

Riders on the storm

Legal Business teamed up with Thomson Reuters to hold a debate marking our annual *LB100* report. Our panel of law firm leaders are finding opportunity and returning confidence despite turbulent conditions

ALEX NOVARESE

Many major law firms are doing well – as well as they have since the pre-banking crisis days. But they can't quite believe it. Amid a subdued and fitful transactional market, continued pressure from clients for more value and the emergence of alternative providers of legal services there remain many causes for unease.

Even though many UK law firms, supported by a reviving real estate market and sizeable levels of contentious activity, are seeing a return to growth and buoyant demand for their services – they are having to work harder and much smarter to make money than in the years before 2008. The consensus is that the change in buying habits by major corporates over the last six years is a permanent shift unlikely to be reversed even in the face of areas of high demand, while structural issues will increasingly grip the profession over the next decade thanks to the impact of technology and a new breed of legal provider.

Legal Business in December assembled a group of leaders from a cross-section of bellwether practices in the *Legal Business 100* to discuss the trading conditions and prospects facing the UK's largest law firms.

Despite all the challenges, the assembled leaders are finding increasing reasons for confidence and opportunity... for the firms that can move quickly enough to adapt.

Alex Novarese, Legal Business: Let's start with market conditions. Bryan, how is it feeling out there?

Bryan Hughes, Eversheds: It is better. The transactional side is busy. Our real estate practice has been consistently busy for about 18 months now. The corporate side of things did not really start to get busy last financial year, but come April, May, we have seen a steady pick up. How long is it

going to last? One thing that the last five and a half years has taught us is that it is very difficult to predict what is going to happen. I quote a leading economist from one of the Big Four, who at the height of the storm said: 'We are one crisis away from a disaster.' It is not as bad now, but you still have, for example, upheaval in the Middle East, the eurozone is a long way from recovery and we have a general election coming up, so I'm afraid uncertainty prevails.

Alex Novarese: Other perspectives? Charles, I am going to pick on you.

Charles Martin, Macfarlanes: It was obviously quiet immediately after the downturn, and slowly built up after that. The interesting thing about the current busyness is that it is pretty much across the board. One of the important things for all of us is to not be too beguiled by that. Our business is cyclical. There is a danger in thinking that it is all back to the races and we can all get back to being transactional machines. That would be foolish. The broader ideas about becoming less dependent on transactional work, valuing advisory work even when sometimes the margins on it are not quite so attractive, are still things that we are focused on.

Paul Roberts, Forsters: While the margins [on advisory work] will never be the same as the best transactional margins, they are constant. Firms in that space have valued that and done extremely well from it. What is important is going back to your core values, understanding what your business is, where your clients are and what they are doing. There are always things that can go wrong but while macro-economic signs may not be terribly good, London is a micro market that has proved to be extremely resilient. I do not see any reason why that is going to change in the short term. ►





Bryan Hughes, Eversheds: Partners often do not mind if their view does not prevail as long as they have been part of the debate



Paul Roberts, Forsters: London is a micro market that has proved to be extremely resilient

► *Alex Novarese: Does a boutique model give you a particular edge in this market?*

Paul Roberts: Our focus is the edge. In the markets that we are in, the focus that we have in them gives us a strong edge against our competitors and particularly against firms which have lost focus in those markets.

Alex Novarese: Margaret, on the private client side, your firm is one of the strongest brands. What has your particular experience been in the last two years?

Margaret Robertson, Withers: On the whole, volatility is good for us because our international clients do things when it is volatile. They take action; they restructure; they buy real estate. Even in the bad times they were buying real estate. But volatility can still sometimes make them freeze. There is sometimes a sense of anticipation that there probably are going to be more black swan events. Certainly with our domestic UK clients, we are already starting to see them freeze in the run up to the general election.

Alex Novarese: If you look at the private client market now compared to 2008, how much has the client base changed for Withers?

Margaret Robertson: 50% of our work is now done outside the UK. Probably 60% of our work is done for clients who are outside of the UK. Back in 2007/08, there was a query as to where London would rank in the world. What has happened with the financial crisis is that London has become more pre-eminent. People are coming to London for advice. There are lots of clients who now prefer it to New York. We have seen London and Geneva maintaining, not losing, their importance for privately wealthy people.

Alex Novarese: What has driven that?

Margaret Robertson: There is a real respect for the rule of law here. If people are from the Middle East, or Russia, or wherever, going through US immigration, it is unpleasant. London as a city has become very popular. It has the real estate. It has the education. It has a peaceful, very pleasant culture for wealthy people coming in, and people like that.

Alex Novarese: Simon, Osborne Clarke (OC) was one of the strongest performers this year in the LB100. Your half year results came out last week, which were very positive, but in the interviews, you signalled a note of caution. Can you expand on that?

Simon Beswick, Osborne Clarke: The lights came on for us in March 2013 across all our transactional practices, and have shone quite brightly ever since. The first quarter of this year was our best ever. It was probably about 10% better than 2007/08. We thought business confidence was high. Suddenly, when the whole country was shaken by the prospect of the Scottish referendum going the wrong way, it seemed to affect business confidence. In the last three weeks, it has come back quite strongly, and it is hard to tell whether that was a mini crisis. The lead up to general elections tends to go one of two ways. If people think there is going to be a change of government, the new government is going to have a higher tax regime, we get a mass of transactions. Because, this time, the picture is so complicated and people are struggling to realise how it will work, it has not yet sparked

that mass of transactions. But trading has continued to be good [in recent weeks] and our folk are becoming more optimistic about the period to the general election.

Alex Novarese: *Looking in terms of areas that are firing the growth, OC had one of the fastest growth rates on a five-year review. What has been behind that?*

Simon Beswick: We had tried very hard to get the firm much more focused. We ultimately said: 'What we should do is focus on a few industry sectors and get as much of OC behind the sector focus.' We had tried in the past, but failed. Eighty percent of our revenues [in 2013/14] came from clients in four sectors.

Alex Novarese: *How have you turned that into something more substantial? If I had a quid for every law firm who said, 'We have got a sector focus now', I'd be rich.*

Simon Beswick: Sectors have to be dynamic. One of the sectors we are focused on is energy, but particularly renewables. We have done a mass of renewables projects over the last 12 months; a huge number of them solar. But they are all going to stop soon, and we have got to then refocus that practice on what we see as the next growth area. We also very much tried to pick issues that run across sectors, and across, more or less, all the people within OC. One of our areas of focus at the moment is smart cities. If you think about smart cities and what London is trying to do and what all the other cities out there are trying to do, it plays to the strengths of a number of areas within OC. Part of it is just trying to look at issues that bring the best of OC to the market.

Andrew Leatherland, DWF: The market is interesting. Transactional work is definitely on the up. We have not seen a slow down for the general election yet. The corporate teams are doing significantly better than they ever have, beating budget. Real estate – great performance and will continue to do so. The biggest challenge for firms, and also a big opportunity, is the client agenda in terms of the more-for-less piece. You have to make sure that you can get an acceptable level of margin out of what you do for certain types of clients, which is where we have been really, really focused.

Alex Novarese: *How good is your dashboard? That is what a lot of margin management comes down to, is it not?*



'London has become more pre-eminent. There are lots of clients who now prefer it to New York.'
Margaret Robertson, Withers

Andrew Leatherland: It is interesting to understand what clients are looking for. Do not assume what the client wants. Talk to them and find out, and build something that is specific for them. The relationship bit is always massively important, but then it comes down to service delivery – not just saying that you are good, but being able to show that you are good as well.

Alex Novarese: *Sharon, Stephenson Harwood has had a very good period over the last five to ten years. Can you talk us through that?*

Sharon White, Stephenson Harwood: We had a better recession than many firms, but it still felt like a hard period. We are probably a different kind of firm from those that were hit hardest. We have a strong marine element: ship finance and marine and international trade. Definitely, looking at what helped us over the period of the recession, having strong commercial litigation, strong marine and international trade was a big part in that. One of the challenges for us is not to lose sight of that balance between contentious and transactional in our business. The flipside of that may be that

we don't necessarily benefit as much from a booming transactional market. That is the price you have to pay.

Charles Martin: Not all transactional work is high margin. There is work that is becoming commoditised, and you need to watch out for that. There is no metric that we watch more closely than write downs, recovery margins. You have to stay ahead of the market, getting out of areas where the client relationship becomes focused around fees.

The whole more for less agenda is something that we are all hearing. Clients are looking for value for money. But they are much more willing to look in different places for it. That creates opportunities. It creates threats, and potential margin erosion for people who stick to their guns and do not move on, but for people who are listening carefully to clients and looking at what clients are doing, you can find opportunities.

Alex Novarese: *Could you talk on the particular experience Macfarlanes had during the recession?*

► **Charles Martin:** We were a perfectly formed transactional boutique, firing on all cylinders. Our clients had a particularly tough start to the downturn. It improved, but the initial impact was very considerable, and we had to take action. We could have done it more quickly with hindsight. The old business school adage of ‘Cut deep; cut soon; move on’ – we could have done that more rapidly, but we got there in the end, and did a number of things to reposition the

Chris Hale: Travers Smith has a very strong, cohesive culture, and partners are prepared to put up with a downturn in one year, probably two years and maybe longer, because they’re at Travers Smith. That cohesion has kept our team largely intact compared with some other English firms which have suffered quite badly from raiding US firms. We have also managed to retain our clients partly because of that cohesion. In fact, our client base has expanded.

our training intake recently, because we felt that was a very important long-term investment. It is hard to get the right people in the secondary market. On the other hand, we are staffing large engagements, particularly things like investigations, more flexibly with contract lawyers, paralegals and so forth. We have significant concerns about how we do that without compromising quality, and therefore, we have invested in training on project management skills. Where we can, we are trying to be flexible.

‘If AI develops, as it might do, is there hope for any of us?’ Chris Hale, Travers Smith

practice. For example, we greatly increased partner focus on clients. We abolished many partnership committees. The job of partners is to be out there with clients.

Alex Novarese: Which committees?

Charles Martin: Virtually every committee: international, marketing. The interesting thing is that, over a period of time, we brought many of them back. In better times, you can afford a more consensual style. The other reason is that we found that we were not providing a training ground for succession across the practice. We needed to provide those opportunities.

Alex Novarese: Chris, how did the markets feel to you post-Lehman?

Chris Hale, Travers Smith: About 50% of our practice is transactional, and about 50% is a mixture of dispute resolution, and advisory work. That 50% continued to grow even in the downturn. It was the complete stop in transactional work that was the problem for us, which was reflected in a poor financial year ending 30 June 2009. Towards the end of 2009 transactional work for us returned. We have a big private equity focus to our transactional business, and we had some luck. A number of our private equity clients were the first back into the market. At the moment, we are doing well, but I share the concerns about the various uncertainties that might affect adversely a London-centric firm like Travers Smith.

Alex Novarese: A lot of City law firms have lost key partners to US rivals but Travers has taken less damage than any UK peer group firm. What made you different?

Alex Novarese: So, you think the firm has a little more glue in the partnership?

Chris Hale: Yes. It is a reflection of our size, that we are very consensually driven and, perhaps, a greater sense of ownership felt by the partners.

Alex Novarese: It is often said that the UK market is over-lawyered. How do people feel?

Sharon White: Trying to hire two-to-three-year qualified lawyers at the moment is quite difficult.

Simon Beswick: At the end of July, [OC had] about 350 fee-earners in the UK, and we were contemplating employing an extra 50. That shows you how strong we were finding life then.

Alex Novarese: How many did you actually take on?

Simon Beswick: We probably took on about 20. The UK market approaches it very differently to the US. I was in the States in 2001, in our Silicon Valley office, and it was really interesting to see what the US law firms did. They continued to bring the graduates through but they took out year groups that were seven, eight, nine years’ qualified. They were working on the basis that they had invested in some universities for 30, 40 years and did not want to affect that relationship, whereas the UK law firms – we move our graduate intake around quite a bit.

Charles Martin: This is a very interesting mixture between the short term and the long term. Unfashionably, we slightly increased

Bryan Hughes: While there are probably too many lawyers in certain areas, we are all trying to recruit transactional lawyers, we are trying to get the youngsters so we can get the right structure, the right leverage. There is a real talent war out there despite the fact that there are too many lawyers. It probably comes to the other associated question: are there too many law firms? If you look at other sectors – accountancy for example – there has been massive consolidation. We have not seen a great deal.

Chris Hale: People have been saying that for the last 20 years. When I look around the world as it was 31 years ago when I joined Travers Smith, the firms I was dealing with then are pretty much the ones I deal with today. The legal market has changed remarkably little. You see US firms coming in – some mergers happening, but it has not changed fundamentally, and I am not sure I see it changing fundamentally in the next five years.

Andrew Leatherland: I would like to prove you wrong on that one.

Alex Novarese: People are always predicting consolidation. There are clearly either structural factors in terms of client demands or how law firms work that block it. Any thoughts?

Andrew Leatherland: It depends on what space you are in. If you are heavily transactional, you do not get lots of client pressure around being part of a bigger platform. If you are a firm that relies upon an institutional client base, you are more pushed by clients to that consolidation plan. The five to ten-year [qualified] space – is there a lost generation there? Because we all want NQs. We all want one, two, three-year qualified for improved leverage.

Alex Novarese: Lost generation. Margaret – thoughts?

Margaret Robertson: We have had to create our own for a very long time. We cannot really go into the market and find people on the wealth planning and tax side who are ready-made. We also have to manage that top level very carefully because, although you do not make as much margin from them, they are the intellectual fire-power of the firm. What we have had is proliferation of people at the level below partner who we are calling ‘counsel’. That worked very well as a retention tool and to keep the expertise in-house, but it does have a slightly depressing effect on margins, and it is something that we will wrestle with as to whether that is a long-term strategy.

Alex Novarese: One observation: in many ways the underlying demand for legal services is increasing. Regulation; litigation; globalisation across borders; trade flow activity – they are all pushing in one direction: increasing demand. The only counteracting force against that is commoditisation. But even then, just the sheer level of legislation coming out goes against that. So, why do people talk about being over-lawyered when the actual need for legal services in many yardsticks appears to be increasing?

Margaret Robertson: There is demand for very good lawyers. But an awful lot of the people that are coming through are not that good, and you end up with a two-tier system. The big professional legal training institutions should not be putting as many people through legal courses who are never going to get decent jobs.

Charles Martin: This is a very competitive market. We talked about more for less. Always competing, not quite job-for-job, but client-for-client, creates a sense that there must be excess capacity that is trying to find the right level for a lot of work. That makes it feel like there are too many lawyers out there.

Alex Novarese: Is there a danger that we talk down London, or the UK market? It is the second largest legal market in the world. Is it part of the British character that we are looking down on it? When I get out to New York, I don't hear them saying similar things.

Margaret Robertson: The New Yorkers would never admit that there are too many lawyers. Not in a million years. In our space, there is a huge shortage because everybody stopped going into law to become a private client lawyer, and went in-house to become a private banker, or to run big family offices.

Alex Novarese: Let us turn to some of the structural issues, or innovation. I thought Bryan could kick us off with a little bit about the Eversheds consultancy business.

Bryan Hughes: The consulting side of things includes Eversheds Agile, which is our resourcing offering. With regards to Agile, it is clear that clients are changing in how they want to source their work. I can talk about one of our major clients and how they source their work. They will look internally first, and they may then look at something like Axiom; then they will look at something like Riverview; then they might look at something offshore. Finally, they will look at the law firm. There are more stages now before the work gets to us. It is a whole different approach. The pendulum is going really quickly now, and it is something you need to respond to.

If we had double the number of bodies on the books, we could probably double the number of people out there with clients. We have got plans to grow including internationally although we need to identify and prioritise the right countries. We are looking to increase the pace of using it internally. The only thing we have argued about internally is the pricing structure when we give it to our own lawyers. I also want to drive this really hard. We generally resource for peak capacity whereas often we are at business as usual levels, so we are always



Andrew Leatherland, DWF: Find out what the client wants. Do not just assume you know

funding that excess capacity. We can use Agile far more to source that.

Alex Novarese: Can you give us a little sense of the scale of Agile?

Bryan Hughes: We have north of 130 lawyers on the books and around 50 people out each month now in client positions, that will increase next year. The budget for this year is going to be around the £2.5m to £3m mark, but the game plan is to increase that significantly over three years. It has gone from nought [in 2011] to over £2.5m [in 2014]. We will double that over the course of the next couple of years as well, and then probably double it again. It is a good product.

Alex Novarese: Consulting – any thoughts around that?

Bryan Hughes: It is good. We set it up initially to be in addition to the legal product. So, we have done a lot on the compliance and regulatory side with our consultants effectively devising and building compliance systems for clients. ►



Chris Hale, Travers Smith: The legal market has changed remarkably little in the last 30 years

► The regulatory compliance side is the bit that has flown. We are taking on a team of four senior consultants. We will build that team quite quickly. I am quite keen on looking at the wider consultancy offering, once the brand is established. We already have a great client base now. I am surprised no one else has done it yet, but I am sure they will.

Alex Novarese: Paul, how relevant to you is this debate around business models, or innovation?

Paul Roberts: The big thing is how do you staff for peak demands? The smaller you are the harder it is, because we do not have the same scale as larger firms to create alternative models. The sort of models around an agile workforce create a real challenge for us going forward. In the private client space, there is a shortage of high-quality lawyers and it is important to offer something for lawyers who do not want the traditional career structure. How do you keep them in it, and what sort of alternative offer can you give people for a career that will satisfy them? That is the sort of innovation that we are

looking at; how we can be more flexible?

Alex Novarese: What sort of ideas are you exploring?

Paul Roberts: Helping returning mothers coming back to work with flexible contracts which allow them to dictate when they are available. Our challenge is to innovate around having people available to work when we need them at peak times in the market?

Alex Novarese: Would you ever see yourself trying to bring in flexible resource from another provider?

Paul Roberts: Yes. We use flexible resources from

other people now for example to provide services we do not offer. We will certainly be interested in looking at businesses that offer us flexible resources.

Bryan Hughes: We did talk about that today in terms of market places and where we try and push Agile, and we had the debate about other law firms. At this moment in time, we have decided not to, but we have been approached a number of times by some people who are our direct competitors.

Paul Roberts: Flexibility must make sense. The margin is the key for all of us, and having expensive staff on your books that you cannot keep busy all the time kills your margin.

Charles Martin: A lot of it comes down to working collaboratively in the clients' interests. We have an experience of working with legal process outsourcers at the request of one of our clients, because they were on the panel and we were on the panel. When another client came along and wanted a very large job doing, we went to them, teamed up and successfully did that job. It was all about a different way of working. Firms like ours are used to working collaboratively because we have never had everything that a large client would want. We have always worked very closely with other firms internationally.

Bryan Hughes: Clients are being very direct. One of our mutual clients is telling us that we have to get together with other firms. In our next operational meeting, we are to tell the client what we have done in terms of collaboration.

Alex Novarese: Some of the stuff that you hear from general counsel about collaboration does sound unworkable. How realistic is it to have competitors breaking out the acoustic guitars and working hand in hand?

Charles Martin: It already happens. I am sure many of us have clients who, for example, have all their competition work done by one law firm. Whatever you are doing for that client, you are also going to be working with one of your competitors for that piece. It also happens in tax and various other areas. It can work and it already does work, but it is becoming a bigger opportunity.

Andrew Leatherland: Clients will segment their panel based on where they see certain firms working. On the insurance space, for example, what we have seen is it being taken to the nth degree, where you are driving the panel process with the client to such an extent that you are doing audits on each other, and you are referring those audits back to the client and you have got to be very, very clear in terms of how those audits are performing with the information you provide.

‘The New Yorkers would never admit that there are too many lawyers. Not in a million years.’ Margaret Robertson, Withers

Alex Novarese: I am thinking less where there is a fairly clear referral dynamic. You are seeing some general counsel talk about extreme micro management. I wonder how workable that is. Any thoughts?

Bryan Hughes: Clients know what they want. They understand they have the leverage.

Charles Martin: IT is a really important component of this. The fact is, you can produce a beautifully joined-up service in a way that would have been challenging even ten years ago, certainly impossible 20 years ago, because of the power of IT and the increasing compatibility of IT.

Andrew Leatherland: One of your questions was what has been one of the biggest changes over the last 25 years. Well, technology has. E-mails, document systems, etc. Technology is not going away, and when we spend a lot of time talking about marginal gains within law firms, is that enough when you look at Google who talk about improving things ('ten times')? We have to compete with that. We have to keep up with it.

Bryan Hughes: I would add a twist. We have seen technology impacting the legal sector, case management systems are commonplace for example. But my view is that we have not seen anyone disrupt the general legal product. It has to be there for the taking. There is a massive opportunity.

Andrew Leatherland: The whole automation agenda ultimately leads to whether you need a human in that space at all. Can you build systems that get you to the end result without having human interface? We speak to two or three big technology companies in that space on a regular basis and it is already there. Interestingly, when you look at Thomson, or look at LexisNexis – at what stage do they stop being service providers and, perhaps, start taking a little chunk of the industry away?

Alex Novarese: We have hit the D word, and I am not talking about DLA – disruption. What are the existential threats, or the things that could realistically turn the profession on its head? The accountants?

Andrew Leatherland: I am not sure yet, because they are being too coy about what they intend to do.



'The sacred cow that you have to use a law firm for your legal requirements is very different now. For some, even dead.' Charles Martin, Macfarlanes

Bryan Hughes: They are not accountants. They are consultants. Law firms have not re-engineered because they are not that capable. A third party such as one of the Big Four could come in and take it all apart. Put a slice of IT in there as well, and the job is done. Whether it will actually happen, I do not know, but potentially, it is massively disruptive.

Charles Martin: IT is potentially more disruptive in the long term. Whether it is outsourcing to far flung corners or whether it is the accountants, you are going to be taking percentage points off the costs of doing things. However, the savings will be much more dramatic as and when the technology really gets going. We all hear about this IBM Watson programme, for example. It will be possible, in theory, to do work for a single digit percentage of what it costs us to do it now.

Alex Novarese: Are you talking about AI?

Charles Martin: Yes, and that is much more challenging in the long term than having another type of competitor in the form,

for example, of the LPOs [legal process outsourcing] or the accountants. That will change the face of the industry more radically than yet another competitor operating in a broadly similar way.

Chris Hale: Technology is a very important component in the way the profession is going to develop. In the short-to-medium term, it is going to result in a number of things that human beings do being taken over by software programmes, so elements of due diligence for example, will be done by a software programme. If AI develops, as it might do, is there hope for any of us? Our challenge in the short-to-medium term is taking advantage of those technological advances in ways to assist and enhance the quality of service we provide to our clients.

Mark McAteer: Presumably the accountants will utilise the technology far quicker than law firms.

Margaret Robertson: They have much more money to invest in it. The question is ►



► how we are going to pay for all this IT in terms of capital investment.

Charles Martin: There is no shortage of people who want to put capital to work in our industry. Historically, they have not made a huge amount of progress, partly because our businesses have not been capital intensive. If we moved to competing with people who can and do invest in serious technology, that might be one thing that would change our own need for capital.

Bryan Hughes: Charles, I take the point about technology, but if the consultants/accountants do come into the sector, they will do it differently to the way lawyers have done things.

Alex Novarese: What caused the accountants' misstep in the 1990s, and why do you think that they would necessarily do better now that law firms are bigger and more sophisticated?

Simon Beswick: Globalisation has moved on in the last 15 years. There are a whole host of things now that clients would not value, and to get from a one-stop shop would be very efficient from their point of view. The accountants learned by their own mistakes.

Mark McAteer: My impression is they are operating more by stealth than they were in the '90s.

Charles Martin: A couple of big things [have changed]; firstly, the growth and sophistication of in-house counsel. The client is more sophisticated. Secondly, the sacred cow that you have to use a law firm for your legal requirements – so why would you go to an accountant – that is very different now. For some, even dead.

Bryan Hughes: It never went away. PwC's legal offering is actually bigger than Eversheds; Deloitte's offering in continental Europe is also significant. Also, the market has changed. The

distinction between what lawyers do and what the consultants do has become blurred.

Alex Novarese: Do people see much of a threat from other providers? Whether it is an ABS structure or other ventures?

Andrew Leatherland: There are not that many great success stories to write home about yet. You look at those firms who have secured further investment and what has been done as a result of that. Has it been disruptive? There has not been an awful lot of that so far, but it may still come...

Alex Novarese: How do people feel about the quality of leadership at major UK firms?

Simon Beswick: There are many, many more leadership roles in law firms these days. There are more natural succession grounds for developing the future generation of leaders. Within OC we operate via four large practice groups broken down into a number of service areas. Each one needs a leader. We invest time and effort into trying to develop their skills and build them out. Hopefully, by the time they come through to senior leadership positions, they have quite a bit of experience in it.

Alex Novarese: How was your experience in management at Stephenson Harwood, Sharon?

Sharon White: It was obviously a challenge from the point of view [of economic conditions], but in some ways having that challenge is what made the job interesting. I get more of a sense of achievement from having managed the firm through a hard time, but still being successful. There were a lot of decisions to make – do you carry on investing and trying to have the courage to build the business through that difficult time? But you knew you had to balance the short term against the medium and longer term needs of the business. Interesting and challenging.

Alex Novarese: Law firms don't seem to be getting much more centrally managed than say five years ago. Any thoughts?

Simon Beswick: I disagree.

Sharon White: We had a big shift way before my time to our current structure with a CEO and professional management team.

Simon Beswick: I expect there is a good survey for you to do.

Alex Novarese: I did. What was notable was that the regard from partners for management was high and has risen markedly in recent years. But when I look at the governance arrangements, I do not get a sense that there are much stronger levers.

Simon Beswick: If you survey partners and said: 'Has your autonomy as a partner changed over a period of time? Has central management got greater powers?' I would have thought universally partners would say: 'Most definitely.'

Andrew Leatherland: If you look at the last 25 years, other than technology and e-mail, one of the other significant changes I have thought about is the acceptance of external management into law firms in terms of chief operating officers, in terms of finance directors, HR directors...

Alex Novarese: I would have expected that to have gone further.

Andrew Leatherland: Which is where I am coming to. At which stage do we start dropping the 'owner-manager-producer' ideal of partners, to try and say: 'Actually, that manager bit, lawyers are not great or don't enjoy management generally. They are great at owning the firm; they are great at producing the work and doing the work, but the manager bit... not so sure.'

Charles Martin: That is the key point. We treat this as an internal issue. It is absolutely not. It is inextricably tied up with culture, which in turn, is very closely linked to differentiation and your market positioning. I do not think leadership is just about the kind of people around this table. It is about the culture of the firm. We see leadership as being the challenge that every partner faces the day he, or she, becomes a partner.

Alex Novarese: It seems to be a particularly legal thing. If you think about other industries; the people in the chief exec jobs are not always talking down their personal role but law

still goes to the other extreme. If a law firm has a good central management team, it will outperform a peer that is broadly equivalent. But it is rare to hear a managing partner say that. Is that not strange?

Bryan Hughes: Ours is a largely forsaken role. You do not expect thanks in general. Post-credit crunch, however, I did see a bit of a change with a number of partners actually thanking the team for helping us survive in monumentally difficult times. We came out of the credit crunch a better business and partners respected that, and they have not forgotten it. In our members' agreement, there is an awful lot, in theory, that I can do. The partners only vote on a limited number of issues, chief exec, chairman, and non-elected members, and any major merger. The rest, we have the authority to do. And, ours is a large and complex business and of necessity we need to make a lot of decisions every day that the partners never get to hear about. But if I want to drive something fundamental through, a significant change programme, for example, I cannot implement it unless I get the partner base engaged and behind it. You do this by continual communication, and engagement on the key issues. It is often the case that partners do not actually mind if their view does not ultimately prevail, as long as they have been part of the debate, their view has been heard and they understand how the decisions are arrived at.

Charles Martin: Lawyers do not like change. Our world is changing and will change more rapidly over the next ten years than it has over the last 30. Getting your partners behind that change and excited about finding the opportunities, rather than frightened of what it means for them, is the single biggest challenge for law firm leaders.

Alex Novarese: We have spent a lot of time talking about the gloomier end of things. Are there reasons for confidence?

Margaret Robertson: I do think the UK's place in the world has been enhanced over the last

THE PANELLISTS

■ **Simon Beswick** CEO, Osborne Clarke International

■ **Chris Hale** Senior partner, Travers Smith

■ **Bryan Hughes** Chief executive, Eversheds

■ **Andrew Leatherland** Managing partner and chief executive, DWF

■ **Mark McAteer** Managing editor, *Legal Business*

■ **Alex Novarese** Editor-in-chief, *Legal Business*

■ **Paul Roberts** Managing partner, Forsters

■ **Charles Martin** Senior partner, Macfarlanes

■ **Margaret Robertson** Managing director, Withers

■ **Samantha Steer** Content strategy manager, Thomson Reuters

■ **Sharon White** Chief executive, Stephenson Harwood

five years rather than reversed. The demand for English law and what it represents around the world and in emerging markets is huge. We are in the growth market. It is just that there are lots of competitors who are coming into that market, but competition is good. Actually, the environment is pretty good, provided you are absolutely switched on and not complacent.

Chris Hale: London is a very exciting city to be based in. Deloitte have done some interesting research. According to them, it is, by some way, the world's leading city for high-skilled jobs, and is going to add significant numbers over the future. If you can take advantage of that as a law firm, and you have a big London presence, you should do well, taking all the points that Charles and others have made. There are some threats on the horizon to London's position, not least the debate about EU membership, but I am pretty optimistic. **LB**

alex.novarese@legalease.co.uk

'Getting your partners behind change, rather than frightened, is the single biggest challenge for law firm leaders.' Charles Martin, Macfarlanes