

## The Luxury of Uncertainty

Inaction in the face of Brexit

With so little known about the impact of Brexit, it's understandable that independent law firms are hesitant about moving forwards. But is the absence of contingency plans the best way to protect themselves and their future?

From the rise of consumerism to the new SRA code of conduct, the legal industry is experiencing a period of profound change. But the already tumultuous marketplace will soon have to accommodate the fallout of Brexit, as the deadline for the United Kingdom's exit from the European Union is fast approaching. While almost half of the solicitors surveyed believe that Brexit represents a direct and significant risk to their business going forward, fewer than 1 in 10 have actually made any preparatory changes with that in mind.

**Should independent law firms be more proactive in their attitudes, considering the political and economic uncertainties in our future? Or will an attitude of patience and fortitude steer them through the change that's headed our way?**

# Introduction

**The LexisNexis Bellwether reports explore and investigate the issues facing the legal market, conducting groundbreaking market research in order to offer insights and guidance, and contribute to the discourse on the future of independent law firms.**

The 2018 Bellwether Reports took the temperature of an industry on the brink of major change, but with firms themselves unwilling to move away from the status quo in order to make the necessary changes to innovate and outpace the competition.

These reports showcased that even in the face of fears for the future – with the majority of solicitors surveyed expressing concerns that there were rough times ahead – independent law firms would rather maintain a ‘business as usual’ approach. In this report, we’ve investigated whether such an attitude persists, even in the face of not just an industry-changing event, but one that has ramifications on a national and international scale. From what we’ve seen, not much has changed. But with the details of Brexit still unknown, even weeks out from the deadline, is reticence with regards to preparing for Brexit actually a prudent approach? Or should firms be more engaged with the potential impact that the UK’s departure from the European Union will have on the market, and their businesses?

For more Bellwether Reports, go to:  
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# 1. What does the future look like for law firms?

Despite the presence of Brexit, firms are feeling confident about their future and positive about their current business performance.

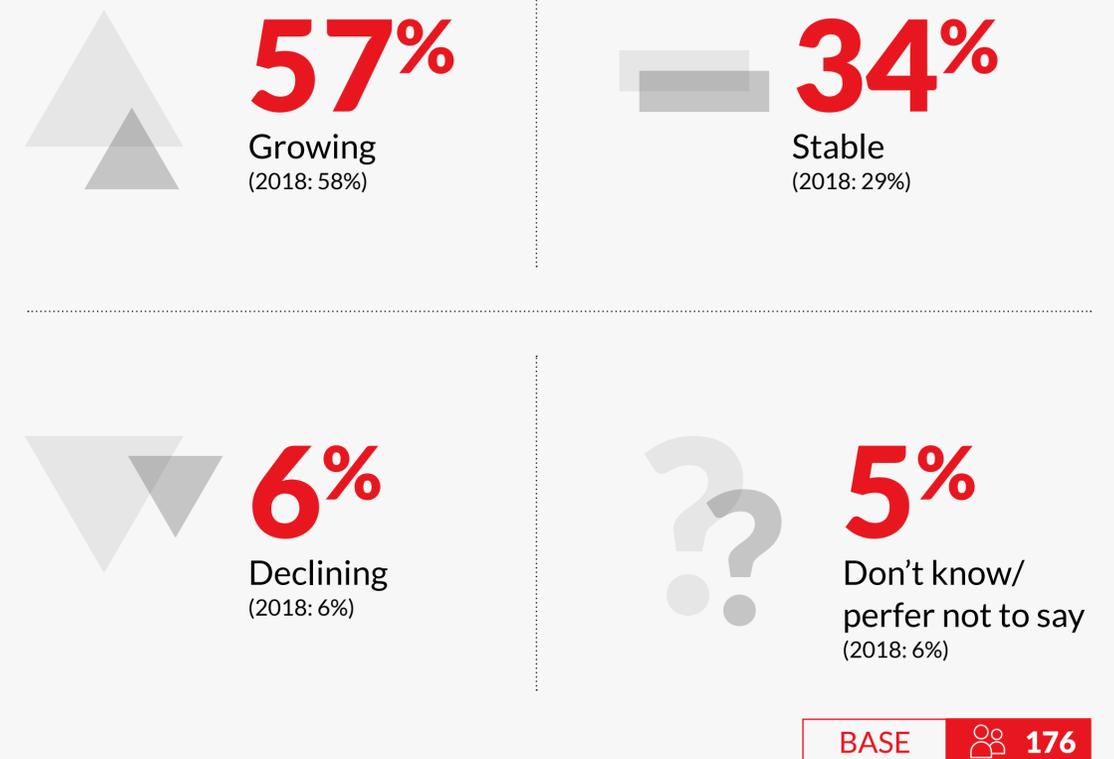
# 1. What does the future look like for firms?



Solicitors feel that their businesses are currently healthy, with 91% asserting that they are either stable or growing compared with a few years ago. In fact, performance has remained consistently healthy for the majority since 2013, which would explain the robust confidence in the future of their firms.

*“I suspect sometimes that Brexit has been used as an excuse for getting cold feet generally.”*

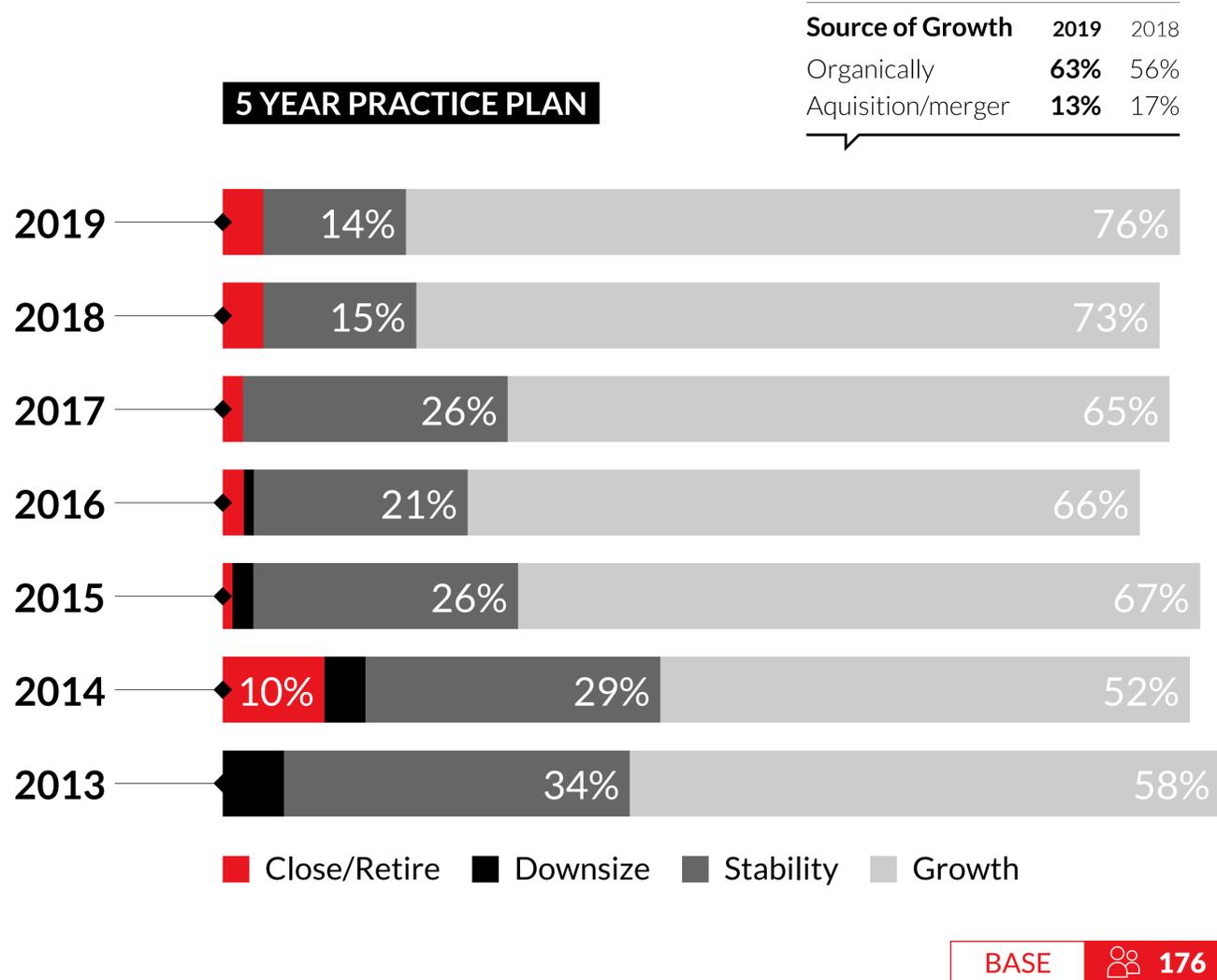
## CURRENT PERFORMANCE VS 3-4 YEARS AGO



**What are your thoughts on Brexit?**

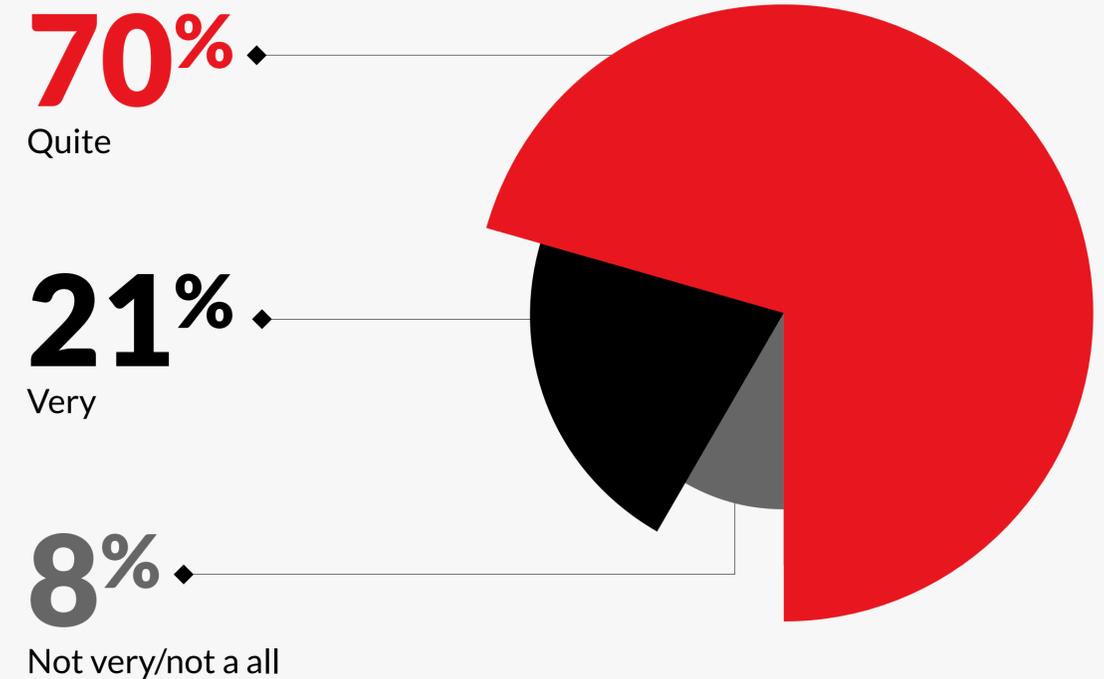
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## 1. What does the future look like for firms?



Despite Brexit coming over the horizon and the economic and political uncertainties it heralds, over three-quarters solicitors surveyed believe their firms will grow in the next five years. What's more, the majority believe that the projected growth will be organic, without the boost of an acquisition or merger. This is the most optimistic solicitors have felt in years.

## CONFIDENCE LEVEL FOR THE FUTURE



It's therefore unsurprising to find that the overwhelming majority, some 91% of those surveyed, are confident about the future looking forwards. But with Brexit seemingly imminent, does this mean that they're prepared for the upheaval or not worried? Or is their confidence, based on past positive performance, clouding their judgement about the potential impact this event could have?

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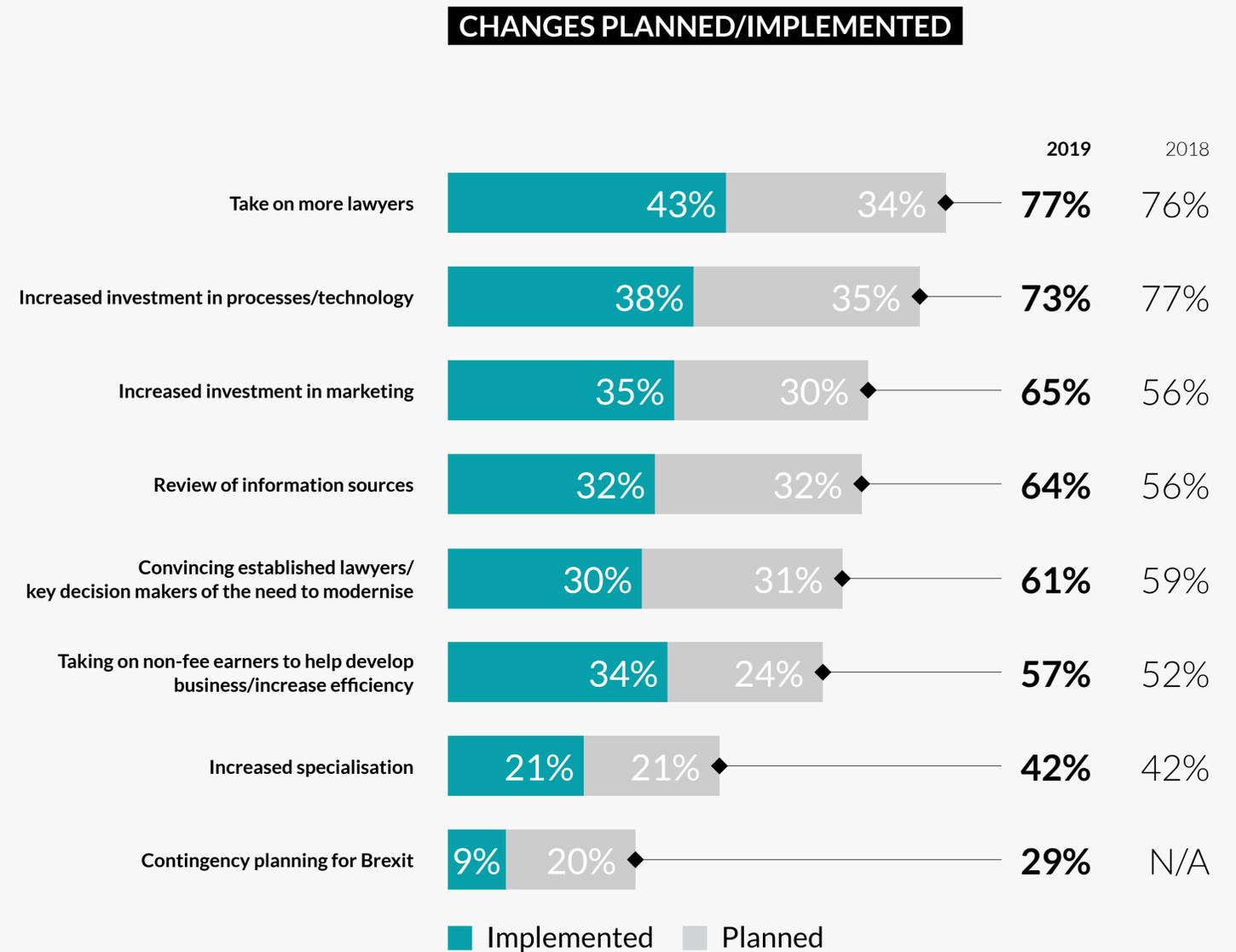
## 2. Are independent law firms making changes to prepare themselves?

While law firms are proactively looking at their working processes, the majority aren't making changes with Brexit in mind.



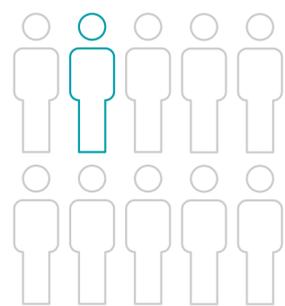
## 2. Are independent law firms making changes to prepare themselves?

In line with the continued robust performance and confidence that's been displayed in recent years, independent law firms have been proactive about making changes. They are not standing still. Our research has revealed that changes are taking place across all areas of the business, from hiring more lawyers and increasing investment in technology and marketing, to the 61% of those surveyed who are either pursuing or planning to pursue modernisation by convincing key decision makers at their firms.



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## 2. Are independent law firms making changes to prepare themselves?



Less than  
**1 in 10**  
have done anything  
about Brexit so far

*“In the coming weeks and months, we might see a slow down on international transactions, which would severely impact on our turnover, as well as the turnover and profit of a lot of other law firms.”*

However, fewer than 1 in 10 solicitors have made any contingency plans for Brexit thus far, while a further 2 in 10 are planning to in the next year or so. One respondent suggested: “In the coming weeks and months, we might see a slow down on international transactions, which would severely impact on our turnover, as well as the turnover and profit of a lot of other law firms.”

**But with firms anticipating losing profits, why are so few of them putting any preparations in place? Why are they choosing to remain unprepared and unprotected in light of the upcoming upheaval that Brexit will cause?**

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### **3. UK vs. the world: the impact of geography on reactivity**

The overwhelming majority of work handled by the solicitors we spoke with originates in the UK, which may explain why there is a lack of action and concern with regards to Brexit.

### 3. UK vs. the world: the impact of geography on reactivity



*“We don’t know what’s going on, we’ll just have to deal with it when it happens. It is a big wait and see.”*

There is a pervasive sense in the independent legal sector that it’s impossible to predict or prepare for the UK’s future outside the EU because so little is known, which is understandable. Even a few weeks out, there is no consensus on what that future will look like. As one respondent asserts: “We don’t know what’s going on, we’ll just have to deal with it when it happens. It is a big wait and see.” For most law firms, a patient ‘business as usual’ approach, while potentially risky, seems like the most practical option at the moment.



**What are your thoughts on Brexit?**

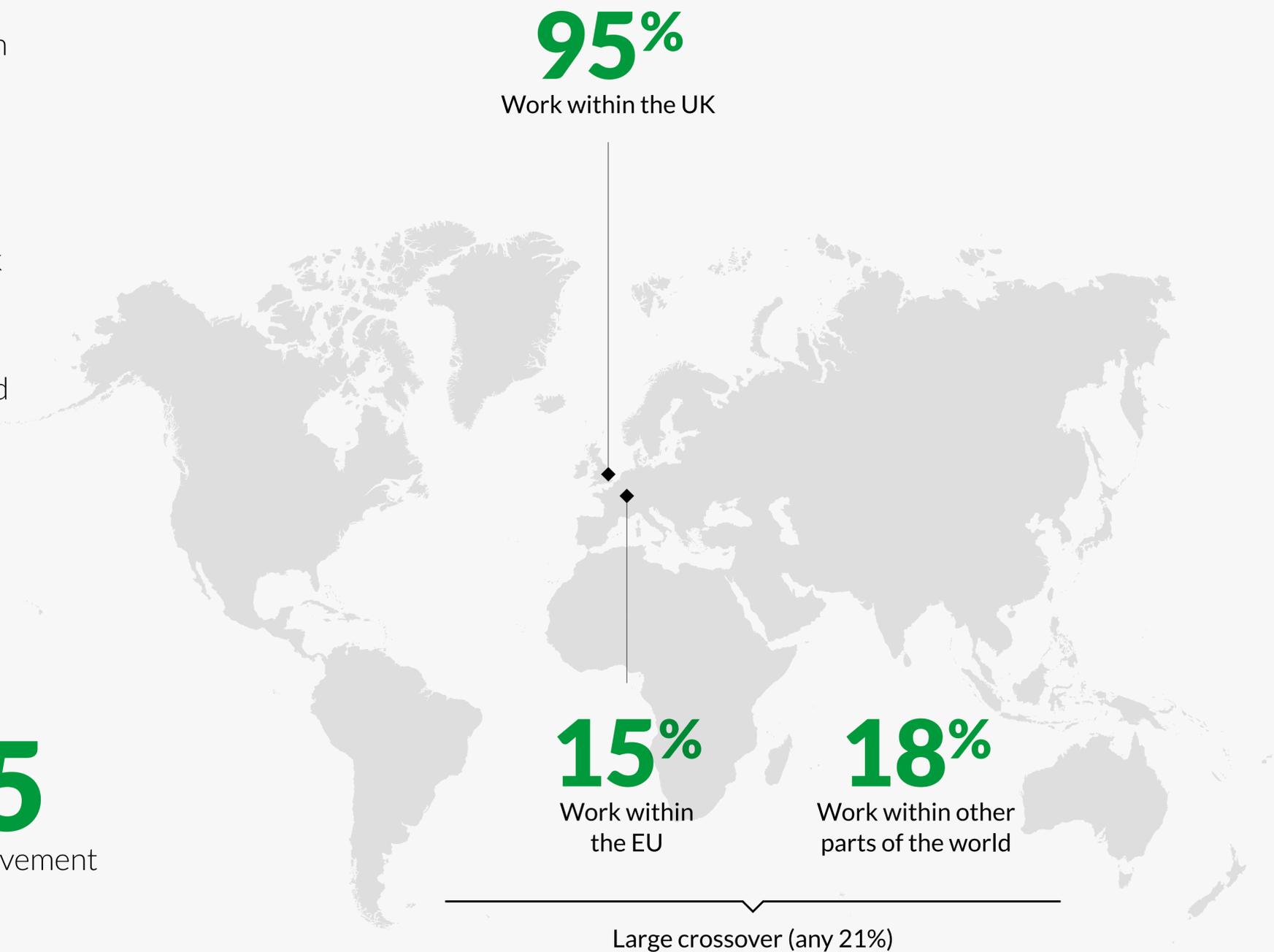
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### 3. UK vs. the world: the impact of geography on reactivity

This attitude comes sharply into focus when you consider that 95% of those surveyed assert that a significant proportion of their work originates within the UK. Only 1 in 5, in contrast, have any legal involvement outside the UK. While the lack of concrete information about Brexit is surely a contributing factor, the fact that the majority of these firms' work is UK-centric undoubtedly adds to their lack of concern. The majority of players feel themselves to be protected, insulated by the geographic location of their work, rather than by taking active steps to protect themselves.



#### GEOGRAPHIC SPREAD OF WORK



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## 4. Are solicitors giving Brexit due consideration?

While almost half of solicitors consider Brexit to be a threat, fewer than 1 in 10 are actually taking any action.

## 4. Are solicitors giving Brexit due consideration?



*“It’s the Groundhog Day aspect of Brexit that’s hugely frustrating. We’re getting close one day, and then we’re miles apart again.”*

Despite that feeling of protected insulation, 47% of the solicitors we spoke with this year are worried about the political and economic instability of Brexit. Though not a majority, this is still a significant proportion, which is perplexing given that fewer than 1 in 10 solicitors are taking Brexit-related action.

The lack of engagement may have something to do with a sense of frustration. As one respondent put it: “It’s the Groundhog Day aspect of Brexit that’s hugely frustrating. We’re getting close one day, and then we’re miles apart again.”

 **What are your thoughts on Brexit?**

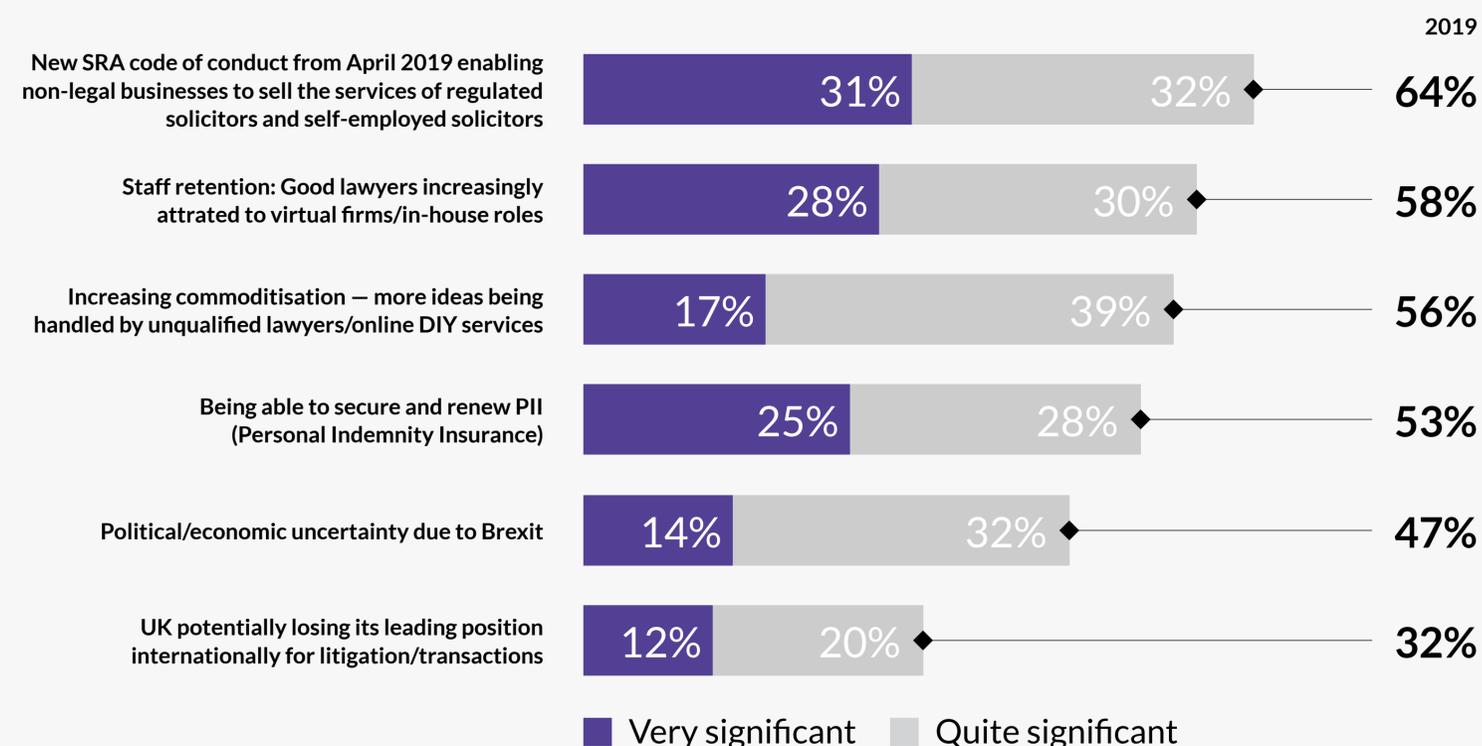
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## 4. Are solicitors giving Brexit due consideration?

Independent law firms currently have other concerns on their minds. From our research, it is clear that the industry is not complacent – the players are aware and awake to the challenges they face. Almost two-thirds are concerned about the new SRA code of conduct which comes into force this year, while 8 out of 10 solicitors are worried at the prospect of attracting new business, retaining clients, and keeping up to date with industry changes. The increase in commoditisation in the market, with more areas being handled by unqualified lawyers and DIY outfits, and the challenge of securing and renewing personal indemnity insurance worry around half of solicitors surveyed.

It would appear that the industry isn't simply ignoring the challenges presented by Brexit. Instead, it seems that the mental bandwidth of those involved is overwhelmed by the industry-specific challenges – ones they have been struggling to deal with for years already and are still significant today.

### CHALLENGES FACED



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## Conclusion

**The legal market's collective attention is directed inwards, towards the challenges that have a concrete shape and a persistent presence in solicitors' lives. The impending juggernaut of Brexit, in contrast, is a new and indistinct concern, without enough specific details on which to hook their worries. They have enough to deal with in the current marketplace.**

Change is happening, but it's focussed on challenges with which independent law firms battle year-on-year. They are intimately familiar with them. Fewer than 1 in 10, on the other hand, have made any Brexit contingency plans.

Nevertheless, 72% of solicitors think that their firm actively embraces change, and over a quarter think that Brexit will be an opportunity for their firms, rather than a challenge, when it finally takes place. However, even if opportunities present themselves, how well placed will firms be to seize on them, if no preparations are made?

In general, though, the hope is that with time and with progress, when the scope of Brexit is understood, the industry will rally and adapt to the changed landscape. However, the concern – which is most likely starting to creep in at the edges of the market now, with almost half of solicitors expressing worry – is that, when that moment finally arrives, it will be too late. The strategy of waiting

and holding their nerve to see what happens could see them through the transition period, but it could actually hurt them in the long run. Would more focus now enable them to prepare and protect themselves, whatever eventuality comes to pass?

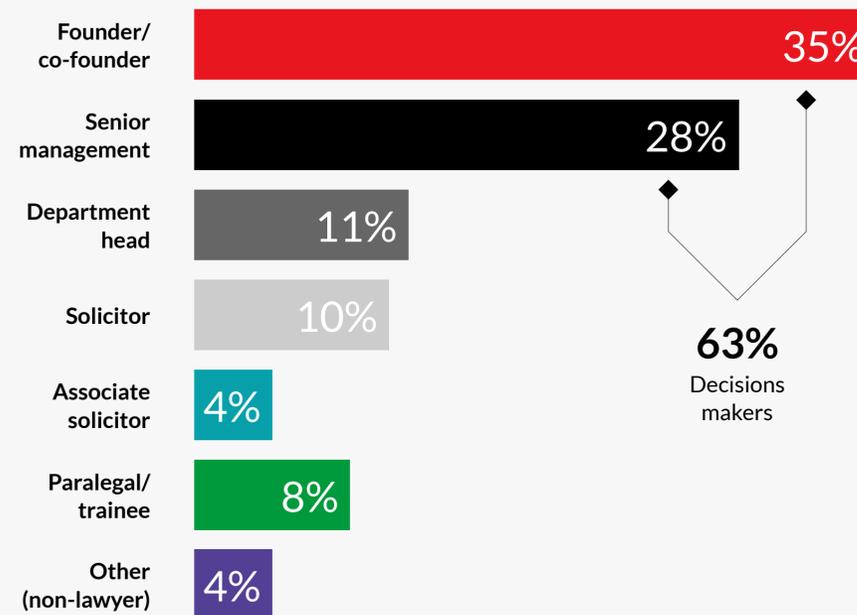
It remains to be seen. But for now, 91% of solicitors are confident in the future. Perhaps the 78% of those surveyed who believe that rough times are ahead are confident in their ability to react and adapt? Patience is a virtue, after all. But for the fewer than 1 in 10 solicitors who are taking steps to prepare themselves for the impending nation-altering event; it's better safe than sorry. Why take risks when your future is at stake?

# Appendix

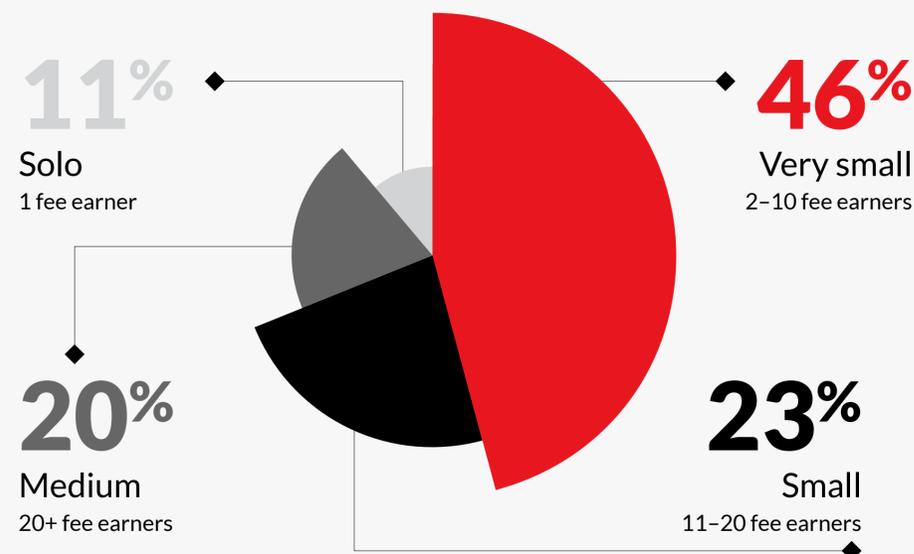
This report was compiled using data from eight in-depth interviews with lawyers in small firms and small offices of larger firms, as well as online surveys completed by 176 solicitors in England and Wales.

Respondents were from a wide geographical area and represented a broad sample of lawyers in a variety of positions in the firm and areas of expertise. The research fieldwork was conducted by an independent market research agency, Linda Jones & Associates, throughout November and December 2018.

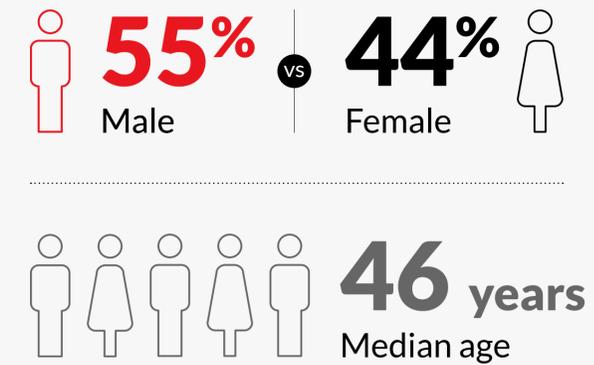
## POSITION



## PRACTICE SIZE



## LAWYER DEMOGRAPHIC



## About the author



### Jon Whittle

Market Development Director  
LexisNexis

✉ [businessoflaw@lexisnexis.co.uk](mailto:businessoflaw@lexisnexis.co.uk)

☎ 0207 421 6962

🐦 @BusinessofLawB

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**Jon Whittle is Market Development Director at LexisNexis, responsible for the company's offering for the independent legal sector – independent, small law firms and sole practitioners.**

With 19 years of experience in research, insight and business strategy, throughout his career Jon's been passionate 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 annual LexisNexis Bellwether report into the changing landscape for independent legal practitioners and supporting the business of law firms.

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