

CONFERENCE REPORT

LONDON
LAW EXPO
2016
EUROPE'S LARGEST LAW EXPO



11th October 2016 • Old Billingsgate • London

— AN EVENT —
BY
NetLawMedia



Racing towards an unknown future

In October 2016, more than 1,500 legal professionals attended one of Europe's largest events of the year – the London Law Expo. This full-day event, held at The Old Billingsgate in London, featured more than 50 speakers and more than 55 exhibitors, and included discussion topics as diverse as Brexit, legal AI and legal profession regulatory reform. The packed programme of events concluded with a keynote presentation by Christian Horner OBE, principal of the hugely successful Red Bull Racing Formula One team. Mr Horner's speech offered some fascinating insights into the racing world's approach to innovation and process improvement.



Generating profits in an uncertain climate

The UK legal sector is now facing a perfect storm, as disruptive technologies, regulatory reform and new market entrant sweep away many of the old certainties regarding how legal services should be delivered.

To help firms stay on top of this tidal wave of change, many of the London Law Expo expert presentations focused on the practical improvements firms can make to protect their bottom line.

Collectively, the legal profession has always prided itself in its technical expertise. But, increasingly, lawyers are also emphasising their ability to offer clients commercial legal

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Lawyers spend a significant percentage of their time in client pitch meetings

advice, tailored to their clients' strategic needs while serving industry norms. According to David Freedman, associate director of Huthwaite International, there is one fundamental skill that many lawyers continue to lack: the ability to sell. This failure to even be willing to talk about the “S word”, Freedman told the London Law Expo audience, is something the profession needs to “get over”.

Often, he said, lawyers simply fail to sell their firm's services, even when presented with a clear opportunity to do so. To illustrate this point, he drew on research his organisation had undertaken in conjunction with the International Bar Association, which uncovered insights into how law firms sell their services to global general counsel.

This study found that barely one third of law firms, who had been initially instructed on a transaction-only basis, later made a concerted effort to obtain additional work from the client by cross-selling. Nor did many firms attempt to “move up the value chain”, in terms of the matter on which they were instructed. This was in spite of most general counsels being happy to receive such proposals.

Another problem is that even when lawyers try to sell to clients, they often handle it very badly, Mr Freedman claimed. One common failing, that he has witnessed at first hand, was lawyers' tendency to engage in "features dumping" – where they simply "spew stuff out about how good they are." Alternatively, he said, lawyers often lapse into giving a law lecture when asked about certain topics, purely because this type of conversation falls within their comfort zone.

Rather than pursuing either of these approaches, Mr Freedman recommended that lawyers spend a significant percentage of their time in client pitch meetings, asking questions about what problems the client is encountering and what impact those problems have on their business. This approach, he said, would give law firms the information they need to "co-create" a solution to the client's problem, using the client's own language.

Maximising profits

Effective selling to current and potential clients is one way in which law firms can boost their profits. Another approach is to establish which type of work is most profitable for the firm, and focus on that particular market segment.

Developing this point, the presentation given by Richard Grove, global marketing, business development and communications director at Allen & Overy, gave London Law Expo delegates much food for thought. He discussed how his firm had discovered that advising on legal matters spanning five jurisdictions or more, were typically 27 per cent more profitable than working for clients in single countries. Perhaps not surprisingly, Allen & Overy has decided that this type of complex legal work is a "sweet spot" that it should focus on. This has been helpful to the firm in terms of positioning it within the wider legal marketplace.

But while having a strategy is one thing, ensuring that all of the firm's partners are aware of it is quite another. Grove revealed that his employer had quizzed the practice's non-management partners regarding their awareness of this particular strategy, only to discover that just 45 per cent of them knew what it was – a finding he described as "worrying". A significant internal communications initiative was then undertaken, in order to raise partner awareness. "A year later, 94 per cent of them were familiar with the firm's strategic objectives," he said. "It sounds fluffy, but it's really important to get your communications regarding firm strategy right."

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Allen & Overy discovered that advising on matters spanning five jurisdictions are more profitable than clients in single countries

Systematically seeking to be instructed on high-value matters can also help boost firms' profits. However, as Stephen JT Dodds revealed in his presentation, much of this hard work can be undermined if partners then offer unnecessarily large discounts on their client's final bill. Dodds, who is global pricing and legal project manager at Baker & McKenzie, illustrated this point with what he calls the "1:3:4 rule". For every one per cent discount a firm gives to any given client, the matter's profit margin is reduced by a far larger amount – typically, by three per cent.

Worse, he added, recovering that one per cent of lost margin typically requires the firm to generate an additional four per cent of billable hours from the same client. "That's not going to happen in today's environment," he said. This complex interplay between pricing and profits is one of the reasons why more law firms are now employing pricing professionals.



15 +
NetLaw Media's 15th sold out Law Event in succession



Retaining clients

Ensuring that clients are billed appropriately can help maintain revenues and profits in the short-term. But, in terms of ensuring future profit, firms need to invest in client development programmes (CDPs). Discussing this topic, Zelinda Bennett, international marketing director at DLA Piper, offered her own insights into this issue, gained from 20 years' experience in the legal sector.

Ideally, any firm wishing to start their own CDP should ensure top-level buy in from the outset, Bennett told the assembled London Law Expo audience. Without that, any such programme might do "OK", but not thrive. She also advised firms to limit their ambitions when rolling out a new CDP programme, in order to keep it manageable.

Her own team's international client strategy budget is a significant £20 million. However, despite this substantial investment, DLA Piper's global CPD programme focuses on just 40-50 clients, segmented across various practice groups and geographies. "We've also chosen to segment our clients into three buckets – grow, maintain and defend," she said.

In terms of who should participate in a firm's CDP programme, Bennett stated this should be as wide ranging as possible – not just partners, but also senior associates, business development personnel, pricing experts and IT support. And it should be acceptable for non-fee earners to attend a CDP meeting, where their attendance would add value to the event. Here, she offered the example of a client who asked to discuss her firm's approach to IT innovation at a CDP meeting. Unfortunately, the most appropriate person to discuss this had not been invited, and the partner was not able to answer the client's questions – which was embarrassing for all involved.

Alternative sources of success

Many of the insights offered by London Law Expo speakers showed how traditional law firms can improve their financial performance by undertaking small, if targeted, structural changes. However, on account of the further regulatory upheavals that are likely to take place within the UK legal market in the next few years (see Experts debate the future of legal services regulation, page X), several discussions also explored whether alternative business models might be more successful – and more profitable.

On this point, Charlie Keeling, retained advisor for the professional services consultancy service Kingsmead Square, pointed out that there are now real-world examples of alternative forms of legal practices that are exceptionally profitable, but these operate in a manner that bears no resemblance to the traditional legal practice partnership.

One example involves an unnamed volume legal business, which he described as operating from a "shed" in Bolton. This practice, he said, employs around 250 staff, mainly paralegals and apprentices, together with 25 qualified lawyers. Crucially, the practice also has five executives who own the business. By investing heavily in technology and processes, they have built an operation capable of generating £24 million in turnover and £7.5 million in profits. This means, he said, that each of the executives can potentially earn as much as top-billing partners at leading magic circle law firms.

Partners at more traditional legal practices may wish to bear this example in mind, should the opportunity present itself to reconfigure their own practice in a similar fashion.

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To ensure future profits, firms need to invest in CDPs with top-level and wide-ranging buy in



The Big Debate: The future of legal services regulation

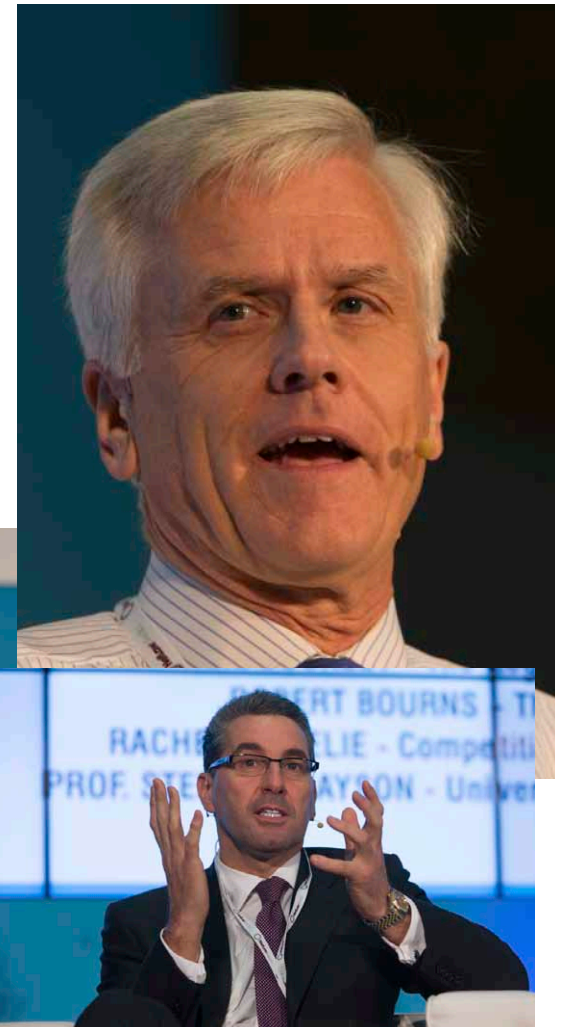
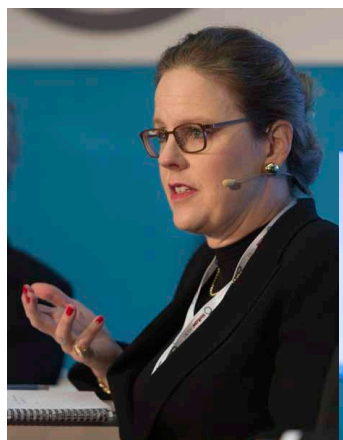
The first law-focused debate of the day kicked off with an informative discussion about the future direction of legal services regulation.

Opening the debate, Professor Stephen Mayson highlighted the large number of reviews and consultations currently focusing on legal sector regulation, including the Competition and Markets Authority's (CMA) wide-ranging probe across many different regulatory themes, the Ministry of Justice's (MOJ) more narrowly-focused consultation on simplifying ABS rules, and the Legal Services Board's (LSB) recently-published 'vision statement' for reform, which puts forward a proposal for a single legal regulator.

Professor Mayson also stated that the MOJ is currently considering plans to further dilute the links between the regulatory and trade union functions of the existing frontline legal regulators – a development he described as a “watch this space issue”. He added, “I have no idea whose inbox that process is in, but it's certainly in someone's. No one has said it's not going to happen; we just don't know when, and on what basis.”

Clearly, there is currently a great deal of activity regarding legal services regulatory reform. But what role, Professor Mayson asked his expert panel, does regulation play in driving forward competition and innovation in the legal services market?

For Paul Philip, chief executive of the Solicitors' Regulatory Authority (SRA), the key question is not so much whether regulation has any role; rather, whether existing regulations are too heavy handed and should, therefore, be



reformed. Here, he highlighted several recent liberalisation initiatives undertaken by the SRA, which were intended to bolster competition in the legal marketplace. These reforms included simplifying the ABS regime and the relaxation of solicitor firms' separate business rules. Previously, these rules effectively banned law firms from owning businesses that offered unregulated legal services.

Neil Buckley, chief executive of the LSB, said his organisation tries to ensure the regulatory burden it imposes on the legal profession is “as light as possible”. However, this doesn't mean it is always in favour of less regulation. “We might need to have more activity in some areas, such as transparency and pricing,” he said.

However, Buckley also signalled his organisation's opposition to a proposal by the Legal Service Consumer Panel, suggesting that all regulated legal service providers should publish the average cost of their services on their websites. “Mandatory disclosure on pricing is not something we support,” he stated. “But, certainly, we think that legal service providers should provide more information about pricing to consumers.” Turning to the issue of regulatory



independence, one of the conference delegates posed a possibly tongue-in-cheek question, asking why legal regulators should be funded by those whom they regulate. Was this business model, they asked, just a hangover from the profession's previous regime, which was based on self-regulation?

Perhaps not surprisingly, several panel members expressed strong reservations about whether any other funding model was likely to be viable. "The idea of government paying for regulation is unlikely," said Chantal-Aimée Doerries, chairman of the Bar Council of England and Wales. "The profession has always funded its own regulator."

Philip was more emphatic in his refusal to consider the idea of a government-funded regulator, stating that, "You pay for the privilege of practising your trade." Meanwhile, Law Society president Robert Bourns had a slightly different take on this issue, choosing to highlight that providers in the unregulated legal sector "do not pay their share of the costs of regulation."

This comment about the unregulated legal sector neatly segued into the final discussion topic of the session: is it still necessary for certain legal activities to be reserved

What role does regulation play in driving forward competition and innovation in the legal services market?

exclusively for regulated lawyers? And, if so, over which types of advice should lawyers be granted a monopoly?

Here, the complicating factor is that – simply because of their professional title – regulated solicitors are regulated far more intensively than their competitors in the unregulated legal sector, even when advising on unreserved matters. To some extent, therefore, the issue of reserved activities is caught up within the wider debate about the overall level of regulation in the legal services market, and impacts on what type of entity – regulated or unregulated – that solicitors are, or are not, allowed to work for.

Going forward, Buckley advocated a broadly liberal regime, in which only those legal activities with a risk attached to them should be regulated. And, regarding the issue of reserved activities, he noted that the existing regime is not the result of any objective cost/benefit analysis or risk assessment. Instead, it is largely the result of the profession's centuries-old ability to lobby for market closure. His favoured approach is to establish the equivalent of a law commission, which would explore the matter in detail and make proposals for reform.

Philip began his response by stating that the current reserved activities regime is "all far too complicated". But, rather than focusing on changing the number or scope of the reserved activities – which he thought would be very difficult – he said the SRA's preferred approach is to liberalise those existing professional rules which govern which type of organisations solicitors are permitted to work for. This could allow them to work for an unregulated legal service provider doing unreserved work, while retaining their professional title and obligations to consumer protections – an employment option that is currently not available to solicitors under the existing SRA regime.

Finally, Rachel Merelie, CMA executive director of markets and mergers, indicated that she was open-minded about the need to reform the current list of reserved activities. However, she warned that if any reform did take place, any alternative approach would need to be far more risk-based. This could take a number of forms, she said, including risks based around either the legal activity itself or the consumer.

Concluding the debate, Professor Mayson said that the discussion on reserved activities demonstrated that there are no easy answers to many of the questions posed by the regulatory reform agenda. "There are many different routes you can take, even if you're starting from the same position," he said, bringing the session's proceedings to a close.

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Europe's #1 Legal Event
Organiser - Netlaw Media



Conference delegates meet **A Racing Legend**

After a busy day attending law-focused presentations and product demonstrations, the final session of the London Law Expo offered something completely different: a chance to meet and quiz Christian Horner OBE, principal of the hugely successful Red Bull Racing Formula One team. Perhaps not surprisingly, the event was standing room only, with hundreds of delegates packing into main auditorium.

Some of the issues raised by Christian Horner during his wide-ranging presentation had obvious parallels with those affecting the legal profession. These include the need to encourage more women into senior positions within the industry; the extent to which racing teams should be involved in drawing up the rules governing the sport; and also whether new technology – in this case, electric cars and Formula E – pose a long-term disruptive threat to the future of Formula One.

However, what was perhaps most striking about Horner's presentation was that it illustrated the gulf between the legal sector's approach to innovation and change and that of the motor racing industry. A law firm might feel pleased with itself for introducing a handful of operational and technical changes every year. In contrast, Red Bull Racing's Formula One cars change hugely over the course of a typical season, with no two consecutive configurations likely to be the same. Horner explained that, although his team's racing cars each have 7,500 unique parts, around 30,000 design changes are made to them during a typical race season – that's equivalent to around 1,000 changes per week.

In determining what modifications to make, Horner explained, the Red Bull Racing's 220-strong team of designers and aerodynamicists use a mixture of computational fluid dynamics, small-scale models tested in wind tunnels and driver simulations. Driver input into this process is crucial, he added, because the driver – the end user – is best placed to offer real-world insights about what changes should be made to the vehicle, in order to improve its performance.

"You can't just be purely data-driven. Just running the numbers won't always give you the best answers. In fact, the driver feedback is often at odds with what some of the simulations are telling you," he said.

Many of the car's updates are designed, tested and manufacturing within a two-week window between races. It is, therefore, essential that all of the team's 700 employees, spread across 22 departments, know what's expected of them. Horner expressed a clear preference for communicating strategies and objectives in "short, sharp and precise briefings", delivered to the entire workforce in a single meeting, rather than by relying on email. This approach also allows the whole team to share in all the successes and failures.

Horner's approach for ensuring his drivers remain motivated is equally succinct – especially when a previous race has gone wrong. In such situations, he said he often sits the driver down, and explains, "This is what we think happened, this is what we're doing

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to address it, and this is what will happen at the next race in two week's time to ensure it won't happen again."

The final key performance indicator that he discussed focused on sponsorship and VIP entertaining – an essential part of the Red Bull Racing business, in light of the expense of running a Formula One team and the parent company's market proposition as an aspirational lifestyle brand. Even here, Horner's presentation reflected his team's fiercely competitive spirit.

One of the flagship events in Red Bull Racing's social calendar involves playing host to around 3,500 guests at the team's "Energy Station" pontoon, moored up in Port Hercule, next to the Monaco Grand Prix racing circuit. This event, he said, offers a better experience than that of any other motor sports team or, indeed, any other sport.

"This is the part of my job I enjoy the least," Horner said, concluding his presentation with a photograph of the Energy Station's rooftop, open-air, swimming pool. Not all members of the Netlaw Media audience were convinced.



Brexit Britain: What happens next?

Dr Gregor Irwin, chief economist at Global Counsel, sheds light on some of the possible economic ramifications of Brexit

Few would describe the recent referendum debate as a dispassionate, evidence-based, discussion of the cost/benefit of the UK's membership of the EU. And Dr Gregor Irwin's speech to the London Law Expo suggested that the next phase of the Brexit process will probably continue in the same vein. His first observation was that Brexit is fundamentally a political, rather than an economic, event. "This means that what's economically sensible isn't necessary what's going to happen," he said kicking off his presentation.

Dr Irwin explained to the assembled audience of legal practitioners that the UK is not, economically, in a strong position to secure a mutually beneficial Brexit deal with other EU states. While it's true that the UK had an overall trade deficit with the EU which lent weight to the idea that it was in the interest of both sides for a deal to be struck, at a more granular level, this picture was less clear-cut. The main area of deficit is in relation to goods – a market segment that is "always the relatively easy bit of a trade negotiation". By contrast, the UK also has a substantial surplus in relation to services and, in particular, financial services. "It's in [this sphere] where negotiations are always hard – and that's precisely where the UK lacks leverage," he said.

Turning to the Brexit process itself, Dr Irwin made it clear that the most important treaty provision is not the now familiar Article 50, which mainly deals with the process by which the UK is to leave the EU. Going forward, he said, Article 218 will be crucial, because this is the mechanism by which the UK's future relationship with the Union will be agreed. But the problem with Article 218 is that it does

not allow talks about the nature of the two parties' post-Brexit relationship to begin until after the UK leaves. "That causes a problem with timing and sequencing," he said.

Realistically, it's likely that Article 50 and Article 218 negotiations will be conducted in parallel, Dr Irwin said, even if the latter negotiations are undertaken on an informal basis. However, this won't entirely mitigate against the timing and sequencing problem. In all likelihood, there will probably be a "gap" between the UK leaving the EU and a new trading arrangement coming into force.

Looking to the UK's post-Brexit relationship with the wider single market, Dr Irwin indicated

that each of the four main options available to the UK pose significant challenges. In light of the recent statements made by Prime Minister Theresa May, he claimed that the possibility of the UK staying in the single market – for example, by joining the European Economic Area – is a "very low probability" event, except possibly as an interim measure.

Equally, from recent statements made by various EU officials and continental governments suggesting that the prospect of the UK being granted "flexible participation" in the single market, on a bespoke basis, is also remote. And, while it may be possible for the two sides to negotiate an EU-UK free trade agreement, he thinks that this type of deal will take time to negotiate. The other possible alternative trading arrangement – accessing the single market on a World Trade Organisation (WTO)-only basis – would be "seriously disruptive for business", he said.

Even normalising relationships with the wider WTO membership may prove difficult, Dr Irwin warned, given the UK's troubled relationship with some WTO members – notably Russia. However, without clarity regarding the UK's relationships with both the EU and WTO, it won't be easy for the UK to negotiate its own free trade agreements (FTAs) with other states around the world. Indeed, for the UK to simply replicate the EU's existing FTAs with third-party countries may be problematic. Some states won't be able to create a parallel agreement with the UK on the same terms as previously negotiated with the EU, without first obtaining parliamentary approval – which might not be granted.

"When advising companies, [law firms] shouldn't neglect the potential exposure from the loss of access rights from existing FTAs," Dr Irwin said in conclusion.

Brexit is fundamentally a political, rather than an economic, event. This means that what's economically sensible isn't necessary what's going to happen

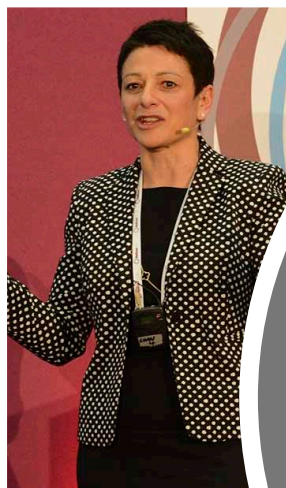
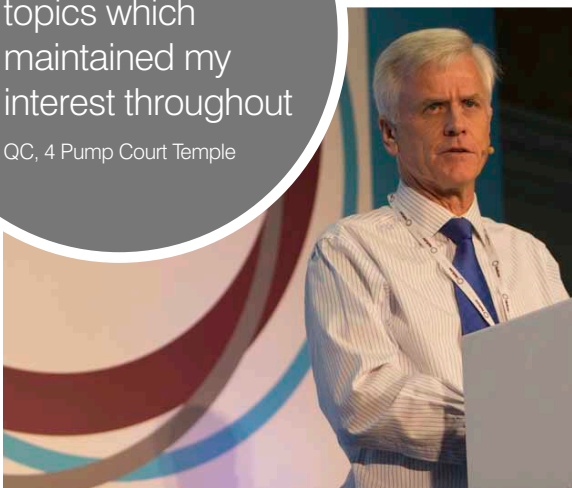


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 An extremely enjoyable thought provoking event
 Marketing Director, FBC Manby Bowdler



**LONDON
 LAW EXPO
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 EUROPE'S LARGEST LAW EXPO

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 Excellent blend of speakers and topics which maintained my interest throughout
 QC, 4 Pump Court Temple



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 Informative, useful, surprising a must for any legal professional involved with running or managing a law business.
 Risk & Compliance, Gedge & Sons Solicitors



I would highly recommend any of Netlaw Medias events, they are very well organised and extremely successful from an exhibitor point of view. I have never had anything but fantastic service from their team! Well done.

Business Development
Manager, Slicedbread



The view from the conference floor

Legal AI, data-assisted decision-making and process improvement were just some of the areas for which innovative solutions were unveiled

In the past few months, legal AI has emerged as a hot topic in the legal sector, with many firms and vendors keen to embrace the concept. The growing importance of this technology was also evident at the London Law Expo, with at least three of the conference exhibitors demonstrating AI-powered solutions. None of these offerings bore any resemblance to the “robot lawyer” stereotype so often mentioned in the legal press.

For example, Darktrace’s AI-based offering performs an almost entirely back office role, keeping firms’ computer networks safe by constantly scanning for behavioural anomalies – while teaching itself what that law firm’s behavioural anomaly might look like.

More closely impacting on lawyers’ day-to-day lives, Merrill Brink International promoted its

AI-assisted legal translation service, software that scans large amounts of foreign language materials, in order to identify which are, and are not, potentially relevant to the client's legal matter. In many situations, this is all that a law firm needs, but, where additional accuracy is required, Merrill Brink also offers a human-based translation service, which neatly illustrates the increasingly symbiotic relationship between artificial and human expertise.

Meanwhile, in the legal AI space, Luminance demonstrated its AI-driven due diligence solution. This promises to halve the amount of time required to undertake a typical due diligence, while also being more accurate than humans alone. The possible market impact of this game-changing software solution also featured in one of the London Law Expo's panel discussions later in the day.

Elsewhere in the conference hall, numerous vendors showcased data-driven solutions. In relation to law firm management, one of the most notable was Informance, whose QlikView solution allows managers to view complex financial information via a self-service, easy-to-interpret dashboard.

And in the business development space, Acuigen featured its law firm client feedback service, which can be delivered in person, by telephone or online. This product includes CustomServe, which allows firms to collate and track client feedback over time. It also includes a fully automated, real-time, analytics service.

Perhaps one of the most intriguing, and unlikely, data-focused exhibitors at the London Law Expo event was Sky. The media giant delivered its AdSmart service, which enables its customers to deliver highly targeted TV adverts directly to set top boxes of individual

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Perhaps one of the most intriguing, and unlikely, data-focused exhibitors at the London Law Expo event was media giant Sky

Sky subscribers. This system is so sophisticated that it's now possible for law firms to send adverts directly to the TVs of directors of companies with a specified number of employees, who also live in specific postcode areas. Broadcast advertising has now been transformed into narrowcast advertising.

Another recurrent theme at the London Law Expo – on both the presentation stages and the demonstration booths – was the issue of process improvement, to enhance law firm efficiency and cost effectiveness. A wide range of solutions were demonstrated at the event, including those aimed at back office functions, such as print management (Kutana), support functions including pitch document production (Mediasterling), legal document assembly (HotDocs) and legal process workflow (Eclipse, Timeslice and Slicedbread's Sharedo).

As Ben Nicholson, Slicedbread's director of strategy, explained in his presentation, process improvement in the legal market means that legal matters are often now handled in a way that's less "artisan" and more "industrial". This change is occurring to enable discrete legal tasks to be allocated to the most appropriate level of fee earner – or even to an automated system. Slicedbread argues that this type of "smart disaggregation" of work allows lawyers to do more – not less – creative lawyering, while also balancing the practice's workload and increasing its profitability.

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