

# the law

Spring 2021

Working with



The Law Society

Armstrong Watson's specialist publication for the legal profession

## In this edition...

Is it worth being a partner  
in a law firm?

Top questions on  
becoming a partner

Fixed Capital Accounts with  
Variable (but distributed)  
Current Accounts

The trend towards  
performance related profit  
share

Pro-active financial  
planning and tax planning  
tips for your firm  
- and for you personally

## Plus an interview with...

Andy Poole interviews Jim Thomas, co-founder  
at PDW Group - behaviour and performance  
consultants, trainers and facilitators.

**ArmstrongWatson®**

Accountants, Business & Financial Advisers

A track record of providing solutions to the legal profession

# In this edition...

# Welcome

- 2-3 Is it worth being a partner in a law firm?
- 4-5 Top questions on becoming a partner
- 6-7 Fixed Capital Accounts with Variable (but distributed) Current Accounts
- 8-9 The trend towards performance related profit share
- 10-11 Pro-active financial planning and tax planning tips for your firm  
- and for you personally
- 12-13 An interview with...  
Andy Poole interviews Jim Thomas, co-founder at PDW Group - behaviour and performance consultants, trainers and facilitators.

Welcome to the Spring 2021 edition of The LAW, the specialist publication for the legal profession from the legal sector team at Armstrong Watson.

Covid continues to dominate everything that we all do, and our hearts go out to those that have suffered. It appears from the latest annual Armstrong Watson law firm benchmarking report, that the legal sector has managed to perform pretty well during the pandemic. Details can be found at:  
[https://www.armstrongwatson.co.uk/sites/armstrongwatson.co.uk/files/legal-downloads/bro\\_legal\\_sector\\_benchmarking\\_report.pdf](https://www.armstrongwatson.co.uk/sites/armstrongwatson.co.uk/files/legal-downloads/bro_legal_sector_benchmarking_report.pdf)

Despite law firm strong financial performance, Covid has been the trigger for new life and business choices for many. It is in that vein that we focus in this edition of The LAW on the role of a partner in a law firm, with articles on:

- Is it worth being a partner in a law firm?
- Top FAQs on becoming a partner in a law firm
- The use of capital and current accounts to improve performance
- Performance related profit share
- Tax and financial planning tips

Specialists are available from all of our 17 offices, to provide pro-active support and advice to lawyers in compliance and business improvement matters. This publication is designed to allow us to share our collective experience in acting for lawyers throughout the UK.

To find out more on any of the above, including how we can work with you to help you and your clients, please do get in touch with me.

## Supporting, Advising and Protecting Law Firms through challenging times

...we're with you

For trusted information and advice on any issue surrounding your business during the Covid-19 crisis please get in touch on **0808 144 5575** or email [covid19help@armstrongwatson.co.uk](mailto:covid19help@armstrongwatson.co.uk)

**ArmstrongWatson®**  
Accountants, Business & Financial Advisers  
[www.armstrongwatson.co.uk](http://www.armstrongwatson.co.uk)

Cash Flow Management | Commercial Funding | Payroll | Grant & Loan Applications | Restructuring | Investments and Pensions | Remote Working Solutions & Security | HMRC Enquiries

Exclusively working in partnership with the Law Society for the provision of the following services to law firms.



- Strategy Planning Workshops
- Business Plans
- Benchmarking
- Mergers & Acquisitions of Law Firms
- Law Firm Valuations
- Forecasts
- Raising Finance
- Lock-up Reviews
- Pro-active Tax Planning
- Tax Compliance
- Audits
- Accounts Rules Reporting
- Accounts Preparation
- LLP conversions
- Incorporations
- ABS Applications

Armstrong Watson Accountants, Business & Financial Advisers is a trading style of Armstrong Watson LLP. Armstrong Watson LLP is regulated by the Institute of Chartered Accountants in England and Wales for a range of investment business activities. Armstrong Watson Audit Limited is registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Registered as a limited company in England and Wales, number 8800970.

This newsletter is a general guide to issues facing the legal sector. It is not a substitute for professional advice which takes account of your specific circumstances. Subjects covered change constantly and develop. No responsibility can be accepted by the firm or the authors for any loss occasioned by any person acting or refraining from acting on the basis of this publication.



*Andy Poole*

**Andy Poole**  
Legal Sector Partner  
@AW\_AndyPoole  
[andy.poole@armstrongwatson.co.uk](mailto:andy.poole@armstrongwatson.co.uk)



# Is it worth being a partner in a law firm?



The Law Society Law Management Section ("LMS") benchmarking survey for 2020 has arrived. It's a great read and there is something useful for everyone in there. Although, there is a reason that we at Armstrong Watson do individual benchmarking exercises for our legal clients, rather than rely on these UK wide trends – it can be tricky to spot the key metrics hidden in so many pages of data and ask yourself the pertinent "so what".

Being an employed fee earner is certainly lower risk, but with average salaries ranging from £27-£66k (sometimes higher in niche or international firms) and the median (£45k) increased by nearly 2% from last year it can still result in a decent return. This tallies with what we see with our legal sector clients – fee earners wages have had to increase recently due to a real lack of good quality lawyers in the 2-7 years PQE area. So if being a "senior" fee earner is a decent job, paying a decent wage and you have received some decent pay rises recently; why take the leap into the extra risk of partnership?

The accountant's answer may well be the "super profits" (i.e. the additional share of profits available to partners after their notional remuneration has been allocated for doing the "day job"). The LMS survey suggests that this equates to a median of £62k per partner – or £37k assuming the partner is a higher rate tax payer. Our own figures (that we collate for our clients for similar exercises) are a little higher than this, and so at face value it would seem to be attractive to earn approximately 237% of a senior fee earners wage "just" for being a partner.

However, what are the partners doing for that extra remuneration? Quite apart from their own fee earning and fee generating responsibilities, (which could well be set at levels higher than "normal" fee earners) there is the additional management, leadership and running of the firm. Each partner's role in their firm will be different but on the assumption that these leadership responsibilities involve just four additional hours a week (and that is very likely to be much higher) then we have an additional 10% of workload. In practice therefore, it is likely that much of the "extra" 130% comes from this workload (what one senior executive I spoke to refers to as her "5-9pm workload").

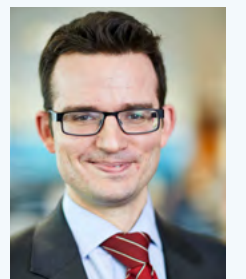
Further than this, and unlike other senior executives, partners are investors in their business – through their capital and current accounts. Our own data suggests that the average capital account is £273k (with the LMS survey picking £220k). Often these capital accounts are funded through personal lending, which could well be costing the individual 3-4% in interest, and can fluctuate as the business needs working capital. Were the law firm to go to the bank and ask for sudden injections of cash month to month with no security and no clear repayment plan you can imagine that the headline interest rates offered could be very much higher, if they were offered at all! There is a notional cost to the partner of providing this capital instead of an external party, and especially as it is often provided at short notice (e.g. by changing drawings from one month to the next).

Thus the median super-profit figure of £62k above is swiftly eroded by the additional tax paid on it, the additional fee earning work, the additional management responsibilities, the need to service personal debt and the risk of having considerable personal capital tied up in the business (often for years). Is it worth being a partner? There is a weak financial argument based on the above, but much better ones in terms of career development, in having the freedom to set your own agenda, in having a say in the future of your firm, and in turning an average firm per the benchmarks into a high performing one.

Is it worth being a partner in a law firm – yes absolutely, but the "worth" cannot solely be measured by figures in the LMS survey...

Tom Blandford is a Legal Sector Partner at Armstrong Watson LLP, specialising exclusively in advising law firms. The legal sector team advises law firms throughout the UK on strategic, structural and other business improvement issues as well as providing efficient accounting, tax and SRA accounts rules services. Further information can be found at:

[www.armstrongwatson.co.uk/legalsector](http://www.armstrongwatson.co.uk/legalsector)



Tom Blandford - Legal Sector Partner  
[tom.blandford@armstrongwatson.co.uk](mailto:tom.blandford@armstrongwatson.co.uk)

# Top questions on becoming a partner

Andy Poole was interviewed by new law firm resource website Law Firm Ambition on the top 28 questions on becoming a partner in a law firm; the answers to the first five questions can be found below and the answers to the remaining questions can be found at <https://lawfirmambition.co.uk/topics/strategy/becoming-partner-law-firm-faqs>

## 1. Is it worth being a partner?

It very much depends on the circumstances. Becoming a partner can be the pinnacle of the career of a lawyer, with increased reward and recognition. However, there are risks that go with those rewards that need to be carefully considered.

The questions and answers below highlight some of those potential risks and rewards. At the end of the day, it is very much down to personal choice based on the answers to the points raised, the particular circumstances and your own risk appetite.

## 2. What are the different levels of partner?

There can be many different levels of partner. Most of the differences are more internally focused than externally. To the outside world, a partner is generally a partner and all may be considered to be of the same level of seniority.

In practice internally, individual partners in a firm often have different levels of seniority, reward, risk, voting rights and capital.

Typically the different levels are:

- Salaried partner – although a partner to the outside world, remains on the payroll as an employee and an expense of the partnership, usually at a fixed salary; few if any voting rights; and no capital invested in the firm.

- Fixed share equity partner – usually self-employed (subject to certain tests for members in LLPs in particular); receives a fixed profit share out of the profits generated by the firm; has certain but typically restricted voting rights; and has a small amount of capital invested in the firm.
- Full equity partner – self-employed; receives a percentage of the profits generated by the firm; has voting rights; and has a larger amount of capital invested in the firm.

There can be levels in between these, particularly in a lock-step situation where partners move from fixed share to full equity in steps over a period of time. In such circumstances, the rewards, voting rights and capital usually increase with each step.

## 3. How can I improve my chances of being offered partnership?

With any promotion, it helps to be seen to be already undertaking the role that you are looking for. That tends to be the case in law firms making internal promotions to partner.

Partners are usually required to have high levels of personal fee income and to generate work for themselves and/or others. Such pre-partner 'rainmakers' are easily recognised in the firm and are usually on the radar of the partners as 'partners of the future'.

However, it is not just enough to be a consistently high biller. Individuals looking to become a partner will also need to pass the 'good egg' test:

- be a positive ambassador for the firm;
- help others within the firm;
- undertake projects on behalf of the firm;
- be seen as a safe pair of hands;
- have strategic and commercial nous;
- be popular in the team.

Particularly in larger firms, it can be difficult to demonstrate these skills. It is important to find a way to let them be seen and valued by the partners, without shouting too loudly. Showing that you are keen for partnership and the future success of the firm will help, but being too demanding will not. A fine balance needs to be reached.

You may also want to look into development programmes that help potential partners learn (and then demonstrate) their business skills, in areas such as business development, people development, financial management and strategic management.

## 4. Where can I find help in deciding whether to accept an offer of partnership?

It is important to understand:

- the terms of the offer;
- the impact that will have on your rewards;
- the additional responsibilities you will take on;
- the additional risk that you will take on;
- your obligations under any governance document such as a partnership agreement.

Your decision on whether to accept will most likely balance the pros and cons of these, depending on your own personal risk/reward outlook. Having another person to discuss the factors with will often help the reasoning to crystallise in your own mind.

As well as informal conversations with your family, with fellow lawyers and existing partners in the firm, you may want to consider formal discussions with a specialist advisor. You should aim to have a series of questions for the law firm management team that will allow you to become comfortable in deciding whether or not to accept.

Details on how Armstrong Watson helps in reviews of partnership offers can be found at <https://www.armstrongwatson.co.uk/sectors/legal-sector/partnership-offer-review>

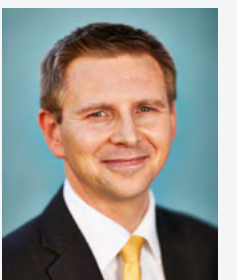
## 5. What information should I be asking for before I accept the offer of partnership?

We suggest that, as a minimum, prospective partners should initially ask for:

- an offer letter that outlines the deal being put forward and exactly how it will work;
- the full annual financial statements of the practice for the last three years;
- the monthly management accounts from the end of the last financial year to the current month;
- the relevant governance document ie partnership agreement/members agreement/shareholders agreement;
- any forecasts that may have been prepared.

If the firm is unable or unwilling to provide the above, then that in itself may be an indication that the offer is not right for you.

Reviewing this initial information can prompt a list of questions or requests for further information to be raised with the firm's management team.



Andy Poole - Legal Sector Partner  
[andy.poole@armstrongwatson.co.uk](mailto:andy.poole@armstrongwatson.co.uk)



# Fixed Capital Accounts with Variable (but distributed) Current Accounts

As an accountancy practice specialising in the legal sector we are finding there are a growing number of law firms approaching us that are looking to include a fixed capital amount in their shareholder or partnership agreements. This change to the agreements can be brought about for a number of reasons including levelling up each partners contribution, looking to bring in new partners and not knowing what level of contribution is appropriate and, not least, because of the funding uncertainties brought about by the ongoing pandemic.

Capital is required by a firm to be able to fund its working capital requirements (lock up) and thereby allowing it to function on a day to day basis. This funding either needs to come from the partners themselves or from borrowings. The culture of a firm is paramount when addressing how to fund a professional practice, and particularly the owners desire to self-fund or their willingness to borrow.

A capital injection is usually required on admission to equity sharing status, and subsequently remains in the firm until retirement, when it is repaid over an agreed time period. It follows that with the admission of a new equity partner, total fixed capital will increase and with a retirement, total fixed capital reduces. To a great extent, the total capital required is a function of the number of equity partners and the firm's cashflow requirements, although the number of equity partners should ultimately be driven by matters such as contribution, retention, incentivisation and profits per partner etc.

Those firms that do not have fixed capital have their financial requirements met by a combination of capital injections, undrawn profits and/or external funding. Undrawn profits fluctuate as new profits are earned and old profits are drawn. Often, as these practices grow and they recognise the need for more cash, some of that cash is funded by not paying out to members all the profits to which they are entitled. In this way, such firms have accepted that an amount of profit will never be available for withdrawal, unless the firm reduces its working capital requirements (reducing lock up) or the firm is prepared to increase borrowings, and those borrowings are available for distribution. In such circumstances the partners are taxed on all of the profits even if they do not receive all of the cash. More importantly, from a business management perspective, if the partners feel there is no set distribution policy to allow them to receive the benefit of the profits then they may not strive as much to generate the profits or reduce lock up to permit the distributions.

Benefits to having a fixed capital amount in place therefore begin to emerge and the importance of the relationship between undrawn profits and cash collection becomes much clearer.

Some of the benefits for opting for having a fixed capital amount include:

- Keeping the management of equity partners straight forward
- Preventing debate with future equity partners as to what the capital requirement is
- Driving improved cash management and performance because of the ability to distribute 'super profits' and cash surpluses at certain agreed points after each year end
- Preventing capital accounts growing disproportionately high and then making it easier to pay out retired partners
- Delivering ongoing control over return on capital invested to the equity partners and allowing the firm to properly budget for paying out retired partners; because there is the requirement to distribute excess amounts regularly.

Along with the benefits, there are certain issues to overcome when agreeing to move to a fixed capital amount. These include:

- **Justification of the capital requirement**  
Forecasts need to show the impact of any new partners and any that are planning to retire to check the overall cash/capital requirement. The forecasts will also show the general cashflow requirements driven by the working capital needs of the firm.
- **Separating capital and current accounts**  
To be able to drive forward with improving behaviours and do this properly, it is best to have a separate capital account and current account (the latter being where any 'super profits' would sit and then be distributed).

By 'super profits' we mean profits actually earned less those distributed or capable of being distributed – this would in effect be the balance on the current account, but it is also net of any tax payments that are going to be made on behalf of the individual.

- **Managing the process of implementing fixed capital**  
Realistic timescales should be agreed for the collection of any capital shortfalls, along with repayment terms of any excess capital held.

Often it is the board that sets capital and drawings levels and determines whether distributions can be made.

It is better to have set dates on which capital surplus (the current account) would be distributed (cash and board approval permitting).

Updating the partnership agreement to reflect all of the points above.

Here at Armstrong Watson, we have implemented effective capital funding and distribution systems for many law firms. Please contact me if you would like to find out more about this, or to discuss the benefits that it could bring.



Sharon Carr -  
Legal Sector Manager  
[sharon.carr@armstrongwatson.co.uk](mailto:sharon.carr@armstrongwatson.co.uk)

# The trend towards performance related profit share

Traditionally, law firms have rewarded partners using either equal profit share or lock-step to equal profit share. This approach has felt pressure in recent times, with more firms looking to incentivise and reward behaviours and performance, and also to attract and retain the best people.

An increasing number of firms are looking to implement at least an element of performance related profit share. Some have done it and it has worked well for them, others have done it and have found it incredibly difficult and divisive.

At Armstrong Watson we help firms to implement bespoke schemes. Our experience tells us that if such a scheme is to be used, it needs to:

- Be objective and capable of being measured – division arises out of subjectivity
- Be relevant – to drive behaviours, the metrics need to focus on the firm's objectives and what is needed from the partners
- Be transparent – mis-trust arises when partners do not know what needs to be achieved, and the intended behaviours are impossible when appraised retrospectively
- Be bespoke – as partners are set differing objectives, then perhaps their reward should be based on the actual behaviours that the practice desires from them individually
- Be balanced – there is no point in a partner focusing on one aspect to the detriment of others
- Be simple – when schemes are so complex that they are not understood, partners will not focus on them and their behaviours will not change
- Have targets that are agreed in advance – if partners know, and agree to, advance targets and they know what they need to do in order to meet their objectives, they are much more likely to achieve them
- Be measured – if partners know how they are performing as the year unfolds, they have the opportunity to improve – scoring them after the year end will not change what has already happened
- Include culture – but only if culture is defined, understood and measurable
- Allow for ups and downs – partners will need to have some stability, and so it may be that a proportion of the overall profit is split based on performance, and/or that bands are used that are set in advance of a year when the partners know which band they will be in, and also know what they need to do to move up (or down) a band for the following year

We tend to suggest that fees are not used as a target, as that can have negative impacts all round. Often the targets are set for a partner's team as a whole in order to broaden the impact, and incentivise the partner to focus on the firm rather than themselves.

There is no one size fits all here. Careful thought is required firm-by-firm and partner-by-partner. It is difficult to implement, and even more difficult to get right and so if you do want to incentivise a high performance culture; if you want to align behaviours/culture; or if you want to attract and retain good people, then it pays to spend time and implement a performance related profit share scheme that works properly.



Andy Poole - Legal Sector Partner  
[andy.poole@armstrongwatson.co.uk](mailto:andy.poole@armstrongwatson.co.uk)

## PathtoPartner

The complete non-technical training package for the next partners in your firm delivered by an experienced team who really understand the legal world.

### Why is PathtoPartner a vital addition to your process?

Armstrong Watson along with business development specialists, Tenandahalf, have designed PathtoPartner very carefully so that it delivers results.

For the participants they will understand exactly what it means to be a partner and what is expected of them in their new role. For the firm, your new partner will have the core skills to lead and manage your firm effectively.

To make an enquiry about PathtoPartner or for more information please contact Andy Poole, Legal Sector Partner, at [andy.poole@armstrongwatson.co.uk](mailto:andy.poole@armstrongwatson.co.uk) or visit: [www.armstrongwatson.co.uk/sectors/legal-sector/pathtopartner](http://www.armstrongwatson.co.uk/sectors/legal-sector/pathtopartner)



# Pro-active financial planning and tax planning tips for your firm - and for you personally

We all get tied up in our day jobs, particularly in difficult times as many of us have experienced during the pandemic. As advisors, we like to have conversations with our clients about longer term objectives such as wealth maximisation, retirement/exit etc. It's often useful to sit back and take stock of where you are against your life goals and what steps you could take to pro-actively manage your affairs. In this article, we look at some of the areas that, subject to your own specific circumstances and them being suitable, you may wish to consider in terms of your business and, potentially more importantly, your personal financial and tax affairs.

## Income/capital gains

- If your taxable income passes the thresholds of £50k, £100k or £150k, your tax rates are likely to increase and you may lose some/all of your personal allowance. Pre tax year end planning can help here, particularly if income can be deferred/allocated to spouses, or if expenditure can be advanced or pension contributions made.
- Undertake remuneration / profit extraction planning. This can include making use of the £2k dividend allowance and interest income allowance/lower rates. It can also ensure an effective mix of salary, dividend, interest and pensions/other benefits.
- Think about pension contributions to reduce your personal tax and have government top-ups to your pension pot, including making use of any carry back allowance.
- Consideration of Self Invested Personal Pensions, particularly linked to investments such as property ownership.
- If applicable, make effective use of your Capital Gains Tax allowance between family members and between tax years.

## Inheritance tax

- Consider setting up trusts for asset protection and moving items outside estates.
- Make use of the £3k annual gifts allowance for family members.
- Don't forget that higher gifts can also be made out of income in addition to the £3k allowance.

## Investments – personal or business

- Effective use of ISAs – with the low interest rate on cash ISAs, is it appropriate to move some funds to a stocks and shares ISA?
- What will be the impact on you if we have negative interest rates?
- Consider lifetime ISAs where the government will top up £4k annual contributions by £1k.
- Is it appropriate to review the structure of your property partnerships now that they are no longer as tax efficient as they once were?
- Have you made all of the R&D tax credit claims that you are entitled to? This covers much more innovation than you may imagine.
- Can you make use of EIS/VCT investments for personal tax relief and tax efficient income?

- Have you made full use of the enhanced £1m Annual Investment Allowance for Capital Allowances on business investments?
- If you operate through a corporate entity you may be able to claim the 'super deduction' announced by the Chancellor recently. This increases the amount of capital expenditure you can set against your profits by 130%, with no upper limit.
- If you are renovating your business property, have you analysed all of the expenditure to ensure capital allowance claims are maximised?

## Protection

- What would happen to the business or your family if something happened to a you or a key person?
- Have you got shareholder or partnership protection in place?

## Exit/retirement planning

- Think early about who to sell to/how this will be achieved.
- Many find it helpful to prepare a stress-tested personal cashflow forecast through to retirement and beyond, to check what level of funds will be required and the date retirement can be achieved.
- Check you meet the criteria for Business Asset Disposal Relief (Previously known as Entrepreneurs Relief), particularly in terms of trading, ownership and positions.
- Will Employee Ownership Trusts provide a tax efficient exit route for you?
- Will you look to provide funds for a disposal out of post deal trade? Can that be structured tax efficiently as a Vendor Initiated Management Buy Out?

We're always happy to meet with clients and non-clients to discuss their planning and so if you would like any further detail on any of the above, or would like to take the opportunity to have some detailed life planning discussions with us, please do get in touch. We'd love to have a no obligation chat with you about your objectives to help you to take stock.



Justin Rourke -  
Senior Financial Planning Manager  
[justin.rourke@armstrongwatson.co.uk](mailto:justin.rourke@armstrongwatson.co.uk)



Graham Poles - Tax Partner  
[graham.poles@armstrongwatson.co.uk](mailto:graham.poles@armstrongwatson.co.uk)

Armstrong Watson have both a Financial Planning team and a Tax consultancy team in place and we would ensure we had a full understanding of your circumstances and objectives before providing advice. Tax planning is subject to individual circumstances and all the options and allowances mentioned are not suitable for everyone.

# An interview with...

**Andy Poole interviews Jim Thomas, co-founder at PDW Group - behaviour and performance consultants, trainers and facilitators.**

*Covid-19 is continuing to challenge law firms. Some feel that law firms need to be larger in order to compete. Others feel that the playing field has been levelled. Andy Poole interviews Jim Thomas to explore his thoughts.*

## 1. What types of law firms do you work with, and how do you help them?

- We work with both regional and national law firms of varying sizes as well as with professional practices more broadly. We also work with a number of corporate in-house legal teams.
- We work with several of our legal clients in developing their partners, people management and client facing population to be far more effective in areas such as developing client relationships; winning new business; and leading and managing people more effectively to achieve greater engagement.
- We use our unique approach to behavioural development, along with tools such as 360° feedback to achieve at times quite amazing behavioural changes and results.
- We also do a lot of measurement and insights work, for instance people engagement and client advocacy surveys which add real value to each firm's decision making if the data is robust and used effectively.

## 2. What has your experience been of the impacts of the pandemic on law firms from a business development perspective, particularly focusing on the relative impacts on larger firms compared to smaller/medium sized ones?

- Many smaller/medium sized law firms have taken their fair share of pain, even if it has not resulted in large declines to revenues or the bottom line over a full year. Like many service providers, most law firms were not sufficiently set up to work remotely either from a service supply or employee home working perspective and this did have an impact, certainly in lockdown 1.
- Larger firms tended to be better equipped, and despite higher fees appeared to be considered 'safer' by corporate and private clients because of their bigger scale, reach and resources.



## 3. How do you feel that smaller/medium sized firms can compete with larger ones?

Just about everything. Either 100% or in line with the business needs. Developments in technology now enables it far more than was previously the case. Examples include:

- Smaller/medium sized firms do have some challenges when competing against larger firms. Many smaller firms claim to be 'full service', but of course most cannot possibly have the scale and detail of expertise when compared to the bigger firms.
- Furthermore, most if not all large firms with their more corporate approach have made major shifts and 'modernised' in recent years, whereas our experience of smaller/medium sized firms is that many are still quite traditional, and are having to evolve and 'keep up' based on market forces.
- Firms that have and are focusing on making the shift from a traditional partnership to being much more focused on delivering a modern client service proposition, and a market leading employee proposition are the ones that will perform best.

Agility, and true client and employee centricity are not the usual USPs of large law firms, so this is how smaller/medium firms can more effectively compete.



Jim Thomas, co-founder,  
PDW Group

## 4. In-house legal teams typically instruct larger law firms. How can smaller and medium sized law firms obtain instructions from in-house teams?

- Much of the answer to this is also tied up in the previous question. But there are other challenges that are specific to this problem, one of which is the size of the firm's 'insurance backing'. Many in house legal teams, even the bigger ones, still regularly use external practices to fill resource or expertise gaps, but the deals can be in the hundreds of thousands, to the millions of pounds - most smaller/medium sized firms do not have the true depth and scale, or the indemnity required to properly compete.
- Also, unlike for instance accountancy where many FDs for SMEs are freelance or part time consultants, this is much rarer in the legal profession because of the way until recently the SRA has regulated lawyers, so this means almost all in-house lawyers are employed by the company, and many have their usual suppliers that they are very loyal to and are often therefore difficult to get into.
- That said, the principle of how to win these contacts is no different to how to win a normal 'retail' client. Too many lawyers do not in our experience focus enough on getting out into the market, building new relationships with key contacts, understanding them and persuading them away from their normal supplier. If you actually get to sit in front of an in-house lawyer as a prospect, use my favourite question to ask an in-house lawyer that almost no lawyer ever asks... "What is it that you need that will best solve your problem?" Simply ask it, wait for the answer and confirm what you heard is correct, and go from there.



# Outsourced Finance Director

Many law firms would benefit from the expertise of a finance director, but cannot justify a full-time employment - Armstrong Watson take on such roles on a part-time basis, providing the advantages without the cost

Other law firms are benefitting from:



Access to expertise and KPI reporting



Clarity on strategy



High level input to improve performance

[Click here](#) to visit our website or get in touch with Andy Poole  
for more information

**E:** andy.poole@armstrongwatson.co.uk | **T:** 07828 857830

[www.armstrongwatson.co.uk/legalsector](http://www.armstrongwatson.co.uk/legalsector)