How The Legal Market Is Changing and Why GCs Are Leading It

EPISODE TRANSCRIPT

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Daniel Hayter

Hello everyone, and welcome back to Axiom Insights on Legal Innovation. I'm Daniel Hayter, Managing Director and VP of Axiom in Europe. Today we're diving into regulatory innovation in legal services—a topic that's fundamentally reshaping how legal work gets procured, priced, and delivered. The regulatory landscape that has governed legal services for decades is evolving rapidly, particularly in the United States, and understanding these shifts is critical for general counsel navigating an increasingly complex market. I'm thrilled to be joined by Crispin Passmore, one of the foremost experts on legal services regulation globally. Crispin has been at the forefront of regulatory reform and market transformation for more than 20 years. He's advised global investors, innovative legal businesses, law firms, and startups on both sides of the Atlantic, and he's really the first port of call for anyone looking to invest in or navigate the US and UK legal markets. Crispin recently launched Passmore and Oliver Partners, a specialist global legal services strategy and regulation consultancy headquartered in the UK. His firm works with everyone from regulators and bar associations to investors and founders, helping them understand how to navigate complex regulatory environments while seizing opportunities for growth and innovation. Crispin, thanks so much for joining us today.

Crispin Passmore

Thanks very much for the invitation, Daniel. It's a pleasure to be here with you, and great to be doing this with Axiom, who I've worked with for years and years.

Daniel Hayter

It's great to have you. Before we dive in, I have to ask—I follow you on LinkedIn, and I've seen you going back and forth to the US several times over the last few months. While you're bouncing between continents that frequently, what's your strategy for staying grounded and productive?

Crispin Passmore

I'm hardly a well-being guru—anyone who knows me knows that's not true. You've just got to get on with it. It's not that far; it's a six or seven hour flight to New York. Get some sleep, meet decent people, spend time with clients you like, and most of the travel settles into the background quite easily. New York's a great city, although it's probably a bit cold for me to go there this week.

Daniel Hayter

A bit snowy too, I think. When you're doing all that traveling and meeting clients and regulators, what's the biggest shift you're seeing in legal services and in how GCs are procuring those services? What are the top themes?

Crispin Passmore

Change happens slowly. Hemingway wrote, about a character going bankrupt, that it happened gradually and then suddenly. I think that's how change happens in the legal market too. As you said in the introduction, I've spent more than 20 years redesigning regulation and rethinking how markets work across law in the UK, Europe, and the US. It's always felt gradual and slow, but it does feel like we might be at an inflection point—something changing pretty significantly, driven particularly by activity in the US. What that really means is that if you're a GC or a finance director buying legal services, you now have more choice: whether to use lawyers or other kinds of providers—technology businesses, consultants, accountants; whether the service is technology-led, technology-empowered, or still traditional and bespoke; and increasingly, choice about how you pay. The inflection point is the gradual recognition among buyers that they're the ones in the driving seat—that they get to shape this market and decide not just what's offered to them, but what succeeds. The acceleration over the last year is obviously about technology, but it's also about globalization, scale, and innovation. There's a whole set of forces coming together in the legal market, and it's a great time for buyers to have real choice in how they purchase these services.

Daniel Hayter

What fascinates me is something we've noticed at Axiom and with a lot of our clients: panels are getting smaller. Clients are reducing the number of firms on their panels, yet law firm rates are still increasing significantly despite all that competition and choice. How is that working out for law firms? Because GCs are consolidating their panels—almost creating mini-monopolies—and rates keep going up. We're also hearing that some companies are abandoning panels entirely, which opens the door to other providers. So are law firms caught in this dynamic?

Crispin Passmore

Some are, and some are better able to respond to it than others. The added context for me is that the market itself is just growing and growing. It's an ever more law-thick world—compliance, regulatory obligations, deal activity, financial activity, health and safety, information security, and so on. Organizations need help dealing with all of this, and they don't want the lawyers who know the business best spending their time on routine matters. They want those lawyers focused on business-specific issues, which means they want external partners handling the rest. Where that balance sits is a choice for each GC, but I think it means the overall market is growing, and that growth offsets some of the price and technology pressures on law firms. As long as firms keep responding to clients and competing against new entrants—from technology businesses to the Big Four to alternative providers like Axiom—they've got a chance to capture a share of a bigger and bigger market, and to price accordingly. In the end, the GC decides what they buy and from whom.

Daniel Hayter

That's interesting. I was speaking with a GC recently who asked us about our services after receiving an invoice from a law firm with a line item at the bottom called an "AI efficiency charge," plus another 3% on top. When he asked the partner managing the relationship what it was for, no one at the firm seemed to know—and they had it removed. What does that tell us about law firms and transparency? We've talked before about the slow death of the billable hour. Is AI finally putting the final nail in that coffin?

Crispin Passmore

I'd bring this back to choice. I think the death of the billable hour is probably exaggerated—it's under pressure, and in predictable, routine, technology-driven work, it's already gone or going fast. But in other areas, bespoke pricing and hourly rates still work quite effectively. That plurality, that choice, is really what we're seeing, and it's a feature of competitive markets. On the AI levy or efficiency charge—I've heard of that before, and I understand how it connects to a reduction in hours. If firms deploy technology and become more efficient, competition should eventually drive the price down. In an effective market, the investment a firm makes in technology should reduce its costs over time and expand its margin, and then competition erodes that margin back down. I know one firm that gives clients a genuine choice: use the technology they've invested heavily in, pay an additional levy, and get served faster and more efficiently—or do the same work the traditional way, at the traditional price. Clients decide. That's a smart move: let the client choose. In the long run, that technology may just get priced in altogether, but as we transition, it's an interesting model.

Daniel Hayter

Do you have any early indication of which way clients are opting to go?

Crispin Passmore

Some are very protective of confidentiality and don't want their information going into AI systems until there's certainty about where it goes and how it's used—they don't want it training large language models, so they're cautious and say they're not ready to make that switch. Others say, “Of course you should use technology,” and some of them will push back on the price of the AI efficiency charge just as they've pushed back on hourly rates before. It's no different from what we've seen in ordinary high-street law firms charging for onboarding, bank transfers, and other add-on fees alongside the core legal fee—think of buying a house in the UK. Perhaps we should see technology charges the same way, and the market will decide whether they get absorbed into the hourly or fixed fee, or kept separate. Transparency is the important part.

Daniel Hayter

It's history repeating itself in a way. I remember firms charging clients back for LexisNexis and Westlaw research, and clients pushing back, asking why that wasn't already included in the hourly rate—and eventually getting it removed from the bill. It seems to be happening again with AI.

Crispin Passmore

I think that's right. We'll get to a market standard as buyers—individuals, small businesses, corporates—and law firms navigate this decision by decision. A new standard will emerge, and I suspect that in the very long run, we won't be charging separately for technology at all.

Daniel Hayter

Moving to a topic close to your heart: how capital is reshaping the market. Private equity is now pouring money into law firms. How are these trends connected, and why is this happening now in the US? UK firms have had regulatory clearance for this since 2007, under the Legal Services Act. Does that create opportunities for providers already operating outside traditional partnership structures—and why now?

Crispin Passmore

In England and Wales it's pretty routine—Scottish law firms would still like to do this but can't, despite the legislative framework being in place; we'll have to ask the Scottish Law Society about accelerating that. In England and Wales, there are huge numbers of law firms with external investment, ranging from small firms bringing in a spouse as a non-lawyer director, to firms bringing in finance or marketing expertise, through to serious money accelerating growth. That's been going on for about 15 years in the UK. It hasn't been allowed in the US or most other jurisdictions, but five years ago Arizona allowed alternative business structures, and a significant number of ABSs have been set up there, ranging from small and large technology businesses to providers as big as KPMG. That has opened people's eyes in the US to what's possible—and to what was always possible even outside the ABS structure, using models from other professions like healthcare, veterinary medicine, and more recently accounting and CPA audit, which achieve the same effect through more complex structures than direct investment in a law firm. There are also strategic pressures on firms. It's really hard for most firms to fund technology investment out of a single year's cash when they distribute their balance sheet to close to zero every year. How do you take a five- or ten-year view on technology or M&A if you're only funding it out of this year's cash? External capital lets firms think about technology, lateral hires, M&A, and—particularly in the US, where there are no non-compete clauses—how they attract and retain talent through equity programs. With imagination, capital can solve most of these problems, and we've seen a lot of deals recently. I think we'll see a lot more in 2026 and beyond.

Daniel Hayter

That leads to my next question, which you've partly answered: what problem is private equity actually solving in the legal market? Are firms entering because they need growth capital, because clients are demanding something different, or because the traditional partnership model is breaking down?

Crispin Passmore

It varies. We've seen it accelerate most in personal injury in the US, partly because those firms would benefit from technology, and there's an opportunity for roll-up and M&A activity to build national brands. Concentrated ownership—three or four partners rather than a hundred or two hundred—also makes these decisions easier to make. But I think the thesis holds across the legal market. If you want to accelerate technology or M&A, it's much easier with a strong balance sheet. And even for the richest, most profitable, fastest-growing firms that have less need for capital, creating an equity structure lets you build long-term and management incentive plans—an independently market-valued currency of ownership you can offer lateral hires that vests over time, doing the work a non-compete clause would do in any other industry. That's attractive for attracting and retaining the talent that underpins growth. Some of these law firms are huge—two, three, five, eight, nine billion dollars in revenue—but they're still a fraction of the size of the Big Four accounting firms, or of Accenture, McKinsey, and Bain. Looking twenty years forward, if professional services continue to blend together, big law firms will need to get much, much bigger, and they'll need capital to do it.

Daniel Hayter

I imagine private equity capital gets used in a blended way—some technology, some talent acquisition, some M&A, particularly as we continue to see US law firms moving into the UK. Is that how you see it being deployed?

Crispin Passmore

I'd say to law firms: don't start with the money, start with your strategy. What do you offer consumers—individual or corporate? What problem are you solving for them? What people and technology do you need to deliver that? Does that lead to a need for capital? You shouldn't sell part of your business unless you actually need to. If you can finance your ambitions out of your own cash, do it. If bank debt works, that's cheaper than equity. But if you need substantial, patient, long-term capital beyond what a law firm partnership's year-end cash cycle allows, private equity can be a great partner. Then it's about selecting the right partner, not just chasing the highest valuation—do they have the technology expertise or M&A capability that matches your strategy?

Daniel Hayter

How does that kind of external investment, which can be quite substantial, change a law firm's behavior?

Crispin Passmore

It certainly changes the culture. Law firms are social constructs as much as they're financial machines or corporate entities—there are particular ways of behaving and thinking, typified by the whole idea of lawyer versus non-lawyer. That's served them well; at the top end, they're hugely fast-growing and profitable businesses, so I'm not criticizing them. But if they want to take external money and partner with private equity, that has to change. They need to accelerate building out an executive layer in the firm—it can't just be, "It's this lawyer's turn to oversee marketing, or this lawyer's turn to oversee technology." You need genuinely elite people commensurate with your size and investment plans in those roles, and you need to think about incentivizing talent beyond just the promise of eventual partnership. That leads to a kind of corporatization of the business—a cultural shift as much as a management one—and an accountability that comes with spending other people's money. These are big changes for law firms.

Daniel Hayter

Is there a danger that it becomes more about financial outcomes than client outcomes?

Crispin Passmore

If I were running a two- or three-billion-dollar law firm today, I'd probably already be thinking a lot about financial outcomes. But as a law firm leader, you're already responsible for the ability of everyone in your business—from the most junior staff paying their bills at month end, to your most successful people who could walk out the door and earn substantial money elsewhere. That pressure already exists; it's not that it suddenly appears with outside capital. It's about adapting to a changing context, and elite law firm leaders are already good at that—it's how they've built such successful businesses, just as it is in professional services and technology firms more broadly. Great leaders build great teams, and I don't think external money changes that fundamentally. It just changes the context a little.

Daniel Hayter

Going back to something you said earlier—that we should stop thinking about ALSPs versus law firms and start thinking about innovators versus those who aren't—can you unpack that?

Crispin Passmore

I think boundaries are breaking down. Twenty years ago, the alternative legal service provider was a novel idea that needed to prove it was different. Now it's an established, accepted part of the ecosystem worldwide, and the line between what a law firm does, what an ALSP does, and what a technology business does is increasingly blurred—not just in what's delivered, but in how providers partner with each other and how clients deploy them. That may connect to the evolution—or even the ending—of panels in some cases. In the end, clients don't want a law firm, an ALSP, or a technology business as such. They want good-value, high-quality solutions to their problems. If they're demanding enough, they'll push providers to work out how to deliver that, rather than piecing together different bits of the market themselves. That's why the boundaries break down over time, and regulation should facilitate it. I think it does in England and Wales; it does less so in the US, where the unauthorized-practice-of-law regime gets in the way of client-focused services.

Daniel Hayter

So those concentric circles between law firms, ALSPs, and other providers are getting much closer together—the "alternative" in ALSP is no longer alternative; it's now run of the mill. Given that, what does real innovation in legal service delivery look like now, versus twenty or twenty-five years ago when Axiom was founded?

Crispin Passmore

I wish I knew—I'd be off doing a startup and raising money with the magic answer. I don't know exactly, but it's got to be partly technology. Large language models are clearly reshaping how we think about delivering legal services, and there's more change to come. I'm always a bit cautious about saying that's the whole answer, because I don't know nearly enough about where the technology is going. Something will probably come along in five years that gets past large language models to a better solution in a different way. So innovation will keep coming from technology, but the real question is cultural: how much risk are GCs, law firm leaders, and entrepreneurs willing to take, and that will differ across the market and across types of work. For routine work, I think we can move to innovation faster—in the consumer space, companies like Lawhive, Rocket Lawyer, and LegalZoom are doing that. In the corporate space, Axiom's focus on technology, KPMG's focus within the Big Four, and genuinely new entrants are using technology to attack discrete problems aggressively, and that's reshaping the market. They may move up the value chain over time. But if I were an elite lawyer at the top of a law firm, I wouldn't be too worried. I think we're a long way from the very top of the pyramid being disrupted—it may be enabled by more technology and need less of a pyramid beneath it, and that could change the shape of law firms, but there will still be a need for people who've done this rare, high-stakes work many times before and who serve as trusted counsel to chief executives. So to me, all of this innovation is really about a wider variety of tailored solutions, rather than a single, take-it-or-leave-it way that law is delivered.

Daniel Hayter

From the buyer's perspective, how do GCs cut through the AI hype to understand what providers are genuinely delivering—whether ALSPs or law firms—in terms of technology, pricing, and value? It's not just about what gets automated, who gets replaced, or faster billing dressed up as innovation.

Crispin Passmore

GCs are better at this than I am—they do it day in, day out. But for what it's worth: don't feel you have to become the technology expert as a buyer. Be demanding, but demanding about the things you actually care about, not the things the provider cares about. Be demanding about price, whether you value it high, low, or predictable. Be demanding about pace, whether you value speed or are happy for something to take its time. Be clear about what value means to you, and then push providers to come up with different ways of delivering it. When I buy a laptop or a phone, I don't tell the manufacturer how to build it—I look across the market and choose based on what's offered, and if a provider isn't delivering what I want, I go elsewhere. That's the real power a GC has: the ability to go somewhere else. So have clarity about what you want, let providers design the product and service, but be genuinely demanding on quality, value, pricing, and timing.

Daniel Hayter

Looking ahead to 2026, what are two or three of the toughest questions GCs should be asking potential providers? This is a very crowded, competitive space—arguably UK buyers are among the most discerning and advanced in the world—so given the pace of change, what should GCs be pushing on this year?

Crispin Passmore

Beyond their own questions on price and predictability, I'd be asking key suppliers: how are you going to make this cheaper, better, and faster next year, and the year after that? I'm not looking for prices to rise while quality falls. I want a long-term relationship where the client shares in the success that technology and innovation are undoubtedly going to bring, and I want that built into the pricing and structure now.

Daniel Hayter

We've talked about private equity and about technology. With a lot of these newer technology companies, there's a greater appetite for risk than in traditional law firms, which tend to be quite risk-averse. How do you square that circle between risk-hungry providers and more risk-averse GCs or firms?

Crispin Passmore

You've got to keep segmenting the market. Work out whether you're on the consumer side or the provider side, and where it's best to take risk versus where you need certainty. If you're a consumer, carve out the areas where you're comfortable taking more risk. If you're a supplier, carve out where you can offer more risk-taking in the relationship, and work out how to share responsibility for that risk across both sides. Then work out how you handle the areas where that risk appetite isn't there yet. That will look different across types of work and across different suppliers and consumers. My broader message is that fragmentation is happening: different kinds of work need different kinds of solutions, and technology and innovation let us get to those tailored answers rather than treating a lawyer at a law firm as the single answer to every GC need.

Daniel Hayter

What differentiators should GCs actually care about—global footprint, flexibility in resourcing and pricing, data and insights, risk, value and ROI?

Crispin Passmore

Probably all of them, but the one we haven't touched on much is data and insights. That's a real potential differentiator: helping GCs, finance directors, and businesses solve problems beyond bespoke legal advice on individual matters—giving them the information to reach better outcomes without having to handle every case one at a time. I think we're really at the beginning of that, but it's going to be a real feature of innovation over the next five years.

Daniel Hayter

Now for the question I know you won't love: what does legal procurement look like in the future? We've talked about panels potentially fading, the billable hour under existential pressure, private equity creating advantages for some firms, and work becoming more commoditized. What's the end game for law firms, ALSPs, and other providers—and who's best positioned to win in that new landscape?

Crispin Passmore

The theme across the market, for me, is consolidation. I think we'll see significant consolidation within each vertical, each geography, and globally—across advice to individual consumers, small businesses, corporates, and global corporations alike. Beyond that, we'll see more technology, and more boundaries breaking down. As global footprints expand and more money flows into the market, regulatory regimes will have to catch up or risk becoming irrelevant—I think we'll see that in the US and elsewhere. Not every jurisdiction will adopt alternative business structures, but I think most will come to terms with external investment in law firms over the next few years. We'll see the legal market start behaving in economic terms much like every other market. We'll still need to protect ethics and the rule of law, but we can do that without interfering with the market's underlying economics. I think we're on the cusp of economics really driving behavior in this market, leading to more innovation, more choice, greater value, and new opportunities for entrepreneurs.

Daniel Hayter

But with fewer, larger, more platform-like providers, I'd assume?

Crispin Passmore

I think both, actually. Most markets, as they mature, hollow out in the middle. A significant share goes to a small number of large players, but there's also a huge tail of innovators, small businesses, locally focused and specialist producers, and new entrants. It's the middle—what used to be considered “big”—that tends to get bypassed. If I were in one of those firms today, I'd be thinking hard about strategy: get big, get niche, or get out.

Daniel Hayter

Crispin, this has been a fascinating conversation about how regulation, capital, and innovation are converging to reshape legal services. Thank you so much for taking the time to share your insights with us today.

Crispin Passmore

Absolute pleasure, Daniel. Always fun to talk with you and spend time with the Axiom team. I'd love to come back one day.

Daniel Hayter

We'd love to have you back. For our listeners: if you're navigating regulatory complexity, considering investment in the legal sector, or just trying to understand where this market is headed, I'd strongly encourage you to check out Crispin's work at Passmore and Oliver Partners—you can find them at passmoreoliver.com. For more insights on regulatory innovation, alternative legal service providers, and the evolving landscape of in-house legal work, visit us at axiomlaw.com. Don't forget to check the show notes for links to resources and contact information related to today's show. Stay tuned to Axiom Insights on Legal Innovation for more conversations on the topics that matter most to in-house legal teams. I'm Daniel Hayter, and I hope you have a great rest of your day.

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