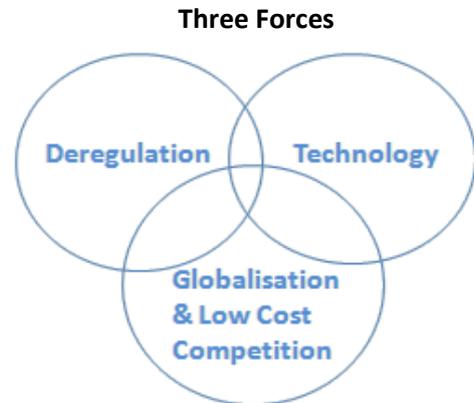


The Three Forces and Profitable Partnerships

Every lawyer knows that, come October 6th 2011, the legal market will be subject to deregulation and the introduction of ABS. Many even recognise that this is likely to impact on their business.

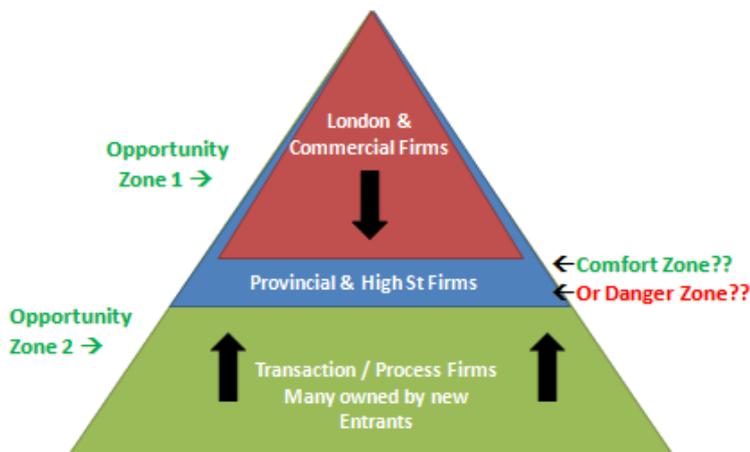
However, 80% of partners in law firms are unaware of, or unconcerned by, the likely effects of the **three forces** that will transform the legal profession and its marketplace. **Deregulation**, which will leave just 20% of activities as 'reserved' for legally qualified professionals, is being accompanied by advances in **technology**, and these trends are underpinned by the role of **globalisation and low cost competition**. These three forces are beginning to apply a 'gastric band' to the profession.



The Gastric Band

Deregulation, and with it the entry and expansion of new competitive forces into the market from October, has been subject to a great deal of comment. While some may see the threat as exaggerated, the overwhelming likelihood is that the market for transactional legal services will change profoundly in the coming years.

However, the other forces driving change have been less widely discussed. **Globalisation** and the role, in particular, of the growing number of highly competent law graduates trained in Eastern countries, have meant that the market is now truly global. Legal services can be performed remotely by UK qualified legal professionals at a fraction of the cost of employing full time lawyers in the UK.



The 'Gastric Band' Effect – Squeezing the Middle Market

This trend is only being accentuated by shifts in **technology**. Outsourcing and offshoring are complemented by computerisation and systemisation of processes, and this will become increasingly important as fewer services are subject to regulation.

Just as deregulation and technology will lead to new entrants squeezing margins from the bottom, the pressures of technology and globalisation will allow the larger corporate firms to extend their reach further down the market. The effect will be a market that, although perhaps growing in absolute terms, will be heavily misbalanced. Those most likely to feel the full effects of this are the firms and lawyers currently operating in the middle, such as provincial and high street firms and sole practitioners, who will see their client base steadily eroded from both upstream and downstream. With the other difficulties, such as professional indemnity renewals and Legal Aid reform, supply and demand will become increasingly out of kilter and the situation become unsustainable.

The Partnership Conundrum

Since the partners in most law firms are also the decisions-makers, the unwillingness of many to contemplate the need for change could seriously undermine their own future prospects. Without recognising that a problem exists, the imperative for change is lacking. What most partners do not perceive is the existential threat to their business posed by these forces.

However, the magnitude of the threats and the opportunities should not be underestimated. These forces will make survival extremely difficult for many mid-market firms and lawyers, but those that do succeed in carving out and sustaining a niche as client-centred, with excellent service standards and relationship skills, will be well placed to profit.

The Future of Lawyers

The majority of lawyers in the UK are employed in small and medium-sized firms. This is precisely where the squeeze will be felt, and this will affect individual lawyers as much as it will impact upon firms themselves. The upheavals in the market will signal the end for many law firms over the next few years, but just as concerning is that as many as half of all lawyers may find themselves out of work. A necessary condition for success in this new world will be the ability to manage relationships and to consistently bring in profitable, sustainable work.

Sustaining Profitable Partnerships

The Profitable Partnerships Programme is aimed specifically at helping law firms and ambitious lawyers to meet the challenges of the new model. The programme is about taking a new approach to the new legal market; creating a sustainable marketing strategy; helping partners to focus on their key business development challenges; and, ultimately, building a sustainable pipeline of work based on relationships, value and need.

Law firms must make the move to a model that prioritises client acquisition and retention, with an acknowledgement that the legal and business processes should increasingly be performed in low-cost centres, even in offshore locations. This must, however, be used as a way of delivering an efficient service at an affordable price. When used in the right way, technology can enhance service delivery. When done wrong, it can give the opposite of the desired impression and harm a firm's brand.

Bottom Line Focus

The bottom line for firms and lawyers alike is that things must change. Our focus is on developing the skills needed for success, including:

- Managing relationships and developing alliances
- Uncovering and demonstrating value
- Developing pricing strategies and overcoming objections
- Differentiation and exploiting niche practices
- Securing a sustainable pipeline of profitable work!



To find out more about the Profitable Partnerships Programme, click [here](#) or email simon.white@wilkinsonread.co.uk.

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