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legal futures

The law firm of the future



A *Legal Futures* roundtable in association with  LexisNexis®

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Put a group of thoughtful and practical law firms leaders around a table to talk about the future and you'll find that the first thing they mention is not robot lawyers, or artificial intelligence or, in fact, technology at all. Rather, it's the need to do the basics: running your firm along sound business lines, working out what you do and making sure you do it well. "Is this not just sales, production and finance at the end of the day? That is all there is within any business," asked Andy Raynor, chief executive of Shakespeare Martineau.

This may seem obvious, but the litany of law firm failures – of both traditional practices and supposedly innovative alternative business structures – in recent years proves that many have not stuck as closely to business norms as they should have done.

But, as the discussion at our latest roundtable – kindly sponsored by LexisNexis Enterprise Solutions – makes clear, no larger firm can ignore the demands of innovation. It comes in many forms, predominantly but not just technology, and is not simply a case of automating process. Expertise and process are not mutually exclusive is one message from our debate.

Some of the points raised were familiar – the danger of simply putting your best lawyer in charge, the changing career expectations of the next generation of lawyers, and questions over whether the current training regime is fit for the future. There were also fundamental issues about the conflict

between greater efficiency with billing targets and, ultimately, partners' take-home pay. Can you persuade your partners that doing work quicker and cheaper than before will benefit them in the long run through more clients? It was interesting to hear Craig Dickson talk about how he had moved from linking revenue with pay to profit.

Interestingly, the threats were seen as coming from outside the profession – clever geeks sitting in their bedrooms, the Big Four accountants – but they could also help open up new markets for all. But there is no doubt that the strategies and technologies are out there to help firms compete in this increasingly complex and variegated market. I hope that reading this report will inform your thinking.

Neil Rose

Editor, *Legal Futures*



Legal Futures is an award-winning news resource tracking the fast-evolving legal landscape. Written by professional journalists, it provides cutting-edge daily news coverage on alternative business structures, new market entrants, regulatory change and innovation in all its forms. Its unique blend of hard-hitting journalism, market intelligence and expert analysis makes it the first port of call for anyone interested in keeping pace with the transformation of the legal market.

Our sister site, *Litigation Futures* (www.litigationfutures.com) is the go-to source of information on the world of costs and funding in litigation, with daily news and opinions on the massive changes wrought by the Jackson report and government civil justice reforms.



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A market ripe for innovation

By **Andy Lilley**, Product Director, LexisNexis Enterprise Solutions



The changes in the legal world today are symptomatic of the transformations that are taking place worldwide in general, driven by the broader socio-economic, regulatory, commercial and technological trends.

This bodes well for legal – with the growth of artificial intelligence, Brexit and the General Data Protection Regulation (GDPR), for example, the ‘cake’ is getting bigger and there is plenty for sharing among a much larger number of legal players in the market. These types of ongoing developments will create new types of law, scenarios that have never been seen before and hence new types of legal work. The industry is ripe for innovation.

Innovation = keeping pace

However, the term ‘innovation’ has become a cliché, and not all firms are able to pin-point exactly what they mean by it. Innovation isn’t defined by a massive, ‘big bang’ change, but is an accumulation of a series of small, iterative advancements that when viewed over a period of time represent a substantial progression. Put simply, innovation is the ability to evolve at pace with the larger business environment.

Take the example of a smartphone. When it was initially launched, the functionality was not so radically different from earlier devices. Gradually from its humble beginnings, with every new iteration, new features such as touch screen, camera, internet connectivity, voice activation and so on, have been added and advanced. So, when one looks back even a couple of years ago, although the change has been incremental, the improvement in functionality is massive, even though it didn’t feel revolutionary at any step.

Therefore, for law firms, innovation means the ability to react to changing needs of clients and the broader business landscape in the most effective manner every single day. They shouldn’t need to predict what the business environment will look like or what the clients will demand in 10 years’ time; they simply need to be in a position to efficiently and effectively keep pace with changing requirements.

Some 99% of innovation involves doing the same thing, but in a slightly different or better way. Take signing documents – with digital signatures today, users are doing exactly the same thing, but with the aid of technology, so that the activity is quicker and more efficient, completely eliminating the need to print/sign/scan/save. The added benefit is that there is an audit trail for compliance too.

Outside of the legal market, Uber is a classic example. Uber is still a taxi service and helps commuters to get from A to B, but in a way that is convenient and efficient.

Cost efficiency ≠ value to client

To take advantage of a growing market opportunity, we are starting to see the mindset of legal businesses is changing to keep pace with the challenges the new landscape offers and indeed the evolving demands of client. The general perception among law firms is that it’s all about costs as clients want ‘more for less’. Hence, doing things faster and more efficiently will result in cost reduction and so to many law firms, innovation equates to efficiency.

According to our panel, the reality is to the contrary. Clients want value. They only care about inefficiency ‘if’ they are paying for it. In the retail industry, Amazon Prime is a good example of demonstrating value. Customers order goods with Amazon Prime and expect them to arrive on time, per the terms and conditions of the subscription. They don’t care how efficient or profitable the delivery process is and how and where the goods are coming from.

On the other hand, if they were paying for delivery by the hour or per mile, it would be a different story – efficiency, the fastest and quickest delivery route and such would become major concerns for customers. We've seen the impact this has had on the high street retail giants, perhaps there's a learning here for the legal industry?

Think like a business

Similar to players in other industry sectors – retail, manufacturing, construction, as examples – law firms are starting to think like businesses and focusing on how they can add value to customers in a demonstrable manner. It requires an 'outside in' way of thinking rather than the typical 'inside out' mindset that firms can often be guilty of, so that they can get one step ahead of what the client needs rather than offering 'what they think' the client wants.

This is where I see technology as a facilitator, especially one that is cloud-enabled. For instance, it can enable firms to benefit from first-mover advantage in a region by quickly setting up an office without having to worry about infrastructure and connectivity. The right technology can provide complete visibility of the business alongside real-time business information to enable them to make sound business decisions as new and even unforeseen opportunities come to the fore.

The 'S' word

The concept of business is simple – it's about appreciating, understanding and delivering the products that customers want, developing/producing them and then selling it to them. Law firms are reluctant to be seen as 'selling' a service, but a business approach requires them to be unabashed about it.

Technology can enable firms to manage the sales process across its lifecycle – from the first point of contact to the successful closure of a matter and ultimately payment. This includes everything from managing relationships, resources, accounting, timely reporting and service delivery through to proactively identifying and pre-emptively providing a solution for an unforeseen challenge before it becomes an issue for the client.

Crucially, technology can enable firms to take a global view of their own organisation and the ecosphere of their clients, fully supported by flexibility and agility, acute visibility and insight as well as business continuity – ultimately enabling them to accelerate their pace of work as needed, where needed and how it's needed.

Technology is the foundation for continuous innovation

To achieve this, firms must have the right tools and resources available to innovate on almost a daily basis to keep up with an increasingly quickening pace of change to deliver a robust and reliable service at a determined price.

It's imperative to note that innovation at a law firm doesn't lie in implementing technology, rather using it as a means to do something different or better so that there's a distinct value add delivered to clients. Innovation could be a law firm supporting new legislation with a different pricing model to what has been typically used by legal services providers in the region.

Instead of deploying technology and then looking to see how to use it, technology needs to be deployed to solve business challenges, without being too hung up on innovation *per se*. In doing so, firms will position themselves well for the future, whatever it may bring.

With the right technology that is continuously moving forward, firms can adapt quickly to deliver against previously unseen business and client requirements. Technology is a problem solver and a facilitator of seamless, quick and incremental innovation. It must never constrain a law firm from adapting to and charting new territory.

Instead of deploying technology and then looking to see how to use it, technology needs to be deployed to solve business challenges, without being too hung up on innovation *per se*



Roundtable participants

Neil Rose

Editor
Legal Futures (Chair)

Alison Burdick

Head of Marketing
Kingsley Napley

Craig Dickson

CEO Claims Solutions Group and Board
Member
DAC Beachcroft

John Gould

Senior Partner
Russell-Cooke

Stephen Hopkins

Head of Global Client Development
Eversheds

Austin Milne

Head of Legal Operational Support
RPC

Alison Morley

Managing Partner
Capsticks

Andy Raynor

Chief Executive
Shakespeare Martineau

Nick Scott

Managing Partner
Brodies

Kerry Westland

Head of Innovation and Legal
Technology
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Steve Zangari

Sales and Marketing Director
LexisNexis Enterprise Solutions

Andy Lilley

Product Director
LexisNexis Enterprise Solutions

Future proof

Legal Futures and LexisNexis Enterprise Solutions brought together a group of firm and innovation leaders to debate how they are working towards the law firm of the future. It was a lively discussion

Neil Rose: What does the future look like to you?

Andy Raynor: There is an awful lot of talk about what will change, but we need to try to figure out what will stay the same as well. You can go straight to innovation and forget the basics. The future for most law firms is going to be defined by what they think they are. For example, there are many law firms that are effectively doing very good outsourcing work for businesses.

If you are doing bulk work for housebuilders or insurers, it is quasi-outsourcing. You have a function that could be done internally and are taking it outside. The business you are servicing has some choices – it has a panel so they never have an issue with service delivery and always has alternatives. You then have to make sure that you are in the right position to offer the right price, meaning that you need the right efficiencies, which brings you straight back to innovations.

Not understanding what that relationship is seems a real issue within the industry at the moment. The majority of sales are done, in many cases, on the basis of how brilliant we are, when in fact what the client wants is dogged reliability and a service that delivers on time, every time, at the right price. They are sometimes two different things.

Craig Dickson: When we talk about innovation, we often look for the 'big bang' event, the legal equivalent of the iPad or Facebook. Actually, innovation is much more about incremental steps towards being better at providing the service, with consistency and reliability and durability.

I am also seeing a real shift in generational expectations of what we provide to our staff. The historic, traditional route of solicitor, associate, partner, equity partner is not necessarily the aspiration of the current breed. Having different dynamics to service clients better, while also managing a different population demand, is quite an interesting tension at the moment.

We are asked, as question two or three in every tender or proposal that we are invited to participate in, what our position is on innovation, what we are doing, how much time we are investing. It is an increasing challenge to satisfy not just the demand to do things better, but being able to do it better in a different way and be fit for purpose while not breaking your existing model. That balance is really tricky.

Stephen Hopkins: Clients are interested in innovation, but only to the extent it can help them achieve more for less or demonstrating value.

Kerry Westland: Clients are demanding more and this isn't going to change in the future. They of course want a magic solution that gives them cost and time efficiencies. This is getting harder and harder to provide, so firms will continue to invest in tech as a way to provide strategic benefits.

What is innovation?

Craig Dickson: We all default to thinking innovation equals technology, whereas actually it is much more than that. It is business model, pricing structures, people development, all the things that you forget about when you are thinking about innovation.

Nick Scott: This innovation debate is often about service lines or solutions for clients. The



Roundtable report



innovation is as much about how we run our businesses, how people want to work. We all had snow a couple of months ago and it was striking how little disruption there actually was.

I agree with Andy: the starting point sometimes is to work out what it is you think you are doing. Bulk outsourcing is very relevant to large chunks of what law firms do, but there is a huge chunk of other things that law firms do that is about value, judgment, knowledge of markets and experience. In all this debate, one must never forget that part of what innovation can do is allow the lawyers to do the thing that they actually enjoy doing.

If you free up clever people's time, they will find things to do with that time, which often may actually make you more money or deliver business development, better brand reputation or better connection with clients and all the rest of it.

Stephen Hopkins: Is that not going to eventually change the model of the traditional law firm?

Nick Scott: Yes, but, ultimately if it is good for clients it should be good for law firms. If it is good for the people we employ, it should be good for the law firm as well. It might change the model, but we are all operating in marketplaces where the law firm models and who we compete against are changing.

Process v expertise

John Gould: The discussion so far illustrates how complicated the provision of legal services actually is. The debate sometimes combines themes that are actually slightly different. There are the ideas of expertise and of process for example. Often innovation is talked about in the context of the ways you can improve process, whereas the potential for value added is often in terms of expertise. Obviously an efficient process has value to a client, but it is likely that, for the clients of solicitors of the future, it will be of less value than the potential value of expertise. The providers of efficient process, where that is what matters, may not be solicitors. The third dimension is the question of cost, can the expertise be provided more cheaply? All of these tend to get grouped together in discussions of innovation.

Generalised themes run through all the providers of legal services. How do you get the talent? How do you stop wasting costs on things that do not really matter to the clients? How do you work out what the clients really want? How do you apply your expertise in a way that adds value? Those are the fundamental questions.



Alison Burdick



Alison Morley

I think expertise for a firm like ours is going to be key: bright people who can add value almost in any circumstance. The rest is about cost and process. There are clients who want process. That is fine, and if somebody wants to be a process provider, that is good. There are a lot of solicitors' firms at the smaller end who are essentially providing process. Some just lack the scale and resources to do it very well.

Andy Raynor: Most lawyers will tell you they are experts and are not involved in the process. In reality, there is nothing that is exclusively one or the other. The assumption is that process is lower rent than expertise. It is not. We have businesses that you would look at and say are process driven which are making more money per pound of revenue than some of the things that you say are more purely expertise.

Austin Milne: You cannot divorce process and expertise. It is the what and the how. Once you have got the expertise, you need to introduce standards around it and teach other people to do it, use precedent, use technology, so that we are doing exactly the same thing.

We then enable those experts to get the same job done more quickly, and therefore either more profitably or lower cost, by those techniques.

John Gould: I was not suggesting for a moment that you could just divorce expertise from process. There can be value in process but managing process may not be the best way for lawyers to add value.

Austin Milne: All of these things are about becoming more business-like, getting rid of some of the mystique of professionalism and acknowledging that we have to provide a given service at a given price.

Art of persuasion

Alison Morley: A lot of the work that my firm does is public or quasi public sector. The real challenge is trying to get the clients to see the value of doing things a bit differently. Probably the most innovative thing that I have heard today is this notion that lawyers are going to be more business-like and talk about sales and selling things in a different way. To me, actually that is real innovation. The technology is just helping us achieve what we need to achieve.

Alison Burdick: I think the change is going to be much more seismic than is being suggested. For what it is worth, my prediction is that in 15 years the landscape is going to look entirely different. I think we are going to be forced to give away so much more than we ever have done before.

Steve Jobs once said that he would never have a focus group in order to create a new product, because the clients never know what they want, and I think that is true. We have to predict what they want, and what they want is to know more. They want to have access to content.

A really small example is that we publish a lot of blogs. The blogs produce us a lot of work. I am talking millions of pounds worth because clients want to know a bit more about what it is all about.

Our lawyers of the future are going to have to have very different skills, because a lot of the stuff that they do will be done in a different way – even judgment is based on track record. Just by looking at what you have done before, that can be turned into a process.

They will still be selling their expertise, but more the tactics associated with it. Most people will be able to get access to what this law is, and they will have more access to the justice system in itself. What they will not have is the experience of knowing 'This is how these people work'. I, as a lawyer, know how that judge thinks. Not only have I been through this lots of times before – which you might say can also be put through an algorithm – but, say, I can understand from that person's body language in these other meetings that we have been to that they might do this. It will be much more nuanced than just the legal knowledge.

Nick Scott: It will bring into sharper focus that what you are buying is experience, knowledge of markets, how to negotiate, when to push a point, when not to, when to litigate, when not to. The algorithm will tell you that 80% of those cases end up in a particular outcome. It does not tell you whether to run it.

The people dimension

Craig Dickson: One of the barriers to professionalising the running of our businesses is always that we tend to bring through people into senior positions who have gone through the route of being an expert in their technical field. There is a Harvard Law School and a Harvard Business School. You would not want a Harvard MBA to go and present your case, so why on earth would you expect your Harvard law graduates to go and run big business?

Changing the shape of the people that we bring through to be the business leaders in a very different model is probably where we can then outcompete others. If not, we just do more of the same, possibly a bit faster, a bit slicker, and that is not where we need to get to.

Austin Milne: I am very surprised that the people coming into the profession do not ask 'What do I need to be in 15 to 20 years?' more often than they do. Astonishingly, they are coming in and saying, 'I want what the previous generation had'.

Kerry Westland: The law degree has not changed in however many years, although some universities are introducing coding courses and so on. All of our clients will say they will pay for the black-letter law expertise of our partners.

And yet we keep talking about expertise, but how do you train the lawyers of the future? When trainees and junior lawyers have learnt to cut their teeth on reviewing contracts and carrying out other due diligence tasks, but AI and paralegals are now used to do that – how will they learn about the construction of the contracts? They will need to show they can use technology – and younger lawyers coming through do have that more than any other generation – but they need to know how to apply that technology to make a piece of legal work more efficient. I personally think it means huge opportunities for those who want to take them.

John Gould: I agree with almost everything Alison said, apart from the notion of cataclysmic change. People have been saying that for 30 years and it has not yet happened. There is evolutionary change, and it may have a quickening pace.

When I talk about expertise, I am really talking about the ability to solve problems rather than to accumulate know-how and knowledge. Clients are now substantially doing things that traditionally a law firm would have done. That is not just corporate clients. This is at all levels: many people administer the estates of relatives themselves for example. The client as competitor puts us back to 'Where is the value added?'

Stephen Hopkins: I agree with the idea of seismic change, with the way that technology is going. I talked about the model earlier on. We are going to move much more towards an expertise-based structure. The wide triangles we have got at the moment in law firms are beginning to narrow, because people are only prepared to pay for the expertise, the skills, the experience that people have and applying those to solutions that fit with the client.

The mundane, routine stuff is going away from law firms. It is going to non-traditional law firm providers. One of our clients, Sequoia Capital, sold Pangea3 about four years ago for a significant sum. It is now ploughing money into legal tech start-ups all over the world, because that is where it really thinks that is going to make a big difference in the profession.

Seismic shift

Kerry Westland: I think clients' focus is changing as well. We are often asked how clients can use the technology we use. It is not even the in-house teams; it is the frontline business people who want to produce documents on their iPads at the click of a button – documents that would previously have gone through legal, or maybe gone to their outsourced provider.

Clients are hiring chief operating officers into their legal teams and very much looking at their team as a business. They want different services. They say: 'Is it easier for me to bring in technology and have my business do it than it is to pay for a law firm to do it?' So showing where and how firms can continue to add value is crucial.



Andy Raynor



Andy Lilley



Austin Milne

Andy Lilley: As a law firm, we expose all of this to our clients and then they question the efficiency of what they are paying for, if a lawyer should be doing that. But look at retail. I do not care whether it is in stock or not. I do not care whether they have got to pick it from a warehouse. I do not care how they deliver it. I just know that if I want something, I order it. I have got no exposure as to what is happening around it. I know the price that I am going to get it at and all I am interested in is the outcome. Look at the impact of that on the high street.

Your clients want an outcome. They want to trust in you as the provider that you will do all the due diligence and everything that goes with it to make that outcome happen.

Kerry Westland: That is a hangover of charging for our time. Clients want to know what the process is, to know that you are doing it in the quickest possible time. Yes, they ask for fixed fees and it works in some places, but they will always ask what your hourly rate is as well.

Stephen Hopkins: I am not sure it is the cheapest or the shortest. They want certainty. We have just won a tender with Turkish Airlines. We have given them a three-year fixed fee for all their global work, bar aviation finance. That is what the client wanted: 'I want certainty. I have got a budget. Just sort it for me.' I am managing their legal requirements in over 100 countries and am trying to change the mindsets of every law firm involved around the world to think, 'We have got to do this on an absolute capped fee.'

All the benefit of efficiency now comes to me, so I am really motivated to go in, and not only be efficient but also look at the high-spend areas and say, for instance, 'Okay, let's redo their entire passenger claims process.' If I can do that better, I make a big profit. The client is saying, in a sense, 'It is up to you what you do.' They are not that interested in me being efficient anymore, because they know they have that fixed price.

Business of law

Austin Milne: If we get into that Amazon mindset, our businesses need to be prepared to operate on lower margins.

Andy Lilley: If you look at things as a business, there will be some deals where you make more than others. You look at the books at the end of the month, at the end of the quarter, at the end of the year, and you see how you have done.

Kerry Westland: It also goes back to how lawyers are remunerated. Whatever we are doing around efficiency, our lawyers have target hours every year. If I give them a solution that cuts out 200 of their hours, they will say, 'I need to go and find those extra 200 hours.' And if I am a client partner and I have a £10m client but we make it really efficient and it is now £8m, am I going to be congratulated by my law firm? For me this is a balancing act, but it's also about investment and by this I mean investment in time from partners to understand how they can drive new working practices. This will of course take time, but this attitude needs to be challenged and technology embraced.

Stephen Hopkins: But you would be congratulated by your client and you will get more clients, because that client will go round and tell lots of others. I remember speaking at a conference in America and I made the point about looking at trends for a client in spend and trying to help them drive down the trends.

One of the American private practice lawyers, in a room full of in-house counsel, said, 'Why on earth would you want to do that?' and all these general counsel turned round and noted the name of his firm.

Andy Raynor: Is this not just sales, production and finance at the end of the day? That is all there is within any business.

Craig Dickson: We have always been slightly embarrassed to talk about profit openly. Clients want us to be robust, sustainable, healthy businesses that make money. We are not charitable organisations that give them everything for free, but they want value and they are focused on outcomes.

One of the first things that I did when I took over was to change the link between revenue and



Roundtable report

remuneration for our client relationship managers and business developers and flip that to profitability. Rather than rewarding the rainmakers who were out pursuing new business, I flipped that to reward the people who are managing existing business well and doing better for the existing clients, providing better services, more efficient services, more cost-effective value, and tried to get that balance slightly different.

It took me the best part of three years to get the business thinking differently, because of course our reward structure was based on revenue. There is quite a tension in there between someone who is chasing revenue at any cost and watching margins deteriorate because they want pounds coming in through the door, but it is certainly achievable. I do not think that margin sacrifice is inevitable. If you innovate in the process and the efficiency, as you are innovating the way that you work and the services that you develop, the two can be a pretty good match.

Data analysis

Stephen Hopkins: We are starting to recruit more and more people in data analytics. A lot of big clients want to know what they are spending, where they are spending it, and so on, and looking at the data and how they can drive efficiency through data.

Craig Dickson: Data analytics is increasingly important. It has been a shift, almost without noticing, from the collection and dissemination of management information to genuine data analytics and penetration, and hiring data scientists.

Again, that is one of the challenges for the lawyer of the future, because of course no one leaves law school wanting to spend a proportion of their time filling in databases or data capture. Automating the extraction of the data and then doing something much more scientific with the outputs is a real challenge.

There is one reasonably large insurer that we work with that has pretty much said that it is effectively paying for the data supporting the outcomes, and we are doing the legal work for free. That is a big shift.

Nick Scott: We have software solutions and products that we have been developing, but in some cases we have discovered that it is more effective not to market them using our firm name. Of course, we can sell them to our clients, and it shows that you are innovating, but some of those who might buy that product would not normally do so from a legal service provider.

Craig Dickson: The way that people buy legal services has changed. There is a massive opportunity in there, but lawyers see it more as a threat. That kind of awe and mystique that used to be around lawyers particularly, but most professional services as well, has just gone completely. There are plenty of purchasers of legal services now who buy in the same way that they buy paper clips and carpets. You will see much more e-auctioning or e-procurement, which is an opportunity as well as a risk.

Even in the private client domain and the more rudimentary access to justice for individuals and consumers, the tech that people have at home is vastly ahead of the tech that most of us will see in the workplace. That gap will broaden, because the pace of home tech is really accelerating. Just the sheer scale and size of having to move very large businesses now at a pace that can accommodate that change to give clients what they need, even if they do not know yet that they will need it in the future, is a really delicate balance.

Breaking with tradition

Neil Rose: Given that most lawyers have a traditional mindset, how do you build the case internally for all this?

Kerry Westland: Success stories, case studies and clients asking for it are the main three ways. A client asks a question and the lawyer thinks, 'Oh, Kerry did something like that. I will go and speak to her and we will do



John Gould



Craig Dickson

that'. That is how it has worked in our firm. The engagement has been really good.

Surprisingly, junior lawyers are probably the most resistant to all of this compared to some of the more senior partners. That is because of how they have been trained and taught.

Craig Dickson: You cannot force people to change, and you absolutely cannot command innovation. There is also a balance to be struck in trying to preserve the best bits of the traditional: there is a real benefit in some parts of the partnership model, for example, such as collegiality, bringing people through and a real business commitment.

If you can match that to developing tech, or process, or structures, or models, then you could very quickly get to something that is open to change and is not held back by the 'We have always done it like that' syndrome. It is more psychological than any structural change.

John Gould: Nobody likes changing their working practices. They need some pressure to do it from clients or others. Solicitors don't say 'I want to wear stripy trousers and a black jacket'; they say, 'I like doing it this way. This is how I know how to do it. This way has always worked'. Where the workers are also the owners of the business as partners they often mostly have to be kept onside, whereas workforces can be more readily directed by management.

Nick Scott: Finding a sympathetic audience within the business to prove the case works really well. When we introduced the concept of electronic working, for example, I was quite keen to introduce it for all categories and all classes of work. Our catastrophic injury lawyers, who were used to sitting behind mountains of paper, could not possibly consider electronic working.

Fast forward three years and they are absolute converts because they can work more flexibly and more remotely, their annotations are stored on the system so people can dip in and help. I found a few who I knew would be keen to try it and then showed the benefits.

Austin Milne: It is about really understanding the problem that they need solving first. Rather than saying, 'Hey, we have got a new gadget, who wants to use it?', it is understanding where their pain is.

Andy Lilley: That's right. Technology should not be 'I have got a piece of technology. How am I going to use it?' It should be 'We have got a problem. How do we need to solve it?' About 99% of innovation is doing the same thing. You are just doing it in a slightly different way, but the outcome is the same.

Take Uber versus taxis. Actually, I just want to get from here to the station to make sure I hit my train in the most efficient way.

Innovation does not have to be huge. The fact is that teams of people can still do their work. They do not need a mountain of paper any more but they still need to read what has been digitised. They need to mark it up. They need to highlight it. Great, technology can solve that. They can still do the same things, almost in the same way, with the same outcome, but just more efficiently.

John Gould: When emails came on the scene in the 90s, you would have thought that as it was a much better system of communication, adoption would be sudden and total. But post is only just now in some places dying out completely, 20 years on. That is the strongest, most effective piece of technical innovation one can think of and it took the legal services market 20 years to eradicate post as a significant form of communication. These changes can be slower than people think.

Lawyer as businessman

Andy Raynor: You have to try and make people responsible. We have around 20 teams, and each team leader is expected to run their team as a business in itself, so we ask them business questions. We actually talk about whether or not they are growing their business, if they have made sales, what the pipeline is like, how profitable they are, what their level of generation of fees from a particular individual is. It's all business related.



Roundtable report

Neil Rose: Should any of that be in lawyers' training now?

Andy Raynor: Yes.

Stephen Hopkins: Why would you want lawyers to do that? Why wouldn't you get somebody like an accountant to do that and get the lawyers to do the stuff that they get paid really well for by clients?

Andy Raynor: Do we want to employ people who do not want to be in business to make money? If you are going to do that, quite frankly, there are an awful lot of overpaid lawyers.

Nick Scott: If your lawyers don't understand the simple economic dynamic of what they are doing and how much it costs to produce, how can you make predictions about investing more money in it? And the thing is that the lawyers enjoy it.

Stephen Hopkins: With business aspects, they do. Pure finance, I am not so sure.

Craig Dickson: I have solved some of that challenge by organising the business in a much more corporate way. My executive, for example, is made up of three lawyers who head their respective business areas. They are responsible for their P&L, but there is a CFO, a COO and a head of BD in each. That blend seems to work pretty well, because you have lawyers who have responsibility and ownership of what they do, so that their choices are good ones, but they have the support of a good professional management team.

Know your client

Nick Scott: Clients also like working with successful people who have successful businesses. That is an incredibly good selling point.

Andy Raynor: Good businesses are always interested in other good businesses.

Stephen Hopkins: Clients would say that we are not good enough at that, in general. There are firms that are genuinely interested in the client's business, know who the competitors are, know all their pressures and so on, and therefore know the needs of the client. That is absolutely key to sales. Most are not, however.

What about the sector approach? If you go down practice group lines, which we do, although we have a bit of a matrix, you get the mindset in your people of 'I am a corporate lawyer', 'I am a litigation lawyer' and so on. We found that if you try to overlay sectors, you think more about the client straight away. The clients largely do not think about how you are organised internally. They want to know 'Is there a solution for me and my problem?'

Kerry Westland: One of the biggest clients around stood up at a panel day and said, 'I want you to understand my business, completely and totally'. All law firms say they do, but the head of legal said: 'I want you to answer questions I do not know I have.' You could see the lawyers going, 'But it is not in my scope. That is not what you have agreed my fee for. If I do actually go ahead and do something extra, are you really going to be happy with that?' Lawyers and firms need to know they have permission to play the innovation card and won't be penalised to think outside of the box.

Tackling competition

Neil Rose: How worried are you by non-traditional competitors?

Austin Milne: The point earlier about Amazon was a good one. From the high street retailer perspective, you have the choice to respond to it. It's a great driver to say 'How do we understand our clients better? How do we differentiate ourselves from them?' Also, of course it is a threat as well, because the way that people are purchasing is different. As traditional model law firms, we are perhaps less able to respond quickly and nimbly. If we do not start saying, 'This is a great opportunity. How do we respond?'; then we should pack up and go home.



Kerry Westland



Nick Scott



Steve Hopkins

Craig Dickson: I am more mindful of the tech geek in their bedroom coming up with the next idea, in the same way that, say, aggregator websites transformed insurance. They completely revolutionised the way that everyone, almost without exception now, buys insurance. That was initially not a Google or an Amazon or an Apple with high investment potential. It was a couple of people in a garage or in a bedroom having an idea and running some algorithms. If there is a seismic shift in five years' time, that is probably where it will come from. While you have reserved activities, the risk of that is relatively low.

John Gould: There are particular characteristics of each type of new competitors. Accountants have an advantage in terms of the ongoing relationship. That is difficult for solicitors to replicate with commercial clients. Accountants have been doing legal services, either openly or covertly, for many years. Often, the quality has not been that good in the past, for various reasons.

As far as the virtual providers are concerned, the ones I have seen are mainly trading on the brand of established firms. You get an individual who says, 'I was formerly at X firm'. That will have some short-term impact, but if you believe that you need an organisation to provide continuity, training and culture, then they may struggle to be recognisable organisations. They are not replicating a cohesive idea. I think most of the market will still be served by organisations.

Here come the accountants

Kerry Westland: The Big Four are the biggest challenge. We are seeing their legal businesses sneaking onto the panels now. They have some very good lawyers and are managing them in a different way to law firms and of course are creating even greater competition for us all.

Nick Scott: We automatically assume that the accountants are going to be better than law firms. Law firms are good at what they do. The fact that other people then join that space does not mean that the good law firms are inherently in a weaker position. They just have another business to compete against.

These things all make the assumption that the cake is a defined size that is always going to be the same and we are just all fighting for the slices of the same cake. We are all in different markets with different drivers. We should all collectively get wealthier from this.

There should be more activity as a global market, which we all get to compete in. That example with Turkish Airlines could not have happened 10 or 15 years ago. Technology is the reason why that can be supplied. That is a good thing for the legal industry.

Alison Morley: We talk about the Big Four and how they are managing people in a really different way. We can do that too, can we not? It is just their mindset. They have the freedom. They have the investment. They have just got a very different view.

Craig Dickson: The challenge is much more one of future differentiation. If tech goes a particular way, you can have an early adoption benefit, but then it becomes ubiquitous and homogenous. Then how are we to differentiate when we are all using broadly the same platform? If you are just left with cost or value, you will see some casualties in the middle.

Andy Raynor: I come back to the fact that the opportunity is there. There is huge demand for legal and peripheral services, whoever is providing it. New entrants often create new markets as well. It does not matter what they are. They are just competitors. If we are not willing to compete, we should not be in business in the first place. It is just a development of the marketplace.

Nick Scott: We are back full circle to where we started: you need to know what it is you are trying to do. If you are clear about that, it should be okay.

Alison Burdick: There are a lot of firms that are not in this mindset. The Big Four, and even some of the magic circle, are now reaching down into territories where they would not have normally been before. PwC are setting up a whole new legal arm and doing immigration work, which is generally seen as fairly process driven. They are doing it fantastically well. Why? Because I think their approach to innovation is light years ahead. They are just used to doing this stuff. That is why I think the change will be seismic.

Investment opportunity

Andy Raynor: That is also the application of investment – resourcing does take money. PwC will say ‘This is a strategic requirement that we have an operating law firm of a specific size’, and they will pour money into it.

The ones not to miss are the mid-range firms of accountants who will take pockets of business. They will do some employment law. They will do some debt collection services. They will take parts of what is available. They might make as big a hole in the marketplace as the Big Four, but they will take longer to do it and probably be less successful. There will be false starts, but they will be there.

Neil Rose: It seems like a lot of these issues are internal. You have got the conservative junior lawyers. You may have the senior lawyers who are more willing to try things, but, at the end of the day, they have got their eye on their draw at the end of the year.

Andy Raynor: It might be a topic for another day, but you stop them taking all the profits out and get external investment.

Craig Dickson: It depends on the appetite and the amount of investment required. We have had an ABS licence since 2011. I have leveraged it in terms of bringing in senior non-lawyer talent, and that was an attraction for them. I did not seek external investment at the time, have not sought it since, because we have been able to fund some pretty significant investments through our P&L.

That is hopefully an intended consequence of running a tight ship financially. If you are going to compete with the likes of PwC, who can put tens of millions of pounds behind a new product launch or a new service launch, or developing a new arm, or competing against those at the opposite end of the spectrum who can afford to fail, that is where a bit of bravery is needed.

It is also where the shift in the model may come in, because it may be that you need investment to keep up or to push ahead.

Neil Rose: Nick, you are about to enter the hot seat. Are you going to shift attitudes among your partners?

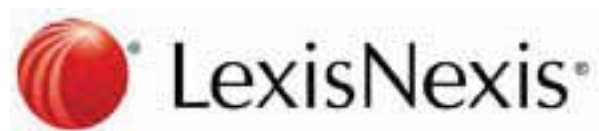
Nick Scott: We are largely viewing this as an opportunity. We have got quite a broad book of business. There are lots of things that drive activity and the requirement for legal services. Some of it is about how successfully we use technology, but there are a lot of other factors too. We have not discussed human nature at all. That drives an awful lot of legal activity. There is politics as well and all of that. At the moment, we remain broadly optimistic about the opportunities that technology is going to open up to us.



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