THE CHANGING LAWYER
For over 20 years, Microsystems has ensured that the documents our clients produce never let them down. We serve tens of thousands of legal professionals at hundreds of firms around the world, all using our products to bulletproof their documents. Today, we use our knowledge and experience of legal document drafting to build the next generation of solutions that solve the fresh challenges our clients face.
FOREWORD

Today's law firms find themselves under greater pressure, and facing greater change, than at perhaps any point in their history. Clients are demanding more for less, and lawyers are under continued pressure to turn around high-quality work quickly. Firms are seeking to reduce write-offs and increase realization rates, while clients are becoming less willing to pay for certain types of work.

In that context, law firms need to find better ways to leverage technology such that the quality of work stays high while the volume of manual, low-value work is minimized. They need to evolve, not only in terms of how they go to market, but also how they run their business.

Their challenge is also to create an environment that appeals to the next generation of lawyers. Today's law school graduates have a greater natural comfort with technology in general, and a greater expectation of how technology can serve and empower them in their daily lives.

There's a lot of conversation now about the role artificial intelligence (AI) should play in law firms and how it can be used to create a more streamlined service. There is also much discussion about the structure of law firms. And senior partners are increasingly aware of their firms' need to embrace new roles and technologies, as well as a new generation of digital natives to their senior leadership, as the market continues to change.

We're in a pivotal period. Law firm partnerships that embrace change will secure longevity and a lasting brand. Those that shy away from change and stay committed to the old ways will continue to struggle to recruit talent and clients.

The Changing Lawyer assesses all of the above issues and more, adding to the conversation and providing a sounding board for change at a crucial moment for the legal industry.

Clients expect the best. Currently there are two types of firm: those embracing new systems, service models, and working cultures to deliver the most value to their clients and those that are not. The future only has room for one.

Avaneesh Marwaha
President, Microsystems
pending long hours sorting through reams of often turgid documentation while inching upwards in a rigidly hierarchical organization was seen, even quite recently, as the rite of passage young lawyers had to endure in their quest for a lucrative partnership.

The industry’s latest cohort of trainees and associates, however, are less inclined to suffer this type of work in the long term. Law firms need to be more imaginative if they want to attract and retain the best talent and persuade young people the partnership route is for them.

Millennials—those born roughly between 1982 and 2000—now make up the largest share of the US labor market and, according to the 2017 Deloitte Millennial Survey, this demographic is genuinely different in its approach from those that preceded it.

In particular, the survey points out, millennials do not feel much loyalty to their employers if they perceive their efforts are not being appreciated. Some 38 percent worldwide say they would quit their jobs within two years if they could.

Law firms in particular have cause for concern, as Dr Larry Richard, founder of the consulting firm LawyerBrain LLC, explains: “On average, [millennial lawyers] leave [firms] after 1.8 years. That’s a problem because it takes an Am Law 100 firm about 4.3 years to break even in terms of the expenses and revenues of an associate.”

New attitudes
There may be ways to stop the exodus. The Deloitte survey points out that millennial workers are keen to embrace the concept of flexible working that suits their lifestyle, prefer collaborative approaches to management, and like the idea of being mentored in the workplace. The survey’s conclusion is that this cohort reacts well to being given the additional responsibility and accountability inherent in flexible working practices and welcomes the trust of line managers.

Such an approach, though, may require a break from the norms of traditional law firms, especially those where the senior partners likely rose to the top by devoting a considerable proportion of their lives to their job. Indeed, baby boomers, born between 1946 and 1963, are more likely to base their sense of self on their work than either millennials or the intervening Generation X. Lawyers of the baby boomers—born between 1946 and 1963—are more likely to have stuck with one firm through thick and thin.

However, while it may not exactly be dead in the water, this concept is certainly drifting facedown, suggests Dr Richard, a former trial attorney who now holds a doctorate in psychology.

“People who were born after 1990 are the first group to have grown up with electronic communication, social media and texting as a given,” he says. “They were raised in technology and their memories do not go back beyond the internet. That changes things a lot. This generation thinks in microseconds, not in days or weeks—or years.”

Such factors will become increasingly marked as Generation Z (those born
WORKERS ACROSS GENERATIONS NOW SHARE "MILLENNIAL" VALUES

What is important in a job?

<table>
<thead>
<tr>
<th></th>
<th>Competitive pay and benefits</th>
<th>Being able to work flexibly and still be on track for promotion</th>
<th>Colleagues who support personal and professional development efforts</th>
<th>The ability to work flexibly or informally when needed</th>
<th>Not working excessive overtime</th>
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<tbody>
<tr>
<td>Baby Boomers</td>
<td>85%</td>
<td>70%</td>
<td>71%</td>
<td>69%</td>
<td>62%</td>
</tr>
<tr>
<td>Gen X</td>
<td>85%</td>
<td>76%</td>
<td>76%</td>
<td>73%</td>
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<tr>
<td>Millennials</td>
<td>80%</td>
<td>75%</td>
<td>74%</td>
<td>71%</td>
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Between the mid-1990s and the early 2000s and sometimes seen as a millennial subset) filters into the workplace.

Memories for some of this cohort will not predate the smartphone, giving them a probably unparalleled ability to merge work and home life, with the expectation for almost instantaneous communication. These are also people who have grown up being treated with equality (and as growing-ups) from an early age—and so expect to be treated with respect.

Millennials and Generation Z don’t see effective technology as an optional extra. They expect to be able to use it in all aspects of their lives. They find it strange to have to engage in complicated (perhaps manual) processes when more efficient, technology-driven alternatives exist. The challenge for law firms is to understand and implement tech to give their younger people meaningful, rewarding work that allows them to demonstrate their skills and motivates them to stay loyal.

That’s not all. In their quest for a slice of shrinking market share, law firms are merging at an unprecedented rate.

According to legal consultancy Altman Weil, there were 85 law firm mergers and acquisitions in 2016, slightly down from the record 91 that occurred in 2015. Faced with those statistics, young lawyers may be reluctant to commit to a firm that might not last long in its current form, when they could simply use it to gain valuable experience and then move on—perhaps to something more entrepreneurial.

A sense of meaning

In such circumstances it is probably no surprise that millennials expect to stay at firms for a shorter time, suggests Dr Richard. In response, firms can go one of two ways, he adds. The first involves getting their young lawyers to break even more rapidly (by increasing their billing rates), while reducing spend on hiring, training, and development.

This will be difficult. If anything, clients want to pay less for junior lawyers and scrimping on training isn’t going to impress a generation that wants to be mentored and encouraged.

The alternative route, Dr Richard says, is for firms "to get their young lawyers really engaged psychologically, to make them want to stay at that particular firm. All of the attitudes of millennials—the shorter
time frame; greater emphasis on balancing work with a rich, full lifestyle; the idea of being taken care of more—they're very real. But they're also learnt attitudes."

To override such feelings, Dr Richard suggests firms have to delve deeper into what their people really want: "It's an innate human need to have a sense of purpose, but most law firms don't really play to that in a very conscious way. They'll say they have a mission statement, a pro bono program and a strong culture, but these are generalizations. It's very rare to find a law firm that goes out of its way to make sure the subjective experience of its associates is one rich with meaning. If a firm were to do that, it could offset a lot of the millennial attitudes."

Portland, Oregon-based law firm Barton Liebman is one that tries to provide such a sense of meaning, encouraging an inclusive culture that pushes back against traditional, partner-centered hierarchies.

Traci Ray, the firm's executive director, adds: "We try to align people's needs with what the company wants to accomplish. Those needs may vary, but they definitely involve flexibility, clear communication, and teamwork. I think a lot of people are really interested in working toward goals together."

"Recognition is also important: treating people with respect and ensuring everyone has a seat at the table. We try to ensure our young lawyers are really engaged and feel as though they're part of the team, that they're important, and that their ideas matter."

**Clients and culture**

Ray believes that firms also need to take into account their clients when recruiting junior lawyers. "I know that money, benefits, flexibility, and the type of clients are all really important to people. I think the firms that are doing really well are those that are evolving and understanding that diversity is essential."

"It will be the more well-rounded firms that bring in the bigger and better clients, because clients are demanding teams that are diverse and feature a range of people. If your end goal is to be competitive by having the best team, then you have to figure out how to attract and retain that team."

Law firms also need to be prepared to compete for the best talent. The number of students entering law schools has been in a general state of decline for the best part of a decade. In 2010, 52,000 first-year students entered US law schools. By 2015 this figure had fallen to 37,000, with young people thinking twice before they spend, on average, $34,600 in tuition fees, in a context of graduates failing to find full-time work in the legal industry.

Whether those law school admissions figures will ever rise significantly is also a moot point. In 2014, rating agency Moody's suggested the decline in student numbers was "consistent with our belief that the legal industry is experiencing a fundamental shift rather than a cyclical trend."

In that context, law firms will need to look hard at their culture and working practices if they are to continue to attract the best talent and not to lose out to their more forward-thinking competitors. •
Case study: CHANGING THE MODEL

Portland, Oregon-based law firm Barran Liebman prides itself on taking an innovative approach to working styles, client management and office culture.

“We work a little differently to traditional law firms,” says executive director Traci Ray. “We align people more as business partners and colleagues and less as a hierarchy. We don’t have billing or origination credits. People aren’t paid to bring in work and pass it down. We work together on projects, but no one is feeding anyone else and therefore in an elevated position in a hierarchy.”

The firm was founded in 1988 and from its inception aimed for a flatter structure and a seamless client experience.

“Clients get a lot of comfort out of knowing they are being taken care of by a firm instead of by a person who is working solo out of a larger firm setting,” Ray explains. “They know there is always going to be someone there to answer their call. They also understand that more minds tend to create more options and more thoughts on a case.”

The firm is structured so that clients can speak to any of its attorneys without creating any internal turmoil. As Ray puts it: “Clients just want the right answer as fast as possible. They don’t care about billing credits or origination credits. We’re trying to exceed client expectations. Internal competition isn’t a goal. We want to raise people who eventually become partners together and that process starts very early in their careers here. We encourage our young lawyers to rely on one another by working together and building trust. Pitting individuals against each other isn’t something that our business is built upon.”

The model, she adds, attracts team players and also fits with the desire (of millennials, in particular) to be recognized for their contributions.

The firm stresses the importance of communication—both with clients and with other team members—and aims for transparency, thus disposing of any power struggles regarding who should talk to the client.

Ray says: “I think it’s important for everyone to be open to technology and for everyone to learn how to use it properly. When people are more hesitant we slow down the training to make sure they understand it.”

“The worst thing is having an attorney who doesn’t understand the tech when everyone around them is using it. No matter how great an attorney you are, if you can’t communicate with your clients in a way they want you to, then that’s a huge challenge.”

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### THE TOP 5 REASONS FULL-TIME WORKERS QUIT

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<tr>
<th>Reason</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Minimal wage growth</td>
<td>76%</td>
</tr>
<tr>
<td>Lack of opportunity to advance</td>
<td>74%</td>
</tr>
<tr>
<td>Excessive overtime hours</td>
<td>71%</td>
</tr>
<tr>
<td>A work environment that does not encourage teamwork</td>
<td>71%</td>
</tr>
<tr>
<td>A boss who doesn’t allow you to work flexibly</td>
<td>69%</td>
</tr>
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Source: EY, GLOBEL GENERATIONS (2015)
CHEAPER, FASTER, BETTER

Clients are all too often frustrated by the service they receive from law firms. What can firms do to rekindle the magic?

In the legal sector, however, there remains an enduring undercurrent of frustration, suggests Casey Flaherty, founder of legal technology assessment firm Procertas, and former corporate counsel at Kia Motors America.

"One of my all-time favorite quotes involves a protester at Tiananmen Square in Beijing [in 1989]," he says. "A reporter asked him what he wanted and he replied: 'I don't know, but I want more of it'.

'That's how law firms' clients feel. They're deeply dissatisfied with the firms and they've got a long list of grievances. They think they're not efficient and they don't think they're cost-effective. But if you ask clients exactly what they do want, they'll say they're not sure. They think law firms need to figure it out.'"

This can create serious tensions, Flaherty adds. "Clients don't want to take ownership of their relationship with law firms. They want to purchase a finished product at a particular price and they want that product to get better and the price to go down. Legal services have been a buyers' market for the past decade and what law departments like to see are returns to scale. It's not unreasonable to expect larger law firms to produce services more cheaply than smaller ones, but that doesn't tend to be true."

Embracing tech

Some of the larger firms are, however, leading the way towards greater use of technology to meet their clients' needs.

International firm Clifford Chance, for example, has been working to implement an AI platform that allows firms to filter thousands of pages of regulation and legislation by their business type, clients and products. It streamlines the review process and provides draft clauses for adoption in documentation.

The Magic Circle firm says it is offering this toolkit to its clients for a fixed upfront fee, thus allowing them to access complex legal advice at a price far below that of individual analysis.
“By embracing artificial intelligence, we’ve managed to develop a tool that gives our clients just what they need, right when they need it, at a much-reduced cost,” explains Monica Sah, financial regulatory partner at Clifford Chance. “We’re confident that this tool will provide real value to a range of our clients, from global investment banks to boutique asset managers.

“By working with technology providers we are able to package our advice into powerful products that save time and money, and enable our clients to deploy that information in a smart way throughout their organization. It also opens up our advice to a wider range of potential clients who might otherwise be priced out by the fees for one-off, bespoke analysis.”

Other firms are also making substantial investments to meet their clients’ needs. Nashville-based Baker Donelson, for example, has put in place database infrastructure to help speed up its decision-making process.

Speaking to news service Law360, Meredith Williams, chief knowledge management officer at the firm, said: “Being able to tap into every piece of information within your organization within a matter of seconds is critical. It’s Google for a law firm, or shopping for information. It allows you to really be a game changer.”

Being able to tap into every piece of information within your organization within a matter of seconds is critical.

The firm also uses data modeling to forecast case outcomes, for example analyzing a selection of cases that have appeared before a certain judge, to help lawyers formulate better strategies to assist their clients.

“If you can know that information going in, think about the communication you can have with your clients,” Williams said. “The client is very happy because we have all this information. They’re able to see data and start analyzing on their own, and we’ve got extra cases. If you truly connect with your client in that regard, that’s a whole other stickiness factor.”

Former in-house lawyer Flaherty agrees: “Ultimately, it’s about business industrialization. Law firms need to deliver...
PERCEPTION GAP: CLIENTS ARE ALMOST 20% LESS CONVINCED THAN FIRMS THAT CHANGES WILL BE MADE TO SERVICE MODELS TO OFFER GREATER VALUE

Confidence in adaptability of law firms

- Clients (Chief Legal Officers)
- Law firm leaders

**LOW**

- 86%
- 66%

**MODERATE**

- 14%
- 29%

**HIGH**

- 9.6x
- 5%

Source: Altman Weil, Law Firms in Transition (2016)

a better quality service, better contracts, better resolution of disputes. And they need to do it cheaper and faster and simultaneously."

**Mastering the basics**
That's not all, he suggests. While firms may be keen to make big announcements about technological innovation, Flaherty says they routinely underestimate the importance of getting the simple tech right.

"Most lawyers are still terrible with something as basic as Microsoft Office or Adobe Acrobat," he says. "They can't use the essentials. It sounds like a simple thing, but it's one of the biggest problems."

Law firms need to deliver a better quality service, and they need to do it cheaper and faster."

While working at Kia Motors America, Flaherty became so frustrated with the time being taken by outside counsel to do basic tasks such as interpret spreadsheets, he created mock assignments and would time law firm associates trying to do them.

Generally, he found tasks that should have taken one hour were taking five. Disappointing results would mean he would negotiate rates down, with the possibility that if firms implemented processes and training they might get some of that money back.

Since leaving Kia, Flaherty has developed his test, called The Legal Tech Assessment, to be used by corporate legal departments to quiz their outside law firms on how quickly and accurately they can perform common functions in popular programs, such as editing a contract using the "search and replace" function.

The test rewards efficiency, which goes against a yardstick that lawyers have traditionally used to value their work: time. Understandably, it appeals to in-house counsel for whom the realities of work are far removed from those relaxed discussions that once happened on the golf course.
ALL TO PLAY FOR

Competition in the legal market is growing and shows no sign of becoming any less intense.

Here is a moment in the film Butch Cassidy and the Sundance Kid when the two heroes (played by Paul Newman and Robert Redford) are being chased by an avenging posse. However much the pair try, they can’t shake off their pursuers. In frustration, Butch turns to Sundance and exclaims: “Who are those guys?”

Law firm managing partners can perhaps empathize. The competition in the legal market appears equally as relentless and similarly fixed on its goals.

This situation was analyzed in the 2017 Report on the State of the Legal Market, produced by the Center for the Study of the Legal Profession at Georgetown University Law Center and Thomson Reuters Legal Executive Institute.

James W Jones, a senior fellow at Georgetown University and the report’s lead author, comments: “It has been a difficult ten years for law firms in many respects, and, looking ahead, significant long-term challenges remain.

“Actions that have helped sustain firm financial performance over the past few years, such as expense controls and reducing the equity partner ranks, are not likely to be as effective in the future. Firms need to embrace a longer-term, fundamental shift in the way they think about their markets, their clients, their services and their futures.”

Market revolutions

One of those fundamental changes may well appear in the shape of the blockchain. Don Tapscott, author of Blockchain Revolution: How the Technology Behind Bitcoin is Changing Money, Business and the World, describes this emerging technology in this way: “A vast, global distributed ledger or database running on millions of devices and open to anyone, where not just information but anything of value, money, whether that be titles, deeds, identities, even votes can be moved, stored, and managed securely and privately. Trust is established through mass collaboration and clever code rather than by powerful intermediaries like governments and banks.”

While the technology has so far made only a limited impact in the legal industry, lawyers could, for example, see blockchain-based decentralized autonomous organizations replacing traditional business structures.

On the one hand, blockchain contains the potential to render the traditional role of lawyer as trusted intermediary obsolete. At the other, it may offer new practice opportunities for blockchain-savvy lawyers.

Competition is also emerging on more established fronts. Until recently, clients may have looked no further than another law firm if they’d wanted to reallocate their business. Now their choice may stretch from small start-ups to global accounting firms. What was already a buyer’s market is becoming more so, with increasingly powerful in-house legal departments stoking up the market for alternative legal service providers (ALSPs).

The 2017 Report on the State of the Legal Market adds: “The potential impact of the Big Four accounting firms on the future market for law firm services cannot be overstated [for firms in jurisdictions where alternative business structures are permitted]. As the ALSP market evolves, the Big Four are likely to play an ever-expanding role.”

The rise of the freelancer

At the other end of the scale, but also likely to have an increasing impact, are freelance lawyers, such as those of the California-based Montage Legal Group.

Montage’s co-owner Erin Giglia explains the attraction of her business model: “We give smaller firms the ability to take on more work and more complex work than they previously were able to do—allowing them to ramp up in busy times.

“We are all former big-firm lawyers, so clients get the best trained people possible to work on their matter at the lowest possible price. Our rates are very competitive and those savings get passed on to the client.”

88% of law firms think that commoditized legal work will be a permanent trend going forward.

Source: Altman Weil (2016)
SHIFTING SANDS

CHANGES IN CLIENT BEHAVIOR AND ATTITUDES NOTED BY LAW FIRMS

- Increased cost consciousness/more shopping around: 71%
- Expectation of getting answers more quickly: 61%
- More informed (more reading up in advance): 53%
- More demanding in terms of level of service: 51%
- Expectation of contingency outside office hours: 46%
- Lack of loyalty: 26%

Source: 119 independent lawyers interviewed, LegalNetiQ Delivery Report (2016)

THE IN-HOUSE PERSPECTIVE:

Can you imagine a future where you would be happy to buy legal services from a non-traditional law firm entity that provided a range of services?

Yes: 52%
No: 26%
Don't know: 22%


WHY LAW FIRMS AREN'T DOING MORE TO CHANGE THE WAY THEY DELIVER LEGAL SERVICES

- Partners insist most clients to change: 64%
- Clients aren't asking for it: 59%
- Our firm is not feeling enough economic pain to make more significant changes: 56%
- Most partners don't want to do it or don't think they could do it: 54%
- Our firm lacks time or organizational capacity: 28%
- Competing firms like ours aren't changing: 27%
- Our firm's delivery model is not broken so we're not trying to fix it: 25%

he legal profession is notoriously slow to embrace change. Its risk-averse practitioners, protected by layers of regulation, bill by the hour as they sift slowly and meticulously through precedents and casework.

Law firms today are facing unprecedented challenges that demand their rapid attention and adaptation. Client expectations are changing, technology is having an increasing impact, and new, low-cost competitors are emerging to take a slice of the market.

"If it ain't broke, don't fix it," has been the profession's mantra for too long, suggests Jim Hassett, founder of legal consultancy LegalBizDev. He points out that law firms may have been particularly slow to adapt because historically they have not felt under pressure to do so.

"Since so many lawyers are so resistant to change, on the law firm side and the client side there really isn't the pressure for it. If everyone is extremely inefficient you only have to be pretty inefficient to be better than everybody else."

He also believes the whole partnership model is proving key to obstructing change and modernization. "At the leadership level in firms I think there is enormous interest in changing working styles, particularly linked to the introduction of legal project management, to respond to client demands for efficiency. The problem with implementing such innovations is at the partner level and below."

Part of the issue is that the nature of law firms' partnership structure is such that it is very easy for key fee earners simply to jump ship if they're faced with changes that don't appeal, Hassett adds.

"There are large numbers of laterals every year and it's extremely difficult for management to enforce any kind of change, much less something as radical as a transformation of working styles. They just don't have the power."

Procertas' Flaherty agrees: "At every level, the problem is that firms are not solution-orientated," he says. "Lawyers still have a very theoretical approach. They're often excellent abstract thinkers with very little training in more concrete skills."

This, he says, has meant lawyers have been slow to grasp the importance of tech advances and capabilities. "It's less that people are deliberately avoiding technology. But they're busy, they're short of time and change introduces a possibility of failure and friction that they would rather avoid."

**Generation gap**

Firms may also have a demographic time bomb on board, Flaherty adds, with senior people too keen to hang on and hope for the best. "Partners who are near retirement may think the status quo is fine. But that creates the problem that the people with the most authority to drive change can be among the most unlikely to encourage it."

Such an approach can create an understandable split in attitudes within firms, he warns. "If you're a partner in your fifties or sixties and you're considering

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**OBSTRUCTION AT THE TOP**

*Law firms' partnership model is proving a barrier to change, with senior people all too often struggling to take the long view*
whether you should be making wholesale changes to your business, you may well be making a bet that you can keep things going as they are until you retire. Every dollar the firm spends on technology is coming out of your pocket. So why spend that money? It’s a reasonable bet for you, but it’s a terrible bet if you’re a newly minted partner in your thirties.”

Hassett agrees about the concept of a generation gap. “Generally, younger lawyers are more accepting that the profession is changing,” he says. “They recognize that if they’re expecting still to be successful lawyers in 20 years’ time, they need to figure out how to change personally and what needs to change in their firms.

“Older lawyers don’t have that motivation. And they also have a longer history. Probably the biggest barrier to any kind of change is the person who says they’ve been working in a certain way for 30 years, they’ve made a certain amount of money doing it that way and their clients have always been happy. They have a history of success with behavior that today would be considered inefficient.”

Tom Clay, a principal at legal consultancy Altman Weil, says this is a situation he sees frequently. “In the smaller firms in particular there’s no doubt about it. Senior people don’t want to make changes, they’re maybe even standing in the way of change. And it’s not just in terms of technology.”

Clay identifies the residual power and influence of senior lawyers from the baby boomer generation who, while they may now be well into their sixties and seventies, are reluctant to retire and step away from businesses they have built up over decades.

“Unless you can persuade the boomers that they need to let go of the reins for the benefit of the younger folks, longer term it’s a real struggle,” he adds. “That’s why the succession planning issue has come into stark relief in the US in recent times. Firms have not really done a good job at succession planning and now as a result they’re struggling to catch up.”

Hassett points out that in such circumstances, chief information officers (CIOs) and non-equity leaders can face an uphill struggle. “The partnership structure means that you might have 300, 500, 1,000 owners, all of whom are highly intelligent and the vast majority of whom are rather skeptical and argumentative. To get them all marching in the same direction is just extraordinarily difficult. The amount of influence non-equity partners and associates have is pretty small. It’s the owners who have to change—the laborers can’t do that much about the situation.”

Partner resistance

Someone who has witnessed this aversion to change from a different angle is Richard Seabrook, managing director Europe at A1 software provider Neota Logic. His experience in the UK market may strike a chord with CIOs in the US.

“We’ve been running Neota in the UK for about 18 months,” Seabrook explains. “In that time I’ve probably spoken to more than 400 firms. I would say that 90 percent of them would fall into the category of an interesting conversation with the partnership that I’m sure they enjoyed, but they will do largely nothing about.”

Part of the reason for this, Seabrook suggests, is that partners may struggle to grasp the gravity of the situation and the rapid evolution of technology.

“To an extent we’re still at the education stage in the journey. We’re not yet at the fear stage. They haven’t seen business drop off and so they are quite legitimately asking if they really need to be doing this, balanced against all the other things they could be doing. At the moment [law firms] balance investment in our kind of technology with whether they could be taking the clients out for another nice dinner.”

He does not think such attitudes can endure, however, as the market continues to transform. “Currently outside of the really big firms, there hasn’t been a huge demand from clients saying things have to be changed fundamentally, but I think that’s changing.”
LEADING THE CHARGE

If law firms are to embrace effective change they need strong leaders with strategic vision and the ability to secure buy-in from their colleagues.

In his book *The End of Lawyers*, author and legal tech expert Richard Susskind writes: "It is not easy to convince a group of millionaires... that their business model is wrong."

Is his assessment too harsh? Possibly. One could argue that the partnership model has served the legal profession pretty well for decades. Nonetheless, Susskind’s comment may strike a chord with non-equity leaders throughout law firms. How do they champion change in a business where authority is concentrated in the highest echelon of a rigid hierarchy, among people who have achieved success by exercising caution, while taking account of precedent and past practices?

“What we need are strong leaders,” suggests Nick West, chief strategy officer at British law firm Mishcon de Reya, which has offices in both London and New York. “That might be the managing partner, the partnership as a whole or a more technical leader, such as a chief financial officer (CFO) or CIO. Fundamentally, though, in a typical law firm, the partners own the business. They’re the people who have to decide if they want to change. That’s really at the heart of it.”

That doesn’t mean that dictatorship is an option, West adds. “If you really want change to happen it can’t just be pushed from the top, it has to be pulled from the bottom. Firms need to have a group of juniors who are willing. That’s especially true in terms of technologically driven change, where it’s often the juniors who do the work that is actually going to be affected by new technology.”

Inside track
West also emphasizes the importance of champions from the law firm community who are capable of influencing their colleagues from within.

“Lawyers are a breed,” he suggests. “Lawyers trust lawyers. There’s this whole ridiculous idea of there being lawyers and non-lawyers in firms. It’s probably the only industry in the entire world where people are defined by being a ‘non-something.’ You don’t have finance people and ‘non-finance people,’ you just have people in different roles. In a law firm this idea of ‘non-lawyers’ is regularly spoken about—which is just utter nonsense.

“What it means, though, is that lawyers to some extent have a sort of arrogance about being a class above, and therefore there is this feeling that ideas have to be owned by lawyers. The question is, how do you achieve that?”

One of West’s strategies at Mishcon de Reya is to educate lawyers to be champions for change within their own departments. “I have lawyers working with me, which provides a sort of Trojan horse. The idea is that it’s not me going to a department with an idea, it’s that individuals can take ideas back to their department, and that way change is achieved more quickly.”

This idea of focusing on how and by whom a message is delivered is shared by
If you really want change to happen it can't just be pushed from the top, it has to be pulled from the bottom.

Judith Flournoy, CIO at international law firm Kelley Drye & Warren.

"It's important we socialize change through a combination of communication channels," she says. "For example, this could be one-to-one conversations with senior stakeholders, aimed at getting the firm's leadership on board. Also, sometimes I think it's better to have the managing partner as the communications voice than for a message to come from my staff and me.

"It depends what the change is. Partners tend to listen to their partners in a way they don't listen to others. And that's OK. As a CIO I have to get beyond the idea that somehow people should listen to me. That's not the point. The point is getting the message out. If the best channel of communication for the message is not the CIO but the managing partner then that's the channel we should pursue."

Generating buy-in

Flournoy also recommends establishing task forces or committees, generally numbering between six and 12 people, that deliver a genuine sense of participation in the decision-making process and can spread the word among the wider organization.

She adds: "If the firm's looking at a major change, something that touches people's everyday work, such as a document management system, then the broader and larger the composition of the group the better. In our case, that might be partners, associates, paralegals, admin staff, and firm leadership, depending on what we're trying to accomplish."

Such an approach was recently implemented when Kelley Drye & Warren introduced DUO—a product for two-factor identification. "We were hearing an ongoing commentary from our professionals about the difficulty they were finding using the previous system," Flournoy recalls. "So our story to the community was this: 'We've heard you. Here's a better, easier way for you to use two-factor authentication.'

"We didn't talk in those specific terms, we talked more about ways of securely accessing our systems remotely. We prepared people for that change and, when the rollout occurred, not only was everyone prepared for it, but they were very happy with it. That was due to a combination of us listening, understanding a particular area of frustration, and then addressing it with something that would be better."
57% of law firm leaders have moderate or high concerns about their firm’s preparedness to make improvements to practice efficiency.

Source: Altman Weil (2016)

**Speed of change**

Law departments are now at what Fournoy terms "an inflection point," where they are likely to have to accelerate their uptake of technological innovations to stay competitive.

West predicts a similar trend. Indeed, Mishcon de Reya already has its own "technology incubator," where tech start-ups are invited to work on-site and share their innovative ideas with the firm’s lawyers.

He adds: "Ever since the financial crisis of ten years ago, CFOs have expected their in-house lawyers to manage their cost base like every other department in the organization, and that’s translated into pressure from clients onto law firms."

"Frankly, it's about time. Those sorts of demands force law firms to think through their service delivery model and their production methods. We're lawyers, we tend to talk in hallowed terms about what we do, but really the law is just like any other business that has customers who pay money and require a good service."

"Clients expect efficiency and they expect appropriate levels of people to do appropriate levels of work. Lots of questions that weren't asked for years are now being asked. Things like: 'Do you really need a human for that? Why can't a machine do it?""

West, for one, thinks such a situation is to be embraced. "It's great. It pushes firms to innovate. Nobody ever decided to make hard decisions just for the sake of it, they did it because customers demanded they do it or because they could see a particular event coming."

But to flourish in this brave new world, he adds, law firms must have a clear strategy and a focused commitment to delivering it.

"What’s needed is a defined understanding of what the business is all about. That and leaders who appreciate that technology is changing the world around us probably faster than at any other time in history. Yes, we’ve had massive changes in technology in the past 20 years, but the speed of change is now so quick that, if they are to stand a chance, firms need leaders who grasp what is needed while also figuring out ways to take their colleagues with them on the journey." •

"There is this feeling that ideas have to be owned by lawyers. The question is, how do you achieve that?"
BRAVE NEW WORLD

With technologies such as AI and blockchain accelerating at a rapid rate, law firms must ensure they're not left behind.

The recent news that the EU is considering whether to grant robots legal personhood is the latest to stoke up the debate about AI and what it might mean for the world in five to ten years' time.

As far as the legal profession is concerned, the context is one of rapid growth in the volume and sources of data requiring legal review, increased regulatory scrutiny and unprecedented fines and legal settlements. Leading law firms are already adopting new methods to stay relevant and competitive, and lawyers are seeing technology such as AI and blockchain take off in other areas, notably financial services.

Neota Logic's Richard Seabrook suggests the profession is now entering the first of three phases that will transform the way it works.

Phase one: task automation
"The place we're in today we call automated legal practice. That involves technologies being introduced to the legal services market that are automating the work." Specifically, he points to contract analytics tools such as Kira and RAVN, collaboration tools like HighQ, document technology solutions such as Microsystems and legal research tools like ROSS.

"It's not fundamentally changing the way in which the market operates, it's changing the work that is done and it's automating for efficiency. It's making the workers work smarter and faster, and it means they're costing clients less. That's where we see the market today."

Phase two: expertise automation
To explain what may happen next, we should perhaps look no further than one of the most well-known business disruptors of them all, cab company Uber.

In this case, technology connects people who need to go somewhere with people who are willing to drive them there at affordable prices. The same concept may soon apply in the legal space, where technology can connect the experts—the lawyers—through algorithms to the companies and individuals that need those services. This vision is of a much more all-round digital environment and a place where technology starts to take over the role of governing the interaction between client and expert.

The vanguard of this particular future is already with us. ComplianceHR, for
"By making use of AI, lawyers can still be lawyers... at the center of everyday business, but assisted by machines"

example, designs applications for legal professionals that provide answers to complex compliance questions. Companies and individuals can, effectively, access the expertise, advice and legal services of a firm without actually having to talk to a human.

**Phase three: algorithm is king**
The third phase may be in the future, but there are one or two examples that demonstrate what it may look like. Among them is New York-based Droit Financial Technologies, which last year received $16 million from Goldman Sachs and other investors to fund development of products that provide point-of-execution compliance for sales and trading systems in financial institutions.

Others are also building algorithms that companies such as banks can implement into their systems to provide real-time preventative monitoring and compliance risk management. The idea is to take all the expertise of professionals such as lawyers and create algorithms that sit inside the companies and run at a permanent state. In theory, the issues can then seamlessly adapt to changes in the regulations as they come about—with financial regulatory markets leading the take-up of such innovations.

Professional services firms are also looking at the potential of blockchain technology as a way of simplifying their processes and delivering their expertise. Originally developed as the backdrop for cryptocurrencies such as Bitcoin, the blockchain allows a standardized set of tools to exchange information between people, organizations and their assets. It has been compared to a public ledger, keeping a real-time, accessible record of all the transactions that have occurred in a network.

Financial giants such as Citigroup, Credit Suisse, and JPMorgan Chase are already investing in the technology, hoping that it will ultimately reduce their costs while simultaneously reducing risk.

For lawyers, blockchain is still in its infancy. But its ability to share secure information among interested parties could have huge potential in areas such as smart (i.e. self-executing) contracts, intellectual property, and land registry.

"We're faced with some really interesting questions about the part lawyers will have in the future," says Seabrook. "The whole concept where your expertise is modeled into software allows..."
you, the expert, to leverage it far more than you would ever be capable of yourself.

"We have a client in the US (Foley & Lardner) that built a set of algorithms that in theory will protect companies from breaches of the Foreign Corrupt Practices Act. If they could implement those in every organization that was subject to those regulations there would be no need for any other lawyers in the world to practice law in that area."

Extrapolate that concept and we're in a world where law firms have gone from competing for human talent to competing for algorithms.

**The end of lawyers?**

Does this mean, then, the end of lawyers, as predicted by author and tech visionary Richard Susskind? Perhaps at one level, although Susskind also points out that people will be needed in hitherto unexpected—but equally legally focused—jobs "in droves."

"There's a lot of discussion now about the role AI should play in law firms and how it can be used to create a more streamlined service," says Avaneesh Marwaha, president of Microsystems. "The legal marketplace needs to focus on the tactical uses of AI and what it can deliver."

"By making use of AI, lawyers can still be lawyers. They can still focus on the legal matter at hand, on communication, on writing briefs and negotiating. AI should be used to assist in those processes: with the lawyer at the center of everyday business, but assisted by machines."

We may also see additional skills to those in the market today—for example, people with legal product management expertise. Firms will have to think strategically about what sort of services they want to offer, how they package them up, what technologies are required to make them come to life, how they price them, what partnerships they enter into and how they distribute them.

Doing nothing, however, is not on the list of options.
**AI > IT**

"Firms ignore AI at their peril," suggests legal profession analyst Richard Tromans. "If the technology is already being adopted by the leading transactional law firms, in five to ten years we'll be a lot further down that road."

Tromans, who advises firms on the implementation of AI, is adamant that they need to see it as more than just a tech issue. "Management teams need to understand that they can't simply hand over the AI project to the IT group and then forget it, because the IT team may not be best placed to see how to use it.

"They'll understand the underlying technology, but they may not grasp the strategic implications of how this will change your relationship with your clients, your leverage model, your billing and remuneration model, how it will alter the way you market the firm and how it can be used not just in one practice area but across the entire firm — if used imaginatively."

While the input of the IT specialists in a firm will be important, the implementation of AI needs to be dealt with at a senior management level. "In that respect it is like a merger," Tromans suggests. "You wouldn't hand a merger transaction just to the accounting department because it is something that will increase revenue. It's a strategic decision and the same is true of AI."

As more firms look at integrating AI technology into the day-to-day workflow of their practice groups, it seems an impact on certain roles will be guaranteed—e.g. those focused on low-level document-review tasks.

"I think we'll see more paralegals being pushed upwards and doing higher-value work," says Tromans. "I'd also expect to see some paralegals and perhaps junior associates working with the AI systems. Having said that, I expect a lot of AI won't need special skills and knowledge—it'll just be an icon on your desktop."

The crucial factor, he believes, is to not be left behind. "Fundamentally, what AI does is make a law firm more productive and allows it to take on more work. That will generate more activity for its lawyers. AI could therefore directly result in the growth of law firms, because there will be more work flowing into the firm. What we might see is that the law firms that don't have AI systems will be the ones that will shrink, because they won't be able to compete with the productivity that firms with AI have.

"After all if you're paying for a service and one supplier says, 'that will take two weeks and we'll charge you by the hour,' and another says, 'that will take us two days and we'll charge a fixed fee'—which would you choose?"