



Got the difference



Will Taborn, founder and managing director at Taborns, examines the problems of the traditional law firm model

Spot the difference – a game where two images seem the same, but they have differences. Practising law and delivering legal services in 2018 – they seem the same, but they have differences. A squeeze is being put on the traditional partnership model. Whether it's the Big Four accountancy firms squeezing the larger law firms, or the second-tier law firms being impacted by the incursion of new models and ideas, the change has started.

It's commonly known that in economic downturns any given industry will look into restructuring. The UK legal market was no exception, especially as it had reached saturation point with a lot of law firms fighting over clients – clients that are finite. What was needed was a serious look at how things have traditionally been done.

Some time has now passed since we have had a relaxation of the rules about who can own a legal business or firm. Regulation has been cited as the greatest barrier to innovation, and the lifting of obstacles to innovation by easing the regulatory burden is something that happened a while ago now – the Legal Services Act 2007. As a result, the way these new businesses operate, and the structure they take, is now clear.

THE PROBLEM

The partnership model, if it is to remain, needs to change. In my opinion, it should shift from supplying the commodity to what the client needs. Henry Ford said: "If I asked people what they wanted, they would have said faster horses." There are things wrong with the model in terms of the fit in the modern world and it has to change in the same way that Ford was instrumental in replacing horses and carts. The problems include:

- Difficulty of achieving pay and status parity within a firm with a partnership model
- The move of a partner to a competitor with a large salary or bonus impacts the client in terms of cost
- More senior partners not being interested in an actual legacy and only in the short term – they

will not have a stake once they leave

- Client protectionism – owning a client because the system demands you do something to be rewarded, rather than thinking of the client more. This is an internal issue, not external
- The lockstep method of remuneration – it assumes that senior people will generate more for the business than junior ones. While certain firms have now established a merit-based system, the old lockstep model still exists.

So, in summary, although robust, the partnership model is rigid, and erects a barrier to change. It is financially driven at the cost of values. Of course, we simply must have rules and regulations in place – society, not just law, would fall apart if we did not. However, the model currently still prevalent does not seem to possess the agility and flexibility our modern world is increasingly leaning towards.

NEW PLAYERS

There is no doubt that the ABS model is here to stay. This is helping to shift law with the times and the much publicised Riverview Law/EY deal is one of the headline examples. This is not the only element, though.

The new incumbents are able to operate at a level where the price is more palatable to the client. This is made possible, because where the traditional model is geared to a large cost base, the 'new kids on the block' have no problem competing with the partnership model. The new regulations also mean that for new entrants the available investment can come from a wider area and expertise can be brought in from other sectors.

The driver now should be sustainable, long-term relationships. In the wider business world, this means partnering and growing with clients – having a deeper relationship.

By way of an example, I set up my model so as to give SMEs, corporates and the high net worth a clear, easy, cost-effective route into the right legal services, whether advisory or contentious. Going back to the Henry Ford quote – I saw a need for it. I'm not one for naming my clients, but



“ *The lockstep method of remuneration assumes that senior people will generate more for the business than junior ones.* **”**

as an example, a construction client asked me to assist on legal matters as it was fed up with inflated fees and substandard work from a very large City firm. Simply put, people want value.

We then move to the way the new firms are embracing other areas. The notion that all legal work should be done by legally trained people has now been blown out of the water – look at the technological, process and project management firms out there now – just a glance though LPM magazine will tell you the full story.

Simply put, the new guys ‘get it’. The lack of a partnership driven-structure allows them to be successful in a number of ways. These are just some of the ways to which I have been privy: they address client dissatisfaction and do something about it; they thrive on customer service; they know the client’s business; they do not have a high hourly rate-driven cost culture; they thrive on efficiency through various means; they apply some value to work by valuing the client’s input; they utilise technology to provide efficient solutions; and they project manage matters – which complements almost everything on this list.

The traditional partnership model is in the throes of a defining time. The ones that look to take time to understand their client’s business, utilise technology and streamline processes to give value, will see it through. The ones that do nothing will find it hard at best.

So, what are you doing to demonstrate to your client that you do not just know the law? **LPM**