

Future Law Firm Business Models



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Executive Summary

Much has been written about the pace of change facing the legal industry – how certain law firm functions are being replaced by artificial intelligence and new types of service providers, how accounting firms are looking to absorb and replace law firms, and how merging into worldwide mega firms of 3,000 to 10,000 lawyers is the only way to survive. Steve Jobs and others have called this evolution “creative destruction”. Richard Susskind referred to it years ago as “the end of lawyers”.

It is true that the legal market is facing massive change. Technology, new ways of working, alternative methods of billing, and highly disruptive new entrants have all made their mark on the traditional legal business model. *The Future of Law Firm Business Models* takes a look at all these trends and more, horizon-scanning for future developments, and the ways in which these issues will fundamentally change the market.

Beginning with the legal ecosystem, the first few chapters look at structure and skills.

The book begins with an overview by Michael Roster, formerly managing partner of Morrison & Foerster’s Los Angeles office, and co-chair of the firm’s financial services practice group worldwide, who believes that it is inevitable that lawyers and their law firms will be (in the main) replaced by highly efficient multi-disciplinary practices (MDPs) that offer bundled services and yield measurably better outcomes at a fraction of current costs. If done right, he argues, MDPs will be far more satisfying places to work, although lawyers may find they play significantly different roles. The question for leaders at law and accounting firms, he maintains, as well as for general counsel and other corporate executives, is whether they get ahead of the curve or find that these changes eventually are thrust upon them.

In the future world of work, lawyers can no longer be *just* lawyers, regardless of whether they work in private practice or a corporate legal department. Much, much more is required. A lawyer needs to be an efficiency expert, trained in the worlds of lean and Six Sigma to drive waste out of processes designed by lawyers over the ages to be waste-filled.

A lawyer needs to be skilled in after action assessments, penetrating examinations of how problems arose, what could have prevented the mistake, the problem, the root cause of an adverse event. A lawyer needs to be a skilled change management agent, helping business operators change in ways that will improve operations and decrease demand for legal services. As corporations become more global and the scope of a general counsel's responsibilities grow faster than the law department budget, radically new demands are being imposed on general counsel. Chapter 2 by Patrick Lamb of Elevate Next explores those demands in more depth, identifying emerging solutions, and discussing the growing role of law companies, the Big Four, tech companies and others in the delivery of legal solutions.

While the Big Four are becoming newly involved in legal services in the US, this trend has already been present in the UK market for a number of years. Chapter 3 looks at how the legal market is changing in direct response to the arrival of the Big Four into the legal sector, focusing specifically on EY Law, one of the forerunners of this trend. Matthew Kellett explains how EY is expanding its legal services offering, and why he believes there is room for everybody in the market.

In chapter 4, Rachel Khiara of Khiara Law considers the practical challenges for a multi-disciplinary practice from a regulatory perspective. The chapter explores the UK's Solicitors Regulatory Authority (SRA) jurisdiction, regulatory conflicts, and the complex position of lawyers and non-lawyers delivering client services jointly as part of a team. Her chapter considers the differences between providing legal and non-legal services within an MDP, and looks at the difficult issue of legal professional privilege to the extent that it is available under the UK's Legal Services Act 2007. Finally, the chapter provides some practical advice for the MDP's compliance officers, their scope of responsibilities, working alongside other regulators and some hidden traps for client monies. Legal businesses globally can expect to learn...

The legal profession is experiencing rapid and meaningful transformation in both the practice and business of law. Disruption is being driven by new business models, technology, data and analytics, globalization and the evolution of in-house groups. Litigation finance is enabling law firms and clients to leverage capital to overcome obstacles to gaining access to justice, reallocate expenses reserved for legal fees on their P&Ls to investments in their products and employees, and to drive expansion and growth. Law firms are also leveraging litigation finance to better differentiate themselves while in-house clients use it to position themselves as strategic assets rather than solely as service

groups. Chapter 5, by Scott Mozarsky of Vannin Capital, focuses on the challenges and opportunities that gave rise to litigation finance, as well as the impact it is having in making the legal market function in a more efficient and logical manner. It also focuses on key trends and how the litigation finance market will evolve moving forward.

Moving on to the theme of clients, in chapter 6, Tony Young of BDO explores the changing nature of client relationships. Utilizing the findings from original research carried out by the firm, he explains how clients increasingly want lawyers to be more like business partners – to bring ideas to the table that can help them in their businesses, and present more creative ways to add value. The managing partners consulted for the research referred to connectivity, integration, collaboration, new ways of delivery and closer relationships/partnerships. This all points to firms considering new client relationships where being an integral part of the team and not just a service provider will be key to future success and survival. For some there is great opportunity to prosper and this is already part of the strategy for growth. Other firms predicted a move towards “strategic partnerships” and a shift away from purely transactional engagements with clients. This means lawyers and other experts within the firm will provide more advice and support to their clients outside specific matters and often outside technical legal issues, dramatically changing the business model dynamic.

In chapter 7, Chris Howe of Raedbora Consulting discusses how the pressures for new business models mean alternative fee arrangements (AFAs) are finally coming of age. Fixed fees are now quite commonplace in some markets but more radical change has been limited. However, the relentless pressure for value, new entrants to the market, and the greater leverage clients hold – not just on price but on legal quality and process – mean that law firms are building different business models to meet these needs and as a result AFAs become not just necessary, but a logical component of the new landscape. As a result, the next ten years are likely to see more change for more firms than the last 60. The successful firms will ride this wave and come to dominate the market.

Chapter 8, by Robert Millard of Cambridge Strategy Group, steers the book towards technological trends. AI, Blockchain, big data, the IOT, advanced wireless networks and perhaps even quantum computing – acting together in dynamic, complex concert – seem poised to transform commerce, industry, and society itself. If that proves to be so, the legal profession will need to remodel itself on a scale unprecedented in a century if it is to adequately serve the needs of clients and society in the new world that results.

The rise of the law company as a business in legal services has potential to be a Blue Ocean category, separate and apart from lawyer centric and law firm partner models. This emerging category places emphasis on outputs rather than inputs – with less deference to lawyer “stars” as the main service delivery. With no legacy cultures of adoption resistance, those starting today can have continuous process improvement and investment in technology as strategic advantages along with multi-disciplinary approaches to client identified (business) challenges. The services may be merely tangentially, rather than wholly, tied to those providing legal advice. Companies such as Atrium, Elevate and previously Clearspire are all geared toward a new offering, backed by capital and corporate structures and “full stack supply chain” rather than legal exclusive solutions. Success is not measured by profit per partner and there is potential for greater and new forms of value creation.

Atrium is a full-service corporate law firm that uses modern technology to give startups a legal experience that is fast, transparent, and price-predictable. Founded by Twitch founder and Y Combinator partner, Justin Kan, along with Augie Rakow, a corporate partner at a major Silicon Valley law firm, the company came into being in order to solve Justin’s own problem as a founder: making legal faster and more transparent, with upfront pricing. In chapter 9, Jason Moyse, who describes himself as working at the intersection of the business of law, legal innovation and technology, interviews Justin Kan, discovering insights into the future direction of legal services from the customer’s point of view.

“Welcome to Aim. Where ideas take off.” So says the London Stock Exchange of the UK’s Alternative Investment Market (AIM). In chapter 10, Rachel Khiara of Khiara Law considers the future of the legal services market as firms start to dip their toe into the public domain and a new group of the “Public Circle” firms emerges alongside the Magic Circle and Silver Circle in the UK market. Should this be on the Partners’ agenda for every ambitious mid-tier firm? In this chapter she considers the reasons for, and implications of, becoming a plc, the process of listing, and working with the SRA to meet regulatory challenges. What does this mean globally?

In order to keep pace with the changing workforce demographic, law firms of the future will have to adapt their business models to suit the needs of multiple generations. Chapter 11, by Rachel Brushfield of EnergiseLegal, explores generational differences and their impact on the employer of the future, including motivations and career drivers. Topics explored include managing the ageing population and how to attract,

develop and retain millennials. Incorrect myths about the millennial generation are dispelled, implications on traditional workforce management practices are shared, and practical tips and self-reflective questions are provided to begin introducing change.

Finally, in chapter 12, Jae Um of Six parsecs reviews the changing landscape of the legal sector, pointing at trends to watch in the future.

About the authors

Rachel Brushfield is The Talent Liberator at EnergiseLegal, a career strategist, coach, marketing mentor and published author with over 30 years' experience. Helping women lawyers to “blow their own trumpet” is a specialism. Rachel's career heritage is in marketing and brand strategy and communications for communication agencies including J Walter Thompson, expertise she now uses to help women lawyers to liberate their talent and market themselves confidently and competently.

Services include individual career coaching, executive coaching, events, workshops, and content creation for The Law Society, AWS, LexisNexis and AWLL. Rachel is a published author in talent management, professional development, work–life balance, and gender balance. She is co-founder of PWHub – Inspiring Professional Women, a network exclusively for senior women employed in Oxfordshire companies – and was shortlisted in the entrepreneur category of the We are the city 2017 “Rising star” awards, one of only 200 women in the UK.

Chris Howe is a director of Raedbora Consulting and advises clients in legal on pricing, practice management, including restructuring and day to day performance improvement, and the operational aspects of mergers. He also advises buyers of legal services on legal procurement reviews. His clients include top 20 international law firms as well as FTSE 100 businesses. Chris was for 10 years divisional director and commercial director of a UK top 20 Law firm where he was head of pricing and conducted innovative research into pricing with Cranfield School of Management. He also has 10 years' consulting experience with PwC, Ernst & Young, and Deloitte. Chris is an international speaker and author on pricing and professional services. He holds an MA from University of Cambridge and is a chartered accountant.

Matthew Kellett is Head of Law in EY's UK Financial Services Organization. He joined in 2014 to establish the practice, and now leads teams focused on Legal transformation (supporting in-house legal

departments in setting strategy, managing legal risk, and transforming the function to meet the changing needs of the business), legal managed services, and Financial Services regulation. Prior to joining EY, Matthew was a partner at Linklaters, before going into banking. He returned to the legal profession in 2010 as head of finance at BLP. He is a frequent speaker on the changing face of the legal profession and the rise of LawTech.

Rachel Khiara is recognized as a leading lawyer advising law firms and new entrants into the legal services sector on all aspects of governance, management, regulation, structural and financial reform. Khiara Law provides assistance on ground-breaking deals in the legal services sector and is one of the most experienced advisors available to ABS applicants. The firm's excellence in Partnership and LLP law is recognised in both *Legal 500 UK Directory* and *Chambers & Partners Directory*.

Patrick Lamb is founding partner of ElevateNext Law, LLP, and vice president of Elevate Services, Inc. Pat and his long-time partner Nicole Auerbach founded ElevateNext Law in 2018 to provide legal services in alignment with Elevate Services, a global law company. The unique arrangement armed ElevateNext with global capabilities and a wide array of additional tools to utilize in crafting solutions for its customers. ElevateNext allows Elevate to offer its customers services that include practice of law areas it previously had to defer to other law firms. Pat has been a long-time innovator in the delivery of legal services. Having launched Valorem Law Group in January 2008, Pat became the leading voice for alternative fee structures in all types of legal matters, including complex business litigation. Valorem has been recognized by clients and others as one of the leading AFA firms in the country. Pat pioneered the essential relationship between alternative fees and client service, and has long argued that alternative fees are but one of several essential tools that should be deployed to serve clients. Pat has been recognized four times as a BTI Consulting Client Service All-Star MVP, and Valorem has been named six times a member of the BTI Client Service A-Team.

Pat remains an active practicing lawyer but now is devoting considerable attention to designing solutions for customer issues that help avoid litigation and disputes. He has tried numerous cases around the country and draws on his long experience as a litigator and trial lawyer to design effective solutions. He is in great demand as a speaker, at both public and private events. He is a prolific writer, including his periodic column for the ABA Journal's award-winning New Normal section and his blog,

In Search of Perfect Client Service, www.patrickjlamb.com. His latest book, *Alternative Fee Arrangements for Litigators and their Clients*, was published by the ABA in 2014. He can be found on Twitter at @ElevateLamb.

Robert Millard is director of Cambridge Strategy Group (CSG,) a virtual management consultancy in the UK that utilizes a sophisticated digital collaboration platform to leverage a network of leading specialists in a variety of areas of business strategy and management. The firm is focused primarily on professional services and other deep knowledge enterprises. Rob is immediate past co-chair of the IBA's Law Firm Management Committee and currently serves on the steering committee of the IBA's "President's task force on the future of legal services". He is based in Cambridge, UK, but his clients span the globe.

Jason Moyse has served on global teams implementing major customer experience initiatives as a connector/door/spark and key trusted advisor to the c-suite, senior leadership and governance teams for legal and business matters. His broad background includes private legal practice in high volume commercial litigation as well as serving as in-house counsel in legal and business roles. A member of various boards centered on legal innovation including MDR Labs, he is also the principal of Law Made – an agency supporting the makers of legal innovation. Previously, he co-created and executed on the vision of LegalX through the MaRS Discovery District. Jason also serves as manager of legal business solutions on behalf of Elevate Services – a next generation legal service provider helping law firms and corporate legal departments improve efficiency, quality, and outcomes through consulting, managed services, technology, and talent.

Scott Mozarsky is Vannin Capital's managing director – North America, with overall responsibility for Vannin's North American business. Prior to joining Vannin, Scott was president of Bloomberg Law, leading Bloomberg's business across the legal market. Scott was also responsible for building and leading the Bloomberg Next organization across Bloomberg's industry verticals, which included Bloomberg BNA, Bloomberg Government and Bloomberg New Energy Finance. Prior to joining Bloomberg, Scott held a number of executive business and legal roles during a 13-year tenure in the United Business Media plc Group. As president – media and marketing services for UBM Tech, he was responsible for building UBM Tech's marketing services business and driving the evolution of leading websites such as Information Week.

com and EE Times. As EVP chief commercial officer of its subsidiary, PR Newswire, Scott oversaw PRN's commercial activities worldwide, which involved spearheading the company's efforts to meet the communications, marketing, investor relations and compliance needs of its customers. From 2002-09, Scott served as general counsel and headed up global corporate development and M&A for United Business Media Limited's US-based subsidiaries. In that role, his organization played a lead role in transforming UBM from a North American-centric print media group to a global provider of integrated digital and live event solutions. Scott also spent eight years at two multinational law firms representing media, technology, telecommunications, insurance and manufacturing companies. Scott, who speaks Japanese and lived in Japan, has advised numerous companies on business, financial and legal issues arising out of cross-border transactions.

Michael Roster was formerly managing partner of Morrison & Foerster's Los Angeles office, co-chair of the firm's Financial Services Practice Group worldwide, and a member of the firm's policy committee. In 1993, Mike was appointed general counsel of Stanford University, Stanford Medical Center, and Stanford Management Company. He was subsequently executive vice president and general counsel of Golden West Financial Corporation. Mike has also served as chair of the Association of Corporate Counsel, as outside director and vice chair of Silicon Valley Bank, chair of the Stanford Alumni Association, steering committee co-chair of ACC's Value Challenge, and chair of two start-up companies. He currently teaches Contract Drafting and Analysis at the University of Southern California Gould School of Law and is a director of MDRC in New York, a nonprofit organization that evaluates the effectiveness of government and other programs affecting lower- and moderate-income families and individuals.

Jae Um is an insights analyst and business designer for fast-changing legal markets, with more than ten years of legal industry experience. Jae leverages diverse skills across design-driven research, visual analytics, strategy development, and creative storytelling to generate insights that busy, important people actually want to read and are able to use. She is a contributing author to *Legal Evolution*, *American Lawyer*, and other publications covering the legal industry. Prior to Six Parsecs, Jae served in a progression of high-impact roles in client service innovation and strategic growth at Seyfarth Shaw.

As a partner in BDO Brisbane's Business Services division, **Tony Young** provides taxation and commercial advice to a diverse selection of clients, including professionals, property developers, manufacturers and retailers. Tony works with clients from a wide range of backgrounds, particularly family owned and operated businesses and professional service firms looking to grow their operations.

As lead partner of the firm's estate planning service offering, Tony works proactively with his clients to protect their assets and eliminate confusion surrounding their financial affairs. He works in conjunction with his clients, their solicitor and financial planner to deliver a comprehensive estate plan that meets their unique needs. Major achievements to date include planning and implementing the succession strategy for a substantial family owned enterprise, which involved solving significant tax and stamp duty problems and working within the family dynamics to ensure a cohesive management group. Tony has also been involved in significant restructures of professional service firms including incorporations, mergers and acquisitions

