



Survive or Thrive?

The legal landscape has changed: uncovering the concerns and expectations of independent lawyers and sole practitioners on the front line.

The challenges

SToo much paperwork. Changes in compliance, such as the requirement to appoint a COLP and COFA, could not have come at a worse time. 70% spend more time on administration than before – while trying to cope with the demands of these lean financial times.

SCompliance is a major issue for

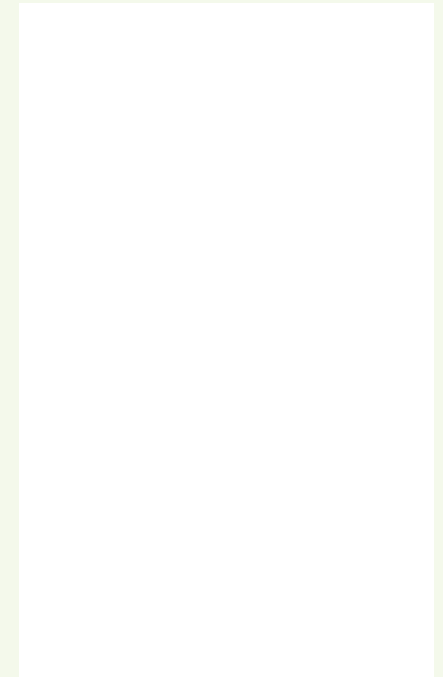
LexisNexis's report *Survive or Thrive?* takes the temperature of independent lawyers, sole practitioners and owner/lawyers in smaller law firms, to see how they are dealing with the current financial, regulatory and legal climate. We commissioned this research because we wanted to gain a thorough understanding of the challenges lawyers in this sector face and to identify what can be done to ensure they do not merely survive but thrive.

It is heartening to discover that despite all the difficulties the firms face, these lawyers still wish to continue running their own businesses and do what they do best: practising the law.

We expected that securing new business and dealing with the economic downturn would be some of the toughest challenges for this sector. What is more disturbing is that something the government can control is getting in the way of a healthy legal sector. Regulation is the one thing that policymakers can do something about. As one solicitor told us, 'we don't have a problem in doing the work; we have a problem in recording what we do'.

Independent lawyers, sole practitioners and owner/lawyers in smaller firms are an important part of the legal landscape. Inevitably change means that high street law won't look like it did ten years ago. Sadly, some firms will not continue. Dealing with over burdensome regulation should not be one of the reasons they don't.

A clear message



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Introduction

This report is the latest in a series commissioned by LexisNexis into the changing legal services landscape. The focus here is on independent lawyers, sole practitioners and smaller law firms, and the particular challenges they face at this time of significant regulatory and economic change.

Interviews with this key group were conducted to discover how they are responding to such regulatory and economic pressures. The research aims to present a snapshot of their current working life and to explore their needs moving forward.

The report is divided into five main sections:

1. Business challenges: what are the biggest challenges faced by the sole practitioner, independent lawyer and smaller law firm?
2. Job satisfaction and mindsets: how are these pressures affecting attitudes towards work?
3. Business health and confidence: how confident are this group about their future?
4. Adapting to thrive: what needs to change?
5. Management summary: how to stay on top.

Methodology

The findings are based on a study conducted in November 2012, comprising 100 telephone interviews and 6 in depth interviews amongst sole practitioners, independent lawyers and smaller law firms drawn from the LexisNexis database. The survey was carried out by Linda Jones & Partners, an independent research specialist, in conjunction with fieldwork agency QRS. Full details of the sample can be found in the Appendix to this report.

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Business challenges

“I think the marketplace for solicitors has been made unnecessarily tough. There is too much bureaucracy and too much regulation. We are regulated in much more harsh terms than others are. Firms feel isolated.”

Much has already been written about the impending threat of ABS's and the reduction in legal aid funding. Though these definitely feature on the radar of those surveyed, they are not their most pressing concerns.

Not surprisingly, many key challenges are rooted in economic factors and the continuing economic uncertainty. However, changes in compliance regulations could not have come at a worse time for this sector. Not only are they battling with recessionary issues, but they have also had to personally shoulder COLP/COFA responsibilities on top of an already demanding workload.

'It's like trying to push an elephant upstairs' was how one solicitor described it, and he is not alone judging by the 70% agreement with 'more time being spent on administration these days'.

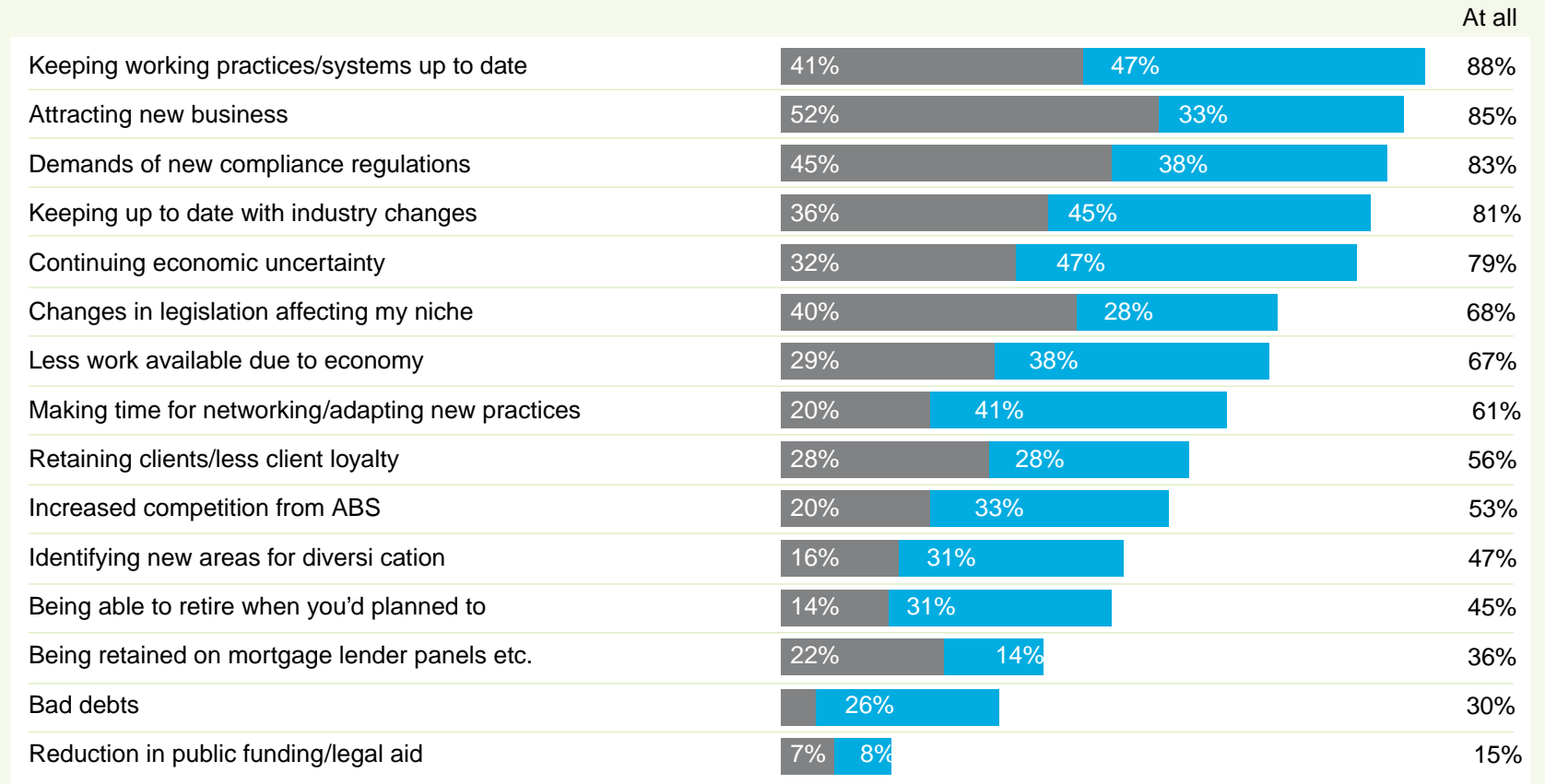


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Business challenges

How significant are each of these challenges and threats to your current business?



Still get a real buzz out of practicing law

Small firms constantly need to evolve

Much harder to make a good living out of law

Spent much more time on admin than in the past

Small firms need to up their game to survive

As a sole practitioner we have to specialise to survive

More competition but less work to go (v)10(itioner w0.253 0 c(e)]TJ T* [xeluc337 .039 c4 1.2)5.1(o surviv)10(e)]TJ T* [(As a sole pr)5.1(actitiJ T* [

The main perceived challenges cut across all aspects of the business:

The most significant is arguably securing new business (85%). There is simply less business

This is just a snapshot of the tactical day-to-day challenges and pressures. In addition to this, there is the need to find the time to plan strategically for the future; especially as anticipated retirement dates may be being pushed further into the future. Time is needed to analyse whether their business is future proofed, or whether a change in direction is necessary. Just fewer than 50% of the group surveyed view identifying new areas for diversification as a major challenge. It is one that can all too easily get put on the back burner, however, until confronting the issue becomes inevitable.

– ‘You are running to keep the money coming in and the machine running. It needs time to sit back

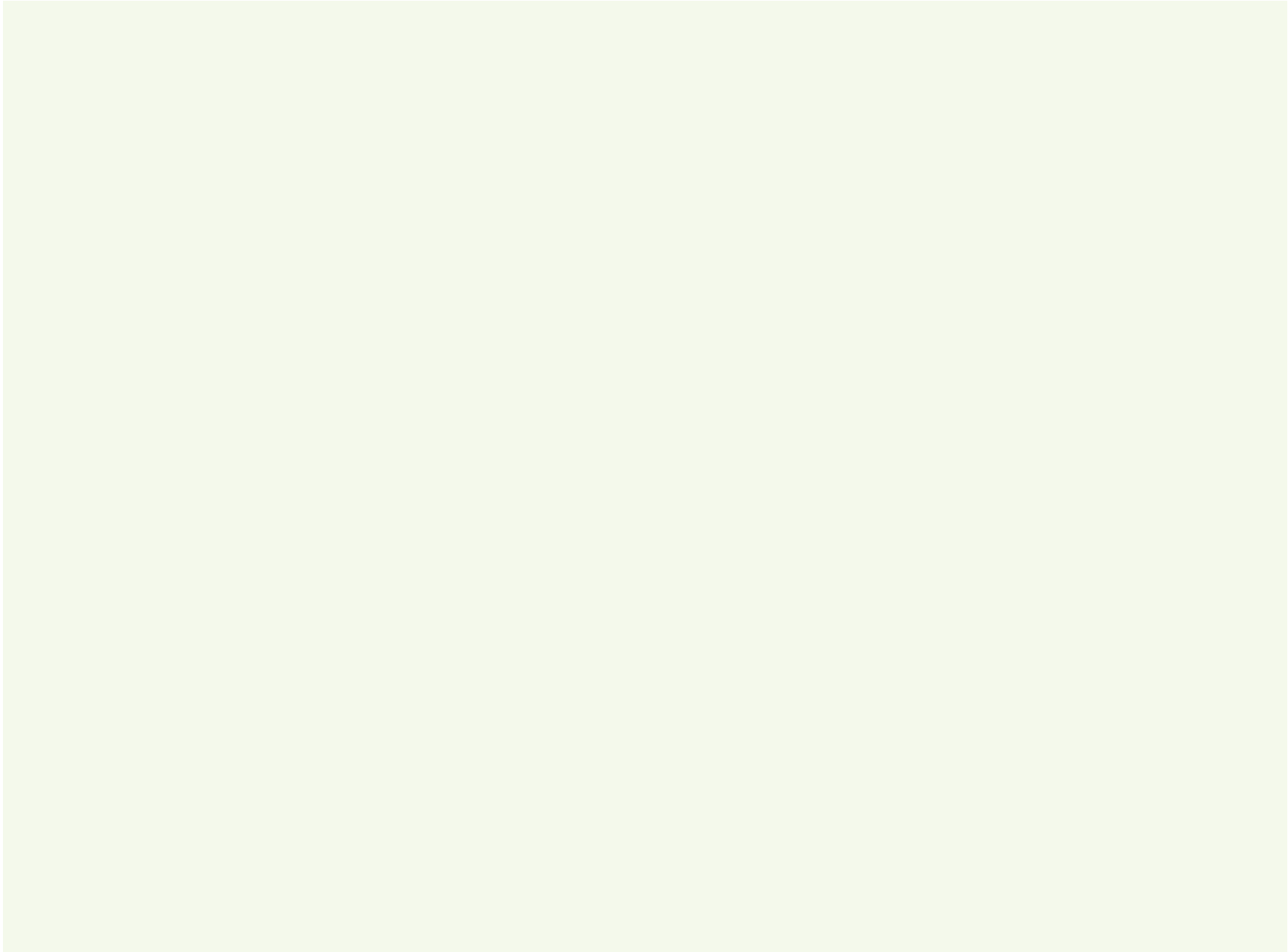
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Job satisfaction and mindsets

“I like the freedom I have got and the autonomy over my own career. It is as much freedom as you can get from being someone who needs money to pay a mortgage. I have partners to whom I am accountable to; I work with them rather than against them... I know friends who work for larger companies and they have no autonomy whatsoever.”

This all begs the question of how
these pressures are affecting
the mindsets and confidence of



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Business health and confidence

“Tough. That is the overwhelming feeling of solicitors in small firms. Times are tough. It was ok until the crash. When the crash came, markets disappeared.”

The prevailing mood is more optimistic than may have been expected.

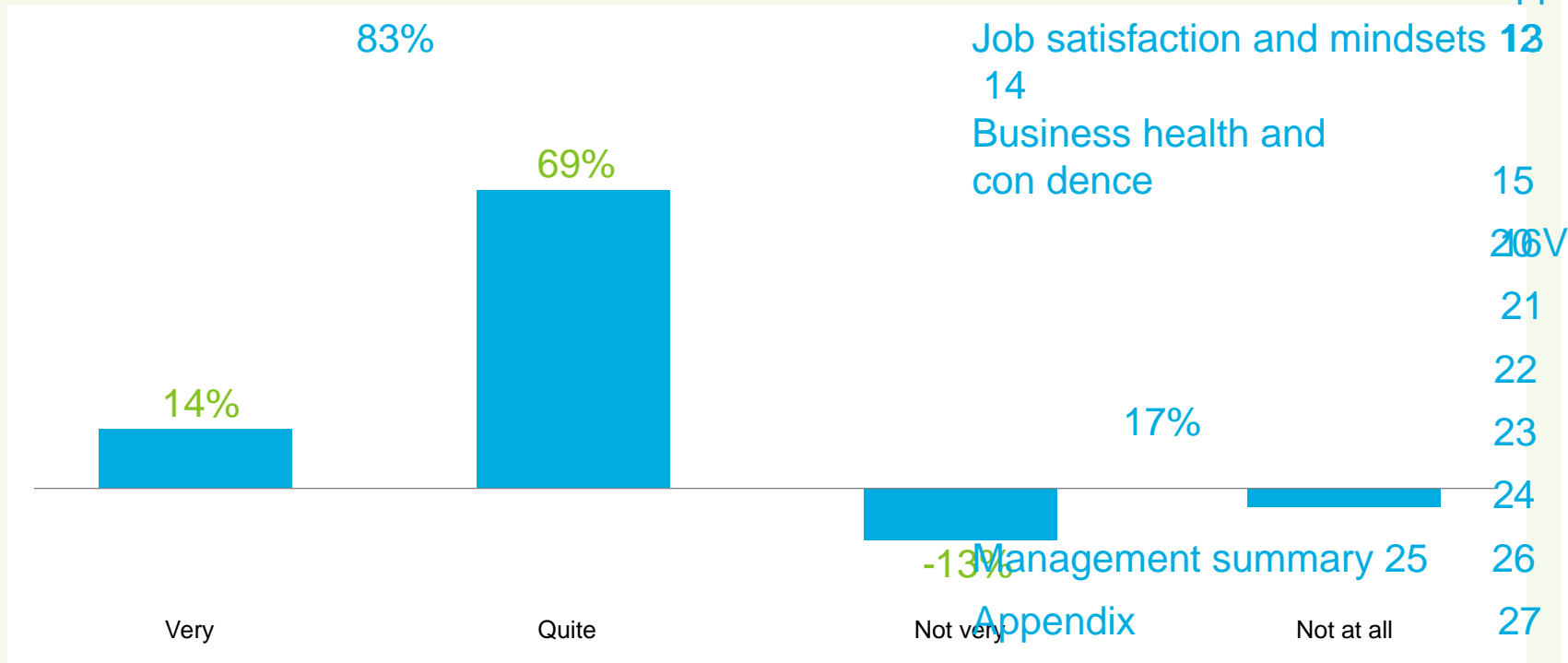
It is clearly hard to stay very positive given the current economic backdrop, but many of our smaller companies feel that they have already weathered a significant storm.



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Confidence level looking forward

How would you describe your confidence looking forward?



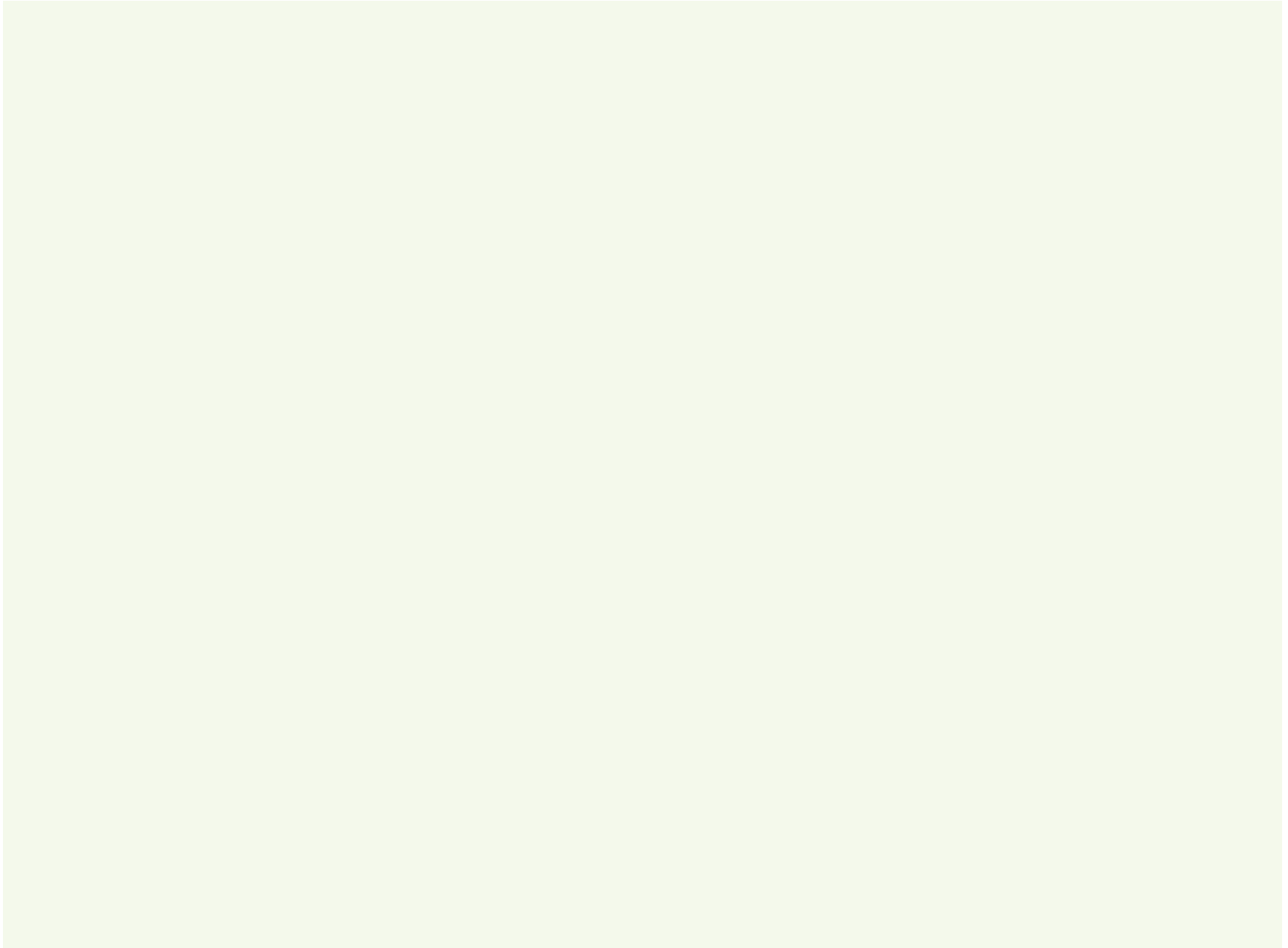
Compared to a few years ago, when the downturn was initially felt, the majority (just over 80%) describe the state of their business as either static (44%) or growing (39%).

'Not booming but not about to crash and burn' is the underlying refrain we heard from our sample. However it's significant, though perhaps not surprising, that the proportion of firms in decline is most marked amongst sole practitioners, where it accounts for 1 in 5.

Confidence in the future performance of their practice is inevitably boosted by the fact that they have successfully weathered the storm so far.

As such, we see similar levels (i.e. 4 out of 5) describing themselves as either very or quite confident about the future.

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Adapting to thrive

“I do enjoy what I do. If you get a good result in court, it is a buzz. But it is more difficult every year - and I can't see it getting any easier.”

Whatever their level of optimism looking forward, there seems to be a consensus that this will only be achieved with radical change.

A reluctance to adapt is surely a recipe for failure, and those working for more traditional firms seem frustrated at this refusal to move with the times. As one younger solicitor told us,

'My colleagues are lovely but they need to up their game and make the business more streamlined. I think they are wasting money, they could do more but they are set in their ways'.

Two thirds believe not only in the need for smaller firms to 'up their game', but also in the imperative to specialise, especially as a sole practitioner. As one solicitor explained: 'If you are alone the more specialised you are the better. You are your name and your goodwill. You become synonymous with the stuff you do. That is important.'

This more progressive outlook is characterised by open-mindedness about implementing change, in order to service this new legal landscape. These planned changes cut across many aspects of the business, but can be broadly grouped into three themes: the marketing of the business, more effective ways of dealing with cases, and staffing/servicing levels.

In marketing terms there is a widespread recognition of the need to invest further in web development (60%) as this is often an under-utilised resource. Just fewer than 70% also appreciate the need for greater networking in this new landscape, and this was

recurring theme across the depth interviews we conducted. 'We as a firm tend to be a bit insular and haven't embraced these sorts of things' was a typical observation, and it was recognised that this was a state of play which could not continue: 'As a firm we are not very connected and it is one of the things we have to improve. We accept we have to be part of things. We have never done seminars either or conferences. We will need to'. Unfortunately many, by their own admission, are still somewhat reticent in putting themselves more centre stage. Around 45% of firms are also considering increasing their

marketing budget, as most can no longer expect business to come in of its own accord.

Changes in working practices are also on the cards to improve efficiency. Just over half are considering greater investment in processes and technology and 62% are planning a review of their information sources, given the developments in services and platforms now available.

Staffing changes, albeit a lower priority, are also under consideration, given the onerous workload outlined earlier. Though employing in-house is the more common solution, almost 1 in 4 is considering outsourcing as an

approach. Anecdotally, those who had already gone down this route recognised the benefits of employing specialists and felt that their decision had already paid off. 'We are buying in technology, we are recruiting the right people and we are investing in marketing through a guy we have taken as a part time marketing consultant. We are setting up a blog'.

Merging may also be a good strategic option, and is under consideration for around 1 in 4. Such a move can help with the sharing of responsibilities, and could also complement spheres of activity, as a form of staged or controlled diversification.

Ongoing compliance and SRA regulation

Accessing legal information cost-effectively

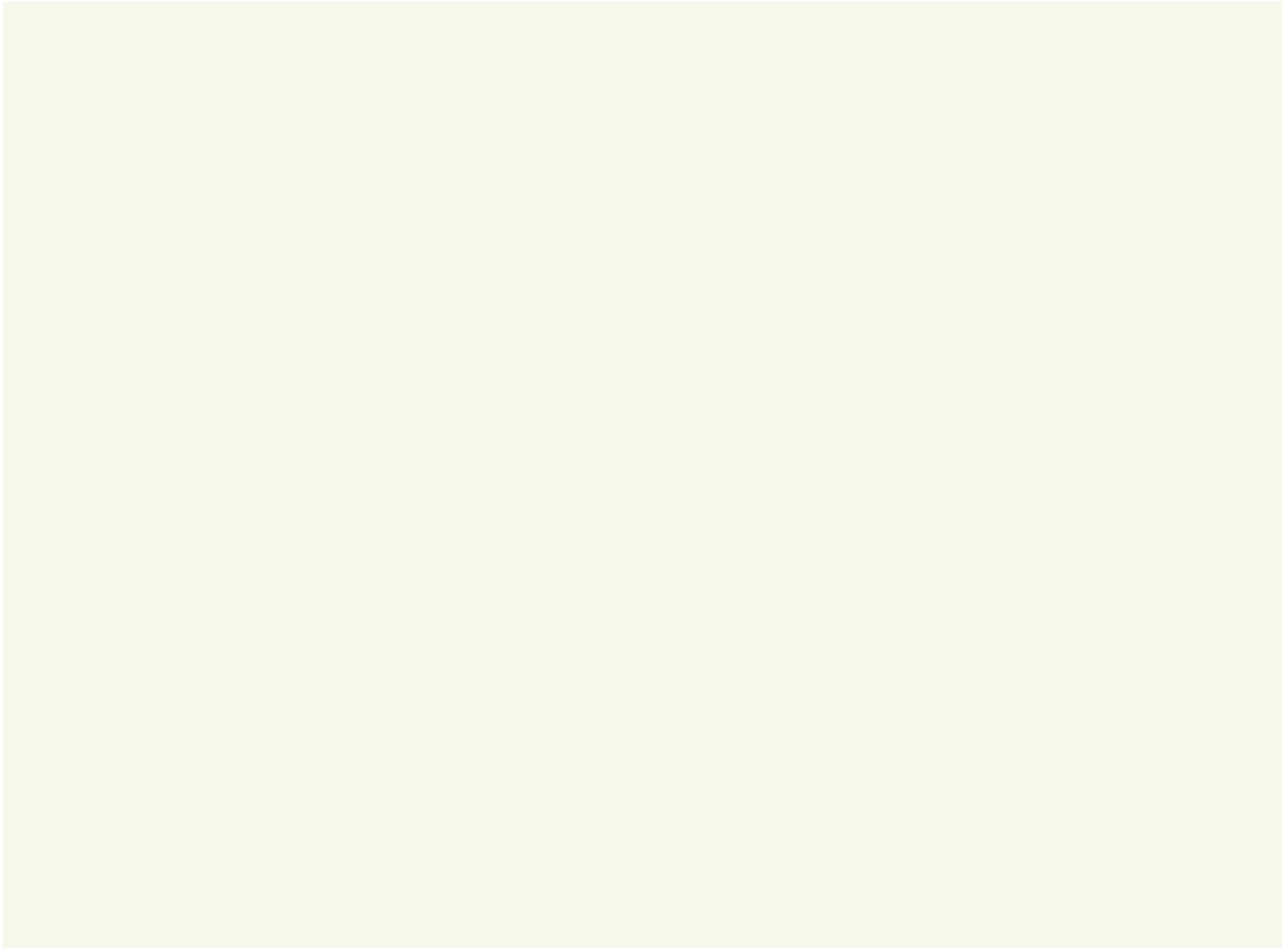
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Management summary

Browbeaten but not downtrodden, this sector feels they bear the brunt of legislative and regulatory changes. Despite this, we found that a cautious optimism still prevails, alongside a continuing belief in their chosen career path.



About LexisNexis



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