



Ten trends that will shape the legal market

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A former Clifford Chance managing partner gives his view on the most significant challenges to UK law firms

1. The high levels of profitability enjoyed by mid-tier firms to date will not be sustainable without a fundamental review of their business model. The panel review process and greater rigour from clients on fees will put them under increasing pressure and for some it is likely to be painful. The firms who lose out on attracting and retaining talent will fall into a vicious circle of falling reputation and profitability.
2. The culture of international law firms will change. The “head office” culture will be diminished as international operations become larger and contribute more to firms’ revenues. To a large extent, such growth will focus on the clients who generate the bulk of fees. Servicing them to a consistently high standard around the world will be a continuing challenge.
3. As in investment banking and accounting, a group of probably no more than half-a-dozen truly global firms will come to dominate the market. Probably two of these will be based on existing “magic circle” firms, and others will be formed out of the more aggressive and internationally-minded US-based firms. A key impediment to this at the moment is the inability of the “magic circle” to grow sufficiently quickly in the US and the apparent unwillingness of the major Wall Street firms to invest significantly internationally. Thus, the emergence of a global elite is likely to be an evolutionary rather than revolutionary process. A trans-Atlantic mega-merger involving a major “white shoe” New York firm and a “magic circle” firm appears unlikely in the short- or medium-term.
4. Technology will enable projects to be “unbundled”. This may mean that parts of the project are outsourced to India and that they are done in a systemised manner, which has not been the case to date. This could have a significant impact on the need for more junior lawyers, particularly if they start to price themselves out of the market. On large mergers and acquisition transactions, for instance, major firms will focus on the structuring and execution of a transaction and ensure that the routine due diligence and post-merger integration is carried out more cost effectively.
5. Much of the change in law firms’ operating models will be driven by clients, who will increasingly look for certainty in billing and greater efficiency in service.
6. High Street legal services will be fundamentally transformed by the Legal Services Act. Just look at insurance brokers and opticians. A number of major brands will dominate the provision of retail legal services. Will that be law firms, or outsiders such as supermarkets or banks? It is too soon to tell whether existing law firms will be able to develop strong enough retail brands. Small and specialist firms will still have a future if they can provide a clear, distinctive offering that they can articulate to the market. Easier said than done.

7. If the Clementi reforms are broadly successful, one can expect firms higher up the chain to take in outside capital and float on the market. The drivers will be cash for expansion, orderly succession planning, and providing a clearer career path through share options and tax-efficient pension planning. Once this has happened, the possibility of hostile takeovers of law firms can't be ruled out.
8. Any Government, of whatever colour, will continue to complain about the complexity of legislation but will carry on passing it nevertheless. As a result, the role of lawyers will not diminish. However, there will be an increasing distinction between those who provide basic information and advice, much of which will be available online, for fixed fees, and those who provide true "value-added" services.
9. We are already at a stage where people can work effectively remotely. The so-called "war for talent" will force that issue even more. For part of the working week, lawyers will be able to work from home. More flexible career paths will be introduced. Firms will huff and puff about this, but they really have no option.
10. The life of a partner at a major law firm, although increasingly highly remunerated, will become less secure. It will become increasingly normal for partners to move between firms, either in search of better opportunities or because their firm tells them to go. In addition, a generation of Baby Boomers will retire in the next ten years and firms face a huge challenge in replacing the expertise they will lose.

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