



Legal Services Insights Report.

Identifying the skills to develop future-fit firms



About the CommBank Legal Services Insights Report

The findings in this edition of the Legal Services Insights Report for Professional Services are based on a wide-ranging quantitative survey of 414 business owners, decision-makers and managers from 'Professional Services firms' and 208 employees conducted on behalf of the Commonwealth Bank by ACA Research between September and October 2018. The specific references to Legal Services as a sub-sector within the Professional Services industry are based on responses from decision-makers within 62 Legal Services firms. Participants were drawn from Professional Services firms across Australia with an annual turnover of more than \$500,000 and at least two employees.

The results represented throughout the report also seek to compare the perspectives of business owners, decision-makers and managers within Legal Services firms with that of employees across the Professional Services sector more broadly.

All references in the text, tables and charts to Australian firms and employees refer to those surveyed. Likewise, all data points and percentages refer to the results of the quantitative survey.

The OECD innovation framework

To determine which business initiatives were truly innovative, and assess innovation activity, CommBank adopted the framework set out in the Organisation for Economic Co-operation and Development (OECD) Oslo Manual. Used by organisations around the world, including the Australian Federal Government and the Australian Bureau of Statistics, the manual is constructed around four key innovation areas: products, processes, marketing and organisational.

References to 'innovation-active' are based on an assessment of innovation using the Oslo Manual definition - a new or significant improvement in one or more of the four areas.

We used the Oslo Manual criteria to test each innovation mentioned by the survey respondents, allowing us to determine whether their business improvements met the definition of innovation and the number of areas in which they were innovating. We used this approach because we did not use the word 'innovation' in this part of the survey so the results would be robust.



Reskilling to adapt to evolving client needs

The FY19 Professional Services Insights Report found that innovation activity has plateaued in the sector. Early efforts to cut costs, automate and streamline their firms as clients demand lower prices are paying off. Revenue expectations for the coming year are much brighter among Professional Services firms than many other businesses.

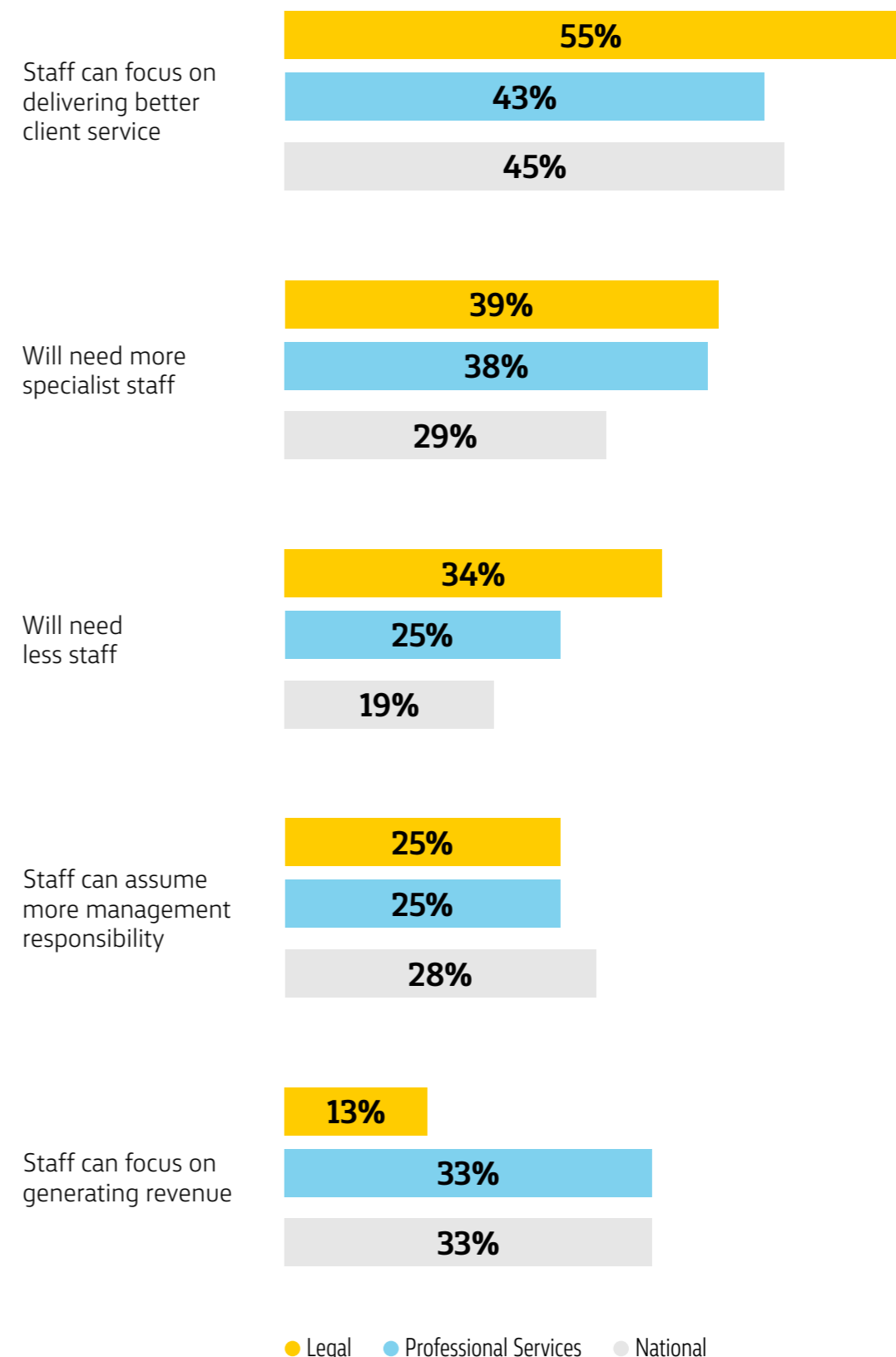
The report further found that across the Professional Services industry, employees and decision-makers alike place greater importance on the role of technology in gaining and maintaining a competitive edge than their peers in other sectors. Consequently, Professional Services firms are more likely to be investing in a range of emerging technologies.

More than most, decision-makers at legal firms expect that technology will allow staff to focus on client service and increase their need for specialist staff.

However, nearly half of Professional Services employees surveyed worry that technology could also make their skills and knowledge less valuable, and around a third of legal firms expect technology will lead to less staff over the next five years. Both decision-makers and employees recognise the need to reskill.

This follow-up report examines the skills and capabilities that legal firms seek to develop and recruit in the next few years and compares them with where employees believe their existing strengths lie and their preferred areas for development.

The impact of technology on the workforce in the next five years



The skills for the future

Given the importance the sector places on technology, it isn't surprising that effective technology skills feature prominently among the skills that decision-makers in Professional Services seek to recruit or develop to ensure their firm is future-fit.

Legal firms however, stand out for prioritising technology skills above all others. This is consistent with CommBank's latest Legal Market Pulse Report that found that 93% of firms are adopting new technologies. Most firms agree that this is the result of two dominant drivers – client expectations and keeping pace with competitors. As the top area of planned investment in the year ahead, many firms expect to accelerate adoption in most technology categories over the next 12 months.¹

Soft skills though are very close behind. Legal firms want their employees to be adaptable and flexible, to think critically and solve problems, as well as have good communication and interpersonal skills. These soft skills align with the overarching need to understand clients' needs and be able to adapt and think of new ways to meet those needs as they evolve.

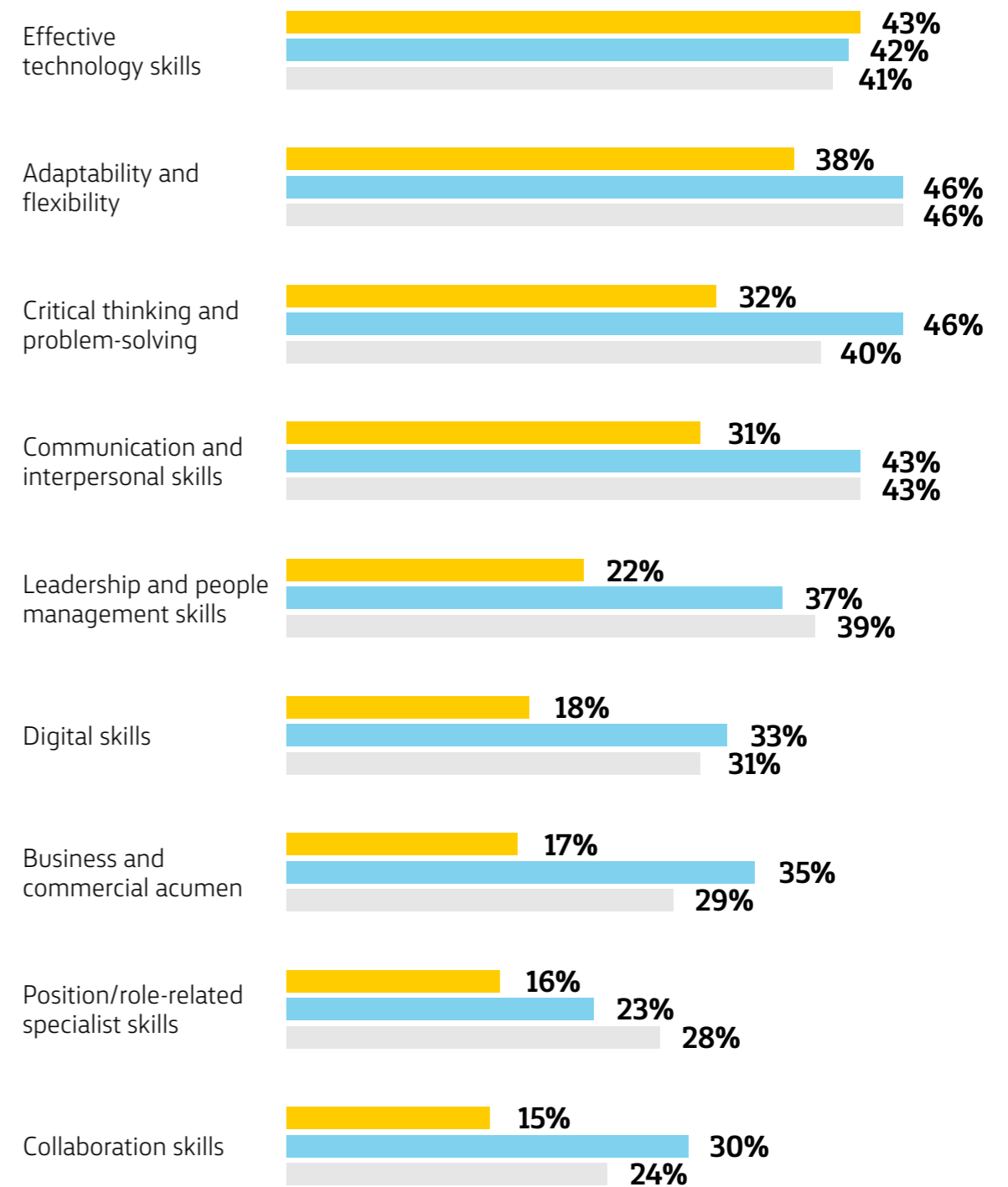
What innovative firms do differently

Compared with firms making improvements, innovation-active Professional Services firms see greater demand for the majority of skills, particularly around communication and interpersonal skills, innovation and creativity. Firms wanting to grow have to be creative. They also place greater emphasis on effective technology skills and business and commercial acumen.

This mix of skills reflects their efforts to become more client-centric and to keep pace with technological developments that enable a competitive advantage in meeting client expectations.



The skills most in demand among decision-makers



- Skills decision-makers seek - Legal
- Skills decision-makers seek - Professional Services
- Skills decision-makers seek - National

¹ Referenced from CommBank Legal Market Pulse Report December 2018
commbank.com.au/content/dam/commbank-assets/institutional/2018-12/legal-market-pulse-report.pdf

How employees' existing strengths compare

Including employees in this year's survey unearthed some interesting insights that represent opportunities.

Opportunity 1

There is remarkable alignment between the top soft skills that legal firms want to develop in their workforce and where employees in the broader Professional Services sector see their strengths. All firms can better leverage their staff's existing skills while supporting them to develop in areas, such as technology, where they are less proficient.

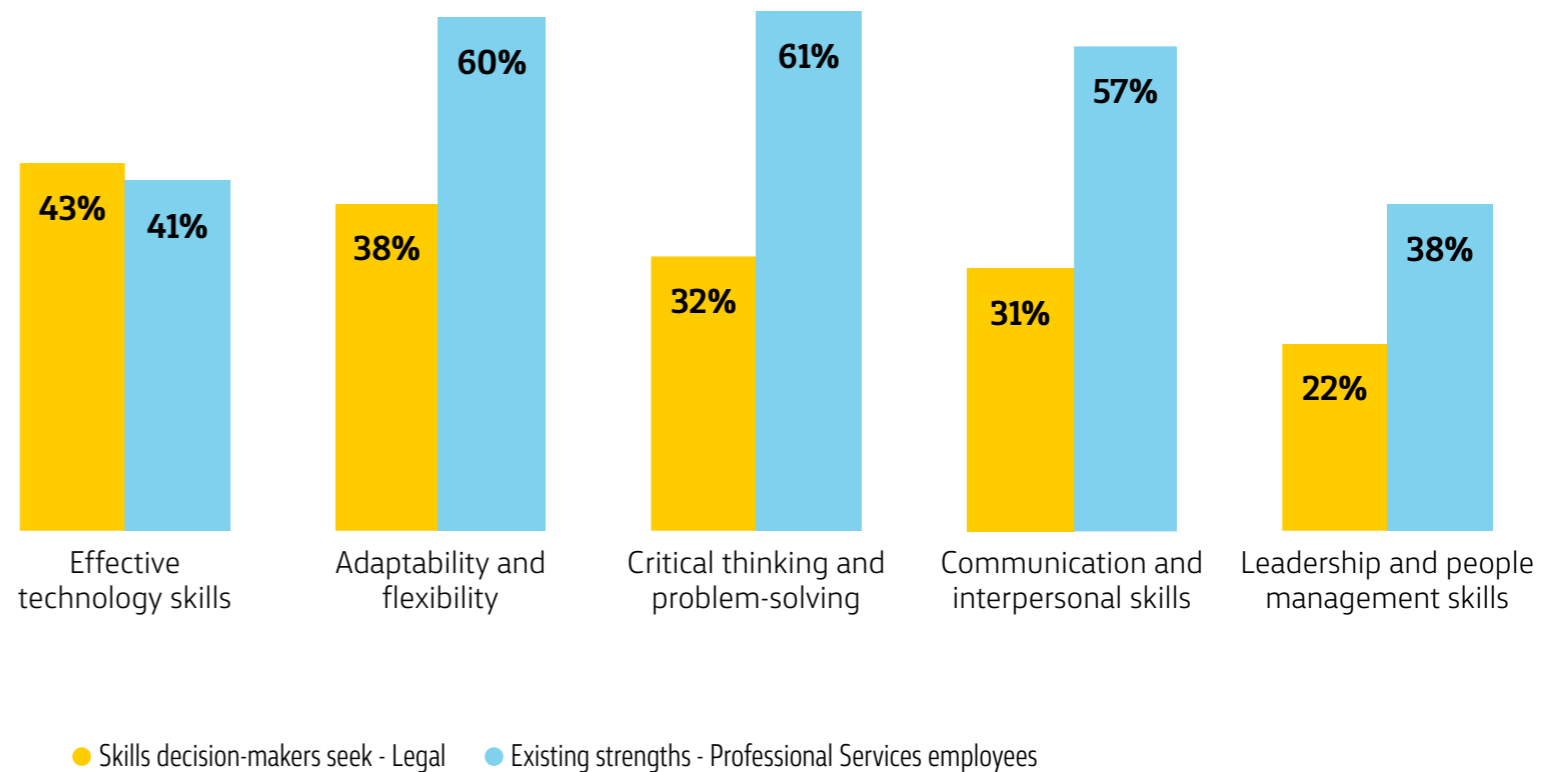
Note though that Professional Services employees' apparent confidence in their technology skills is skewed by staff working in IT services. These employees are also why the sector over-indexes in critical thinking and analytical skills versus the national results. Employees in Legal firms believe they are particularly strong in communication and interpersonal skills.

Opportunity 2

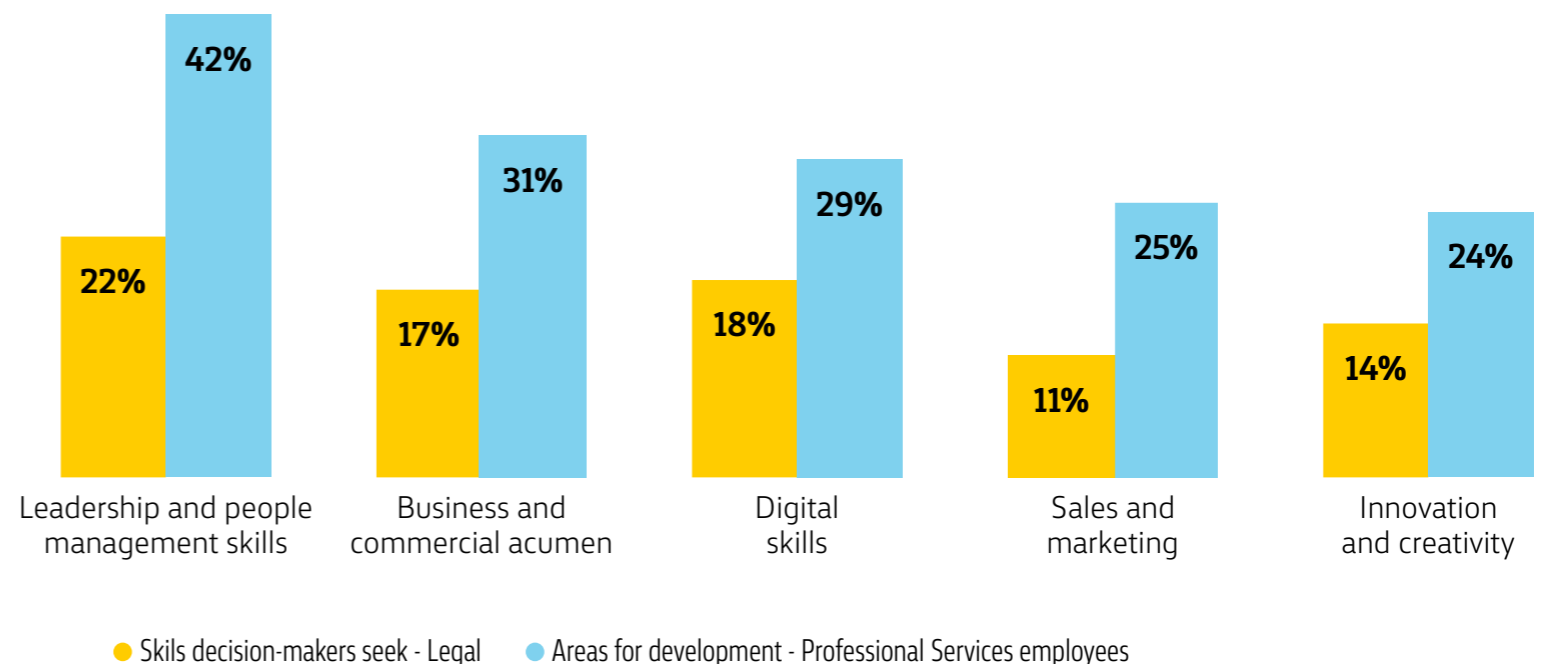
Although confident that they have many of the soft skills needed to support their firms' future success, employees in the Professional Services sector recognise they need to develop in other areas to advance their careers. Hence the top capabilities that employees would like to build are leadership and people management, along with business and commercial acumen.

While those skills are lower down the list of capabilities that Legal firms want to develop, they need to balance their needs with their employees' wish to advance their careers. If not, firms risk losing valuable talent.

The skills for the future – what employers want versus employee strengths



Areas industry-wide employees want to develop versus skills demand from legal firms



Conclusion

More broadly, only half (49%) of employees across the broader Professional Services industry believe their employers make full use of their skills and capabilities. The difference between employees who see themselves as working for innovative firms and those who don't believe they work for an innovative firm is stark – 62% versus 26% respectively.

Regardless of innovation status, the research suggests that some firms need to rethink the way they manage their workforce. Employees who don't feel that all their skills are being used are likely to be less satisfied in their role, less engaged and more likely to leave the firm.

The research underlying this report has identified the skills that firms most seek and the areas where employees want to develop to advance their career. The final report in this series explores the various approaches that firms are taking to secure the skills their organisation needs to succeed in the future.

Talk to us

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