

Legal Services "Big Bang": A brief history of how we got here

The global legal market is in the early stages of its own version of "big bang," creating a constellation of different structures and models for providing legal services.

By Chris Bull

The marketplace is witnessing a shift in the way legal services are delivered and organized, replacing a structure that has survived for decades: lawyers structured as partnerships, working from their own offices and delivering services face to face with, only fairly recently, a modest amount of technology support.

The story of "how we got here" is complex but some immediate triggers - or "accelerators" - have ignited deeper, tectonic shifts. This is not some short-term response to the global economic malaise but deeper and more structural and, therefore, more permanent.

The drivers are rooted in economic and societal changes that have affected every part of our world but have been slow to make their impact felt in the legal market. Included are some of the basic trends from "The World is Flat," the advent of the internet, the globalization of services and access to powerful personal computing tools. But, we have barely begun to appreciate how they will transform the legal services sector of the business world.

Other trends in society have combined with these to create a combustible mixture for the law and wider professional services. Not enough time has been devoted to the game-changing shift in generational attitudes with regards to the deference to and respect accorded to the professions, the creation of "always-on" consumer expectations fuelled by new retail service experiences (especially but not exclusively online) and the empowerment of buyers with the information they need to assess and compare value for money.

Pioneering elements inside the world of law (in the US the ABA have neatly tagged many of these folk as "legal rebels") have been tracking and responding to these developments for many years, of course. But it has taken a very powerful shock to truly ignite these tentative sparks.

That powerful shock - the primary "accelerator" that has created this watershed shift - has been the deep and sustained economic crisis that has arrested the seemingly inexorable growth in demand for and profitability of law firms. According to Citi Private Bank LawWatch survey data the crisis has triggered the first net reduction in demand for legal services in recent memory (2008/2009).

A secondary accelerator has also been at work for the last five years as regulators in some jurisdictions (initially in Australia but most notably in the globally influential UK market) have announced and begun to enact legislation that will open up the legal market to external (non-lawyer) investment, ownership and competition.

These regulatory changes are a second fundamental accelerator of change for the entire global legal market, as they will influence activity and decisions far beyond the shores of the UK and Australia. However, the really interesting and significant fact here is that deregulation has stimulated the creation of a host of new business models in anticipation of enactment.

The extended period since the UK government initiated the Clementi review into legal services and then passed the Legal Services Act 2007 has provided fertile ground for the development of new models. These have begun to emerge here in early 2012: in the first two weeks of February, three law firms were announced to have been purchased (subject to approval) in part or outright for a total amount of *£125 million*.

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