

Brave New World

The legal landscape is evolving: uncovering the expectations, opportunities and emerging entrepreneurial spirit of independent lawyers and sole practitioners on the front line.

Bellwether Report 2014



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For independent legal professionals, smaller law firms and sole practitioners, LexisNexis covers over 25 specialist areas of law, with online products, priced and tailored to suit your business needs. To find out more, visit www.lexisnexis.co.uk or call **0845 520 1144** quoting 19555

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www.lexisnexis.co.uk/business-of-law

Introduction

It's a brave new world for independent lawyers and sole practitioners.

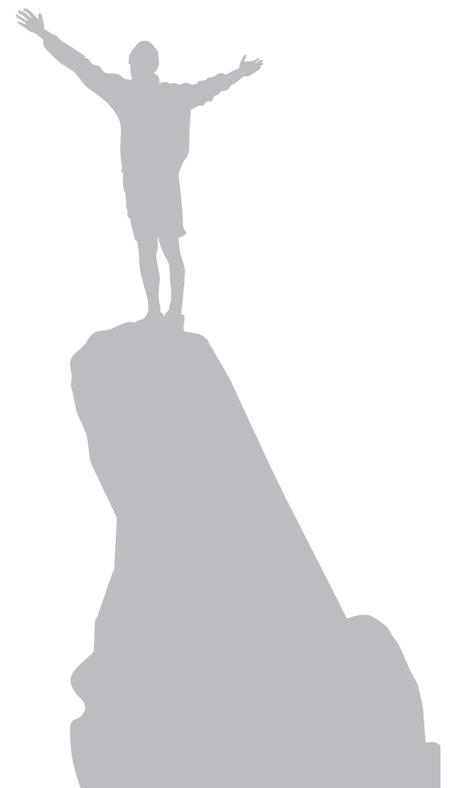
The face of independent law is evolving. Navigating powerful competition and regulatory upheaval with agility, four out of five firms now consider themselves stable or growing. Practitioners are emerging business-savvy, resilient and fiercely independent, with more confidence in the future of their practice than ever before.

Rising above the pack, a new breed of entrepreneurial lawyers are embracing the emerging opportunities – and achieving impressive results.

This report is the latest in a series commissioned by LexisNexis into the changing legal landscape. It focuses on independent lawyers, smaller law firms and sole practitioners, and the extent to which they are rising to meet the industry, economic and business challenges outlined in last year's paper – *Survive or Thrive*.

From 170 interviews, this report builds on our annual research into the current concerns and aspirations of independent lawyers. One year on from the major shake-up caused by the new compliance regulation and Jackson reforms, we outline how the process of thriving has begun in earnest, and identify new working practices, increased optimism and the emergence of a new breed of entrepreneurial lawyers.

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Executive summary

How are independent lawyers and sole practitioners faring in the evolving legal business environment? These are the results of 170 interviews.

Increasing confidence

1 in 4 independent legal practitioners are feeling very confident about the future of their practice, almost twice as many as 2013. Firms are more certain about economic stability, and are taking proactive steps to future-proof their business.

Performance and goals

Business is booming, at a similar rate to last year - 82% of firms describe themselves as either in growth (42%) or stable (40%).

Growth is higher (55%) amongst an emerging breed of dynamic entrepreneurial lawyers with top tier pedigree.

Smart use of technology, marketing and networking - the holy trinity - respondents are resolved to focus on building their business.

Appetite for change

Despite 60% having a big city / mid-tier background, only 7% of our respondents would dream of swapping their independence for a larger firm. $\frac{3}{4}$ of sole practitioners have selected this career as an active lifestyle decision.

Independent firms recognise they can never stand still: over $\frac{2}{3}$ feel that their firm's culture is one of "actively embracing change".

There's life beyond the law: (68%) enjoy managing the business side of their role - almost as many as those who say they get a real buzz out of practicing the law (66%).

Key challenges

Independent lawyers have a lot on their plate. Compliance remains their top concern, a significant challenge for 78% of respondents. Tailing closely behind is the attracting of new business (75%) and keeping up to date with industry changes / processes and systems (71%).

One particularly worrying trend is the lack of exit strategies in place: even amongst the ages 50-60, only 1 in 4 have plans in place.

It's become ever more difficult and expensive to obtain Professional Indemnity Insurance. 1 in 3 have experienced an increase this year, by a whopping average of 20% – hitting already tight margins hard.

Rise of the entrepreneur

There's an emerging group of dynamic entrepreneurial lawyers – networked, innovative, often niche specialists - they've set up their business to compete directly with major industry players.

Implementing change

Independent lawyers have implemented two major changes to their firm in the last year. Investing in growth, the top three changes made are processes and technology, web development and increased networking.

Many firms are exploring alternative ways of doing business. 1 in 3 firms might consider a future merger, over half are registered as a limited liability company, but the jury's still very much out on 'virtual firms' or achieving Alternative Business Structure (ABS) status.

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Increasing confidence

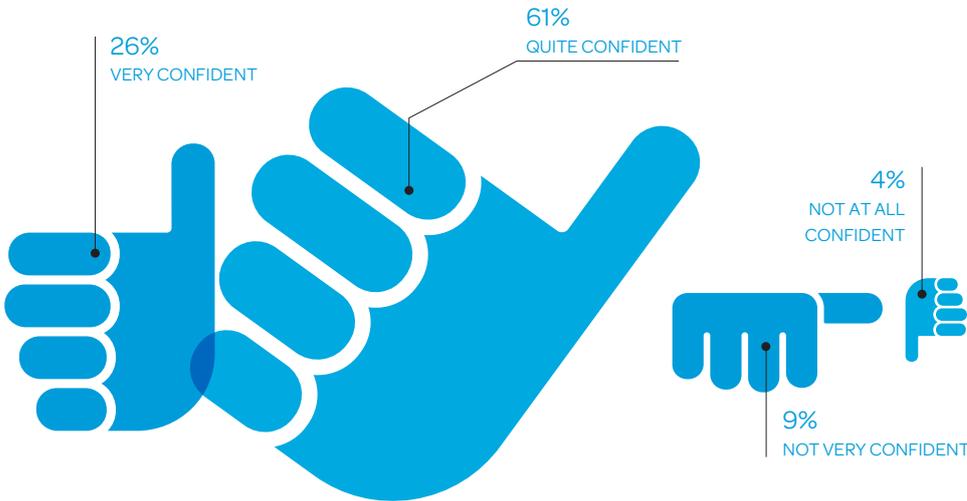
“There will only be two types of law firm left, massive ones and tiny niche ones like ourselves. I don't mind working hard for this, as long as the rewards are still there.”

Increasing confidence

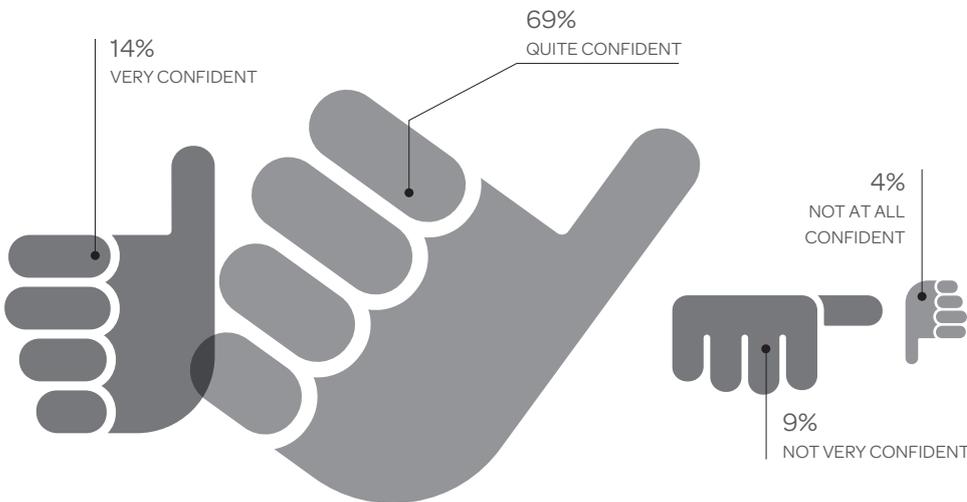
How are lawyers feeling about the future of their business?

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Poised for success

The last few years have undoubtedly been tough for independent lawyers, smaller law firms and sole practitioners, so it's encouraging that our respondents are seeing the glimmer of light at the end of the tunnel.

Overall, there is a significant improvement in confidence levels. 1 in 4 now describe themselves as very confident about the future of their practice, almost twice as many as in 2013, with only 13% viewing the future in a more cautious light.

This renewed confidence is partly attributable to economic factors, with just under 2/3 believing that the country is coming out of recession. As a result, economic uncertainty has dropped from 5th to 8th place in the hierarchy of significant concerns, and worries about "less work available due to the economy" have also fallen back a few places.

Focus on the future

Increased optimism is also allied, we believe, to the many firms' efforts to future-proof their businesses. Although there are plenty of challenges yet to be faced, many of those we spoke to feel they're taking proactive steps to secure their future. "Let's do it now and be masters of our own fate" was the way one lawyer described their approach.

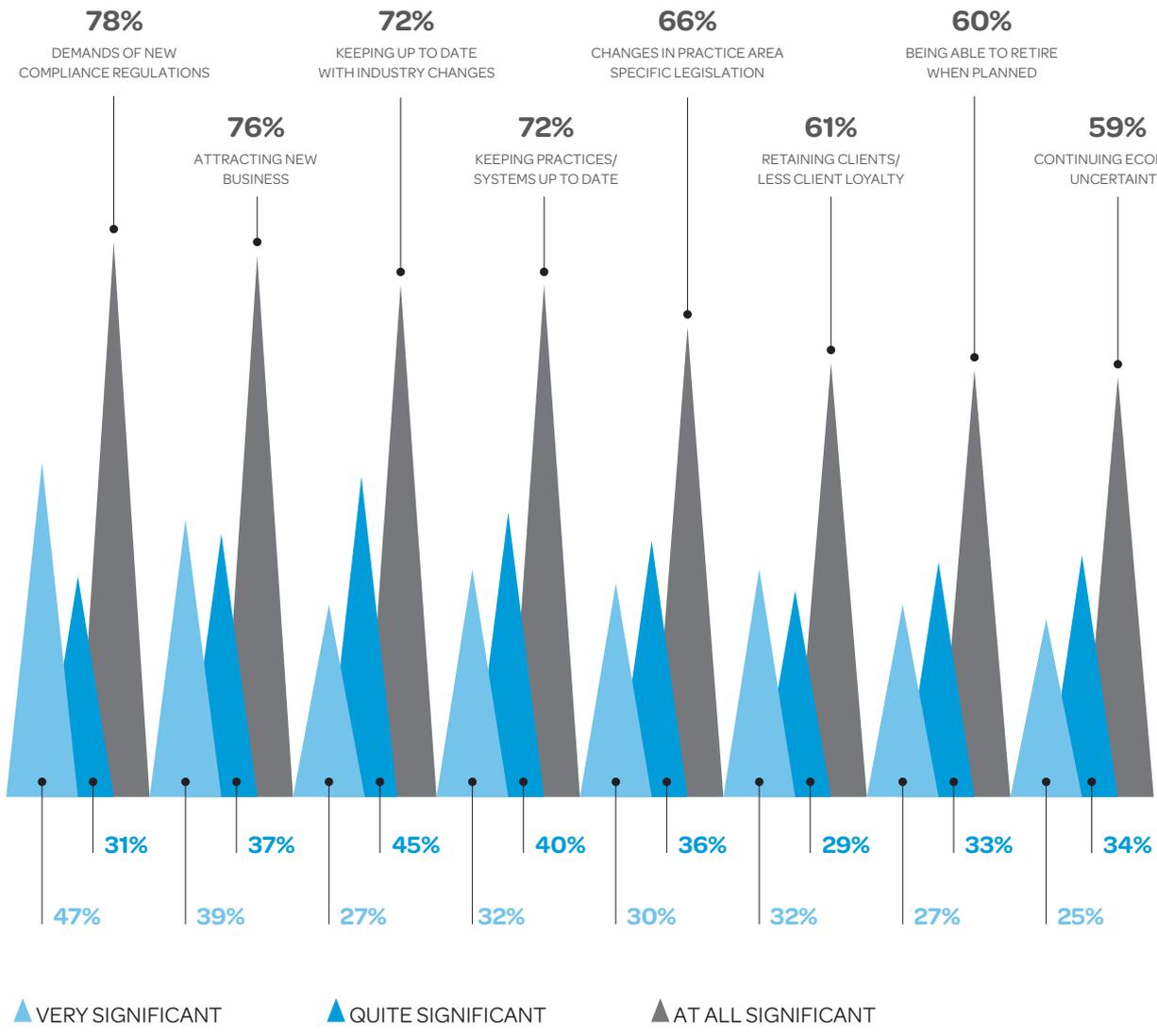
This positive stance, coupled with business innovation and the agility offered by their size suggests that independent firms have a vital role to play in the future of the profession. As one lawyer predicted: "There will only be two types of law firm left, massive ones and tiny niche ones like ourselves. I don't mind working hard for this, as long as the rewards are still there."



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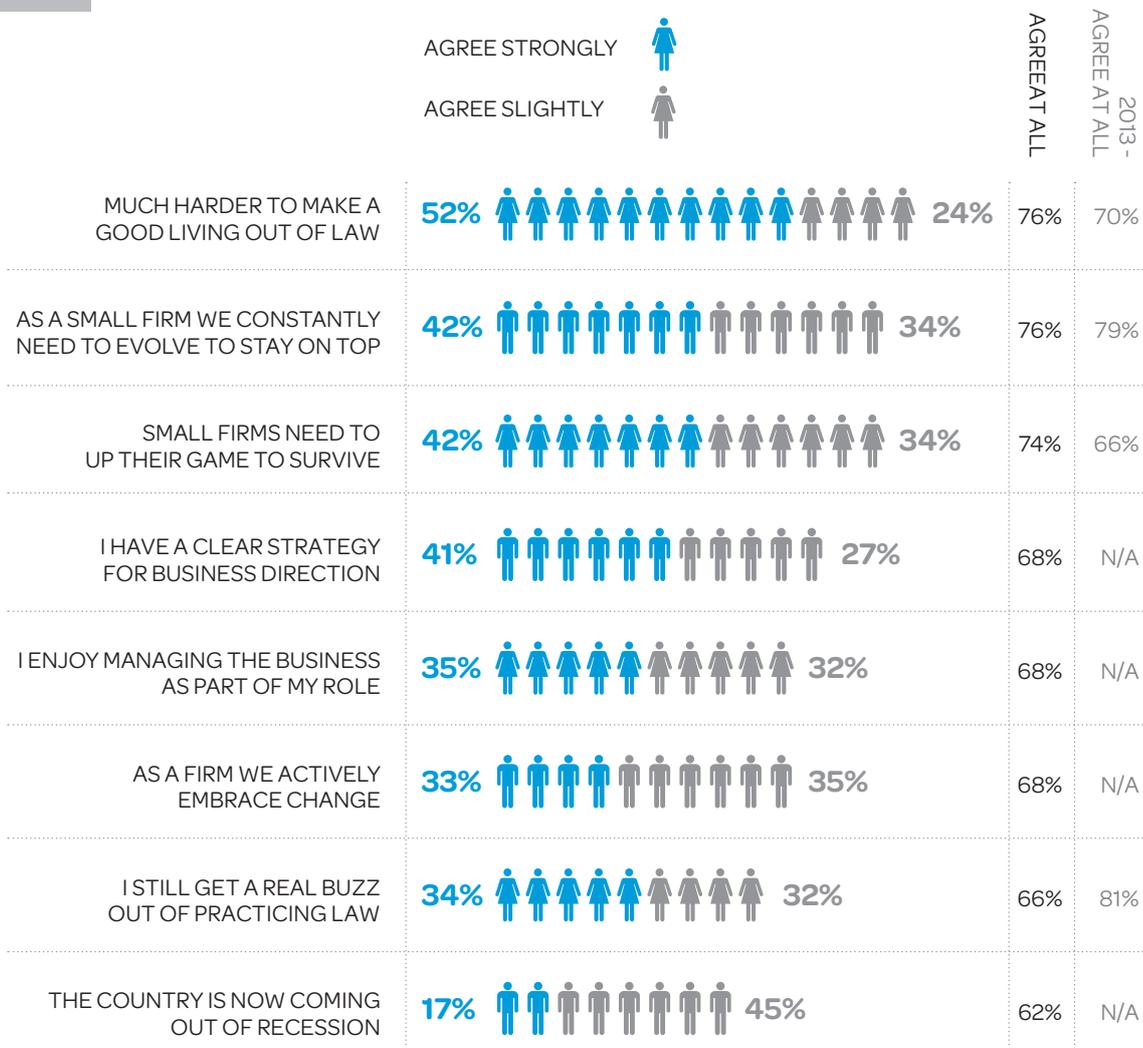
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Business challenges. How significant are each of these challenges and threats to your current business?



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Current views. How much do you agree or disagree with each of the following statements made by other solicitors?



Performance and goals

82% of independent firms in 2014
are growing or stable

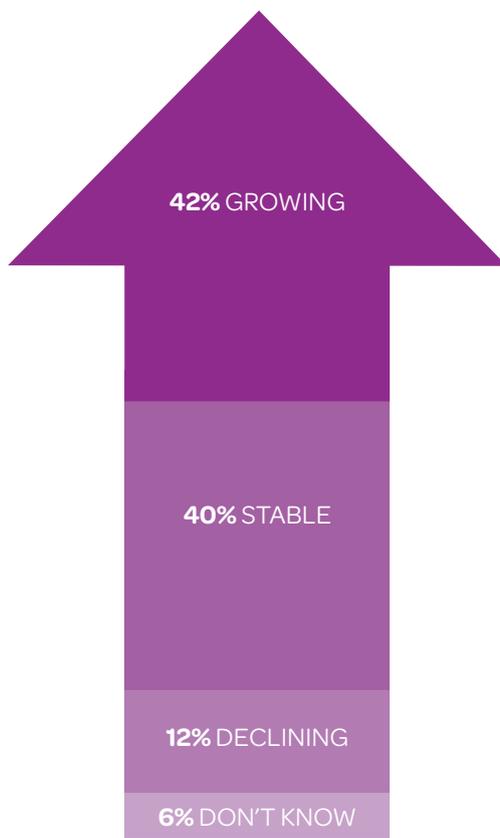


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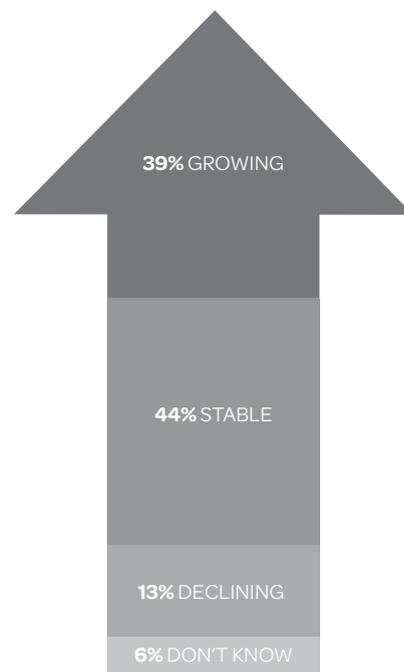
Performance and goals

Compared to the performance of your practice 3-4 years ago how is business at the moment?

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Growth or stability

Whilst increasing optimism certainly bodes well for the future of the sector, not all firms have yet turned a corner, and some are still in recovery mode.

Performance patterns are similar, year on year, with almost equal numbers describing themselves as being in growth (42%) or stable (40%). Fortunes are still quite mixed, with descriptions of trading conditions ranging from “patchy and unpredictable” to “a slow and steady improvement” to “buoyant”.

This lack of movement, year on year is also mirrored in five year performance projections. Just over 52% are projecting growth – a similar percentage to 2013, however this rises to 65%+ amongst key pockets such as entrepreneurs and younger lawyers.



42%

of independent lawyers are experiencing growth.

A successful new breed of entrepreneur

This year, we’ve identified one particular group of dynamic independent lawyers who are really shaking things up: 55% of which are experiencing growth (13% more than the average respondent).

This improved performance may well be correlated with these shared characteristics:

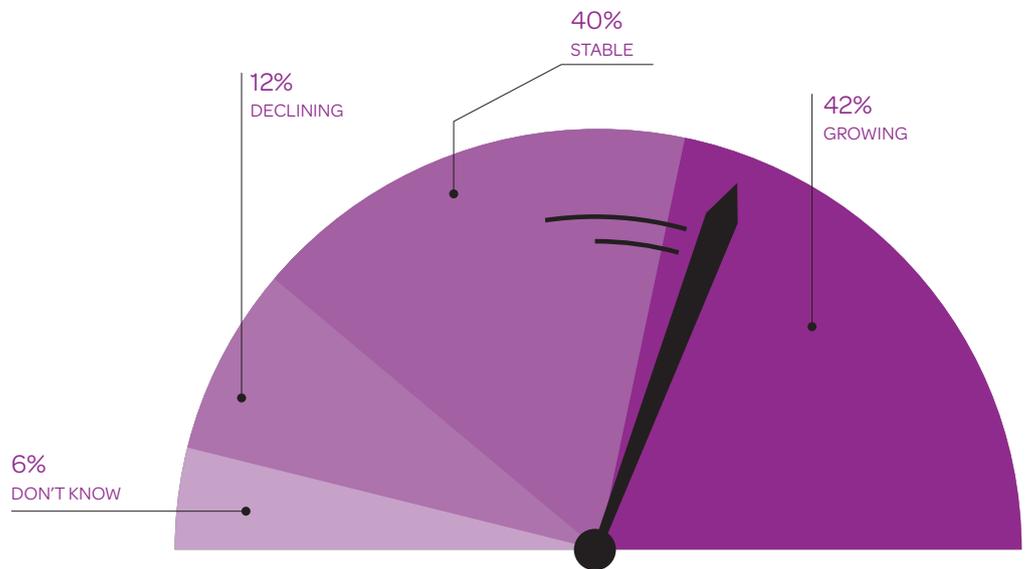
- past experience of working in a top or mid-tier law firm
- those who are operating as a limited liability concern
- those who claim to have an entrepreneurial mind-set

We’ll explore these characteristics in more detail [later in this report](#).

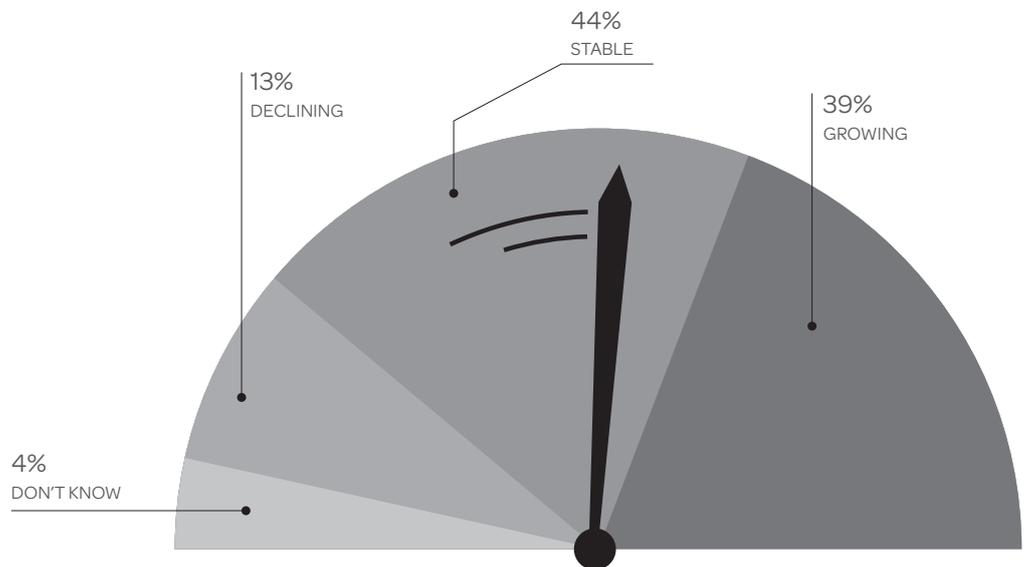
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Current practice performance. Compared to your practice 3-4 years ago would you say that business is...?

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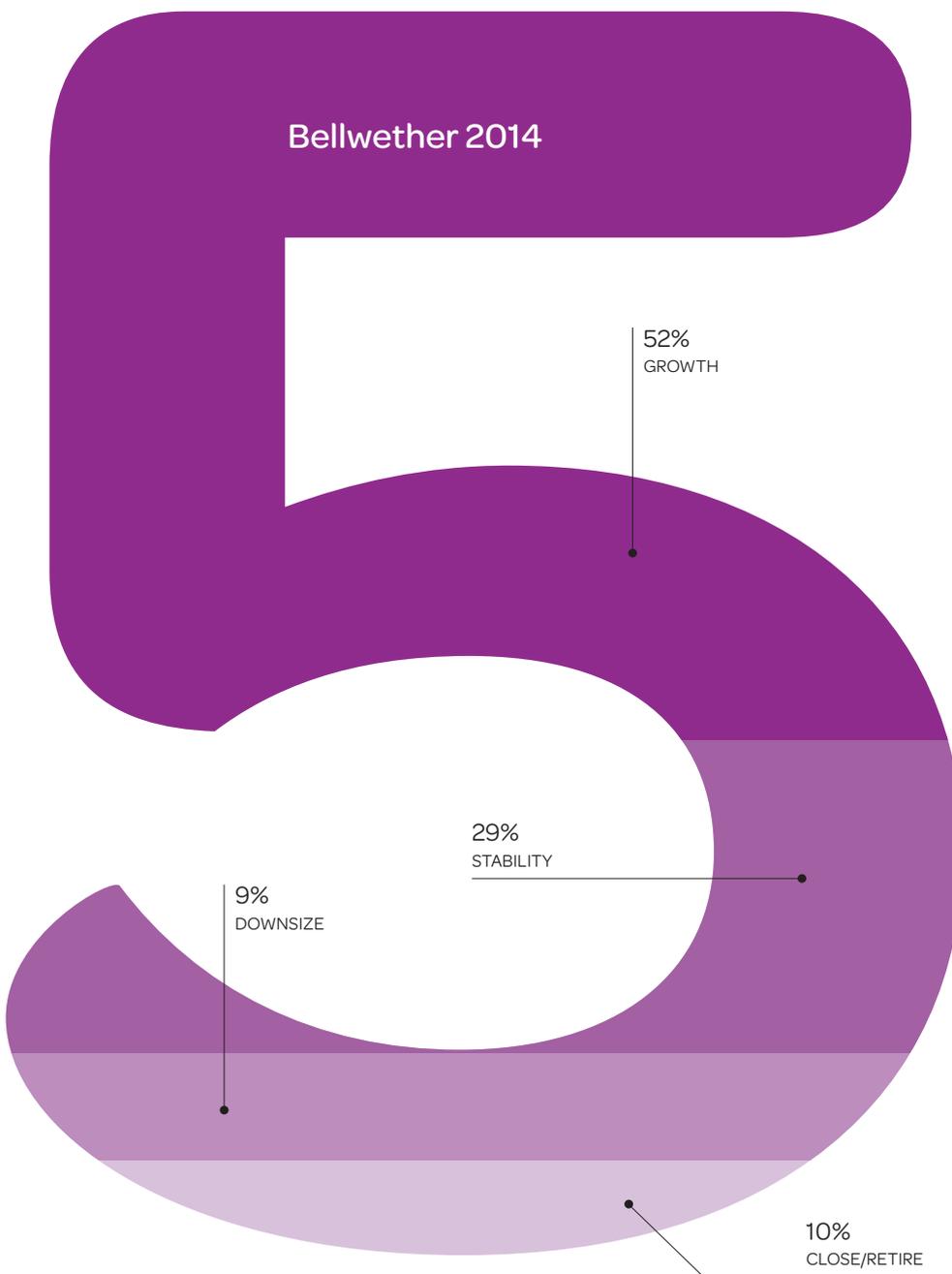


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5 year practice plan. In the next five years or so, is the plan for the practice to grow, to trade at a similar level, downsize or close?



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- **Smarter use of technology.**

Making the most of developments to both improve office efficiency and reach out to new audiences - though there is still headway to be made here.

- **Networking.** Interestingly, though networking is high on the agenda, emphasis on social media is comparatively low. Do our independent practitioners feel that social media can have a tangible impact? Or is there simply no time to invest? "I am not convinced about it. I don't know how to make it work for us" is a typical response.

- **Marketing.** 38% see marketing as very important to growing their business. Interestingly, less than 1 in 10 currently outsource this - which may be partly explained by the belief that, as the firm's figurehead, the principals themselves feel best placed to market themselves: "I have had so much experience of selling myself that I don't need anyone else to sell me. The best person to sell me is me!"

Three steps to building business

Regardless of whether their current position is stable or growing, lawyers are united in the belief that three areas will be particularly crucial in building their business.

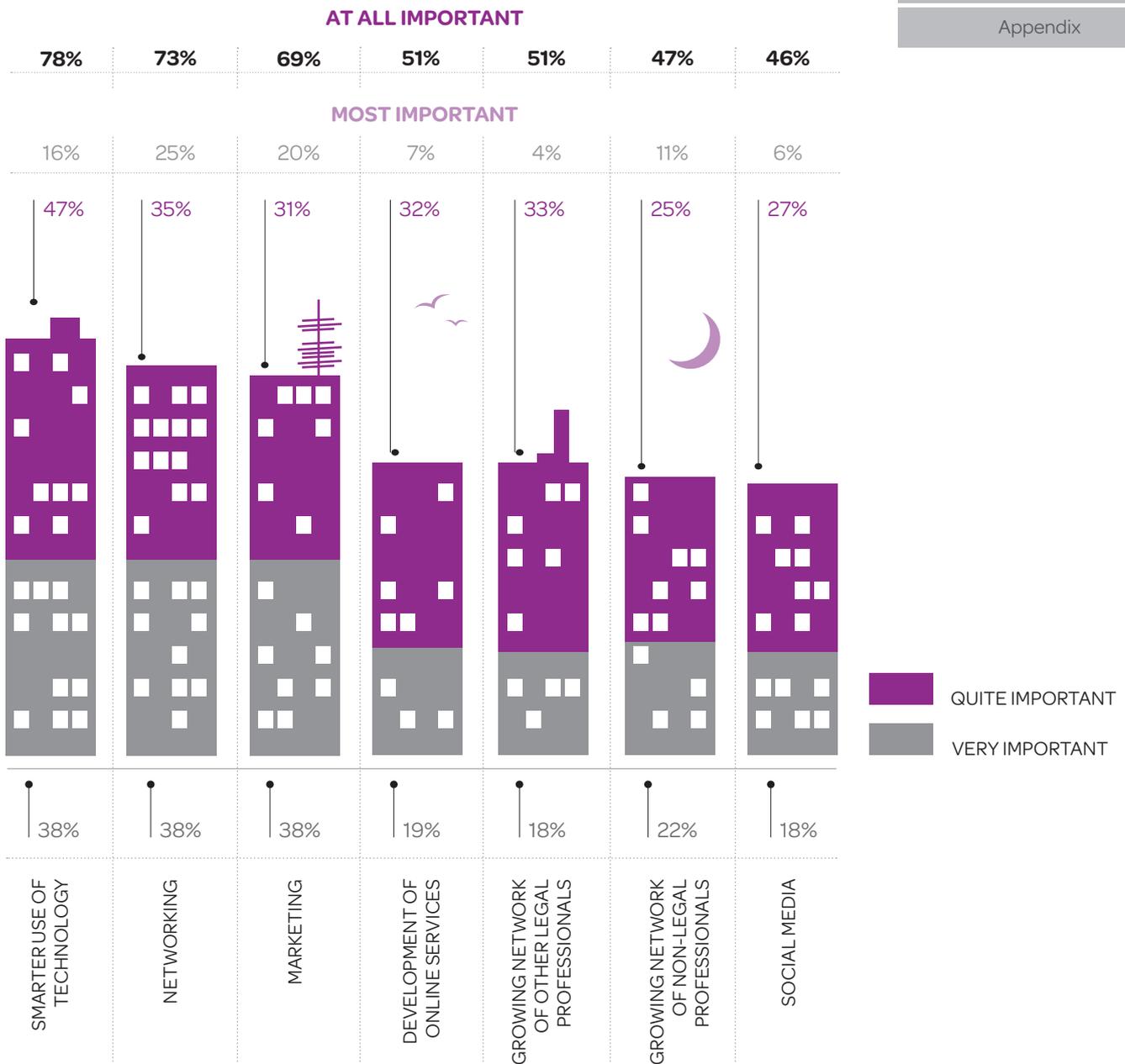
25%
of lawyers see networking
as the most significant factor
in growing their business.



Watch: learn how TravLaw use technology & social media to build their business.

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Building the business. How important do you think each of the following will be in helping to build/grow your business? And which will be the most important?



Appetite for change

“I love doing the law, love the whole technical side of it, but I also like running my own business, being totally in control of it.”



Appetite for change

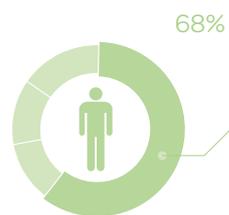
How adaptable is this sector of the market?

This sector is already well-versed in making major decisions, both about their working lifestyle and about how they wish to service clients/treat staff. It's no surprise that most have now begun to embrace change in earnest.

A narrow slice out of a big firm

There appears to be a real determination to make change happen, as there is no welcome alternative. Over 60% had previously worked in big city/mid-tier law firms so are well aware of their downsides. Though they are happy to use this city expertise in marketing themselves, this doesn't mean that they hanker after the lifestyle or ethos of larger firms, as they feel they can do better. "We are a narrow slice out of a big firm", was how one lawyer described their positioning, "In terms of how we treat our staff and what we offer to them, it is deliberately better than what a big firm offers. We have a moral approach to the business... old fashioned values".

As such, only 7% claimed they would rather work for a larger firm, where they run the risk of being seen as "just a replaceable commodity". This is particularly the case amongst sole practitioners, ¾ of whom had made an active lifestyle decision to pursue a solo career, and were very unwilling to relinquish their independence and flexibility as we found in the last report. "I like being on my own. I like being my own boss. I am totally in charge of my life and what I do. I don't have to answer to anybody".



68%
enjoy managing
the business
side of their role

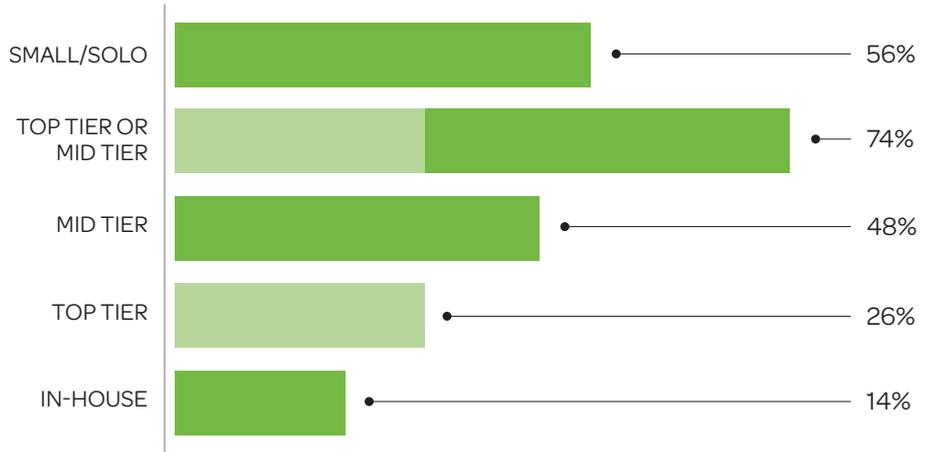
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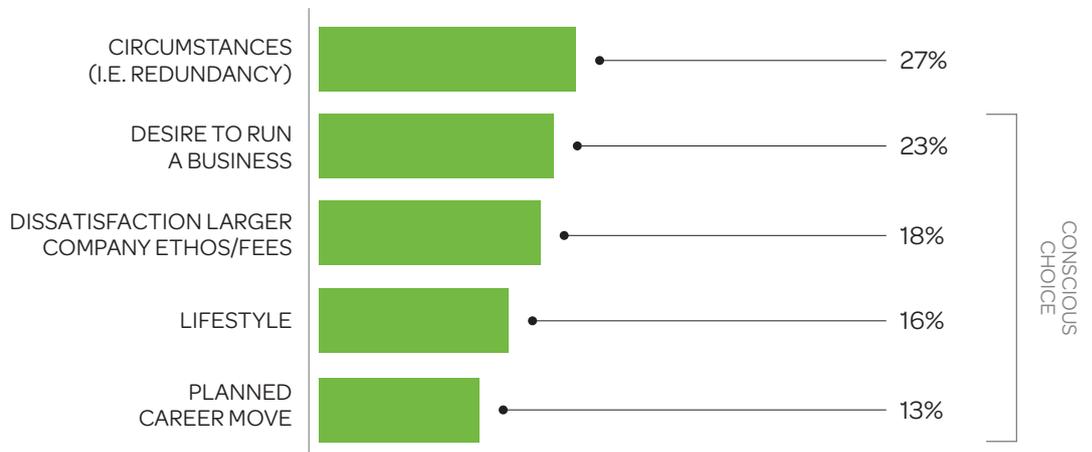
Watch: could 'independent' be the way the industry is heading? Click here to hear Eve King from Obelisk's thoughts.

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Previous experience. Which of these sizes of firm have you worked for in the past, before working in your current role?



Reasons for working as a sole practitioner. Which of these best describes why you decided to work as a sole practitioner?



Specialists 3 x more likely to have worked in top tier firms (33% vs 13% non-specialists)

Growing firms 2 x more likely to have worked in top tier firms (37% vs 18% stable)

Entrepreneurs 2 x more likely to have worked in top tier firms (36% vs 16% non-entrepreneurs)

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Size matters

Being in control as an independent lawyer enables many firms to operate in a niche area of their own choosing, providing high calibre, boutique style service to their clients in direct competition to top tier firms. Though this can be a potential ‘win-win’ situation as far as clients are concerned, it can be frustrating when blue chip clients are blinkered about size when it comes to choosing a law firm. There would appear to be an industry need to promote and update the image of the small, independent sector, as this could potentially be curtailing its progress.

Embracing change

In a sea of change, to rise above the competition, or even to stay afloat, it’s crucial that independent lawyers stay quick on their feet. It’s encouraging to see that just over two thirds feel that their firm’s culture is one of “actively embracing change”. Furthermore, three quarters recognise the importance of “not standing still”, and of “evolving/upping their game” to satisfy an increasingly demanding and less loyal clientele.

Indeed, we’ve noted across our research a stark shift towards the view that “change is exciting” and “with change comes opportunity”.

The ‘new generation’ lawyers selected for our in-depth interviews were very articulate on the scale of this: “It needs a whole cultural re-shift, not a lip service shift. You thrive when you are challenged and given opportunities”. They felt that traditional mind-sets were the key barrier to progress, including the belief that success is almost a right. “You have to appreciate that actually no-one owes you a living, having to earn a certain amount of money. You need to get your head round that and see things are changing, are different”.

The practice vs the business of law

For some, there is a life beyond the law. Our study has revealed that just as many get a kick from managing their legal business as enjoy the practice of law.

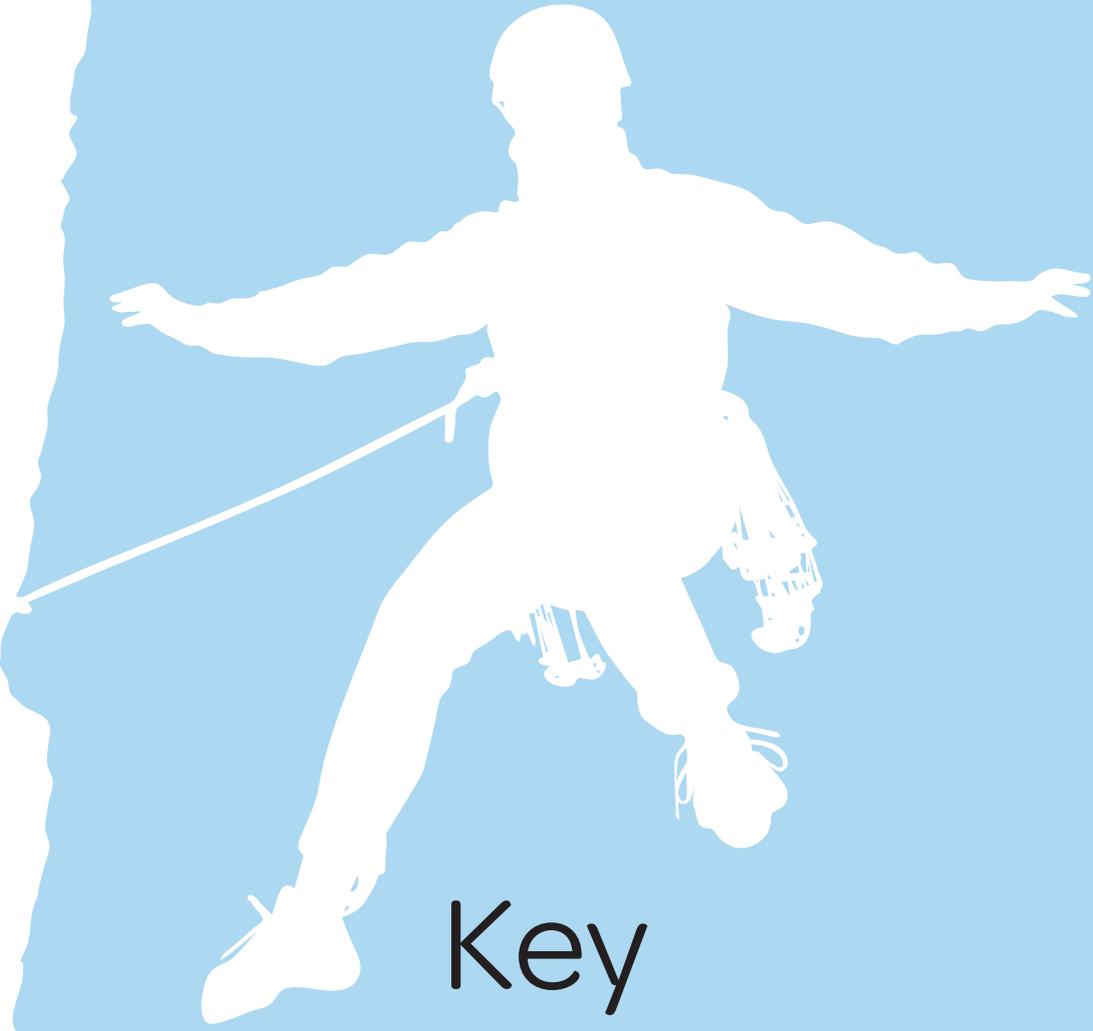
This delicate balancing act of running an independent legal firm has been embraced in a variety of ways (more on this later in the report). Some of our ‘new generation’ lawyers have moved entirely to management roles: “I love doing the law, love the whole technical side of it, but I also like running my own business, being totally in control of it”. This suggests that the areas in which our independent legal firms may require support are now broader than ever, and possibly their requirement for different types of support network even stronger.

“My biggest wish would be that clients could actually see that you don’t need an all-singing all-dancing firm to get somebody to do a piece of work. Small independent lawyers are just as good as the people who sit in the big firms.”

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Current views. How much do you agree or disagree with each of the following statements made by other solicitors?

	AGREE STRONGLY	AGREE SLIGHTLY	AGREE AT ALL	2013 AGREE AT ALL
IT'S MUCH HARDER TO MAKE A GOOD LIVING OUT OF LAW	52%	24%	76%	70%
AS A SMALL FIRM WE CONSTANTLY NEED TO EVOLVE TO STAY ON TOP	42%	34%	76%	79%
SMALL FIRMS NEED TO UP THEIR GAME TO SURVIVE	42%	34%	74%	66%
I HAVE A CLEAR STRATEGY FOR BUSINESS DIRECTION	41%	27%	68%	N/A
I ENJOY MANAGING THE BUSINESS AS PART OF MY ROLE	35%	32%	68%	N/A
AS A FIRM WE ACTIVELY EMBRACE CHANGE	33%	35%	68%	N/A
I STILL GET A REAL BUZZ OUT OF PRACTICING LAW	34%	32%	66%	81%
THE COUNTRY IS NOW COMING OUT OF RECESSION	17%	45%	62%	N/A
AS SOLO PRACTITIONER YOU HAVE TO SPECIALISE TO SURVIVE	35%	24%	59%	65%
IF STARTING AGAIN I WOULDN'T GO INTO LAW	32%	22%	53%	38%
MARKETING/BUS DEV TAKE UP INCREASING AMOUNT OF TIME	24%	27%	51%	N/A
I SEE MYSELF AS ENTREPRENEURIAL	21%	29%	50%	N/A
I USE BEST PRACTICES FROM OTHER PROFESSIONS AS MODELS	16%	27%	42%	N/A
ABS IS A POSITIVE DEVELOPMENT FOR OUR INDUSTRY	10%	12%	22%	N/A
I DON'T HAVE A CLEAR BACKUP PLAN	6%	16%	22%	34%
WE ACTIVELY PROMOTE OUR LARGER FIRM HERITAGE	10%	10%	20%	N/A
I WOULD RATHER WORK FOR A LARGER FIRM	1%	6%	7%	14%



Key challenges

“There is hostility towards the smaller firm... I am very much at the mercy of insurance companies.”

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Key challenges

What are the biggest hurdles to overcome?

Though the economy is easing and firms have had time to acclimatise to the demands of new compliance regulations, lawyers still have a multitude of challenges on their plate. As we found last year, regulatory demands are onerous and are still eating into client serving time.

Compliance remains top concern

In overall terms, the top challenges have remained broadly consistent year on year. Compliance still tops the list as a significant challenge for 78%, in a year with constant background communication from the SRA maintaining the threat of non-compliance. This is closely followed by attracting new business (75%), though this has decreased slightly year on year. The third main concern for our increasingly time-poor independent lawyers is ensuring that they are keeping up to date with industry changes/processes and systems (71%).

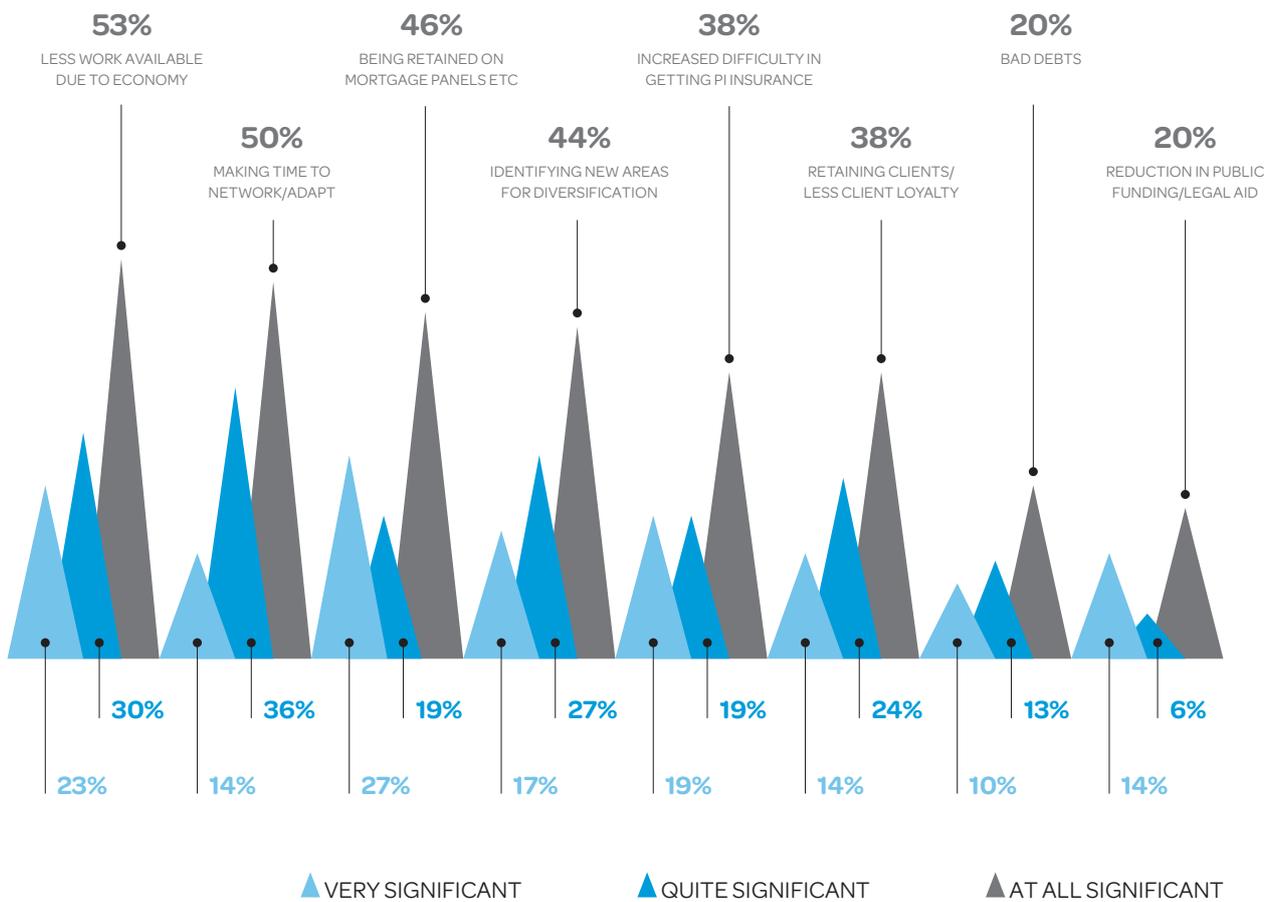


Watch: compliance still tops the list as a significant challenge, click here to find out how you can overcome this hurdle.

“I have to apply a lot of my time to regulations. A lot of my fee earning time is spent on that. Keeping up with regulatory changes, making sure we review our procedures on a regular basis, ensure we have registers in place.”

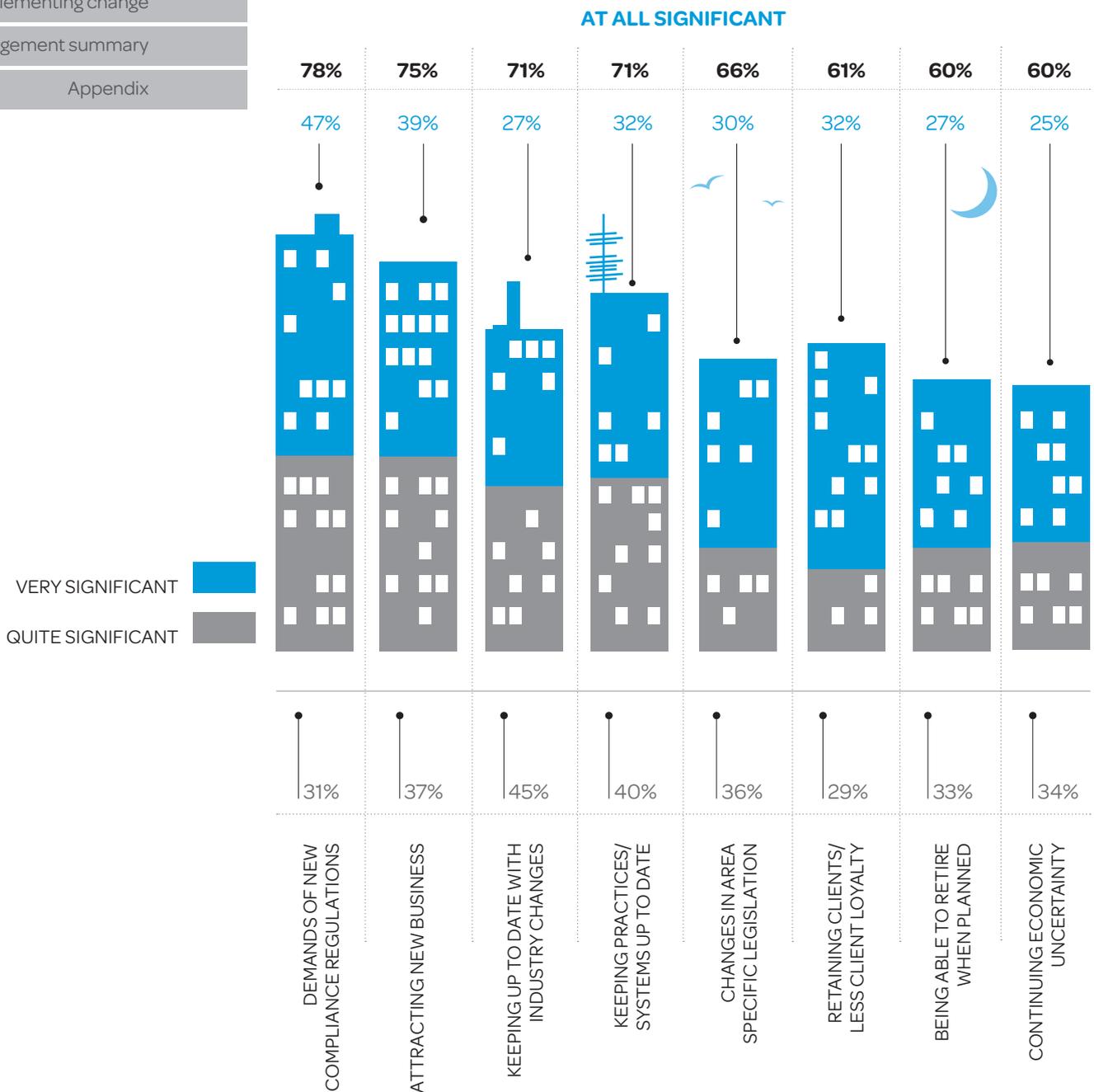
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Business challenges. How significant are each of these to your current business?



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Building the business. How significant are each of these to your current business?



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Exit strategy

Unfortunately for those in the more experienced generation, one of the casualties of the recession has been that exit plans have had to be put on hold. 60% consider this to be a significant challenge, and it is symptomatic that even amongst the 50-60 year old lawyers interviewed, only 1 in 4 had plans in place, whereas the majority were only at the stage of considering their options.

Though the prevailing view is that “you should always be thinking of succession planning” the reality is that “because of PI insurance people can’t afford to retire”.

Poised for success

In response to findings in earlier interviews, we extended the list of concerns measured to explore exit strategy and Professional Indemnity (PI) insurance – both of which emerged as substantial concerns.

“When it comes to retirement, it is much easier to sell a limited company than try and sell just the goodwill of a sole practitioner. We are both in our 50s so are looking to retire in another 10 years. So we need things in place for the long term. It is easier to expand as a limited company.”

Exit strategy. Have you got your exit plans already in place?

	TOTAL %	<40 AGE %	41-50 AGE %	51-60 AGE %	60+ AGE %
IN PLACE	19	9	21	26	25
STARTED TO IMPLEMENT	16	9	18	8	34
CONSIDERED	41	14	38	58	38
NOT THOUGHT ABOUT	24	69	23	8	3



Watch: there are many challenges associated with not having an exit strategy, have you considered all of them? [Click here to find out more.](#)

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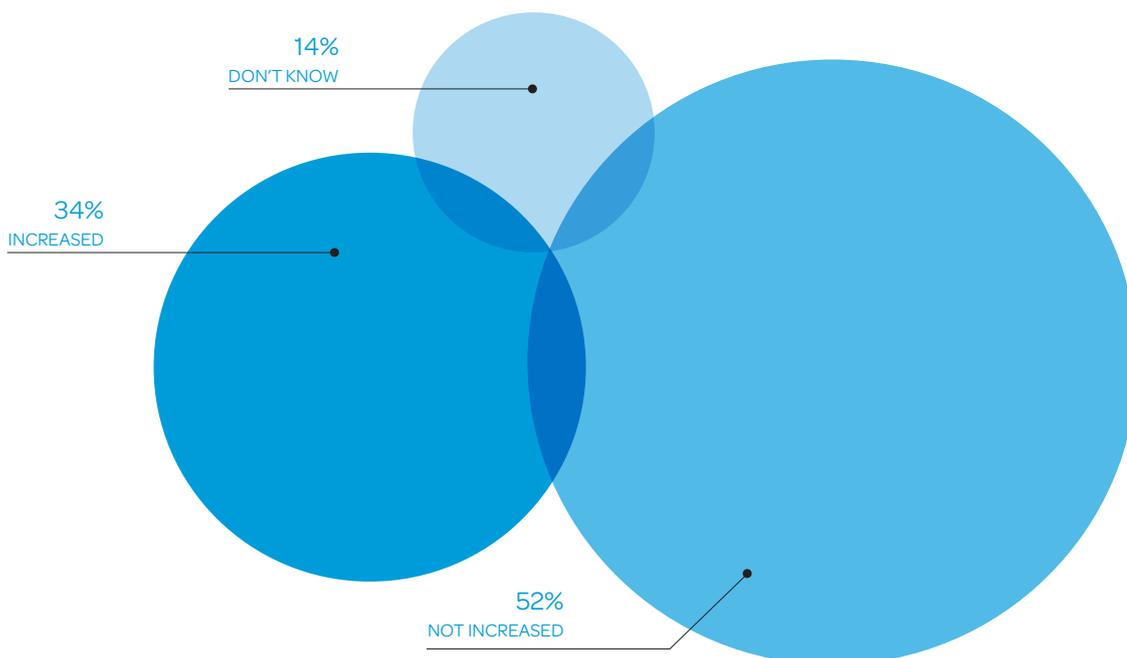
Professional indemnity insurance

When it comes to PI, almost 40% agreed that getting insurance was increasingly difficult, which is a worry that is not restricted to renewal time. “We were lucky to get insurance. They look at an ABS firm and say we don’t know what the hell that is.

We have only had our insurance for 5-6 weeks but already I am worried for next year”. And the cost of PI is also rising steeply. 1 in 3 lawyers experienced a PI premium increase this year, with a staggering average hike of 20%, and 15% have been forced to change insurers against their will. These worrying figures look set to continue to plague independent legal practitioners, unless we see a significant shake-up in the approach of the insurance industry towards smaller firms.

“There is hostility towards the smaller firm, that gives me sleepless nights when it comes up for renewal. I am very much at the mercy of insurance companies. I hear anecdotally they are anti-smaller companies.”

Has your PI premium gone up this year?



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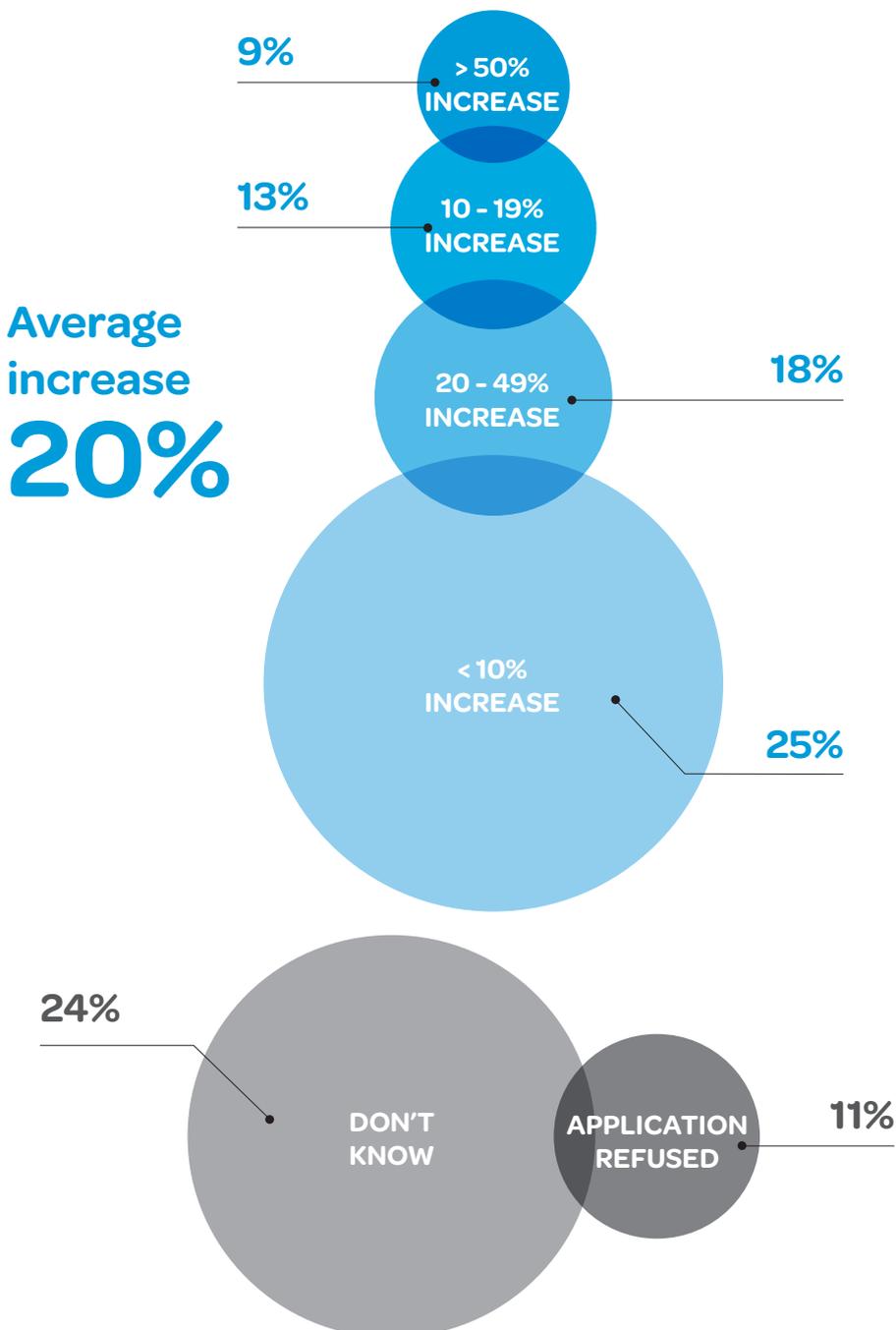
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PI insurance increase. By approximately what proportion has your premium increased?





Rise of the entrepreneur

“We take the elements and turn them on their head. Don't get too bogged down in how things should be done. We are doing things in a new and refreshing way.”

Rise of the entrepreneur

What are the characteristics of this growing breed?

Rising above the pack, a new breed of entrepreneurial lawyer is embracing the emerging opportunities in the market – and achieving impressive results.

Where this year's Bellwether Report has identified a general upswing in business confidence amongst independent legal firms, there are pockets where performance runs at an even higher level.

Looking at the demographic profile, background, and mind-set of our respondents, the research has identified a group of dynamic independent lawyers who are really shaking things up.

These entrepreneurs are networked, dynamic and ambitious. Often niche specialists with superb credentials, they've set up their businesses to compete directly with the major industry players, and they're frequently winning

due to their agility and top-class customer service. Always thinking at least one step ahead, they're utilising every tool at their disposal to hone their competitive edge – from strategic partnerships and gaining ABS status, to outsourcing for increased efficiency, to harnessing the latest technologies to run their firm and connect with new clients.

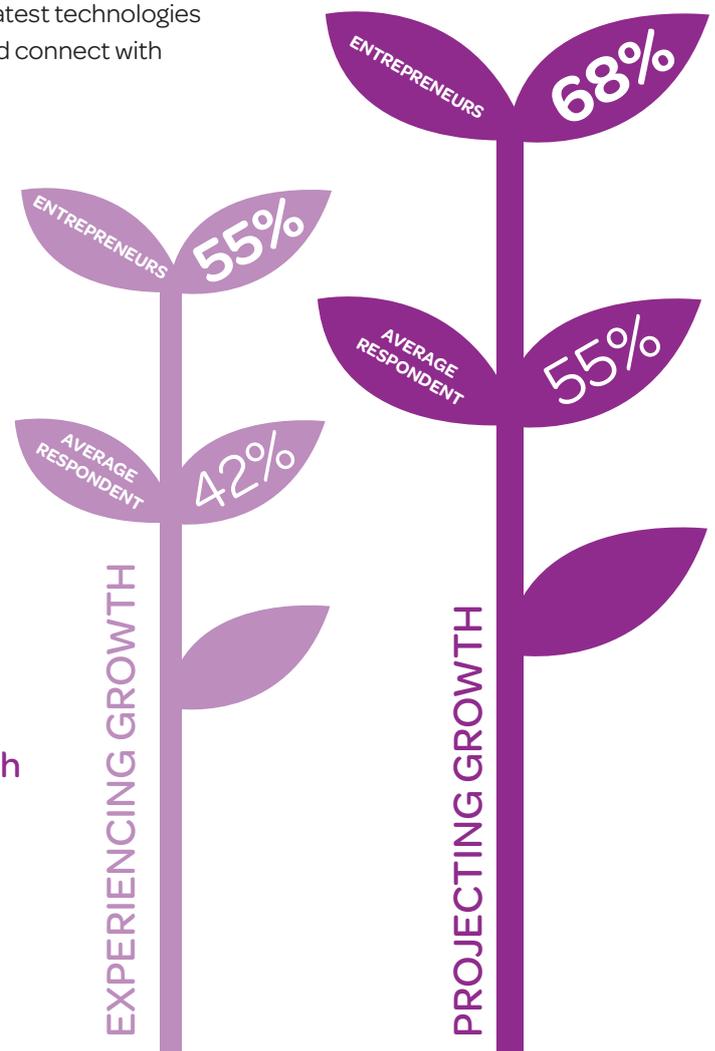
55% of entrepreneurs are currently experiencing growth.

(13% more than the average respondent.)

68% of entrepreneurs are projecting growth for the next 5 years.

(13% more than the average respondent.)

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“If you make clients feel important you are halfway there. I have been hugely influenced by the hospitality industry. Lawyers have been trained to feel they are superior to everyone else, but that is not the right attitude in this day and age.”

The hallmarks of this new category of lawyers are consistent:



“To be a good solicitor is not good enough anymore.”

We're not suggesting those not sitting under this entrepreneurial label are in decline, or not doing a great job, doing what they do best – the law. But the research certainly indicates an overall shift in the independent legal industry, and is in all likelihood set to continue. In order to thrive, many practitioners are taking on an increasingly business-like mind-set that lifts them from purely dispensing legal advice. And in a time of sweeping industry change, we'd be willing to bet that these are the ones best set to weather the storm.

For many it starts with small steps – and needs to begin by taking breathing space to analyse the direction of their practice. Stepping back is challenging when the pressure of client work calls, but is vitally important to take time to build up a strategic plan for future growth, or even stability. Resources are widely available, such as on the Business of Law Blog, to support practitioners in identifying and categorising target clients, developing a marketing plan and new ideas for business development.

And in a constantly shifting legal landscape, who wouldn't want to give themselves the best possible chance of success? We'll find out more in the [next chapter](#), about the types of changes that independent lawyers are making, to generate growth and future-proof their firms.



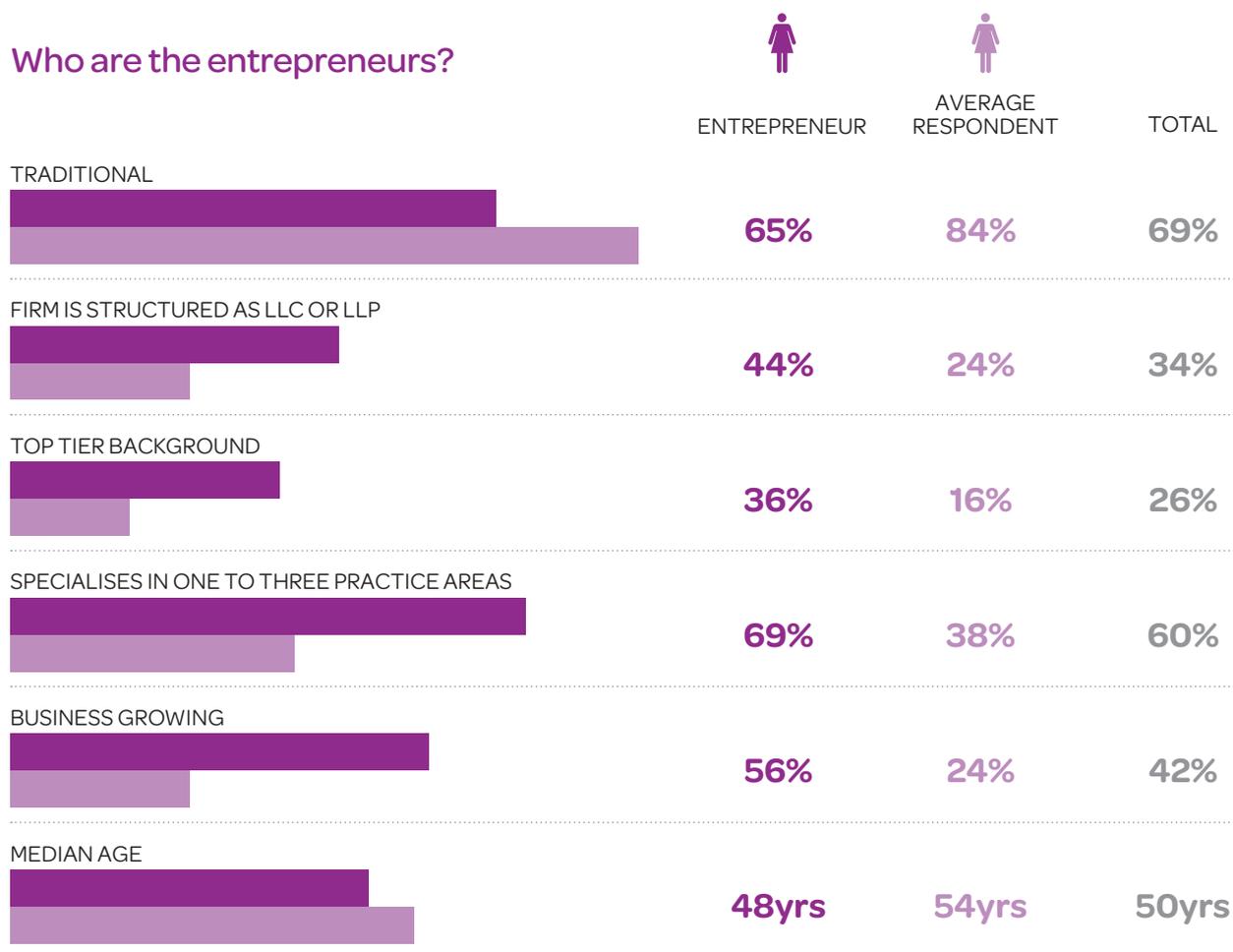
Watch: a robust and varied approach is needed to grow your business. [Click here to discover how TravLaw have combined ideas to great success.](#)

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“I am attracted to an opportunity if it coincides with my business getting bigger, and it going the way I want it to. I don’t have a huge passion for giving legal advice. I do it and I do it well.”

Who are the entrepreneurs?





Implementing change

“Our strategy always gets torn up.
Ours changes all the time.”

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Implementing change

What changes have been taken, and which are still in the pipeline?

Savvy independent lawyers recognise they can't afford to rest on their laurels, and are making significant investments for the future of their practice. On average, our respondents have implemented two major changes across the course of the last year, that impact the way that they do business. Our entrepreneurial lawyers are twice as likely than non-entrepreneurs to have made three or more changes.



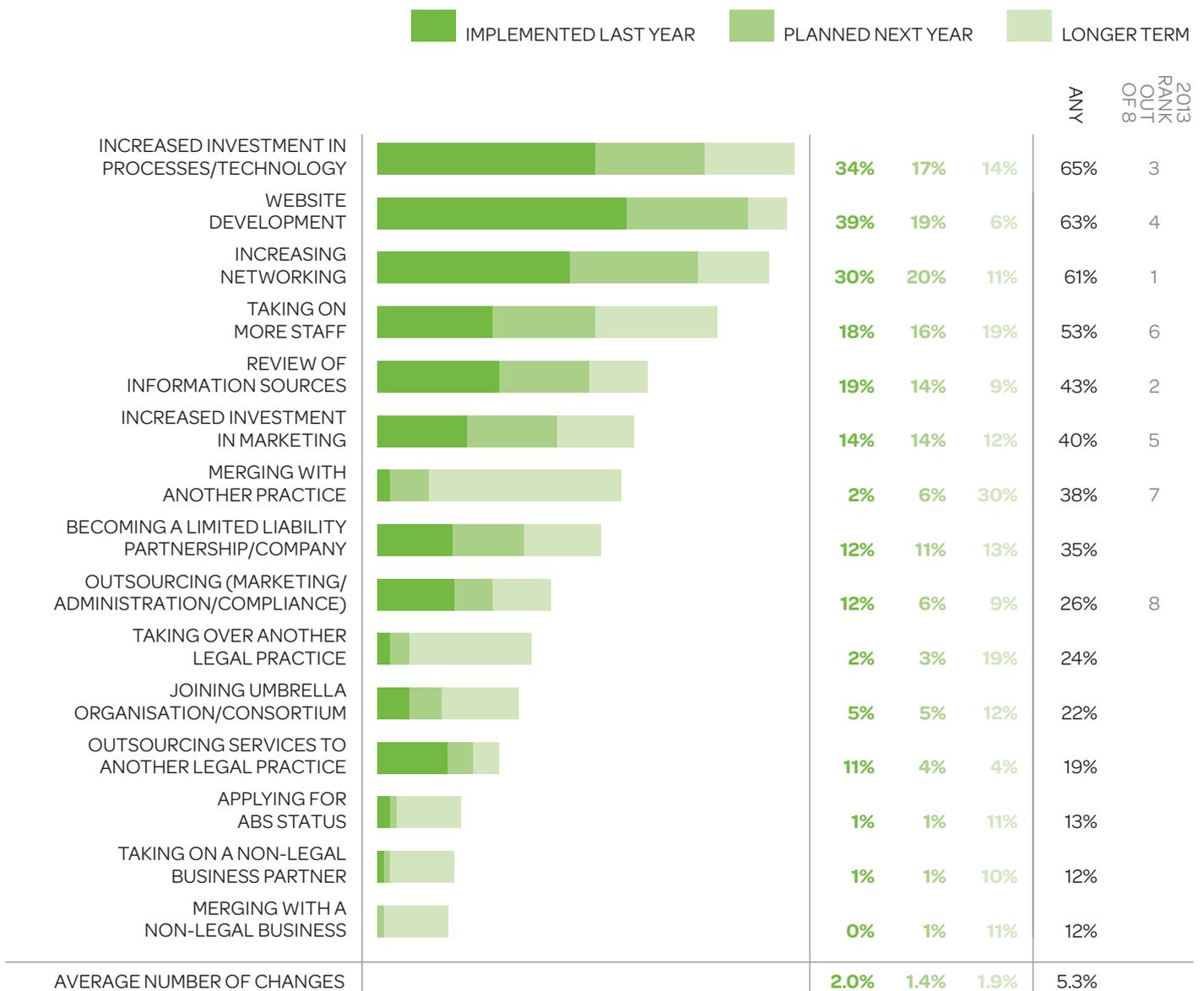
The number of major changes independent lawyers have made to their business in the last year

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Investing in growth is clearly a priority, as indicated by the top three changes made: processes and technology, web development and increased

networking. The next most significant changes look at improving business processes – staffing and reviewing information sources.

Implementing change. Which of the following changes have you...



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Watch: working remotely is becoming increasingly popular. Discover how Obelisk use technology to operate more flexibly.

Processes and technology

Technology is appreciated as an essential lynchpin for operating more flexibly and efficiently, with $\frac{3}{4}$ of respondents describing themselves as technologically sophisticated. “There are men and women out there who just fancy a new way of living their working lives. I don’t see why you can’t have those people working from home remotely as part of a virtual firm, where we are all connected by the technology that is now available.”

Even if they’re not quite at the remote working stage, firms are becoming increasingly dependent on technology to function, and in particular on good technological support – “with increased sophistication comes increased disasters” as one lawyer explained “as things go wrong, so you need good support”. This being said only 48% are currently outsourcing their IT, compared to 67% their accountancy, both of which are core functions. This suggests that there may in some cases be a potential shortfall in skillset – where only 10% identify with being very sophisticated.

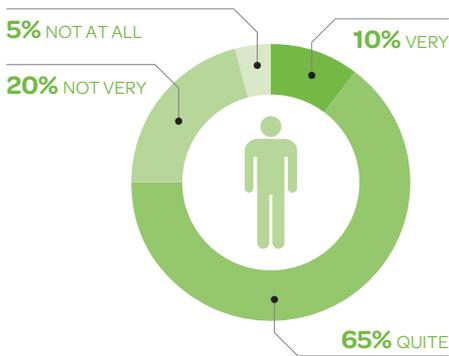
Used correctly, technological innovation can unlock productivity for time-poor practitioners. And the research indicates there’s still a way to go. Though over half are using software for templates, accountancy, and document management; less than half have adopted smarter working practises available such as document sharing software, video conferencing, voice activated dictation and document automation.

It also provides safeguards to ensure that work is stored securely. Still at an early phase, but increasing from last year, just under 1 in 3 practitioners are backing up their work to the Cloud. Though, anecdotally, there can be some teething problems, those who have made the switch feel reassured: “We got all our data transferred onto the Cloud, so we pay for that on a monthly basis. It is better technology with better safeguards.”

“You need to upgrade to future-proof your technology.”

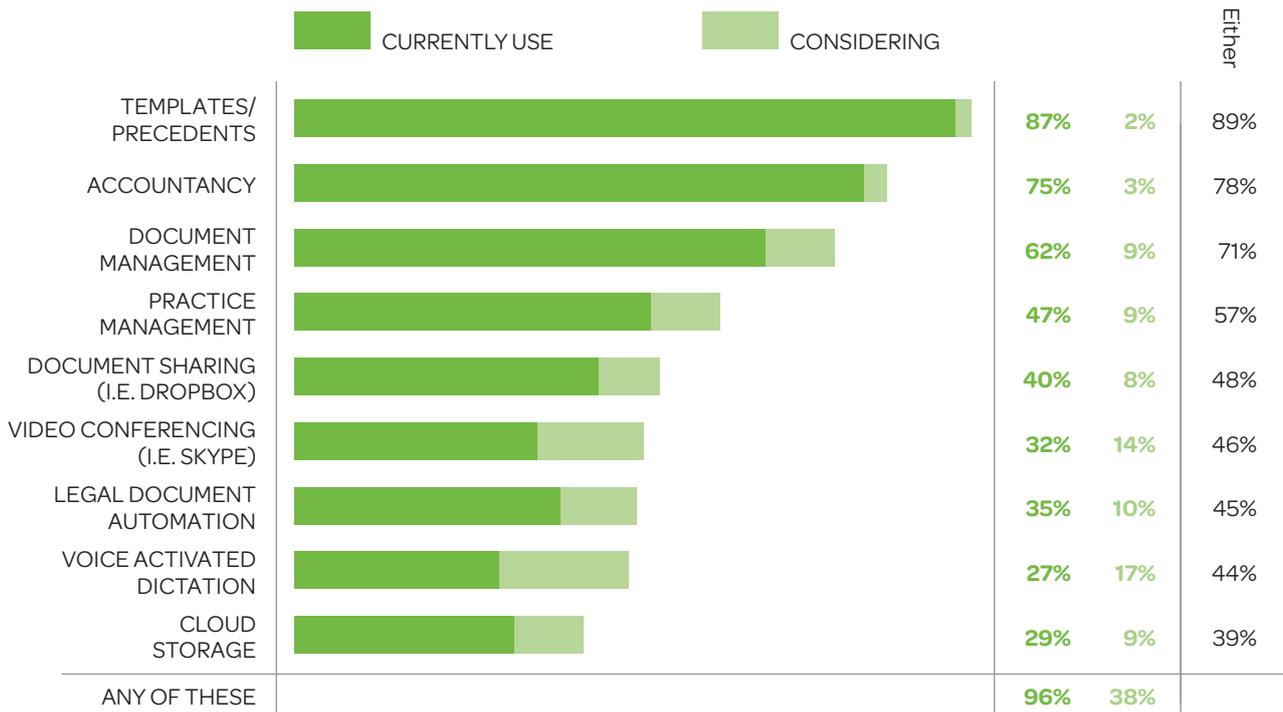
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Technological sophistication. How sophisticated is your current practice when it comes to using technology?



Firms who are growing, and practitioners with top or mid tier experience are more sophisticated when it comes to technology.

Which of the following pieces of software are currently used in the practice? And which are you considering using / investing in over the next few years?



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Web development

Ever-evolving from the 'glorified business card' we've seen in the past – independent firms are embracing the value of wielding an impressive online presence. 40% of firms have already implemented change to their website and a further 1 in 4 have it on their agenda.

It's no longer seen as an optional extra, but a crucial tool in the marketing mix, which came as a surprise to some.

Having a slick, easy to navigate website can be central to building trust when reaching out to new clients, allowing smaller firms a far wider geographic reach and professional standing to rival those of far larger players. This is particularly relevant for those ambitious specialists targeting blue chip clients, where "there is a certain livery required."

“(On their firm’s website) I had thought I wouldn’t need it but it is indispensable. I had not realised how much people would use it.”

Networking

Networking is being recognised for its vital contribution to building new business. Last year's *Survive or Thrive* report identified it as a key pressure, but at the time the main concern was finding time to fit it into their busy schedule. The situation appears to have improved this year with 1 in 3 making advances and a further 30% planning to do so.

Respondents seem increasingly tuned in to networking strategy. The key is the shift from seeing marketing activity as a 'nice to have' – business development strategy is central for successful firms' growth.

“If I go to a networking evening now I know who it is I want to talk to and what I want to talk about. I am not just flying the flag for the firm in general.”

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1 in 3
firms might
consider a
future merger.

“People buy people,
they don't buy a
business model...
without me there
is no business.”

Business structure. Beyond the traditional.

This year marks multiple firms re-evaluating their core business structure. This bold move involves taking a long hard look at options available in the market, and networking with other like-minded professionals to share ideas and best practice. For some, setting up as a firm in the first place could well involve evaluating a host of structural options available to them.

And although the figures of actual structural overhaul are still at a low (yet steadily increasing) trickle, the research indicates that many are becoming aware of the potential benefits and are planning to make changes in the longer term.

Here we'll explore options for:

- Merger or acquisition
- Limited liability company
- 'Umbrella' or 'virtual' firms
- Alternative Business Structures (ABS)

Merger or acquisition

1 in 3 firms might consider a future merger with another practice or a takeover. For many, this could be a viable solution to the challenge of exit strategy identified [earlier in this report](#).

Limited liability company

Becoming a limited liability firm was the most attractive of business model options. Over half of the sample were registered in this way, and of these, 12% had registered in the last year. There is also a greater disposition towards considering it in the future. Those who have adopted this route were very positive about the range of potential advantages, one of which was a more objective management style. “Part of the reason for wanting a limited company is that we wanted to separate management from ownership. Management isn't interested in the history, only the future.”

'Umbrella' or 'virtual' firms

Joining an umbrella organisation or virtual firm where participants share central resources, marketing and facilities does not seem to appeal to our respondents, with only 5% implementing this change in the last year and a further 12% viewing it as a long term option. Lawyers tended to be rather damning of these organisations, citing their limited exposure: "There are one or two virtual firms in the area, but the kind of individuals they attract doesn't mean that they are successful. Anyone who is any good will have dipped their toe in and decided this is not for me."

Alternative Business Structures (ABS)

An area we'd expect to see most change in coming years is with take-up of ABS status. Only 1% of our sample is currently registered to trade in this way. Last year's report *Survive or Thrive* had identified their recent formation as one of the key threats to the industry – the perception of which as a business challenge has now lessened. However, attitudes haven't warmed – only 22% consider this to be a positive development for the industry and 11% would consider it as a potential long term option.

For many, 'Tesco Law' is the thought that springs to mind when the term is mentioned, and despite paying lip service to its associated benefits, they do not relate these back to their own circumstances. In direct contrast, those we spoke to actually operating under the ABS banner waxed lyrical about their benefits, which ranged from:

- being able to involve staff in the running of the business
- having experts in other related areas on board
- tax planning.

However, of these, none had used the ABS status to gain external investment, perhaps not seeing the financial opportunity.

There is a huge area of untapped potential out there, and many alternative business structures could provide solutions to some of the challenges highlighted in [chapter 4 – Key challenges](#). For example, by deferring retirement and needing professional advice from someone impartial, who understands the business well.

We'll be keeping a close eye on these developments in future editions of the Bellwether Report.

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Strategic vs tactical thinking

We asked our respondents why they were making changes to the structures of their businesses, and the results surprised us – at first. Overall, the impetus is attributed equally to long term strategic planning and response to short term tactical opportunities. But on delving deeper into the qualitative interviews, we have seen that though lawyers have a clear view of their goal, they don't want to close off any avenues that may help them en-route.

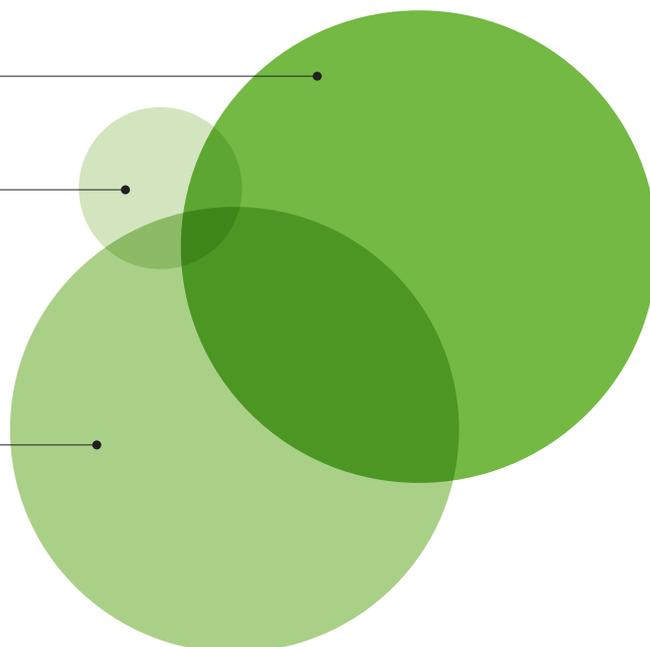
Lawyers were keen to point out “this is a people business first and foremost” so they need to act on opportunities as they occur. “We want to take opportunities when they arise. I want to be mobile. I don't want to be limited in our strategy. Mobile is an attitude, we have to be ready to move and move quickly.” This means that, for many, strategy is an evolving entity. Indeed, this more flexible approach may ultimately be a major factor in the success of the independent legal sector, provided it is allied to clear goals and measures.

Are the changes you have made/are planning to make to the structure of your business...

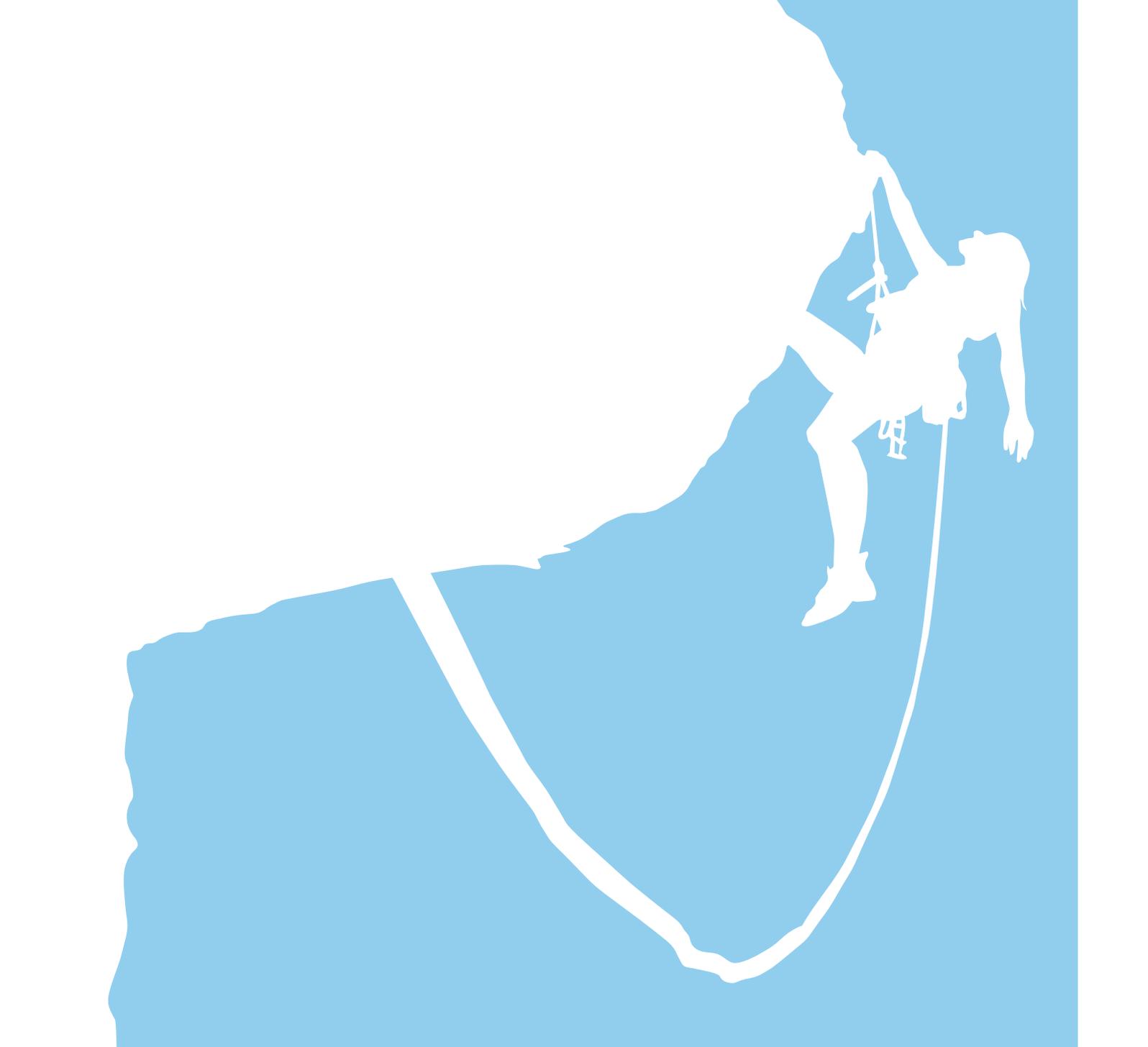
70%*
LONG TERM STRATEGY

24%**
NOT INCREASED

66%
TACTICAL RESPONSE
TO OPPORTUNITIES



* ENTREPRENEUR 80% VS 62% AVERAGE RESPONDENT. ** STABLE 34% VS 15% GROWING



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What are the key ingredients for success in this brave new world?

After last year's rallying cry, it's encouraging to find that the application, resilience and sheer enthusiasm of independent firms is finally paying off. Although their trading pattern and projections have not significantly altered year on year, the building blocks for growth have been firmly set in place – a significant shift in attitude and behaviour.

This, together with a better economic forecast, has led to a strong rise in confidence in the future, and to practitioners taking more proactive measures to safeguard their valued independence and integrity. A major cultural shift is afoot, and the rulebook is evolving along with it, calling any established working practice into question.

The role of the independent lawyer remains a rewarding, yet tough one. We've seen little change to the pressures they're experiencing. Familiarity with new compliance laws has not yet bred contempt, and attracting new business and keeping systems and information up to date remain perennial challenges. But this year, PI insurers are ramping up the pressure and squeezing already tight margins. The cost of this, allied to the aftershock of the recession, means that many are now well behind on planning their exit strategy.

Regardless, independent firms are moving full speed ahead, constantly learning and adapting, refining their processes and adopting new business styles. They're taking big steps forward in carving out an online niche, networking like pros and streamlining their administrative processes. They're harnessing the power of technology and strategic marketing to push their practice to the next level.

More and more independent practitioners are pouring their efforts into running an effective business – we're now seeing equal numbers of lawyers that claim to enjoy the business of law as much as the practice of law. On the cutting edge, an emerging new breed of entrepreneurial lawyer – networked and business savvy, embracing new and more flexible ways of working.

The road to growth and full recovery is by no means over. But independent lawyers, smaller firms and sole practitioners are demonstrating a remarkable aptitude to adapt in order to flourish in this brave new world.

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Methodology

The findings are based on a study conducted between November 2013 and January 2014 amongst independent lawyers, smaller law firms, and sole practitioners. The sample comprised a mix of 160 telephone and online interviews drawn from the LexisNexis database, plus 10 face to face interviews amongst selected lawyers who were exploring/implementing new ways of practising law. The survey was conducted by Linda Jones & Partners, an independent research specialist, in conjunction with fieldwork agency QRS.

Our quantitative sample

Our sample comprised 160 independent lawyers, small law firms and sole practitioners, drawn from the LexisNexis database. 100 were interviewed by telephone and the remaining 60 completed the survey online.

The sample breaks down as follows:

- small firms 52% (i.e. average practice size of 6-7 fee earners), sole practitioners 48%
- 60% describe themselves as specialists
- broad area coverage including London, North, Midlands and South.

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Get involved

Join our Independent Legal Research Panel

In March and April 2014, a select group of key thinkers, movers and shakers, and independent lawyers met up to discuss the findings of the Bellwether research.

Attendees represented the **Sole Practitioners Group (SPG), Black Solicitors Network (BSN), Association of Independent Business Lawyers (AIBL), Obelisk, Quality Solicitors, University of Westminster, The Times** and **The Law Society Gazette** - as well as selected subscribers to the Business of Law Blog.

A report from the two roundtable events can be downloaded on the Business of Law Blog.

www.lexisnexis.co.uk/business-of-law

If you would like to take part in future events, debates or research, please join our Independent Legal Research Panel. As a panel member you'll act as a key adviser to the Business of Law Blog, and be at the heart of our commitment to improving the quality of LexisNexis products and services. We know that your time is valuable, so in return we'll give you shopping vouchers for each hour you spend with us.

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Sign up today and you'll receive invitations to participate in our research – there's no minimum commitment, and the assignments are flexible to suit you – online, over the phone or face-to-face, taking no more than an hour each quarter.

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