

BYFIELD

Reputation Counsel

The things keeping law firm leaders awake at night in 2022



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Foreword

An old Dutch proverb states that trust arrives on foot and leaves on horseback.

The bedrock of business reputation and its licence to operate is trust. Trust is the lynchpin upon which reputation sits.

As an independent board advisor to law firms, and the corporate boards, investors and General Counsels they serve, I see law firm leaders which purposefully incorporate reputation into their strategic planning as better able to build and sustain trust with their stakeholders, and achieve strategic sustainable growth.

There is no organisation better placed than Byfield to unpack for law firm leaders the underlying drivers of reputation for their businesses. In this report, we see that reputation isn't about PR and Marketing – it is about understanding the intersection of reputation and the strategic decision making that impacts law firms' material stakeholders. Byfield equips leaders to make sense of how the range of business concerns – culture, conduct, talent; economic uncertainty and inflation; and geopolitical instability – align with reputational factors.

This gives leaders who keep a clear eye on reputation and trust a competitive advantage. To do this well, it does require tough board conversations, asking: who are our stakeholders now, how are they and their expectations evolving and how can we best create and protect long term value with and for them?

From a talent perspective, firms cannot afford to lose the war for talent and leave untapped the creativity and insight derived from a more diverse and inclusive workforce.

From a client perspective, expect to see the buyers of legal services making their choices as to which firms align with their values as part of their value chain: So, do you want to be a source of value creation or risk mitigation for your clients?

Amongst these testing times, there is a silver lining - boards are increasingly putting Sustainability and ESG at the heart of their strategy, considering both the stakeholder responsibilities and the opportunities this brings in stewarding their strategic, sustainable growth.

I therefore encourage all leaders to consider this report deeply, and how for your firm and stakeholders, you can best consider the intersection of reputational and business issues into action through your strategy.

Julia Hayhoe
Board Strategy Consultant & NED

Executive summary

The legal services sector has proven its resilience in the past two years. Many law firms weathered the challenges of the Covid-19 pandemic period well and some have even delivered stellar financial results for the 2021/22 financial year.

But 2022 has taken an unexpected turn and presented their leaders with a different and complex set of challenges compared to the previous two years.

While the Russian invasion in Ukraine, the sharp rise in inflation, a looming recession, and greater geopolitical instability are some of the things keeping leadership teams of UK law firms on their toes, not to mention the immediate currency turbulence following September's mini-budget, the war for talent has topped the list of key business and reputational concerns among managing partners and senior leaders.

Our recent survey found that 95 per cent of the respondents put the war for talent in their top five business concerns. Around 90 per cent of the respondents ranked it as one of the top five reputational challenges, and 55 per cent of them singled it out as the most reputationally sensitive issue.

The so-called "price war for talent" is the most burning issue facing the managing partners of UK firms, from the top-tier to leading independent regional firms. Akin Gump's decision to increase its NQ salaries to £179,000 a year has set a new record and became the talk of the town this summer.

But there is also a high level of understanding among law firm leaders that while not many firms can match the hefty salaries offered by the top US firms and magic circle firms, good reputation management and strong employee value proposition can play an equally, if not more, important part in rising a firm's attractiveness and differentiation in the fiercely competitive talent market.

Following the war for talent, two internal issues including getting hybrid working right and culture and conduct is also featured highly from both business and reputational perspectives.

Around 64 per cent of the respondents put getting hybrid working right in the top five business concerns. It received the second highest number of votes after the war for talent. Client pressure on fees, controlling rising costs in an inflationary environment, and culture and conduct issues make up the rest of the top five business risks list for 2022, ranked equally third with 50 per cent each. The risk of recession trailed closely behind at sixth (45 per cent), as the Bank of England predicts a five consecutive quarters of recession in the UK. Surprisingly, geopolitical instability was among the lowest concerns

From a reputational perspective, the risk landscape looks slightly different. Respondents see controlling costs as the second most risky aspect of managing a firm (63 per cent) after the talent war. Culture and conduct issues came third (59 per cent), while cybersecurity took the fourth spot with 55 per cent. Half of the participants put getting hybrid working right in the top five reputational concerns list. Client pressure on fees, although was not among the top five, is seen as the next

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most reputationally sensitive matter along with getting the ESG balance right with your people and clients and attaining D&I targets and objectives.

The 2022 survey underlines that the biggest worries centre around people and culture as well as managing costs and client expectations against a backdrop of great economic uncertainty. The combination of the fierce talent war and the worsening economic climate are likely to define the coming year and create the greatest challenge for law firm leaders.

Another intriguing finding of the survey is the increasing alignment between law firm leaders' business concerns and reputational concerns. Four of the top five business concerns in 2022 – the war for talent, controlling rising costs in an inflationary environment, culture and conduct issues, getting hybrid working right – are also issues that law firm leaders see as the most reputationally sensitive.

There is a high level of understanding and awareness that the main business concerns such as the war for talent, getting hybrid working right, culture and conduct issues, D&I and ESG in workplace, are closely interlinked and where reputational risks can strike and have a profound impact.

In today's society where social media plays a big role, news travels fast. Therefore, careful and effective management of internal and external communications, employee engagement and media relationships now demand more time and attention. By the same token, firms that have the structure and capability to build a strong brand and positive reputation, can also propel business growth and better manage the challenges this report identifies.

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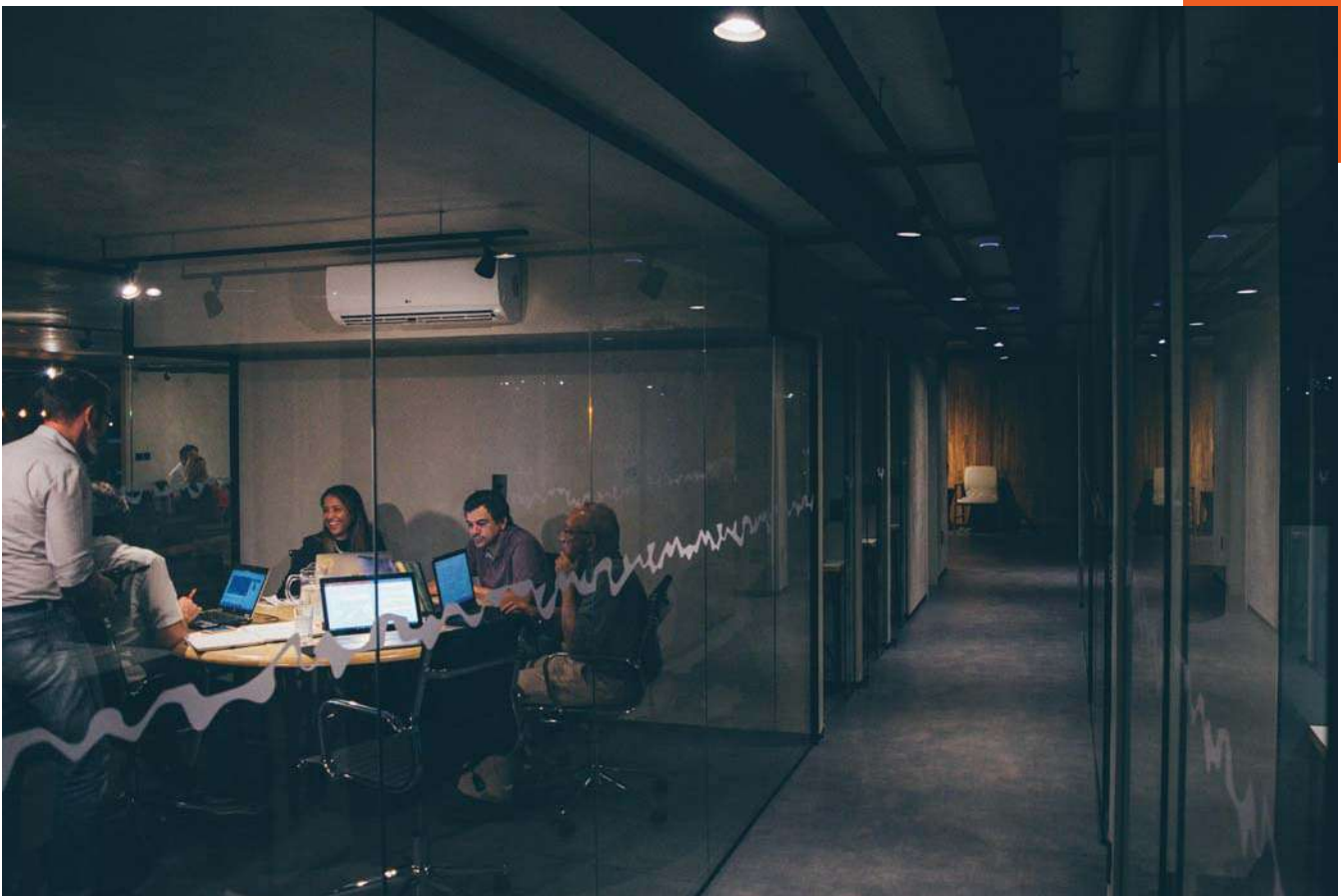
Key findings and commentary

1. The war for talent in 2022

The competition for talent has always been a distinctive feature of the legal services sector. However, this year's survey shows a staggering 95 per cent of the respondents put the war for talent in their top five business concerns. Around 90 per cent of the respondents ranked it as one of the top five reputational challenges, and 55 per cent of them even singled it out as the most reputationally sensitive issue.

The so-called "price war for talent" is the most obvious manifestation of the fierce competition in the current legal job market. Akin Gump's decision to increase its NQ salaries to £179,000 a year has set a new record and became the talk of the town this summer. Many UK and US firms have also given considerable pay rises to their lawyers so far this year, and pay hikes are not only seen in London but also in the regions.

Law firm leaders have felt the effect of wage inflation both in terms of recruitment and retention. A managing partner of a large UK firm notes that it takes firms longer to recruit people compared to two years ago. A partner in a leading regional firm notes that the recent salary increases have a greater impact on regional firms, citing the staff turnover rate has increased in the past two years. This is mostly due to competition from London-based firms, as it is harder for regional firms to compete on salary because of the big difference in fee rates they can charge clients.



However, some managing partners predict that as recession hits, the price war for talent will slow down as the available vacancies will decrease. The current level of salary hikes is widely viewed as unsustainable and if not handled correctly could even negatively affect a firm's reputation.

"When you get paid that much as a newly qualified lawyer, there is an expectation that you will have to work extremely hard. Not all firms offering that level of salaries have a good reputation. It is only attractive to a small number of talent with certain traits, and often people tend to only stay for a short period of time there," says a partner of a UK firm.

Another managing partner calls the latest wave of salary hikes "distasteful". "How could 24-year-olds be justified to be paid more than their parents who could have been headteachers or doctors for a long time?," comments the managing partner.

The highly inflated salaries could also have an impact on clients' perception of external law firms.

"Clients are wary of big hikes of salaries in their law firms. If a firm increases its associate salaries in a big way, someone is going to pay for it. It's a concern for clients," says Gautam Bhattacharyya, a partner of Reed Smith and a member of the firm's global board.

"On the flip side, people are going to firms offering big pay for a short term and then moving on. This concerns me as a partner, especially in terms of younger lawyers joining the profession or new to it. They're the super stars of tomorrow but they may be disenchanted and burnt out at the very early stage of their career," says Bhattacharyya. "We've noticed that more young lawyers these days prefer to work in firms that really look after their careers and provide meaningful support, mentorship and career management."

Apart from the "salary wars", law firm leaders also have to fight the "war of attrition" in the post-covid era. Although the attrition rates are said to have slowed since the term "the great resignation" was first coined in May 2021, leadership teams are paying much more attention to other factors in making the firm a more attractive platform for new hires and existing staff and lawyers.

Flexibility, work-life balance, mental health and wellbeing, D&I and ESG initiatives have all become more important non-monetary benefits law firms offer to attract and retain talent. This is an area where significant work could be done on rising the corporate reputation of law firms and therefore improving their position in the talent market.

"We must have a reputation for being an excellent employer for talented people. This means having a compelling employee value proposition, having a purpose which goes beyond profit and takes account of the 'triple bottom line', and offering a working environment in which very able people can thrive," says one respondent.

Law firm leaders intuitively understand the war for talent is both a business and reputational risk. In addition to good policies, proactive management of the employer brand, good PR and careful reputational stewardship are equally important. It is an opportunity as well as a threat.

2. Getting hybrid working right and its impact on culture

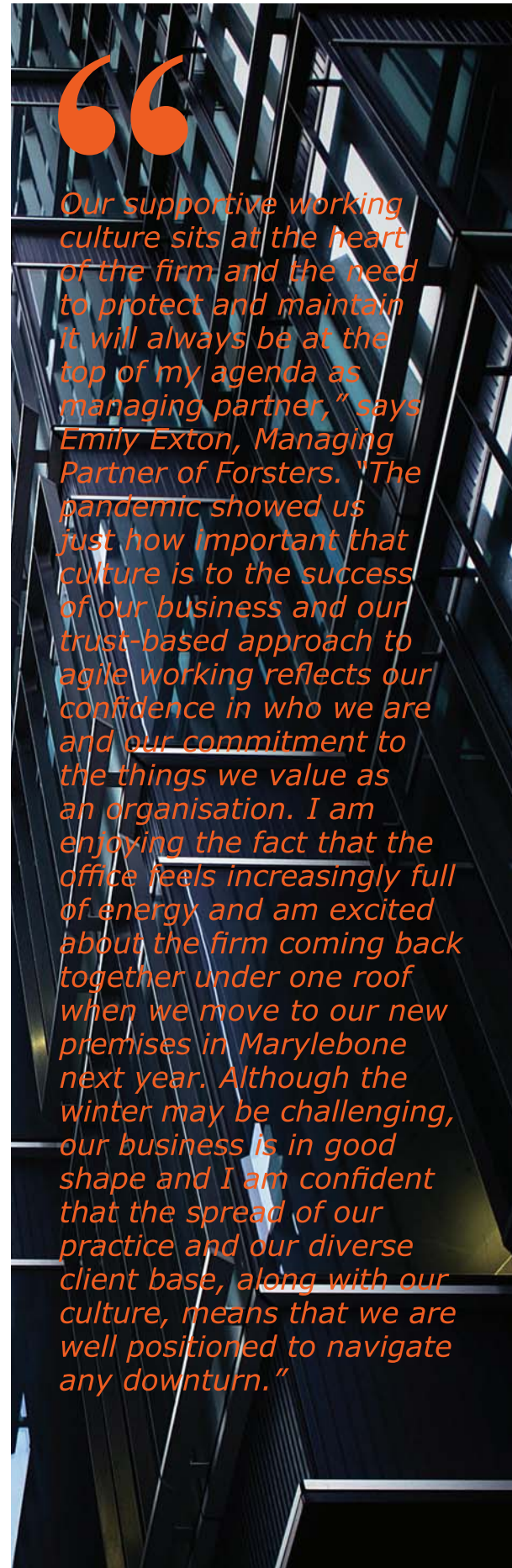
According to the survey, 64 per cent of the respondents put getting hybrid working right in the top five business concerns. It received the second highest number of votes after war for talent. It is also regarded as a top five reputational challenge.

Fieldfisher's new managing partner Robert Shooter notes that hybrid working is here to stay but it is tricky to find the right balance between working in the office and agile working. "I think working in the office is better for people. For example, junior lawyers can learn a lot by working together with experienced lawyers. If everyone works too much from home, we will lose our cultural identity. But the younger generation of lawyers see flexible working as a more viable working pattern for them, for good reasons. This generation wants something different, and firms need to be respectful of that and address it," says Shooter.

Many managing partners agree that offering hybrid working is now a key part of any compelling employee value proposition. Firms that require employees to work in the office full time is increasingly viewed critically and negatively by existing and prospective employees. Getting hybrid working right is not only a business requirement but also increasingly a key measuring factor of a law firm's reputation, its progressiveness and focus on people.

Culture and conduct issues came third in the survey from both business and reputational perspective.

"Without the best legal talent, we are going to lose clients and as we cannot compete with the large firms in terms of pay, we must be able to offer the right working environment and work life balance. Our culture and the reason people want to work with us is vital to get right. Adverse publicity can ruin all our good work very quickly," says one respondent.



Our supportive working culture sits at the heart of the firm and the need to protect and maintain it will always be at the top of my agenda as managing partner," says Emily Exton, Managing Partner of Forsters. "The pandemic showed us just how important that culture is to the success of our business and our trust-based approach to agile working reflects our confidence in who we are and our commitment to the things we value as an organisation. I am enjoying the fact that the office feels increasingly full of energy and am excited about the firm coming back together under one roof when we move to our new premises in Marylebone next year. Although the winter may be challenging, our business is in good shape and I am confident that the spread of our practice and our diverse client base, along with our culture, means that we are well positioned to navigate any downturn."

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Big salaries can certainly help lure the best minds and top talent at fast speed, but firms that enjoy a reputation as well-run, enlightened, and human-centric organisations are likely to achieve greater success sustainably. Hybrid working and culture issues are closely related to that. However, Striking the right balance between hybrid working and culture issues is a main sticking point for leaders, as reflected by our survey results.

“Unquestionably the war for talent is a huge challenge at present, which I view as very much related to the challenges in creating a consistent positive culture when hybrid working is the new normal,” says one of the respondents.

“It’s hard to build a collegial culture and recreate that glue when people are working from home, particularly among the new joiners and the trainees. There needs to be the right balance between working from home and the office, enabling us to create a strong team spirit, because collaboration is key to our success as a sector-focused firm,” says Lindsey Keeble, new managing partner of Watson Farley & Williams.

Apart from maintaining culture identity, the move to hybrid working also posts new questions on how to effectively monitor and implement wellbeing programmes and control risks in terms of cybersecurity and client confidentiality issues. It will take some time for management to iron out all the details.

Meanwhile, it is abundantly clear that leadership teams need to address these key questions in strategic planning and policy making in the first place. The next important step is to emphasise and actively manage reputation and communications with stakeholders and the media. When news travels at a fast pace, given the social media phenomenon, the ability to predict the reputational disruptors and mitigate the risk is just as important as the ability to react quickly.



3. Encountering stagnation and client pressure on fees

Prior to the 2020 Covid-19 recession, the last major recession in the UK happened 14 years ago. The so-called Great Recession was caused by the late 2000s global financial crisis, which also drove up the inflation rate to peak at 5.1 per cent in 2011.

With the current inflation rate reaching the highest point in 40 years (at 9.9 per cent in September) and the predicted long period of economic downturn, it is inevitable that law firms will feel greater financial strains in the coming year or two. Survey respondents put controlling rising costs and client pressure on fees as two of the top five business concerns for 2022. Risk of global recession follows closely behind and is ranked sixth biggest business concern in the survey.

"Pricing on fees impacts profitability - and you need to improve profitability to pay the salaries needed to retain and attract people. Not having the right experts or team make-up can be critical to servicing client needs," says one survey respondent, describing the double whammy for law firms' business in terms of pressure on fees and the inflated costs triggered by the talent wars.

Controlling rising costs is also seen as the second biggest reputational risk by survey participants. Perhaps law firm leaders have learned a valuable lesson during the Covid-19 pandemic. Firms have suffered great reputational loss and great push back from employees and clients when they announced drastic cost-saving measures - such as layoffs and furlough schemes - during the height of the lockdown and received negative press coverage.

"We're finding it hard to retain our best talent and this is against a backdrop of great economic uncertainty. That combination is hard to manage," admits one managing partner.

Under the rising demand for law firm leaders to take account of the 'triple bottom line', a firm's bottom line is one of several key considerations for business success. While making tough business decisions to achieve the best commercial outcomes are part of a leadership's tasks and responsibilities, what makes a great leader a cut above the rest is the ability to communicate tough decisions in a considerate and well-crafted way, so employees and clients are willing to buy into their thinking and vision.

Innovation

Innovation is a case in point. The perfect storm of rising costs, economic downturn and increasing client pressure on fees is likely to push more firms to zero in on innovation. The frequently mentioned ways of resolving the financial pressures and staying competitive

include expanding alternative legal services offerings and the adaptation of legal technologies and data science.

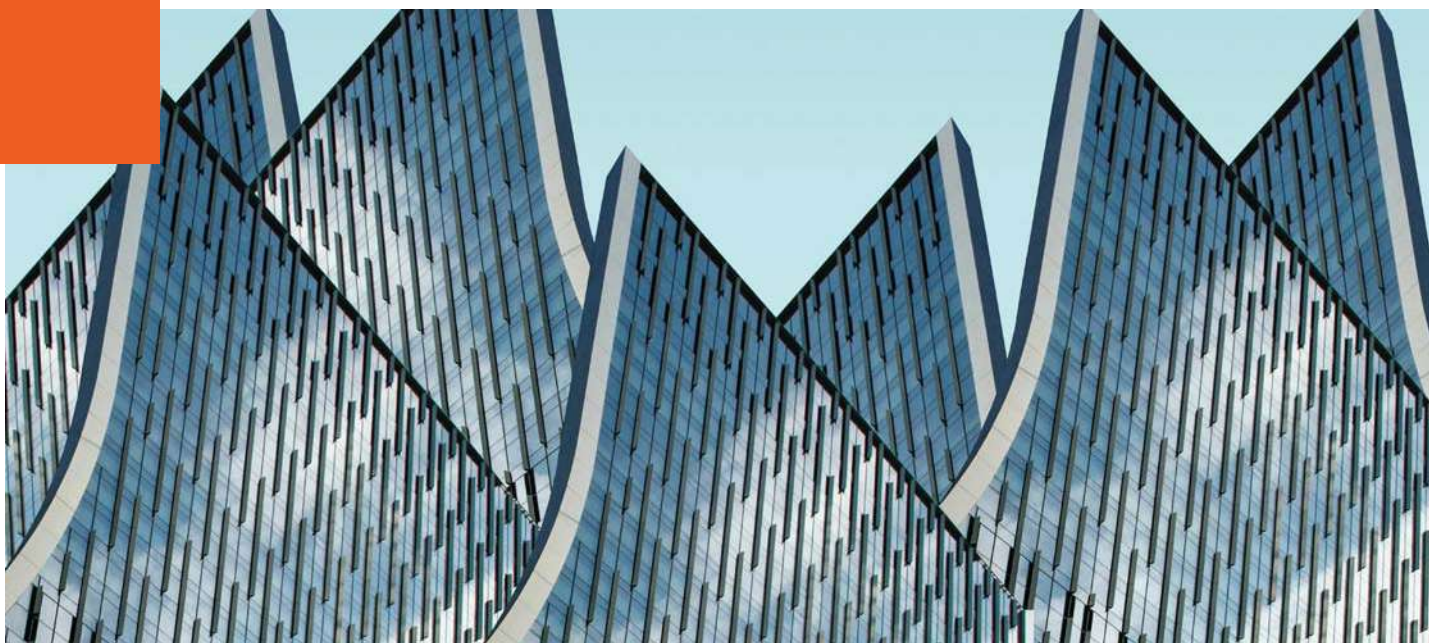
From a business perspective, firms' ability to remain competitive in pricing is critical for maintaining profitability especially during a recession. Building a reputation for innovation also helps law firms stand out.

"There'll be more pricing pressures from clients as we go through hard times. They will be resolved by being competitive and delivering the best services you can, and remaining innovative in the ways which you deliver client services. That involves a lot of investment in new ways of doing things. The legal sector is still prehistoric in terms of the way it uses tech and data science in its services to its client base," says James Libson, managing partner of Mishcon de Reya.

However, there is an equally great imperative to maintain a reputation as the provider of value-added and cost-effective services instead of creating an undesirable impression of a race to the bottom.

"In a downturn, where there is more pressure on fees, we don't profess to be the cheapest nor do we want to be the cheapest. We are always competitive on rates. But it is not about the race to the bottom. Where we see there is a lower cost way of doing something we can leverage the ALS offerings for our clients and across Europe," said Robert Shooter from Fieldfisher.

Furthermore, while innovation could be an attractive proposition to young lawyers, the question remains that how attractive the alternative services units of well-known law firms to talent is and if overgrowing would dilute the brand value. Getting innovation right, both in terms of business and reputation, is a good example of how challenging it is for leaders to strike the right balance and deliver the right narrative.



4. Reputation is critical in recession

Moving into new sectors and offering new services and products are other ways law firms are responding to the worsening market conditions and economic environment. The most effective way to expand successfully, according to managing partners interviewed for the report, is by leveraging existing strengths – areas in which their firms already have a reputation and brand awareness. More importantly, law firm leaders are looking at emphasising their unique focus on future-proof sectors, such as innovation and renewable energy, to enhance their firms' appeal to clients and talent.

Mishcon, for example, is already known for its expertise in the creative industries, has been expanding into the innovation sector.

Fieldfisher, which has recently posted its best financial results in the firm's 40-year history and has built up an extensive network of offices in Europe, is banking its future on the Continent and a strong regulatory practice.

Leading private clients firm Payne Hicks Beach has been on a growth trajectory in the past two years too and expects the momentum to continue despite the recession. The key, according to chair Robert Brodrick, is to concentrate on areas that the firm is already well known for and complementary practices, such as tax and trust, immigration, reputation management and art and cultural property.

Keeble is also less concerned about the recession. She too emphasises leveraging the firm's core sector strengths in transportation and renewable energy to address client pressure on fees and increase the firm's value proposition to its employees and lawyers.

"On the business side, we are in a great position. The world is calling for energy transition and we have a unique opportunity with our expertise in cutting edge areas, such as decarbonisation of shipping and the Aviation Working Group's industry-changing carbon calculator. Clients come to us for real expertise and the 2008 and 2009 recession turned out to be a boom time for us," says Keeble.

It is critical to set a clear and compelling value proposition to drive business and attract clients. It is also important that firms are getting their employee value proposition across to their people, which can lead to better retention, engagement and utilisation.

"Young people really want to know that they are working in a firm that's not just about making money. If we can communicate clearly to our people that the great work we do is important for the future of energy transition, they will buy into the firm values and place less emphasis on money," explains Keeble.

5. Cybersecurity and other key reputational risks

Cybersecurity

In addition to the war for talent, controlling costs in an inflationary environment, culture and conduct issues and getting hybrid working right, cybersecurity threats, such as ransomware attacks or leaks of confidential financial and legal records such as the Panama Papers, is another top five most glaring concern from a reputational perspective. In addition to significant investment in a secure and reassuring IT system, crisis management skills can be a determining factor in a float or sink situation.

"Cyber is only getting more concerning and we must invest in the latest technology. We cannot risk the immediate adverse reputational impact in the marketplace if we were a victim, let alone the financial cost," says one managing partner who participated in the survey.

It is a sentiment Payne Hicks Beach, and its chair Robert Brodrick can sympathise and relate to personally. Last year, the firm and some of its partners fell victims to a cyber-attack in the context of the high-profile divorce case between Her Royal Highness Princess Haya of Jordan and Dubai ruler Sheikh Mohammed. The spying scandal in the form of mobile phone hacking conducted on behalf of the Dubai ruler against his ex-wife and PHB's partners and lawyers was widely reported in major newspapers and media outlets at the end of 2021.

"We are acutely aware that cybersecurity is a massive risk as a professional services firm. There are numerous consequences, and they all take enormous amount of time to deal with. It's certainly a big concern keeping us awake at night and our IT department has been really busy keeping us and our clients safe," says Brodrick.

Clients, particularly big banks, have already heightened the security requirements on their legal advisers' IT system, especially with more lawyers now working from home. According to a managing partner of a City firm, banks are setting out strict criteria on cybersecurity as part of their panel appointments and reviews.



ESG and D&I

Another interesting finding of this year's survey is that ESG is seen as vital for reputation but less so as a wider business issue. Around 45 per cent of the respondents see it as a top five reputational concern, compared with just 23 per cent who put in the top five business concerns.

This leaves firms open to risks of greenwashing accusations if they talk the talk but do not integrate ESG properly into their business decisions.

Similarly, meeting diversity and inclusion (D&I) targets scores low on both business and reputational fronts, with 9 per cent and 23 per cent, respectively.

However, all the law firm leaders interviewed for the report acknowledge that ESG and D&I are vital issues to attract and retain talent, and clients are demanding their law firms meet high standards in both regards. The low scores as business concerns could be an indication that firms feel sufficiently on top of ESG and D&I, so it is not an area to worry about too much.

Watson Farley & Williams and Dentons, for instance, are among a growing number of firms to have appointed a dedicated global sustainability lead in the past 12 months. In May 2022, Reed Smith launched its first global sustainability plan as the firm ramps up its ESG efforts.

"I'm broadly confident with our programmes to deal with cultural issues and our commitment to ESG/EDI targets and how we tackle those matters. But I'm more concerned about matters outside our control in the global environment - how they impact us commercially and reputationally," says one of the participants in the survey.

Geopolitical Instability and Recession Risk

Somewhat intangible issues like geopolitical instability and the risk of recession do not make the top five business issues or reputational risks. Again, this might be somewhat puzzling given the mounting likelihood that we are entering a long period of recession and the very recent and dramatic impact of geopolitical issues on firms' Russian operations and practices. Their lack of presence in the top five does not mean they are not important; they are simply not at the top of the list right now.

One managing partner explains that typically law firms are likely to feel the impact of an economic recession only six or 12 months into the downturn.

Geopolitical instability and conflicts in Europe and other parts of the world such as Asia is another area managing partners are

observing closely. The War in Ukraine and the international sanctions against Russia have already affected firms' business and clients, even for firms that had no physical presence in Russia.

"We are very careful about the type of work we are prepared to take on taking into account the impact on our existing clients and the firm's reputation. In many cases we take the view that the reputational risks are too great, however tempting it is to take on a big piece of work," says Brodrick. "This was particularly so immediately after the Russian invasion of Ukraine, when we were approached by a number of high-profile Russians whose current firms were no longer willing to act for them."

On top of the adverse impact on client acquisition and business creation, geopolitical instability has imposed direct compliance burdens and significant reputational risks on law firms.

"Like our clients, we also have to make sure we are compliant with all the international sanctions against Russia. There are also reputational implications for us too. Normally law firms don't make political statements, but suddenly there is a need to make a statement as an institution amidst a fast-moving situation like the breakout of the war in Ukraine in February and the consequential sanctions on Russia. You want to say something that's truthful and authentic, but because it is so politically sensitive, getting anything wrong will have a very negative impact on reputation these days because of the social media," says Keeble.

“

The war in Ukraine really shone a light on the legal sector and it was clearly pretty uncomfortable for some firms who had a lot of exposure to Russian clients or were based in the country itself," concludes Natasha Rees, Senior Partner of Forsters. "As a new Senior Partner, it does emphasise that a firm's good reputation is hard won and can be quickly lost. I am proud of the way we looked after our people both in terms of job security and wellbeing during the Covid period. Law firms need to be seen as good corporate citizens by their staff, clients and the media in challenging economic times and that's something we are really focused on here at Forsters."

Conclusion:

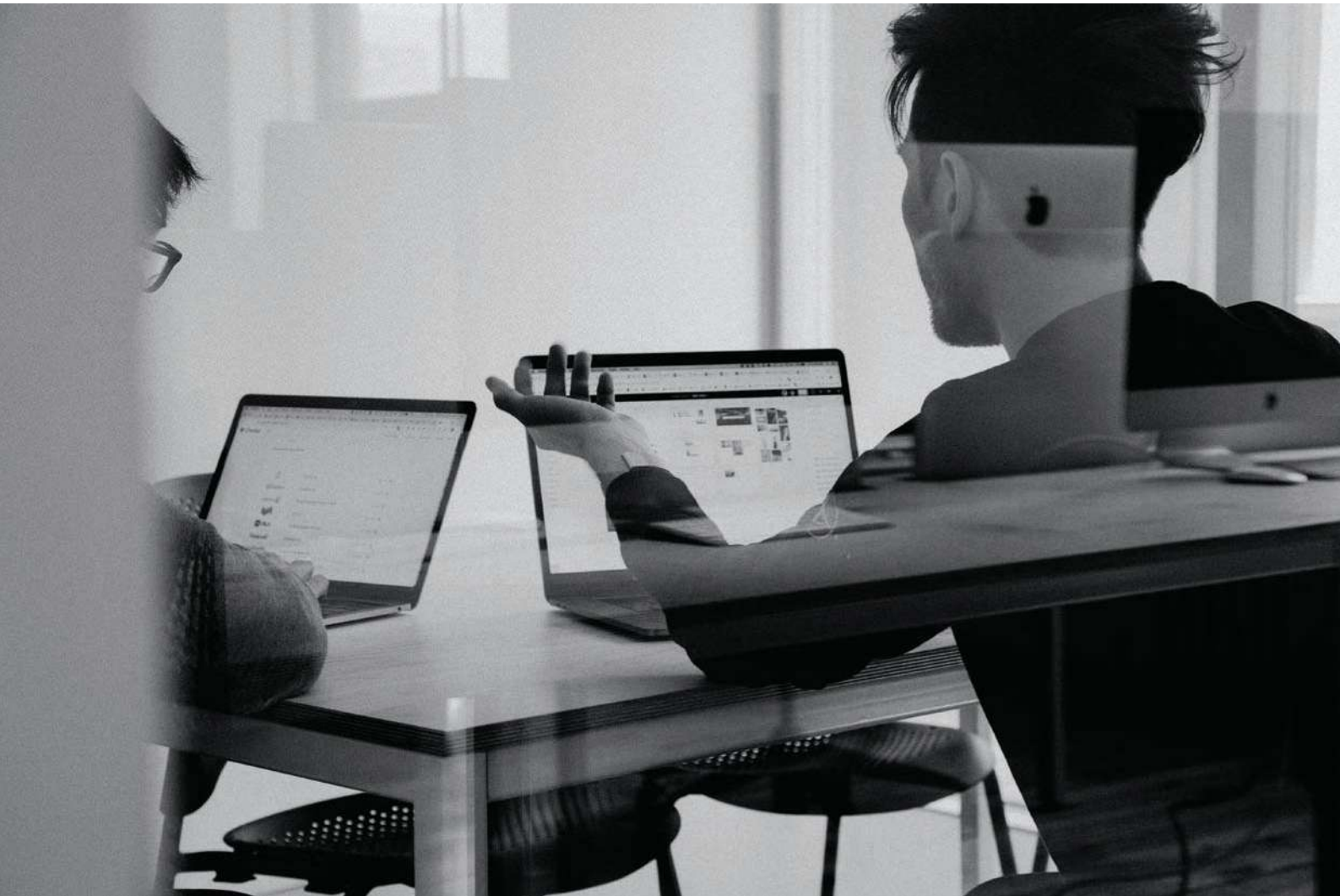
The social contract between firms and their employees, new ways of working, how culture wars and ESG are affecting the workplace, different ways of delivering services to clients, and moving into new areas of business are the sort of issues that have been greatly debated and considered by firms since post COVID lockdowns. But adding to the complexity and unique challenge of managing a law firm in 2022 is the surging economic uncertainty, driven by geopolitical conflicts such as the war in Ukraine and the fundamental factors of the economy such as the rising inflation and a long period of recession warned by the Bank of England.

The year ahead presents an arguably more challenging and choppy environment for law firm leaders, even compared with having had to deal with Covid-19 in the last two years.

With the overall complexity in mind, to make good business decisions that produce positive commercial outcomes managing partners will increasingly have to take careful reputational considerations and deploy effective branding and communications strategies too.

It is extremely important for law firm leaders to identify and analyse the business and reputational risks together and approach all of the key issues with a holistic view rather than in silo. Increasingly, management teams need to focus more widely on possible reputation disruptors and include them in their strategic planning. Record-breaking financial results and PEP figures can impress the market. But it is a firm's reputation and effective two-way communications between it and all of its stakeholders, both internal and external, will ultimately lead to sustained success and competitive advantage.



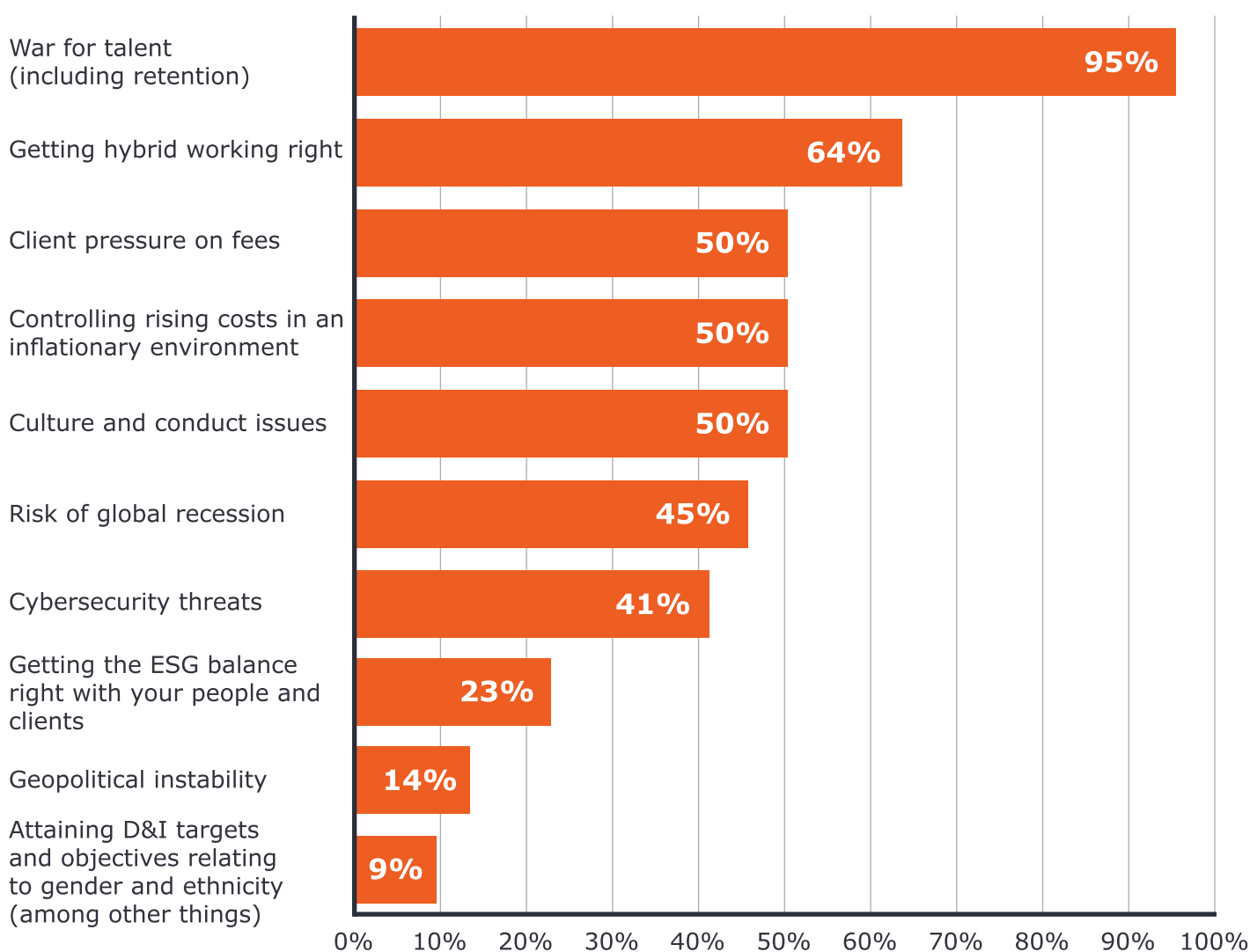


Methodology

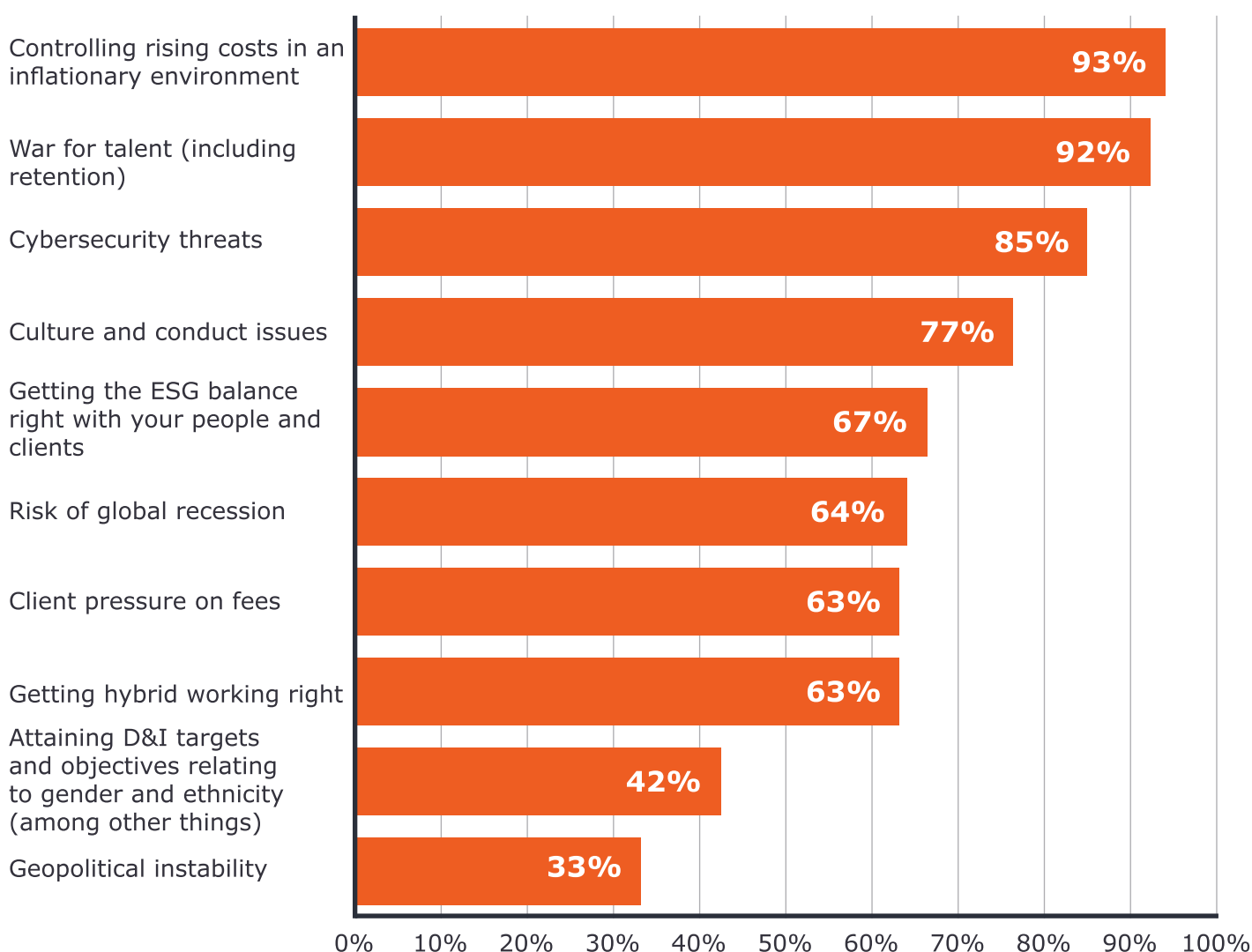
This is the second time Byfield has conducted such a survey and created an at-a-glance overview of the key issues that were keeping managing partners up at night. The 2022 survey was completed by leaders from twenty-two law firms between May and July this year. They were asked to select the top five business concerns from a list of ten factors as well as rank these factors by level of reputational sensitivity. Interviews with the managing partner, senior partner, or a partner in a leadership position from seven law firms have also formed an important part of the research to create this report.

Appendix

Please select from the list the five things that concern you the most in the year ahead from a business perspective:



Please rank your five choices by level of reputational sensitivity, with the first being the most sensitive/difficult to get right and the last the least sensitive



Please rank your five choices by level of reputational sensitivity, with the first being the most sensitive/difficult to get right and the last the least sensitive

	1	2	3	4	5	6	7	8	9	10
War for talent (including retention)	55%	14%	18%	0%	5%	0%	5%	0%	0%	5%
Client pressure on fees	6%	19%	6%	19%	13%	6%	6%	13%	6%	6%
Controlling rising costs in an inflationary environment	0%	20%	33%	20%	20%	0%	0%	0%	7%	0%
Risk of global recession	7%	7%	14%	36%	0%	14%	0%	0%	7%	14%
Culture and conduct issues	18%	29%	18%	0%	12%	6%	6%	6%	0%	6%
Getting the ESG balance right with your people and clients	13%	13%	7%	7%	27%	7%	20%	7%	0%	0%
Geopolitical instability	0%	0%	11%	0%	22%	0%	11%	22%	33%	0%
Attaining D&I targets and objectives relating to gender and ethnicity (among other things)	0%	17%	0%	17%	8%	8%	17%	8%	8%	17%
Cybersecurity threats	14%	7%	14%	14%	36%	0%	0%	14%	0%	0%
Getting hybrid working right	0%	13%	13%	31%	6%	13%	0%	0%	13%	6%

Selected comments from anonymised respondents

1. *"Unquestionably the war for talent is a huge challenge at present, which I view as very much related to the challenges creating a consistent positive culture when hybrid working is the new normal."*
2. *"Pricing on fees impacts profitability - and you need to improve profitability to pay the salaries needed to retain and attract people. Not having the right experts/team make-up can be critical to servicing clients' needs."*
3. *"Global recession appears unavoidable - combined with increasing costs, will be challenging."*
4. *"Client fees and recruitment are our main problems"*
5. *"I am broadly confident with our programmes to deal with cultural issues and our commitment to ESG/EDI targets and how we tackle those matters. I am more concerned about matters outside our control in the global environment - how they impact us commercially and reputationally."*
6. *"Not mentioned a) competitive threats from accountancy firms building law practices; b) impact of AI and whether smaller firms will be able to make the investment needed to stay competitive, c) ever increasing compliance burdens"*
7. *"The wellbeing of my team matters most to me, followed by the overall success of the firm, so pressures on fees and being active successfully in a recessionary environment are the challenges."*
8. *"Without the best legal talent, we are going to lose clients and as we cannot compete with the large firms in terms of pay, we have to be able to offer the right working environment / work life balance. Our culture and the reason why people want to work with us is vital to get right - adverse publicity can ruin all our good work very quickly. Cyber is only getting more concerning and we have to invest in the latest technology - cannot risk immediate adverse concern in the marketplace if we were a victim let alone the financial cost."*
9. *"I selected ESG, as it presents a tremendous challenge for firms to walk the talk particularly in terms of client selection / deselection and includes D&I"*
10. *"The firm needs to be in growth mode, but is struggling with a Partner culture that is comfortable and not future thinking. Meanwhile we have been late to the table with our ESG targets and clients are starting to ask why. Finally, all firms are operating in an uncertain economic environment and need to manage this."*

11. *"I think costs are a major issue and companies are struggling to adapt to new needs of either clients and employees"*
12. *"We're finding it hard to retain our best talent and this is against a backdrop of great economic uncertainty. That combination is hard to manage."*
13. *"The first three are things I worry about daily! I also think about how to fund investment in the technology I need given the squeeze on profits with inflation."*
14. *"The first three choices all relate to talent and culture and its importance to our ability to compete in the war for talent. We must have a reputation for being an excellent employer for talented people. This means having a compelling employee value proposition, having a purpose which goes beyond profit and takes account of the "triple bottom line, and offering a working environment in which very able people can thrive. Our clients deserve to have advisers which can provide a high level of assurance as regards systems security and in relation to our commitment to control costs. Clients also expect us to attract and retain excellent talent."*



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