

advocacy needs nationally, and educating the public to the increasing importance of advocacy in the modern world. We would be shareholder driven, and managed as a corporation, with a board of directors. The company would have to provide value, and that would mean that the directors would have to make sure that we were manufacturing and selling a product of real value. Individual barristers would be monitored and regulated. We would acquire and develop core and non core businesses, so that our strength was widely based, and not susceptible to the winds of change.

In order to achieve that, we, and all other barristers' chambers, need solicitors, businesses, academics and

individuals in the North West to help us. We need to be acknowledged as being able to provide a service (in our areas of excellence) which cannot be bettered anywhere in the country, including particularly London. That is achievable. We currently have individual barristers who could justifiably make that claim. In order to achieve more, though, it is essential that we have the support of the North West. 

Bill Braithwaite QC

# Legal services: opportunities and challenges

by James Faulconbridge and Daniel Muzio

Some of the recent trends in corporate legal services in the North West can be perceived as creating either opportunities or threats.

## INTRODUCTION

A predominant interest in globalisation often obscures the regional diversity and local flavours of professionalism that characterise our legal world. Our recent research into legal services in the North West partly rectifies this gap in our knowledge, revealing the experiences of solicitors in this region and highlighting a set of local responses to what are often more general issues affecting the profession as a whole. This is, perhaps, most aptly summed up as a story of new opportunities but also new challenges, as lawyers in the North West seem to benefit from stereotypical portraits of their work – to put it crudely, corporate legal services are cheaper in the “regions” that in London – but also challenge taken for granted assumptions about the quality and innovativeness of services. Indeed, as *The Lawyer* recently reported, the North West has both one of most attractive marketplaces for corporate legal services in the UK – Manchester – but also one of the least attractive, Blackburn (“London: not as sexy as Bradford, apparently,” *The Lawyer*, September 25, 2007).

In this brief report we want to explore some of the recent trends in corporate legal services in the North West and argue that they can actually be perceived as creating either opportunities or threats. We begin by highlighting the key logics and dimensions which support a regional division of labour in the legal profession in England and Wales. We then

analyse some of the organizational responses pioneered by North-Western firms to transcend the limits of their geography and bridge the gap between local and global. We conclude by highlighting an area, work-life balance, where regional firms may have a competitive advantage. This is important in an era where work-life pressure are exacting a toll in terms of job satisfaction and staff attrition rates.

## NEW MODELS FOR NEW TIMES

Clearly one of most pressing issues for law firms today is the challenge or opportunity posed by the Legal Services Act and the proposed reforms to the ownership of law firms. We do not focus specifically on this issue here; our research was conducted before the bill was given royal assent and any discussion would be sheer speculation. Similarly, our research was also conducted before the onset of the “credit crunch” and the financial turmoil of 2008. What we can do, however, is analyse the way firms have been adapting to maintain and develop competitive positions in the North West but also, more broadly, in national legal markets in the 21st century.

The North West today is populated by a diverse range of corporate law firms. These include:

- Commodity firms, which focus on the bulk production of low value added services (both commercial and personal).

- Bespoke firms, which focus on high value transactional work for corporate clients. These firms, that usually have only one office, seek to dominate profitable niches and develop a reputation as experts in a particular field of law.
- Globalisers, who attempt to develop both full-service provision in the North West and throughout the UK but also globally to varying degrees.

The link between strategy and structure is particularly important here. Strategies to be effective have to be underpinned by appropriate structural configuration and working practices. More specifically, commodity firms tend to use highly leveraged and extremely formalised labour processes that use high ratios of non-qualified staff and some junior professionals in place of partners. In this context, job descriptions and work processes are tightly defined and there is a reliance on technological standardization and off-the-shelf solutions. Bespoke firms tend to be partner lead and to give much more scope to professional autonomy and discretion. Finally, globalisers can fall into either of the two categories depending on their focus on commodity or bespoke work. Of course, we should not forget those firms where both types of activities and therefore strategies co-exist within the same structure, thus giving rise to distinct challenges in terms of organizational coherence and structural integration.

### **“PLACING” THE NORTH WEST IN STRATEGY**

The geographic dimension is a significant part of strategy for all multi-office firms. This is both important because of client demand (the attractiveness of markets such as Manchester and Liverpool) but also because certain types of “commodity work” tend to be located in the provinces to exploit the lower cost base. A number of firms in the North West locate their bespoke, high-profit generating work in London or the South East but then much of their lower fee work in the North West thanks to competitive infrastructural and labour costs. Indeed, clients seeking commoditised legal services are usually themselves based in the regions with Manchester and Liverpool having, for example, a number of insurance agencies present in the city who rely on day-to-day, commoditised legal services often related to claims defence and litigation work.

But this apparent geographical split between high and low value work should not be allowed to deceive anyone into thinking the legal profession in the North West is not innovating or attracting some of the more complex legal work. Increasingly large corporate teams, in Manchester in particular, are attracting work from the City of London and finding ways to retain more and more work in the North West that might have gone to London in the past. Let us be clear though, no firm in the North West aims to or expects to emulate the “magic circle”. But this does not mean innovation (both in terms of legal services but also in terms of organizational structures) is not occurring. Indeed, the creation of new business forms is being pioneered by many

firms in the region. In this context, law firms are already considering business structures and practices which have been common in commerce and industry but which are rather new developments in the professions. These include the development of:

- Embryonic holding companies, which include wholly and partially owned subsidiaries often involved in activities outside of the traditional remit of the legal profession. In particular one of the law firms in our sample owned a financial advisory firm and an IT services practice. This trend is expected to accelerate following the Legal Services Act which will facilitate attempts by law firms to diversify into other markets.
- Networked types of organisation. Law firms have always used networks to build international capability. The classical example would be best friend networks relating law firms with a number of referents in other jurisdictions. Whilst well-established and used by many London-based firms, these systems have increasingly acquired a role in the North West and in the regions more broadly. The national networks are perhaps though the most innovative (see below). Again these trends should be supported by the new business and legal structures introduced by the Legal Services Act.

One particular example of these future possibilities is provided by a North-Western single office firm studied in our research. This firm (which shall remain anonymous here) has significantly developed the use of networked forms of organization in the legal services area and beyond. Formal procedures are now in place to monitor flows of referral, quality and customer satisfaction across the network. New procedures and initiatives are in place to foster knowledge sharing, build trust amongst members, develop new cross-network capabilities and to coordinate national but also when necessary transnational transactions which require multiple and simultaneous inputs from different firms, jurisdictions and practice areas. Accordingly, such systems deliver increasing national and global capabilities whilst retaining the features of independence and partner-led advice which are valued by some clients and solicitors alike, features which may be lost in the integrated global law factories of our times.

In a more recent variation of the network, we have the emergence, again pioneered in the North West, of national referral and cooperation structures, linking small and medium sized regional providers (many of which are traditional firms) to a larger more sophisticated practice which acts, in organisational theory terms, as a network hub. These are rather different to international networks as members are, at least potentially, competitors in the same market. Members can tap into the knowledge resource of the whole network and leverage its superior resources and marketing clout as and when necessary. Moreover, peripheral members can escalate problems to the network hub and receive a percentage kickback on this work.

The system works thanks to non-poaching agreements that strike a balance between competition and cooperation. So whilst international networks allow firms to achieve cross country capabilities without the costs of establishing international offices, the national variation allows firms to increase the scale of their operations and the scope of their expertise without sacrificing their independence. The development of these new forms of business would be an interesting issue for further research.

### TALENT AND EXPERTISE: ATTRACTING AND MANAGING THE WORKFORCE OF THE NORTH WEST

Whilst the constraints of geography may have acted as a catalyst for organizational innovation, North Western firms may also derive some clear benefits from their regional location. This is particularly true when it comes to the challenge of managing the rising personal and professional pressures associated with a legal career. It has been widely reported in the press how attrition in the 2000-2007 period, a period of unprecedented financial success, became a growing problem. Some of the largest firms have experienced turnover rates of 50 per cent, as a growing number of solicitors flee the profession for alternative careers. Partnership is increasingly relinquished as a career objective, as life style pressures lead solicitors to desire less pressured but also less prestigious and remunerative roles. Yet, a combination of increasing workloads dictated by the relentless billing treadmill and the pressure of profit-per-equity-partner targets; the unsociable hours tied to the rhythms of a financial markets; and a 24-hour business culture made possible by the real time opportunities of technology, coupled with the declining promotion opportunities connected with higher leverage ratios and with increasingly common de-equitization policies, makes the work life balance and its effective management an unresolved priority for the legal profession. This has the potential to impose great personal and professional costs. After all, trained lawyers are expensive investments and their loss compromises organisational performance.

Yet it seems that firms based in the North West may have had some success in managing these pressures and have created an opportunity out of this threat. Indeed, Manchester firm Pannone was voted in 2007 by the prestigious *Times Best Employer Survey* as the third best place to work in the whole of the UK, with other provincial firms joining them in the prestigious table. Such scores reflect a combination amongst other things of work life balance, work quality and career development. All areas where North West firms, partly as a consequence of the type of work they perform and the clients they serve, seem to deliver a better deal for their solicitors.

North West firms, even the largest ones, also tend to be significant smaller and to adopt a more generalist focus than their City peers. In this context, it is easier for junior solicitors to be granted more autonomy, responsibility and

early opportunities for client contact. Similarly, such firms offer their junior solicitors broader roles, exposure to more diverse workloads and the possibility to engage with complete transactions rather than focusing on a narrow range of specialist tasks as required by the work processes developed by some of the larger firms. This, together with a regional location, offers a more appealing and rewarding work life balance. Indeed, a culture of “consideration” in North West firms was often described by our interviewees.

This does not mean long hours can always be avoided. Nor does it mean a lawyer should expect an “easy life” in the North West, or that professionals in the region do not work tirelessly to meet their clients’ needs. Rather it means that for lawyers it is possible to take weekends off, to leave on-time or early when necessary in order to meet family commitments, yet still have a fulfilling career and realise opportunities for promotion. Perhaps not surprisingly, firms in this region are unable to compete with City of London firms in terms of remuneration, prestige and client profile. But for many, the importance of lifestyle choices outweighed such concerns and, for some of the lawyers interviewed in our research, this meant that a North West firm was an attractive place to work.

### CONCLUSIONS

Naturally the picture we have painted here of the state of corporate legal services in the North West is a partial and stylised one. Indeed, we may be accused of portraying a too rosy picture in a period when all kinds of new challenges are emerging and causing sleepless nights for senior and managing partners. The current turmoil in financial markets and the apparent onset of a national economic slowdown (maybe even recession by the time this report appears in print) is also likely to create a whole host of new challenges and of course opportunities. Our aim, though, as our title suggests, is to point to the way the legal profession in the North West can view contemporary trends as opportunities as well as threats. Carefully thought-through responses that might distinguish North West firms from their competitors offer the opportunity to compete in an ever more competitive marketplace for legal services. The future, then, is far from clear. As we noted in our introduction, the Legal Services Act is one of the biggest immediate challenges. But the future need not necessarily be bleak.

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