

# UNLESS LAW FIRMS CAN TRANSFORM, THEY WILL SELF-DESTRUCT

A report on the challenges facing the Legal Sector in 2023 and beyond.

April 2023.



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# EXECUTIVE SUMMARY

The legal services sector is one of the oldest sectors and is known today for honouring traditional working practices. Its current practice, which is historically change resistant, does not operate with the human being at heart whether that be the client, or the employees of the sector. If operations are to continue under its current form, the legal sector will struggle to keep its current clients, attract new clients, and attract and retain talented staff. Unless law firms can face up to change and transform to involve a more human-centric approach, "traditional firms" will self-destruct. This research-based report describes the challenges the legal sector is likely to face in the coming years by analysing the users of, and the workers within, the legal sector whose needs have been neglected by the historic practices of the industry. The frustrations of the personas within this report are likely to trigger - and indeed we have already begun to witness - a move to alternative business models, termed the 'disruptive innovators', who will supply legal needs. Should current trends continue, we expect that disruptive innovators could eventually dominate the sector.

So, who are our personas?



### ***The experience driven client***

Motivated by a holistic experience and value for money.



### ***The digital client***

Motivated by speed, efficiency, and innovation.



### ***The savvy client***

Motivated by transparency, trust and empowerment.



### ***The experience driven worker***

Motivated by work-life balance, corporate benefits, and choice.



### ***The flexible worker***

Motivated by flexibility, family, and choice.



### ***The burnt-out worker***

Motivated by professional fulfilment, work-life balance, good health.

This report details the implications for the legal sector and recommends steps that can be taken now for both long and short-term benefits. To reap the benefits that are discussed throughout this report, the legal services sector must first face up to its fear of change and adopt new technologies, behaviours, and culture.

# THE EXPERIENCE DRIVEN CLIENT

"As my legal partner, I want you to provide me with a personalised legal service, that meets my high expectations of value and experience. I have so much choice at my disposal, I'll find another firm who will."

## Get to know the experience driven client:

- ⇒ The experience driven client is motivated by great value for their money or may be receiving pressure from senior colleagues to find the best value.
- ⇒ The experience driven client doesn't simply expect legal firms to carry out a legal action on their behalf, they expect an exceptional client experience. The perception of a great experience is created from every communication and engagement the client has with the firm.
- ⇒ The experience driven client wants to feel like their needs have been heard, and the service they receive has been tailored to them.
- ⇒ The experience driven client expects a seamless engagement from start to finish without paying extra for a top tier service.

## What actions might the experienced driven client take in 2023?

- ⇒ If the experience driven client receives a great experience, they will become loyal to your service, and are more likely to share positive reviews online and through word-of-mouth. This is a win-win for the firm as it results in increased client loyalty and likelihood of clients purchasing additional services and a reputation to attract new clients.
- ⇒ However, if the experience driven client's attention is captured by another firm's service - a firm who understands their client base and can tailor marketing efforts - the client will take their legal matters elsewhere.



## What does this mean for the legal services sector?

- ⇒ Legal services must do better at understanding what their clients want and expect. The Harvard Business Review identified qualitative data as one of the best ways to understand customer sentiments. Although quantitative surveys are easy to analyse at scale, a much more efficient option is using new technology to understand client thoughts across multiple touchpoints in real time. Then, services can be truly tailored to client needs and meet expectations on experience. This results in increased perceived value of the legal service they have received.

## How can the sector use this challenge to their advantage?

- ⇒ Legal services offered by "traditional firms" have not been designed with client experience at the heart of them. In fact, research from a White Paper from First4Lawyers found that only 37% of legal firms are monitoring client reviews. This finding is alarming as online reviews are one of the first port of call for potential new clients as they research client experience. Whilst it's an important starting point to building customer satisfaction and loyalty, the legal sector must go beyond simply monitoring client reviews if they are to stay ahead of the curve.

## Spotlight

USAA – a financial services firm specialising in banking and insurance - have a Net Promoter Score (client loyalty and satisfaction measurement) 4x the average in its industry. **Why?** Because it treats its clients like people and not numbers by getting to know their client base. For USAA, this has resulted in astonishing client loyalty, with 83% of clients more likely to acquire additional financial products from the firm in the future. In comparison, only 53% of clients from the Bank of America stated they would purchase additional products.

# THE DIGITAL CLIENT

“My digital expectations are increasing every day. I have no time for services that don't provide me with speed and efficiency that allow me to fit my legal matters around my busy life.”

## Get to know the digital client:

- ⇒ Clients are using the latest and most advanced technologies in their day-to-day lives, and they expect the same seamless digital experience from their legal partner. They want Instant Messaging access, Video Conferencing, and chat functions.
- ⇒ Yet a recent independent study of 1,000 clients across 500 law firms found that 66% of clients have never had these functions made available to them.
- ⇒ While the Digital Client could be any age, expectations are particularly high in under 40s, 65% of whom preferred to communicate digitally rather than face-to-face in a recent 'LivePerson' study.

## What actions might the digital client take in 2023?

- ⇒ Although the speed of digital advancements can be tiring for firms to keep up with, for clients the decision is simple. If one firm isn't providing an efficient digital experience, accessible at their convenience, they will easily find another firm who will.



## What does this mean for the legal services sector?

- ⇒ There are many solutions to providing a valuable client experience - creating a great digital experience is not only crucial but expected by clients. A Global McKinsey survey on consumer sentiment (2021) found an average of 20% growth in “fully digital” users across industries and regions.
- ⇒ Providing a digital experience for clients cannot be an ‘add-on’, it must be ingrained in the firm’s strategic vision. This could involve a Digital Transformation - no easy task, however, getting it right means that client response rates and client satisfaction levels will increase.
- ⇒ Getting it right takes more than just digital expertise, it requires human expertise, data insights and productization. Without this combination, cue horror stories of failed attempts at Digital Transformation.

## How can the sector use this challenge to their advantage?

- ⇒ Creating a digital transformation strategy that aligns with the firm’s overarching vision is sure to accelerate growth by satisfying existing clients and attracting new clients from the under 40s, who will soon dominate the customer market.
- ⇒ To embed a digital strategy that can adapt as quickly as the constantly changing environment around us, means firms can create an operating system that helps them stay ahead of the curve and on top of the latest technologies.

## Spotlight

Warnings to traditional law firms to evolve digital capabilities is nothing new, however the risk of not acting has grown. For example, accountants’ access to technology platforms is a threat to mid-tier law firms. With the Royal Bank of Scotland warning as early as 2015 that accountancy firms were slowly taking market share from the legal sector. For more on the complex relationship between legal services and digital, read Mark Clark’s (Enfuse Group’s Director of Legal Services) blog, [linked here](#).

# THE SAVVY CLIENT

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"As a client, the power of choice lies in my hands. I will spend time researching firms' websites and exploring my options online to find the right legal service for me. I expect to find easily digestible and transparent information."



## Get to know the savvy client:

- ⇒ The savvy client knows that they are empowered with so many legal offerings available on the market, and they will re-direct their spending to services that meet their expectations.
- ⇒ They will not waste any time reading legal jargon, instead they will turn to service providers that make their life easier. The savvy client is beginning to realise that they can resolve some of their legal matters without partnering with a legal firm.
- ⇒ The annual tracker survey from the Legal Services Consumer Panel found that a record number of consumers are now shopping around for legal services. Of the 3,500 participants, 43% of consumers were shopping around in 2022 compared to 30% in 2021.

## If the expectations of the savvy client are not met:

- ⇒ If the savvy client can't find the information they need in an instant search, they will disregard the firm as an option and choose a firm with accessible and digestible information and advice. That could be a legal firm who have already succeeded in providing a customer-centric approach, or a parallel sector.
- ⇒ The savviest of clients will take what legal matters they can into their own hands and utilise online tools if they do not feel the added value of partnering with a legal firm.

## What does this mean for the legal services sector?

- ⇒ Firms need to make information as transparent as possible to meet the expectations of customers, or risk losing out on business.
- ⇒ Not only are we witnessing a transparency push from customers, but the Legal Services Board (2022) issued a statutory policy statement for legal services to 'empower consumers' including helping them navigate the legal market.
- ⇒ To win over customers and reduce the risk of breaking regulations, legal firms must ensure that company websites describe what services they offer in a user-friendly way and display customer reviews.

## How can the sector use this challenge to their advantage?

- ⇒ Despite consumers spending more time researching brands online, a recent IRN survey (2022) found that only 21% of law firms invest in their website.
- ⇒ Promoting services and great customer reviews on company websites will help legal firms stand out to the savvy customer in a competitive landscape.
- ⇒ To harness the full potential of communication and engagement tools, firms must first understand what appeals to their customers, what information they expect to find and how they wish to consume it before creating the appropriate communications strategy.

## Spotlight

The savvy client's choice has opened beyond looking to traditional legal services for their legal needs. All the Big Four accountancy firms have entered the legal market in recent years, offering an 'alternative business structure' to service legal advisory and dispute resolution services. Today, the client has more choice than ever. The Managing Partner for Deloitte Legal has said that "growth is a strategic priority... and it is an area we are investing heavily in... as clients demand more value for money."

# THE EXPERIENCE DRIVEN WORKER

“When making a career move, the financial rewards are no longer my top priority, but several factors come in to play. Some of my key motivators include working culture, the quality of my work and my work life balance. I know I can take my skills to other sectors if traditional legal firms will not provide this experience”.

## Get to know the experience driven worker:

- ⇒ The experience driven worker is surrounded by peers who boast about their corporate benefits and culture, which encourages them to reflect on their own experience in the legal sector.
- ⇒ The experience driven worker has had time to reflect during the pandemic and came to realise that there is more to their career than financial rewards.

## What actions might the experience driven worker take in 2023?

- ⇒ Talented staff, especially females, who still experience inequality in the legal sector, will look outside of their firms for an employer or alternative sector with a better employee experience.
- ⇒ They are more likely to consider a career in the corporate legal sector, or at new entrepreneurial, technology-driven companies and at the Big Four professional services firms.



## What does this mean for the legal services sector?

- ⇒ PwC have predicted one of the four biggest risks to the financial performance of law firms within the UK in 2023 and beyond to be talent attraction.
- ⇒ Despite significant rises in salaries within the legal sector, law firms within the UK are continuing to experience high staff turn-over leading to a war on talent.
- ⇒ The legal sector risks losing talented staff and encouraging the recruitment pool to consider careers in parallel sectors unless employers can offer more than financial incentives.

## How can the sector use this to their advantage?

- ⇒ By creating the right culture and experience for employees, a firm can brand itself as a great place to work. Various awards and outlets exist that recognise firms for exceptional employee wellbeing at work. With this recognition, firms can stand out as unique in a competitive environment for the best candidates.

## Spotlight

Keri Arnold was a senior partner at one of the most prestigious law firms in the US, representing pharmaceutical, tobacco and energy giants. During the pandemic, she “evaluated her life” and decided that breakfasts with her daughters were more important than her current working experience. With that, Arnold moved to a six-year-old boutique firm, Wilkinson Stekloff, consisting of a few dozen lawyers, to find business culture that allowed her to have a better working experience and spend more time with her family.

# THE FLEXIBLE WORKER

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“During the pandemic I realised how much I enjoy spending extra time with my children, and I don’t want to give that up to return to the office. I know I am a respected senior team member, so I am sure they will approve of my flexible working request”.



## Get to know the flexible worker:

- ⇒ The flexible worker has witnessed the undeniable success of the legal sector during the pandemic, whilst workers were forced to work remotely. Post-pandemic, many do not want to return to the office and know it is not a necessity to maintain the firm’s success.
- ⇒ The flexible worker has climbed their way up the career ladder and is valued within the firm. They have an impressive work history, so know they deserve the working conditions that suit them, as long as it’s not detrimental to the firm.

## What actions might the flexible worker take in 2023?

- ⇒ The priorities of the flexible worker will encourage them to question their commitment to their employer and the sector.
- ⇒ As employees dedicate long working hours to the firm, if they feel their employer isn’t willing to negotiate on flexible working, their extensive resume makes it easy for them to find employment within one of the many firms that support hybrid or remote working.

## What does this mean for the legal services sector?

- ⇒ There are many solutions to providing a great employee experience. Offering flexibility around work location (hybrid/remote) is just one of them.
- ⇒ Legal firms may struggle to retain talented staff if they do not implement flexible working as a permanent option.
- ⇒ The legal sector must consider the challenges associated with flexible working, such as cyber security, maintaining a work-life balance and staff training. These risks should be minimised with a sustainable, flexible working approach and policies.

## How can the legal services use this to their advantage?

- ⇒ Thankfully, the increase in flexible working has brought along with it a suite of tools that can help firms adapt to this new way of working.
- ⇒ One of the first questions a firm must address is – ‘as an organisation, is our change capability mature enough to implement a permanent change to our working environment whilst minimising associated risks?’ Read more on assessing change maturity, and how change management can help by [following this link](#).
- ⇒ Flexible working requires a different set of values for the firm and employees to live by, number one, being trust. Which brings us to the question of organisational culture - are deeper changes required?
- ⇒ Research has shown that flexible working can be an excellent advantage to firms. With flexible working, individuals are equipped with the power to work in the most efficient way for them. According to Caroline Castrillon at Forbes, employee outputs can be doubled by embracing flexible working. Flexible working also provides better work-life balance (reducing commuting time can lead to up to 17 extra days off per year, according to Integris), and a generally happier team.

# THE BURNT-OUT WORKER

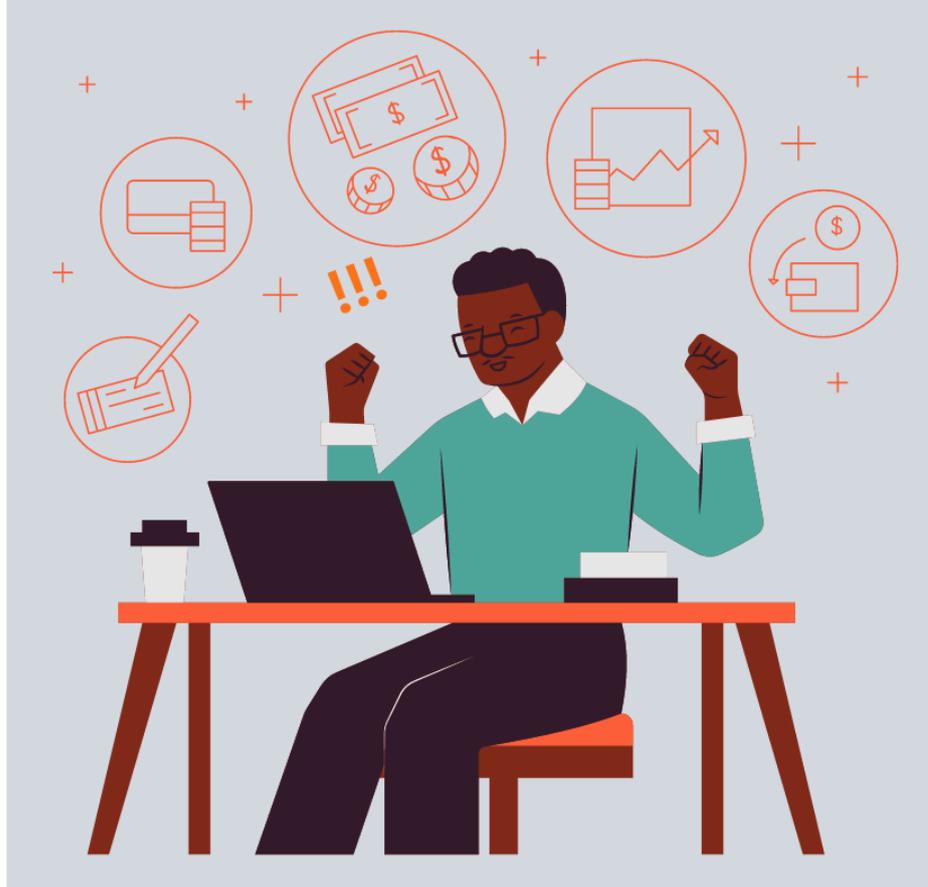
“I’m burdened with mind-numbing tasks, long-hours, and pressure from my seniors. I have little patience left and I’m wondering why I’m putting myself through it when my progression path is unclear and insecure.”

## Get to know the burnt-out worker:

- ⇒ The burnt-out worker identified here is working to the point that it has a detrimental impact on their health. Yet, they get little acknowledgement or return for their efforts.
- ⇒ In 2021, Legal Cheek reported that amongst UK lawyers, those aged 26-35 were at the highest risk of burn-out.
- ⇒ The junior lawyers are also acutely aware that their workplace wellbeing is unlikely to improve as they progress up the career ladder. For those who once had ambitions to make it to partner level, they are aware that the path to the top takes even longer than it used to.

## What actions might the burnt-out worker take in 2023?

- ⇒ In the burnt-out junior worker’s eyes, the path to partner, has “lost its lustre”. A 2021 survey by recruiting firm Major, Lindsey & Africa found 23% of millennial lawyers wanted to make it to partner, down from 31% in 2019.
- ⇒ Junior lawyers may choose a different career path altogether in a parallel sector that promises a better work-life balance.



## What does this mean for the legal services?

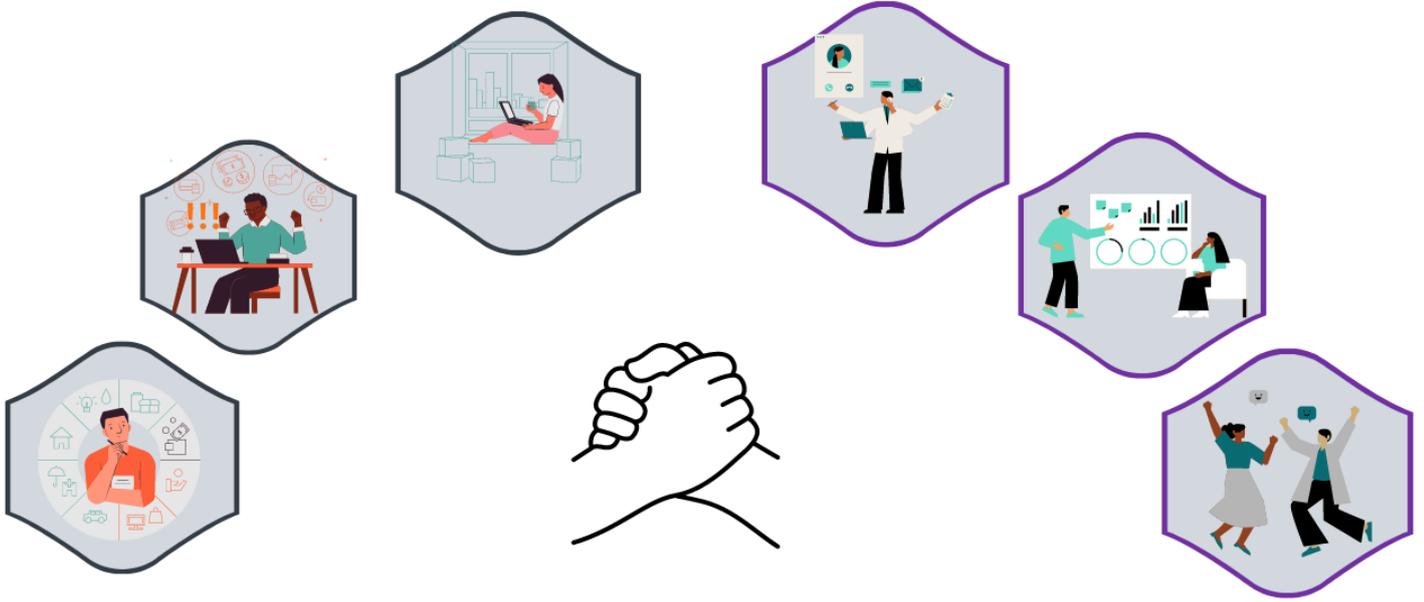
- ⇒ The negative mental health implications associated with the legal services sector continues to rise as employees voice burn-out and poor health due to work, with 63% of employees in the legal sector reporting daily stress according to a recent survey by the UK insurance firm, Protectivity.
- ⇒ As the legal sector is known for high levels of employee burn-out it becomes an unattractive profession for talented people to enter. Those with an interest in legal professions will look to parallel sectors for an alternative career that allows them to practice their passions, in a sustainable way.
- ⇒ From a client perspective, the value of partnering with a legal firm with good working conditions and good employee wellbeing continues to rise. Clients are implementing this value into contracts through corporate social responsibility clauses. As clients increasingly build employee working conditions into contracts with legal services, the legal sector must adapt or risk losing work to firms with wellbeing policies in place.

## How can the legal services use this to their advantage?

- ⇒ Placing a higher value on employee wellbeing creates a happier, higher performing team and better working environment for the full team.
- ⇒ Building a reputation of being a legal firm who put its employees first, aligns with the values that are becoming apparent in the eyes of potential clients and potential employees.

## Spotlight

Natasha Harrison, managing partner at Boies Schiller, stated that “associates are looking for more than money, they want firms to offer a better work-life balance”.



# THE DISRUPTIVE INNOVATOR

Evidently, the frustrations of the clients and of workers within the legal services are reaching boiling point. If these frustrations are to combine, **what could that mean for the industry?**

- ⇒ As clients of legal services become frustrated with the experience they receive, and bored of outdated digital offerings and communication styles, they fail to see the value in paying for legal services. During their research, the savvy clients, have found that the legal industry does not sell itself in a client friendly way, with legal jargon which makes it difficult for the client to digest information. The savvy clients are further discouraged from using a firm's services as they discover client reviews which recommend "do not waste any time or money with X law firm!!". The frustration from clients is building for various reasons, but one thing they have in common is that they have grown tired of the symptoms of a service which does not operate with their best interests at heart. So, the legal client begins to question – "do I need to rely on the legal sector, or can I take matters into my own hands?" and starts looking for alternative options.
- ⇒ The frustrations of the workers within the legal sector - from junior position all the way up to partner - may look different to the frustrations of the client but the root cause remains – they are employed by an industry who have dismissed the human being. This leads to employees within the legal sector wondering - "Is there a healthier working culture, that provides flexibility, a better work life balance, more interesting work and stops the recurring burn-out?"

**The answer to both the client and the workers curiosities is, yes.**

There is an alternative business model that is ready to disrupt the market and will do so with the power that clients and employees currently hold. The alternative model has already begun to build traction, as mentioned throughout this report, in the form of corporate legal departments, accountancy firms and technology driven firms. If workers and clients continue to turn to alternative business models instead of traditional legal services, the disruptor is given the power to continue upmarket in the legal sector and chase higher margins, eventually becoming the dominant force in the market.

And traditional law firms, might just self-destruct.

# WHAT ACTIONS CAN THE LEGAL SECTOR TAKE?

As one of the world's oldest industries, traditional practices are ingrained in the culture. To change, the legal sector must face up to change and draw on expertise to remove some of these traditional practices and replace them with a human-centric design, with clients and workers at its heart. Numerous examples have been outlined throughout this report, such as digital transformation, user analysis and cultural change. The actions that are necessary to take are unique to each firm. The first step is exploring the biggest challenges faced by your firm, and the best solutions to bring you value. Whilst your approach must be tailored, what are some of the immediate benefits that can be experienced at the beginning of the transformation?

- ⇒ An agile digital strategy, that allows the legal services to adopt the latest technologies as they emerge will ensure firms have a sustainable approach to keeping pace with the disruptive innovators. Getting strategy right the first time saves financial resource of re-visiting your strategy with each new digital advancement.
- ⇒ Understanding your client base brings with it a diverse range of benefits. For example, marketing attempts can be tailored, drawing in new business as clients' needs feel heard.
- ⇒ Providing exceptional customer experience leads to instant online reviews from clients for potential new clients to find immediately.

## Conclusion

The legal services sector needs to transform from traditional working practices. Those who choose to remain unchanged, are at risk of being superseded by market disruptors. The disruptive innovator has the potential, driven by the power of the client and the employee, to provide an alternative business model that places the human needs at its core.

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