

WHITE PAPER

THE LEGAL WORKPLACE 2020

BATESSMART™



In 2013, Bates Smart published our first White Paper – The Legal Workplace. The data in this paper predicted changes to the legal workplace over the next four years - all of which have proven accurate.

In this paper, we update our key findings and look to the next four years.

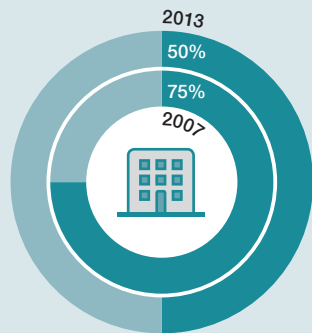


KEY FINDING 1

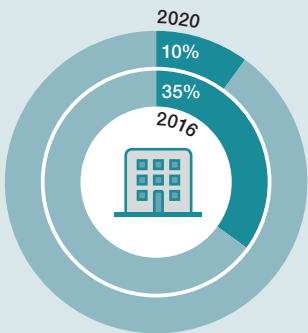
- Open plan
- Office

Lawyers are leaving their offices

INCREASINGLY, LAWYERS OF ALL LEVELS ARE LEAVING THEIR OFFICES AND EMBRACING AN OPEN, COLLABORATIVE AND FLEXIBLE WORKPLACE.



In 2007, 75% of legal staff were in offices. By 2013, this had decreased to 50%.



By 2016, this has reduced again with only 35% of legal staff remaining in offices. We forecast that by 2020, only 10% of legal staff will occupy offices.

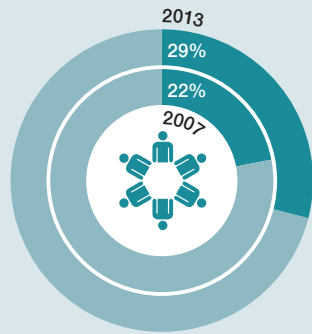


KEY FINDING 2

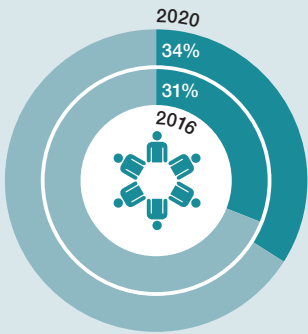
- Business wide collaboration spaces (as a % of total area)

Lawyers are sharing space

LAWYERS ARE SHARING SPACE MORE THAN EVER, BUT NOT IN THE SAME WAY AS OTHER INDUSTRIES. THE LEGAL WORKPLACE REMAINS A PLACE FOR FOCUSED WORK, AND COLLABORATION OCCURS ELSEWHERE, OFTEN IN MEETING ROOMS.



In 2007, only 22% of the legal fitout was dedicated to business wide collaboration. By 2013, this grew to 29% of the total area.



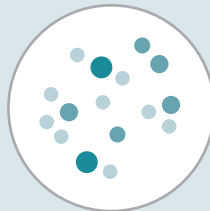
Between 2013 and 2016 this has increased by only 2% and we forecast that by 2020 this will reach 34%. Evidence suggests that how this space is used will change. Staff will require less local meeting rooms and more informal collaboration spaces as they acclimatise to new spaces.



KEY FINDING 3

A new model has emerged

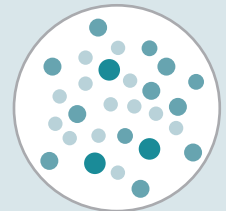
IN THE NEW LEGAL WORKPLACE MODEL, TEAMS ARE MORE FLEXIBLE AND MOBILE. TRADITIONAL SILOS ARE BREAKING DOWN. THIS WORKPLACE HAS A HIGHER DENSITY, ENABLING FASTER KNOWLEDGE SHARING IN A MORE COLLEGIATE ENVIRONMENT.



2007
24sqm pp



2016
16sqm pp



2020
10-12sqm pp

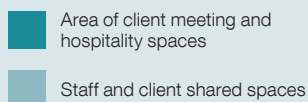
We forecast that by **2020**, some legal workplaces will start to approach **12sqm** per person. While some firms will experiment with denser layouts up to **10sqm** per person, their teams may find this challenging.



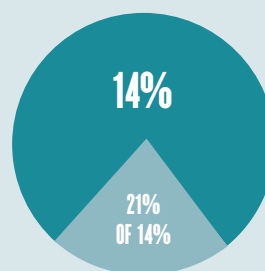
KEY FINDING 4

The hospitality revolution is here

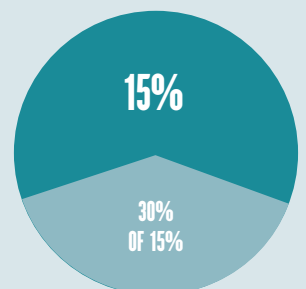
LAW FIRMS ARE DEVELOPING CLOSER TIES BETWEEN THEIR STAFF AND CLIENTS, CREATING A MORE PERSONAL EXPERIENCE. THE RESULT IS AN INCREASE IN HOSPITALITY SPACES FOR BOTH CLIENTS AND STAFF.



In **2013** legal fitouts dedicated **6%** of their total area to clients. None of this space was shared with staff.



By **2016** this area has more than doubled to **14%**. The growth in this space is mostly dedicated to client hospitality. Of the total client area, **21%** is hospitality facilities shared with the staff.



A small increase to **15%** by **2020** would align the hospitality provisions with the technology sector. Our data predicts a shift towards space sharing with **30%** of the area shared between staff and clients.

Source: Bates Smart Legal Workplace Database 2016



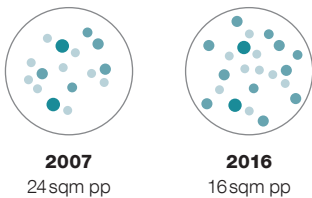
KEY FINDING 1

LAWYERS ARE LEAVING THEIR OFFICES

Law firms have been the last of the professional services industries to embrace a more flexible work environment, but that has changed and changed rapidly.

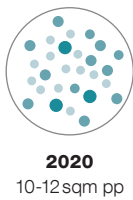
AREA PER PERSON IN LEGAL FIRMS IS DECREASING

From **2007** to **2016** we have seen the average area per person drop from **24sqm** to **16sqm**.



BUT SOME FIRMS HAVE GONE EVEN FURTHER

We have seen legal firms rival other professional services workplaces and decrease to **12sqm** per person. If this trend continues, this number could decrease to **10sqm** per person by **2020**.



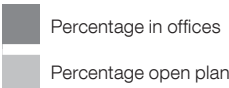
Source: Bates Smart legal workplace database 2016

CHANGES IN THE LEGAL WORKPLACE

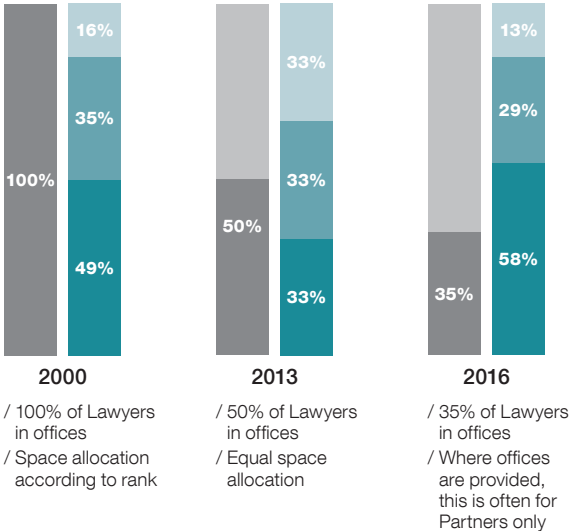
Over the last decade there has been a shift from hierarchical and cellular layouts to more open workplaces with an equal space allocation.

Those that have retained their offices have ensured flexibility is built into their workplace. Offices can convert to quiet rooms to allow firms to adapt to new ways of working over the lifespan of the fitout.

Offices vs open plan



Space allocation by rank



Source: Bates Smart Legal Workplace Database 2016



WHY ARE THEY CHANGING?

Increasingly law firms are creating a more functional and flexible work environment. This involves reallocating individually owned offices (me space) in favour of shared spaces (our space). There are three main drivers for this change.

Double threat

Law firms are facing a double threat – an uncertain global economy coupled with unprecedented competition.

The global firms have moved in and are here to stay, capitalising upon the relatively stable and strong Australian market and using it as a 'springboard' to our Asian neighbours.

An increase in competition has led to more fixed fee structures for legal work. Lawyers are looking to collaborative work methods to deliver efficiencies and believe an open plan environment can better support this work.

Knowledge sharing/social factors

The primary resource of a legal office is the combined knowledge and experience of its staff. Firms are looking to access this 'human database' rather than allow siloing to continue.

In addition, law firms work hard to attract and retain highly educated, experienced talent. Young staff want access to senior staff and their experience, valuing interaction rather than eight hours of isolated work – cellular office environments support neither of these demands.

The workspace as a business tool

Real estate is the highest cost to a law firm after salaries. Law firms have become increasingly aware that a significant percentage of their workspace is under-utilised and therefore overpriced.

The drive is for the tenancy to work harder, increasing the utilisation of all of the spaces, including individual work areas.

In addition, the legal workplace needs to remain flexible to support change. The firm needs the ability to change configurations without construction costs every time a team expands or contracts.

PICTURED
Corrs Chambers Westgarth, Brisbane,
informal breakout



KEY FINDING 1

LAWYERS ARE LEAVING THEIR OFFICES

‘Young talent is not interested in practicing law in the old way. Ask some 25-year-old law graduates how many of them enjoy sitting locked in a small office doing data reviews ... it’s a waste of money, brains and talent.’

Source: Michael Roche, Former Lawyer and Head of UK management consulting firm Kerma Partners, speaking at the 6th Annual Janders Dean Knowledge Management and Innovation Conference.

WHEN PLANNING A LEGAL WORKPLACE THE ALLOCATION OF OFFICES IS THE MAJOR TOPIC OF DEBATE

‘Having an office doesn’t necessarily give you quiet time.’

‘I need to hide from people if I want to get work done.’

‘Without my office my productivity will plummet’

‘I want people who are measured by the size of their brains not their office.’

Source: Quotes from Partners of major Australian law firms, obtained during briefing process

PICTURED

Allens, Brisbane, reception and client waiting area

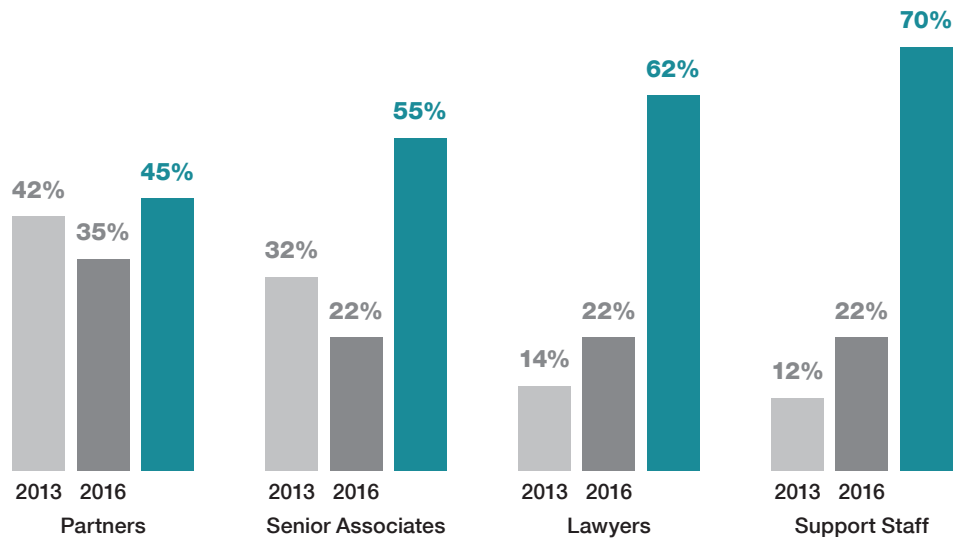


IN 2013, WE FOUND THAT THE MORE SPACE YOU OWN, THE LESS TIME YOU SPEND THERE

The amount of the workspace 'owned' by individuals charted against the amount of time spent at the desk.

BY 2016, THIS HAS CHANGED

As firms seek a more flexible model where workspace is interchangeable between different levels of staff, space for Partners and Senior Associates has decreased.



/ Partners and Senior Associates spend between **45%** and **55%** of time at their desk.
/ From **2013** to **2016**, we have seen their **space allocation decrease** in line with utilisation of space.

/ Lawyers and Support Staff spend between **62%** and **70%** of time at their desk.
/ From **2013** to **2016**, their space allocation has increased to reflect their additional usage and ensure greater future flexibility to the firm.

Source: Bates Smart Legal Workplace Database 2016



IN ADDITION TO CULTURAL CHANGE THERE IS A DESIRE TO GET MORE OUT OF THE WORKPLACE AS A BUSINESS TOOL

Legal firms are looking to get more use out of their office space rather than having large offices sitting empty for over half the day. Technology and workplace innovations are allowing greater flexibility in how and where lawyers work.



Isolation

1. Lawyers are noticing that the isolation of an office doesn't equal an ability to focus. Library zones and quiet rooms offer a greater ability to 'getaway' than staying in your office.



Focus



Confidentiality

2. Legal work is often highly confidential and the office was a way of securing paper files. However, the highly confidential banking sector has developed document management systems and digital networks that secure data whilst enabling mobility and open plan work.



Security



Paper storage

3. Advances in technology and e-filing mean that the office is no longer required to store walls of files. Lawyers are embracing the time saving and highly mobile attributes of digital record keeping.



e-filing



Hierarchy

4. While the corner office is still a sign of status and hierarchy for some, many high performance CEOs have gone free range, sharing their experience with their teams. With increasing rents and pressure on profits not having an office is a badge of fiscal honour.



Knowledge sharing



KEY FINDING 2

LAWYERS ARE SHARING SPACE

Aligned with the reduction in offices has been an increase in shared spaces. These spaces, such as breakout and team meeting areas, are aimed at increasing collaboration, networking and the breaking down of knowledge silos.

TRANSFER FROM INDIVIDUAL TO SHARED SPACE

Since **2007**, there has been an **18%** space transfer from individually owned to shared space.



2007

48% of space was individually owned with space allocated according to rank



2013

40% of space was individually owned and all office sizes are equal



2016

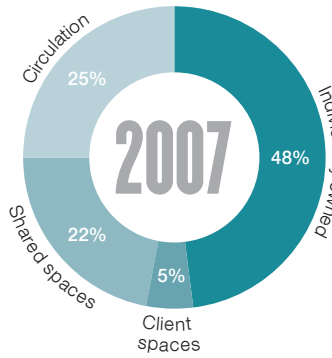
30% of space is individually owned and all workspaces are equal



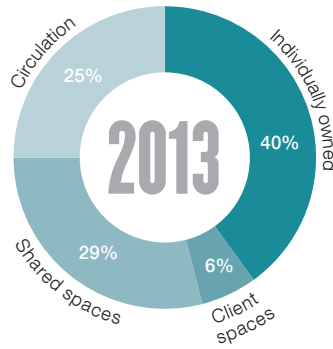
Source: Bates Smart legal workplace database 2016

SPACE ALLOCATION

Since 2007 there has been a dramatic increase in the amount of space dedicated to collaboration.

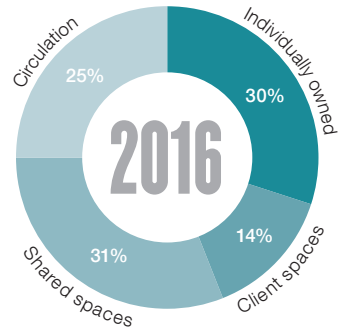


In **2007** individuals 'owned' **48%** of the floorplate versus **27%** allocated to shared and client spaces.



By **2013**, we see a shift of **7%** from staff spaces to shared spaces – only **30%** of the floorplate was allocated to the individual versus **35%** for client and shared spaces.

Source: Bates Smart Legal Workplace Database 2016



In **2016** this allocation of space has almost reversed the **2007** allocation. Only **30%** of space is individually owned and **45%** allocated to shared spaces. This represents a blending of spaces, as staff share their space with clients and clients share their space with staff.

WHY ARE THEY SHARING?

Over 5 years ago our data showed that employees in top performing companies spend 14% more time collaborating and 25% more time learning than those in average companies.

In addition, employees in average performing companies spent 9% more time in isolated focused work.

These top performing companies had 5% greater growth in profit and 4% greater growth in revenue.

Put simply: sharing pays

The new legal workplace understands this and is designed as a place for increased collaboration, knowledge sharing and innovation. Lawyers are working together to develop and share their knowledge base and client experiences.

The ambition for increased collaboration must not come at the cost of the ability to focus. This still remains critical for lawyers.

PICTURED

Dibbs Barker, Sydney,
breakout area / client and staff cafe





KEY FINDING 2

LAWYERS ARE SHARING SPACE

The reduction in the number of offices has created space for shared facilities: team meeting areas, large communal cafes, quiet and focus rooms.

FOCUS AND COLLABORATION

The increase in shared spaces since **2007** has been **tailored** to the changing requirements of the legal workplace.



Informal collaboration

80% increase in the provision of **2-4 person** meeting spaces



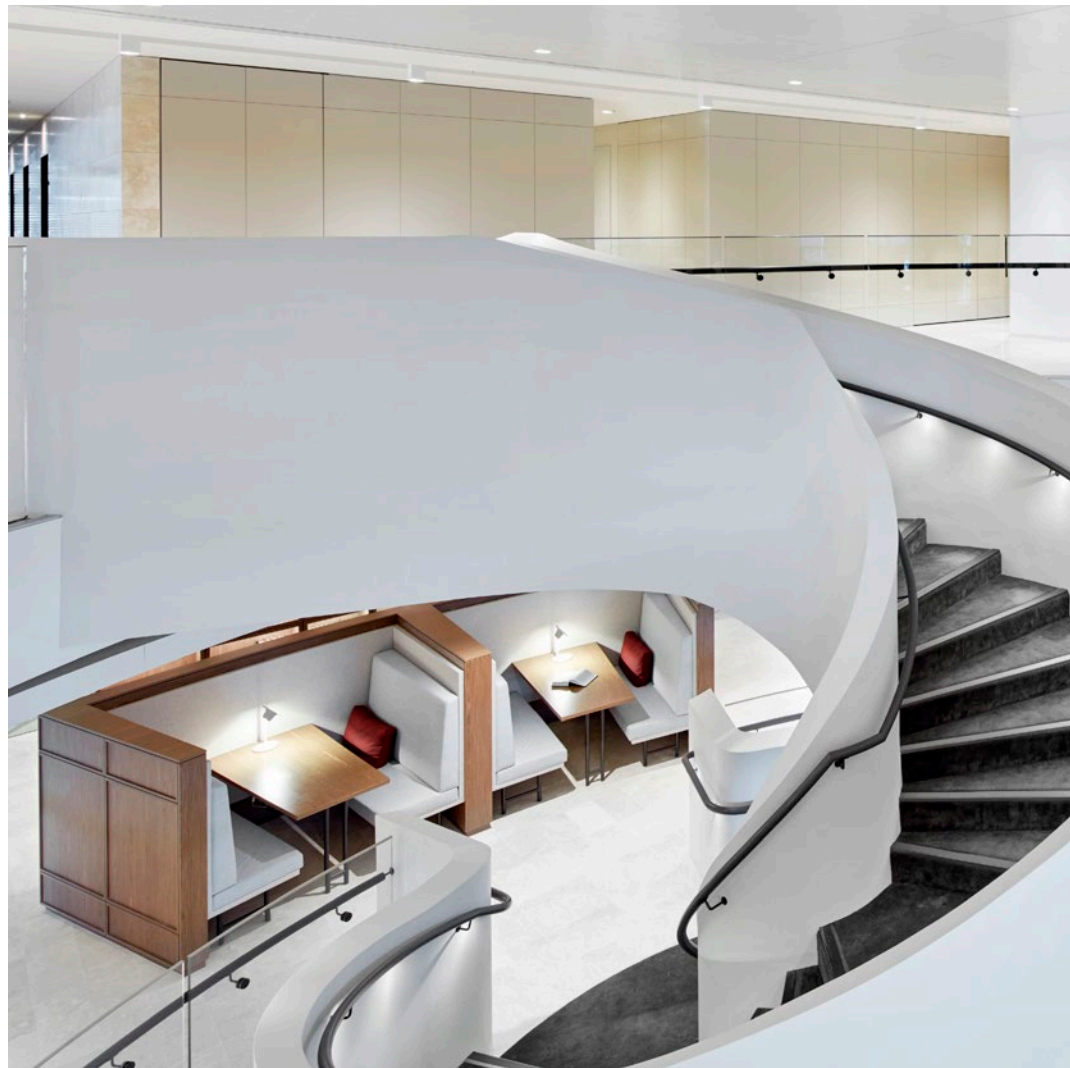
Social spaces

100% increase in the provision of **breakout/social** spaces



Focused spaces

500% increase in the provision of small **quiet, focus** rooms - replacing offices



Source: Bates Smart legal workplace database 2016

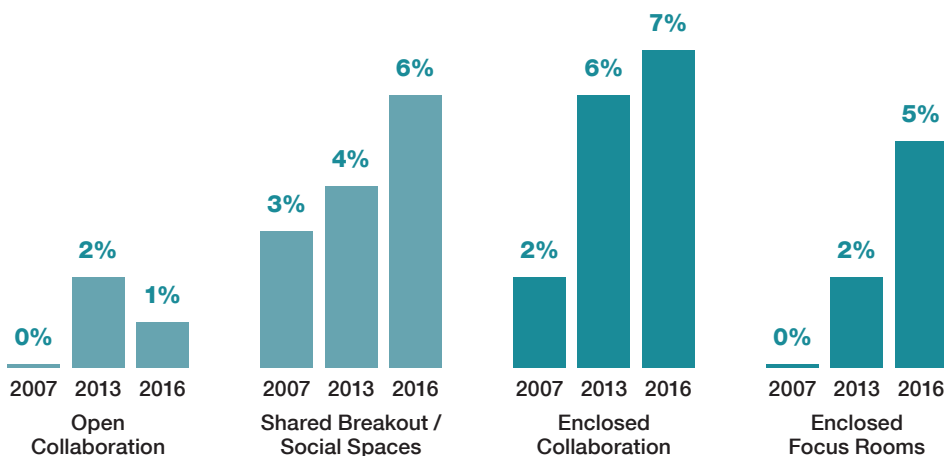
WHICH SHARED SPACES ARE INCREASING?

From 2007 to 2013 we saw an increase in both open collaboration and focused spaces. By 2016, open collaboration spaces have decreased by almost 50%.

Why?

Large open collaboration spaces are challenging for lawyers. They are too disruptive for those in the adjacent 'quiet' workspace.

Source: Bates Smart legal workplace database 2016



OPEN COLLABORATION SPACES - FROM 2013 to 2016

- / 50% decrease in open collaboration spaces
- / 25% increase in staff shared breakout / social spaces

ENCLOSED FOCUSED SPACES - FROM 2013 to 2016

- / 15% increase in enclosed collaboration spaces for team meetings on workfloors
- / 2.5x increase in 1-2 p focus rooms, in line with the shift of more lawyers into open plan.



HOW ARE THEY SHARING?

Since 2007 we have seen a significant increase in the number of shared spaces dedicated to team focus work.

Rooms such as case / war rooms where teams can embed themselves are key to supporting lawyers in open plan layouts.

As the cellular model breaks down we have also seen an emphasis on dedicated quiet rooms for individual focus work, away from distractions.

There has also been a change in the type of open collaboration spaces:

- / Small open collaboration spaces immediately adjacent to the workspace remain critical for quick informal discussions
- / Larger centralised hubs (breakout spaces / cafes) aim to draw staff together from different teams in both social and work modes
- / Open plan layouts give staff an immediate visual connection across departments – something that is difficult to achieve in corridors of offices.

PICTURED

Maddocks Melbourne, void and interconnecting stair

Following page:

Maddocks Melbourne, external terrace







KEY FINDING 3

A NEW MODEL HAS EMERGED

A new legal workplace model is emerging where teams are more flexible and mobile and traditional silos are broken down. This workplace enables team flexibility and knowledge sharing in a more collegiate environment.

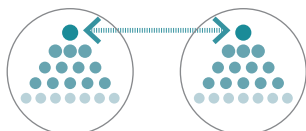
AN INTEGRATED WORKPLACE

Changes to the legal workplace accompany changes to the culture of knowledge sharing.



TRADITIONAL MODEL The fixed team

Siloed structure. This is the traditional legal model. Lawyers are allocated to a team and those teams work in isolation.



INTERMEDIATE MODEL The mixed team

Starting to break down the silos. This model encourages further interaction between practice groups but is limited to senior staff.



EMERGING MODEL Integrated teams

Silos are further broken down. All levels of staff develop networks to access expertise within the firm.

THE CHANGING STRUCTURE OF THE LEGAL WORKPLACE IS DESIGNED TO SUPPORT A NEW LAW FIRM MODEL

Traditional Model

In 2000 the Traditional Fixed Team was the dominant legal firm model.

/ This model had a clear division of teams within the firm (corporate, taxation etc) and a strong hierarchy within each team (Partner, Senior Associate etc).

/ This model was supported by a cellular environment with limited firm or team collaboration spaces.

Intermediate Model

Over time, firms have restructured with a view to increasing knowledge transfer, both within teams and between teams. This saw the emergence of a new model – the Mixed Team.

This model aims to encourage not only the top down transfer of knowledge but to also capture the benefits of different teams within the law firm working together and sharing their learning, experiences and clients. The workplace reflected these changes with the emergence of more shared spaces:

/ A larger client floor with team training areas and a large boardroom to cater for client and entire staff functions

/ Breakout hubs on each work floor aimed at bringing staff together

/ Team war rooms on each level aimed at accommodating both smaller meetings and high intensity work functions.

The challenge in this model is that it only encourages interaction between teams located on the same floor. Partners know who to contact to tap into an existing knowledge base, but interaction between others in the firm is minimal. Silos between teams still exist.

The Emerging Model

The Emerging Model aims to break down the remaining silos between all members of the firm so that every member of staff is aware of the function and capacity of, not only their own teams, but all other teams in the firm.

How? By opening up the workplace and allowing teams to be flexible and mobile, creating sightlines between floors and easy access via internal stairs, and by creating spaces to temporarily integrate team members who need to share knowledge and create a collegiate environment. We know this as the Integrated Team.

PICTURED
Opposite page:
Sparke Helmore,
staff and client cafe





KEY FINDING 3

A NEW MODEL HAS EMERGED

The Integrated Team layout provides a flexible arrangement of spaces which satisfy each of the work modes – focus, collaboration, learning and social spaces.



WHAT DOES THIS MODEL LOOK LIKE?

The traditional cellular fitout is replaced by open workspace clusters/neighbourhoods with good sightlines.

There is a plentiful distribution of open and enclosed collaboration spaces for both individuals and teams within close reach of work desks.

These spaces are designed to be flexible, modular 'built spaces' which are easily adjusted to suit the needs of individual practice areas or departments.

The benefits

The benefits of this layout are numerous:

- / Efficient use of floor plate
- / A more flexible and mobile work environment
- / Facilitation and encouragement of mentoring, skills development and real time knowledge sharing
- / A greater connectivity between staff, within teams and across practice areas
- / Open communication, creativity and innovation and skilled minds working together.

The challenges

For law firms (as with many industries) adopting a more open environment poses three main challenges:

1. Ensuring adequate acoustic separation
2. Finding privacy and quiet when required
3. Maintaining confidentiality.

These challenges are not insurmountable and can be solved by intelligent design:

- / Generous, customised desks with offset design to aid acoustics and privacy
- / A high ratio of quiet rooms as well as larger enclosed rooms for longer term use by teams working together
- / Technology for file storage and digital security, enabling ease of mobility between spaces.

Flexibility is Key

Many law firms are testing whether a more open environment will suit their workstyle and culture. As such, their workspaces are designed with maximum flexibility. Built space is designed to be interchangeable - a simple move of a desk can convert space from an office to a quiet room to a team room.

This design allows teams to select the way they want to practice from day one and to change or evolve over time.

PICTURED

Corrs Chambers Westgarth, Melbourne, interconnecting stair with meeting areas

Opposite page:

Dibbs Barker, Sydney, reception and client waiting area

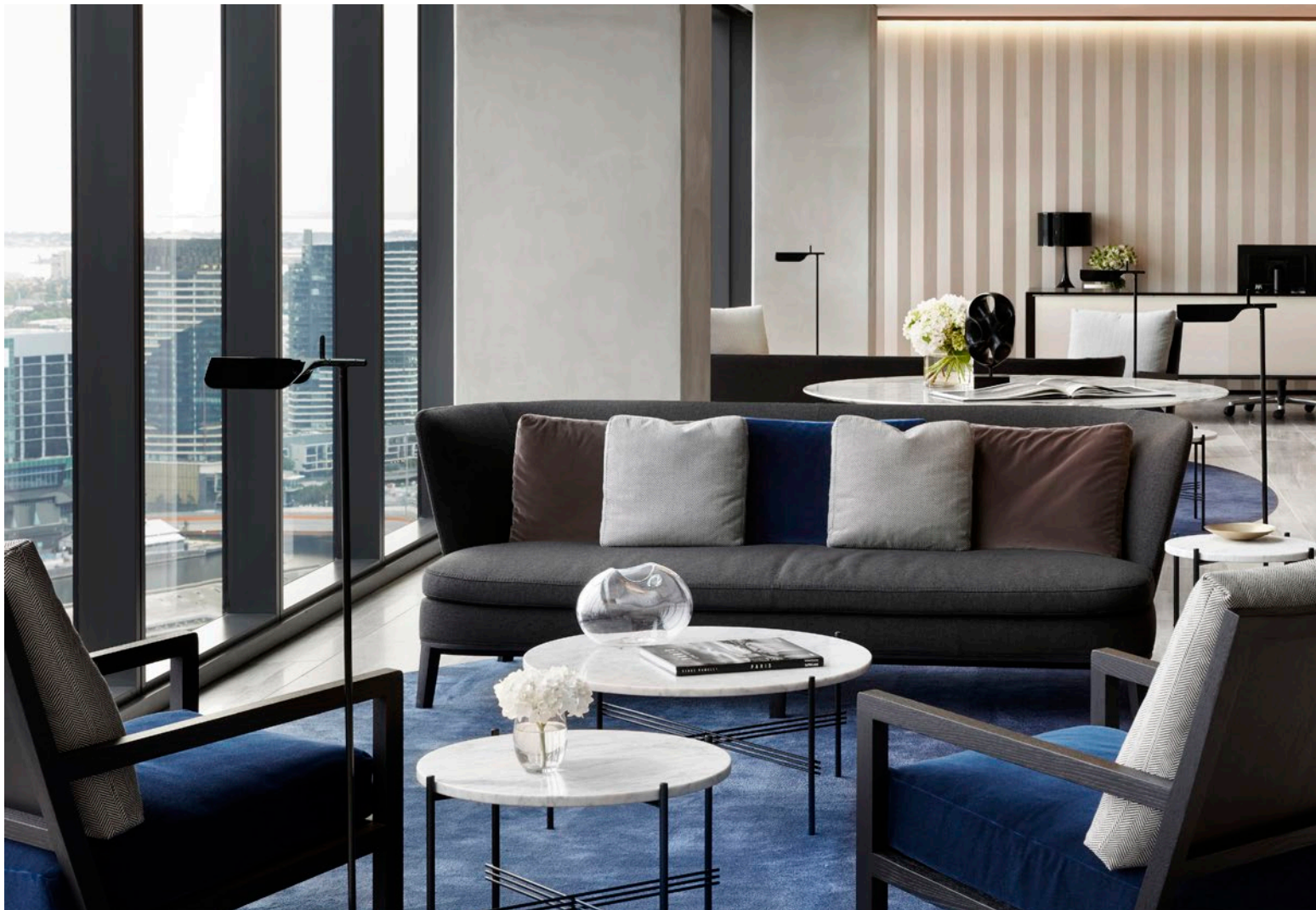




KEY FINDING 4

THE HOSPITALITY REVOLUTION IS HERE

As law firms look to strengthen client relationships there is a focus on in-house entertaining in signature spaces.



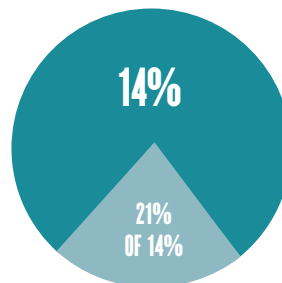
FRONT OF HOUSE CLIENT SPACES HAVE INCREASED SIGNIFICANTLY

Since 2007 the configuration of client spaces has changed dramatically. Previously this was a series of enclosed rooms isolated from staff. The new Legal Workplace offers a suite of front of house spaces that are often shared with staff.

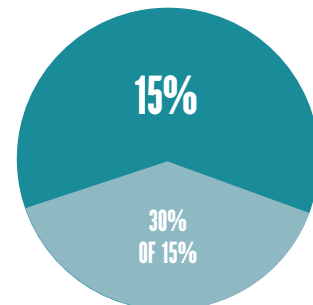
Source: Bates Smart legal workplace database 2016



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A small increase to **15%** by **2020** would align the hospitality provisions with the technology sector. Our data predicts a shift towards space sharing with **30%** of the area shared between staff and clients.



In our initial White Paper, we predicted “the hospitality revolution is coming”. Our database now shows it has arrived.

A RANGE OF EXPERIENCES

Law firms have always focused on their client's experience and we have seen their preference vacillate between in-house and external dining.

Over the past four years, the emphasis has been on a broader range of in-house hospitality offerings. Baristas, sky terraces and fine dining prevails as firms look to a personable and unique experience, akin to that of a five star hotel.

MEET OUR TEAM

Clients are looking to better know the lawyers with whom they work. They want to be part of a team whose business is not too different from their own.

To this end, firms are blurring traditional boundaries between staff and client areas. Staff are being invited to share some of the client hospitality spaces, signalling to them their value to the firm.

PICTURED

Corrs Chambers Westgarth, Melbourne, reception and client waiting area

Following page:

Corrs Chambers Westgarth, Melbourne, staff and client cafe

Ending page:

Corrs Chambers Westgarth, Perth, meeting room

Conversely clients are offered views into open plan work areas to display the depth of talent.

SHARING KNOWLEDGE

A resurgence in knowledge ownership has resulted in increased demand for large scale seminar and cocktail event spaces.

These areas require flexibility so they can be used throughout the day.

Using operable walls they often adjoin reception and open out for large client cocktail or town hall staff meetings.

These spaces can also open up further to the staff café / breakout space to create unique large scale entertaining spaces.

FLEXIBILITY

In all of these configurations flexibility is paramount. By combining key areas, law firms are both increasing their capacity for entertaining and increasing their space utilisation.

They are dedicating more space to client areas, but making it work harder.





LOOKING EVEN FURTHER AHEAD TO 2030 ...

Legal markets are undergoing disruption with new models of service emerging. There is pressure to decrease margins, increase productivity and improve client service standards.

What does this mean for the workplace?

LAW FIRMS CAN LEARN FROM TECH DISRUPTORS

While 'robo-lawyers' remain in the distant future many time consuming and routine legal tasks are already being automated.

To understand the impact of technology on the legal workplace, we look to other professions where technology has already had an impact.

THE FIN-TECH WORKPLACE

In the last five years advances in technology has revolutionised the financial workplace, coining the term fin-tech.

Fin-tech companies are now in a war for talent, trying to hire programmers away from tech firms. Their workplaces often look more like start ups as they huddle in stand up meetings and work in close knit teams.

While t-shirts and ping pong may seem a long way from the legal workplace, there are some striking similarities:

- / A similar workstyle requiring long periods of individual, quiet, focused work
- / Ownership by a group of partners who share equity in the business
- / Individual contracts for a broad client base ranging in size
- / The need to specialise across a wide variety of sectors

Which begs the question, how do fin-tech firms accommodate the future and is this relevant to law firms?

FLEXIBILITY IS PARAMOUNT

There is one certainty in this changing legal landscape; it will continue to change and evolve. The workplace model that a law firm selects today, will change in the future, often within the life of a tenancy.

Fin-Tech achieves this level of workplace flexibility with three key initiatives:

1. Agile Spaces - Technology workplaces ensure business agility with the ability to contract and expand their teams in different departments at the same time. For this to occur they need to minimise specialised spaces, but support unique requirements.

This is achieved with reconfigurable spaces. For example, an office can change to a meeting room in under an hour. This allows different teams to occupy the same kit of spaces in different ways.

2. Mobile Staff - The overall structure of firms will change. Divisions between practice groups will become more flexible. Teams need to be more mobile to flex or contract as demand for particular services arise.

Staff can easily move matter by matter to sit next to those with whom they work. Long term 'ownership' of desks and offices inhibits the speed with which teams can reconfigure. Storage is the key.

Storage = ownership = staff that are difficult to move.

By reducing and centralising storage, staff are less tethered to their desks and mobility is no longer a barrier to a project (or matter) based environment.

3. Space utilisation - If law firms commit today to a lease, they need to build in the flexibility to grow or contract in the future.

Flexible desking arrangements can allow a business to increase capacity by up to 20% just by adding chairs and monitors, and decreasing personal space.

This will require a high ratio of support spaces to offset the increase in density.

Also, key infrastructure such as reception or comms rooms should be located centrally within the stack, in case floors are sublet.

AS COST PRESSURES INCREASE, EVERY SQUARE METRE OF A LEGAL FITOUT WILL BE QUESTIONED AND NEED TO BE JUSTIFIED.

1. There will no longer be the space to store unnecessary paper and files, thrusting lawyers into the digital age.
2. Staff and social spaces will increase, but these will increasingly be shared across the entire fitout.
3. Many businesses share support functions with other tenants, reducing the demand for space. Building owners are increasingly offering large meeting suites to entice tenants.

Let's touch base again in 2020 to see if we're on track for 2030...





BATESSMART™

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URBAN DESIGN
STRATEGY**

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