



the global voice of
the legal profession®

LAMP HOUSE
STRATEGY



Future of Legal Services – White Paper

International Bar Association Future of
Legal Services Commission

The International Bar Association (IBA), established in 1947, is the world's leading international organisation of legal practitioners, bar associations, law societies, law firms and in-house legal teams. The IBA influences the development of international law reform and shapes the future of the legal profession throughout the world. It has a membership of more than 80,000 lawyers, 190 bar associations and law societies and 200 group member law firms, spanning over 170 countries. The IBA is headquartered in London, with offices in São Paulo, Seoul, The Hague and Washington, DC.

© 2023

International Bar Association
Chancery House, 53–64 Chancery Lane
London WC2A 1QS, United Kingdom
www.ibanet.org

About the Future of Legal Services Commission: Formerly known as the IBA Task Force on the Future of Legal Services, the IBA Management Board agreed to formally establish a commission to coordinate the IBA's activities and projects around the future of legal services – one of the key areas of focus for the whole organisation.

The aim of the Future of Legal Services Commission will be to analyse and report on the state of the legal profession, specifically looking at changing client demands, new entrants to the legal industry, regulatory changes and education, and digitisation/technology. Once this step has been completed, the Commission will recommend how to respond to these challenges affecting the profession, and design projects and programmes to prepare the legal profession for the future.

All reasonable efforts have been made to verify the accuracy of the information contained in this report. The International Bar Association accepts no responsibility for reliance on its content. This report does not constitute legal advice. Material contained in this report may be quoted or reprinted, provided credit is given to the International Bar Association.

Foreword

The legal profession is going through a period of unprecedented change. Some of us thrive on change, some fear it. But it comes, nonetheless.

Whether we see change as a threat or an opportunity, being aware of what is coming down the line and doing what we can to prepare for it is critical.

This heatmap identifies the key issues affecting the legal profession and then assesses the likely impact of those issues and how ready the profession is to respond to them.

It presents data supplied by respondents from across the profession and our intention is to re-run the survey every year, so that we can track emerging issues and the profession's response.

Many of the themes resonate with the seven priorities that were recently identified by the current IBA President, and some of the results are unsurprising: attracting and retaining talent has long been a concern for the profession, and changing working practices are very much front of mind. Mental health is coming to the fore, as is environment, social and governance (ESG) factors. We all know that our clients are becoming increasingly demanding – 'more for less' has been a theme for several years now.

Despite some of these issues being long anticipated, our respondents feel unprepared for them. They all feature in our lists of those issues where 'readiness' falls below 'attention': we know we have to do something, but we just aren't doing it – or we're not doing it fast enough or effectively.

The rapid development of generative artificial intelligence (AI) caught us unawares. The survey was conducted before ChatGPT exploded onto the scene and brought forward an issue many thought they could defer. Technology did not make it into the top five short-term impact areas, though respondents thought it was something they would need to consider in the medium term.

Lawyers recognise many of the threats to the rule of law, but it's hard not to conclude from the data that most of us think they are someone else's problem to solve.

So, this report should be a wake-up call for the profession. Change is coming. Those that anticipate change and seize the opportunity to prepare for it will thrive. Those that don't ... well, they won't thrive.

Thank you to all those who took the time to respond to our survey and thank you to Lamp House Strategy for their expert assistance in evaluating and presenting the responses. We hope that you find the report both interesting and helpful, and that it informs your priorities in the coming months and years. Please look out for the next survey, which will be released in a few months.

Aster Crawshaw

Past Chair, Future of Legal Services Commission

Addleshaw Goddard, London

Background and methodology

The remit of the Future of Legal Services Commission is to analyse and report on the state of the legal profession, specifically looking at changing client demands, new entrants to the legal industry, regulatory changes and education, and digitisation/technology. The Commission will then recommend how to respond to these challenges affecting the profession, and design projects and programmes to prepare the legal profession for the future.

To feed into this aim, the International Bar Association (IBA) identified a list of 27 themes and developments affecting the profession and launched a global survey to test them. The full list is set out below:

People	Clients	Business	Rule of Law
Drive to make legal profession more representative of the [diverse] communities it serves	Opportunities to use tech/AI in delivery of client services	Increased focus on corporate management practices	Access to justice for those without the necessary financial or other resources
Support professionals with caring responsibilities to achieve their career expectations	More demanding client expectations	Increased focus on financial performance and profitability	Regulatory change, increased regulatory scrutiny of both professional and personal conduct
Concerns relating to the mental health and wellbeing of professionals	Increased demand for international legal services	Increased cost base/client demands driving consolidation in the legal sector	Regulation of participants in the legal sector that are not legally qualified
Increased focus on work-life balance and concerns about working hours	Increased demand for the provision of multiple services from a single provider	The provision by law firms of non-legal services	Enhanced requirements for ethical training for lawyers
Remote working (three plus days)	Increased demand for transparency on charges and invoicing	The provision of ancillary services by non-lawyers that are usually provided by lawyers	Challenges to the independence of the legal profession, including the judiciary
Active performance management of partners and other senior lawyers		Non-lawyer investment in law firms	Other threats to the rule of law
Attracting/retaining talent		More sophisticated governance structures	
New joiners to the profession being adequately trained/prepared		Increased demand to embed ESG principles in law firm/organisational practices	

The research sought to gather views from the market on six key metrics related to these themes and developments, including:

- **Short-term impact [12 months]** (No impact/some impact/high impact)
- **Medium-term impact [five years]** (No impact/some impact/high impact)
- **Long-term impact [ten years]** (No impact/some impact/high impact)
- **Organisational focus/attention** (0-100 scale)
- **Readiness to respond** (0-100 scale)
- **Significance to the rule of law** (0-100 scale)

The research targeted a representative group of IBA members, with a direct approach to its members and an emphasis on capturing high-quality data.

A range of legal professionals contributed their thoughts, including practising lawyers, legal academics, and members of the judiciary, as well as legal technologists, business services professionals and law students. In total, we received 125 fully completed responses from the following groups and regional fora:

Q109 – Which IBA regional forum most closely represents the jurisdiction in which you are based?

	%	n
European Regional Forum	47	59
Asia Pacific (APAC) Regional Forum	24	30
North American Regional Forum	15	19
Latin American Regional Forum	9	11
African Regional Forum	3	4
Arab Regional Forum	2	2

Total sample; unweighted; base n = 125

Q110 – Which of these descriptors most closely reflects your current role?

	%	n
Law firm partner	64	80
Academic	9	11
Non-law firm business services	8	10
Law firm associate	6	7
Other	5	6
Law firm business services	4	5
Regulator	2	3
Judge	2	2
Not provided	1	1

Total sample; unweighted; base n = 125

Executive summary

Our inaugural ‘Future of Legal Services’ report highlights the dominant challenges facing the legal sector right now and predicts how these challenges may shift in the medium and long term. Our goal is to provide a barometer on how effectively the industry is responding to challenges and to highlight the areas in need of greater attention.

The data points to a trend which readers may expect – that challenges under the ‘people’ pillar are truly dominant in terms of the expected impact in the short term – and that is matched by the ‘attention’ they are receiving at the organisational level.

Talent attraction and retention sits alongside the management of remote work as challenges that respondents expect to be impactful in the short term, but which also maintain their impact through to the medium and long term. An increased focus on work–life balance and concerns about working hours and the mental health/wellbeing of professionals will start to impact the sector in the medium term, almost as much as talent attraction and retention.

These phenomena are not new challenges and the majority of readers will likely recognise them within their own organisations – indeed, the data suggests a reassuringly high level of attention being paid. However, it also highlights that the industry is still grappling with solutions, as ‘readiness’ to respond is deemed to be far lower than the attention being paid to these challenges.

The data demonstrated further nuance within the ‘people’ issues and a greater intersection with the ‘S’ elements of the emergent ESG concept. A drive to increase the diversity in the profession (and make it more representative of the communities it serves) showed considerable growth up the agenda between the short and long term – as did the provision of support for those professionals who have caring responsibilities, the latter a phenomena likely to accelerate disproportionately around the world as societies grapple with changes to their domestic populations and immigration policies.

These themes are indicative of a wider shift the data predicts – that of the increased demand to embed ‘ESG’ principles into organisational practices. This is among the most significantly increasing impact areas of all the tested themes from the short to the medium term – and it is a theme which is predicted to be positioned almost equally to financial performance and profit within five years.

The triple bottom line of ‘people, profit and planet’ would appear set to underpin the organisational focus in the coming years, however a potential disruptor to the norm is also clearly emerging in the form of AI.

The use of AI and technology to deliver client services sits relatively latent in terms of the predicted short-term impact – it doesn’t even make the top ten 12-month impact areas (although it should be acknowledged that this survey data was captured before the likes of ChatGPT and Google Bard began dominating the headlines).

However, what is clear is that AI/tech is the one area that should demand the most focused attention from the sector, as readiness is extremely low relative to its predicted medium- to long-term impact – which is extensive.

AI is a phenomenon which, like the triple bottom line, is likely to transcend a number of other challenge areas across the sector; its impact on talent – both displacement and technical skillset or training changes – will be significant, as will the regulatory frameworks it may operate within and potentially its ability to fairly represent society. Critically, it’s one of the few areas that respondents commonly reported as high impact, but also requiring of a proactive industry response to help preserve the rule of law – something which is arguably lacking at present.

Themes within the ‘rule of law’ pillar do not feature highly as impact areas across any of the tested timescales, nor do they attract high levels of attention or perceived readiness. However, the data suggests the industry recognises their significance and the need to be proactive in how it responds to these challenges (above more prevalent impact areas). What the data indicates is strong awareness, but a distinct lack of alignment with who ‘owns’ this issue, and where the responsibility lies in addressing it.

Clearly, talk of short-, medium- or long-term impact is not immediately helpful in and of itself; although embedding ESG principles and the use of AI/technology are not expected to be highly impactful until our medium-term timescales, this does not suggest that the challenge can be set aside until the time comes. The real challenge is where to direct limited financial, human and political capital when there are a myriad of people challenges, client demands, business issues and rule of law considerations to grapple with at once.

As part of this report, we will attempt to frame how organisations and the industry could be responding to some of these challenges – as well as new ones not yet identified – from the process of discovery and identification, through to strategy development and refinement, and finally execution against such strategies. Many of these challenges require a response from the whole of the organisation, and while leaders hold ultimate responsibility, it’s teams which will have to step up and meet the challenges – and this report outlines recommendations on which groups should be responding to each area.

Key findings at a glance:

<p>Top five short-term impact areas:</p> <ul style="list-style-type: none"> • Attracting and retaining talent • Remote working (three plus days) • More demanding client expectations • Financial performance and profit • New joiners adequately trained 	<p>Short to medium-term biggest risers*:</p> <ul style="list-style-type: none"> • Use of AI and technology • Demand to embed ESG principles • Work–life balance and working hours
<p>Short-term focus areas*:</p> <ul style="list-style-type: none"> • Attracting and retaining talent • Financial performance/profitability • Corporate management practices • Work–life balance/working hours • More demanding client expectations • New joiners adequately trained • Remote working (three plus days) • Mental health/wellbeing 	<p>Medium to long-term biggest risers*:</p> <ul style="list-style-type: none"> • Drive to increase diversity in the profession • Support for those with caring responsibilities

*Where the issue sits within the top ten

Highest impact areas

To set the scene and apply context to the longitudinal challenges facing the sector, all 27 tested areas were reduced down to the four main pillar areas: people, client, business and rule of law issues. Taking the collective impact (no impact/some impact/high impact) and scaling the responses to provide a numerical average allows us to directly compare the impact levels across the pillars.

27 sector challenges tested

Across four main pillars

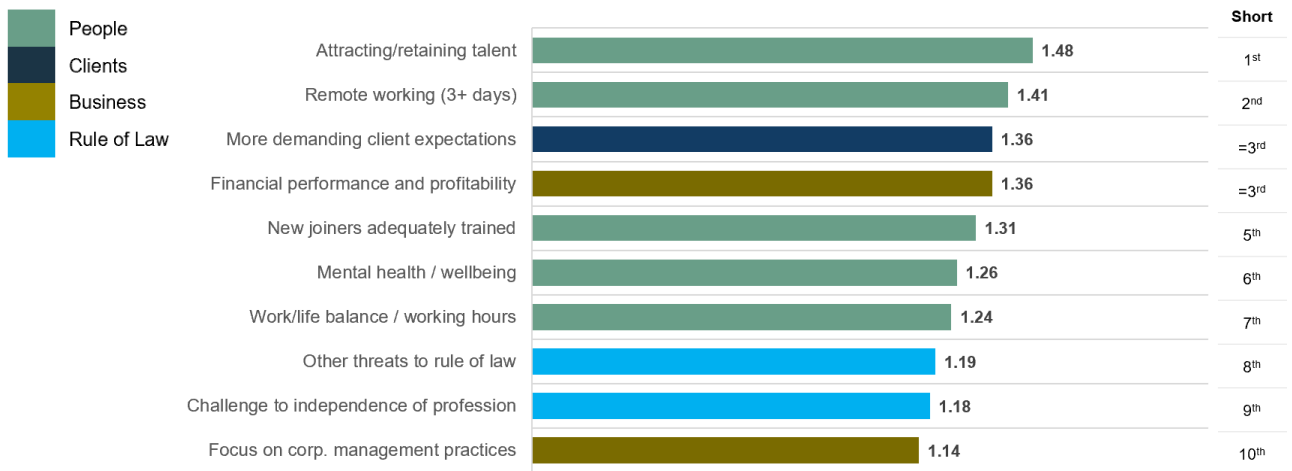
As the heatmap below clearly shows, ‘people’ challenges have the greatest potential to disrupt over the short, medium and long term, with the challenge compounding through to the medium and long term (though the general perception is that all challenges tend to increase over time). Client-based challenges start to pick up significantly into the medium term, driven largely by the growth of AI/tech in client service, as well as more demanding clients generally.

Business issues tend to be deemed as having a more limited impact on average across all time periods, however this doesn’t reflect the full picture. Financial performance and profitability (a ‘business’ theme) is one of the top impact areas in general, with this pillar’s average somewhat diluted by areas of more limited impact, such as non-lawyer investment in law firms and changes in governance structures.

Average of constituent parts – core pillar areas*				
Impact of challenge:	People Issues (avg. of 8 areas)	Client Issues (avg. of 5 areas)	Business Issues (avg. of 8 areas)	Rule of Law Issues (avg. of 6 areas)
Short Term (1 year)	1.19	1.10	0.93	1.02
Medium Term (5 years)	1.49	1.39	1.21	1.26
Long Term (10 years)	1.54	1.47	1.32	1.34

*Number = Mean average of the combined parts of each pillar (No impact=0, some impact=1, high impact=2
Max impact =2.0) (Darker colour = higher average impact)

Zooming in more closely helps us unpack some of the macro-level trends above and provides a more detailed view of what the industry expects to be grappling with across different time periods.



It is important to reflect that all of the 27 tested areas are expected to impact the sector to a degree and, to a greater or lesser extent, the relative difference in impact levels may be quite narrow. Looking at the top ten short-term impact areas in order, we can see the dominance that people issues have on the agenda right now. Five of the top seven issues sit within the people pillar, with talent attraction and retention right at the top.

Regional Focus

In the short term, attracting and retaining talent is the fourth highest impact area in North America compared to the first in Europe and APAC.

Across these three regions, the following all appear in the top five:

- Attracting/retaining talent;
- Remote working; and
- More demanding client expectations.

Notably, dealing with remote working is still seen as a huge impact area, with nearly half of respondents describing it as a high-impact area and less than one in ten predicting no impact. Three years on from the start of the Covid-19 pandemic and widespread remote working, most organisations have policies in place to deal with flexible/agile working, however the data shows that these policies are not necessarily on firm foundations and the challenge of dealing with remote working is still receiving significant attention from the industry.

Biggest risers in impact (within top ten)

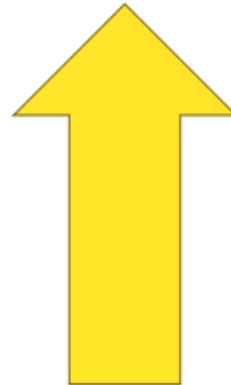
Short → Medium term



1. Use of AI/Tech in client services (14th to 2nd)
2. Demand to embed ESG principles (15th to 9th)
3. Work/life balance and working hours (7th to 3rd)

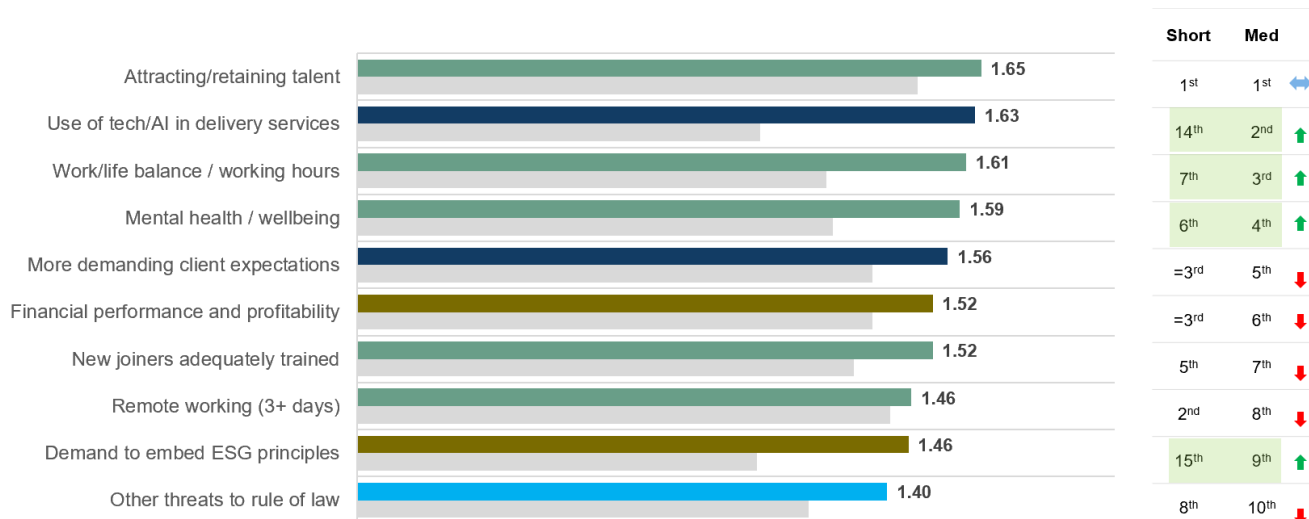
Biggest risers in impact (within top ten)

Medium → Long term



1. Drive to increase diversity of profession (16th to 10th)
2. Support for those with caring responsibilities (11th to 8th)

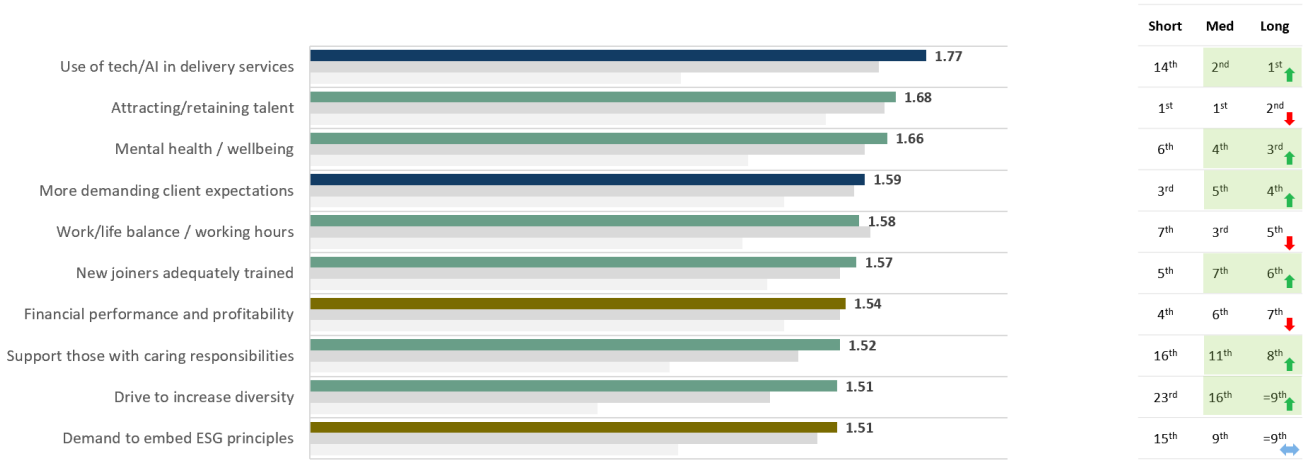
Moving to the medium-term impact starts to show a different picture in terms of the predominant challenges. People issues remain high across the board, making up half of the top ten, however the relative order is now shifting. The work–life balance and working hours has risen considerably from seventh to third on the list, with the mental health and wellbeing of legal professionals also rising. On the other end of the spectrum, the issue of remote working has dropped from second to eighth, with the expectation that the impact will have lessened over time.



What is clear is that the biggest shift is the huge growth in AI/tech in the delivery of client services, moving from fourteenth in the short term to second in the medium term, which is now proportionate to the challenge of attracting and retaining talent.

Another key shift is the demand to embed ESG principles within organisational practices, which enters the top ten in the medium term from fifteenth in the short term, as organisations expect to be applying a wider focus to responsible business practices over the next five years. This helps to explain the aforementioned rise in work–life balance and mental health among legal professionals. As organisation’s grapple with ongoing people challenges, some of the key tenets of responsible business practice overlap at the intersections.

Naturally, any shifts from the medium (five years) to long term (ten years) are far less predictable. The macro-level events and changes we have all seen over the last five years serve as a reminder that events can dictate organisational priorities, however the long-term focus is still critical to underpin organisational strategy and inform what the shorter-term priorities should be.



Our data continues to point to a general rise in the impact of most of the key challenges, but this growth is considerably less significant than expected between the short and medium term, the implication being that these challenges will need to have solutions well established before this future point is reached.

Directionally, we see the use of AI/tech in the delivery of legal services overtake talent attraction and retention as the single biggest impact area for the first time. At this point, over eight in ten respondents deem this to be a high impact area, with seven in ten stating the same for talent attraction and retention.

Regional Focus

In the medium term, North American respondents place tech/AI as the highest impact area, which drops to third in Europe/ APAC. Talent attraction/retention is in the top three across all regions, with APAC and North America focusing more on mental health and wellbeing, and Europe more on work–life balance and working hours.

Regional Focus

In the long term, North America, Europe and APAC all place tech/AI as the highest impact area, with talent attraction/ retention second or third.

North American respondents also highlight access to justice and demand to make the profession more diverse in the top five, with concerns around mental health and wellbeing arising more in Europe and APAC.

Almost on a par with talent retention/attraction is the level of concern relating to the mental health and wellbeing of legal professionals. Again, this points to an increasing focus on the responsible business agenda, with other data points helping to support this idea. The drive to increase diversity in the profession and also the provision of support for professionals with caring responsibilities are now firmly within the top ten and show above average growth in impact between the medium and long term. People issues remain key, but the balance starts to shift away from the tactical challenge of retaining and recruiting talent to tackling more of the underlying issues that contribute to this challenge overall.

Support for those with caring responsibilities is a particularly interesting data trend seen in this year's survey and shows recognition of the changing demographics (particularly in many advanced economies with mature legal sectors) where working-age populations are proportionately decreasing, with increased pressure from both infants and elderly care falling on a smaller number of people, especially women. As the war for talent continues, this is likely to prove to be a key battleground for employers to differentiate their packages with enhanced policies to support those who find themselves in a planned or unplanned carer role at certain points in their careers.

The inference for those organisations already taking the lead here is that it makes good business sense to do so: the pressure on talent retention supports the narrative that policies designed to prevent attrition offer a good return in a direct sense, but also offer less immediately tangible benefits in terms of an organisation's responsible business credentials. Moving the needle on the retention of specific groups (eg, women) is another potential prize here and client demand to demonstrate increased diversity in team make up (especially showing balance across seniority levels) is beginning to influence organisational strategy around parental and caring policies.

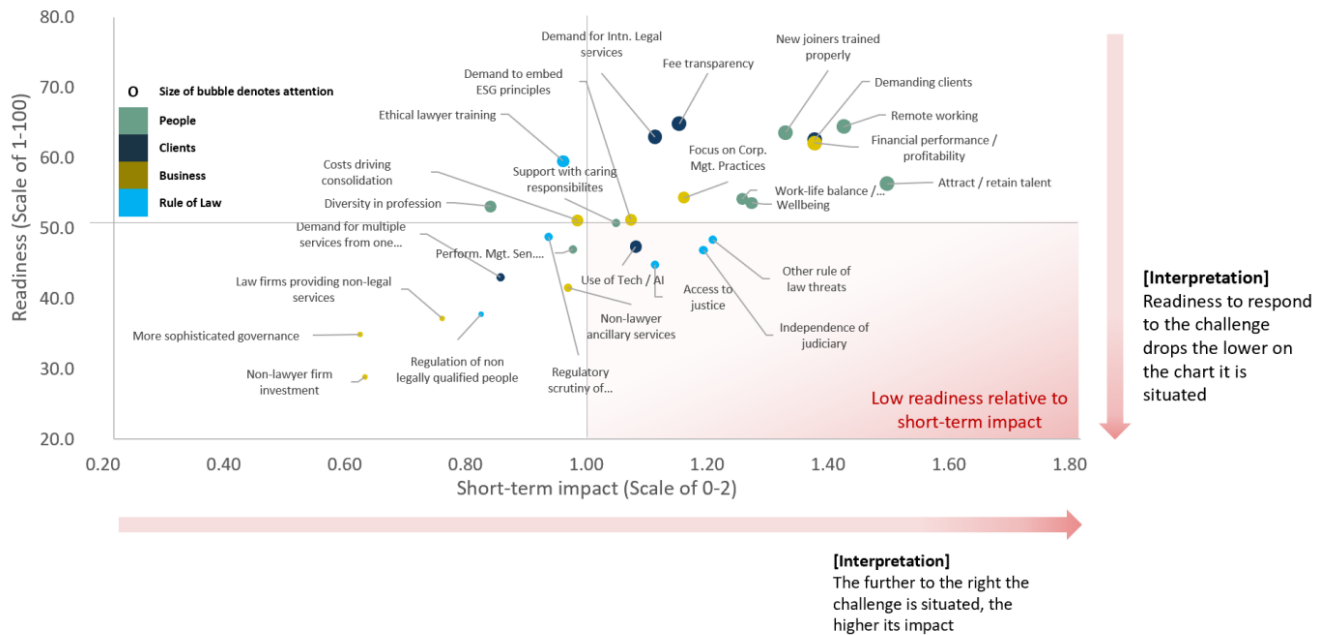
Sector readiness

We have laid out predictions around the impact of the key challenges that the industry will be facing over the short, medium and long term. To a greater or lesser extent these challenges are fixed, they are unlikely to disappear whatever mitigations organisations put in place. The key area of interest is how much attention they are receiving from organisations and the level of preparedness to deal with or mitigate the biggest challenges.

To unpack this, we have analysed each challenge at the intersection of three metrics:

1. Likely impact;
2. Attention received;
3. Readiness to respond.

Taking all 27 challenges together, mapping these three metrics shows a relatively even and predictable distribution, where broadly speaking the lowest impact challenges are receiving the least attention and have the lowest levels of readiness (and vice versa for the highest impact challenges). However, more detailed analysis shows far more nuance in what the data is telling us.



Horizontal (X) axis: average short-term impact (no impact = 0, some impact = 1, high impact = 2, max impact = 2.0).

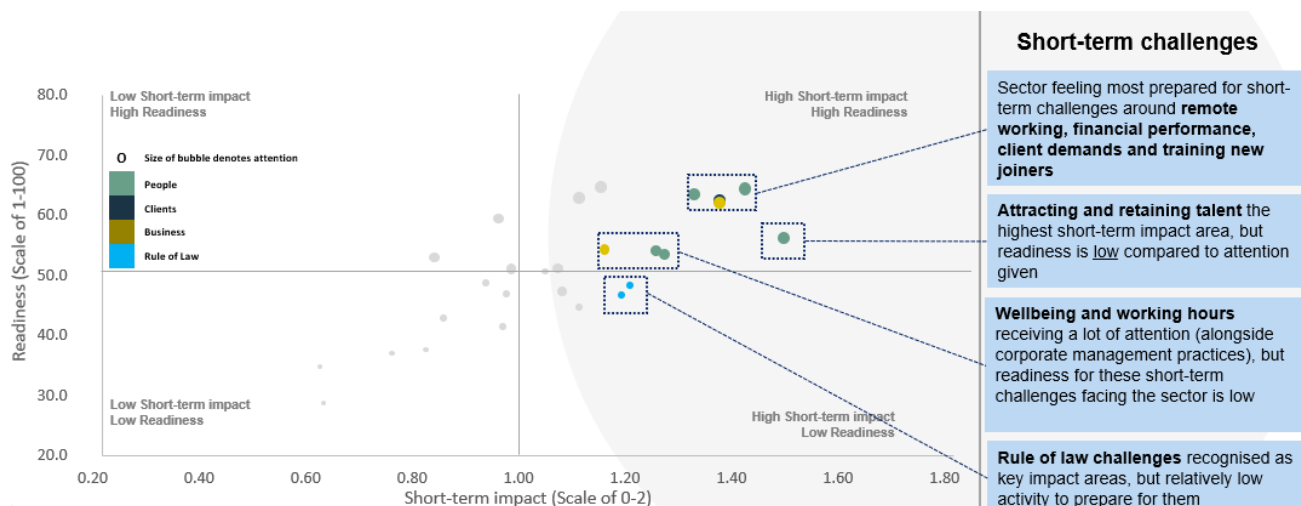
Vertical (Y) axis: average reported readiness (0 = zero readiness, 100 = completely ready).

Talent getting lots of attention, but readiness not keeping pace with the challenge

As one might expect, the sector is feeling most prepared for short-term challenges around remote working, financial performance, client demands and training new joiners. These are the top five challenges and are receiving elevated levels of attention as a result.

However, despite this attention, the highest impact short-term challenge (attracting and retaining talent) has very low readiness at the corresponding organisational level. Indeed, the average readiness is only just over the halfway mark on our 0-100 scale suggesting that despite a recognition of the scale of the challenge, the search for (and implementation of) solutions is still very much ongoing.

Similarly, challenges around mental health, wellbeing and working hours are generating relatively elevated levels of attention but are sitting lower than optimum on the readiness scale.



Lack of industry ownership around 'rule of law' principles

The anomaly in the data sits around the 'rule of law' pillar. Challenges to the independence of the legal profession and other threats to the rule of law are two challenges that the industry places relatively highly in the short-term impact scale, but which are receiving comparatively low levels of attention, as well as readiness to respond. Compared to many other challenges, the commercial impetus to respond to these challenges is likely to be lower, as is the level of clarity on where or with whom the responsibility lies for tackling the challenge. It should be highlighted at this point that the vast majority of respondents to this survey work within law firms. Indicative trends from other respondents show relatively more attention being paid to these concepts than from the commercial law firm contingent.

Challenges are typically increasing over time

Moving to the medium and long term, the clearest message from the data is that the impact of key challenges is trending towards an increase rather than any decrease. However, beyond the medium term these increases do slow down significantly.

Clearly, exactly what organisational attention and readiness will look like in regards to these challenges is hard to predict beyond the short term (as such, these visuals remain purely indicative), but analysing the data in this way does help us frame where the likely gaps will emerge and where the attention needs to increase over time to mitigate the challenges that are growing.

Concepts around employee wellbeing, mental health and to an extent their links to working hours are recognised as challenges today, however our data map predicts that these challenges will be almost as stark as talent retention (and in many ways fundamentally linked) by the medium-term five-year point. It's clear that there is a need for the level of preparedness to improve to tackle these issues as they grow.

A key business shift is also evident in the data around responsible business activities. The demand to embed ESG principles within organisations shows a high degree of attention and significant growth between the short and medium term. Currently, this still sits as a somewhat polarising concept across

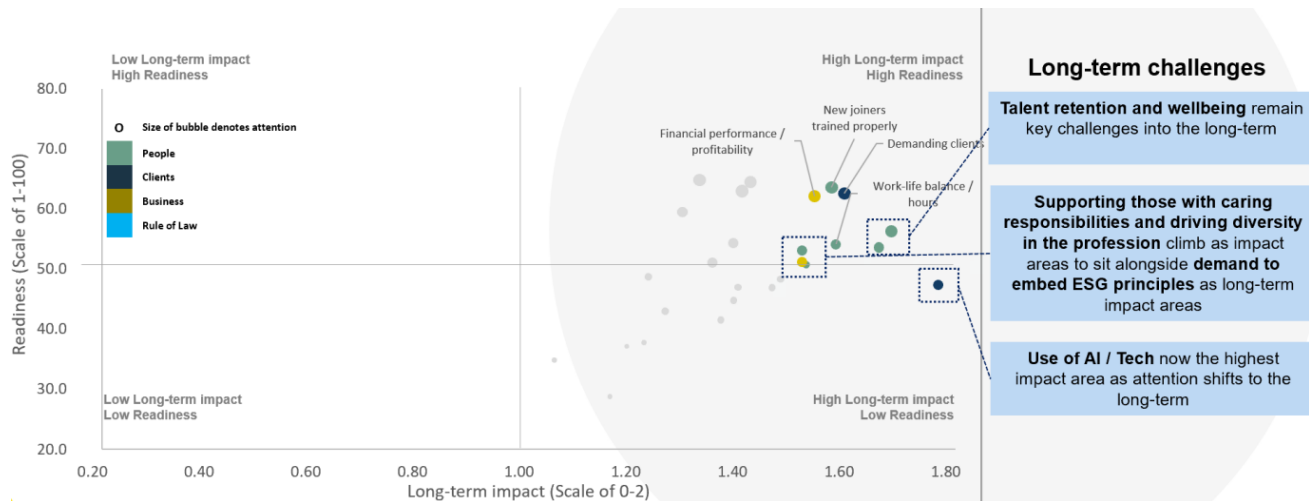
the legal industry and one which attracts differing perspectives as to its importance from region to region and even within the same organisation. The data, however, shows us that the momentum is moving towards embracing the concept – whether this is driven by a desire to ‘do the right thing’, a tactical response to internal and external stakeholder demand, or a more strategic approach to gain a competitive advantage, is beyond the scope of this research – but it also tells us that institutions need to convert attention to action in the coming months and years.

AI may underpin industry change across a vast range of areas

The use of AI and technology in the delivery of client services is the biggest shift by far. From the short to medium term, the rise is enormous, from the fourteenth biggest impact area to the second and rising to the first by the long term. Preparedness is clearly very limited here and organisations need to shift their mindsets at pace to develop a strategic response. Only a few years ago, AI was largely viewed conceptually and with limited direct engagement save for some alternative legal service providers, or ‘new law’ outfits, and a small number of large law firms adopting AI in the periphery of their mainstream operations. This explains the lack of perceived readiness, despite the relatively high attention.

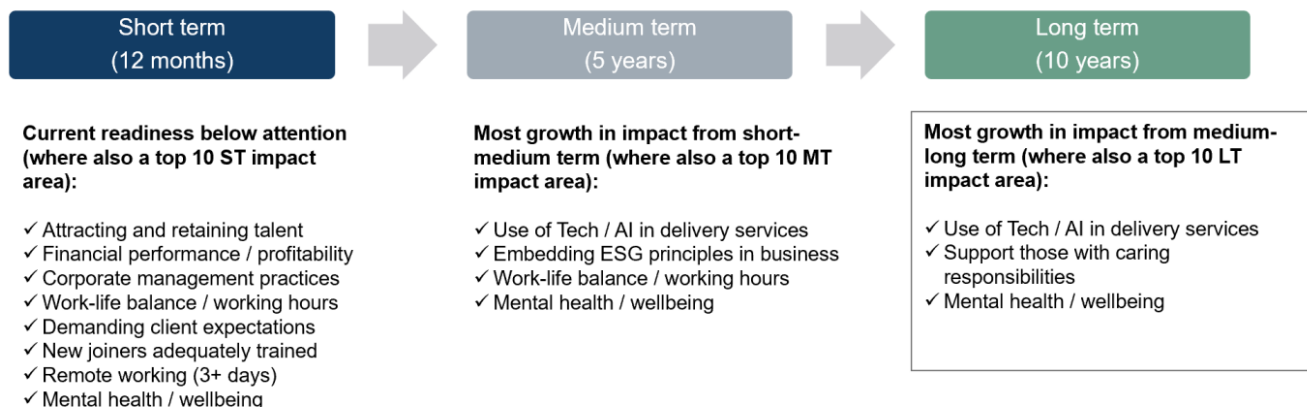


The data clearly shows that organisations recognise the need to focus attention on this area. Unlike other challenges, AI needs to be addressed as something which may underpin industry change across a wide range of challenging areas. For example, the talent dynamic is impacted in terms of potential job displacement and retention ratios, skillset changes and working hours. Business models may need to shift to accommodate client demands around efficiency, value propositions and ratios of outsourced work. Then, wider rule of law challenges emerge around regulatory scrutiny of AI, independence, bias and ethical development, as well as human oversight. Of course, not all change is likely to be negative, but how the industry adapts, whether it resists or embraces the change and the extent to which it can respond collectively may have a significant impact on what the industry landscape looks like in the longer term.



Preparing for the future

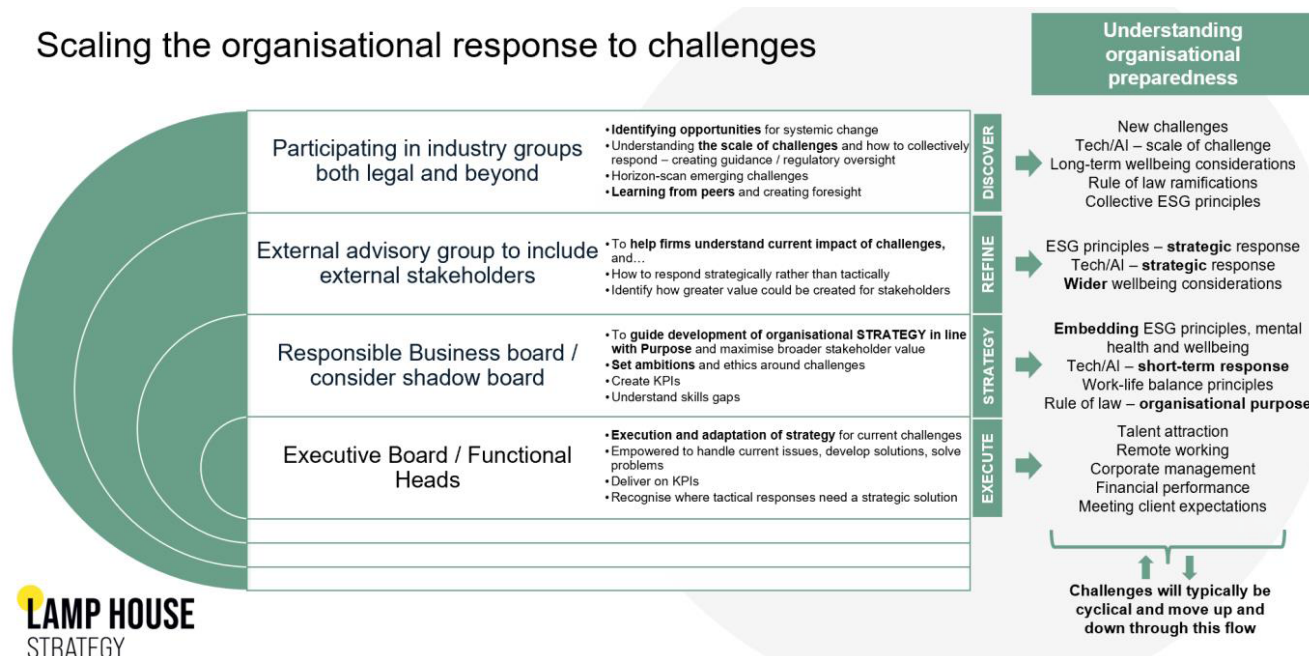
Organisational resources and the ability to change quickly are limited, however, many of the challenges faced by the industry need attention now, even if the impact is going to come further down the road. It is highly risky to view these issues as things that can wait to be tackled at a future date. Looking at the 27 core areas, we have broken them down into the immediate challenges now and then assessed which are the core challenges that will see the most growth from the short to the long term.



Response framework

We have also developed a framework to help calibrate how organisations should be responding to the main challenges in a situation where, arguably, everything needs attention right away. The key principle for each organisation is to assess where they are on the roadmap, the significance of the challenge to the organisation and what level of response is needed right now. Our roadmap has four main focal points:

1. Discovery;
2. Refinement;
3. Strategy development;
4. Execution.



Discovery

The discovery phase is focused on understanding the nature and scale of existing challenges and identifying emerging challenges that may require a future response (as opposed to actively tackling challenges). This area is one that benefits from a collective view as opposed to occurring in isolation from one organisation to another. The goal is for organisations to develop foresight and to learn from their peers.

This phase of the response will transcend the legal industry, and active participation in groups from within and outside of the sector will enable learning to be absorbed from a wider knowledge pool, including organisations who may be seeing change sooner, first movers or industries that are already seeing the impact of emerging challenges.

Looking back to the 27 challenges we have identified and tested in this research, it is clear that many have moved beyond this phase (though challenges tend to evolve and foresight remains useful). We believe that the discovery phase should be helping to understand the scale of the AI challenge and helping to pre-empt and inform some of those transcending impacts mentioned earlier in this report. It should be helping organisations understand longer-term wellbeing considerations, as well as their own role in helping to tackle challenges around the rule of law. This phase can also help bring together collective responsibility business principles and develop common frameworks and targets to inform future ESG strategies.

Refinement

The Refinement stage is the bridge between discovery and strategy development. Once challenges are visible and better understood through discovery, this phase is about understanding how the challenges will impact the organisation itself, as well as its wider stakeholder group. This is not purely inward looking, as how an organisation is impacted by new challenges is significantly influenced by the views and needs of its core stakeholders.

This phase requires stakeholder engagement, whether it be internal people, clients, suppliers or other groups. The need to create value for these groups is critical.

This engagement is critical to provide the context to enable a strategic response that has the organisation's (and its stakeholders') best interests at heart. It helps to avoid tactical responses that do not adequately take into account the bigger picture. The risk of excluding this phase will vary depending on the challenges being addressed, but losing a competitive advantage and risking disengagement by developing a disjointed strategy that the organisation cannot rally behind are some of the main risks associated with not engaging with stakeholders.

Among others, this phase may be led or owned by an advisory group, which includes both internal and external stakeholders. Given the current challenge set, organisations may be looking at refining their responsible business practices and their likely impact in order to start to develop a strategy around adoption and response. The same may apply to wider considerations on how to tackle wellbeing challenges at a strategic level. Critically, it will assess the organisational impact of AI and where it sits in the existing and future strategy, incorporating the stakeholder voice to understand where value can be driven and the extent to which an organisation's developing strategy accounts for its people, its clients and the business need, as well as wider considerations.

Strategy

Having understood the stakeholder impact, this phase develops the strategic response of an organisation in line with its values, its purpose and the needs of its stakeholders. It is highly likely this brings its own challenges and compromises. Not every stakeholder will agree with the strategic direction an organisation has adopted, however the refinement phase has given voice to challenges and objections and the purpose is now to agree and commit to a direction or approach.

The role of effective leadership is clearly key and the organisation's stakeholders need to be brought along on the journey with a clear view of the end goal and direction, whether they have misgivings or not.

The theoretical shifts to the practical within this phase. An organisation needs to set its ambitions about where it wants to get to and clear objectives and KPIs to measure the progress made towards a target. Skills audits may be required to enable shortfalls in skills to be addressed and budget allocated to initiatives and programmes to support such initiatives. While organisational leadership is critical, developing a shadow leadership team in the form of a shadow board, or a dedicated responsible business board can help drive change, while ensuring stakeholders are brought along and remain engaged.

At this point, this phase may be addressing which ESG principles the firm is adopting and focusing on, or its role in wider rule of law challenges and how these relate to the firm's purpose and ambitions as a business. It may be developing specific initiatives to tackle mental health, wellbeing and work-life balance, and developing the organisation's short-term strategy around AI incorporation.

Execution

This phase is the most tangible and is about execution around an agreed strategy, or feeding in new initiatives to support an ongoing strategy. It's where the executive board sets the direction and provides the functional heads with the remit, empowerment and tools to deliver against the organisation's goals. In turn, the functional heads and their reports need to be feeding back up the chain information on where new challenges are emerging that require strategic consideration, or where the realities of the business operations are running at odds with the strategic directives.

KPIs are critical to enable leadership to see progress and adapt to changes, and to ensure the needle is moving in the right direction to address the key challenges at play. Today, this is likely to mean focusing on the highest impact challenges: talent attraction and retention, remote working, financial performance, and ensuring client expectations are fulfilled.

Clearly these phases do not exist in lockstep and the challenges in play will flow up and down this model dynamically. Today's understanding of the organisational impact of AI may be tomorrow's talent retention challenge. Applying a model and hierarchy in the response to challenges moves organisations away from seeing challenges as things to tactically resolve, shifting the perspective to seeing challenges in the context of an organisation's purpose, its ambitions and the longer-term needs of its stakeholders. It helps shape an approach to challenges that accounts for the direction of travel on broader themes, such as the responsible business agenda and the growth of AI, helping ensure the whole organisation is pulling in the same direction.

We are extremely grateful to the individuals who took the time to participate and provide their perspectives on the key challenges they face in their organisations. We intend to make this report an annual publication and hope we can rely on the support of those who read this report to participate next year. The three principles to continually improve on this research are set out below:

- **Using less of your time.** *We will make the participation process easier, more flexible and shorter.*
- **Longitudinal data only where it adds value.** *Next year's questions will look different. We will repeat key questions to track changes, but will introduce new areas to keep the research relevant and useful.*
- **Quality over quantity.** *We aim to expand our coverage, but not at the expense of quality. Our report will be built on reliable, robust data.*



the global voice of
the legal profession®

International Bar Association
Chancery House, 53–64 Chancery Lane
London WC2A 1QS, United Kingdom
Tel: +44 (0)20 7842 0090
Fax: +44 (0)20 7842 0091
www.ibanet.org