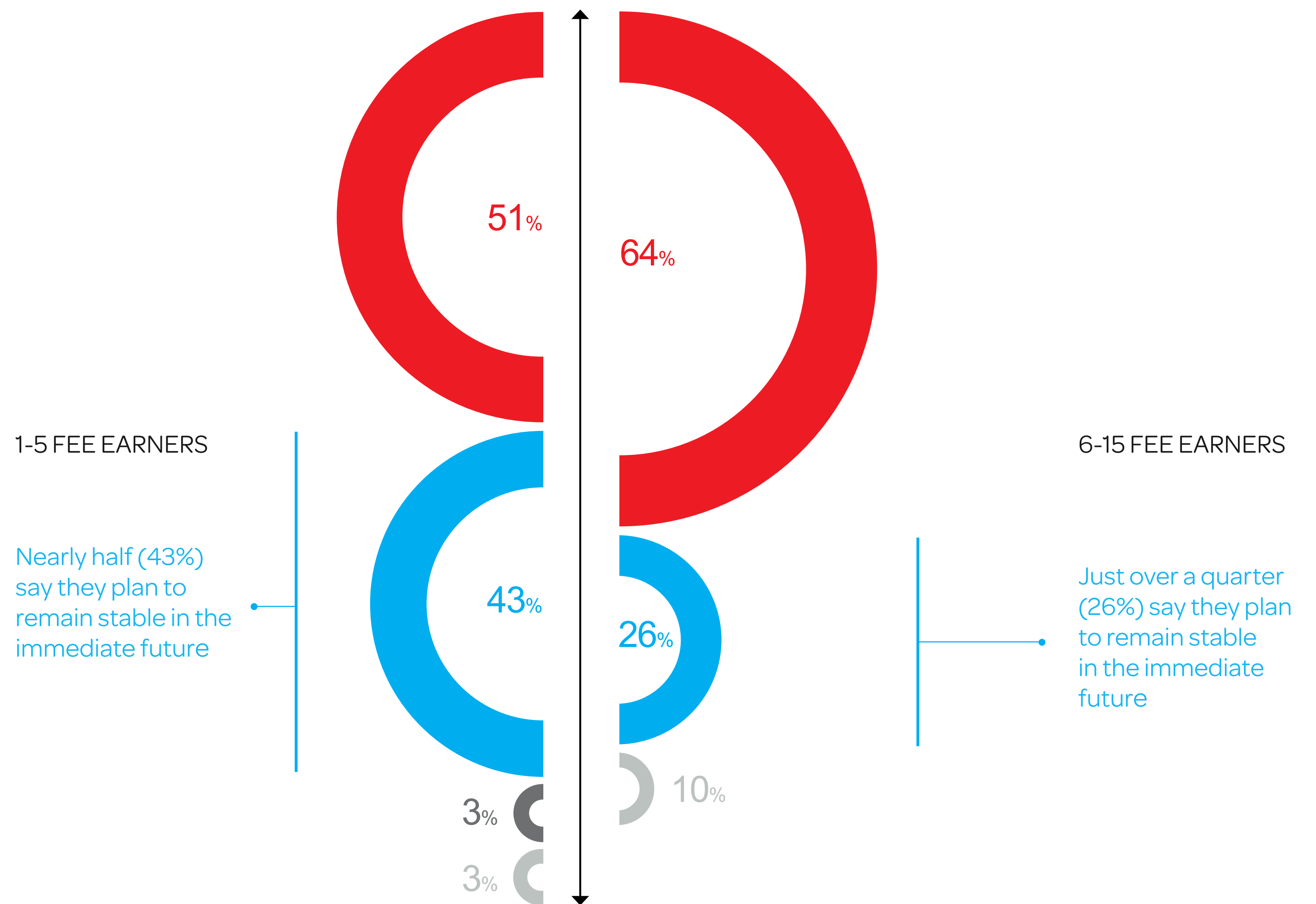
However, some of the smallest firms (with five fee earners or fewer) are quite happy to remain stable. In fact, generally, it seems that the smaller the firm, the less likely they are to be planning for growth – and the more likely they are to be content to focus on the status quo, rather than chasing growth for growth’s sake.

Respondents said:

“None of us want to grow an empire that we can’t deal with.”

“We wouldn’t want to grow; it’s more about doing it well, managing the work we have and knowing what to take on and what to say no to.”

Growth plans vs. size



● Don't know/NA ● Downsize ● Stability ● Growth

BASE 118



Confidence vs. caution

Given that 86% of firms are either growing or stable and 65% are planning for growth, one might reasonably expect to see growing levels of confidence across the board. Not so.

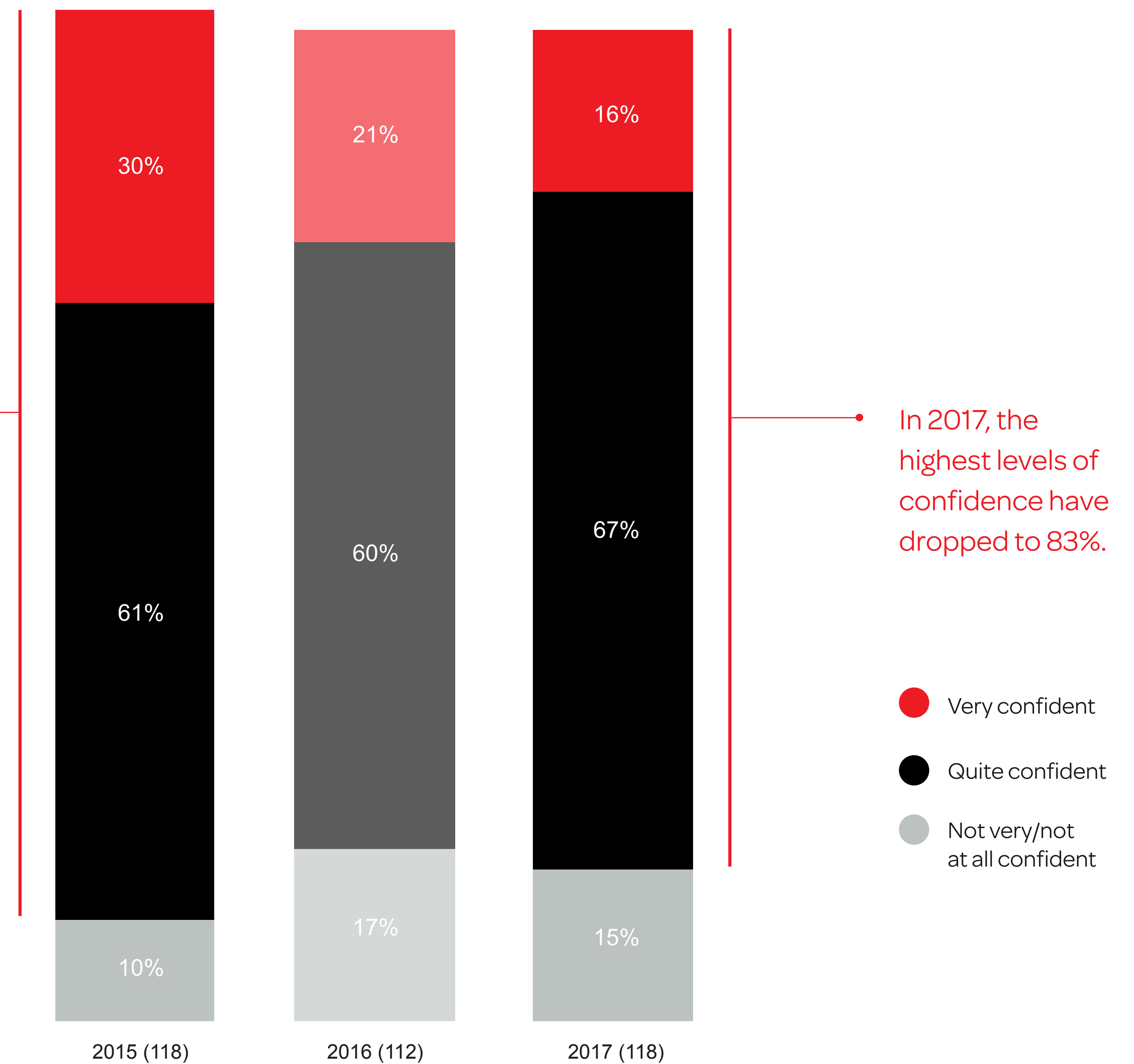
Compared to last year, however, confidence levels haven't changed as much as one might expect. Those feeling 'very' confident are down 5% from last year, but those feeling 'quite' confident are up 7%.

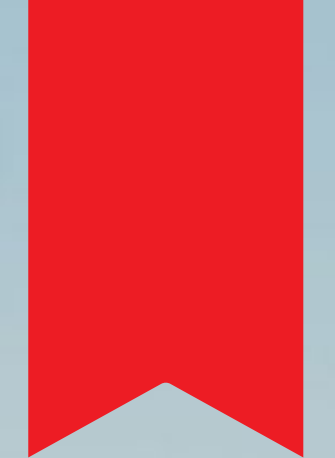
In fact overall, adding those feeling 'very' or 'quite' confident together, confidence is actually up slightly on last year – **but it's a quieter sort of confidence.**

In 2015, 91% said they were either 'quite' or 'very' confident about the future.

In 2017, the highest levels of confidence have dropped to 83%.

Confidence looking forward





Feeling confident

“The business has experienced good growth in its three years of trading...”

“We’ve seen an increase in client base, as we seem to be obtaining work from larger firms who seem not to be providing a good enough service and charge high fees.”

“The firm is well managed, both professionally and financially...”

Feeling cautious

“There are unknowns for the economy with the change of US President and Brexit to be entirely confident.”

“The worry is always the unknown changes that lie ahead...”

“Government proposals regarding injury claims and a property downturn are examples of factors out of our hands.”





This is the fifth year that we have conducted our research programme in Independent Law and it is increasingly clear that the smaller, more agile, market focused law firm is increasing its power and impact on the market for legal services. Adept, adaptable, commercially minded, customer-focused and obsessed with providing common sense support founded on serious legal competence, this is a segment of the market that is leading change.

Over the course of the last five years in our research we have seen smaller firms weather the uncertainties brought about through regulatory change and economic difficulties and emerge as robust, growing businesses with a continued sense that the future belongs to them.

Disenchanted by the way that larger law firms operate, successful independent lawyers are determined to learn from their past experiences in larger and more traditional firms and create a healthier working culture in their own firms for staff and clients alike.

Their firms' ethos, driven by things like bespoke service, good staff morale, fairer pay, realistic targets and common business goals, is delivering both commercial success and job satisfaction. These new, enlightened, decision makers are proving that business achievement starts with client care and a good working environment and culture for their people.

It's these elements, coupled with sound investment in the right tools, technology and information to enable them to provide the bespoke services their clients now expect, that will help them to not only survive but thrive over the coming months and years.



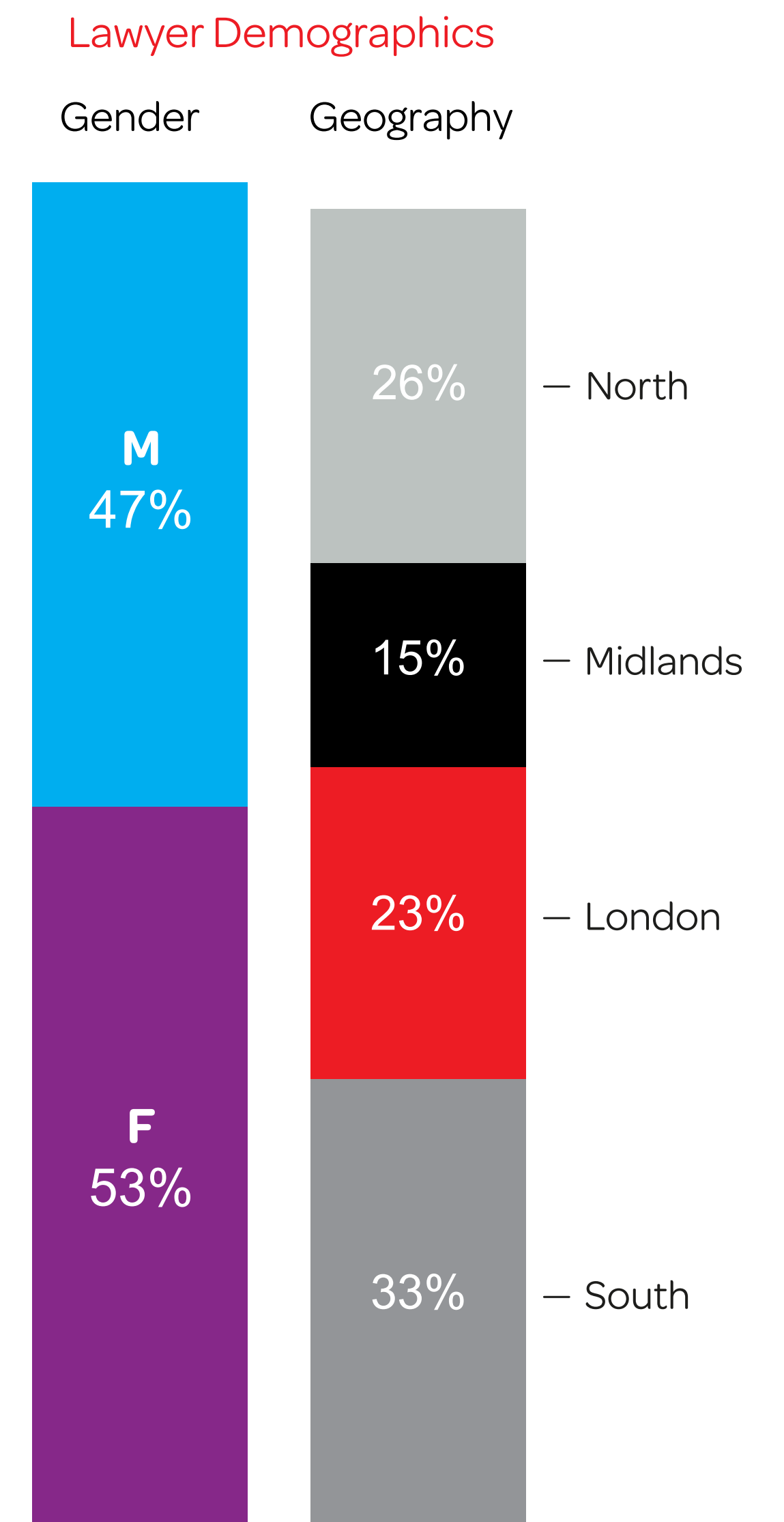
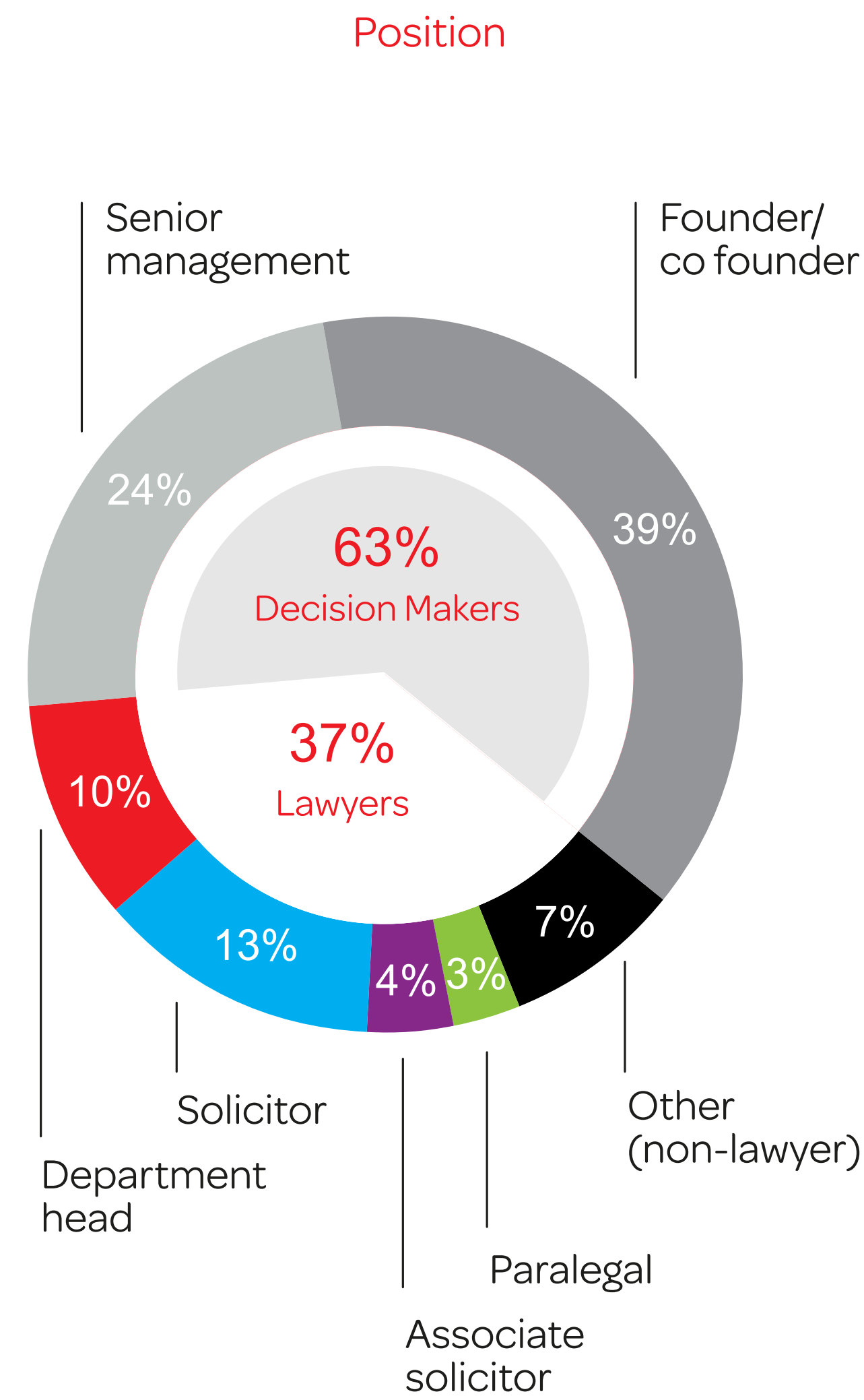
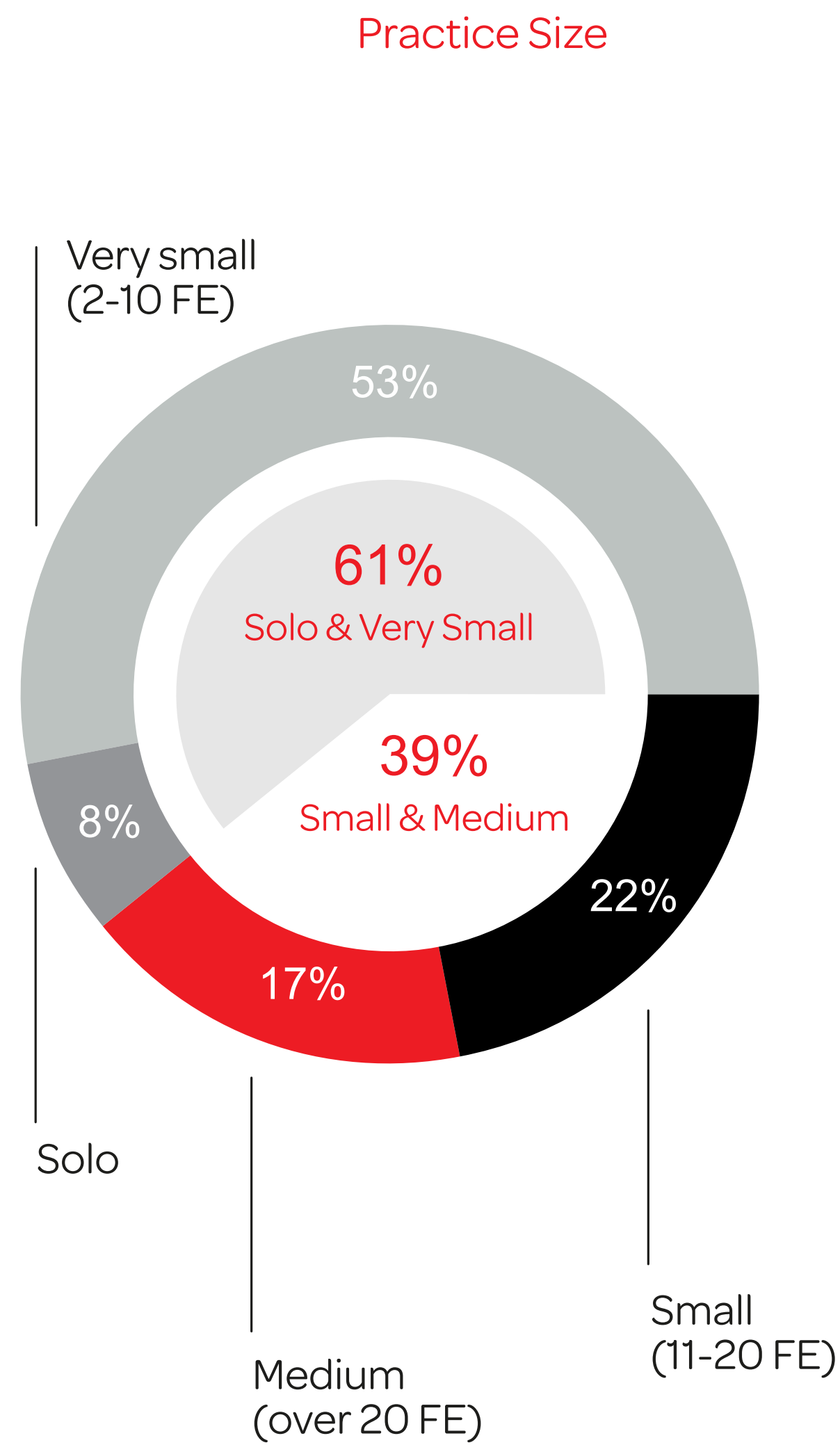
Our research sample consisted of 10 in-depth interviews amongst lawyers in smaller legal firms, followed by an online survey of 118 lawyers working in a broad range of independent law firms in England and Wales.

Those taking part represent a wide spectrum of different seniorities, experience and backgrounds and we have views from sole practitioners to lawyers working in firms with around 30 fee earners. The bulk of our sample were from firms with fewer than 10 fee earners. The majority of those taking part were decision makers within their firms, responsible for setting strategic direction and overseeing spending and investment priorities.

The research fieldwork was undertaken by an independent market research agency, Linda Jones & Partners (www.ljandp.co.uk), with sampling in December 2016 and January 2017.



Who we spoke to



BASE 118



1. Bellwether 2013 – Survive or Thrive

In 2013 the first Bellwether report looked into how the legal landscape had changed by uncovering the concerns and expectations of independent lawyers and sole practitioners on the front line.



2. Bellwether 2014 – Brave New World

The 2014 Bellwether explored the evolving legal landscape of independent lawyers and sole practitioners by delving into increasing confidence, performance and good appetite for change, key challenges and the rise of the entrepreneur.



3. Bellwether 2015 – The Age of the Client

The 2015 Bellwether report exposed how the balance of power in the client/lawyer relationship was shifting. It explored how independent law firms and sole practitioners were responding to the new breed of client.



4. Bellwether 2016 – The Riddle of Perception

The main 2016 Bellwether report uncovered some telling differences of opinion. Spanning everything from the demands of the economy and embracing digital technology to managing the client/lawyer relationship, the report looked at how lawyers saw themselves and their competition, and how they were really perceived by their clients.



5. Mini-Bellwether 2016 – A Question of Value

The 2016 follow up mini-Bellwether report explored the critical difference between value and price – and look at why forward-looking lawyers saw fixed fees as the future and were taking the leap.





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.

With 20 years of experience in research, insight, and business strategy, Jon has been passionate throughout his career 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 Bellwether report and is a key contributor to the Business of Law Blog, an online independent legal community.

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Since 2013, our annual Bellwether reports have been a voice for those often unsung, small and independent law firms across England and Wales who are embracing new ways of working, challenging old ways of thinking and redefining what law firms can do.

Given the ever-increasing speed of change and the variety of business models, we've decided to expand this year's research and divide it into three reports, spread across the course of the year – with each wave of research building on the last. Working in conjunction with a specialist, independent Market Research Agency, Linda Jones & Partners, we will be tracking and reporting on changes and developments throughout the year, delving deeper into topics as they arise at each stage.

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