

How firms can change gears to make the most of ABSs

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Peter Scott argues that consolidation is the key if solicitors are to offer serious competition to non-lawyers

The idea of multi-disciplinary practices has been with us for some time, driven in the 1990s by the large accountancy firms whose dream was to become total service providers to clients. That dream was fleeting.

We now have another version – the ABS firm as discussed above. In the words of the White Paper, they ‘will benefit consumers and providers’. Confident language indeed.

As with any other business, an ABS firm will only benefit consumers and providers if it is able to provide clients with what they want, at prices clients regard as value for money, and can do this better than other legal services providers. This will be the challenge facing not only ABSs but all law firms.

But will an ABS be able to operate on an even playing field with other providers of legal services?

An ABS will be subject to a ‘robust licensing regime’. For example, an ABS will, to obtain a licence, have to submit its business plan naming its head of legal services and head of finance and administration, and if it subsequently decides to change those named individuals it will need to seek a variation to its licence. How would a law firm today react to being required to obtain the Law Society’s agreement to appointing a new managing partner or finance director?

What threats and opportunities does the ABS present for smaller law firms, given that the White Paper states ‘outside ownership may enable large firms to realise efficiency gains that smaller firms cannot compete with.’ What steps should smaller firms now be taking to get into shape to compete?

Much of the profession is too fragmented to offer real competition to serious players intent on building legal businesses. Consolidation now needs to take place on a scale not seen before and will need to be highly focused to create firms that will have sufficient resource of expertise and finance competitively to provide clients with what they want. Consolidation need not mean merger between whole firms or only between law firms. If the strategy is right, then there is usually a way to structure it.

For example, why not ‘bundle up’ groups of domestic conveyancers from firms on a regional or national basis and place them in a ‘shed’ on a business park or in a ‘virtual shed’? It will take investment in good management, IT systems and branding to build it into a business able to succeed in a market becoming ever more competitive. But if such route or similar is not taken, then what will be the future for small firms?

And why not include non-lawyers as owners or managers in such a business, who might be able to bring something valuable with them, be it different skills, connections or finance? This is how the ABS firm, if sensibly structured and regulated, can add greater value to clients. The opportunities for joining together with non-lawyers that will be opened up by the proposals are endless, but it will take vision and courage on the part of lawyers if they are fully to take advantage of these opportunities.

How the profession regards this is now not the issue, because regulated vehicles enabling lawyers and non-lawyers to work together will be legislated for, to provide certain legal services. The words of businessman Jack Welch come to mind – ‘change before you have to’.

If lawyers are prepared to embrace these changes and take control of their destinies, then they will survive and prosper.

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