Innovation and unregulated legal services

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Steve Brooker
Head of Research and Development

ERC
Enterprise Research Centre

Innovation in legal services

A report for the Solicitors Regulation Authority and the Legal Services Board

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Stephen Roper[1], Jim Love[1], Paul Rieger[2] and Jane Bourke[3]

[1]Enterprise Research Centre and Warwick Business School

[2]OMB Research Ltd

[3]University College Cork

Research approach

- Commissioned jointly by Solicitors Regulation Authority and Legal Services Board
- Largest ever survey of innovation in legal services
  - 1,500 telephone interviews
- Four groups sampled
  - Solicitors firms (including ABS sub-group)
  - Barristers’ chambers
  - Other regulated providers
  - **Unregulated sector**

What we mean by ‘innovation’

- Defining innovation
  - **Service innovation**: development of new or improved services
  - **Business process innovation**: new or improved ways of delivering legal services
  - **Radical innovation**: services new to the market and introduced before competitors
- Measuring innovation through **Innovation Value Chain**
  - Standard metric enables comparison with other sectors
  - An activity based view of innovation focused on three stages
    - Sourcing the knowledge necessary for innovation
    - Transforming knowledge and delivering new services or business processes
    - Exploitation of innovation through service creation and commercialisation

Overview of key findings

- ABS 13-15% more likely to introduce new legal services than other types of regulated solicitor firms
- Legislative change and regulatory change are the two most commonly cited drivers of innovation
- Legislation and regulation are also viewed by providers as being the biggest barriers to innovation, although most see these as having a neutral effect
- Levels of legal services innovation above UK average
- Radical innovation by 8% of providers

Who are the innovators?

Innovation type	Solicitors	Barristers' chambers	Others (Regulated)	Others (Unregulated)	All Orgs
Service (%)	25.3	25.3	29.2	**36.0**	28.4
Radical service (%)	6.8	7.2	5.1	**10.1**	7.6
Delivery (%)	25.6	23.3	**30.8**	26.5	26.1
Strategic (%)	**17.0**	13.9	7.3	16.1	16.1
Management (%)	**18.5**	5.9	8.1	14.0	16.5
Organisational (%)	22.4	13.8	11.1	**23.0**	21.6
Marketing (%)	36.6	26.0	35.9	**39.6**	37.0
Average (%)	21.7	16.6	18.2	**23.7**	21.9

Enablers of innovation

Enabler type	Solicitors	Barristers' chambers	Others (Regulated)	Others (Unregulated)	All Orgs
Changing or increasing demand for new services (%)	31.7	32.2	20.3	22.4	27.8
Changing regulation relating to legal services (%)	32.9	49.3	56.2	35.4	35.7
Legislative changes relating to legal services (%)	35.7	43.1	70.9	40.5	39.7
Intensity of competition (%)	26.7	33.4	33.7	23.1	26.1
Availability of finance for development (%)	14.3	25.4	3.3	17.3	15.0
Recruitment of new staff or talent by your organisation (%)	28.2	16.9	11.1	15.3	22.5
Changes in the strategy or leadership of organisation (%)	20.3	13.0	5.9	23.4	20.2
Availability of new technology or ICT developments (%)	28.5	34.6	13.7	34.8	29.9

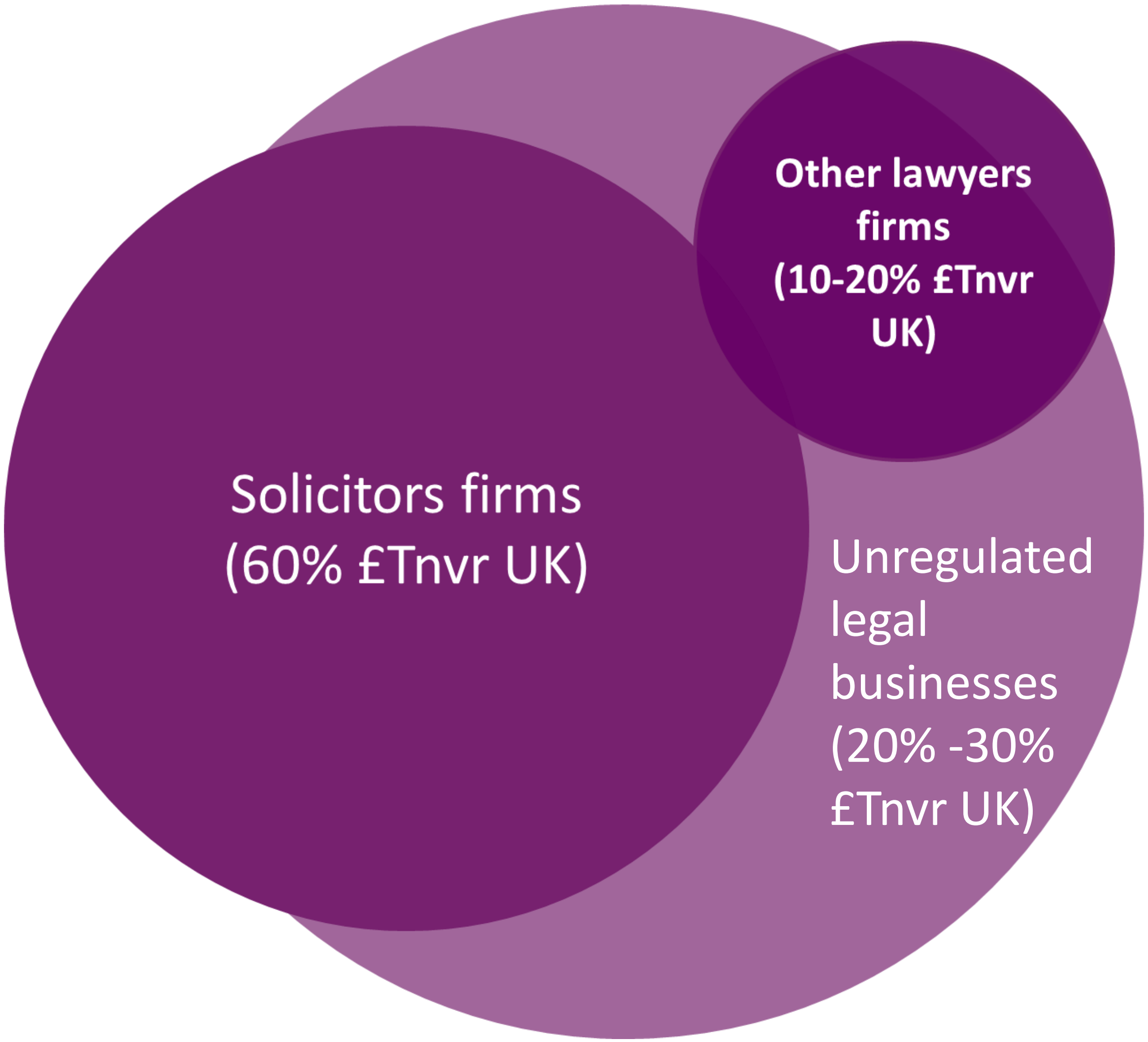
Barriers to innovation

Barrier type	Solicitors	Barristers' chambers	Others (Regulated)	Others (Unregulated)	All Orgs
Attitudinal barriers to change in business (%)	6.3	6.7	0.4	7.1	6.1
Attitudinal barriers to change by clients (%)	5.4	4.1	6.2	4.4	5.2
Lack of necessary finance (%)	17.4	29.6	9.6	20.9	18.3
Limited market opportunities (%)	16.0	10.3	18.9	13.7	15.3
Regulatory factors (%)	23.6	22.8	27.4	23.6	23.8
Legislative factors (%)	20.7	22.2	21.6	21.1	20.9
Lack collaborators for new service (%)	8.0	7.9	7.6	9.0	8.2
Lack expertise or capacity in business (%)	14.1	6.0	7.6	12.8	13.1

Other findings for unregulated sample

- 43.5% unregulated providers owned by non-lawyers
- 10% turnover generated from innovative products compared to 5% turnover for solicitors firms
- 2.3% turnover spend on branding/marketing compared to 1.6% for solicitors and 0.5% for barristers' chambers

Mapping the unregulated sector



Project overview

- LSB Business Plan 2015-16

  "*We will develop our understanding of different types of providers (regulated and unregulated). For unregulated providers this will involve initial research into, e.g. the services on offer, the benefits and risks that go with them. Our objective is to understand the full range of choices available to consumers.*"
- Approach
  - Map the unregulated sector through desk research against the LSB's market segmentation model
  - In-depth research and analysis in a limited number of areas
  - Legal analysis of s163 powers
- Report in April 2016

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Legal Services Board
One Kemble Street
London
WC2B 4AN

020 7271 0050
contactus@legalservicesboard.org.uk

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