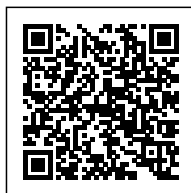


A VIEW FROM LONDON - VIVA LA REVOLUTION IN LEGAL SERVICES

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The stakeholders in the legal market have finally become aligned – clients are now at the centre of the legal services solar system with premium law firms relegated to an orbiting position, says Bryan Hughes, Chief Executive of Eversheds

There is no question that the worst recession for 80 years has had a major impact on the legal sector. General Counsel are under pressure to deliver more for less. In turn, they are demanding reduced costs and greater value from their legal advisers. Quite rightly they want accountability when it

comes to how their budgets are being spent and more imagination when it comes to fee structures.

For law firms this has meant facing up to challenge and change. Whilst some are holding fast, hoping that the boom times will return soon, the smarter ones are adapting for the longer term.

Eversheds latest Law Firm of the 21st Century Report shows that the legal landscape has changed permanently and more quickly than anyone could have imagined when we produced our original Report in 2008. Even before the credit crunch, it was clear that clients were disillusioned with ever-increasing fees, wasteful practices and an unwillingness to change. Harsh economic times have polarised these issues.

When the severity of the recession became apparent at the end of 2008, opinion was divided as to what this meant for the legal market. Would it bring about a new world order, or would the market revert to its prerecession shape as soon as the cycle swung up again?

For our 2010 update, 130 General Counsel and 80 law firm partners were asked whether they thought the recession would have a lasting impact on the profession. A resounding majority (78%) answered 'Yes'.

However, the recession in itself was not thought to be the key driver of change. What it has done is accelerate other significant, long-term drivers. Some believe that this change has been accelerated by as much as ten years.

Los agentes del mercado legal finalmente están de acuerdo: el cliente está en el centro del universo de los servicios legales, quedando los despachos

relegados a una posición orbital, afirma Bryan Hughes, Director General de Eversheds. Para los despachos, esto implica afrontar desafíos y cambios. Mientras que algunos se aferran al pasado, esperando que vuelvan los tiempos de bonanza, los más inteligentes se están adaptando al futuro.

The research identified four major factors which are driving change. The confluence of these, stimulated by the recession, has created a perfect storm in the legal market. In order of importance, they are:

- globalisation – the move to the East
- increasing professionalism and status of the General Counsel
- technology
- the Legal Services Act in the UK.

Shifts in the business world are undoubtedly affecting the way lawyers interact with their clients.

General Counsel have increased in importance in their companies, private practice has been put in its supplier place and the billable hour has been relegated to an internal facing tool in a varied fee toolbox. Value and efficiency have finally become common in a sector that has stubbornly refused to follow business rules that say the client is always king.

The recession may have caused law firm redundancies, and those more exposed to financial services and real estate will have felt the pain more than others.

But overall, lawyers will actually be more significant business players in the new world.

The increasing role of regulation, ethics and the re-examination of risk are core areas for the lawyer, ensuring that even as the transaction 'go-go' days wane, they still have an important role to play. What they might not see any more are super-high fees and, at the premium end of the profession, headcount may shrink for the next generation.

For Western law firms, the shift to the East is well underway both as a move to follow a global economic trend but also as the drive to efficiency dictates that low-cost jurisdictions are a key component of cost base reductions.

Few law firm leaders now believe that old models will survive. Some may occupy the role of trusted adviser, but even this has been assumed by General Counsel who, whilst wanting collaboration, will put value for money first. And with the power resting with General Counsel for some time to come, what they want (and need) will dictate how the market develops.

Whilst little good has come out of this recession, the much needed reality check for lawyers is, perhaps, one positive byproduct. Is the time ripe for a revolution in the delivery of legal services? Our Report suggests that it has already arrived.

Bryan Hughes is the London-based Chief Executive of Eversheds. He can be reached via bryanhughes@eversheds.com. For copies of The Law Firm of the 21st Century contact the firm's Communication Department.