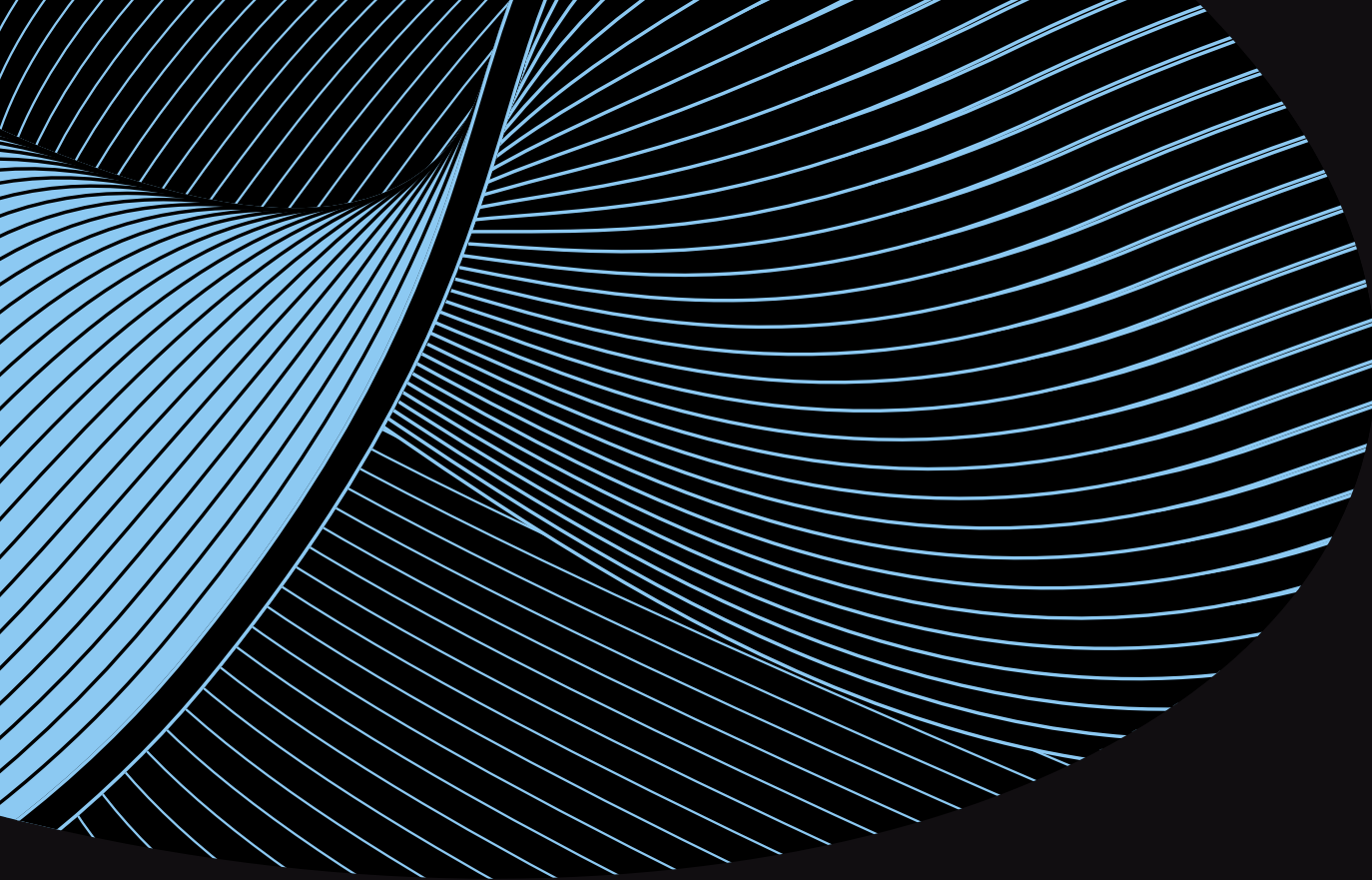




# Law 2024

The future of legal businesses



## Introduction

Australian law firms are experiencing a profound wave of change. Since early 2020, practitioners have rapidly adopted new tools and technologies. This has enabled them to collaborate with clients and work securely from home. New business models were emerging long before the pandemic, with digital newcomers making a splash as legal tech start-ups and alternatives eroded the primacy of traditional firms, and established businesses considered how, and at what cost, they would compete. These trends were already underway, but COVID-19 accelerated the revolution in professional services delivery and adoption. The market is now more varied and competitive, giving clients greater control over what and how they engage with services.

As a result, firms are under pressure, leading many partners to charge more hours, and increase their contact with key clients.<sup>1</sup> There is also a growing trend to specialise in certain practice areas and outsource others. Macquarie's [2020 Legal Services Industry Pulse Check](#) found that 56% of firms enjoyed a profit margin of 10% or more in 2018-19,

down from 72% two years earlier. This pressure on profits has been playing out for some time, with a focus on several areas to remedy.

Importantly, talent strategies are being revamped as firms balance the needs of four different generations of employees in the workforce at the same time, for the first time in history. An employee born post-2000 will have different expectations of work, compared to a Baby Boomer, who has worked in a stable and profitable environment for 40 years or more. The road to partnership has long been viewed as the pinnacle of the commercialisation of the profession. However, many lawyers now seek alternatives, and firms must be creative in designing new and attractive career paths.

**So, what are the steps your firm can take to establish a pathway for growth, embracing and anticipating change? What are the leadership, people, client, competitive, and innovative markers that you can work towards, to ensure you're prepared for your next horizon?**

<sup>1</sup> [Thomson Reuters 2020 State of the legal market](#)

# About this report

In May 2021, Macquarie Business Banking assembled a panel of legal innovators to discuss the key trends shaping the future of the industry and practice. This report draws on some of the key insights from that discussion, together with Macquarie Business Banking's deep industry knowledge gained from more than three decades of supporting legal businesses to grow.

We share the perspectives of leading thinkers including Jodie Baker, Founder and CEO of Xakia Technologies; Joel Barolsky, Managing Director of Barolsky Advisers; Matthew Bolle, National Head of Legal at Macquarie Business Banking; Tessa van Duyn, CEO and Practice Leader of Moores; and Tony Raunic, Managing Principal of Hunt & Hunt.

As you adapt to industry changes spanning business, innovation and talent, this report will help you to set your firm up for success.



## 01 The business of law: new competitors, new pressures



## 02 Innovation and law: new technologies, new possibilities



## 03 Talent and law: new career paths, new inspiration





# The business of law: new competitors, new pressures

“The only reason  
clients will still  
use traditional  
law firms rather  
than those other  
disruptors is if  
there’s something  
unique being  
offered”

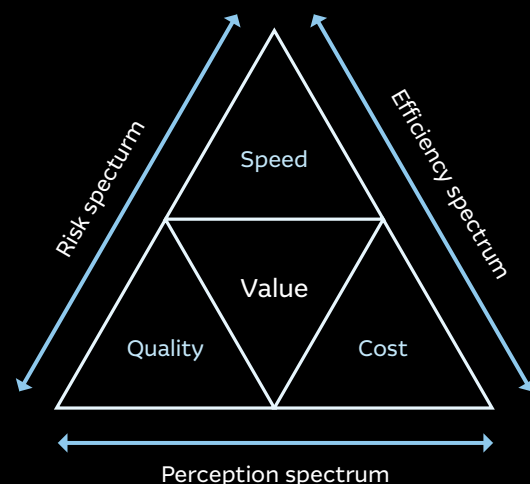
**Tony Raunic**  
Managing Principal,  
Hunt & Hunt Lawyers

Law is a market where the client is in greater control than ever before. Traditionally, the industry was a highly specialised field, where practitioners dispensed advice for a time based fee and clients had little influence over retrospective billing, work was abundant, barriers were high to entry and switch, and there was little challenge to this model from within or outside the industry. However, in recent years, the power dynamic has flipped, as new business models allow services to be procured from a wider choice pool.

LegalTech start-ups and alternative service providers typically charge a fraction of a traditional firm, reflecting their lower overheads and motivation to shift the traditional industry dynamic.

Above all, technological innovation is shifting the notion of a trade-off between speed, quality and cost in service delivery (see figure below). The nimblest firms, as well as new digital competitors, offer viable alternatives that deliver on all three.

This places the onus on firms to either accelerate technology adoption or provide additional quality that clients deem a genuine exchange of value and worthy of loyalty.



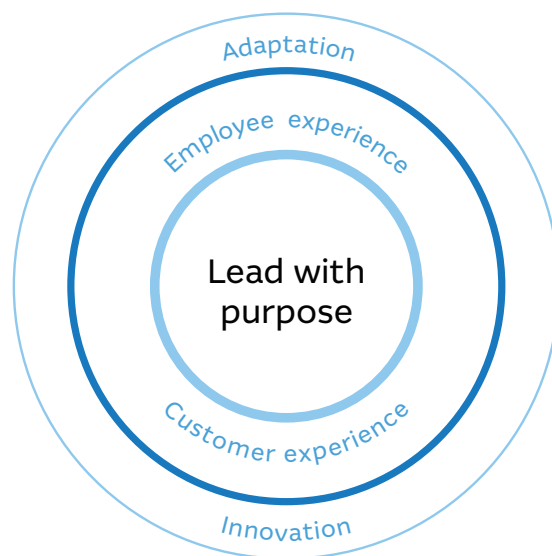
## Commit to constant adaptation

What makes one firm outperform its competition? How do some respond quickly to opportunities, turn setbacks into solutions and thrive amid uncertainty? Through our industry benchmarking surveys, proprietary research and ongoing dialogue with clients, Macquarie Business Banking has observed common traits and behaviours.

At the core of our framework for an adaptive business is bold leadership that articulates a common and driving purpose, providing clear principles to guide and empower decision-making, even as curveballs happen and circumstances change.

This leads the firm to consciously invest in finding, hiring and nurturing great people. Of course, fostering exceptional employee experiences also shapes positive client experiences and outcomes. An adaptive law firm feels empowered to seek out better ways of solving problems. Its partners and staff innovate to achieve optimal outcomes. And the interplay of these factors allows the practice to adapt and flex as market demands shift.

### The adaptive business framework



#### Lead with purpose

Articulation of a common purpose, providing clear principles to guide decision-making.

#### Employee experience

Consciously invest in finding, hiring and nurturing great people.

#### Customer experience

Highly engaged staff create better client outcomes.

#### Innovation

Deeply connect with customer needs and emotions, seeking better ways to provide solutions.



## Deepen client interactions and relationships

Perhaps the best way that firms can demonstrate value in a changing business environment is by building a powerful affinity with clients. In a way, this harks back to the days when the local solicitor was as trusted a figure as the family doctor. The goal is for clients to feel they are heard, supported and their lawyer is invested in them beyond pure time spent on a matter. This is when problems are solved, relationships deepen and clients become advocates for the firm's offerings.

Given the impact of client referrals, investing in employees with strong interpersonal skills is highly recommended. Hunt & Hunt is one firm where lawyers are recruited on far more than technical expertise.

"The client wants to feel that whenever they need to talk to a Principal on their case, they can call them that day – and that person will be genuinely interested in their life," Raunic says.

**"If you're a firm that has lots of lawyers operating out of a building, then you'd better be distinctive."**

**Tony Raunic**  
Managing Principal,  
Hunt & Hunt Lawyers





### Focus on value delivered, not time spent

The growing trend to a client-centric model is also reflected in the shift away from billable hours. Technology adoption is an important factor, as it is compressing time spent on matters through innovation and automation. But client preferences are also changing, placing new pressure on lawyers to add value to interactions and outcomes rather than bluntly commoditise them.

Experienced strategist and consultant Joel Barolsky, Managing Director, Barolsky Advisors, estimates that slightly less than half of top-tier firms still charge hourly rates. Billable hours are still useful where there is uncertainty over the length of litigation and whether an agreement to settle is unlikely. But many clients demand to know a firm's best price upfront, as "they will no longer pay for your inefficiency," he says.

A growing number of firms bill fixed fees based on value or outputs delivered – potentially charging extra if a favourable legal outcome is obtained. Subscription pricing is another model, allowing clients to pay a set fee every month and call up anytime and receive service.

At Moores, which has billed on value for the past decade and recently dropped the term 'Legal' from its name, clients are offered a choice within a three-tiered fee structure. This comprises what CEO and Practice Leader, Tessa van Duyn, describes as "necessities, something in the middle with a few added bells and whistles, and a Rolls Royce option".

In the latter instance, the firm goes well beyond providing black letter legal assistance to offer holistic business solutions and advice. "There's no bill shock; the client knows straight away what they're going to be charged for the outcomes we're proposing to deliver," van Duyn says.

### Consider focus and specialisation

Developing a set of niche practice offerings is another good strategy in an era of heightened competition within the legal sector. Moores has narrowed its specialisation to a select few areas, with a strong focus on the for-purpose sector; charities and not-for-profit practice.

"It makes sense to be really good at particular things and develop that deep expertise. We're not all things to all people and we're very clear about that," van Duyn says.

**"There's no bill shock; the client knows straight away what they're going to be charged for the outcomes we're proposing to deliver."**

**Tessa van Duyn**  
CEO and Practice Leader  
Moores





## Innovation and law: new technologies, new possibilities

Technology adoption is where the velocity of change is most evident among law firms. While practices have been integrating digital capabilities to help employees perform their roles for many years, the pace was once set by internal and competitive pressures. However, COVID-19 has accelerated implementation.

The pandemic made flexible, secure working essential for many businesses to continue. Firms were forced to innovate and invest. Previously-held fears had to be overcome. Policy and legislation also moved into line. Digital execution of authority replaced wet signatures; and court hearings, mediations and submission of evidence became virtual. All of this was required for the system to function.

As the pandemic recedes, lawyers face a continued task to change engrained habits, retain what worked during the crisis and find a new balance. "Firms have to learn how to handle a matter through Zoom," says Barolsky.

"The biggest competition in the future is not necessarily going to come from start-ups, but the firm next door that works much more efficiently and effectively."

**Joel Barolsky**  
Managing Director  
Barolsky Advisors

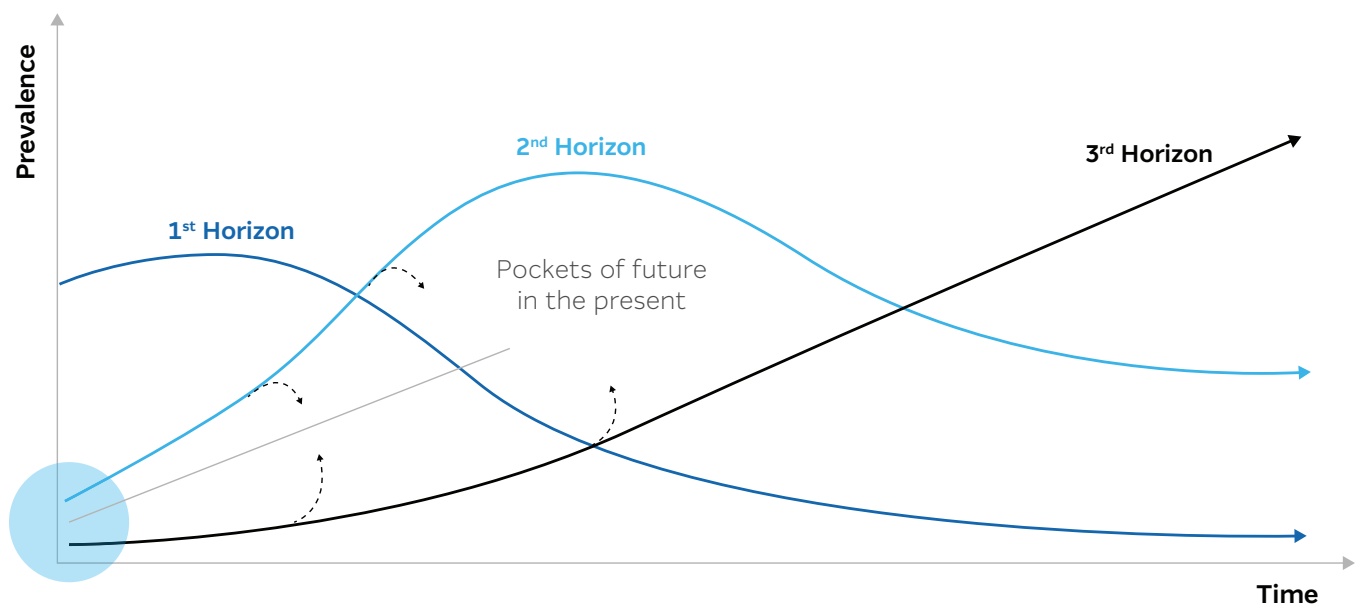


## Imagine the future

All businesses face a challenge to imagine change. The transformation sweeping the legal sector is modelled by economist Bill Sharpe's Three Horizons framework. This illustrates competing timelines of transformation within a business that create opportunities for growth through incremental adjustments and bold experiments.

In the space between business as usual, rapid innovation and incremental improvement, are the so-called "pockets of the future found in the present", reflecting the tension between inertia, the quest to transform business models and a steady pace of evolution.

### The three horizons, Bill Sharpe



#### First horizon

'Business as usual' depicts how once-profitable ways of operating decline in value and popularity over time as innovation renders them obsolete.

#### Second horizon

Represents rapid innovation, unshackled from practical considerations.

#### Third horizon

Incremental improvement realised from the tension between First and second horizons.

## Streamline business processes

A key priority for law firms in the immediate term is deciding how to automate or even eliminate tasks. A simple example might be integrating online banking with the firm's practice management and accounting software. "Many law firms aren't aware of just how easy it is to integrate your online banking with your legal software, with significant efficiency gains," says Matthew Bolle, National Head of Legal, Macquarie Business Banking.

Another example might be migrating client files and other paperwork online – saving considerable money on physical IT infrastructure and storage. Cloud software is equalising the playing field, giving sole practitioners and smaller firms access to the same workflow and collaboration tools as the top-tier players. "The top 25% of firms have always had access to whatever technology's been shiny and new," says Bolle. "But if you didn't have \$100,000, you couldn't buy anything previously. Whereas in the last few years access to technology has democratised."

## Decide what to automate

Today, digital solutions are entering the market, promising to liberate lawyers from repetitive tasks like document discovery or executing standard form contracts. While the business model of alternative service providers relies on these solutions, many traditional practices are grappling with a trade-off between automating processes or allocating a lawyer who can bill five hours (which, at face value, generates revenue).

Applying the technology solution might turn around an important deal faster, carrying financial benefits or improved client outcomes. It can also free up a lawyer's time to perform higher-value work. On the other hand, lawyers must constantly balance speed with their obligation to apply due diligence.

"If you've got 45 non-disclosure agreements to review every month, you need to decide, how are you going to resource that," says Jodie Baker, Founder and CEO, Xakia Technologies. "And what is the risk profile around that piece of work? Maybe you can hire a specialist junior to churn through it relatively quickly. Maybe if the risk profile is low, then automation works."

## Invest in data

Facing greater pressure to demonstrate value to clients, data analytics is becoming a hotly prized technique to help lawyers make informed business decisions. This can include assembling basic workflow metrics, such as how long it takes to create a document or detect patterns in how employees spend their time. Firms can learn what type of clients to pursue, and whether, for example, doing mergers and acquisitions work is more profitable than intellectual property.

By gathering insights and spotlighting seasonal trends, Baker suggests firms will be able to allocate lawyers more effectively across different practices during the year. “Just imagine being able to capture even basic information like, ‘How many instances of this task did we perform? How long did it take us? How much did it cost? And what’s the strategic value?’ Data analytics enables us to demonstrate the value of legal input in a way we haven’t been able to previously,” she says.

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**Jodie Baker**

Founder and CEO  
Xakia Technologies





## Talent and law: new career paths, new inspiration

Observations of previous generations called for young lawyers to invest long hours, to develop, support workflow, with a view to the promise of partnership in the future. Thrust into tasks like document discovery, the initial years were a sizeable personal and professional investment. But they persisted and worked consistently and assiduously for a sustained period, until attaining the goal of partnership and practice leadership.

The partnership model still thrives. However, it is becoming a harder sell to younger lawyers. Expectations of career trajectory are changing.

Lawyers increasingly demand employers that offer flexibility and allow them to balance work, parental and caring responsibilities, and other priorities.

As societal factors influence lawyer's career development choices, the urgency for law firms to adapt their structure and talent pathways is also amplified by the fact we now have four generations in the legal workforce for the first time in history. How can older generations transfer knowledge and inspire younger colleagues born in the 21st century who are now entering the workforce? Modernising talent attraction and retention strategies is key.

## Support junior lawyers

Hiring talented young lawyers is essential to any firm looking to build a base for the future. Several years ago, many large firms facing flat demand opted to significantly cut their graduate intake. As Barolsky observes, “three or four years on, they suddenly realised they were massively short of early to mid-career lawyers”. Failing to address this issue risks creating gaps as lawyers ascend. For example, as partners become more deeply entwined in client interactions, they need to empower their junior team members to build and sustain the firm’s culture.

Great emphasis is placed at Hunt & Hunt on hiring young graduates who are personable, engaging and fit with the purpose of the organisation. Raunic notes that while mentoring was difficult during the height of the pandemic, every effort was made to ensure a leader kept in touch daily with junior or mid-level lawyers “not necessarily about a file, but just to say, ‘How are you going?’ and ‘How are you coping?’”.

It is also important to give junior lawyers fulfilling tasks that accord with their personal and professional goals. At Moores, van Duyn believes the firm’s emphasis on doing “purposeful, value-laden work” is central to its high employee retention. “Often mid-tier firms will lose people after a few years because they use us to train and then go off to the big, shiny top-tiers,” she says. “But we successfully retain our people because we have a value proposition.”

## Offer alternate career paths

Recognising that not every lawyer aspires to partnership, firms are starting to get creative at designing alternatives for fulfilling and lucrative careers. Barolsky explains how many are establishing new legal operation teams whose role is to drive better business processes, as well as innovative pricing models and products. For example, at one top-tier firm, graduate lawyers can choose between working in legal operations or traditional practice areas such as corporate and litigation. At smaller firms, lawyers can likely only contribute to the firm’s innovation activities in their spare time. Nonetheless, opportunities like these give lawyers a chance to harness the possibilities of technology to personalise services and deepen the client relationship. “I don’t see a world where artificial intelligence will just replace all lawyers and we’ll just push a button and legal advice comes out. I just don’t,” Barolsky says.





## Maintain a healthy, high-performance culture

Finally, counteracting the popular narrative that COVID-19 has removed the requirement for attendance in offices, many law firms are welcoming their people back into a shared physical space, while embracing a hybrid home and office work location for those who have appreciated time in their own environment. Achieving balance by utilising technology to work remotely, while engaging with clients in their preferred manner, and coming together for team-building, mentorship and innovation activities, will be a key consideration for firms in future.

As Raunic explains, while flexibility is important, as it's been demonstrated to have worked since early 2020, and many have enjoyed the benefits of spending more time at home, Hunt & Hunt has a policy that their team should be together in the firm's city location for a portion of their working time. The reason? Giving everyone a stake in building a better culture and more easily cross-pollinating people and ideas.

"Look, the world's changed," Raunic says. "We need to offer our employees a hybrid environment that allows everyone from our most junior assistant right through the senior lawyers the opportunity to work at least one day from home. But we still think people should be proximate to each other."

**"I don't see a world where artificial intelligence will replace all lawyers. I just don't."**

**Joel Barolsky**  
Managing Director  
Barolsky Advisors





# Five simple steps to transform your firm



**Assess where your firm demonstrates value to clients -** understanding where you provide value to a client will inform how you create a sustainable business model.



**Implement innovative practices -** finding opportunities where you can innovate processes within firms will keep it competitive over the long-term.



**Harness the power of data and analytics -** having a better knowledge of where your firm spends its time will help in understanding where potential client value can be added.



**Construct, and embrace an employee value proposition -** having a central purpose will go a long way towards unifying four generations of employees at very different stages of their careers.



**Embrace diversity and inclusion -** bringing a variety of perspectives to your firm will help in retaining your team at a time when loyalty is at premium.



# How can Macquarie Business Banking help?

Having worked with small and mid-sized businesses for over 30 years, Macquarie Business Banking has seen many successfully navigate challenging situations and environments – building more adaptive organisations that continue to thrive. Our reason for being is to help businesses grow and change, and for their owners to capture opportunities, and realise their true value, achieving their goals.

The COVID-19 pandemic has impacted and tested every business and every industry. However, the good news is that firms and practitioners have adapted. In many cases, lawyers are moving beyond providing narrow legal advice to become true “heroes” to their clients – people you can discuss a challenge with and develop a holistic solution.

As your firm charts a course through 2024 and beyond, Macquarie can offer you compelling change frameworks for consideration when seeking to build momentum in a rapidly shifting landscape; inspiring stories of resilience and adaptation, alongside insights from experts in their fields.

How do you prepare your law firm for the future, while also managing the impact of today? If you would like to speak with one of our industry leaders, we’d welcome learning more about your situation.

**To find out more, go to**  
**[www.macquarie.com.au/legal](https://www.macquarie.com.au/legal)**



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