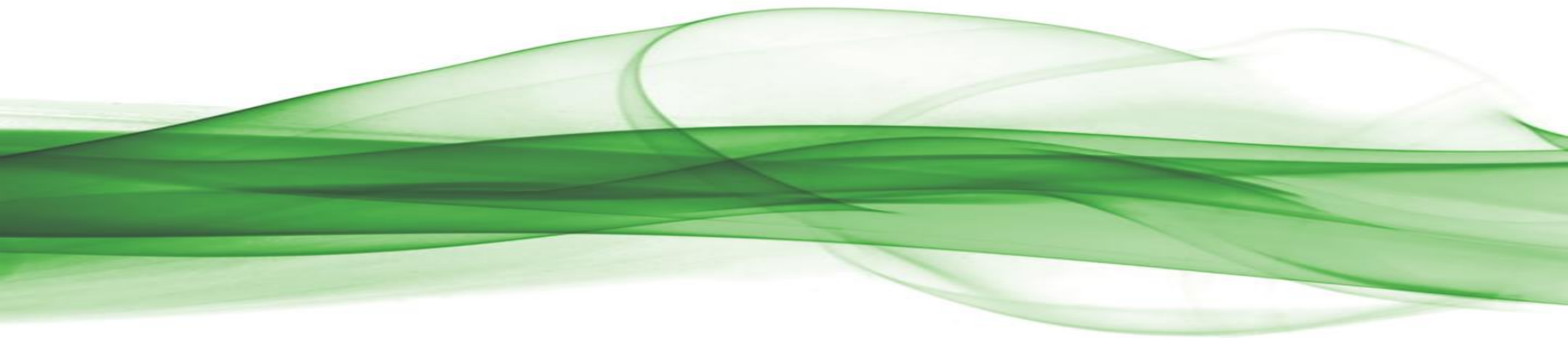




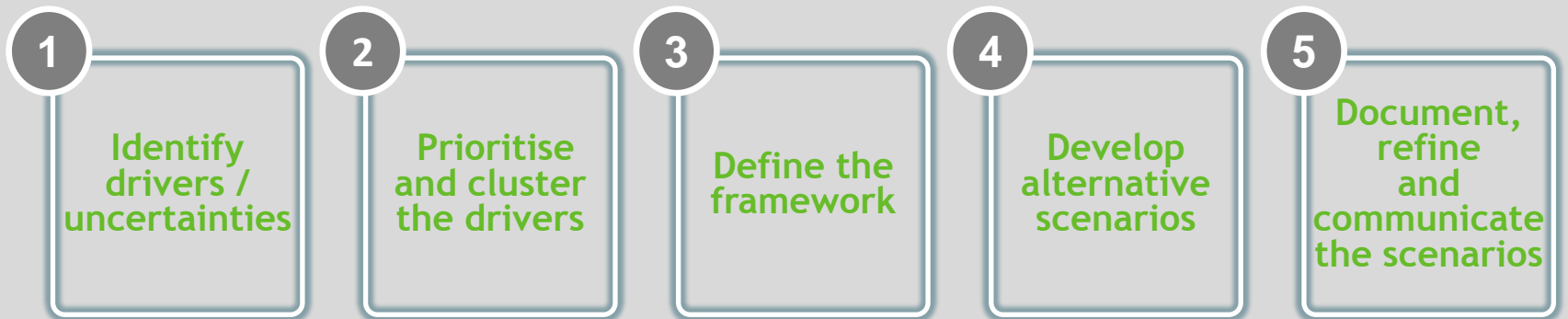
The Law Society

Scenario planning for the legal services industry in England and Wales, 2025: How the scenarios were developed

The Law Society - 2012



The Law Society's scenarios for the industry in 2025 were developed using standard scenario planning processes



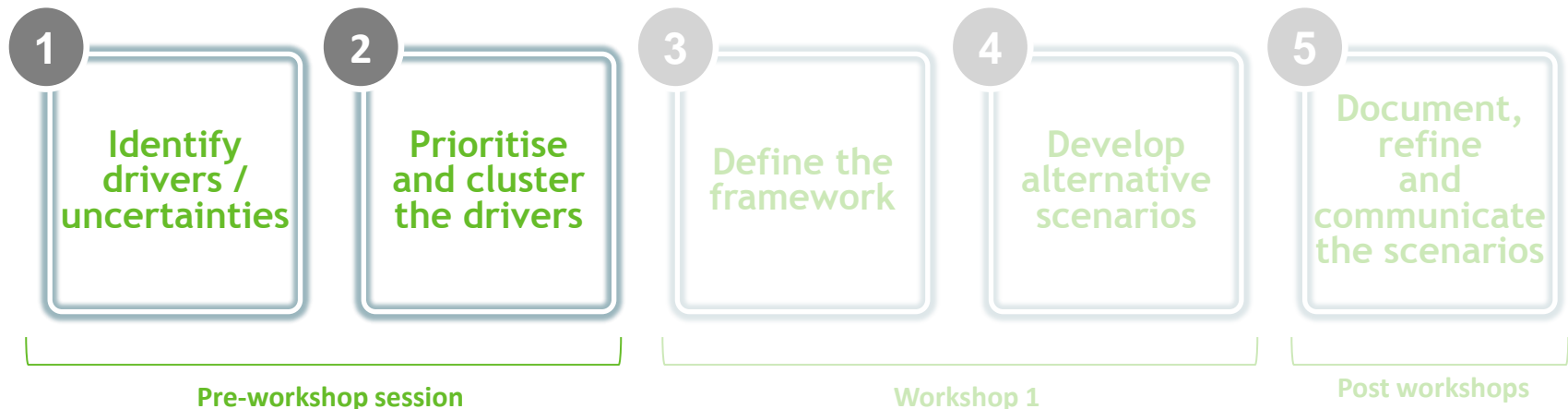
Pre-workshop session

Workshop 1

Post workshops

Steps 1 and 2 : Identify a long list of drivers, prioritise in terms of the level of impact and uncertainty and cluster drivers into groups

Five key stages to scenario planning process



A list of around 100 drivers of change was identified and these were ranked by the project team in terms of their impact and their level of uncertainty, then grouped into clusters.

Drivers grouped under ‘national economy’ were all ranked as having both high impact and high uncertainty (in terms of having a wide range of possible outcomes)

	H=High, M=Medium, L=Low		
DRIVERS - HIGH IMPACT	Level of Impact	Level of un-certainty	Relationship between impact & uncertainty
Cluster 1 - National Economy			
<u>Access to capital</u> - i.e. The extent to which providers of legal services are able to raise capital, by floating on the stock market, joining with funding partners etc. 10% of firms in the 2012 TLS/MoJ/LSB Law Firm Survey identified having problems in the preceding 12 months in obtaining investment.	H	H	H+H
<u>Access to credit</u> - i.e. The extent to which providers of legal services are able to obtain credit from banks, in the form of loans, overdrafts, other credit arrangements. 16% of firms in the 2012 TLS/MoJ/LSB Law Firm Survey reported problems, in the preceding 12 months, with the availability of finance.	H	H	H+H
<u>Business activity in the economy as a whole</u> - As measured by real profits. Real profits grew by 10% between 2000 and 2007 and by 4% between 2007 and 2010 (ONS Annual Business Survey).	H	H	H+H
<u>Competition in the legal services sector</u> - Meaning increasing competition in the provision of legal services generally, either between existing providers or from alternative providers, and mainly in terms of service delivery and fee transparency. This may involve either (1) the breakdown of natural monopolies in the market, (2) increasing buyer awareness of differences between prices, (3) decreasing barriers to entry for new firms, (4) reductions in any restrictive practices in the market, or (5) more flexible supply of qualified lawyers/staff.	H	H	H+H
<u>Households' real disposable income</u> - Household income is a driver of change in real turnover. This in turn is largely driven by wages and employment in the economy as a whole.	H	H	H+H
<u>Policy of UK (and other world) governments on growth/deficit reduction</u> - Real GDP growth in the EU and US has been significantly affected by the financial crisis and the emphasis of government policies on reducing fiscal deficits/debt. S growth over at least the short-to-medium term has been slightly less affected than that in the UK as a result of less restrictive fiscal policies, while financial problems in the Eurozone have had an additional negative effect on growth in the EU. Growth in the rest of the world has been significantly less affected by the financial crisis.	H	H	H+H
<u>Residential property market</u> - The growth/decine of residential property transactions is a key driver of change in the total turnover of the UK legal services sector.	H	H	H+H

Drivers relating to the global business environment were almost all ranked as having both high impact and high uncertainty

DRIVERS - HIGH IMPACT	Level of Impact	Level of un-certainty	Relationship between impact & uncertainty
Cluster 2 - Globalisation and global business environment			
<u>Global tracking: Shift in power from West to East and away from Europe towards BRIC(A)</u> - The trend towards trade with non-EU countries, notably Brazil, Russia, India, China and Africa, but also the extent to which, as these countries develop, they use (or do not) English & Welsh law for business.	H	H	H+H
<u>Commodity markets</u> - Any major fluctuations in the price of commodities has implications for the rate of inflation, which affects real term values such as households' disposable income, business profits etc.	H	H	H+H
<u>Decisions of competitive jurisdictions</u> - By which we mean government decisions made in competitor jurisdictions (such as the USA, Singapore etc.) which may threaten the competitive position of England and Wales as the 'law of choice' for dispute resolution.	H	H	H+H
<u>Economic globalisation</u> - That is, increasing economic interdependence of national economies across the world through a rapid increase in cross-border movement of information, people, goods, services, technology and capital.	H	H	H+H
<u>Future of the Eurozone</u> - The majority of the UK's trade is with the Eurozone. Major changes in the Eurozone (either negative or positive) could therefore have significant effects on the UK economy. Issues include (a) the future of the euro as a currency, (b) changes in the economic relationships between Eurozone members, (c) changes in the economic relationship between the UK and Eurozone and/or the EU as whole.	H	H	H+H
<u>Global regulatory competition / professional standards in other jurisdictions</u> - Changes in the regulation of lawyers in other jurisdictions; potential for global legal regulation.	H	H	H+H
<u>World power shifts</u> - Shifting patterns of politico-economic power away from the 'West' toward the 'East', most notably China.	H	H	H+H
<u>Reputation of English and Welsh courts and judiciary</u> - At present the courts and judiciary of England and Wales are held in high regard internationally and more international and commercial arbitrations take place in London than in any other city in the world. Should this change in the future then the extent to which England and Wales remains the 'jurisdiction of choice' for international dispute resolution could be threatened.	H	M	H+M

Buyer behaviour drivers were thought to be high impact with a mixture of high and medium uncertainty in terms of the range of possible outcomes

DRIVERS - HIGH IMPACT	Level of Impact	Level of un-certainty	Relationship between impact & uncertainty
Cluster 3 - Buyer behaviour			
<u>Buyer preferences for alternative methods of delivery</u> - There is some evidence to suggest that buyers are increasingly favouring alternative methods of engagement with lawyers; although the main form of contact is still face-to-face, there is an increasing use of the Internet to find and interact with lawyers.	H	H	H+H
<u>Power of brands</u> - Some evidence suggests that in markets where there is a high degree of information asymmetry and economic uncertainty, there is a tendency for buyers to gravitate toward well-known brands (www.warc.com): 'during difficult economic times, consumers gravitate toward the brands they know, the brands they love and trust' (Muhtar Kent, CEO, Coca-Cola).	H	H	H+H
<u>Behaviour of business clients</u> - Economic trends in relevant business sectors and related industries that influence legal purchase volumes or decisions, which may lead to change in sector focus due to economic conditions (e.g. targeting financial services, health care, energy etc).	H	M	H+M
<u>More litigious society / greater awareness of legal rights and forms of redress</u> - In theory drives volume of demand for legal services.	H	M	H+M
<u>Buyers motivated to inform themselves and DIY</u> - Long term trends in buyer behaviour are, generally, not available but rates of 'handling alone' amongst individuals with legal problems are quite high. According to the 2010 Civil and Social Justice Survey, people handled problems entirely on their own in the case of 46% of justiciable problems and 36% of legal issues between 2010 and 2012 (including transactional issues) were reported as having been handled alone by the 2012 Legal Services Benchmarking Survey. Use of the internet to help resolve problems has increased from 4% in 2001 to 19% (CSJS, 2010).	H	M	H+M
<u>Professional status/standards of 'ethical' behaviour/brand of solicitor</u> - There is some limited evidence to suggest that trust in solicitors is declining. LSB findings show a decreasing trust in professionals overall, and an increasing knowledge of what lawyers do, generally (LSCP, tracker survey 2012).	H	M	H+M
<u>Shopping around</u> - There is growing evidence to suggest that buyers are increasingly likely to 'shop around' for goods and services. However, the criteria upon which such 'shopping around' are based, are not certain. Price is often cited as a major factor, but in competition with customer service, proximity, reputation etc. As the comparison site model proliferates this may have an increasing impact on the behaviour of buyers of legal services.	H	H	H+H

Drivers relating to technological and process innovation were ranked as high impact and a mixture of high and low uncertainty

DRIVERS - HIGH IMPACT	Level of Impact	Level of un-certainty	Relationship between impact & uncertainty
Cluster 4 - Technology and process innovation			
<u>Availability of specialist legal information online</u> - i.e. Legal advice and guidance made available, often for free, on websites. Susskind (2010) writes: 'huge amounts of legal information and guidance are already available online... these websites have not displaced lawyers, rather they have offered legal insight and help to many people who otherwise would not generally have sought formal legal help'.	H	H	H+H
<u>Cloud computing/LPO/BPO outsourcing</u> - New technological developments, such as cloud computing and outsourcing, require the remote storage and distribution of vast quantities of sensitive data.	H	H	H+H
<u>Online legal service delivery</u> - i.e. technologies that enable legal knowledge and expertise to be made available online, rather than through face-to-face consultative sessions.	H	H	H+H
<u>Major global ICT companies as drivers of innovation</u> - New technologies developed by major global ICT players - Google, Apple, IBM, Microsoft, Facebook, Yahoo etc. Specialist legal ICT firms, such as Eclipse Legal, Iris Legal, FWBS, Lexis Nexis and Quill could have impact simply by virtue of their ambitions and investment in creating markets that brands commitment to innovative concepts.	H	H	H+H
<u>Back office technologies</u> - i.e. The ready availability (in terms of cost and software/hardware requirements) of 'word processing, e-mail, instant messaging, social networking, video conferencing, document management systems, accounting and finance systems, marketing databases, human resources systems, project management systems, workflow tools, client relationship management systems, diary applications, as well as the hardware, networks, and various operating systems that underpin these applications'.	H	L	H+L
<u>Internal knowledge systems</u> - i.e. 'The various systems that help to capture and share a firm's collective knowledge and experience. Examples of these are know-how and work product databases, searchable repositories of selected e-mails, libraries of standard form documents (templates and precedents), procedure manuals and practice notes, know-how systems... and more ambitious applications such as document assembly' (Susskind, 2010)	H	L	H+L
<u>Client relationship management (CRM) system</u> - i.e. 'Typical facilities here are status reporting (the ability to monitor how much time and money has been spent on particular pieces of work), and work-rooms (where documents relating to particular deals and disputes can be accessed easily). In other words, websites are set up for particular deals and disputes. Through these sites... clients who wish to monitor the progress of their lawyers can review the latest documents, identify who is actually doing their work, and keep a sharp eye on the amount being charged' (Susskind, 2010).	H	L	H+L
<u>Availability of specialist legal information online</u> - i.e. Legal advice and guidance made available, often for free, on websites. Susskind (2010) writes: 'huge amounts of legal information and guidance are already available online... these websites have not displaced lawyers, rather they have offered legal insight and help to many people who otherwise would not generally have sought formal legal help'.	H	H	H+H

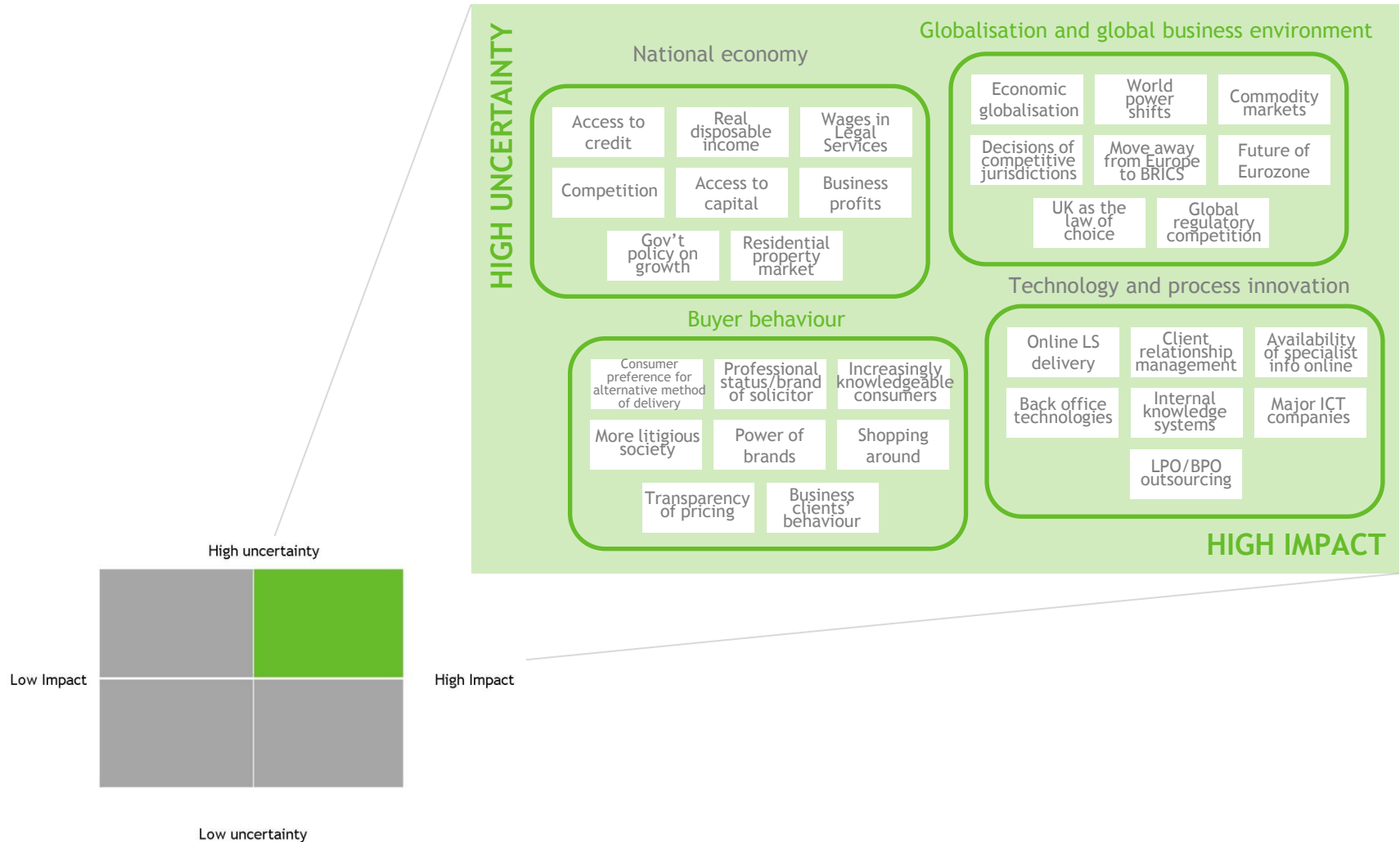
Legal sector regulation drivers, though high impact, were mainly thought to be of low uncertainty in terms of the range of possible outcomes

DRIVERS - HIGH IMPACT	Level of Impact	Level of un-certainty	Relationship between impact & uncertainty
Cluster 5 - Legal regulation			
<u>Wider regulatory agenda</u> - The current coalition's 'Better Regulation Agenda' aims to 'remove or simplify regulations that unnecessarily impede growth' and 'move to less onerous and less bureaucratic enforcement regimes' (SME focus).	H	L	H+L
<u>Costs/benefits of regulation</u> - The actual and perceived regulatory burden and regulatory costs facing the legal services market - as yet unquantified, but often cited as problematic by providers (Regulatory Performance Survey); perceptions of evident costs can also impact.	H	H	H+H
<u>Education and training review / Government's 'social mobility agenda'</u> - The potential impact of changing entry to, and progression within, the profession on the shape and size of legal services in the future - unknown impact.	H	L	H+L
<u>Changing scope of reserved activities and role of LSB</u> - The LSB is currently bringing will-writing within the scope of reserved activities - an extension of reservation activity rather than title; it is likely in the future to have equal power to remove from the current list of reserved activities.	H	L	H+L
<u>Approach/stance taken by legal regulators</u> - The SRA's new outcomes-focused approach to regulation and enforcement regime; regulatory consistency (between different legal sector regulators); competence of regulators and the potential for inter-regulator competition, and clarity around enforcement (e.g. data protection, e-disclosure, digital security encryption).	H	L	H+L

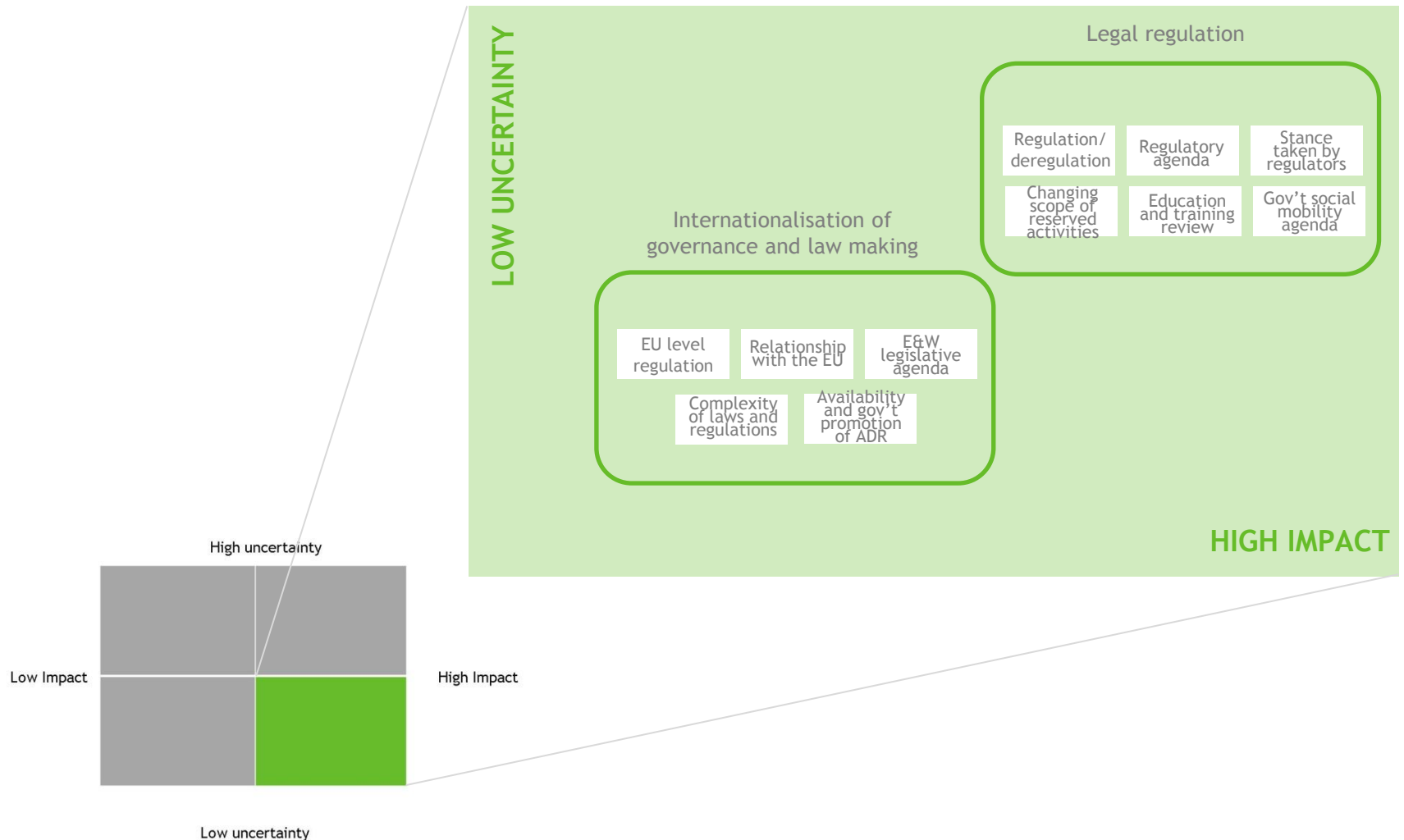
Drivers relating to the internationalisation of governance and law making were ranked as high impact and mainly medium uncertainty

DRIVERS - HIGH IMPACT	Level of Impact	Level of un-certainty	Relationship between impact & uncertainty
Cluster 6 - Internationalisation of governance and law making			
<u>EU-level regulation</u> - i.e. The increasing tendency for business and financial regulation to emanate from the EU, rather than the domestic, level. Among other areas this would include: employment regulations, contract law, intellectual property and financial services regulation.	H	M	H+M
<u>E&W legislative agenda / public policy</u> - i.e. Major pieces of public policy which will have an impact on the legal services sector. In particular: legal aid reforms; civil litigation funding reforms (including changes to recoverability rules, extension of portal-arrangements, reduction in fixed fees); employment law review. Includes consideration of whether a change in government will alter the legislative agenda significantly.	H	M	H+M
<u>Relationship with the EU</u> - Political relationship between the UK and the Eurozone, and the EU as a whole. Issues include political attitudes towards the Euro and EU; Eurozone crisis; export of English and Welsh legal markets and law to the EU. These are likely to be influenced strongly by political relationships between members of the Eurozone/other members of the EU, and the impact of the Eurozone on the UK economy.	H	M	H+M
<u>Availability, and government promotion, of methods of Alternative Dispute Resolution (ADR)</u> - i.e. The extent to which international conciliation, mediation and arbitration are facilitated and encouraged by public policy and supported by, for example, immigration rules and attractiveness of UK and London to foreign/ international businesses.	H	M	H+M
<u>Complexity of laws and regulations</u> - While the number of Acts has declined since 1950, the number of pages of Acts has tended to increase. Statutory Instruments have grown in number and in terms of page total (Parliament, 2008: 5). Increasing volume is likely to be linked to increased complexity which, in turn, may impact on demand for the work of lawyers.	H	H	H+H

The result of this process was that four clusters of drivers were ranked as having both high impact and high uncertainty - providing the main focus for generating scenarios

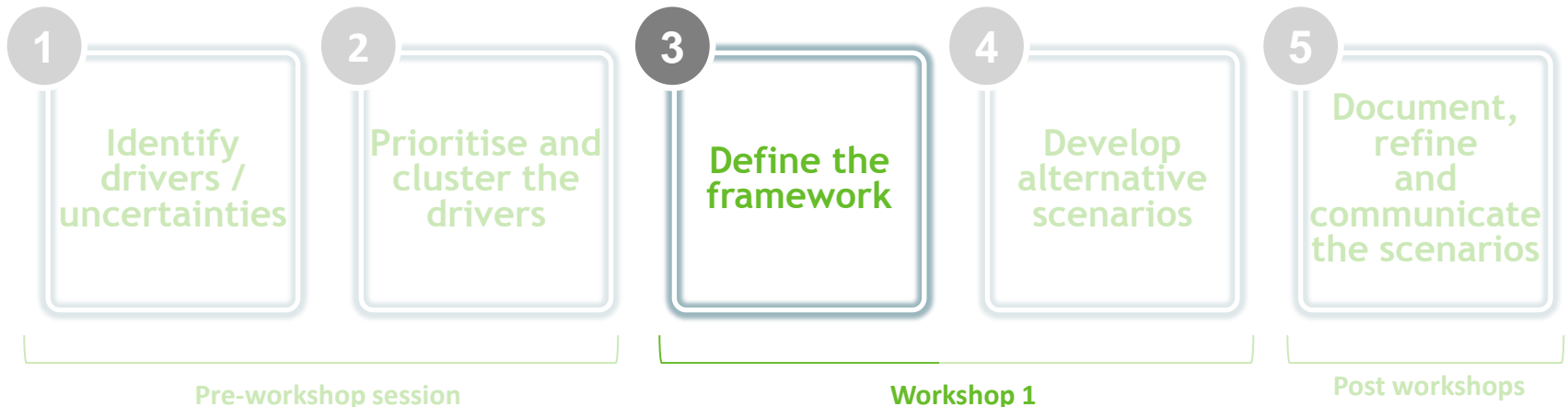


The two remaining high impact clusters, regarded as being more certain in outcome (relatively), contributed to the scenario stories by way of background

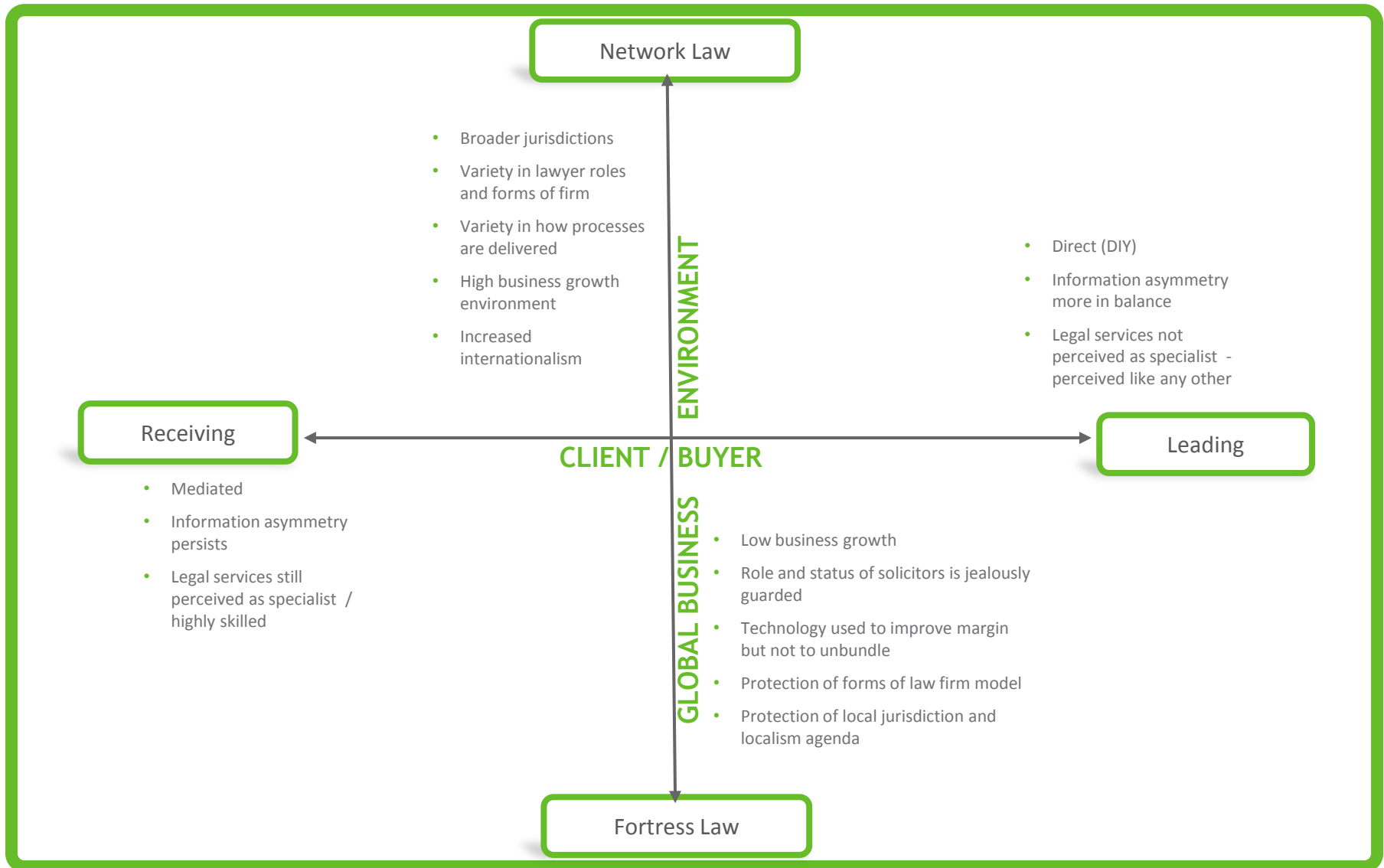


Step 3: Define the framework for the scenarios by choosing two key clusters of high impact-high uncertainty drivers, through consensus

Five key stages to scenario planning process

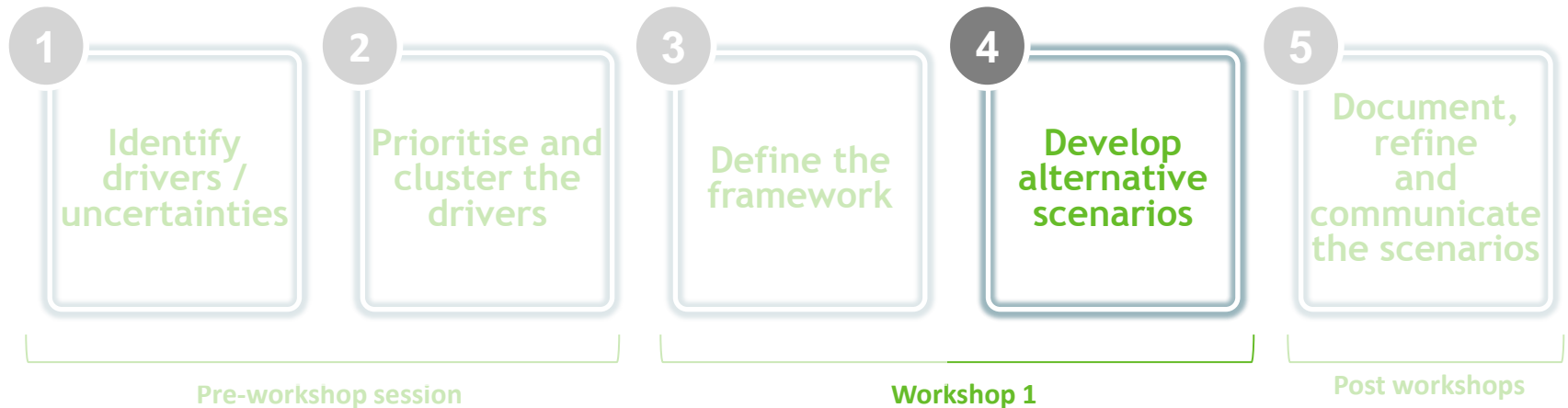


The framework for the legal services market 2025 scenarios is a matrix formed by combining: buyer behaviour and the global economic and business environment (encompassing the domestic economy) clusters

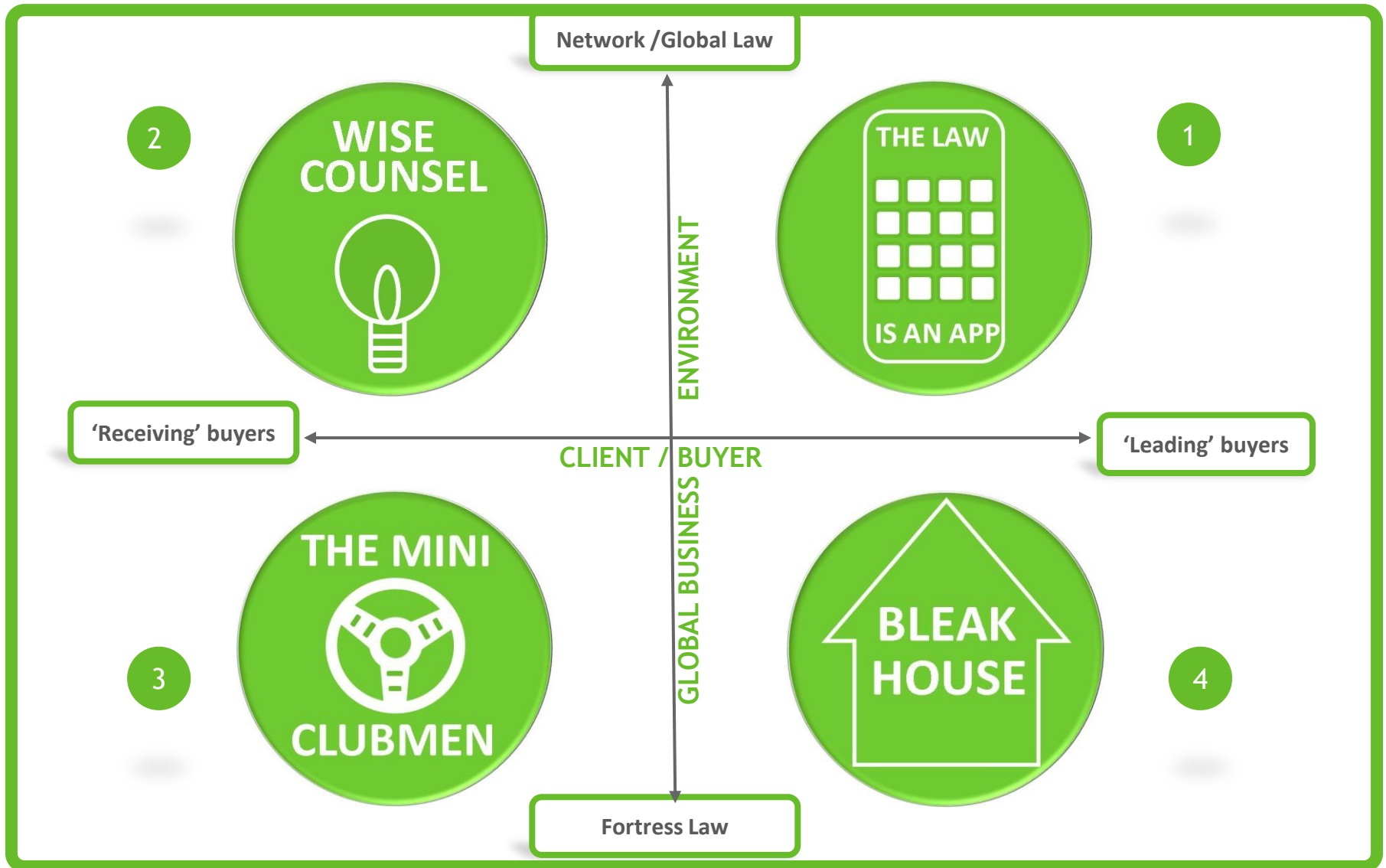


Step 4: The stories were sketched in the scenario planning workshop

Five key stages to scenario planning process

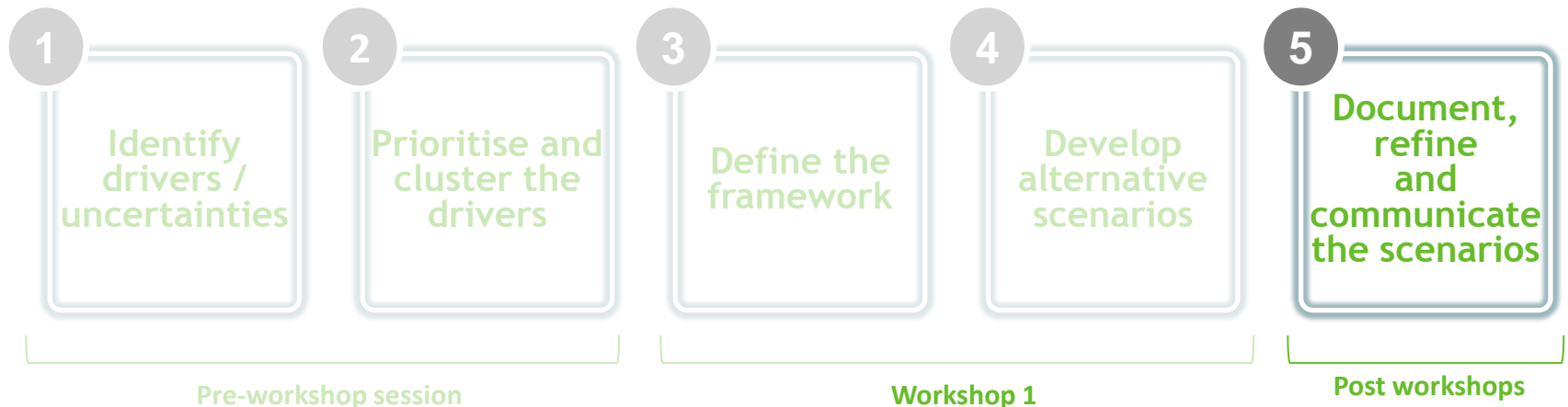


Four, of many, possible scenarios of the future legal services market in 2025 were developed by a group of Law Society council members, staff and externals, in consensus

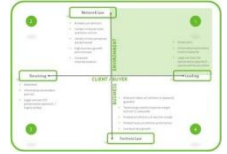


Step 5: Following the scenario planning workshop the stories were developed, refined, tested and refined again

Five key stages to scenario planning process



The Law is an App



High global and domestic economic growth

Highly interconnected global economy

Smaller number of lawyer-owned entities, smaller share of turnover; many roles for solicitors



Growth in international rules and institutions, running alongside growing of the private-public governance mechanisms

'Leading buyers' play an active role in shaping the services they want

Innovation continues to transform the market

Wise Counsel



Rapid economic and socio-cultural globalisation

High global and domestic economic growth

Increased internationalisation of law and legal institutions of a predominantly public nature

Solicitor-managed enterprises are the largest block and retain substantial share of work



Innovation is enhancing rather than transformational

‘Receiving’ buyers present very limited stimulus for providers to change

The Mini Club-men



Global markets
levelled out -
nation states
more
protectionist

Low global and
domestic economic
growth

Fragmented
global legal
environment;
reverse in
international
rules

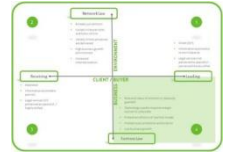


Demand for
legal services is
in decline but
title has value -
so solicitors'
share of smaller
market is
protected

'Receiving'
buyers present
limited stimulus
for change

Innovation has not
transformed the market -
'traditional' partnership model
survives

Bleak House



**'Globalism' a
memory**

**Retrenchment of
internationalisation
of law**

**Low global and
domestic
economic growth**



**'Leading'
buyers**

**Solicitors' share of the market
is reduced; traditional firm
numbers in decline**

**Stifled
innovation**