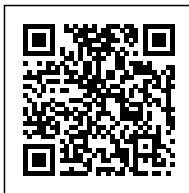


SMART LAWYERS, SMARTER SOLUTIONS

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Companies worldwide are adapting to today's digital economy and technological advances. So-called 'disruptive technologies' are transforming markets worldwide and pushing economies forward. Technology is taking over the business world, and the legal profession is not insulated from its effects. Recent changes within legal services are prompting increasing costs pressure from clients, and technology is proving an invaluable tool in resolving this.

Pricing pressures and a switch away from billable hours is putting a new emphasis on efficiency and productivity in a profession whose business model has remained mostly unchanged for centuries. Some see it as a positive, embracing the opportunities – while others are running away. But commoditisation is placing technology, and how law firms embrace it, at the top of the agenda. The legal profession, most notably in the UK, has seen new entrants to the market whose business

models are full designed to adapt to what technology has to offer. And the more traditional ones are slowly losing out to these more flexible, efficient and cost friendly offerings.

To date, law firms have used so-called 'sustaining technology' – such as email, accounting systems, etc – which enhanced and supported the old way of working but didn't change the fundamental nature of legal work. And this currently attracts the majority of law firm investment, say lawyers. Nowadays, the technologies that are really making a difference are based around systems and making routine tasks and processes more rapidly, efficient and effective – the problem is that they also fundamentally challenge and change the old way of working. Whether lawyers like it or not, technology is coming into play in the market for two reasons: clients want it and competitors are already offering it.

Buyer's market

Pricing is at the heart of the debate, with clients requesting work be done on a fixed fee basis, which rewards productivity and efficiency – something that can be facilitated by using technology. But the traditional hourly rate pricing model isn't geared towards this. And many law firms have responded by just lowering prices. But many suggest that it's technology that should be being used to cut costs and it's an alternative that isn't being as utilised as it could be.

"But the issue is not really 'pricing' differently but 'working' differently," says Richard Susskind, an Independent Adviser to international professional firms and governments. "In-house lawyers are more advanced and proactive about this and find it strange when their external law firms seem to be a few paces behind."

Many in-house lawyers already rely heavily on technology, by outsourcing, using IT and communication capabilities to deconstruct and break down the various legal processes to ensure that they are working in the most smart and cost effective way, says Charles Martin, Senior Partner at Macfarlanes – and all this is only possible because of advances in IT.

As the drive for reduced costs and efficiency continues, sooner rather than later, any legal work that can be commoditised will be, meaning some will also be partly or fully automated. And technology is the enabling platform from which to do that.

Higher value, more sensitive and risky work will remain in the hands of lawyers, say experts, as no computer will be able to provide the personal judgment that is at the heart of the profession.

However, for more routine and lower value tasks, there is no reason why technology cannot stand side-by-side with the lawyer.

What technology is more likely to do is to displace certain lawyer functions, says Jordan Furlong, a Canadian Strategic Consultant to law firms and a Principal with global consultancy Edge International. But the benefit is that it will also free up lawyers and give them more time to do higher-value work. "If lawyers look at it like that, they will see technology as an asset and not as an enemy."

Market entrants

The traditional law firm model is becoming increasingly difficult to sustain and is a creature of its time and environment – a 'baby boomer' generation construction, says Furlong. "As the boomers are moving into retirement, it's probably not a coincidence that we are seeing the old model struggle."

Markets worldwide are seeing an emergence of new entrants and competitors happy to deploy technology to deliver more efficiency. The Internet has been an incredible enabler to streamline back-office functions or provide basic legal services. The UK's Allen & Overy, for example, set up a strategic services centre for IT, finance, business services, marketing, HR and legal support to streamline processes and make costs savings.

Aside from the response by the big players, there is an expanding group of new entrants fulfilling this need. Some are using technology to set up models that connect lawyers and clients, based on total or semi-virtual models. Keystone Law in the UK, for example, is based on a 'dispersed' working model, using technology and modern working practices to maximise their lawyer's productivity and

keep their overheads low.

Another model, started by LegalZoom in the US and followed by RocketLawyer both in the US and UK, is that of the online legal services provider, delivering legal documents for small businesses and individuals. Agreement24, a unique online legal tool, is, according to experts, the European equivalent to LegalZoom. It began in Sweden but has expanded into the EU market – France, Germany, the UK, for example – although it has yet to hit Spain and Portugal. “This is where disruptive technologies come in,” says Susskind. “Once they perfect their process for citizens and small businesses, they will then start gradually drifting up and eventually become a pretty dominant wave of service delivery.” And this is the expected trajectory – start at lower end of high volume, low margin work, and as the systems and processes and techniques are perfected, they could have a far wider application.

This rise in virtual legal service providers is something that traditional counterparts initially eyed with suspicion on the assumption that ‘low cost’ meant a low quality product. But many now outsource to these service providers and see them as a welcome addition to the market. “These are to be welcomed if they are meeting client needs, doing so efficiently and doing the things that are genuinely commoditised,” says Martin. “We can look at them as taking revenue or take a longer term view and see that are enabling us to provide clients with better value for money and enabling us to concentrate our efforts in the areas where we can make a difference. They are therefore a necessary and positive thing.”

Law firm spin-offs

An emergence in recent years is that of the law firm ‘spin offs’, taking a two-pronged approach to the market and allowing clients to choose which they prefer. Law firms are seeing that the traditional model is soon to be disrupted, so they are do it to themselves first. Eversheds, for example, has Eversheds Agile – a client service that brings together the flexibility of short-term resources and professionals; Lawyers on demand (LOD) is a legal resourcing solution from UK law firm Berwin Leighton Paisner; and the UK’s Riverview Law was set up two years ago handling legal work for businesses on a fixed-fee basis, based on a low overhead model. DLA Piper is one of its investors. “We started by looking at what corporate customers wanted and working from there,” says Jeremy Hopkins, Director of Operations at Riverview Law. “We ended up with a customer centric business model providing fixed-price annual and multi-year solutions such as our ‘legal advisory outsourcing’ product. And this is all managed using an IT platform that we share with the client and provide real-time feedback of management information.” This helps solve the problem of demonstrating value to the business while managing legal spend.

Riverview is currently working on a ‘living wills’ (recovery and resolution plans) project with a global financial institution. This is a compliance issue that all banks have to face and they have set up a system whereby if there is another financial collapse the institution can put firewalls down and capture all contractual obligations, liabilities etc.

“Interestingly, lawyers ask us what are our practice areas, while clients prefer to ask how we do things and are interested in our model,” says Hopkins. And this model is possible with a business structure that enables long term investment, particularly in technological capabilities.

But efficiency is the sworn enemy of the traditional business model, adds Furlong. One of the failings of that model is that it doesn’t reinvest profits back into the business or, in the majority of places, allow for outside investment, both of which are essential when it comes to seriously deploying technology.

Changing the legal DNA

Traditional forms of pricing, compensation, and workflow are ‘baked into’ law firms’ DNA, says Furlong. “This is why lawyers tend to hide from technology and fall into worst-case scenarios – ‘Technology is going to come in and replace us’. Any lawyer who loses their job to new technology probably wasn’t a very valuable lawyer in the first place!”

But technology is going to have a much bigger impact than we think, says Martin. "I'm absolutely sure that IT will get smarter and smarter and do more of the routine aspects of the job. And that's not a necessarily a bad thing." But the way in which law firms use and exploit technology is pretty primitive. Strategically, you don't need to commit to the more advanced systems, but there are huge savings to be gained by better use of the basic ones. The starting point is to break down processes, map them, and see which parts can be done more efficiently – either by lawyers or a less expensive resource. Take social media. "There are free tools to help them interact with clients, but it amazes me so few law firms embrace them," says Susskind. Twitter is the most powerful example. It has half a billion users, it's free, news is released on a real-time basis, and clients use Twitter. "Are you waiting for it to take off?" says Susskind. "As a profession we are letting ourselves down badly by not exploiting even some basic technologies that are available."

The problem is that technology hasn't got as far as being relevant to them. "You can't put technology into place until you have some sort of process for it to replace," says Hopkins. "Many law firms can't identify the 'process' where lawyers' intellectual capability is needed and that which can be done by technology or automation. So they are in no position to take advantage of technology."

Targeting technology

Clients want commercial alignment with their business, predictability on costs and efficiency. And lawyers need to find the best platform to deliver that – which is where technology is integral. And there is no reason why some existing law firms couldn't improve their offerings within the constraints of their existing structure, says Hopkins. "The biggest hurdle is producing and agreeing the process, before seeking to replicate it on a technology platform."

This requires lawyers working with a group of other professionals – such as process planners, technologists or project managers – and inevitably it means developing teams of paralegals. In coming years, differing platforms and models will emerge, agree experts. And at the heart of all this will be technology and the possibilities that it offers.

Technology is not a solution, a competitor nor the enemy; from a client perspective it facilitates commoditisation and efficiency and is more than just a passing phase. But it challenges the traditional 'hourly' rate way of valuing legal services and therefore the majority of law firm models. We are moving into a 'disruptive' era, and technology will play a part in what is a very dynamic picture of supply and purchase of legal services. While it maybe the unsung hero, it is the enabling technology that means that all of these things are and will continue to be possible.