



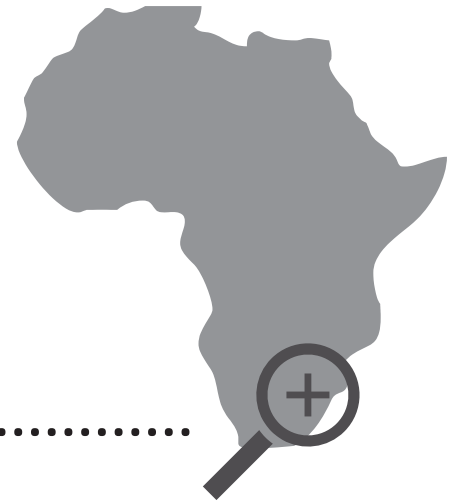
# The Changing landscape of Independent Law in SA

Survey conducted by Activate on behalf of LexisNexis South Africa  
August 2014



Independent small law firms  
contribute significantly to the  
South African legal landscape.  
Their distinguishing features are  
passion, belief in the future of  
their practices and pride in the  
contributions which they make.

# We spoke to over **160 independent small law firms** across South Africa.....



## Introduction

LexisNexis believes that the voice of the independent lawyer in South Africa has largely been ignored. In an effort to understand the unique challenges these attorneys face we spoke to over 160 independent small law firms across South Africa. This is a significant and evolving part of our legal landscape, and we wanted to discover their attitudes towards the challenges facing them. What we discovered were passionate dedicated lawyers who believe strongly in what they do and enjoy contributing to their own sphere of activity.



*"The need to be independent  
and do my own thing  
motivated me."*

## Executive summary

We spoke mostly to lawyers in firms of one to two fee earners. Fiercely independent and proud of their work, they are experienced lawyers with over two thirds (68%) of the sample having practiced law for 5 years or more, but almost half (47%) having been in their current practices for 3 years or less.

It is a chosen and intentional career decision with over 57% citing it as a planned move, and a further 25% wanting to own a business.

69% of these firms are investing in technology and reviewing the way they access information. 6 out of 10 practices cite word of mouth as an effective marketing tool with an increased use of networking.

58% have a stable business outlook while an additional 37% say their business is growing. 96% of firms are confident to very confident in their practices while 77% have plans to grow. Only a quarter of these lawyers believe our economy has come out of recession.

The Legal Practice Act, and regulations allowing

non-legal practitioners to do conveyancing and estates are of concern to these lawyers. There is an underlying sentiment that the government could do more to actively support the small lawyer.

Keeping up to date with legislation, precedents and new developments in their field is a concern to independent lawyers. Small African law firms are still finding it hard to access government work but signs are positive that the market is becoming more receptive to their business.



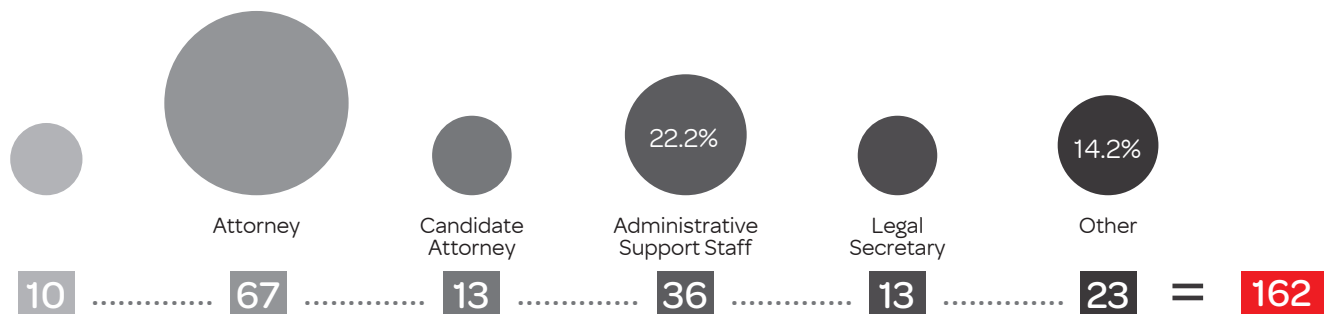
We spoke to a balance of lawyers and support staff



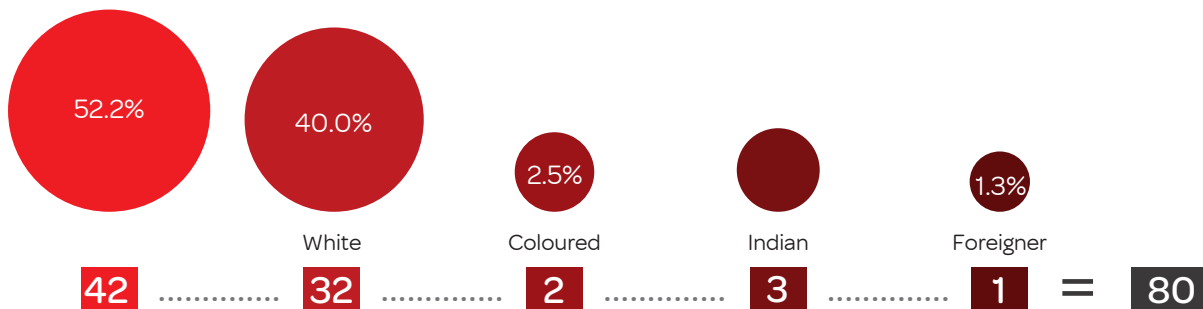
## Method

An independent research agency, Activate, surveyed 162 law firms across South Africa. We used LexisNexis's customer database to access this market segment. We spoke to a balance of lawyers (56%) and support staff (44%). We were able to speak to a total of 80 legal professionals which consisted of 42 black lawyers and 32 white lawyers as well as smaller number of Indian and coloured legal professionals.

Breakdown of the sample



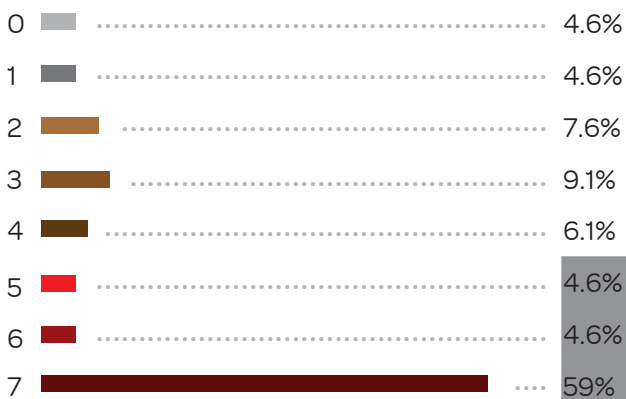
Breakdown of lawyers that were surveyed



## Experience in numbers

The respondents in the survey had a wide range of experience. Some were starting out; some were retiring after 43 years of practice. Almost half of them had been in their current practice for three years or less. Over two thirds of the sample have practiced for over 5 years. A combination of wisdom in practice and a fresh approach to business mark the lawyers we talked to. They believe passionately in their abilities, the calling of the law and have complete confidence in their practices.

How many years have you been practising law?

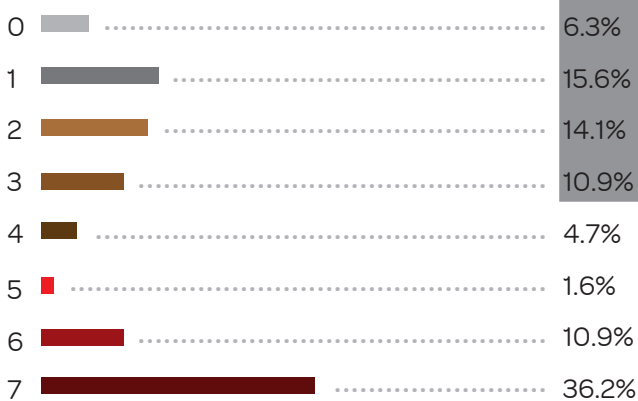


68,2%

of these independent legal professionals have been practising for

years or more.

How long have you been with the current practise?



46,9%

of the lawyers surveyed had only been in their current practices for

years or less.

## Business structure

Of the lawyers surveyed almost half of them practise as sole practitioners (44,3%). The next main segment is a firm of 1-2 fee earners, which represented a further 37,4% of the sample. The minority were in boutique law

# 44%

## practice as sole

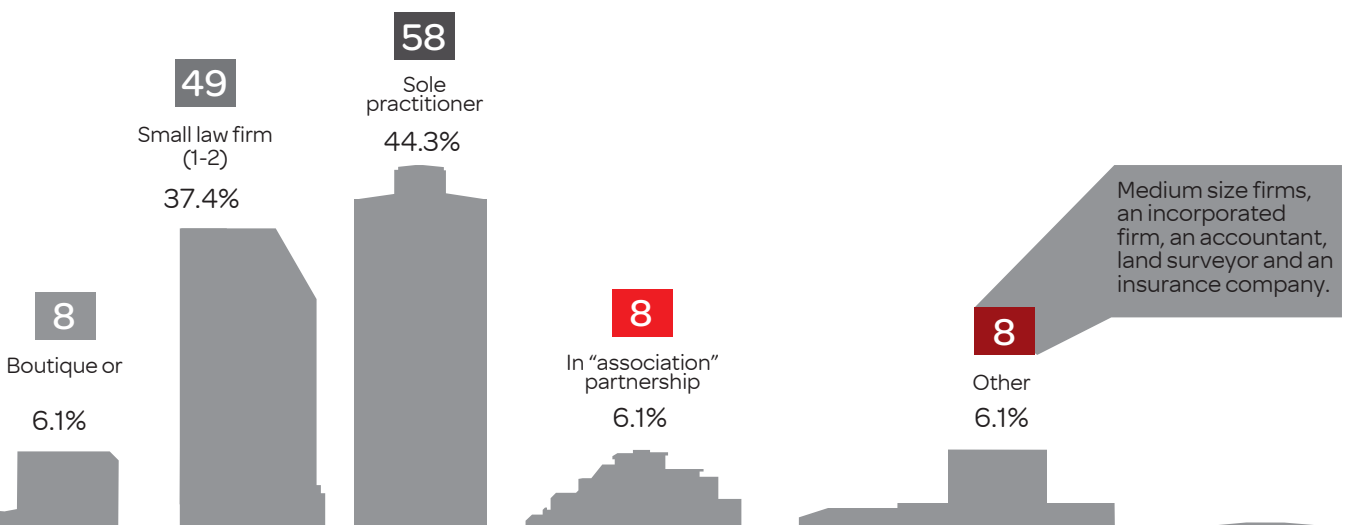


*"Small law firm subject to the whims and finances of the farming community around us."*

*"The company was a sole practitioner until about three years ago then it took on a new partner."*

*"I did not want partnership as it is better to be alone until you can get someone like-minded to collaborate with."*

Would you describe the practice you work in now as:

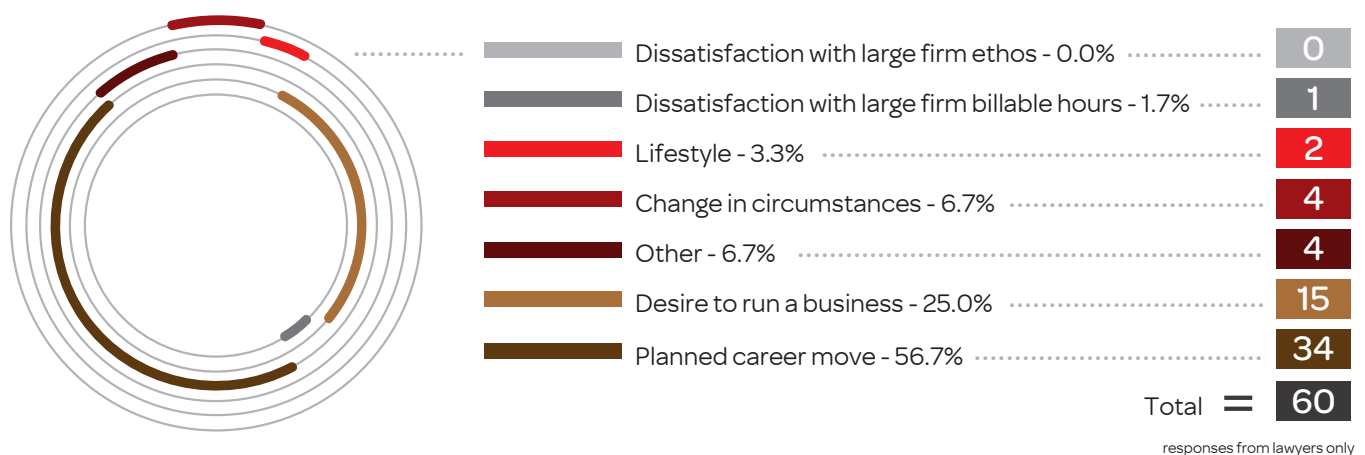


*"I would rather describe it as a sole proprietor as there are only 2 attorneys."*

## Chosen not forced

Lawyers in this segment are passionate about their careers, have often overcome difficulties to get where they are and see law as something more than just a job but rather a lifelong pursuit. Only a small percentage are in a small law firm due to dissatisfaction with large firms. Only 6,7% went this route because of a change in circumstance. The majority chose to be independent as a planned career move. 1 in 4 lawyers specifically

Which of the following best describes your reasons for working in a small law firm?



## A calling, not a career

*"It is in my blood, I love the law."*

*"I have taken quite a while to become an attorney. I worked in admin and was a paralegal before becoming an attorney."*

*"Started as a teacher because my parents could not afford anything more but really wanted to do law. I later qualified via Unisa and now my son is joining me at the practice."*

*"I got out of school at Std 8 and over the years through long distance education finally got my qualification. I am not closing shop any time soon. Only death will get me to finish."*

*"I want my identity. I want my independence. I don't want to be swallowed up. I have been approached by the bigger guys but I'm not chasing money."*

*"I am happy at the moment with the firm and would not want to be at a large firm."*





# The way business is done is changing

## Technology on the rise .....

7 out of 10 of the law firms surveyed have already increased their investment in new technology and processes; recognising that this is going to have a significant impact on their businesses.



*"Technology has improved how we work. It has made things much easier."*

69%

## Networking is essential

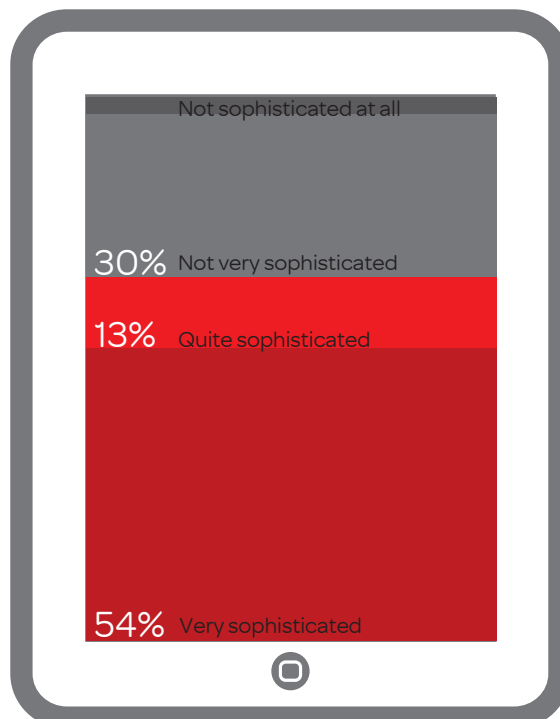
Over three quarters of the firms believe that networking, and increasing efforts in this direction are important ways to grow their businesses. This is seen as distinct from social networking which is not generally regarded as an important tool for small law firms.

*“Most of the time it is a matter of who knows who and referrals.”*

## Research trends are changing

Independent firms tend to be early adopters of change and innovate easily. Of the firms we spoke to, most predominantly do their research online (63%); acknowledging that the balance of their time is still spent using printed publications. Two thirds of the firms rate themselves as being technologically sophisticated when it comes to doing their research online.

Although over half of the respondents maintain that their firm is technologically proficient, there is still a significant proportion, a third, who feel that they are not very technologically sophisticated.



How sophisticated is your practice when it comes to using technology for research i.e. online research tools?

Below is a list of major changes that other law firms have noted. How relevant are they to your practice?

	Have already implemented	Planned 1-2 years	A long term possibility	Not on our radar at the moment
Increased investment in processes / technology	83 69.2%	22 18.3%	2 1.7%	13 10.8%
Website development	40 34.8%	25 21.7%	8 7.0%	42 36.5%
Increasing networking	70 60.9%	19 16.5%	1 0.9%	25 21.7%
Taking on more staff	51 45.9%	16 14.4%	10 9.0%	34 30.6%
Review of research or reference of material	58 52.7%	21 19.1%	3 2.7%	28 25.5%
Increased investment in marketing	43 37.4%	18 15.7%	5 4.3%	49 42.6%

## It's hard to predict the future

For many of these lawyers it is difficult to have a long term planning horizon. Most changes had either been recently implemented or planned to do in the near future.

While many of the practices rate an increased use of technology, they lag on using websites as an important part of their marketing, citing networking as being more effective.

Many of the firms surveyed have recently taken on staff and a third say they have no plans to take on more. This implies that they have established the set up the way they want it, but are not expecting to grow in size in the future.

However with the increased investment in marketing it would seem the drive is to grow the client base utilising the current human resource levels.

*"We have a strong network base and regardless of social media this has worked better."*

*"It is mostly in technology, it has brought more info closer to our finger tips."*

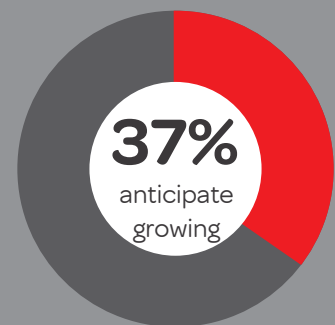
*"Technology is very advanced and accessible easily."*

*"Technology, there are many changes, now we do research online a lot."*



# Business as usual

Business is seen to be mostly stable with just over a third of the firms saying that they are growing .....



*"A lot of what we do depends on what the community is facing. I would like to go on as I am."*

## Business as usual

Not many firms are considering merging, changing their business structure or outsourcing any of their non-core legal services. Essentially whilst cautiously optimistic about growth and confident in their businesses, few see the necessity of radically changing their business model. Many believe that personal service, specialisation and attention to their clients' needs will deliver the returns.

	Have already implemented	Planned 1-2 years	A long term possibility	Not on our radar at the moment
Merging with another practice	1.7%	1.7%	13.8%	82.8%
Changing business structure	1.7%	3.5%	12.2%	82.6%
Outsourcing (marketing / administration / compliance)	7.9%	8.8%	7.0%	76.3%
Taking over another legal practice		4.4%	6.1%	89.5%
Joining an umbrella organisation / consortium	8.6%	4.3%	9.5%	77.6%
Outsourcing services to another legal practice	1.7%	1.7%	8.7%	87.6%
Taking on a non-legal business partner			3.5%	96.5%
Merging with a non-legal business		0.9%	3.6%	95.5%

*"If you do a great job for your client and make them happy they will pass on the word. When you help people solve their problem they tell more, so it is a thing of conducting yourself well and doing the best for the client, win or lose, even if it is about negotiating settlement."*

## Specialisation

Some lawyers argued that specialisation, niche skillsets or focused expertise were essential in staying ahead of the larger corporates.

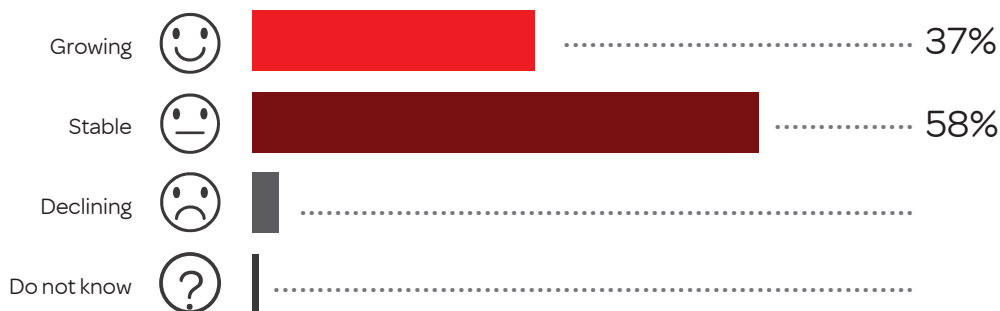
*"It seems to me that in law you either have to go big or niche, there doesn't seem to be a middle ground."*

growth  
in over a  
3rd of the  
sample

## Growth .....

Business in this sector is mostly stable, however over a third of the sample cite growth in their practices. The stability of most, growth of a significant segment and a very low proportion of practices with declining figures points to strong and favourable conditions for small law firms in SA.

### How is business at the moment?



*"I would like to continue as is."*

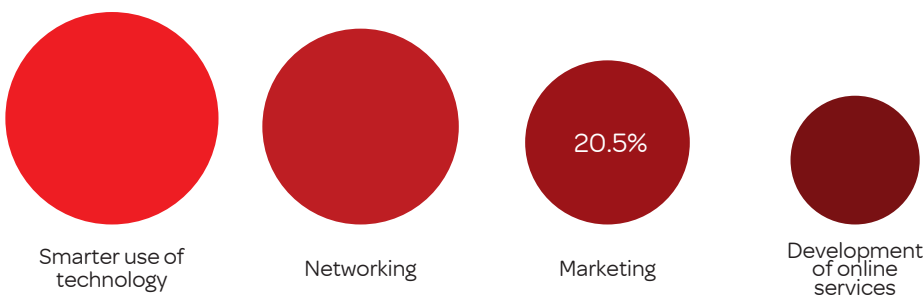


## Agile and networked

Small law firms are wanting to extend into a more agile technological space. Likewise there is a need for exposure and connecting with the right contacts: a 'getting out there' about their skills and services is important for them right now.

*"I hope for the practice to grow and be established."*

Which do you believe is the most important for your firm?



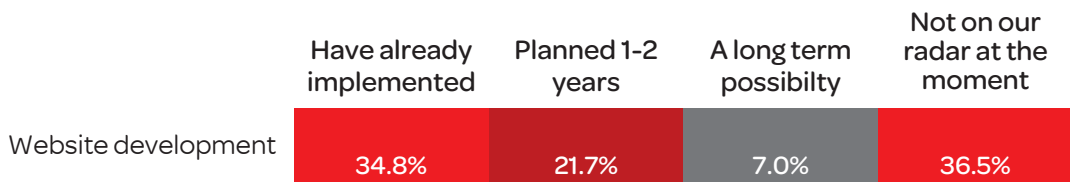
How important are each of the following for growth of your business?

	Very Important	Important	Not important
Smarter use of technology	58.3%	35.0%	6.7%
Networking	42.4%	48.3%	9.3%
Marketing	39.8%	43.2%	16.9%
Development of online services	39.8%	43.5%	16.7%
Social media	13.2%	43.9%	43.0%

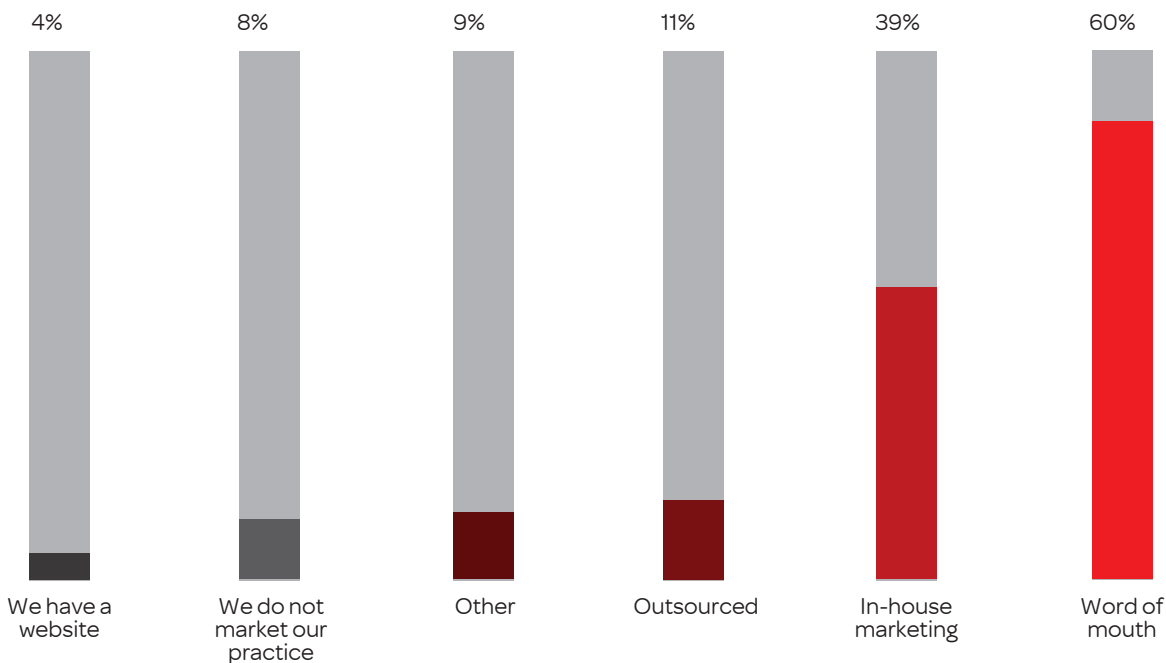
# Marketing

Most small law firms rely on reputation, word of mouth and the calibre of their service to retain and grow their client base. This is seen as the most effective form of marketing by 6 out of 10 law firms. Only 1 in 10 outsources their marketing function.

Over half the firms have developed their website or are planning to in the near future, though over a third don't really have it on their radar at the moment.



How do you market your practice  
(please choose as many options as applicable)?

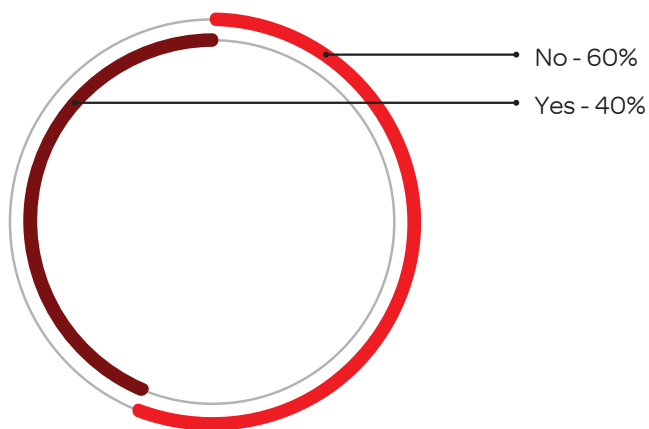


# Using digital media

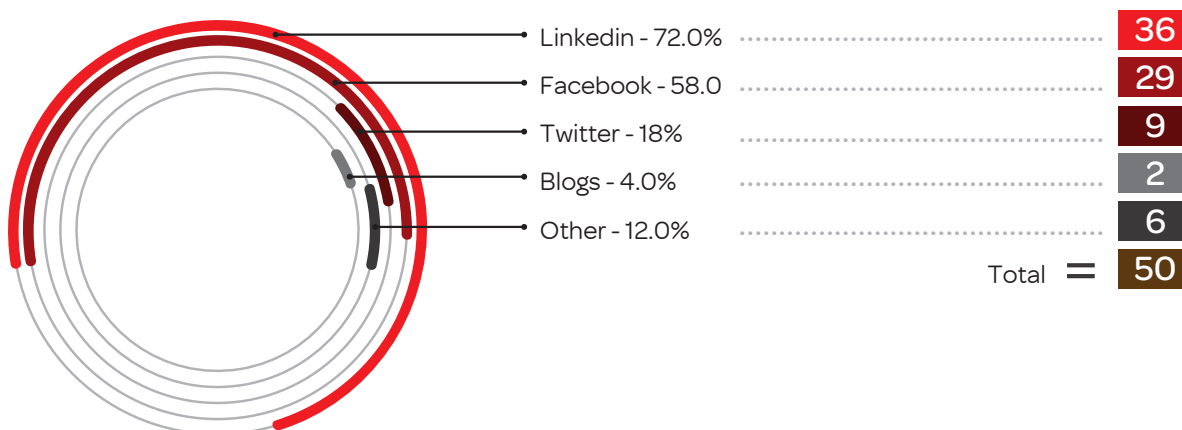
Although 60% of firms disregard social media there is a significant portion who are experimenting and innovating with different approaches to canvass business.

Linkedin is seen as the main social media channel with Facebook as alternative. Some lawyers build personal

Do you make use of social media in marketing your business?



If yes above i.e. do you use social media, which types do you use?



*"I write a small booklet online educating people about the law in general and I find that that has generated quite a bit of business my way."*

*"We have personal profiles on different sites that link to who we are professionally."*

The challenges  
of running an  
independent  
practice in South  
Africa .....



# The challenges of running an independent practice in South Africa

Many of the challenges facing small law firms are common to small business owners. Cash flow, retaining and growing a client base, the effects of the economy and being up to date with their profession are all concerns. However a strong entrepreneurial spirit is evident in this market. There is some concern that the pie is shrinking but more attorneys are wanting a share of it.

How significant are each of the following to your current business?

	Very significant	Significant	Not significant
Cash flow	86.4%	13.6%	0.0%
Keeping up to date with industry changes	72.4%	22.0%	5.7%
Retaining clients / growing business	82.1%	16.2%	1.7%
The economy	58.1%	33.3%	8.6%
Being able to retire when planned	44.4%	39.4%	16.2%
Changes in practice area legislation	66.1%	27.7%	6.3%

# The Economy .....



Over 90% of the law firms surveyed believe that the performance of the economy will affect their businesses, with 68% saying that it is harder to make a living out of law in the current climate. Only 1 in 4 believe that the country is coming out of recession. Despite being guarded about the economic outlook, 77% plan to grow over the next 5 years. The majority are confident about the future of their practices.

Only 1 in 4 law firms believe that the country is coming out of recession.

It is clear that optimism about the future and enjoyment of their role in business are driving factors. 89% of the lawyers surveyed still get a buzz out of practising law. 85% enjoy managing the business side of the practice with a majority (88%) having a clear strategy for their business. However this optimism is balanced with 88% recognising the need for small law

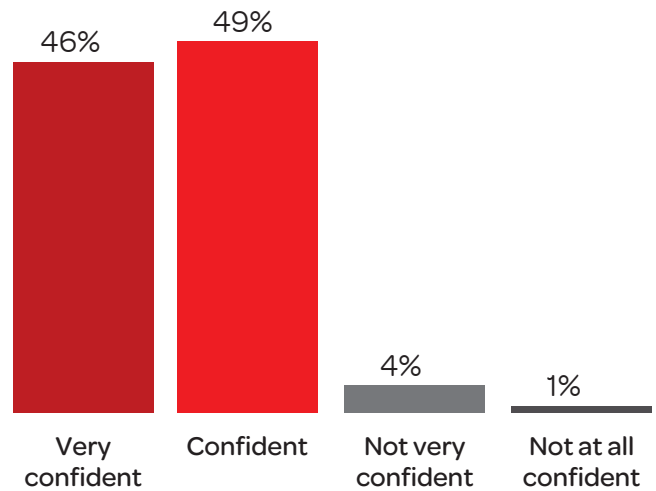
How strongly do you agree or disagree with these statements made by other lawyers?

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
It is much harder these days to make a good living out of law	2.5%	18.3%	10.8%	44.2%	24.2%
As a small firm we constantly need to evolve to stay on top		5.0%	7.5%	69.2%	18.3%
Small law firms need to up their game to survive		5.0%	6.7%	70.0%	18.3%
I have a clear strategy for business direction		1.8%	9.0%	71.2%	18.0%
I enjoy managing the business as part of my role		2.8%	12.8%	49.5%	34.9%
As a firm we actively embrace change		4.9%	33.0%	40.8%	21.4%
I still get a buzz out of practising law		4.4%	6.6%	33.0%	56.0%

# Optimism

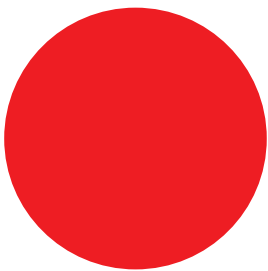
The optimism in this segment is high. It bodes well for the growth and strength of small law in SA. Combined with the earlier noted newness of their practices a trend might be emerging: not only have many small law firms opened their doors in the last 3 years but it's going well. They are determined to grow and feel that they will succeed.

How confident are you about the future of your practice?

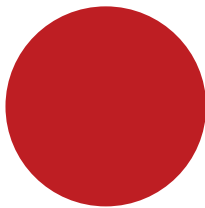


*"To grow, to keep up the momentum. I am very positive about where we are and we can only grow going forward."*

What is your practice plan for the next 5 years? Select one:



To grow



To trade at a similar level



To downsize



To close / retire

*"Just grow and with the economy the way it is, to just stay above everything."*

*"To stay in the same place, just as long as the economy could improve."*

*"The economy affects our business in the conveyancing part of things and I would really like to see us getting more from work from larger corporates and banks especially."*

# Changes in the legal landscape

*"The introduction of the practice bill is going to bring a lot of changes in terms of the regulation of the profession in particular with regards to the regulation of fees of professionals."*



## Changes in the legal landscape

The Legal Practice Act emerged as a worry for some lawyers. They feel that the government is making it harder for them to be competitive by over regulating while at the same time taking away business that was exclusively the domain of an attorney – for example conveyancing and estates.

*“There are a lot of changes for attorneys. Take the practice management bill, it is anti our business Especially things like estates and conveyancing. These are negative. Our work is being eroded by bigger firms and the public sector, there is a possibility that they are not even as strictly regulated as we the small business are.”\**

*“The amendment of the RAF and conveyancing, wills and estates that it is now done by just about anyone. This is causing a lot of suffering for the law community.”*

*“The changes I have seen is that is that we have lost clients a lot especially since 2008 to the public sector. They are very aggressive in taking clients.”\**

*“People are more informed especially the clients.”*

*“The new practice bill brings new changes into law.”*

*“A lot of work has been taken away from the private sector by the public sector.”*

*(\* Public sector in these instances may refer to business outside of the legal profession)*

## Keeping up to date.....



This is a big concern of small law firms. They do not have the resources to keep up to date with changes to the legislation.

*“Changes to legislation are coming thick and fast and it's not easy to keep pace.”*

*“You have to constantly be on point with all the new precedents, case laws and acts.”*



## Take note of the independent Black law firms .....

An interesting segment to take note of is the rise of the African legal firm. Generally they are positive about their outlook, receptive to contributing to the industry and wanting to be engaged with it. Some lawyers spoke of having moved out of the public sector to pursue this business, seeing it as an exciting new venture. There are still concerns that not enough has been done to support small law firms, especially black-owned ones.

*“As a black lawyer it is harder to stay in business. There are laws that have been put in place since 2008 that just work against a starting lawyer.”*

*“Economically, for blacks, much has not changed, the people who hold the majority of the economy are white and they still have the lion's share of the business.”*

*“I like the new master directive. It is more fair. It used to be white top heavy I see that changing and it is a good thing.”*

*“There are more small law firms. Small law firms are not getting the big deals on the so called basis that they do not have enough infrastructure. How will they get there if not given a chance?”*

*“The type of work that is done by African attorneys seems to be increasing into and moving into corporate and civil.”*

*“There are a lot of the larger firms that claim to be BEE compliant but really are only so on paper and thereby circumventing the law and still mainly white in reality.”*

*“People have changed how they see the person of an attorney. It's not always about going to court, one can go to corporate law especially amongst black attorneys. Attorneys are discovering that law is not so much about making it in criminal law only especially the young attorneys.”*

*“As a black lawyer we have to work a bit harder but it does not mean life is tough. Lots of changes, most noticeable is the increase of work for the black identity firms with big corporates like insurance companies and banks.”*

*“The way in which the government treats black young attorneys, they are taking away business from us, and they make it as difficult as possible to make it as black lawyers.”*



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**160 independent**  
**small law firms**  
across South Africa

Report compiled by Activate on behalf of  
LexisNexis South Africa

[www.activatebrands.co.za](http://www.activatebrands.co.za)