



MARKET STUDY OF  
SOLE PRACTITIONERS  
AND SMALLER LEGAL  
PRACTICES IN IRELAND

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# 1 Executive Summary

## 1.1 Context

This market study of sole practitioners and smaller legal practices in Ireland was commissioned based on the Future of the Law Society Task Force Report, in which it was recommended that “frequent legal market analysis” was carried out. This study involved desk research, consultation with the profession via an online survey, focus groups, individual interviews, as well as consultation with the Law Society and other professional membership/representative/regulatory bodies between April and August 2018.

As the economy improves, changing market forces continue to come to the fore (impact of technology, changing customer behaviour etc.). The legal profession now has an opportunity to reconsider its proposition in that context, and to safeguard its sustainability and role in the Irish economy and society.

The openness and involvement of smaller practices with this study has enabled the analysis to provide meaningful insights into what it is like to operate a small practice in Ireland today and to anticipate what the future might look like. It is also encouraging that the participants in the focus groups were solution oriented in terms of describing changes already made and those envisaged within their own practices and for the sector as a whole.

Michael Quinlan, President of the Society 2017-2018, is to be congratulated for prioritising and advancing this study, which forms part of a wider programme of engagement with, and a contemporary understanding of the environment in which sole practitioners and small firms are operating.

## 1.2 Key insights

There was a high level of contribution to and engagement with the consultation process. The key insights gathered include:

- Smaller practices have a **distinct profile with defining characteristics** resulting in specific ways of doing business and bespoke support needs
- Smaller practices are **business owners as well as solicitors**. This requires **different skillsets i.e. legal and business management skills**. As a result, they need to access business supports and/or external advisors, including at times other solicitors to increase scale or provide specialist advice outside their own areas of practice i.e. locums, specialists
- Smaller practices face **similar challenges and opportunities** that are common to **business owners and SMEs** in other sectors
- Smaller practices, particularly sole practitioners, often feel **isolated and pressured**
- Given the dynamic environments in which smaller practices operate and the evolving needs of clients, the **business model of smaller practices needs to evolve** in response to the more demanding and “instant” current business environment
- **The value of legal services is not generally understood and needs to be promoted** by the sector itself and the Society. This is also true of the value of smaller practices and of the general practice model
- **New organisational structures**, while requiring a planned and cautious approach, **are worthy of consideration** to: increase access to additional resources (i.e. locums etc.); widen and/or deepen specialisms, client base and sectors; and, diversify service lines. A spectrum of options exists: at one end, a strategic alliance between firms and at the other, a merger between firms. It is recommended that clarity is provided by the Society

in relation to the parameters of collaboration with other professional services firms, without breaching the bar on fee-sharing

- **Recruitment and retention is an issue** for smaller practices, both in and outside Dublin, due to the perceived attraction of trainees to bigger firms rather than smaller entities
- **Regulation and compliance, while presenting a business opportunity** in terms of service line development, is **generally considered an internal challenge**, at the expense of considering the opportunity presented (albeit with some notable exceptions, for example, a practice which developed a GDPR service which generated sufficient business to become the sole service being provided for a period of time)
- **Identified growth opportunities** in terms of new markets and service lines that **vary** from simple, “traditional”, transactional cases to complex cases and from “traditional” markets to new, evolving and sometimes re-emerging markets. This requires a varied response in line with the dynamics of the different markets

### 1.3 Recommendations

The recommendations are derived from the findings and analysis to identify what steps could be taken in the future, taking account of the lessons learned. There is an onus on both the Society and solicitors themselves to consider each of the recommendations, engage with one another and be willing to change. There needs to be commitment at all levels, and a willingness to acknowledge individual and shared responsibility if the recommendations are to successfully influence the shape of the smaller practices sector in the future.

Competitive advantages are not permanent and smaller practices need to continually adapt and evolve their offering to respond to changes in the market, client preferences, competitor challenges and internal practice changes. These recommendations are designed to enable smaller practices to create and maintain a competitive edge by responding in the proactive and strategic manner suggested on an ongoing basis

#### **Recommendation 1: Diversifying business development practices**

Smaller practices need to diversify their business development activities and move beyond a reliance on their existing client base and referrals.

#### **Examples of diversified business development practices:**

- Market scanning, to understand market trends and client needs
- Market expansion
- Service line expansion
- Networking to generate leads and increase referral base

### **Recommendation 2: Creation of growth strategies**

Practices should develop growth strategies to ensure that actions are planned and implemented now so that they will positively influence their future sustainability.

#### **Example of Growth Strategy Content:**

- Outline of current service lines
- Market analysis
- Internal growth options
  - Expansion into new markets, sectors, clients
  - Diversification of service line offerings, including potential specialisation
  - Modernisation
- External growth options:
  - Merger
  - Acquisition
  - Joint venture
  - Strategic alliance with another practice
  - Strategic alliance with another professional service firm
- Growth Goals and Targets
- Financial and Human Resource Planning
- Marketing Activities
- Review and Monitoring

### **Recommendation 3: Develop a marketing plan as a key pillar of practice growth**

It is recommended that sole practitioners and smaller practices increase their overall marketing efforts and capabilities. Client surveys will be an important building block in the development of a marketing plan based on understanding client needs and responding appropriately across all areas of interaction with the client.

#### **Example of Marketing Plan Content:**

- Market Trends Analysis
- Sources of Service Line Income
- Current Market Segments Profile
  - Analysis of client databases and client survey feedback and segment client profiles
- Competitor Analysis
- Marketing Objectives
  - Overall goals to be achieved through the plan
  - Objectives in relation to:
    - Service
    - Fee
    - Sales channels
    - Promotion: branding, advertising, sales, publicity, direct marketing (mailshots, email shots, e-zines), digital marketing (content, social media etc.)
    - Viral marketing to promote word of mouth (video sharing, competitions etc.)
- Desired Business Mix
  - Breakdown of ideal future business across areas and market segments
- Marketing planning by segment
  - What are the distinct needs of each customer segment?
    - Gather client feedback, both informally and formally
  - What marketing message and activities will appeal to each customer segment?
  - What channels can you use to reach them?
  - What targets will you set for each?

#### **Recommendation 4: Formally plan client communications**

It is recommended that smaller practices need to review current client communication methods and consider introducing new communication tools and activities e.g. testimonials on practice website, increase in social media presence, speak at local business events etc.

#### **Example of client communications:**

Smaller practices should consider a range of inexpensive communication methods for small businesses, such as:

- Client surveys
- Testimonials on the practice's website
- Monthly newsletters / e-zines
- Increased social media presence
- Blog posts on the practice's website
- Join local business networks
- Email marketing
- Speaking engagements at local business events / conferences

#### **Recommendation 5: Building networks/strategic collaborations**

Smaller legal practices need to build greater networks within the sector and with external bodies. This recommendation is also interconnected with furthering business development opportunities and marketing efforts.

#### **Examples of benefits of building networks/strategic collaborations**

Within the sector, networks can be developed both formally and informally. Availing of and/or creating peer networks would allow smaller practices to create a platform with a number of benefits, including:

- Shared issues and problem-solving
- Knowledge sharing
- Identification of new business opportunities amongst the sector
- Creation of scale and shared costs via shared resources

Engaging with external relevant bodies and networks presents a range of benefits. Smaller practices should build on existing collaborative relationships with external bodies in order to:

- Increase knowledge sharing and learning opportunities
- Introduce innovations and new approaches that have worked in other small businesses
- Access to different skillsets i.e. external advisors, specialists and business contacts such as consultants
- Increase chances of business referrals and widen network of business contacts
- Help reduce the feeling of isolation associated with being a smaller practice and a sole practitioner in particular



#### **Recommendation 6: Collaboration on shared SME/business owner issues between the Society and relevant external bodies**

The Society should investigate the potential of a collective voice on shared issues with relevant external bodies who also represent business owners/SMEs.

#### **Examples of collaboration by the Society with other external bodies:**

The Society can explore topics specific to SMEs such as:

- Promoting the value of the sector
- The benefits and challenges of shared office space
- Solutions to recruitment and retention issues
- Access to credit for growth
- Shared regulation and compliance

#### **Recommendation 7: Bespoke supports for smaller practices**

Due to the distinctive nature of the sector, the Society should continue to develop its specific programme of supports that will respond to the current needs of smaller practices, including supporting them in their efforts to create sustainable businesses.

#### **Examples of programme development or expansion / modification for smaller practices:**

It is recommended that the following programme development and support areas are given consideration:

- Business operations and management skills
- Entrepreneurial skills: market scanning, idea generation, identification and evaluation of opportunities
- Strategic thinking: strategic options assessment, strategic planning, growth strategy, marketing strategy, innovation strategy, learning from 'disrupters' (within and outside the legal profession)
- Change management supports, providing a structured approach for supporting practices and their staff to develop over the short and long term
- Creation of a 'specialist' / 'expert' panel
- Creation of a shared space / hub for the sector
- Shared knowledge banks i.e. online portals

In addition, consideration should be given to expanding the following supports to include modified supports specifically aimed at and branded for smaller practices:

- Buddying / mentoring system
- Portal with templates, precedent banks, guidance documents e.g. set-up, operations, file management, succession, mergers etc.
- Guidance on alignment and collaboration permitted between practices and other professional service firms, without breaching the statutory bar on fee-sharing
- Marketing and client engagement supports
- Stress management such as LawCare services
- Succession planning supports, such as further information guides
- Financial management, budgeting and target setting for small businesses

It is important that the Society reviews its suite of supports on an ongoing basis, to ensure that the services provided are in line with changing market dynamics and member needs at various points in time.



#### **Recommendation 8: Collaboration between the Society and smaller practice members**

The Society should liaise with smaller practices to understand current communication preferences and how engagement and awareness can be increased. A communications plan for smaller practices should be developed utilising smaller practices' preferred communications methods. All parties should use existing engagement and representative structures to liaise in relation to any proposed development of bespoke supports.

The Society's communication strategy can then be updated in the context of the development and delivery of the specific suite of supports to include:

- Communication objectives
- Identification of preferred communications platforms, content, format, frequency, timing etc.
- Key messages
- Tools and activities including key channels
- Resources and timeframes
- Evaluations and amendments

#### **Recommendation 9: Joint promotion of the value of smaller practices**

Both smaller practices and the Society should promote the value of legal services, of sole practitioners and smaller legal practices specifically, as well as the benefit for clients of the general practice model.

##### **Examples of actions for joint promotion initiatives:**

In order to ensure consistent messaging, the Society, in conjunction with smaller practices, should:

- Agree key promotional messages
- Integrate this promotion into the Society's and smaller practices current communications plans/activities
- Generate content marketing and thought leadership pieces which promote the value delivered via blog posts, press releases, editorials etc.

This promotion should be directed at two audiences with two distinct purposes:

- Clients and potential clients who need to understand the value added by smaller practices
- Potential employees, in particular trainees, who need to understand the quality of experience that can be gained working in a smaller practice and the quality of life in working with a small practice based outside Dublin

#### **Recommendation 10: Promotion of quality of life in rural areas and value of experience gained working in smaller practices**

It is recommended that the Society and smaller practices themselves, alongside relevant development agencies, should promote the quality of life in rural Ireland through a range of initiatives, as a way of ensuring a sustainable regional legal services market.

##### **Examples of opportunities to promote quality of life working in smaller rural practices:**

- Collaborations with local authorities and development agencies e.g. Western Development Commission, Chambers Ireland, Irish Rural Link etc.
- Increased involvement of Bar Associations in promoting working in smaller practices in their areas
- Further provision of remote CPD courses via live streaming, webinars, podcasts
- Investigate a trainee grant scheme for rural practices
- Facilitate informal gatherings / networking events in rural areas

#### **Recommendation 11: Internal process review**

Smaller legal practices need to review their internal systems and processes, to identify practice management improvements and the scope for introducing innovation.

#### **Examples of process review frameworks:**

Once developed and published, practices should strongly consider engaging with the Law Society's Practice Management Standard.

In identifying operational efficiencies, guidance is also given in the ALPMA's Legal Practice Management 'Learning & Development' Framework, which outlines key 'pillars' that practices should understand to effectively manage and run their practice. Under 'ensure efficient operations', the areas below are listed:

- Technology and automation
- Process improvement and quality management
- Facilities management
- Project, change and risk management
- Document and knowledge management

Solutions will vary according to the profile of the practice, such as practice size, location, client base etc. The consultation process revealed active approaches to finding efficiencies through the following approaches:

- |  |   |
|--|---|
| ■ Lean Management, a universal management tool for delivering value and optimising work processes. | ■ Outsourcing   |
| ■ Regular staff meetings and reviews   | ■ Online booking system   |
| ■ Workflow mapping   | ■ Timesheets  |
| ■ Scanning documents   | ■ Flexible working hours  |
| ■ Voice recognition software   | ■ Software such as case management, which some described as being "essential" in running a practice |

## **1.4 Case Studies**

Chapter 5 of this study contains a number of case studies, based on interviews with firms throughout the country, who we believe exemplify a pragmatic and successful approach to many of the key issues facing all firms, including:

- The decision to specialise
- The decision to merge
- Greater application of IT
- Process innovation
- The trusted advisor

## **1.5 Key traits in a successful smaller practice**

Analysis of the findings from this study indicate that a successful smaller practice will:

- Be willing to change and adapt all elements of the business model
- Scan the market for new and emerging practice areas / markets for business development opportunities
- Develop a growth strategy with a clear vision and short term goals
- Diversify business development activities
- Introduce innovative processes informed by advances in technology and changing client needs and market demands

- Increase marketing efforts via effective, relevant and frequent client communications
- Embrace a culture of gathering feedback both internally and externally, for example feedback from staff at monthly meetings and by circulating client surveys which inform practice improvements
- Collaborate and network within the sector i.e. peers and with relevant external bodies
- Increased engagement with the Society and business support networks to avail of bespoke supports based on business sustainability

## 2 Introduction

### 2.1 Background

In 2013, the Future of the Law Society Task Force published its Report and Recommendations. The Report outlined a range of suggested measures as to how the Society can improve its representative function and respond better to the profession's changing dynamics. One of these recommendations was to conduct "frequent legal market analysis". It was in the context of this recommendation that the Law Society of Ireland (hereinafter referred to as "the Society") appointed Crowe in May 2018 following a tendering process, to conduct the legal market analysis of sole practitioners and smaller practices (hereinafter referred to as "smaller practices").

This is the first report commissioned by the Society that is specific to smaller practices in Ireland.

### 2.2 Terms of Reference

The terms of reference for this project were set out in the Society's Request for Tender (RFT) document, as follows:

"An independent report is sought from a management consultancy firm on the challenges and opportunities facing smaller practices in Ireland. Anecdotally the Society is aware of the pressures that have arisen from the recession, issues in relation to viability, succession planning, migration to the cities, technology disruptors etc."

The following criteria are sought from the report:

- An objective assessment of the current situation
- Professional analysis of the likely future landscape for the provision of legal services
- An understanding of client profile, needs and consumption trends
- Suggestions as to how smaller business units can best prepare for the challenges and opportunities ahead

The final output of the report is also to include "recommendations for smaller practices and the Society, arising from the findings".

### 2.3 Definition of a sole practitioner and smaller practices

For the purpose of this report and as described by the Society, a sole practitioner is a legal practice led by a qualified solicitor, who may be supported by additional staff such as secretaries. Smaller practices, for the purposes of this study, are sole practitioners or practices with between two and five solicitors, who may be supported by legal executives and secretaries.

### 2.4 Method of Approach

Background

The review of smaller practices consisted of desk research based on internal documentation, external research and stakeholder consultation. The consultation process was carried out through individual interviews, phone calls, focus groups, a workshop and survey distribution/analysis. A full list of the documents reviewed as part of the market study is provided in the Bibliography in Appendix 1.

### Individual interviews

Interviews were held with representative and/or regulatory bodies (some of whom also have a CPD function) who were in a position to provide insights relevant to the sector and the Society:

- |   |                                 |
|---|---------------------------------|
| ■ The Law Society                       | ■ The Small Firms Association   |
| ■ Fáilte Ireland                        | ■ Dublin Chamber of Commerce    |
| ■ Dublin City Local Enterprise Office   | ■ Chartered Accountants Ireland |
| ■ The Pharmaceutical Society of Ireland | ■ VizLegal                      |

### Surveys

Smaller practices were consulted through an online survey issued to the Society's database. A client survey was also created and issued via the Council Members. However, as the response rate was not sufficient for analysis purposes, it was agreed with the Society that those findings would not be included in the report.

### Focus groups

Based on availability indicated via the survey, 6 focus groups were held with a representative sample of invitees: 2 in Dublin and 1 in Galway, Carrick on Shannon, Mallow and Waterford.

### Case Studies

Following the surveys and focus groups, five case studies were developed to provide further insights into key themes / issues of smaller practices.

### Project Management

In May 2018 at the project initiation meeting, the following project stages were agreed:

- Project initiation and planning
- Review of primary and secondary research
- Research design
- Survey distribution
- Qualitative interviews/focus groups
- Case studies
- Analysis
- Delivery of draft and final report

Throughout the various stages listed above, there were meetings with Cormac Ó Culáin, the project lead within the Society, the Steering Committee (Michael Quinlan, Ken Murphy, Mary Keane and Cormac Ó Culáin) and the project team from Crowe. Updates were provided on a regular basis via email and phone throughout the duration of the project.

## 3 Key Survey Findings

### 3.1 Methodology and Approach

A survey of smaller practices was conducted, and questions were compiled in collaboration with the Society. The survey was distributed by means of an online survey tool. The survey was distributed to the Society's database with individual "token" or access codes issued to each participant. Permission was already held by the Society for its database subscribers to be contacted by a 3<sup>rd</sup> party i.e. Crowe and therefore the invitation to participate in the practitioner survey was issued through Crowe.

A two-week completion period was allowed for participants to respond to the survey. A reminder link was sent before the closing date to encourage any final responses. A short extension was allowed for the survey; after which it was agreed with the Society to proceed with the analysis of the responses received.

Following a quality review and clean-up of the responses received, e.g. disregarding submitted responses with little or no content, the analysis of the practitioner survey is based on 404 surveys. While 404 surveys were completed, not all of the questions were compulsory and therefore the individual survey responses may vary. Because of this, each question is analysed individually on a basis of the total amount of answers received for that question.

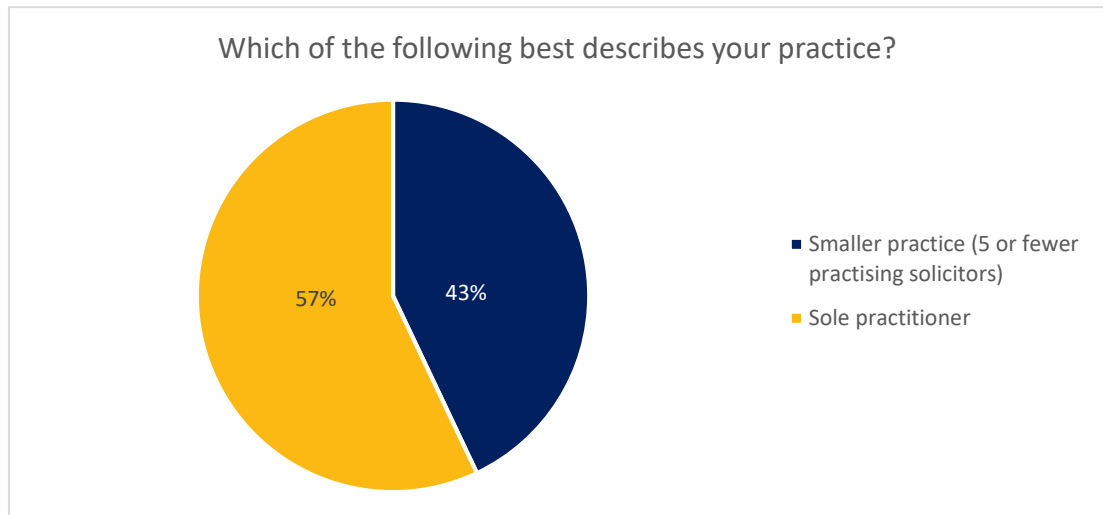
As 1,725 solicitors were emailed and 404 responses received, this results in a margin of error of 4% at a 95% confidence level. A margin of error indicates how many percentage points a result is likely to differ from the real population value. Therefore, a 95% confidence interval with a 4% margin of error means that our statistics are within 4 percentage points of the real population value 95% of the time.

Where respondents were asked binary question i.e. with a 'Yes' or 'No' answer, respondents were given the opportunity to further explain their answer if they responded 'No'. Where closed questions were asked with a finite number of possible responses, the analysis is provided in percentage terms. For open-ended questions, similar themes and topics are grouped with the number of mentions/references provided in brackets.

## 3.2 Analysis

### 3.2.1 Profile of respondents

Respondents were asked which of the following best described them: sole practitioner or smaller practice (defined 5 or fewer practising solicitors). Of those who responded, a higher proportion (57%) identified as a sole practitioner and 43% identified as a smaller practice.



#### Number of practising solicitors

Respondents who identified as a smaller practice were asked to indicate how many solicitors (between 2 and 5) work in the practice:

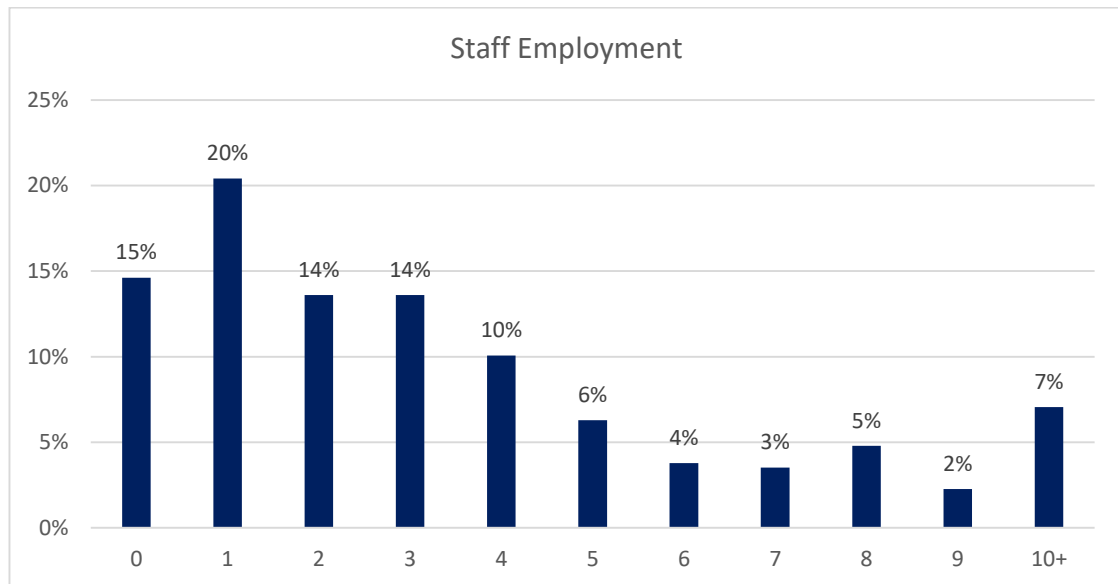
- 2 solicitors (45%)
- 3 solicitors (31%)
- 4 solicitors (18%)
- 5 solicitors (6%)



Total staff employed

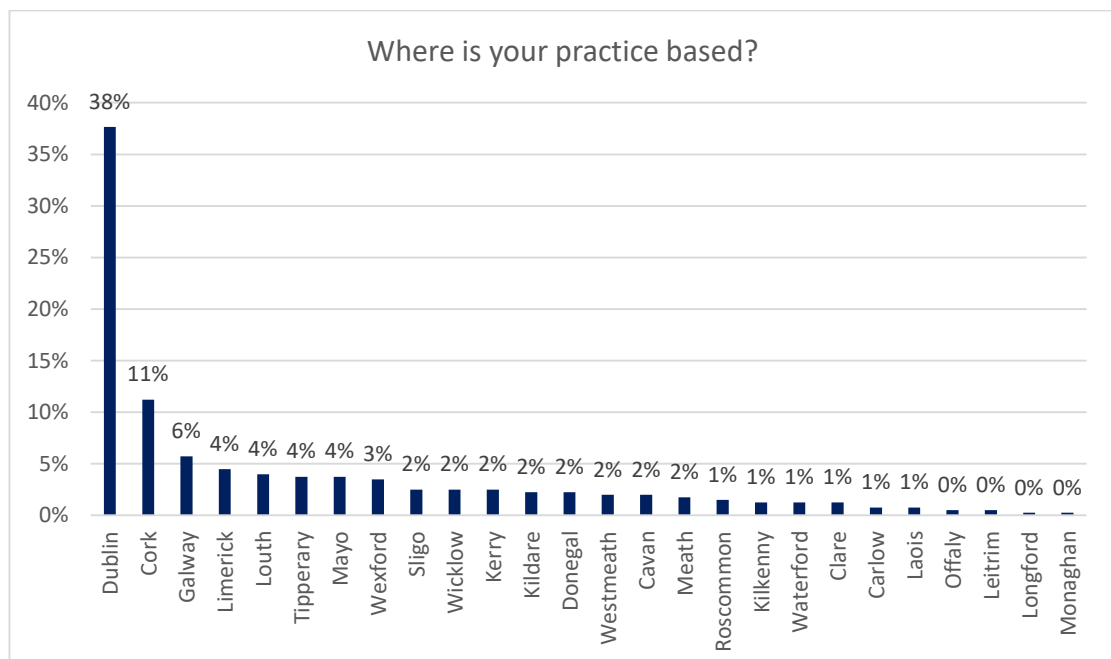


Respondents were asked how many staff the practice currently employs, including both solicitors and support staff. The question provided respondents with a numerical input function, therefore the answers ranged from 0 staff to 10+. The highest proportion of respondents answered 1 member of staff (20%), followed by 0 (15%). In contrast, 7% of respondents noted that their staff totalled over 10 members of staff.

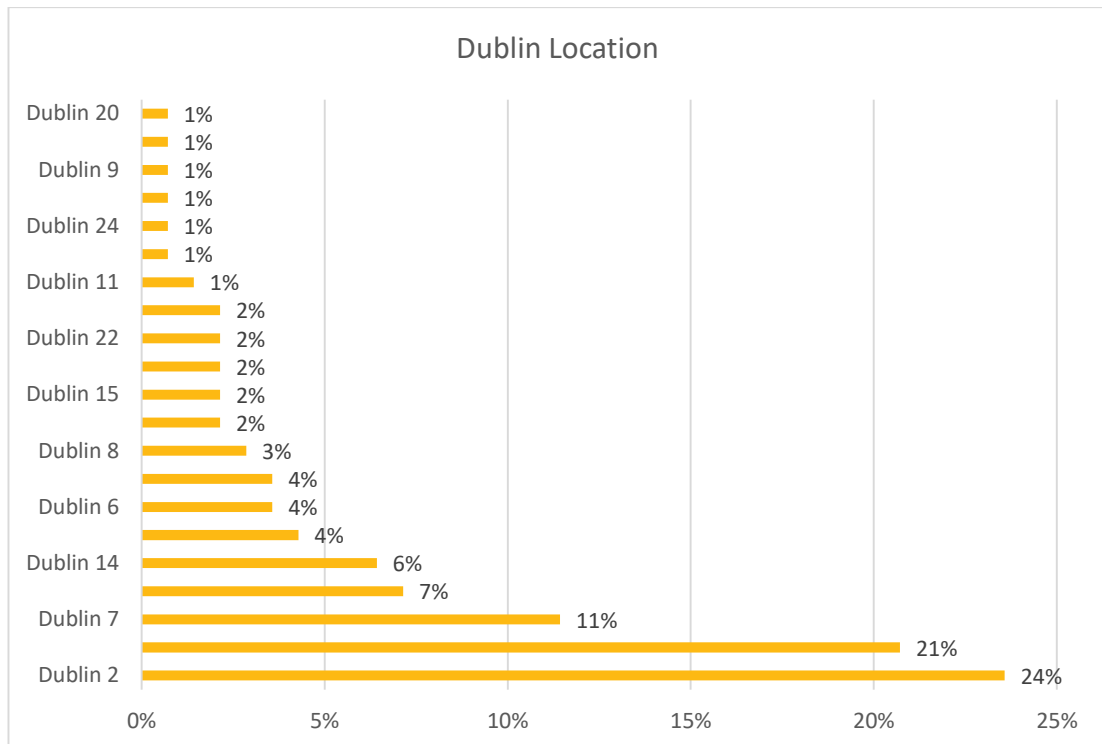


#### Location of practice

The largest proportion of respondents answered that their practice is based in Dublin (38%). Following this, 11% of respondents are based in Cork and 6% in Galway. A full breakdown of respondents' locations is depicted in the graph below.



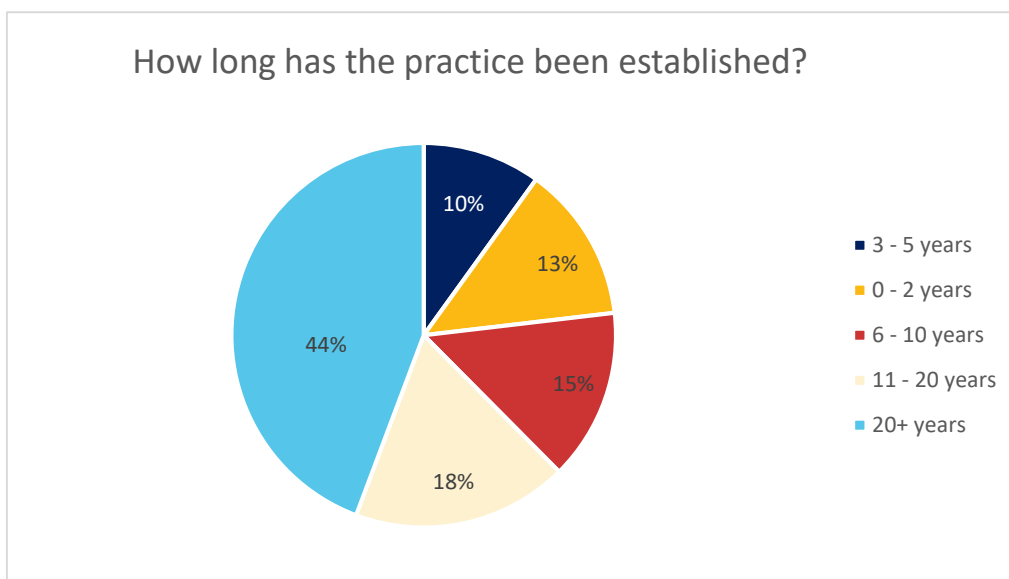
Respondents who answered Dublin were asked to identify where in the county the practice is based. The top three answers were Dublin 2 (24%), County Dublin (21%) and Dublin 7 (11%):



#### Length of establishment

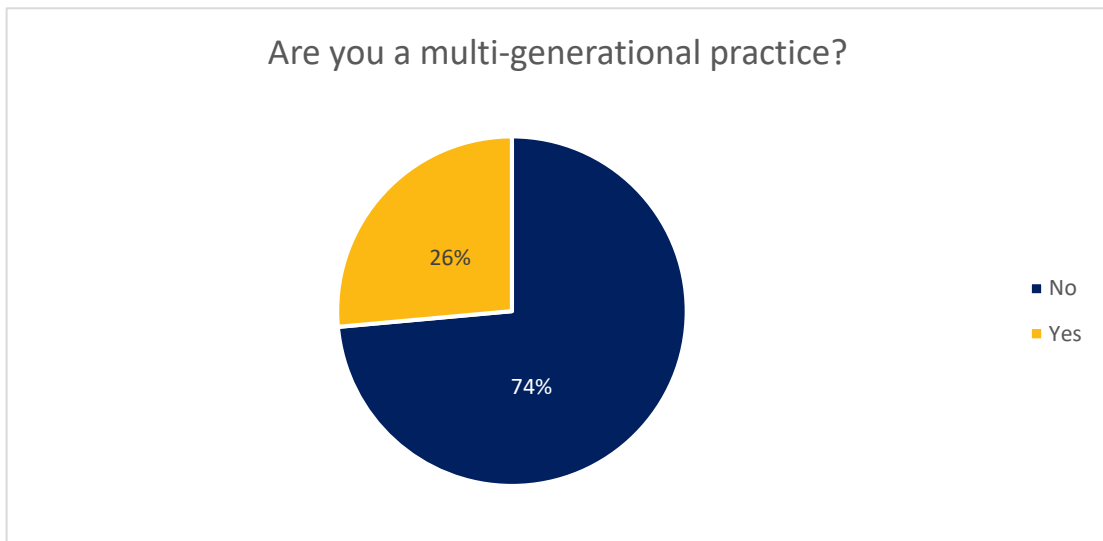
44% indicated they are in operation over 20+ years:

- 13% are in operation 0-2 years
- 10% are in operation 3-5 years
- 15% are in operation 6-10 years
- 18% are in operation 11-20 years



### Multi-generational practices

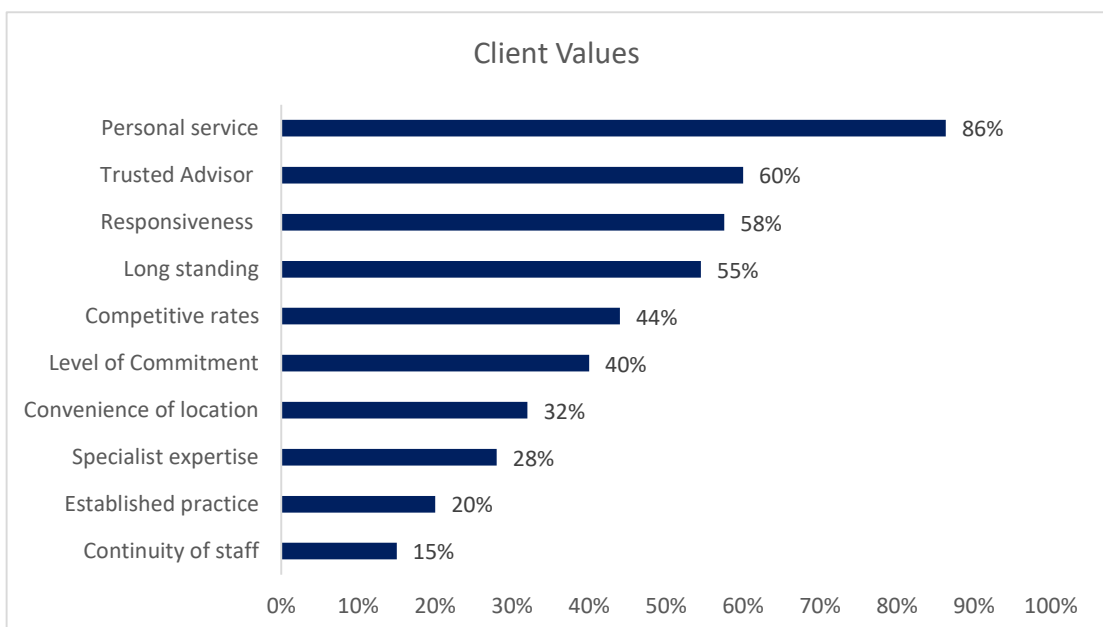
26% of respondents indicated that they were a multi-generational practice.



### 3.2.2 Client values, concerns and feedback

#### What the client values

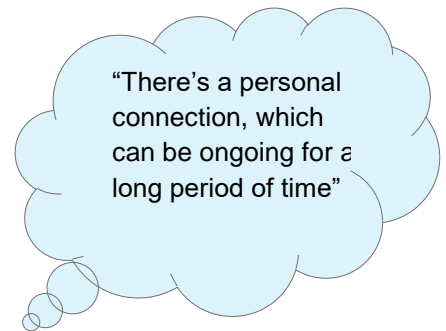
From the options listed, the top three areas smaller practices perceived as being valued by clients were “personal service” (86%), “trusted advisor” (60%) and “responsiveness” (58%). In comparison, the least frequent answers were “specialist expertise” (28%), “established practice” (20%) and “continuity of staff” (15%).



### Personal service

As 'personal service' was included in 86% of responses, the focus groups were asked to elaborate on what elements of personal service they deemed clients valued the most. The following were common themes and topics mentioned:

- Sense of security that comes with being accessible and available to clients
- Being responsive and contactable "almost 24/7"
- Continuity of staff and a trust that their case will be dealt with by the same member of staff all the time
- Personal knowledge of the client, their "background" and "family", which is built up over a long period of time
- Perception of privacy
- Empathy



### Client concerns

'Capacity constraints' was the biggest perceived client concern (89%), followed by 'insufficient specialist expertise' (79%). In contrast 'more expensive than a larger firm' (17%) and 'Other' (12%) were least frequently ranked.



Respondents were prompted to explain if they answered 'Other'. These answers have been categorised into common themes, if they were mentioned more than once. Other client concerns included:

- Perception that a larger firm may be better (11)
- Availability (8)
- More expensive (2)
- Lack of expertise (2)

### Capacity constraints / work life balance

When asked to expand on 'capacity constraints', the following were discussed in the main, with references to 'work / life balance' as well:

- Administrative requirements mean a "disproportionate amount of time" is spent on administration, which causes increased time pressures
- Once clients reach a certain size they may move to a larger firm, as there is a perception smaller practices cannot "handle the bigger transactions"
- Challenges in terms of delegating work, using locums, taking holidays etc. as the client expects their chosen solicitor to be available at all times
- Limiting practice areas was discussed at length, with a number of respondents noting that they have decided to limit their service lines to manage the workload and pressure
- Managing client expectations was discussed as a key requirement in tackling capacity restraints, and it was agreed smaller practices need to "set boundaries"
- Some respondents felt "client's problems become our problems" that clients can often offload personal issues, unrelated to the case, to their solicitor. As this can impact on a healthy work life balance, it was suggested that supports in this area would be welcome

"There is no switch off. There is no cover for us"

"You need to be honest, tell clients what you can and can't do"

### Insufficient specialist expertise

When asked to expand on 'insufficient specialist expertise' the following themes were most prevalent:

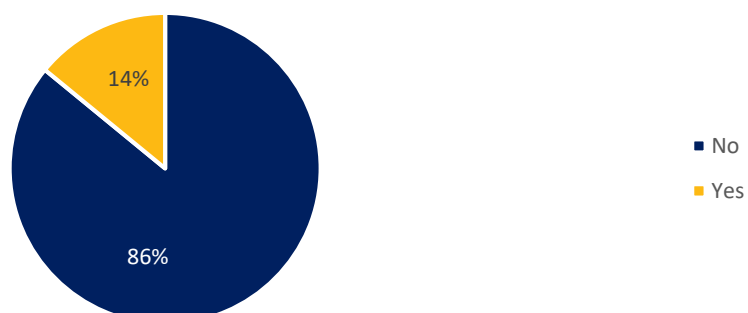
- Competition arising from the perception that bigger firms have greater levels of expertise
- Creates a reliance on having a network of 'experts' to redirect clients if needs be but who won't threaten the existing client relationship
- In the early years of a practice's establishment, smaller practices described taking on all types of business due to feeling they were not in a position to turn work away

"Clients shop around and shop for expertise. Attitude that the bigger firm is better"

### Gathering formal feedback

Only 14% indicated that they gather formal feedback from clients.

Do you gather formal feedback from your clients?

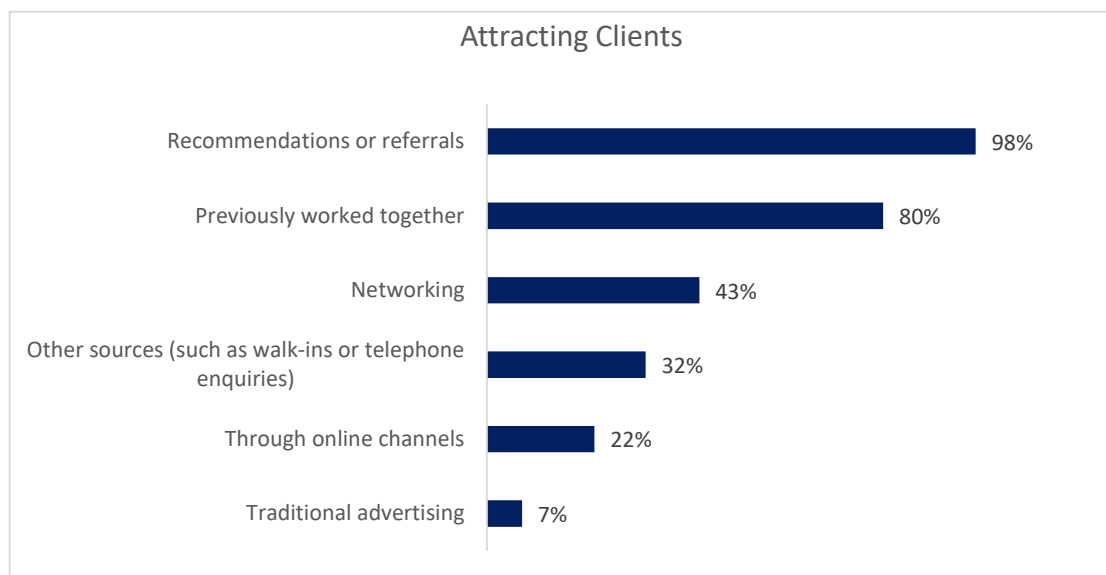


If respondents answered yes, they were asked what trends they had noticed in the feedback. A high number of respondents noted that the feedback they have received is positive. Other common answers included:

- Personal service is important (14)
- Need to be responsive (3)
- Value for money (7)

### Attracting clients

98% of respondents felt that the most effective way of attracting clients was via 'recommendations or referrals'. Following this was 'previously worked together' (80%) and 'networking' (43%).



Those who answered other sources provided the examples below:

- Walk ins (26)
- Telephone (19)

### *New clients sector to target*

Focus group participants' observations regarding new clients and sectors included:

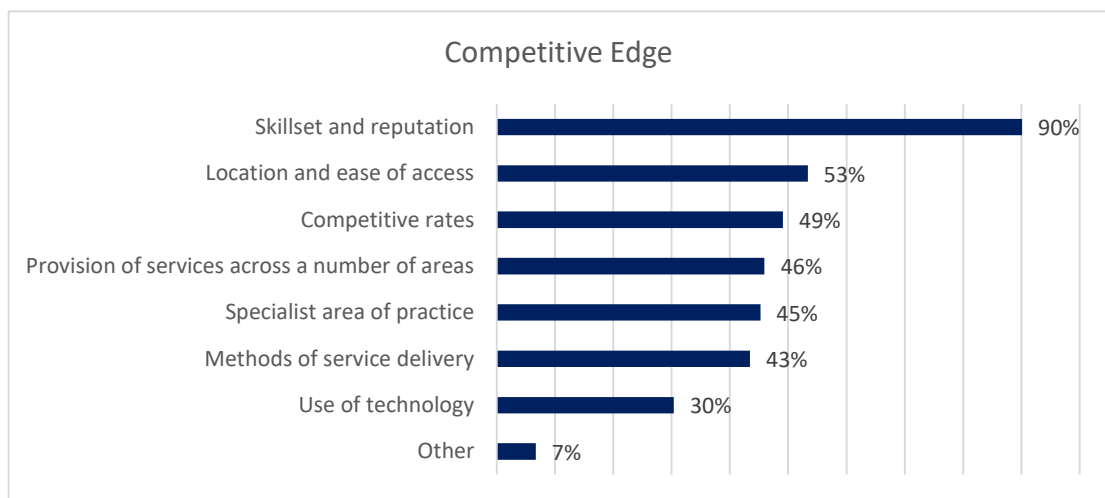
- Targeting new clients / sectors requires substantial investment from both a timing and financial perspective
- Several respondents felt practices should exploit their existing client base and service lines, instead of introducing new service lines to new clients
- There are opportunities arising from regulatory and compliance obligations, - GDPR was provided as an example
- Other practice areas mentioned include medical negligence, employment, divorce and immigration
- Concerns regarding growth opportunities due to a perceived high number of solicitors in rural areas and a perceived lack of demand
- Divergent views emerged on whether practices should specialise. On the one hand, "focusing on a specialised area" requires investment, from an educational, timing and financial point of view, while others argued that there is no longer a need for smaller practices to be general practice and more should move towards a specialist model

### 3.2.3 Competitive edge

72% of respondents believe that their practice has a competitive edge over other practices.



Of those who answered 'Yes', respondents were asked what they believe gives their practice a competitive edge. Skillset and reputation (90%) was the most frequently answered, followed by 'location and ease of access' (53%) and 'competitive rates' (49%).



Those who answered methods of service delivery (43%), use of technology (30%) and Other (7%) were asked to explain in greater detail.

In regards to methods of service delivery, common answers included:

- Personal service (19)
- Quick response time (19)
- Utilise a range of communication platforms e.g. email, phone, text etc. (11)



In regards to technology, common answers are as follows:

- Case Management System (30)
- Email (12)
- Scanning (4)
- Voice recognition software (3)

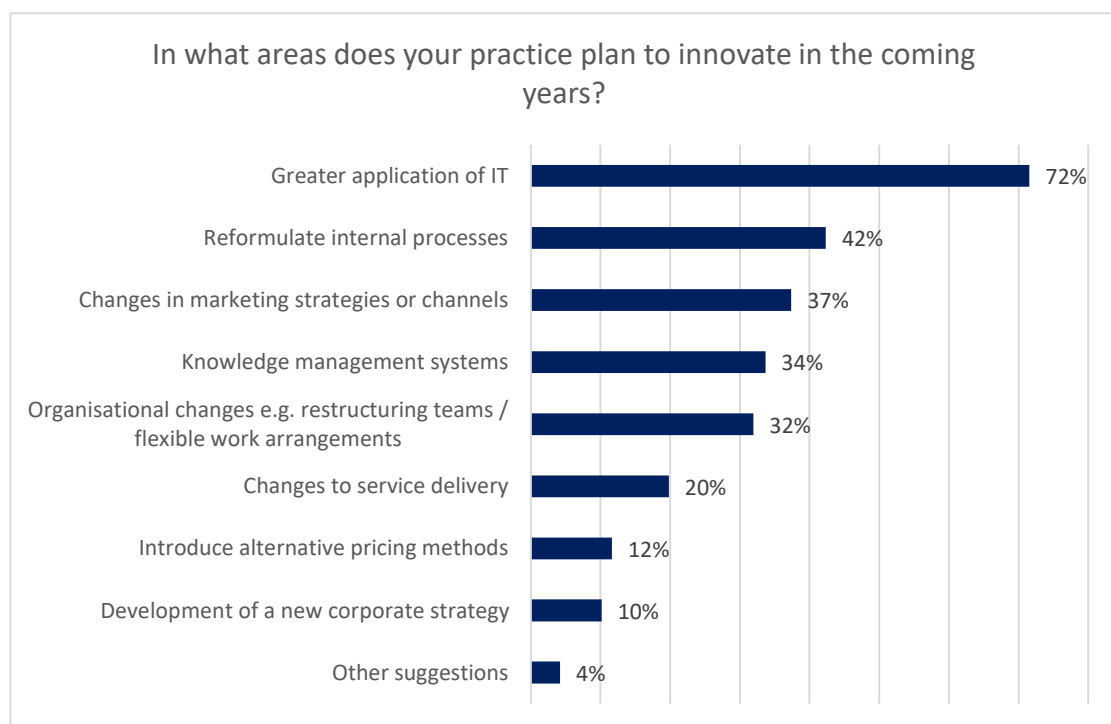
Under 'Other', a number of answers were provided that previously appeared in methods of service delivery, such as 'personal service', 'quick response time' and 'access'. New descriptors included 'imagination', 'language used to communicate with clients' and 'personality'.

Competitive edge was discussed in greater detail by the focus groups, and participants were asked what skillset they believe a practice can / should have to give it a competitive edge. The following topics were repeatedly mentioned:

- Access to a network of 'experts' and collaboration with other small firms
- Time management
- Responsiveness
- Marketing capabilities and the ability to "brand" the practice
- Competitive pricing

### 3.2.4 Innovation

In terms of innovation, respondents were asked how they plan to innovate in the coming years. Frequent examples were 'greater application of IT' (72%), followed by 'reformulating internal processes' (42%) and 'changes in marketing strategies' (37%). Those who answered 'Other', included 'upgrade website', 'introduce flexible working hours', 'time based charging' and 'reduce paper'.



### *Greater application of IT*

During the focus groups, participants provided examples of what greater applications of IT might involve, and what sort of IT systems they would invest in. Answers included:

- Introduction of case management, if not already utilised
- Voice recognition and dictation software
- Improving the practice's online profile, such as websites, blogs, social media presence etc.
- File scanning
- Timesheets (divergent views further explored in Section 3.2.6)
- Portal systems that allow for clients to directly access files and information
- Online booking systems for meetings, telecons etc.
- Remote access for staff/clients

"If people don't have case management, I don't know how you can run an office?"

### *Innovate internal processes*

Participants were asked about internal process innovation. A limited number of examples were provided, which included:

- File management
- Weekly / monthly reviews
- Less face-to-face interactions with clients
- Setting monthly targets based on projected costs for the month ahead
- Lean management

### **3.2.5 Internal challenges.**

When asked to consider the top 4 internal challenges, the most frequent answer was operating costs (76%), followed by competition (55%) and winning new business (44%).



Those who answered 'Other' were asked to explain. The responses included:

- Capacity constraints (6)
- Work life balance (5)
- Lack of admin support (3)
- Need for additional staff (2)

#### *Operating costs*

Focus group participants were asked what operating costs contribute most to cost challenges. Discussions included:

- Wages
- Insurance such as PI insurance, cyber insurance, office insurance etc.
- Regulation and compliance
- Rent
- Office overheads such as supplies, software, heating etc.
- VAT
- Holding files
- Practising certs
- Membership fees

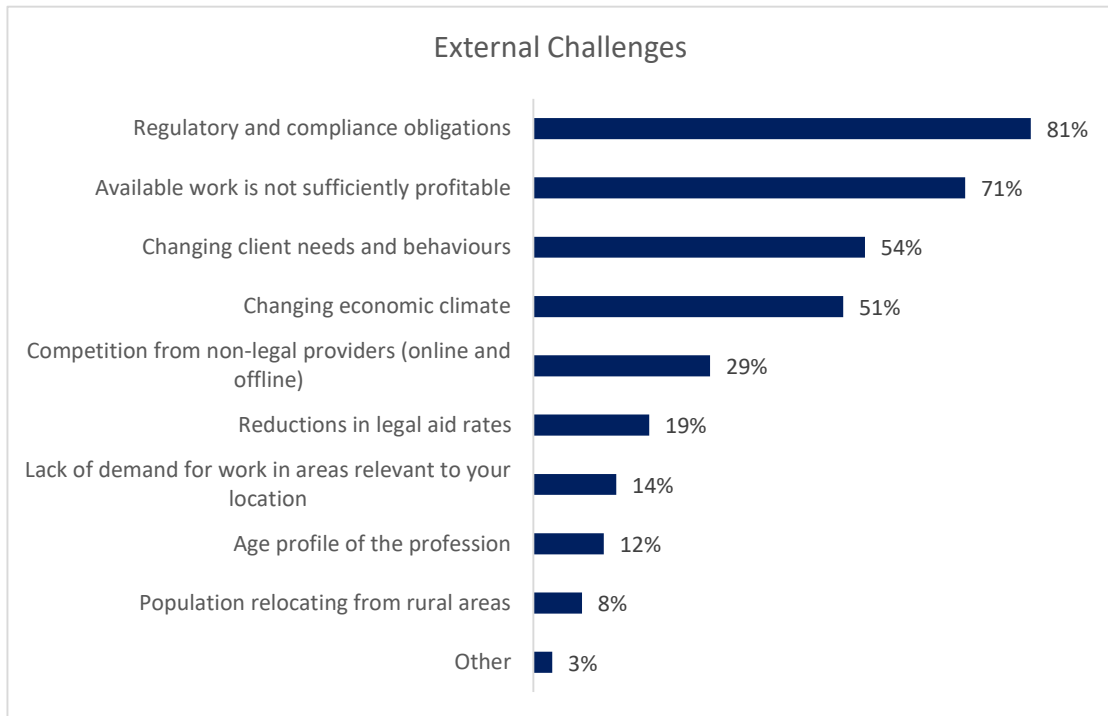
#### *Competition*

Focus group participants were asked where they believe the competition in current areas of practice comes from in the main. This question provided a range of answers, with a number of respondents believing that the main area of competition is "colleagues / peers". It was commonly argued that there are too many solicitors in practice and therefore the market is over serviced, a point which will be further explored in Section 4.6.3. Further answers included:

- Company secretarial firms
- Business consultants
- Citizens information
- Lay litigants
- Accountants

### 3.2.6 External challenges

External challenges impacting most on practices were categorised as follows with respondents ranking their top 4 preferences. The most commonly identified external challenge was 'regulatory and compliance obligations' (81%), followed by 'available work not being profitable' (71%) and changing client needs and behaviours (54%).



Only a small amount of respondents answered 'Other' (3%) which included: lack of government contracts, delays in court procedures and inefficiencies of third parties (all only mentioned once).

#### *Regulatory and compliance obligations*

Focus group participants were asked what regulatory and compliance obligations are challenging their practice most, which included:

- Hours required for CPD: Suggestions included a reduction in smaller practice requirements and greater remote access e.g. live streaming, webinars, podcasts etc.
- AML obligations
- Stamp duty processes
- VAT procedures
- Accounts regulation
- GDPR
- Law Society audits

It was repeatedly suggested that more support and information regarding regulatory and compliance related issues would be welcomed and that the Society "should open up channels of information about all of these obligations and compliance".

In addition to this, a number of topics were raised during the consultation process which were identified as needing clarification and further discussion between the Society and smaller practices:

- Audit guidelines and processes
- Practice Advisory Services
- Advertising Regulations
- Specialism
- Wellbeing / Mental Health Supports

*Available work not being sufficiently profitable*

Respondents were asked what was contributing to available work not being sufficiently profitable and the topics below were mentioned:

- Practices are “afraid” to charge the correct fee or additional fees when a problem arises, and opt instead for a discounted rate
- Costs incurred such as overheads and insurance
- Macro factors such as population shifts from rural areas reducing local economy and associated workloads

The value in time recording was raised and questioned. This resulted in divergent views, with a number stating that as they charge a set fee “what is the point in recording time spent?”. It was also argued that the real value in time recording is recording the difference in time spent on a case and the fee predetermined and charged. Benefits cited included allowing a practice to produce the record if a client queries a fee and insights of actual time for future cases, potentially affording practices the opportunity to propose fees more reflective of the time input.

*Changing client needs and behaviours*

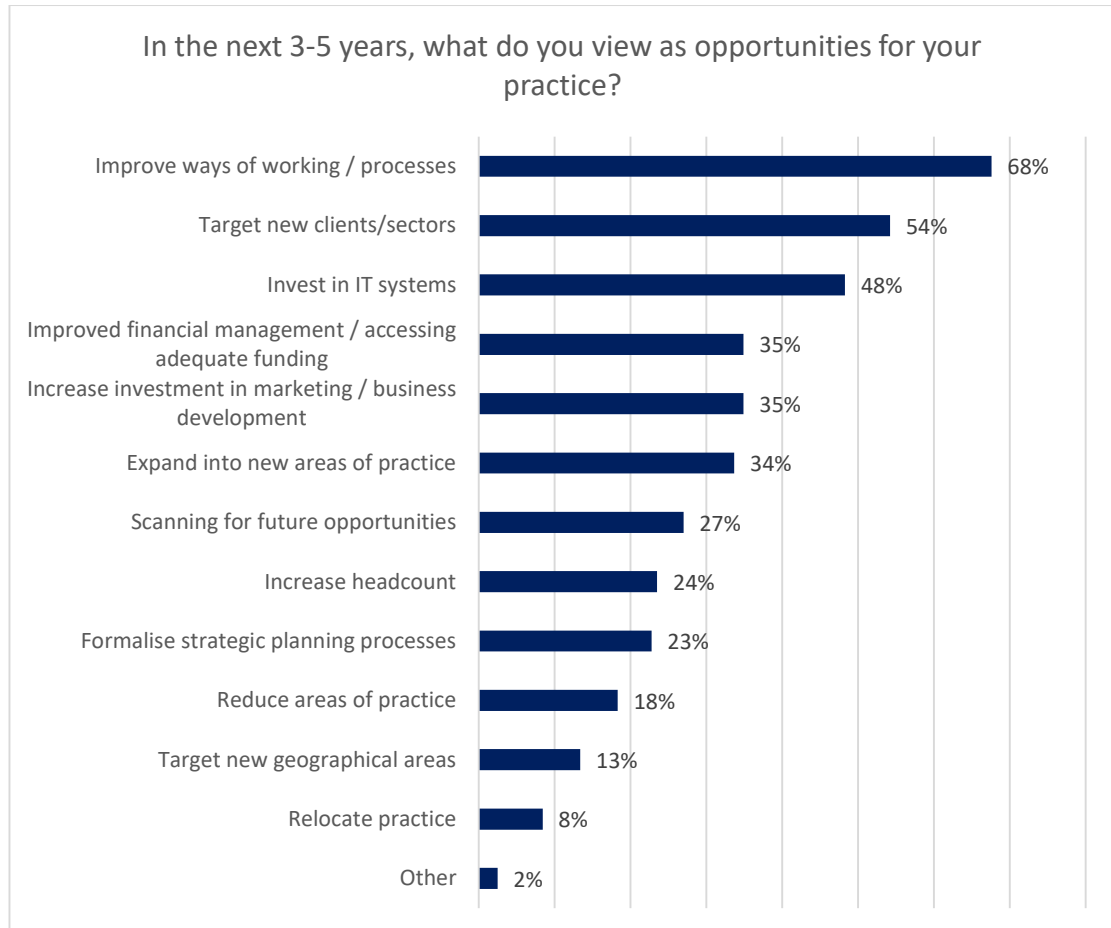
Participants were asked in what ways they see clients’ needs and behaviours changing. A number of common themes included:

- Increase in clients expecting “instant” legal advice, influenced by the opinion that society at large is becoming “more impatient”
- There is an increased expectation of communication out of office hours
- Information is regarded as “free” and practices need to be more mindful that they aren’t providing advice without a charge
- Decrease in the amount of face to face time required with clients, and an increase in emails and messages
- Clients are more casual and lack awareness regarding boundaries, for example “I was just passing so I dropped in”
- View often expressed that clients are less loyal and more price driven
- Clients are more informed and knowledgeable, and are “able to do things for themselves”

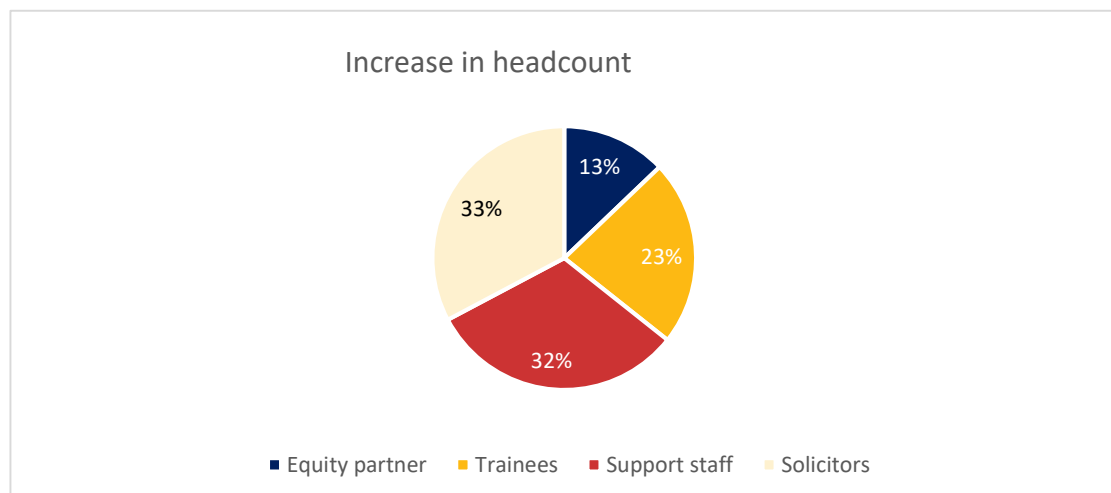
In the main, respondents do not gather formal feedback from clients, with a number arguing that they either did not have the time or it was not a priority.

### 3.2.7 Opportunities in the next 3-5 years.

The most frequent opportunity envisaged was improving ways of working and processes (68%). In addition to this, respondents also answered that they would target new clients and sector (54%) and invest in IT systems (48%). Only 2% of respondents answered 'Other', and the answers provided and mentioned once each include: merge, retire or sell practice.



The 24% who answered “increase headcount” indicated that it would involve hiring a new equity partner, solicitors, trainees and support staff in the proportions depicted below.



### 3.2.8 Structural changes

The most frequent structural change cited was alliance with other professional services firms (39%), followed by restructure the practice (32%) and sub-contracting support services (18%). Of the 5% who answered 'Other', some suggestions provided included: 'become a part time consultant', 'relocating the practice', 'sell practice' and 'find a successor'.



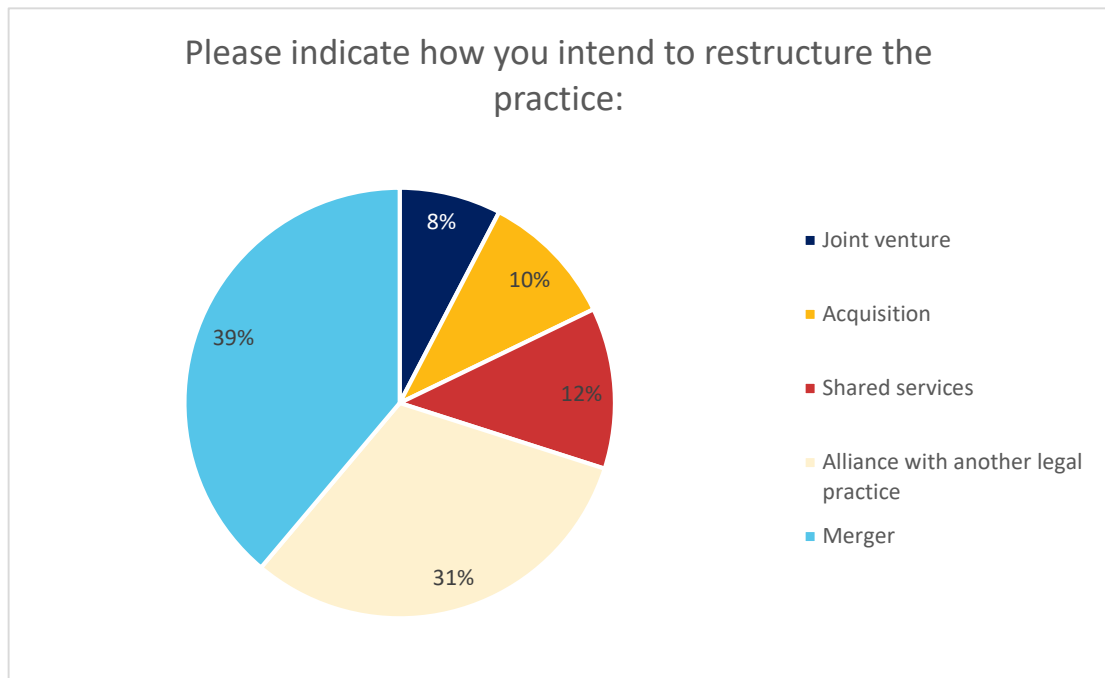
Focus group participants were asked what benefits they saw in aligning with another professional services firm. There was a hesitation around the topic, as a number of participants questioned “do we want to cross that line?” as there could be a “conflict of interest”. Comments regarding this topic included:

- Benefits include “share resources”, “cross referrals”, “reduction in feeling isolated”
- There would need to be a formal arrangement and a “recognised mechanism” in order for it to work
- “It’s a risk, as well as an opportunity”, “sometimes people don’t want to build up an alliance”
- Shared office spaces i.e. “a mini Distillery Building” were suggested, including potential collective purchasing and shared services
- Examples were provided of existing informal arrangements with accountants, with some respondents acknowledging that there is “a lot of interaction” with the work already undertaken

Considering the prominence and potential for firms in respect of this issue, we recommend that the Society provides guidance to firms as to what parameters of alignment and collaboration are permitted between practices and other professional firms, without breaching the bar on fee-sharing, as currently provided in the Solicitors Acts.



Those who answered 'restructure the practice' were asked to specify from a list of options. The most common answers were merge (39%) and alliance with another legal practice (31%).



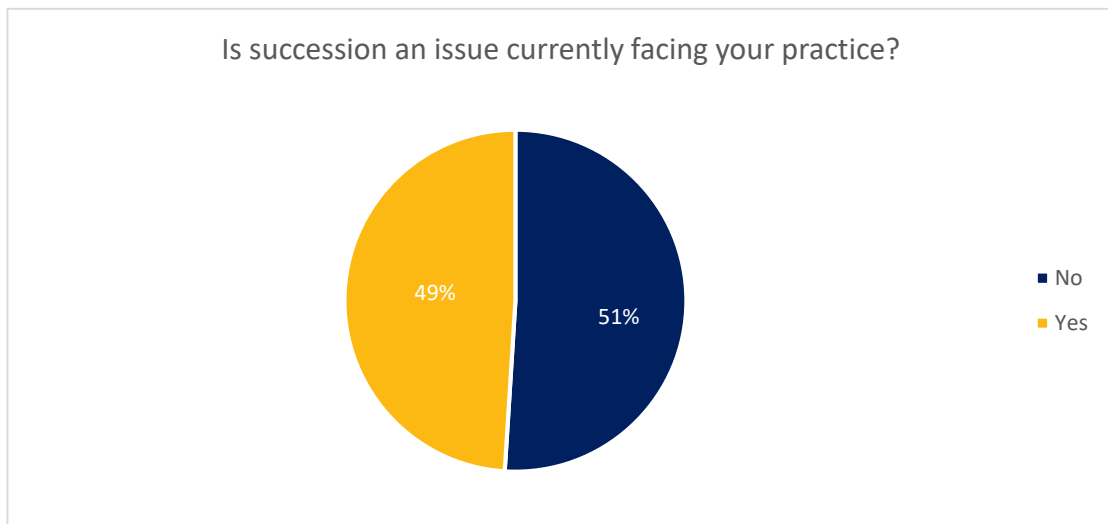
#### *Mergers and alliances*

Mergers and alliances led to divergent views in the surveys and focus groups. Interesting insights included:

- Hesitation due to poor experience of previous partnerships and lack of clarity regarding other practice files and “what lies beneath”
- It was suggested that informal structures should be explored before formal alliances or mergers are considered
- There is a perception that merging / aligning for rural practices is more difficult as recruitment and retention is suffering as solicitors “want to go to Dublin” and local industry is reduced
- Requires practices to be strategic about their decision, “to pick the right time and package it the right way”
- Practices feel they need further information and advice, and “a recognised mechanism” for mergers and alliances to be successful
- The age profile of a practice principal can impact a practice’s decision to merge or align, as succession planning becomes a greater cause for concern

### 3.2.9 Succession planning

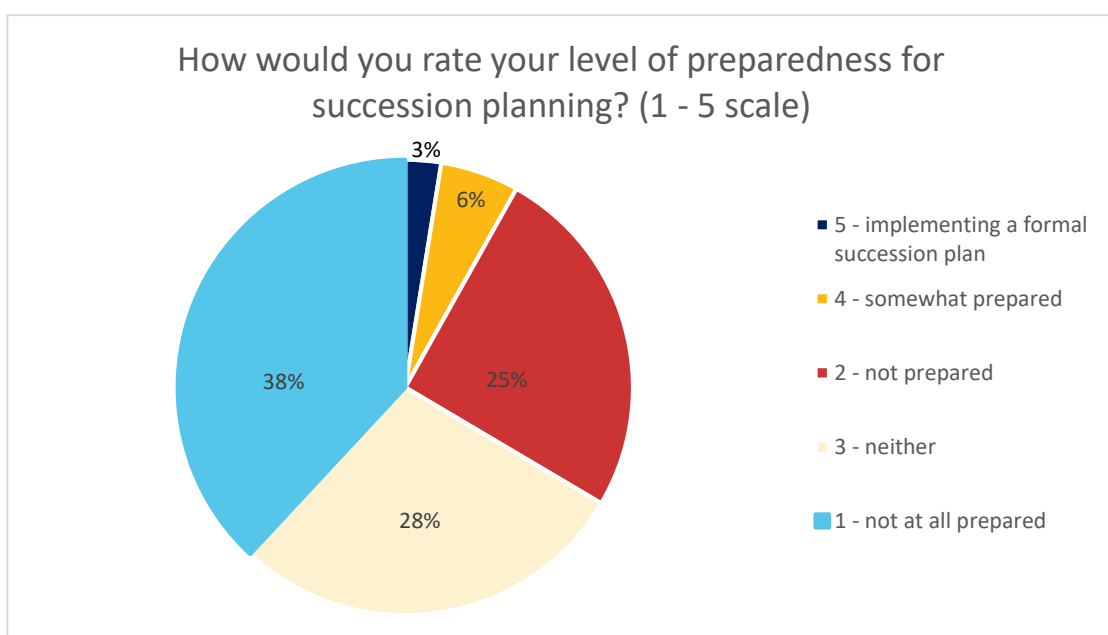
51% of respondents indicated succession planning was not an issue.



Those who answered 'No' were asked to explain their reasons for this. The majority of those who responded noted that:

- They are too young and not nearing retirement age
- The practice itself is too young
- Younger family members are currently training to be solicitors and could take over the practice in due course

Respondents who indicated that succession planning was currently an issue were asked to rate their level of preparedness from 1 to 5, with 1 being "not at all prepared" and 5 being "implementing a formal succession plan". Interestingly, although 49% said that succession planning was an issue facing their practice, the majority of respondents indicated a lack of preparedness, with only 9% rating a level of 4 or 5.



### *Barriers to succession planning*

Focus group participants were asked to discuss the barriers to preparing for succession planning. The responses included:

- Fear of buying a practice is the “biggest issue” and the potential complications that could arise, leading a participant to comment “it is better to just wind it down”
- There is no guarantee existing clients will stay with a practice once it has been taken over
- Difficulty in finding another practice that will “work the way you work, and treat a client the same as you”
- Lack of knowledge regarding how to plan for retirement
- Despite an accepted need to consider succession planning earlier in a career, others felt that it is not a priority earlier in a career, “it’s the last thing we are thinking about”

“People don’t want to take over existing practices, it is no longer an asset, it is a liability”

### **3.2.10 Fee income in relation to services**

Respondents were asked what proportion of fee income relates to a list of different services. The table below highlights the service line and the proportion of those who indicated that they provide it in the service line. The average estimation i.e. ‘the mean’, when all the estimations are added up and divided by the amount of responses and the max estimation i.e. the highest estimation provided by a respondent, are presented below.

Service Line	% who provide service	Average Estimation	Max Estimation
Residential Conveyancing	92%	29%	85%
Commercial Conveyancing	72%	13%	70%
Commercial Litigation	34%	8%	100%
General Litigation	64%	10%	62%
PI Litigation	79%	22%	100%
Corporate / M&A	25%	8%	80%
Insolvency & Banking	21%	4%	55%
Employment	42%	7%	100%
Family	89%	14%	100%
Probate	82%	17%	100%
Criminal	30%	12%	100%
Other	33%	18%	100%

From the above data, it is evident that most practices engage in a number of service lines, and do not solely focus on one service as their main provider for fee income, as would be expected in a general practice.

33% answered 'Other'. A number of common service lines appeared:

- Mental health (15)
- Licensing and intellectual property (10)
- Landlord and tenant (10)
- Immigration (6)
- Debt collection (5)
- Wills (5)
- Non-litigious work (4)
- Enduring Powers of Attorneys (EPA) (4)
- Succession (2)
- Defamation (2)
- Consultancy (2)

Other answers that were mentioned once include 'non-legal services', 'notary fees', 'agribusiness', 'advertising and marketing law', 'mediator', 'environmental' and 'data protection'.

### 3.2.11 Fee income generated by client groups

The table below highlights the proportion of fee income generated by various client groups. The average estimation i.e. 'the mean', when all the estimations are added up and divided by the amount of responses and the max estimation i.e. the highest estimation provided by a respondent, is presented below.

Client group	% who engage with client group	Average estimation	Max estimation
Private individual	99%	78%	100%
Small enterprise	72%	17%	100%
Medium enterprise	23%	13%	97%
Large enterprise	14%	14%	85%
Government body	21%	20%	100%
Not for profit	18%	6%	50%
Other	6%	15%	100%

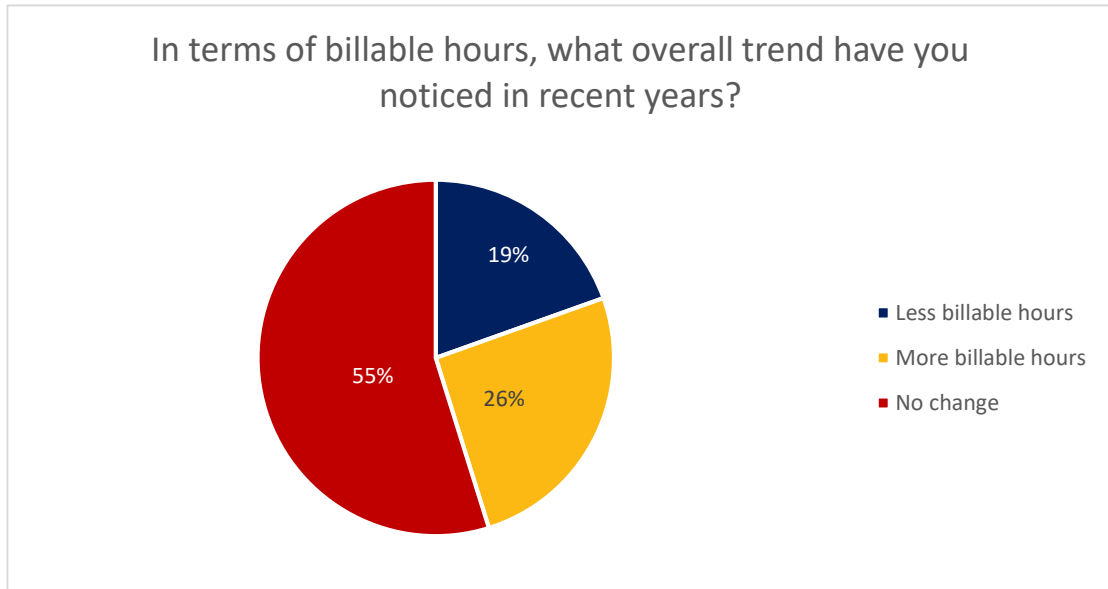
99% of respondents provide services to private individuals and indicate that on average 78% of their fee income is generated by this client group. Once again, the above highlights that a number of practices provide services across a range of client groups, and do not rely on one for their fee income.

Of the 6% who answered 'Other', a small number of respondents provided further information which included:

- Schools
- Town agencies
- Voluntary bodies

### 3.2.12 Billable hours

As depicted in the graph below, the majority of respondents answered that they have noticed no change (55%) in terms of billable hours in recent years. The 19% of respondents who answered less billable hours and the 26% who answered more billable hours were asked to explain.



Common explanations provided for less billable hours included:

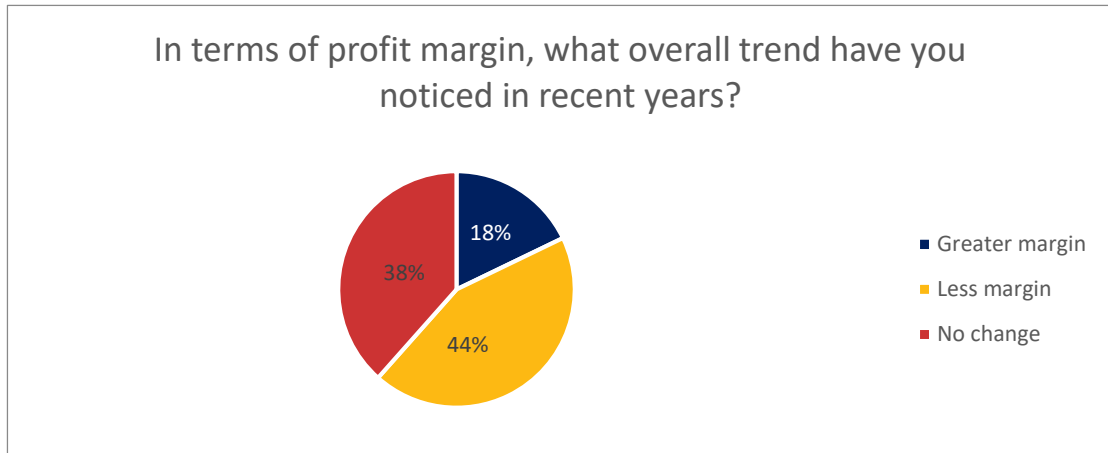
- More administrative work required (14)
- Fixed fees (12)
- Increase in regulatory and compliance matters (12)
- Less work available (3)

Common explanations for more billable hours included:

- Longer working hours (15)
- Greater demand (16)
- Upturn in the economy (7)
- Greater use of IT improving efficiencies (5)

### 3.2.13 Profit margin

Of those who responded, 44% indicated that they have seen their profit margin decline in recent years and 38% answered that they have noticed no change. In contrast, only 18% responded that they have a greater margin. Those who responded greater margin or less margin were asked to explain in greater detail.



Common explanations provided for greater margin included:

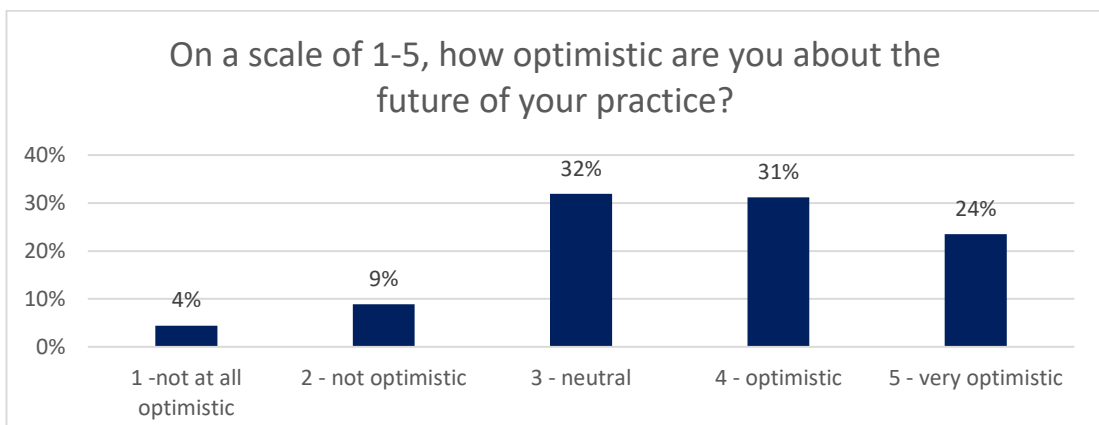
- Increase in fee rates (19)
- Greater efficiencies (5)
- Greater demand (5)
- More selective about work (4)

Common explanations provided for less margin included:

- Fees are the same or decreasing (56)
- Higher overhead costs (27)
- Greater competition (14)
- Increase in regulatory and compliance obligations (5)

### 3.2.14 Optimism

Respondents were asked to rate how optimistic they are about the future of their practice, with 1 being not at all optimistic and 5 being very optimistic. Overall, respondents indicated that they were optimistic about the future.



### 3.2.15 Future supports

Respondents were asked to select what future supports they deemed would be of most value to their practice. All that applied could be selected.



Those 3% of respondents who answered 'Other' were asked to explain. Other suggestions included retirement support, assistance regarding the restructuring of practices (mergers, acquisitions etc.), providing greater representation and "re-establishing the profession's value and expertise".

Focus group participants were asked to select areas of practice management supports, regulation supports and compliance assistance and CPD, where supports or further support would be beneficial. A number of suggestions are outlined below.

#### In relation to CPD:

- Review the costs associated with CPD and introduce further remote access for courses, such as podcast, live streaming etc.
- Greater CPD options offered by the local Bar Associations

#### In relation to practice management:

- Provision of master templates / manuals / online portals
- IT and internal processes support
- Business training and greater practical support regarding financial management and planning to help in "how to run your business"
- Greater marketing and business development support

#### In relation to regulation supports and compliance assistance:

- Clarity regarding advertising standards and restrictions



**Other suggestions included:**

- Positive promotion of the value of services and time input of smaller practices / the legal profession, to help with the justification of fees
- More local networking events, both formal and informal
- Access to a panel of 'experts' or 'specialists'
- Succession planning support
- Stress management support
- Access to mentoring / coaching

## 4 Analysis

### 4.1 Overview

This section of the report analyses the desk research and consultation process (survey, focus groups and individual interviews with external bodies) to assess the issues faced by smaller practices and the opportunities available to them to positively influence future sustainability. Key issues arising for smaller practices are analysed to outline what the future might hold, in terms of both continuing current good practice and introducing new practices that will develop businesses.

This section is followed by recommendations, which will propose responses to the key findings for smaller practices themselves and for the Society in supporting the development of sustainable practices.

There was a high level of contribution to and engagement with the consultation process. The openness and involvement of smaller practices has enabled the analysis to provide meaningful insights into what it is like to operate a small practice in Ireland today and to anticipate what the future might look like. It is also encouraging that the participants in the focus groups were solution oriented in terms of describing changes already made and those envisaged within their own practices and for the sector as a whole.

### 4.2 Key Insights

The key insights outlined below will be discussed in detail throughout the section.

- Smaller practices have a **distinct profile with defining characteristics**, outlined in Section 4.4.1, resulting in specific ways of doing business and bespoke support needs
- Smaller practices are **business owners as well as solicitors**. This requires **different skillsets i.e. legal and business management skills**. As a result, they need to access business supports and/or external advisors including at times other solicitors to increase scale or provide specialist advice outside their own areas of practice i.e. locums, specialists
- Smaller practices face **similar challenges and opportunities** that are common to **business owners and SMEs** in other sectors
- Smaller practices, particularly sole practitioners, often feel **isolated and pressured**
- Given the dynamic environments in which smaller practices operate and the evolving needs of clients, the **business model of smaller practices needs to evolve** in response to the more demanding and “instant” current business environment
- **The value of legal services is not generally understood and needs to be promoted** by the sector itself and the Society. This is also true of the value of smaller practices and of the general practice model
- **New organisational structures**, while requiring a planned and cautious approach, **are worthy of consideration** to: increase access to additional resources (i.e. locums etc.); widen and/or deepen specialisms, client base and sectors; and, diversify service lines. A spectrum of options exists: at one end, a strategic alliance between organisations and at the other a merger between firms. It is recommended that clarity is provided by the Society in relation to the parameters of collaboration with other professional service firms, without breaching the bar on fee-sharing.
- **Recruitment and retention is an issue** for smaller practices, both in and outside Dublin, due to the perceived attraction of trainees to bigger firms rather than smaller entities

- **Regulation and compliance, while presenting a business opportunity** in terms of service line development, is **generally considered an internal challenge**, (albeit with some notable exceptions, for example, a practice which developed a GDPR service which generated sufficient business to become the sole service being provided for a period of time)
- **Identified growth opportunities** in terms of new markets and service lines that **vary** from simple, “traditional”, transactional cases to complex cases and from “traditional” markets to new, evolving and sometimes re-emerging markets. This requires a varied response in line with the dynamics of the different markets

#### 4.3 Summary of opportunities and challenges identified

The infographic below illustrates the various opportunities and challenges facing smaller legal practices. These will be developed in further detail throughout this section.



## 4.4 Current operating environment for smaller practices in Ireland

### 4.4.1 Characteristics of smaller practices

Arising from the consultation process and desk research, it is evident that smaller practices have a number of defining characteristics:

#### General Practitioners

- Smaller practices tend to be general practice. The Society's training framework equips all trainees for general practice. Following qualification, solicitors have the possibility of specialising through their practice and continuing education.
- It is evident that smaller practices believe that general practice is of value and should be valued, promoted and protected

#### Clients

- The clients of smaller practices are generally private individuals (average estimation 78% as per Section 3.2.10) and their requirements tend to come from traditional service lines i.e. conveyancing, litigation and probate etc.
- There is a sense amongst the sector that client needs are understood (via personal, long-term relationships) but limited client feedback is sought formally.
- There is a heavy reliance on new business from referrals (98%) and existing clients (80%).

#### Reliance on practice principal(s)

- As with other owner-managed businesses and SMEs in other sectors, there is a heavy reliance on the practice principal(s) to run the business, act as the key client contact, generate business, manage staff and often manage finances and marketing.

#### Specialisms

- Views vary in relation to specialisms and also in relation to working with others to provide additional resources, additional legal and non-legal services, holiday cover e.g. locums, allied practices, other professional service firms.
- Confusion exists in relation to links to other practices and other professional service firms both in terms of whether it is possible / accepted, and, if so, how such relationships should be structured.

#### Increased cost base

- Concerns exist in relation to practices experiencing an increased cost base without a corresponding fee increase.

#### Innovation

- Similar to other countries e.g. New Zealand and Australia, innovation is predominately focused on IT and internal processes. IT "innovation" appears to involve the use of standard industry software and systems (e.g. Practice Management Systems, email, on-site backup, offsite access programmes, voice processing software).

#### Stress management

- Stress management is a concern – "solicitors are more worried about cases than themselves" – and there is an expressed wish for the provision of additional support in this area.

#### Lack of awareness

- There is a general lack of awareness of supports available from the Society evidenced by suggestions of "new" services and supports some of which are already in place.

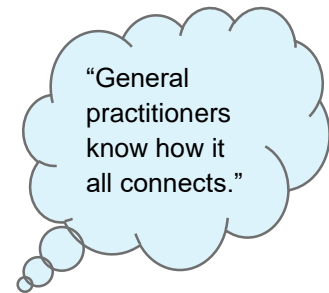
#### Optimistic for the future

- Overall, the sector appears optimistic about the future, which is reinforced by the survey findings, with only 11% not at all optimistic or not optimistic.

The defining traits outlined in 4.4.1 will be discussed in detail throughout this section.

#### 4.4.2 **Business model**

A business model describes the approach taken across the key pillars of the business. Principals are often involved in all aspects of the business model and, as such, need to understand and control the overall business model, with the principal(s) being both a solicitor and managing director.



During the consultation process, **understanding how to run a business was frequently expressed as a concern**. It was argued that the skills of solicitors in smaller practices are taught as they relate to the law but are not business related. A specific example is accounting regulations, whereby solicitors learn about technical accounting regulations "but not how to manage a practice from a financial perspective".

It is suggested that smaller practices' business models have generally evolved in an unplanned way and the way of transacting business and client communications have become a function of habit, rather than a strategic response to the business environment. Undoubtedly, ways of doing business have been hugely influenced by behaviours learned or observed during the recession where operational survival rather than strategic growth was the ruling *modus operandi*. In reality, it is unlikely that current models are dynamic and/or contemporary enough to respond to external changes and enable growth and sustainability.

In this section, we use the **nine elements of the "Business Model Canvas"** as a framework to depict current business models described during the consultations. Naturally, there will be exceptions to a general description and therefore it is acknowledged that this is an average rather than an individualised description. This model can be used by smaller practices as a management tool for developing new or documenting existing business models.

In terms of business model, it is important that practices adopt a model that embraces change and facilitates collaboration. It should be noted that in the context of the Business Model Canvas, partnerships refer to external business relationships and not the partner structure within legal practices.

## 1. Key Partners/Stakeholders

- Key partnerships encompass the network of suppliers and markets that make the business model work. The motivations for the partnerships can be the reduction of risk, economies of scale and the acquisition of resources or services. As it stands, most smaller practices operate as standalone entities, working alone or as part of small teams that engage directly with clients. When discussing other partners / partnerships, the following were mentioned: other solicitors, locums, professional services firms.

## 2. Key Activities

- Provision of legal services, which tends to come from traditional legal service lines i.e. conveyancing, litigation and probate.
- Other service lines include corporate services/M&A, insolvency and banking, employment, family, criminal, IP, environmental, IT, non-legal services etc.

## 3. Key Resources

- There are a number of key resources that sole practitioners and smaller legal practices use to create their value proposition. These can be divided into the following categories:
  - **Intellectual resources:** Brand, partnerships, client lists, client knowledge
  - **Human resources:** Practice principal(s), legal team, support staff
  - **Financial resources:** Capital investment, fee income, operating costs
  - **Physical resources:** Including office space, equipment, software such as case management, voice recognition, skype etc.

## 4. Value Proposition

- A value proposition is a statement of the value promised to a customer or a market. Generally, it appears that smaller practices deliver value to their clients through a number of defining characteristics and service offerings.
- A number of value differentiators include: Personal service, responsiveness, availability and engagement with practice principal, approachability, unique interconnected skillset (based on general practice model), full service offering and solution-oriented problem solvers

## 5. Customer Relationship

- Smaller practices increasingly interact with their clients via email, telephone calls and even text messages, as face-to-face interaction becomes less of a client requirement. There is a perception that the client values the personal service, responsiveness, long standing relationship and believes the solicitor to be a "trusted advisor".

## 6. Customer Segments

- Smaller practices operate within a multi-sided market with a number of customer segments, including both business-to-business (B2B) and business-to-consumer (B2C) relationships. The main customer segments for smaller practices are private individuals, small enterprises, medium enterprises, large enterprises, government bodies and not for profits.

## 7. Channels

- The main channels sole practitioners use to communicate their value proposition and sell their service include:
  - Referrals and recommendations
  - Cross selling to existing clients
  - Networking
  - Online via website, LinkedIn profile etc.
  - Other sources such as walk ins and telephone calls

## 8. Cost Structure

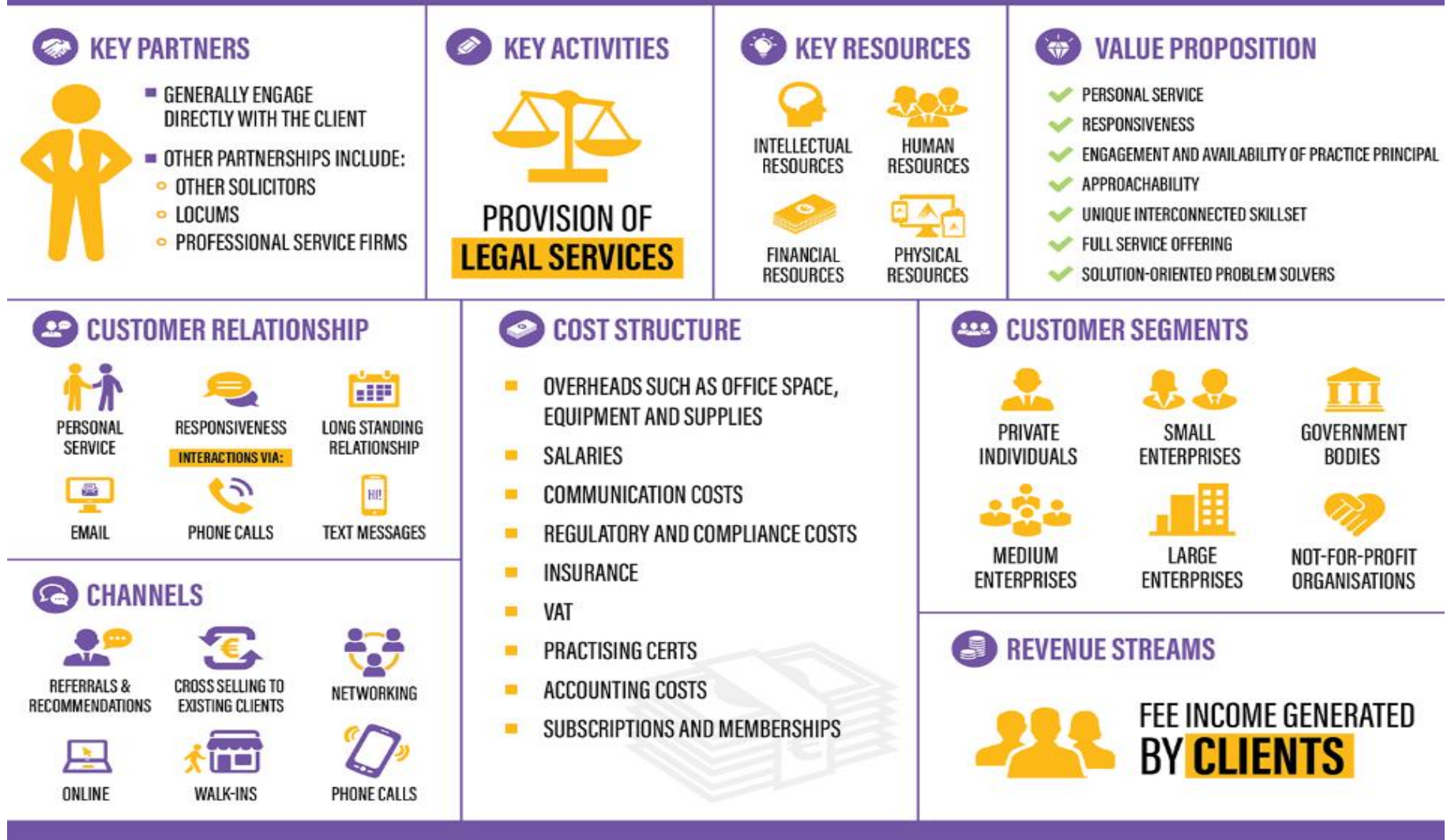
- A number of costs are incurred by smaller practices, which include:
  - Overheads such as office space, equipment and supplies
  - Salaries
  - Communication costs i.e. postage, telephone etc.
  - Regulatory and compliance costs
  - Insurance including cyber insurance, office insurance, PII etc.
  - VAT
  - Practising certs
  - Accounting costs
  - Subscriptions and memberships

## 9. Revenue Streams

- The main revenue stream for smaller practices is fee income generated by clients.



# CURRENT SMALLER PRACTICE BUSINESS MODEL



#### 4.4.3 General practice vs. specialism

One of the notable attributes of smaller practices is that they generally tend to be general practitioners rather than specialists. The Society itself describes its education as preparing people for general practice rather than specialism whereby, on qualification, solicitors have transferable skills and subsequently choose whether to specialise.

“Specialism needs a lot more discussion.”

The potential to specialise resulted in divergent views during consultation. Arguments both in support of and against moving from general practice to specialism(s) included:

- There was an overarching belief that general practice is of value and should be valued and protected
- Practices often accept all work, “you can’t afford to refuse something”, especially during the early years of practice. This can lead to solicitors continuing in general practice
- “By nature” smaller practices are “generalists” with some feeling it is “too dangerous to specialise” as it can be too limiting in terms of potential business. Others believe they could not remain a “jack of all trades” and “there is more risk in trying to do everything”
- It was generally felt that clients will “shop around” for expertise
- The “issue of specialism” does arise with some clients and practices needing to be honest about their capabilities and, where there is insufficient specialist knowledge in-house, referring the business on
  - Where work is referred on, the solicitor needs to be confident in their referral as well as knowing the appropriate specialist

The pros and cons of both specialisation and general practice are outlined below:

Pros of specialisation	Cons of specialisation
<ul style="list-style-type: none"> <li>■ Differentiation</li> <li>■ Reputation</li> <li>■ Potentially less competition</li> <li>■ May be able to charge premium pricing</li> <li>■ Positioning as expert</li> <li>■ Referral business from generalists</li> <li>■ Deeper knowledge of specialist area</li> <li>■ Potential to streamline processes</li> <li>■ Networks likely to be aligned with specialism and more likely to refer</li> </ul>	<ul style="list-style-type: none"> <li>■ Need to define clear target market</li> <li>■ Niche client base</li> <li>■ Inability to cross-sell</li> <li>■ May limit expansion capacity</li> <li>■ Possible risk of inconsistent demand</li> <li>■ Diminution in fees when specialist area is quiet</li> <li>■ Less transferable skillset</li> <li>■ Less knowledge of broader areas of law</li> <li>■ Reliance on one (or few) service lines</li> <li>■ Risk of specialism becoming obsolete</li> </ul>

Pros of general practice	Cons of general practice
<ul style="list-style-type: none"> <li>■ Appeal to a broader client base</li> <li>■ Ability to cross-sell to existing client base</li> <li>■ Ability to expand or promote a number of service lines</li> <li>■ Positioning as understanding interconnectedness of areas of law</li> <li>■ Ability to provide solutions from a variety of perspectives</li> <li>■ Depth of client relationship if working with client in a number of areas</li> <li>■ Variety may reduce ability to streamline</li> </ul>	<ul style="list-style-type: none"> <li>■ General target market that must be reached in a variety of ways</li> <li>■ Need for a broad network for potential referrals</li> <li>■ Need to communicate message of value of generalist</li> <li>■ More competition (than specialism)</li> <li>■ Impact of broad competition base on fee</li> <li>■ Implications of project management with multiple cases (often at a lower fee level)</li> <li>■ Need to refuse work where a specific specialism is required</li> </ul>



The decision on whether to specialise, whether in a particular service line, market or sector, is a commercial decision. The decision needs to be based on market dynamics, what will work best at a motivational and reputational level for the practice and what is likely to add most value for clients and potential clients. **The issue of specialism requires each smaller practice to weigh up their current situation to decide what changes will make the business more sustainable and whether specialism needs to be part of the solution.** This debate is prevalent in many sectors. Much is also written about “Generalising Specialists” and “Specialising Generalists” as a hybrid model.

The conversation regarding practice specialisation or generalisation raises the question of where growth will come from for smaller practices. While it was suggested by the majority that growth will continue to come from current clients, **smaller practices need to be open to targeting new sectors and new clients as part of a diversified and sustainable growth model. Focusing only on the existing client base is too limiting and creates an overdependence on one business development channel.**

#### **4.4.4 Competition and Competitor Set**

Smaller practices operate in a wider environment which includes medium-sized firms, large firms and increasingly, global firms. This makes the operating environment both competitive and dynamic. Accordingly, the performance of smaller practices in Ireland is critically dependent on ensuring a competitive and attractive offering that is understood and valued by clients and potential clients. This means that **the perception of value of the legal sector as a whole and the quality of the smaller practices’ services needs to be as strong as possible and seen as such locally and nationally.** The legal sector as a profession and the place of smaller practices, whether general practice or specialists, needs to be promoted strongly across all markets.

Competition for smaller practices comes from a combination of:

- |   |                           |
|---|---------------------------|
| ■ Larger firms  | ■ Specialists             |
| ■ Using more than one solicitors’ firm for different legal requirements                           | ■ Other smaller practices |
| ■ Other professional services companies offering non legal services that are not “reserved areas” | ■ Lay litigants           |
|   | ■ In-house counsel        |

The nature of the competitive set depends on, for example, the area of law, the complexity of the case, the expertise required, whether the service is more traditional (conveyancing, probate) or emerging services (regulation, immigration) as well as the type of client.

Consideration of competition cannot be viewed in isolation and is inherently linked with client needs and expectations and the decision-making processes clients go through when choosing or staying with a solicitor. This is reinforced in the London Economics and YouGov Behavioural Forum for the Society of England and Wales, which reported that “consumers’ preferences are not fixed”, and are often impacted due to the perceived potential negative outcomes. For example, it is reported that, for more “straightforward” cases, price carries the biggest influence, but as cases become increasingly complex and the chances of something going wrong rises, customers “increasingly valued reputation, expertise and regulatory protections”.

The above is noteworthy as a number of those consulted voiced concerns that smaller practices lose work to larger firms due to:

- The scale of work being deemed too large for a smaller practice
- The perception that smaller practices cannot “deal with the larger transactions”
- The client's own business growth and that smaller practices “lose clients to larger firms once they reach a certain size”

“Just because you are small doesn't mean you can't compete.”

**This highlights an issue regarding perception and whether clients of smaller practices correctly understand the capabilities within the practice.**

We have also learned that competition is increasing in terms of fees, given the prevalence of some services and the use of discounting as a method of differentiation e.g. conveyancing. In terms of fee pressure, it was argued that there is a constant price pressure on the traditional areas of practice, in particular, conveyancing. It was commented upon that:

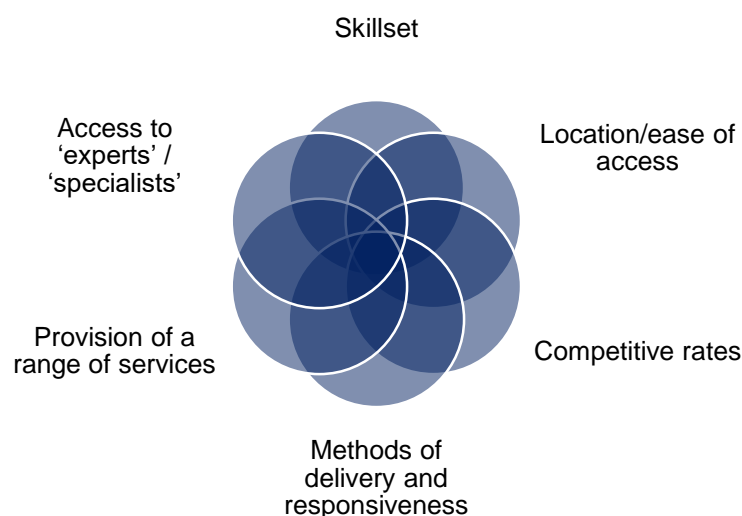
- Practices are offering the same service for less fee, but “if you don't charge properly you will automatically have a capacity constraint”
- The sector itself needs to re-establish the value of their services

According to the Fitzpatrick Economic Consultants Report “The Solicitors' Profession: Contribution to the Irish Economy” (2014):

- A major factor for the decline in gross incomes for self-employed solicitors was the heavy reliance on conveyancing and the property market's collapse
- This affected smaller practices in rural areas the most due to their dependence on traditional service lines and not as diverse a client mix

#### 4.4.5 **Competitive Edge**

Analysis of the consultation findings reveals that the soft skills of smaller practices provide a competitive edge, i.e. communication skills, business etiquette, empathy etc. Perceived competitive edge examples provided by those consulted included:



In contrast to the above, hard skills (apart from legal skills) e.g. market scanning, development of new service lines and new target markets and innovation were absent from discussions on factors which provide a practice with a competitive advantage. However, amongst larger firms and internationally, a survey carried out by Above the Law and Bloomberg Law<sup>1</sup> found that 70% of respondents believed that the use of analytics had given their practice a competitive advantage over other practices.

Competitive advantages are not permanent, and smaller practices need to continually adapt and evolve their offering to respond to changes in the market, client preferences, competitor challenges and internal practice changes.

#### **4.4.6 Client trends, needs and expectations**

It is evident that smaller practices pride themselves on understanding and meeting client needs. It was generally felt that client needs were understood due to direct contact with clients, as opposed to a formal feedback process. The most common description attributed to their client relationship by solicitors was that of “trusted advisor”, with value being placed on the personal aspect of working with a smaller practice.

Insights provided by those consulted into client trends included:

- The trend of more:
  - More knowledgeable clients
  - Clients who expect more from their solicitors, including sometimes seeking advice on areas outside the scope of work agreed
  - Clients who can do more themselves (e.g. conveyancing and probate)
- The trend of less:
  - Less requirement for face to face interaction
  - Less loyal clients
- The expectation of an immediate response; the client need for “instant gratification”
- The need for constant access; the client desire for accessibility at all times, even out of hours such as weekends and during holidays
- The trend of more casual interaction: “Hi” emails, “just passing so I dropped in” etc.
- Desire to work directly with the principal
- Expectation of privacy
- The expectation of continuity in the person/people working on the client account

In order to respond to changing client attitudes and expectations, more formal and informal client feedback needs to be gathered. Smaller practices need to prioritise client feedback for business development intelligence and for understanding client needs and satisfaction levels.

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<sup>1</sup> <https://biglawbusiness.com/analytics-give-law-firms-the-competitive-edge/>

#### 4.4.7 Perception of the sector

There is a difference between the perception of individual practices, which can be positive, and the perception of the sector as a whole. It is evident that there is an overall perception of solicitors both within and outside the sector as being old-fashioned and traditional rather than contemporary and innovative. Within the sector, there seems to be acceptance of the need for change in mind-sets and in working practices.

Although a number of those consulted believed they were innovative and forward thinking, this is not the case across the sector. The issue was raised both internally and externally that many people perceive smaller practices to be operating business models that could be more dynamic. This issue relates to the image and brand of the sector as a whole. It was argued that “we need to show clients how far we have moved on”, change perceptions that smaller practices have not moved with the times and promote a less traditional image for the sector.

“No more photos with dusty books.”

In addition to the perception that smaller practices are not modern in their approach, it was repeatedly suggested that clients do not value/appreciate the level of work required on files. This is reinforced in *An analysis of small businesses’ experience of legal problems, capacity and attitudes*, by Robert Blackburn, John Kitching and George Saridakis for Kingston University London 2015, which highlighted that attitudes to legal service providers are mixed and only 13% of those consulted viewed solicitors as cost effective. In order to change this, the sector needs to better promote the input required and related fee involved in client cases.

**These misperceptions require promotion of the value of the sector and encouragement of new ways of thinking.**

#### 4.5 Future outlook

In considering the outlook for smaller practices, the indicators include the economic situation, investment for growth and the SME and micro enterprise landscape in general.

##### 4.5.1 Economic situation

European Commission figures (July 2018) predict continued strong growth for 2018-2019:

- Ireland will record the highest economic growth in the EU in 2018
- GDP growth of 5.6% in 2018 is expected for the Republic, compared to 2.1% for both the euro zone and the EU as a whole
- GDP growth of 4% expected in 2019, double that of predictions for the EU28

Demand for professional services and consumer services are linked to economic cycles. Similar to a number of industries such as construction and related professional services, tourism and retail, significant decline was experienced during the economic downturn. The particular link between legal services and the construction and property development sector is highlighted in the *Working Futures 2010-2020: Sectoral Report* which finds that “architectural and legal activities are closely tied to the fortunes of the property market”.

The Ulster Bank Construction Purchasing Managers Index showed a drop to 58.3 in August from 60.7 in July 2018 but “still the latest reading signalled the 60th straight month of rise in construction industry, amid strong rises in housing (60.3 vs 63.9 in July) and commercial activities (57.7 vs 60.9)”. Civil engineering activity also rose. Importantly, sentiment about the “12-month outlook remained strongly positive”. This is a positive growth indicator in terms of new business opportunities for related legal services.

#### **4.5.2 SME and start-up landscape**

Smaller practices sit within the overall SME landscape and the shared issues with SMEs and business owners in other sectors are outlined in this report. It is worth acknowledging that SMEs and micro-enterprises (with fewer than 10 people) are particularly important for the labour market in Ireland. Over half of companies in Ireland are SMEs and the growth in the number of start-ups continues (22,354 in 2017, compared to just over 20,000 in 2016). However, there are predictions that the move towards full employment and the uncertainty of Brexit will lead to slower growth. The European Commission's 2017 Small Business Act Fact Sheet states that, over the next two years, growth of Irish SMEs in the non-financial business economy is expected to be moderate and between 2016-2018 SME value added is expected to rise by 5.4%.

While the overall business environment in Ireland appears favourable to SMEs, and ongoing SME support initiatives are available, challenges persist for SMEs that are shared by smaller practices:

- Service suitability for market
- Market research / understanding the market
- Pricing
- Competition
- Recruitment
- Costbase
- Cashflow
- Affordability (and availability) of workspace
- Networking / business development;
- Choosing to run a business “now people really have to choose to become a business owner when there are so many jobs out there”

#### **4.5.3 Investment for growth**

In order for smaller practices to remain competitive and grow, investment is fundamental. Generally, investment is required for future return and, as such, a strategic view is needed that acknowledges the requirement of investment for a sustained period before return can be expected. This investment can consist of financial and human resources e.g. business development, new technology, new processes, new partners / staff. The need for investment was reinforced in the Crowe and Australasian Legal Practice Management Association (ALPMA) 2017 annual benchmark study for the financial performance of participating Australian law firms, where 60% of firms expect technology to have a major role in their firm's profitability improvement. It was argued that “partners are investing in their firms in order to maintain a strong financial position”.

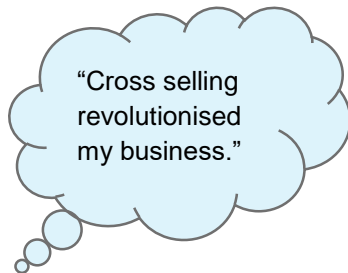
Ultimately, all investment needs to be specific to the practice's objectives for growth, depending on whether that is targeting new clients, new markets, expanding current services, upskilling etc. In defining growth plans, smaller practices should consider:

- Technology and infrastructure
- Business development, including market scanning
- Marketing capabilities, including increased client communication and feedback mechanisms
- Specific new staff to provide identified new service lines or client needs or free up existing staff to do so
- Partner appointments
- Investing in the creation of an entrepreneurial culture

#### 4.5.4 Potential for growth

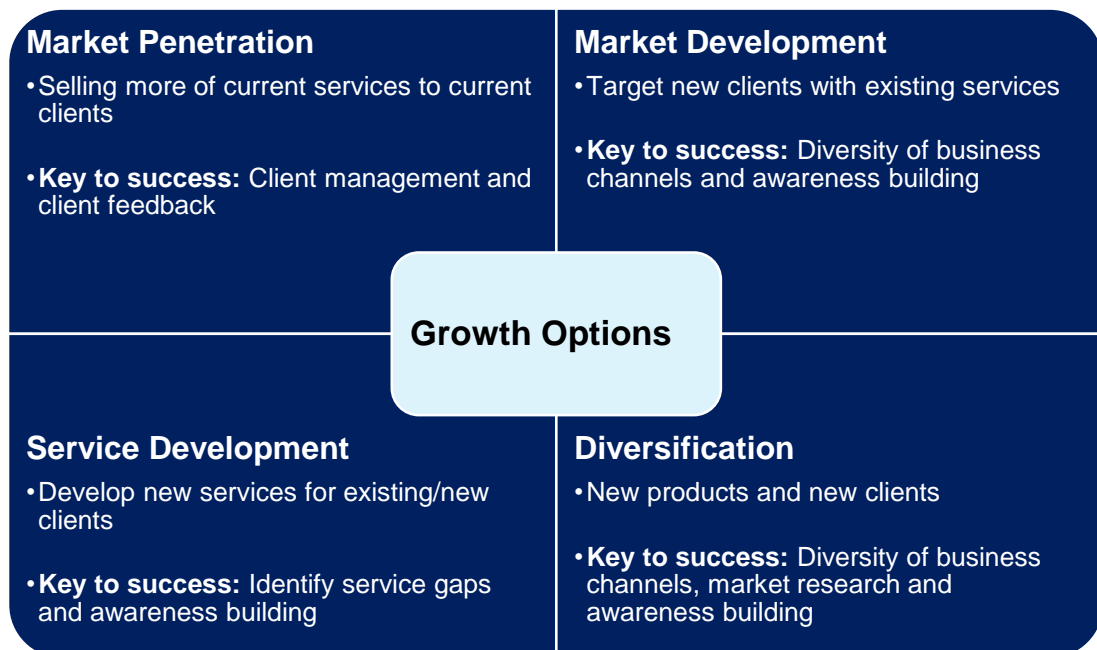
As demonstrated, the core markets envisaged as providing potential for growth are:

- Existing client base, which emphasises the importance of actively cross selling to existing clients and seeking referrals from satisfied clients
- “Referrals” and “word of mouth”, which emphasises the need to continuously grow the networks from which referrals can be generated



As the market continues to change with increased competition and new legal providers, relying on this mechanism to acquire new business will limit the ability to grow, as those referring business are likely to have increased referral options. Practices need to diversify their business development activities and will need to increase their marketing efforts if they hope to connect and attract a new era of clients. Growth can be achieved through a targeted plan to develop existing markets and service lines as well as the diversification of sales channels. When applied to the sector, certain approaches would apply specifically to either traditional or emerging markets whilst others can be applied across all markets.

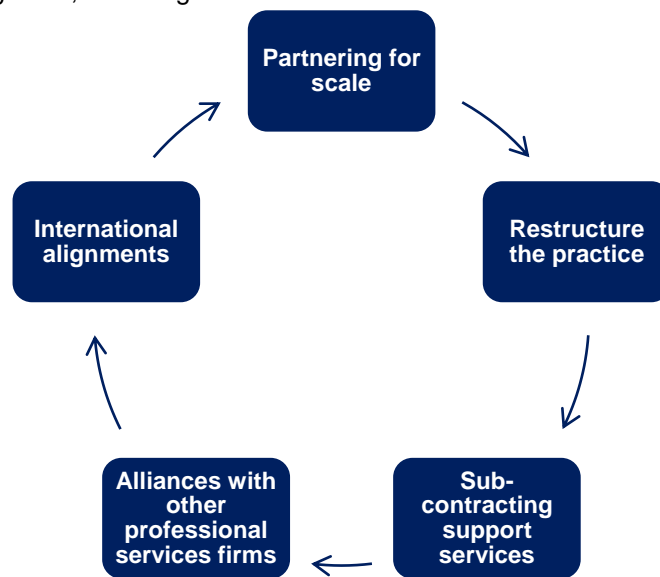
Smaller practices should consider the introduction of new service lines as well as expanding current service lines. In terms of potential market penetration or development, different target markets have different service requirements and some cases will vary from simple to very complex transactions. In assessing the options available, each practice needs to adopt an entrepreneurial mind-set and place more emphasis on scanning the marketplace to discover and evaluate new opportunities and plan a response if appropriate. The Ansoff Matrix to identify growth opportunities is depicted below:



Potential growth areas which emerged during this process include:



In addition to this, there are a number of structural options that practices can consider in structuring for growth, including:



Restructuring options could include: shared services, alliances with other practices, joint venture, merger or acquisition. In relation to all of the above options, practices would need to identify a partner where:

- Both practices would bring added value to the merger/strategic alliance
- The ethos of both organisations would be sympathetic to each other
- There is an overlap of target markets and/or ability to jointly enhance the customer base (including potential geographical growth)
- Both parties bring credibility and reputation in overlapping sectors/target markets and also access to deeper or wider networks
- The skills base within the combined entity incorporates additional skills and/or strengthens existing skills which results in both capacity and capability building
- Both brands would align with each other



## 4.6 Drivers of change in the marketplace

Ongoing change, innovation and constant disruptions are key factors that must be considered by smaller practices. With these changes come challenges and in turn opportunities, including the opportunity to better meet market demands and make adjustments, where necessary, to the service offering. A number of these drivers of change applicable to the sector are outlined below.

### 4.6.1 Technology

Technological advancements and IT innovations are impacting smaller practices and legal practices in how legal services are both delivered and consumed. In line with the consultation finding re client communication, the Law Society of England & Wales report *The Future of Legal Services 2016* revealed that there is an increase in automation and reduction in face-to-face interaction within the legal sector. They also find that the increased use of technology has significantly affected client buying behaviour, “consumers have become accustomed to researching information and reviews to help make decisions and then communicate and transact with sellers via screen technologies. For many consumers this type of behaviour is feeding their expectations of how they should be able to access and purchase legal services”.

Standard technology for smaller practices includes:

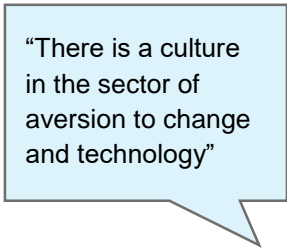
- Copier / Scanner / Fax
- Computer programmes such as Word, Outlook, Excel
- Case Management Software
- Accounting Software
- Online platforms such as a website and limited use of social media

More innovative IT ideas which were discussed during the focus groups and outlined in Lexis Nexis’ 2016 report, *Law Firms in Transition: Marketing, Business Development and the Quest for Growth*, include:

- Technology tools such as Customer Relationship Management systems
- Marketing automation
- Client/prospect analytics
- Granting clients online access to their files
- Remote and mobile access to files for solicitors

Interesting insights provided in relation to technology in smaller practices include:

- Practices believe they could and should be more tech savvy
- A “disproportionate amount of time” is spent on administration and one way to reduce this workload and create efficiencies is via IT systems and software
- Introducing new technologies and IT innovations into a practice requires training in how to effectively use the various packages, or possibly additional staff

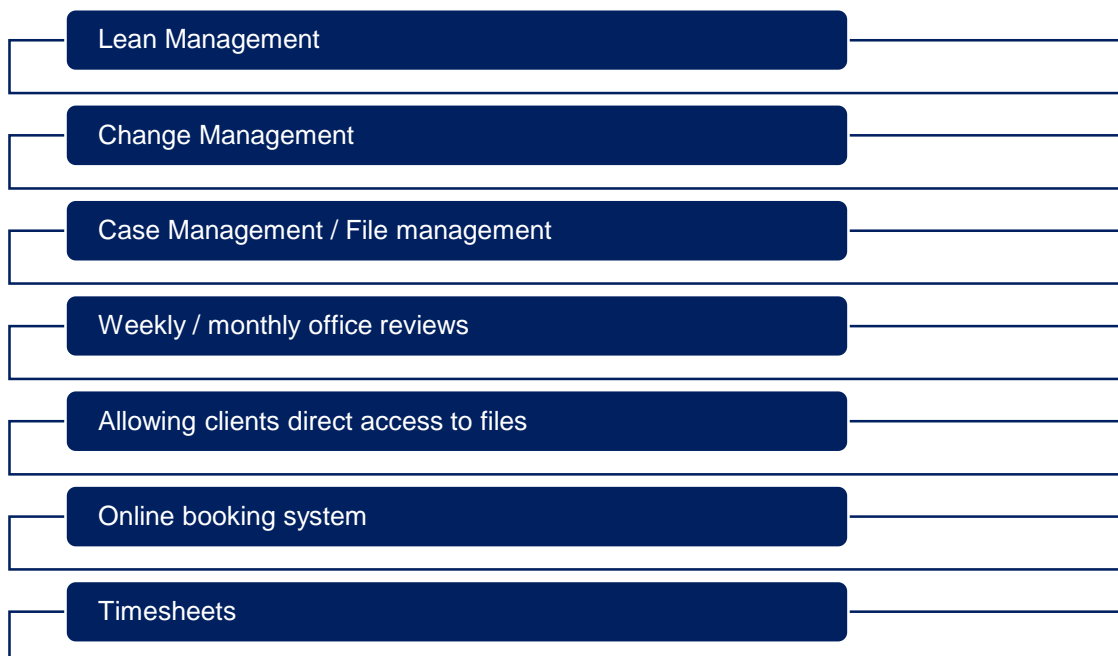


“There is a culture in the sector of aversion to change and technology”



#### 4.6.2 *Internal processes*

Similar to new technologies and software, having optimal internal processes (some of which may be IT based) can improve operational efficiencies. Operational efficiency is crucial in any successful business, as competition increases within a market and fees decrease due to price pressures. Process efficiency tools/activities mentioned by those consulted included:



It was suggested that practice management supports on efficient process development could be expanded by the Society and availed of more by smaller practices. We note that a Law Society Practice Management Standard is being developed (Recommendation 11).

#### 4.6.3 *Workforce planning and availability of workforce*

Staffing and workforce planning were discussed during the consultation process. Staff recruitment and retention were highlighted as issues facing smaller practices, especially in rural settings. It was believed that:

- Dublin provides a greater draw for trainees and newly qualified. Larger firms can provide more attractive financial packages than practices outside of Dublin cannot compete with.
- Quality of life/cost of living outside Dublin can compensate for financial packages in Dublin
- New ways of working should be explored, including accessing skills outside its own areas of practice, such as locums, specialists and business advisors

Some concerns were voiced about the number of practising solicitors in relation to market demand with the suggestion that the Society should cap the number of trainees each year. Obviously this is not possible and would be deemed an anti-competitive practice, as confirmed in the Bloomer<sup>2</sup> case. This was reinforced in the report *Assessing the economic significance of the professional legal services sector in the European Union* by Professor George Yarrow and Dr Christopher Decker for the Regulatory Policy Institute, 2012, which stated that the concern “manifests itself in the view that entry restrictions could be designed inappropriately and could be used as a method for limiting the number of suppliers (lawyers) producing a tendency toward unduly high prices of legal services supplied to end consumers. The greatest suspicion falls upon quota restrictions, since they would not be directly linked to the quality of service and could limit specific areas of legal practice”.

## 4.7 Awareness of the Society’s current supports

Smaller practices’ awareness of the Society’s supports varies from those who are actively aware and availing of current supports to those with limited or little awareness or engagement. It was commented that “the Society is doing a lot but not communicating the story” and therefore there is a perception that there are not enough supports available for smaller practices. It is not unusual in membership / representative bodies that this spectrum exists in terms of awareness and engagement, including where information is communicated but not consumed or retained in relation to available supports.

Having reviewed the programme of current and proposed supports to members (below), we note the level and range of work being undertaken by the Society which is specifically aimed at meeting the needs of the smaller practice cohort. How these actions are packaged and communicated to smaller practices may merit further consideration

### 4.7.1 Current and future planned supports for smaller practices

Following the approval by the Society’s Council of the Sole Practitioners Report in September 2017, the following recommendations have either been completed, actioned or are ongoing.

- Production of a guide entitled ‘Buying a Practice / Buying into a Partnership’
- Videos regarding ‘Buying a Practice / Buying into a Partnership’
- Development of the 55+ Options pilot programme
- Production of a leaflet to support the planning process for retirement focused on small practice proprietors
- Telephone and email helpline for buying practices and planning for retirement
- Existing ‘client care leaflets’ published by various Committees of the Society have been reviewed and a new series developed
- Creation of Guidelines on Entering and Exiting Partnerships
- Planned template development for overhead sharing arrangements, handover agreements, with a draft dispute-resolution clause
- Improvement in the promotion of existing services. Current promotion is achieved through the Society’s communication channels including, the annual Member Services Directory, the annual Law Directory, the Gazette wall planner and a regular ‘Focus on Member Services’ feature in the Gazette. In addition, the Society launched a Member Services information stand that is staffed at each LSPT Cluster event

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<sup>2</sup> Bloomer & Others v The Law Society of Ireland & Others [1995] 3 IR 14, See also Abrahamson & Others v The Law Society of Ireland & Others and the Attorney General [1996] unreported, High Court, 15 July 1996

### Templates and Standard Agreements

Currently, the Society has commissioned templates and standard agreements to be drafted (thus reducing cost, time etc.) to aid practices who might not have the resources to undertake the work themselves. The following template documents will be made available to members free of charge:

- Partnership agreement
- Handover' agreement
- Overhead sharing arrangement
- Partnership dissolution agreement

The Law Society is also gathering together a range of other more routine template agreements, including:

- Privacy policy
- GDPR related documents
- Terms and conditions for website use
- Disclaimer statement
- Health and safety policy
- Other staff focused policies and statements

### Proposed Centre for Teaching, Development and Innovation

It has been proposed that the Society will create a dedicated Centre for Teaching, Development and Innovation ("Centre") within the Law School. The Centre will bring together learning and development, technology, psychological services and innovation. The proposed Centre for Teaching, Development and Innovation will engage with the Society's staff, training firms, trainees and all those involved in professional legal education in Ireland in pursuit of the following goals:

- Lead/contribute to the global conversation about the future of the legal profession/legal training, ensuring that the Society retains its primacy of position
- Engage in ongoing research to support and inform innovative development of the legal profession and professional legal education in Ireland
- Collaborate and consult with other professional bodies/services nationally and internationally
- Oversee the quality, design, delivery and assessment of a new generation of learning, teaching and legal practice
- Integrate entrepreneurship, leadership skills development, leading-edge technology, emotional competencies, innovative pedagogies and optimal psychological/emotional development opportunities alongside traditional legal subject and legal skills development
- Develop a coherent and inclusive values-led and business informed strategy of engagement with stakeholders, members and others to maintain relevance and excellence
- Ensure the ethical imperative for a professional body and its members to attend to the whole person of the solicitor is understood and endorsed by stakeholders
- Contribute to members' readiness to survive and to thrive in the next stage of legal services

### **Wellness / Mental Health Supports**

The Society has recently commissioned *Psychology at Work* to evaluate the current wellbeing Mental Health and Wellbeing supports, with the goals of:

- Gaining a clear overview of current supports, evaluate their likely effectiveness, accessibility and helpfulness amongst the Society's members as they see it
- Generating suggestions for reform and improvement of the current structures and producing a report outlining actionable suggestions
- Providing a mental health support service specialising in crisis prevention and intervention, to include suicidality

It would be useful to understand why variance exists within smaller practices in understanding current supports, and what can be done to increase the attention/priority given to information circulated, the retention of that information and, perhaps most importantly, the relevance of the communications in the mind of the smaller practice. This is particularly important in the context of all the competing information received on a given day in a time of unprecedented levels of "information bombing".

## **4.8 Lessons from other bodies**

The key lesson from the external bodies consulted is that similar challenges are also the current reality elsewhere. Smaller practices and the Society are not alone in terms of the issues being experienced and the challenge for both members and their representative body is to respond in a way that maximises the engagement with and the value of the supports provided.

The experience, wisdom and knowledge provided by the external bodies is outlined overleaf. This provides insights both for smaller practices in how they operate, for the Society in terms of its role as a representative body providing sectoral supports, and for both in terms of interaction.

Both its members and the Society itself need to be very clear about what the Society does and what members can expect. A very valid point made by an external sectoral support body is that "lack of clarity means everyone expects everything". It is incumbent on the Society to clearly communicate the parameters of its offering and it is incumbent on members to understand and manage their expectations of the Society within that context.

It is important to note that the learnings below come from the external bodies' experience of supporting and representing their respective sectors. No judgement was made or requested of smaller practices or of the Society. The views overleaf are included on the basis of relevance and as an endorsement of their value by external organisations and not on the basis of suggesting a gap.

Unless otherwise stated, all areas related to both how smaller practices operate their own business and how the Society does business:

### Listen and Communicate

- Listen constantly and communicate regularly “be accessible, have a number of touchpoints”, “continue to develop better feedback loops” (in the case of smaller practices, feedback from clients and in the case of the Society feedback from members)

### Activity alignment

- Align activities with a strategic plan and review services/activities to ensure relevance

### Opportunities for members to meet

- Create formal and informal opportunities for members to meet (at the instigation of both the Society and of members themselves)

### Impact

- Smaller firms who offer bespoke services have the most impact

### Link with other bodies

- For practices, use links as a networking mechanism which provides access to an larger referral network and the potential for knowledge sharing with other SMEs and to build awareness via speaker slots, content slots etc
- For the Society, use links as a mechanism for joint messaging in relation to SME issues, speaker slots, content slots

### Value of the sector

- Need to promote the value of legal services being provided and help current/potential clients (especially SMEs) understand that legal services add value and reduce business risk

### Common issues facings SMEs

- There was a striking commonality to the issues being faced by all SMEs as outlined in 4.5.2.

### Disruptors and Innovators

- Learn about the future from “disruptors” and use innovators within the sector to provide learning and inspiration for small firms

### New ways of thinking

- New ways of thinking (within the sector) should be encouraged and highlighted (to overcome a perception of being “old-fashioned”)

## 4.9 SWOT analysis

The SWOT analysis of smaller practices outlined below is based on a combination of consultation findings and analysis.

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>■ Personal service</li> <li>■ Unique skillset</li> <li>■ Responsiveness</li> <li>■ Full service offering</li> <li>■ Ability to cross sell to existing clients</li> <li>■ Location of business</li> <li>■ Highly skilled workforce</li> <li>■ Local knowledge</li> </ul>	<ul style="list-style-type: none"> <li>■ Insufficient specialist expertise</li> <li>■ Capacity constraints</li> <li>■ Lack of business development skills</li> <li>■ Ability to win new business</li> <li>■ Insufficient technological capabilities</li> <li>■ Expectation for principal at all times to be client facing</li> <li>■ Insufficient formal client feedback</li> <li>■ Time management and time pressures</li> <li>■ Location of business</li> <li>■ Insufficient business planning</li> <li>■ Recruitment and staff retention</li> <li>■ Succession planning</li> <li>■ Stress management</li> <li>■ Managing client expectations</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>■ Greater investment and application of IT systems</li> <li>■ Improve financial management</li> <li>■ Increase in business development and marketing</li> <li>■ Reformulate internal processes</li> <li>■ Regulatory and compliance obligations of clients</li> <li>■ Structural changes i.e. professional alliances</li> <li>■ Positive promotion of the value of sole practitioners and smaller practices</li> <li>■ Avail of further CPD programmes</li> <li>■ Expansion of new and existing networks</li> <li>■ Market scanning</li> <li>■ New markets and service lines</li> </ul>	<ul style="list-style-type: none"> <li>■ Lack of investment for growth and development</li> <li>■ Access to talent</li> <li>■ Available work is not sufficiently profitable</li> <li>■ Changing client needs and consumption trends</li> <li>■ Changing economic climate</li> <li>■ Solicitor regulatory and compliance obligations</li> <li>■ Rising overhead costs</li> <li>■ Competition in traditional areas of practice, larger firms and non-legal providers</li> </ul>

#### 4.10 What will a successful firm look like in 2019?

Key traits in a successful smaller practice in the future will include being future focused and adaptable. This analysis section has revealed a need for evolving business models. New business models need to be more entrepreneurial, embrace change and create opportunities to work in new ways with new partners and planned growth strategies. The listed traits require differing levels of effort and time, from cultural shifts to long term strategic planning and the proposed characteristics take into consideration the current environment in which smaller practices operate and the opportunities and challenges that were identified throughout this research. It is believed that a successful practice in 2019 will:

- Be willing to change and adapt all elements of the business model
- Scan the market for new and emerging practice areas / markets for business development opportunities
- Develop a growth strategy with a clear vision and short term goals
- Diversify business development activities
- Introduce innovative processes informed by advances in technology and changing client needs and market demands
- Increase marketing efforts via effective, relevant and frequent client communications
- Embrace a culture of gathering feedback both internally and externally, for example feedback from staff at monthly meetings and by circulating client surveys which inform practice improvements
- Collaborate and network within the sector i.e. peers and with relevant external bodies
- Increased engagement with the Society and business support networks to avail of bespoke supports based on business sustainability

The next section of the market study will outline the recommendations and solutions suggested to assist smaller practices to further good practice and avail of opportunities that could positively influence the future sustainability of the business.



# A SUCCESSFUL SMALLER PRACTICE WILL:





## 5 Case Studies

Below we outline five case studies that are based on individual interviews which focused on five key thematic areas from the consultation process:

- The decision to specialise
- The decision to merge
- Greater application of IT
- Process innovation
- The trusted advisor

### The Decision to Specialise

#### Context

A smaller practice who decided to open a specialist practice after training in one of the larger firms in Dublin.

#### Motivation to specialise

There were a number of motivations to establish a specialised practice:

- Saw a gap in the market, believed nobody was offering a similar specialised offering
- Had a background in the specialised industry, with already established connections and networks
- Afforded the solicitor the option to move home, in the hopes of a better quality of life
- Enabled the solicitor to fulfil a personal wish to be self-employed

“Being a generalist didn’t give me an edge”

#### Advantages to specialising

In terms of the advantages, the solicitor explains:

- Specialisms require a high level of knowledge and research and, as an expert in the area, a premium price can be charged
- Clients are willing to travel for specialist services, if there is a perception “nobody else is doing it”
- Given that the majority of work comes through referrals, there is no spend required for advertising

#### Challenges in providing a specialised service as opposed to general practice

Challenges in providing a specialised service can be as follows:

- It is hard to be profitable in the early years when establishing the practice and trying to grow a client base
- In order to be taken seriously as an expert in an area, there is an expectation that general work should be turned away by the specialist solicitor, otherwise there is a danger of losing credibility
- Sometimes, clients believe all their problems can be solved by a specialist solicitor including those unrelated to the specialism
- Specialist solicitors are sometimes seen as a “free legal advice helpline” to other general practice solicitors

**Approach to business development**

The solicitor highlights the need to having a diverse mix of business development methods, such as:

- Feature writing for industry publications
- Presentations to individuals as well as industry organisations / groups etc. on a variety of industry-related topics
- Interviews with media i.e. radio / television
- Referring work to other practices in the hopes of “getting work back”

**Location of practice**

The solicitor indicated that the location of the practice was chosen as it is a familiar setting and accessible to their clients.

**Client communications**

The solicitor is responsive to their clients preferred communication channels, such as:

- Face to face consultations
- Phone / Skype calls
- Emails

**Advice for others looking to grow their business through specialism**

In providing advice to offers looking to grow their business through specialism, the solicitor comments:

- Decide on core business area and “don’t deviate from that”
- Turn away business that is not within the specialised area
- Collaborate with other practices and refer work to others
- Screen potential clients and avoid difficult clients that won’t value the service being provided
- Monitor and build networks in the specialised industry / sector by attending events, reading publications, networking etc. There is a requirement to be “seen within the community” the practice is specialising in

## The Decision to Merge

### Context

A sole principal with one part-time assistant solicitor and a sole practitioner decided to merge relatively recently.

### Motivation to merge

A number of motivations were defined, including:

- Greater access to professional support
- Ability to take on additional work
- Greater service offering and new service development opportunities, which they believe will provide the merged practice with “a market advantage”
- Access to specialist expertise
- Future planning, including retirement
- Complement current practice areas
- Sharing and reduction of risk
- Had already built a strong relationship of trust on both sides

### Positive impacts on the business

The practice highlighted the following positive impacts on the merged business:

- The isolation and risk felt as a sole principal / practitioner is greatly reduced, “a burden shared is a burden halved”
- Ability to be absent, go on a holiday etc. without having to check in or be consulted on every decision being made
- Sharing administrative workload
- Provides a greater selling point to prospective clients
- Broader experience and knowledge sharing
- Increase in networks for referrals
- Future proofing the practice
- Material cost saving / increased profitability, particularly staff costs and costs associated with regulation including bookkeeping, reporting accountant and PII

### Challenges since merging

The challenges noted included:

- Staffing: the merged practice experienced staff turnover and the subsequent hiring of new staff required the practice to compete with larger firms, which can be perceived as “more attractive”
- Streamlining internal processes and systems and adapting to new systems e.g. the practice had to decide on one Case Management system, as they were using different systems previously
- Division of responsibilities and tasks, which they admitted they “still need to get to grips with”

**Communicating the merger to clients**

The practice decided to take a 'soft' approach in announcing the merger to clients. So far, it has been communicated on a "need to know basis" and they are taking time to build a website for the merged practice. The response has been positive from clients.

**Difference in being part of a larger practice**

A number of positive differences were noted including:

- Reduction in stress
- Better quality of life
- Workload is more manageable
- There are less distractions, such as administrative tasks, which can easily overwhelm the sole practitioner

**Advice for others looking to restructure their practice**

The practice provided the following advice for those looking to restructure in the future:

- Identifying a suitable practice to merge with is the primary challenge. Be cautious about introductions made through non-lawyer intermediaries. You know your own colleagues best. Meet one you think might be suitable and ask them directly if they are interested in exploring merger. Alternatively, ask a trusted colleague to make the approach on your behalf. If you cannot see yourself in partnership with the person(s), it matters not how otherwise compatible the respective firm may be.
- Don't be afraid to be open with colleagues during exploratory discussion and share information on past files
- Find a way to build trust with the prospective partner e.g. try office / overhead sharing first.
- Discover how the other practice operates the day to day running of their office and "their professional approach" to assess compatibility
- Try working together on a case (e.g. a settlement negotiation) to get a feel for how the other person(s) interact with clients
- Try to establish a good working relationship from the start and build trust early on. This is essential, even when LLP comes on stream

## Greater Application of IT

### Context

Originally a smaller practice who applied IT innovation in the early stages of their practice's establishment. The practice is based in an urban setting and is now a medium sized practice.

### Top tips for greater IT innovation:

- In terms of an approach, "efficiencies should drive everything in a smaller practice"
- Implement a paperless approach, to avoid allowing elements of the business "to work against you" e.g. need for greater office space, increase in costs associated with filing, less environmentally friendly etc.
- Accounts Case Management is vital and a "basic step" in running a smaller practice
- Customer Relationship Management is an important tool in measuring and managing clients effectively. Smaller practices need to have the information "at their fingertips"
- Outsource where possible, for example, consider outsourcing the telephone system instead of paying for a full time source
- Implement systems that allow for portability and mobility
- Utilise IT to create a team environment and capability. For example, be mindful of introducing software that makes it easier for new hires to integrate into the office and enable greater teamwork e.g. multiple staff working on a case at the same time
- Develop a system for monitoring and reviewing systems / processes / applications
- Encourage staff to provide feedback and alternative proposals regarding the software they are using
- Ask staff to research new and existing software on the market, with a view to acquiring new software that would be beneficial for the practice
- Improve financial management and budget, a greater amount can be invested in new IT software and applications
- Consider attending tech fairs, both in Ireland and outside of the country

## Process Innovation

### Context

A smaller practice that introduced an innovative approach to their financial management.

### Motivation behind introducing process innovation

There were a number of influencing factors that caused this practice to transform their approach to financial management:

- Under financial pressure during the recession
- Recognition of the need to take a more organised approach to financial management
- Desire to become more aware of the financial situation of the practice

### Approach taken

The practice has put in place a series of processes to allow their financial management to become more streamlined and efficient:

- Practice planning one month in advance, high level understanding of the financial position of the practice, documenting expenditure two months in advance
- Excel spreadsheet which is updated daily with income and expenditure
- Regular staff communication regarding achieving and monitoring individual targets
- Focus on management of staff and division of tasks and responsibilities
- Bonus system for staff based on achieving individual targets

### Outcomes/impacts of process innovation on the practice

The practice and individuals working there have experienced a wide variety of positive effects:

- Reduction in personal stress
- Improved decision making
- Increased communication with staff and increased staff motivation and involvement
- Increased awareness of financial position of the practice
- Better relationships and greater control with financial providers
- Improved process of running costs and reduction in running costs

### Continuous approach to process innovation

In being open to innovation and change, there is a continuous drive to improve processes and create more efficiencies. These have included:

- Inclusion of solicitors in the management of the practice e.g. website management
- Additional staff meetings with a focus on practice improvement e.g. process efficiencies
- Encouragement of staff to propose new processes and a willingness to trial them

**Advice for other solicitors looking to apply process innovation within their practice**

With specific reference to financial management, recommendations include:

- Obtain basic accounting skills
- Be aware of the financial position of the practice on any one day
- Measure financial performance quarterly
- Regularly review invoicing schedule and collection of fees

## The Trusted Advisor

### Context

Sole practitioner with +30 years' experience who places emphasis on the importance of marketing themselves as a trusted advisor.

### Rationale for marketing the practice as the trusted advisor:

There were a number of influencing factors that caused this practice to revise how they market the practice:

- Recession negatively impacted existing and new commercial client work
- Need in the marketplace for the provision of sound business and family advice
- Exploit the build-up of knowledge of clients' affairs gathered over a number of years
- Exploit ability to provide rounded advice

### Approach taken

This solicitor has adopted several measures to establish themselves within the local community and wider legal community:

- Appointment to local Boards of Directors across different sectors
- Involvement with local Chamber of Commerce
- Involvement with professional tribunals
- Regular engagement with the legal profession
- Regular engagement with the Law Society

### Emphasis on marketing the value of the profession

A view was expressed that marketing efforts should be a mixture of the value of the individual practice as a trusted advisor as well as the value of the profession. This could include:

- Definition and communication of key values of sole practitioners and smaller legal practices e.g. skillset, rounded general advice, trusted advisor, local knowledge, cross-generational knowledge
- Facilitating opportunities for more collaborative working across the legal profession that will facilitate relationship building that could generate referral work, consultancy work, sub-contracting etc.

### Advice for other solicitors looking to portray themselves as trusted advisors:

- Be aware of core competencies and exploit them
- Become involved in the local community e.g. Local Chambers of Commerce, appointment to local Boards of Directors, public office boards, charities, sports clubs etc.
- Create collegiate arrangements through the creation of a "sounding board" with other solicitors that would facilitate "bouncing ideas off one another"
- Ensure that the practice's website and other forms of communications e.g. LinkedIn profiles, are regularly updated to reflect the current offering available in the practice



## 6 Recommendations and Conclusion

### 6.1 Summary of Recommendations

The Key Findings section outlined the insights gained in the research and consultation phase of the process and the Analysis section interprets the data gathered to determine crucial elements such as opportunities, challenges and trends and applies Crowe's own perspective and experience. The Recommendations are derived from both the findings and analysis to recommend what could be done in future, taking account of the lessons learned.

For each of the recommendations, there is an onus on both the Society and solicitors themselves to consider the recommendations, engage with one another and be willing to change. There needs to be commitment at all levels, and a willingness to acknowledge individual and shared responsibility if the recommendations are to successfully influence the shape of the smaller practices sector in the future. Because of this, collaboration and communication between both parties is a vital element of all recommendations.

As stated in 4.4.5, competitive advantages are not permanent and smaller practices need to continually adapt and evolve their offering to respond to changes in the market, client preferences, competitor challenges and internal practice changes. These recommendations are designed to enable smaller practices to create and maintain a competitive edge by responding in the proactive and strategic manner suggested on an ongoing basis.

Many of the recommendations are inter-related and achievement or delay in one area may impact on another. Recommendations are made in relation to:

- Diversifying business development practices
- Creation of growth strategies, incorporating marketing and client communications plans
- Building collaborative structures
- Bespoke supports for smaller practices
- Promoting the value of smaller practices

## 6.2 Smaller practices should diversify business development activities

As highlighted in the Analysis section of the report, smaller practices rely heavily on referrals and their existing client base for winning new business. The benefits in having a loyal client base that provides repeat business include cost-effective business development, existing levels of confidence in the practice, strengthening the client relationship and increasing the likelihood of the client recommending the practice to others.

However, relying on this mechanism alone to win new business does not sufficiently future-proof the practice. Common amongst SMEs, referrals are considered to be a key generator of business. Referrals are unpredictable and are not a scalable source of business if the pool from which referrals come is not growing. Networking and referrals are interconnected and, if a practice is to rely on referrals as a key source of business development, the practice will need to proactively grow its network to widen the pool from which it generates leads, particularly in the context of increasing competition.

### **Recommendation 1: Diversifying business development practices**

Smaller practices need to diversify their business development activities and move beyond a reliance on their existing client base and referrals.

### **Examples of diversified business development practices**

- Market scanning, to understand market trends and client needs
- Market expansion
- Service line expansion
- Networking to generate leads and increase referral base

## 6.3 Development of a growth strategy

It is recommended that smaller practices should develop a growth strategy which reflects the long-term vision, purpose and growth ambition for the practice. The absence of a growth strategy leads to a situation where there is less focus on the future than there should be and growth happens in an unplanned way, if at all. Without a growth strategy in place, smaller practices could be either losing business or increasing their chances of doing so.

Developing a growth strategy provides a focus on the future of the business in terms of the type of business and clients it wants to target, the rationale for doing so and what it needs to do to achieve its ambition. Even if smaller practices are happy with their current performance, a growth strategy will highlight ways to develop the current offering, protect the practice from losing business to competitors and strengthen existing performance.

It is understood that it will take time to develop a growth strategy but it is argued that this is an investment for growth that will generate future return in terms of sustainability.

Consideration should be given to both organic/internal growth (expanding within current operations) and inorganic/external (via takeovers, mergers etc.) growth options. It is further recommended that support be provided via the Society for practices that wish to plan for future growth.

### **Recommendation 2: Creation of growth strategies**

Practices should develop growth strategies to ensure that actions are planned and implemented now so that they will positively influence their future sustainability.

#### **Example of Growth Strategy Content:**

- Outline of current service lines
- Market analysis
- Internal growth options
  - Expansion into new markets, sectors, clients
  - Diversification of service line offerings, including potential specialisation
  - Modernisation
- External growth options:
  - Merger
  - Acquisition
  - Joint venture
  - Strategic alliance with another practice
  - Strategic alliance with another professional service firm
- Growth Goals and Targets
- Financial and Human Resource Planning
- Marketing Activities
- Review and Monitoring

#### **6.3.1 Develop a marketing and client communications plan**

Essentially, growing a business is dependent on effective marketing and the ability to communicate with existing and potential clients to convince them of their need to use the services on offer in the practice. Either as part of a growth strategy or as a standalone plan, smaller practices need to formally plan their approach to marketing, including client communications. For some, this will be a case of formally documenting and monitoring what is already being done and, for others, it will involve evaluating marketing activities (or lack thereof) and increasing what is being done to promote the business.

It is understood that marketing is an area that is approached with some reluctance because of lack of experience, skill and/or belief in the benefits of marketing, particularly when it hasn't been done in the past. In any crowded marketplace, there is a need to stand out and communicate compelling reasons that result in clients actively choosing one business over another. Marketing is a requirement in the current business environment and all the more so in the context of smaller practices who described themselves as operating in an increasingly competitive environment.

It is therefore recommended that smaller practices increase their marketing efforts and capabilities. A strategic approach is needed which is supported with customer and market insights and clear objectives.

### **Recommendation 3: Develop a marketing plan as a key pillar of practice growth**

It is recommended that sole practitioners and smaller practices increase their overall marketing efforts and capabilities. Client surveys will be an important building block in the development of a marketing plan based on understanding client needs and responding appropriately across all areas of interaction with the client.

#### **Example of Marketing Plan Content:**

- Market Trends Analysis
- Sources of Service Line Income
- Current Market Segments Profile
  - Analysis of client databases and client survey feedback and segment client profiles
- Competitor Analysis
- Marketing Objectives
  - Overall goals to be achieved through the plan
  - Objectives in relation to:
    - Service
    - Fee
    - Sales channels
    - Promotion: branding, advertising, sales, publicity, direct marketing (mailshots, email shots, e-zines), digital marketing (content, social media etc.)
    - Viral marketing to promote word of mouth (video sharing, competitions etc.)
- Desired Business Mix
  - Breakdown of ideal future business across areas and market segments
- Marketing planning by segment
  - What are the distinct needs of each customer segment?
    - Gather client feedback, both informally and formally
  - What marketing message and activities will appeal to each customer segment?
  - What channels can you use to reach them?
  - What targets will you set for each?

### **6.3.2 Client communications**

A key part of the marketing plan is to develop and communicate compelling marketing messages. The need for message repetition is vital in the days of information overload previously mentioned. As such, the practice must be consistent and committed to an ongoing plan that builds awareness and reinforces key messages across all points of interaction with clients.

It is a given that the better a practice understands their clients' profile and needs, the better it will be at designing and delivering messages that resonate and create client loyalty. As discussed earlier in the report, smaller practices tend to have an ad-hoc approach to gathering client feedback. As a practice grows and/or seeks to cross sell or encourage referrals from existing clients, there is a need to understand client thinking at a deeper level. On that basis, it is recommended that more formal feedback is gathered on an ongoing basis so that client preferences and preferred communications channels are truly understood. For those practices that already effectively market and engage with their clients, this will involve building on current marketing efforts and for others it will involve building a plan from scratch. Either way, it is recommended that client communications is a key tenet of the marketing plan which links back to the growth strategy which will move a practice from a focus on the immediate/short-term to a more long-term future focus.

The process by which this can be achieved, includes:

- Defining the practice's target markets and understanding current and emerging needs and expectations
- Agreeing clear and persuasive client messages
- Prioritising relevant online and offline communication channels

**Recommendation 4: Formally plan client communications**

It is recommended that smaller practices need to review current client communication methods and consider introducing new communication tools and activities e.g. testimonials on practice website, increase in social media presence, speak at local business events etc.

**Example of client communications:**

Smaller practices should consider a range of inexpensive communication methods for small businesses, such as:

- Client surveys
- Testimonials on the practice's website
- Monthly newsletters / e-zines
- Increased social media presence
- Blog posts on the practice's website
- Join local business networks
- Email marketing
- Speaking engagements at local business events / conferences

## 6.4 The value of strategic collaboration

Many of the issues to be dealt with would benefit from collaboration where various interested parties are working together to achieve a mutually beneficial end result. It is therefore suggested that collective strength is used to achieve what might take longer to achieve individually. Increased collaboration is recommended:

- Within the sector itself
- Smaller practices and external bodies
- The Society and external bodies

A number of key business benefits can be achieved from working collaboratively, including:

- **Partnering for scale:** potential to win larger tenders / cases
- **Reduction in isolation/lone voice:** Collective problem solving on shared issues
- **Financial benefits:** cost reductions via sharing resources etc.
- **Human capital:** development of staff skills and abilities etc.
- **Physical capital:** shared resources, shared office space etc.
- **Intellectual capital:** information sharing, collaborative research and development
- **Network development:** increasing the referral base for new clients/leads

Increased interaction is also recommended between the Society and its smaller practice members but this is dealt with separately in Section 4.5, including further development of a bespoke suite of supports for smaller practices, on the basis that this will lead to increased interaction.

***Within the sector itself***

Within the sector, networks should be developed both formally and informally, and it is encouraging to note that, during a number of the focus groups, participants voiced their willingness to engage with peers. Availing of and/or creating peer networks would allow smaller practices to create a platform with a number of benefits, including:

- Shared issues and problem-solving
- Knowledge sharing
- Identification of new business opportunities amongst the sector
- Creation of scale and shared costs via shared resources

***Smaller practices and external bodies***

Engaging with external relevant bodies and networks presents a range of benefits. In accessing local networks and business communities, smaller practices can discuss the challenges and opportunities that are common to business owners and SMEs in other sectors, and, most importantly, how they are dealt with. Smaller practices should build on existing collaborative relationships with external bodies in order to:

- Increase knowledge sharing and learning opportunities
- Introduce innovations and new approaches that have worked in other small businesses
- Access to different skillsets i.e. external advisors, specialists and business contacts such as consultants
- Increase chances of business referrals and widen network of business contacts
- Help reduce feeling of isolation associated with being a smaller practice and a sole practitioner in particular

**Recommendation 5: Building networks/strategic collaborations by smaller firms**

Smaller legal practices need to build greater networks within the sector and with external bodies. This recommendation is also interconnected with furthering business development opportunities and marketing efforts.

**Examples of benefits of building networks/strategic collaborations**

Within the sector, networks can be developed both formally and informally. Availing of and/or creating peer networks would allow smaller practices to create a platform with a number of benefits, including:

- Shared issues and problem-solving
- Knowledge sharing
- Identification of new business opportunities amongst the sector
- Creation of scale and shared costs via shared resources

Engaging with external relevant bodies and networks presents a range of benefits. Smaller practices should build on existing collaborative relationships with external bodies in order to:

- Increase knowledge sharing and learning opportunities
- Introduce innovations and new approaches that have worked in other small businesses
- Access to different skillsets i.e. external advisors, specialists and business contacts such as consultants
- Increase chances of business referrals and widen network of business contacts
- Help reduce feeling of isolation associated with being a smaller practice and a sole practitioner in particular

***The Society and external bodies***

It is recommended that the Society should seek out collaboration opportunities with relevant external bodies and SME networks based on defined issues that smaller practices share with business owners and SMEs and develop relationships that will aid sectoral development.

In developing relationships and networks with external bodies, the Society should ensure that a partnership will be mutually beneficial and that the bodies will share similar values and key messaging. In addition to this, an agreement would need to be reached regarding the approach to collaboration, consistent messaging and whether there is a lead or equal voice.

As the profession and industry experiences fundamental change, collaboration with external bodies in similar sectors can provide the Society with a platform to discuss shared issues and lessons learned.

**Recommendation 6: Collaboration on shared SME/business owner issues between the Society and relevant external bodies.**

The Society should investigate the potential of a collective voice on shared issues with relevant external bodies who also represent business owners/SMEs.

**Examples of collaboration by the Society with other external bodies**

The Society can explore topics specific to SMEs such as:

- Promoting the value of the sector
- The benefits and challenges of shared office space
- Solutions to recruitment and retention issues
- Access to credit for growth
- Shared regulation and compliance

## **6.5 The development of a bespoke suite of supports**

As outlined in the Analysis section of the report, smaller practices have a distinct profile and defining traits that lead to specific support needs. These needs include both CPD and, arguably even more so, business skills. If the Society is to respond to these needs, continued and potentially increased supports will need to be provided in relation to creating an entrepreneurial culture of strategic, future based, opportunity based thinking combined with marketing and financial planning. While it is true that external advisors can be brought in for these areas, a minimum level of skills is required in running the business. It may also be the case that smaller practices have a preference to work on the areas personally as the business owner or do not have a budget for external advisors.

As also outlined, the external bodies consulted reinforced this by advising that membership organisation's programmes and support need to be "bespoke for the sector" and based on feedback in relation to members' needs. It is recommended that the Society considers the support needs outlined in this and other reports / surveys and work with smaller practices to develop a programme that specifically reflects smaller practices' development needs.

In providing supports specific to smaller practices, the sector can become more responsive to market changes and the Society can better reflect the current and future needs of smaller practices.



### **Recommendation 7: Bespoke supports for smaller practices**

Due to the distinctive nature of the sector, the Society should continue to develop its specific programme of supports that will respond to the current needs of smaller practices, including supporting them in their efforts to create sustainable businesses.

#### **Examples of programme development or expansion / modification for smaller practices:**

It is recommended that the following programme development and support areas are given consideration:

- Business operations and management skills
- Entrepreneurial skills: market scanning, idea generation, identification and evaluation of opportunities
- Strategic thinking: strategic options assessment, strategic planning, growth strategy, marketing strategy, innovation strategy, learning from 'disrupters' (within and outside the legal profession)
- Change management supports, providing a structured approach for supporting practices and their staff develop over the short and long term
- Creation of a 'specialist' / 'expert' panel
- Creation of a shared space / hub for the sector
- Shared knowledge banks i.e. online portals

In addition, consideration should be given to expanding the following supports to include modified supports specifically aimed at and branded for smaller practices:

- Buddying / mentoring system
- Portal with templates, precedent banks, guidance documents e.g. set-up, operations, file management, succession, mergers etc.
- Guidance on alignment and collaboration permitted between practices and other professional service firms, without breaching the statutory bar on fee-sharing
- Marketing and client engagement supports
- Stress management such as LawCare services
- Succession planning supports, such as further information guides
- Financial management, budgeting and target setting for small businesses

It is important the Society reviews the suite of supports on an ongoing basis, to ensure that the services provided are in line with changing market dynamics and member needs at various points in time.

In order for these supports to be a success, there would need to be a high level of engagement from the sector, and a willingness to avail of the supports provided. This recommendation is interconnected with the collaboration recommendation listed above, as the Society and smaller practices will need to collaborate, listen and respond and work together to ensure relevance and engagement with supports developed.

The lack of awareness regarding the current supports and services provided by the Society also needs to be addressed. It is recommended that existing engagement and representative structures are used by all parties to liaise in relation to any proposed development of bespoke supports. These supports should be launched and form part of the agenda of discussion at Bar Association meetings so that feedback from members is requested and reviewed over time. It is also recommended that members are consulted on preferred communication methods and how the attention given to communication on available supports, events, knowledge sharing etc. can be increased.

**Recommendation 8: Collaboration between the Society and smaller practice members**

The Society should liaise with smaller practices to understand current communication preferences and how engagement and awareness can be increased. A communications plan for smaller practices should be developed utilising smaller practices preferred communications methods. All parties should use existing engagement and representative structures to liaise in relation to any proposed development of bespoke supports.

The Society's communication strategy can then be updated in the context of the development and delivery of the specific suite of supports to include:

- Communication objectives
- Identification of preferred communications platforms, content, format, frequency, timing etc.
- Key messages
- Tools and activities including key channels
- Resources and timeframes
- Evaluations and amendments

**6.6 Joint/shared promotion of the value of smaller practices and their service model**

In order to create a positive perception of the sector, smaller practices and the Society need to promote the value of legal services in general; of smaller practices specifically and the general practice model.

Promoting the value of a service or product is fundamental for all small businesses, especially in terms of business development, awareness and differentiation in the market place. The ability to add value to a product or service is a necessity, because without it almost any product or service has the ability to be driven down in a "race to the bottom". This is a precarious situation for any sector, and one that has already begun to happen with conveyancing fees. In order to manage this risk, promoting the value of the legal profession inputs, the edge of smaller practices and the connectedness of the general practice model is recommended.

#### **Recommendation 9: Joint promotion of the value of smaller practices**

Both smaller practices and the Society should promote the value of legal services, of sole practitioners and smaller legal practices specifically, as well as the benefit for clients of the general practice model.

#### **Examples of actions for joint promotion initiatives:**

In order to ensure consistent messaging, the Society, in conjunction with smaller practices, should:

- Agree key promotional messages
- Integrate this promotion into the Society's and smaller practices current communications plans/activities
- Generate content marketing and thought leadership pieces which promote the value delivered via blog posts, press releases, editorials etc.

This promotion should be directed at two audiences with two distinct purposes:

- Clients and potential clients who need to understand the competitive edge of and value added by smaller practices
- Potential employees, in particular trainees, who need to understand the quality of experience that can be gained working in a smaller practice and the quality of life in working with a small practice based outside Dublin

The issue of attracting solicitors to working outside of the large Dublin firms is acknowledged. This is also an issue in other professional services sectors and with trainee models. As a result, many development bodies have programmes promoting the quality of life in their region or county e.g. <https://www.lookwest.ie/> and <https://www.investkilkenny.ie/>. It is recommended that the Society and smaller practices, alongside relevant development agencies, promote quality of life in rural areas in particular to encourage solicitors and trainees to consider a move outside of Dublin. This aims to increase the talent pool attracted to smaller practices in rural areas and as part of the potential solution to workforce planning and succession planning.

#### **Recommendation 10: Promotion of quality of life in rural areas and value of experience gained working in smaller practices**

It is recommended that the Society and smaller practices themselves, alongside relevant development agencies, should promote the quality of life in rural Ireland through a range of initiatives, as a way of ensuring a sustainable regional legal services market.

#### **Examples of opportunities to promote quality of life working in smaller rural practices:**

- Collaborations with local authorities and development agencies e.g. Western Development Commission, Chambers Ireland, Irish Rural Link etc.
- Increased involvement of Bar Associations in promoting working in smaller practices in their areas
- Further provision of remote CPD courses via live streaming, webinars, podcasts
- Investigate a trainee grant scheme for rural practices
- Facilitate informal gatherings / networking events in rural areas

## 6.7 Review of internal processes by smaller practices

In any market facing increasing pressures and competition, practice improvement and innovation becomes even more important. As smaller practices' describe how their cost base continues to increase without an increase in fees, it is necessary to find operational efficiencies. Currently, the Society is in the process of developing a Law Society Practice Management Standard as a Member Service offering which will assist. Successful implementation of efficiencies rests on the ability of smaller practices to be open to change and seek continuous improvement that will improve process efficiency. This means practices will need to review their current operations and dedicate time to finding and implementing process improvements if they are to create efficiencies.

### **Recommendation 11: Internal process review**

Smaller legal practices need to review their internal systems and processes, to identify practice management improvements and innovations, such as process improvement.

### **Examples of process review frameworks:**

Once developed and published, practices should strongly consider engaging with the Law Society's Practice Management Standard.

In identifying operational efficiencies, guidance is also given in the ALPMA's Legal Practice Management 'Learning & Development' Framework, which outlines key 'pillars' that practices should understand to effectively manage and run their practice. Under 'ensure efficient operations', the areas below are listed:

- Technology and automation
- Process improvement and quality management
- Facilities management
- Project, change and risk management
- Document and knowledge management

Solutions will vary according to the profile of the practice, such as practice size, location, client base etc. The consultation process revealed active approaches to finding efficiencies through the following approaches:

- |  |   |
|--|---|
| ■ Lean Management; a universal management tool for delivering value and optimising work processes. | ■ Outsourcing   |
| ■ Regular staff meetings and reviews   | ■ Online booking system   |
| ■ Workflow mapping   | ■ Timesheets  |
| ■ Scanning documents   | ■ Flexible working hours  |
| ■ Voice recognition software   | ■ Software such as case management, which some described as being "essential" in running a practice |

## 7 Conclusion

This report seeks to describe the current environment in which smaller practices are operating and to then look to the future and make recommendations that will create a more sustainable future for smaller practices (clearly contingent on a commitment to implement the recommendations and invest the time and resources required to do so as effectively as possible).

The survey pointed to business models that are often based on custom and practice and operationally-led thinking. This is neither surprising nor confined to smaller legal practices who have come through a challenging time of economic downturn which impacted professional services and SMEs significantly.

It is observed that the legacy of the survival thinking of recession means that firms can be focussed on tomorrow's tasks rather than the potential of next year.

The recommendations in this report are based on moving from operational and tactical ways of working to more strategic, future focused dynamic business models that respond in an entrepreneurial way to current and emerging business trends. Whether offering business to business services or business to consumer services, expectations of legal and all business transactions have changed. The successful practices of 2019 and beyond will embrace and respond to those changes with responsive business models based around growth strategies, marketing and client communications plans, innovative processes and operational structures that enable growth and development.

It is acknowledged that the recommendations will require the investment of time, energy and resources, some of which will need continued commitment for a period before return on the investment will transpire. It is also acknowledged that the recommendations suggest an array of supports to be provided through the Society. This is true whether the proposal is that existing supports be extended or modified for smaller practices or whether the proposal involves new programme development. These supports are required and will be needed by smaller practices if a shift to a future focused sector is to be enabled.

The extent of commitment required by smaller practices and by the Society is not underestimated. However, the extent of the task does not negate its necessity. Rather it underlines the importance of the task at hand and the level of input, interaction and collaboration required to enable the positive change.

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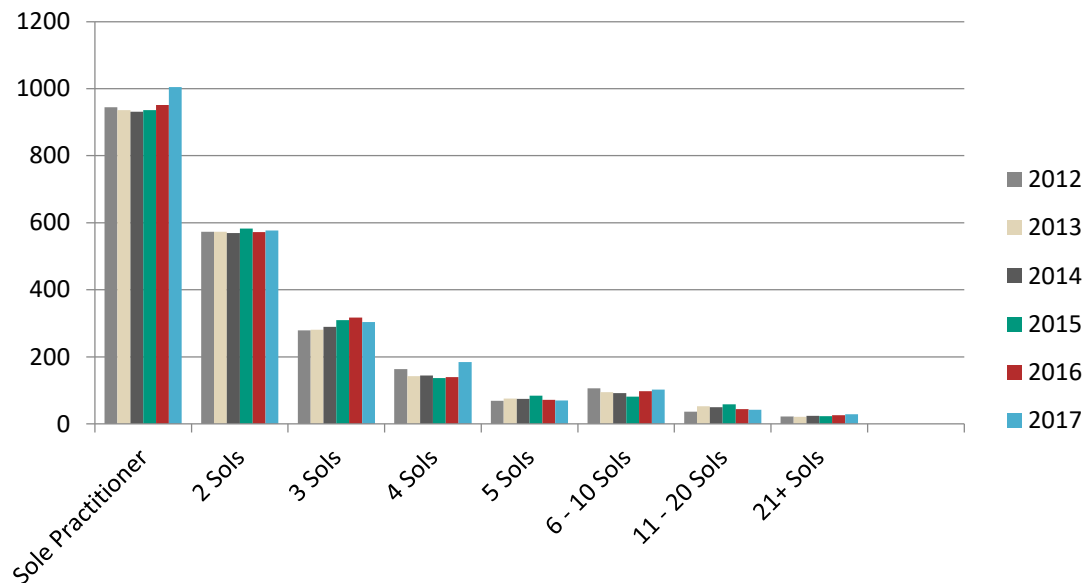


## Appendix 2 – Operating Environment

### 7.1 Sectoral infrastructure

The Society's Annual Report 2016/2017 stated that, as of June 2017, there were 10,122 practising solicitors and some 2,313 legal practices. Sole practitioners and small practices make up a large proportion of solicitor firms in Ireland. The Society reports that, of these legal practices, 1,005 were sole practitioners and 2,070 were small practices.

As depicted below, the Society's Annual Reports demonstrate that there has been a growth in the number of practices in the State, with the highest levels of increase in sole practitioners (54 new practices) and firms with 4 solicitors (44 new practices).



Smaller practices are regulated, represented and educated by the Society. The Society is governed by a Council, comprising elected and nominated members of the solicitors' profession. The Director General is the Chief Executive of the Society with all of the powers and responsibilities usually vested in a Chief Executive.

The representative structures within the Society include:

- The Council comprises 31 elected members, four provincial delegates and 13 nominated members from the Law Society of Northern Ireland, the Dublin Solicitors Bar Association and the Southern Law Association
- The Council elects a President and Vice Presidents from among its ordinary members (members elected by a nationwide poll of members) each year
- The President is the public face of the profession, representing the Society around the country and in the media
- Statutory functions are delegated by the Council to a range of Committees, which include:
  - Education
  - Finance
  - Professional Indemnity Insurance
- Regulation of Practice
- Complaints & Client Relations

- In addition to this, the Council may appoint task forces to consider and advise on important issues, including major legislation

There is a network of 29 Bar Associations across the Republic, established to represent the views of solicitors at a regional level, provide an opportunity for networking and for locally based educational and social activities. Bar Associations also serve as a point of contact for regional media to make contact with the profession on issues as they arise.

The Society supports Bar Associations through its hugely successful 'cluster events', as well as an annual media training event. The Director General and President, throughout the year, ensure that communications are maintained through visits and other contacts.

Some smaller practices also avail of business networks and support structures, for example, Chambers of Commerce, Small Firms Associations and Local Enterprise Offices. Through these organisations, networks are developed with other business owners and those working in other professional services sectors. This can lead to collaboration, business referral and supports. As is outlined in Section 4.7, the business associations consulted encouraged more interaction between legal firms and their membership bodies, whether via becoming a member, speaking at events, promoting services etc.

## **7.2 The Role of the Law Society of Ireland**

The Society exercises statutory functions under the Solicitors Acts 1954 to 2015 in relation to the education, admission, enrolment, discipline and regulation of the solicitors' profession. It is the professional body for its solicitor members, to whom it also provides services and support.

The Legal Services Regulatory Authority and the Law Society co-regulate the provision of legal services provided by solicitors. In so doing, they ensure the maintenance and improvement of standards in the provision of such services in the State. The Society also devotes its resources to representation and support functions for its members.



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