

business sense legal

WHY AUTOMATED
DOCUMENTS
ARE THE FUTURE,
BY EPOQ'S
GRAHAME COHEN
page 7

New horizons

*Is bigger better for law firms?
A look at the ins and outs of
mergers and acquisitions*

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**STEVE ARUNDALE, HEAD OF
PROFESSIONAL & FINANCIAL
SERVICES SECTORS, RBS**



Welcome to this Business Sense legal supplement. At RBS we are striving to create a high

level of sector specialism so that we are able to work in partnership with our legal customers to meet their needs and deliver their ambitions.

In the following pages you will see a mixture of insight, information and inspiration on a number of subjects, including our cover story guiding you through the ins and outs of mergers. We also have expert opinion from the likes of Epoq's Grahame Cohen on automated documentation and Huthwaite's Peter Fleming on the importance of back-office organisation.

I hope this publication shows the ways we will maintain a proactive relationship with our legal customers. We have also invested in providing relevant sector-focused training for our Relationship Management teams, increased the number of staff available within the Solicitors Team at our Service Centre and invested in products like the Breakable Fixed Deposit Accounts.

We also believe that service quality is a paramount requirement for our customers, from Relationship Managers who understand the challenges facing their profession and a Bank that can evidence long-term commitment to their sector.

To contact Steve directly, email steve.arundale@rbs.co.uk or call him on 07796 993717.

Legal news

STAFF TRAINING ▶

Investing in the future

The Institute of Legal Finance & Management (ILFM) offers courses aimed at helping law firms comply with the Legal Services Act (LSA). Vice chair Richard Hill believes that the ILFM should be the first contact for any legal firms looking to train staff. "We offer courses and seminars various sorts of subjects from credit control and practice management to VAT and legal aid, all aimed at improving staff skills and keeping legal firms ahead of the compliance curve."

Of particular importance following the changes brought about by the LSA is the creation of two new roles in law firms – compliance officer and compliance officer for finance administration (COFA).

"We run courses aimed at bringing staff to up to speed in these key areas and giving them the qualifications required," added Hill. "Aside from the obvious compliance benefits for law firms, there are also commercial reasons to get staff trained in these areas – if you have someone in your firm who is fully qualified in handling clients' money, it will give customers more confidence in your business."



GOVERNMENT CUTS ▶

Law firms react to legal aid changes

Criminal and civil legal aid practices are coming to terms with the implications of the Government's major legal aid cuts. New fee levels for criminal work came into effect on 3 October 2011 while vast swathes of civil provision will be removed by the Legal Aid, Sentencing and Punishment of Offenders Bill, which is currently going through Parliament. Mergers are being announced – such as Noble and Tank Jowett in the northern home counties, creating one of the largest criminal legal aid practices in the country – while East London firm TV Edwards has completed no fewer than seven mergers in recent times adding to its legal aid capacity.

THE LAW IN NUMBERS* >

44%

of people would ask a friend first when looking for a lawyer

53%

of businesses say trusting a partner is the key element of the purchasing decision



51%

of businesses say they want online communication

49%

of consumers preferred ongoing communication with their lawyer to be face to face...

43%

of consumers would only instruct a solicitor on a fixed-fee basis

*SOURCE: THE PEPPERMINT TECHNOLOGY CUSTOMER RESEARCH REPORT 2011

OVERSEAS COMPETITION >

Online giants heading to the UK

The best-known legal brand in America will hit these shores in 2012 when document assembly business LegalZoom starts operating in the UK. Also crossing the Atlantic will be another document-assembly website, Rocket Lawyer, which recently received investment from the venture capital arm of internet giant Google.

The automated document assembly market in the UK is currently dominated by Epoq Legal, while LexisNexis has also recently entered the fray with LexisSmart.

LegalZoom co-founder Eddie Hartman said: "The UK is today an environment where one can give more value to the consumer and soon, with alternative business structures, offer far more."

Charley Moore, the founder of Rocket Lawyer, echoed the sentiment, saying the advent of alternative business structures made the UK an attractive location because "the market's getting more receptive to new ways of consuming legal services".

Both sites offer consumers the opportunity to have their documents



reviewed by lawyers, at either no or low cost, with a view to selling them other services.

LegalZoom – which recently received private equity investment of \$66m – has built its brand through a heavy advertising spend. In 2011, Americans filed more trademarks through LegalZoom than the top 25 law firms combined.

For more on automated legal systems, see the article by Epoq's Grahame Cohen on p7.

BACKING LEGAL EXCELLENCE >

The Bank supports the Law Society

RBS continued its proud association with The Law Society by sponsoring its annual awards, which took place on 18 October 2011 at Old Billingsgate (below). Steve Arundale, Head of Professional Sectors said: "RBS has retained a long history as one of the primary bankers to the legal sector. In a world of increasing competition and liberalisation it is those legal firms who strive to deliver service and performance excellence who will secure a successful

future. RBS is committed to supporting the legal sector and is delighted to demonstrate that commitment by supporting the Law Society in its recognition of excellence."

lawsociety.org.uk



COVER: GETTY IMAGES: ALAMY

Trading up

One of the repercussions of the Legal Services Act is that many legal firms are looking to merge to strengthen their position. Neil Rose examines the risks and rewards involved

“The problem with law firm mergers,” reflects Patrick Gaul, “is that they’re full of lawyers.” The managing partner of national firm

Weightmans should know, having earlier this year sealed simultaneous mergers with north west practice Mace & Jones and the insurance practice of south east firm Vizards Wyeth. While more than happy with the outcome, he can see flaws in how he got there, not least engaging in a ‘formal legal process’ with a detailed contract as part of the merger talks – but then, formal legal processes are what lawyers instinctively reach for.

“I’m not actually sure you get a lot out of that,” he says. “Once you’ve merged you’ve got to make the best of it... If you’re going to rely on this beautiful document, it’s an admission of failure.”

Smooth integration

Weightmans, best known for its defendant insurance work, is now a £75 million business with more than 1,000 staff. Mr Gaul sounds genuinely surprised by just how smooth the integration process has been – for plenty of mergers this is a very bumpy period, with IT systems falling down and unhappy partners exiting from all corners. But in any case it was strategically necessary, he explains. Weightmans had doubled in size organically (to a £56 million turnover), but Mr Gaul felt it needed a fresh injection to help it grow further; Mace & Jones added to its commercial law capacity, while Vizards Wyeth consolidated its insurance expertise and particularly its relationship with its biggest client.

Another factor in the thinking was the 2007 Legal Services Act (LSA). “The Legal Services Act is influencing everything,” he says. Size has several benefits in the changing legal market – clients want more diverse and deeper services, the cost of being in business (he cites ensuring data confidentiality as just one example) is high, and they were seeing some tenders for work that simply excluded smaller practices.

Simon Astill, managing partner of midlands and home counties firm Harvey Ingram,

agrees. Describing the LSA as “huge”, he says: “Lawyers need to know how to provide legal services in a competitive market.”

At the start of 2011, Harvey Ingram – which had offices in Leicester and Birmingham – merged with Borneos of Milton Keynes, Newport Pagnell and Bedford to create a £20 million, 400-person practice. Mr Astill said the two firms were similar in “standards, ethics and culture”, and the merger gave Harvey Ingram access to a range of new commercial clients as well as a greater geographical reach, among other benefits.

New opportunities

But the LSA means working ‘differently’, rather than providing more of the same, he believes. There are quite a few management consultants making a living in the legal market at the moment by advising firms to take steps that other sectors would consider very basic, such as opening at lunchtime and cross-selling. Another is establishing a personal relationship with the client so as to understand them better – something that lawyers historically have been accused of not doing well – and this is an area where Harvey Ingram is trying to differentiate itself, says Mr Astill. “You need to understand the story before you start to deliver the solution,” he says. “You can be different if you understand people.”

While nobody knows for sure what the impact of the LSA will be, greater consolidation is widely predicted. Professor Stephen Mayson, director of the think tank The Legal Services Institute, predicts that the need to reach a certain size will mean that 3,000 of the 11,000 law firms in England and Wales will disappear over the coming years, largely through merger and acquisition.

A survey of the largest 200 firms by legal consultancy Inpractice earlier this year found that 74 per cent have approached or been approached by another firm with a view to a potential merger or acquisition of the business or a team in the previous 12 months. However, only a small proportion of these discussions actually led to a completed deal.

Inpractice UK director Allan Carton says: “A huge amount of time is being invested but often wasted due to lack

of effective preparation by senior management in legal practices.”

He adds: “There is a growing realisation, particularly among the mid-tier firms, that bigger can be better... Law firms are now more open to change – that’s a positive. Top firms aren’t burying their heads in the sand trying to ignore the impending ‘big bang’ [of the LSA]. Instead they are facing it head on and demonstrating greater commercial awareness.

“The same cannot be said for all the smaller firms, where there is a dilemma with many partners struggling to see a future when they could be more pro-active in getting organised. Attractive options are available to most practices. It is just a case of unearthing them.”

Successfully merging

Viv Williams, managing director of consultancy network the 360 Legal Group and a mergers specialist, reports that merger discussions are happening around the country, “with many firms recognising that they must either get bigger, become more niche or get out”.

“The problem with many discussions is the failure to recognise the key elements of a successful merger. Two badly managed law firms merging is not a recipe for success,” he says. “It simply creates a larger badly managed law firm.”

Thus, having a clear strategy prior

to any merger or acquisition discussions is essential.

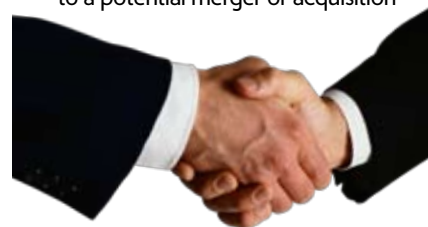
Ison Harrison is following an interesting strategy. The practice, which styles itself as ‘The Leeds law firm’, has been acquiring small

high-street businesses in the area, most recently James Bloomer Solicitors in Ilkley, to enhance its very tight focus on its immediate surroundings. Managing partner Jonathan Wearing says the LSA “has made us think and reflect about the future... It makes sense for us to keep incrementally growing”.

For him, high street legal practice is not dead, although “the very small firm whose partners are expecting to fund school fees through conveyancing, wills and probate, and private client work” is. He has found that sole practitioners receive an unfairly bad press. “They are genuinely close to their clients,” he explains. “It’s a very different kind of consumer to those who might be attracted by new

74%

of law firms have approached, or been approached by, another firm with a view to a potential merger or acquisition



high-street ventures, and the number of clients who go to them has not dried up.”

But while the LSA is the mood music, the fact that alternative business structures have in the main not yet started means other factors are driving change, he says, such as the cost of professional indemnity insurance, mortgage lenders removing small firms from their legal panels and problems with borrowing.

Service is key

Mr Wearing argues persuasively that a lot of clients still want to be able to visit their law firm and see a solicitor rather than dealing online with a paralegal, a sentiment backed up by many surveys. Big retail brands may be massing at the gates, but what supermarkets will not be able to match, Mr Wearing maintains, is that personal relationship. “If you walk into a supermarket, you’re unlikely to see a partner there. By their very nature they are going to be large national businesses, not focused local practices.”

Interestingly, Patrick Gaul of Weightmans identifies a similar priority. By boosting its commercial law credibility, the Mace & Jones merger “de-risks us and gets us into a market where people want specialist, face-to-face legal advice”.

The reality of the LSA is that lawyers will not become redundant – but the businesses they currently work in might do. The challenge is to work out exactly how to build a practice that makes them invaluable to clients whatever competition emerges – and the right merger is likely to be a key part of that strategy. “But it’s not for the faint-hearted,” cautions Mr Gaul. “You’re not putting a business together; you’re putting people together.”



Tackling client needs

With the legal sector facing structural change, law firms need to look at a new approach to client liaison, according to Huthwaite International

Law firms need to take a 'one firm' approach to business development in the face of clients' changing procurement strategies, according to leading behavioural change consultancy Huthwaite International.

Huthwaite, which specialises in sales performance improvement, says the increasing problems of business development staff accessing clients means others within practices need to take responsibility as well - but are currently not prepared for this new role.

An independent survey of senior sales/business development and marketing executives commissioned by Huthwaite found that almost a quarter of business developers have seen the amount of face-to-face selling time fall compared with three years ago.

For nearly two-thirds of these, the reason is a change in procurement strategies, with clients centralising the way in which they are buying goods and services - only 13 per cent cited the economic downturn, while 22 per cent said they simply had fewer staff.

At the same time, other client-facing but not business development-focused colleagues are increasingly getting more 'air-time' with influencers in the buying organisation, Huthwaite says. "However, law firms have yet to take full advantage

of this valuable contact, as such staff do not yet recognise their potential to directly contribute and many practices provide little or no firmwide client relationship management programmes."

Peter Fleming, Huthwaite's legal services business director, says the survey pointed at structural change in the legal market as procurement professionals play a greater role and clients become more resistant to being overtly sold to.

"This is likely to result in fewer opportunities for law firms to have an open and meaningful dialogue around their clients' business needs and how best to address them," says Fleming. "In short, those directly responsible



52%

of law firms do not formally integrate partners with client support teams to help develop and grow the business

GETTY IMAGES, ALAMY

for business development have less opportunity to create value."

As the trend is not linked to the economic cycle, the report said law firms need to reconsider their whole client approach. For the business development team, the need for value creation, negotiation and account development skills becomes more important, as the business has to get the best it can out of a decreasing number of formal sales opportunities.

Fleming adds: "All staff with direct client contact need to recognise that they have a vital role in the delivery of effective client management. They can add tangible value at every touch point and, increasingly, will have more opportunities to talk to key influencers than their partners with business development responsibilities."

This does not mean all client-facing staff have to become sales people, he emphasises. "Service and sales is not an 'either/or' state with clear dividing lines. Rather, it is a continuum along which employees can be encouraged to progress, as they can often be in a better position to help the practice recognise business opportunities."

However, the survey found that most firms have a long way to go in achieving this 'one firm' approach to client development. Some 77 per cent of client-facing staff see their role purely in terms of meeting client expectations. "They have no understanding or desire to go any further in recognising and developing client needs," it says.

The structure of law firms does little to encourage any change in attitude either; in 52 per cent of firms, partners with business development responsibilities and fee-earner/client support teams work together on an informal basis only, and in a further 12 per cent the two departments work totally independently.

"Law firms can no longer simply rely on the skills of their front-line people," says Fleming. "Tomorrow's successful organisations will be those that effectively align their service delivery and business development operations more closely - by helping and supporting all client-facing staff to play a more direct role in business generation and client management."

huthwaite.co.uk

Contact us

Get in touch with our legal specialists. Visit rbs.co.uk/professionals, call 0800 073 0194 (minicom 0800 404 6161) or email legal@rbs-businesssense.co.uk

Epoq is the market leader in delivering document automation services. We offer sophisticated solutions, including flagship system Rapidocs, which allows users to create an intelligent interview, which can very quickly turn into in-depth draft documents. These systems are designed to be used by both the solicitor and the client – it's about having great content and a delivery mechanism that works in-office for the fee earner when face-to-face with client or remotely so that the client can access a questionnaire prior to visiting the law firm. This provides greater efficiency and gives clients what they are asking for.

Just about every single survey of legal customers done in the last five years produces the same results – clients want price clarity. That doesn't mean that you need to offer 'one fee fits all'. In this case, price clarity means your clients know how much they are paying for what they get, so that they can easily work out what they can afford, and that they get good value.

Clients don't really care how a legal firm's documentation and processes are run – they want a good service at a price point that gives them value and if the solicitor they are working with tells them 'As part of this I'm going to send you an

email with a link to some questions, then you will come to our office and we'll take it from there,' the client won't mind. They just want to know that they are in good hands, getting good advice and paying a price they are comfortable with.

The only way to give customers this type of price clarity is to have a system, such as Rapidocs, in place that gives solicitors clear information on how much things cost, and how long they take. These sorts of system are driving a huge change in the market. Big players like Legal Zoom and Rocket Lawyer are going to be in the UK next year, and the one thing they have in common is a document automation system at the heart of what they're doing.

It's now come to the point where there is no real choice for traditional UK law firms – they could bury their heads in the sand and ignore the issue, but I fear for those companies in a couple of years, maybe less. By having an automated system in place, you have the ability to compete more easily with rivals offering a similar service.

So, if a client phones up and quotes a price from a rival that is clearly itemised, and you have your own system in place, you can create a competitive quote that

has equal clarity – even if you can't match the rival quote, being the client's local solicitor and having a high-street presence in their area may well count in your favour. If you don't have an automated system in place, and you can't give a clear price for what the client wants, they are always likely to go with a service where the costs are clearly spelled out.

The good news is that putting an automated documentation system in place is actually fairly easy. I would recommend a slow and steady integration where you

“Document automation allows you to offer clients price clarity”

start by introducing the system on a department-by-department basis. This can gradually be increased to cover more clients and more staff until your entire business is using an automated system. This should greatly improve your efficiency, profitability, and, most importantly, allow you to offer clients that all-important price clarity.

Some firms, and certainly some departments or individuals within firms, will be resistant to change. However, I honestly believe that this is something that will happen by force in the next 18 months, so businesses should be trying to take the initiative now and steal a march on rivals who are more reticent to adopting an automated system.
epoq.co.uk

Re-boot required



Epoq founder and CEO Grahame Cohen believes that law firms have to move fast to avoid falling behind in the technology race



Free the cash tied up in your business

Lombard's asset finance service lets legal firms use their business assets without restricting cash flow

There are numerous business assets – from company cars to computers – owned by legal firms that could, and possibly should, be funded in such a way that the firm can free up its cash. In addition, an issue facing all law firms is that businesses providing professional advice to clients require Professional Indemnity Insurance (PII), which is often paid for using a loan with an unfavourable rate of interest.

One such legal firm was Brachers LLP. The Kent-based business services numerous high-profile clients in the corporate commercial law sector and had taken out a broker-arranged loan to cover their PII. Following a financial review, Brachers' head of practice management Tim Robinson asked Lombard to provide an alternative quote. "With aspirations to grow our practice, it was important to ensure we were on a competitive rate for PII without having to commit working capital upfront to the annual premium," Robinson explains.

Following Brachers' enquiry Lombard

was able to offer the firm a more favourable loan and draw on its full repertoire of asset finance resources to fund further growth in the business. "It's much simpler for our customers to deal with one point of contact for asset funding," says Relationship Manager Darren Lansley. "Therefore, I was keen to identify how other divisions of Lombard could help Brachers."

As a result, Brachers has been able to access a new hire-purchase deal for its hi-tech telephone system. This deal meant Brachers benefited from a lower monthly rental. In addition, the firm has updated its fleet of company cars for partners, with more environmentally friendly vehicles that have a lower rate of tax and enhanced fuel duty.

Brachers has been able to free up £135,000 in total, which can now go towards growing the firm. By using Lombard's huge range of flexible asset finance solutions, law firms could cut their costs and, in many cases, free up cash to reinvest in the business.

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