

# Re-thinking Technology In The Law Firm

## How Technology Can Be A Trusted Partner

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## Introduction

For legal firms technology is often perceived as something to which the individual or organisation must adapt. This whitepaper proposes an alternative view – that technology should be viewed as a trusted partner that can help adapt to the changes facing contemporary legal firms.

The legal profession has never faced so many challenges to the status quo:

- Globalisation, which is driving a round of international mergers and acquisitions.
- Growing pressures from clients for improved cost certainty, value for money and transparency.
- Demand for industry specific knowledge as well as legal expertise.
- Entrance of non-lawyer business owners and firms.

New approaches to applying technology within legal firms offer a way to turn this environment into a competitive advantage:

- Mobile devices and applications offer the opportunity to accelerate the pace of business by ensuring that legal professionals are able to access research resources on the move, converting down-time into productive time and enabling more effective collaboration.
- Process and productivity tools, in the form of next-generation practice management systems, offer a way to embody the knowledge and skills currently locked in the brains of employees. The technology itself becomes an expert partner able to help maximise the effectiveness of existing employees and protect the firm from the impact of staff turnover.

Technology, whether in the form of devices, applications or expert systems, is no longer just office infrastructure; it is a key component vital to the success of the modern law firm.

### Commercial Pressures

Despite the ever present challenge posed by the rapid evolution of the law itself, the most important considerations for individuals managing a law firm are commercial.

### Globalisation

The impact of globalisation has expressed itself in the Pacific legal industry in two key ways, via international mergers of large law firms, and international acquisitions of local talent to establish local offices in new regions.

Last year in Australia, for example, four of the “big six” Australian law firms merged or entered into association arrangements with firms headquartered outside of the country. Mid-tier firms are combining in order to compete more effectively for domestic work. Merger and acquisitions activity has shown members of mid-large law firms leaving to establish their own businesses.

Global firms have significant competitive advantages when targeting global clients as they can provide consistent and integrated service across national borders. Global firms are also generally more effective at attracting top talent due to the desire for exposure to international experience.

The new large global firms appear to be moving away from practice areas and clients that are primarily domestic (that is, those clients without multi-national elements). Large law firms are also less focused on price sensitive areas. This has provided an opportunity for middle market firms to fill this space.

### **Rising expectations**

Increasingly, law firms are under pressure from clients to provide better cost certainty. In practice this is manifesting in a shift from billable hours (still the most prevalent billing model in use) to alternative fee arrangements (AFAs). It is likely that fixed fee structures will eventually become the dominant business model for law firms.

Interestingly, while controlling total cost is important, just as important is the requirement to deliver better value-for-money and more transparency. Increasingly clients are demanding insight into work practices to better understand the value being obtained for their expenditure.

### **Vertical specialisation**

Clients increasingly demand not just legal expertise but industry-specific knowledge. This has resulted in increased vertical specialisation for partners within mid-large firms, and small firms increasingly focusing on a particular market or industry sector.

### **New players**

The entry of non-lawyer business owners is driving change in the business model and governance structure of large law firms. Increasingly, senior non-legal managers within the business (e.g. the CIO and CFO) are being rewarded with equity. Publicly listed law firms face new challenges meeting reporting and compliance requirements, and balancing ethical commitments to clients and shareholders.

In the United Kingdom the “Tesco law” is enabling non-legal firms to provide legal services. For traditional legal firms this means more competition for new talent and frustrated mid-career lawyers, as well as competition for client custom.

## **Impact on the firm**

No single strategy is sufficient to address the challenges outlined above, however several key themes emerge:

## Flexibility

Increased competition for key talent means maintaining employee satisfaction is a growing concern. Law firms must be able to accommodate demand for more flexible work practices, such as working away from the office and Bring Your Own Device (BYOD).

## Expertise

The loss of key members of a firm and the resultant loss of expertise can be crippling. Law firms need a way to effectively capture and embody the expertise locked in the heads of senior members of the firm, and make it more accessible to junior staff.

## Cost-control

Growth in fixed fee arrangements drives the requirement to improve the accuracy of budget and effort estimates.

## Productivity

The drive for greater productivity requires that employees are freed up from repetitive tasks to focus on higher value billable work, and that unproductive down-time is minimised.

## Transparency

The need for transparency means the law firms need to be able to track where effort is being spent and value added for the client, and be able to present this information to the client in a meaningful way.

## Mobile devices and applications

*“Courage is worth more than numbers, and speed is worth more than courage.” - Publius Flavius Vegetius Renatus*

A mobile revolution is upon us. The world’s most popular technologies, in the form of tablets and smartphones, are almost ubiquitous. Mobile devices combined with suitable productivity applications represent an effective response to the flexibility and productivity challenges.

A global survey of 600 C-level executives conducted by Wakefield Research found:

- 61 percent reported the majority of employees use personal computing devices in the workplace.
- 54 percent reported the majority of employees use smartphones for basic work tasks such as reading email, online documents and calendar invitations.
- 33 percent reported the majority of employees use tablets for advanced business purposes such as CRM, project management, content creation and data analysis.

## Flexibility

Bring Your Own Device (BYOD) is a policy whereby individuals are able to use their personal devices for work. To some extent this trend is driven by the inevitable – employees are increasingly using tablets and smartphones for work purposes regardless of the preferences of their employer. The empowerment perceived by individuals when they are able to use devices of their own choosing is a cost effective way for firms to deliver a more satisfying work environment. The opportunity exists to formalise this arrangement, thereby mitigating some inherent risks (see below) and maximising the potential benefits.

## Productivity

The key benefit of the adoption of mobile devices is in gains in productivity and effectiveness. The primary gains are from:

- Mobile devices remove the need to be functionally tied to a specific physical location in order to be productive. This enables individuals to be more effective in virtually any circumstance, whether at home, travelling, in court, or visiting a client. Employees also generally work longer hours when provided with effective mobile solutions.
- Migration to digital information sources provides significant cost savings in filing, floor space and administration, while ensuring individuals have access to information as and when they need it.
- Mobile applications designed to facilitate collaboration (e.g. simple file-sharing via DropBox) improve the productivity of teams.

## Managing Risk

Adoption of mobile devices into the workplace of a legal firm is not without risk, particularly in a BYOD environment. Specifically:

- Security – sensitive client data is at risk if stored unencrypted on a mobile device which may be lost or stolen.
- Reliability – mobile devices can break, which can have significant business impact if they are relied upon for work.
- Support – where employees are empowered to use their own device their expectation of support and integration with business systems follows. At the same time the range of devices increases which can impact already limited IT budgets. Law firms need to be able to accommodate these requirements cost effectively.

Law firms have been slow to address these risks. While 60% of legal practitioners use personal tablets for work, just 10% of legal firms have an IT strategy in place to cover tablet usage.

## Mobile Device Management

Mobile Device Management (MDM) is an effective way to manage these risks. MDM is a combination of software tools and expert services which secure, monitor, manage and support mobile devices. MDM can be implemented by an internal technology department, generally using one of many reliable MDM vendor solutions (e.g. Good Technology). Firms without the requisite internal expertise can also engage cost-effectively with an external MDM service provider to entirely outsource mobile device management. This second alternative is particularly attractive for firms wishing to run trials with BYOD and then finding the need to scale quickly to company-wide implementation.

## Process and productivity tools

*"Engines, on the other hand, accomplish their purpose at the intelligent touch of a single workman."  
- Marcus Vitruvius Pollio*

Legal process, business process and productivity tools include a wide range of knowledge management, workflow management, business process management and expert systems.

Currently most legal firms use first generation practice management solutions, which incorporate basic knowledge management (e.g. document storage solutions such as SharePoint), time tracking and document version control. These systems are generally limited to facilitating work-in-progress reports, billing and cash-flow management.

## Next-Generation Practice Management

Next-generation practice management solutions integrate directly with Microsoft Office and bridge gaps between the diverse systems currently in use in legal firms. The overarching objective is to support the daily work of the legal practitioner by putting all of the tools the practitioner needs in one place. These systems will enable legal firms to address the challenges of expertise, cost-control, productivity and transparency.

By integrating email, word-processing, accounting and other tasks with a legal process framework, next-generation practice management will enable:

- Seamless collaboration between the lawyer and internal teams, between lawyer and client and between lawyer and third parties.
- Identification and elimination of bottlenecks and inefficient processes.
- User-centric interfaces that are simple to learn and productive to use.

Sophisticated tracking and reporting tools will provide:

- Real-time tracking of progress and milestones via convenient dashboard views. At a glance the lawyer will be able to manage their complete case load.
- Better task prioritisation and risk management.
- More accurate and granular view of productivity at each step.
- A convenient interface for clients into the firm via more detailed reporting and integrated processes that connect directly to client systems.

Standard legal processes will be bundled with the solution out of the box, but with the capability to customise and improve processes to meet the specific needs of the firm. This will deliver increased process efficiency through automation.

Most importantly, a successful law firm of the future needs a way to capture the essence of each transaction that can then be replicated in future. By integrating these powerful tools into the lawyer's daily workflow the system will be able to capture and embody expertise as the system is used. As discussed, because of internationalisation law firms are seeing disenchantment of junior staff and higher turnover of mid-career lawyers. *How can a legal firm embody knowledge and expertise such that it is embedded within the DNA of the firm?* The answer is via systems which capture that expertise and make it readily available to all users of that system.

### **Embedded research and productivity tools**

Linked to the next-generation practice management solutions described above are embedded research systems provided by legal publishers. The simple way to think of this is as "content in context". While a lawyer is working on drafting a document they will typically be working on multiple systems:

- Email to receive and send documents.
- A word processor for reading/drafting.
- A web browser for research.
- Other miscellaneous systems for tracking billable time, internal processes and templates, etc.

The embedded solutions will automate large parts of the effort involved in reviewing a document, conducting researching related to that document, sharing that document within a workflow, commenting on or editing the document, assessing the risk related to the matters addressed in the document, and ultimately publishing and distributing the document.

The form these solutions will take will generally be as a tool-bar added to Microsoft Word. Thus the lawyer is already in a familiar drafting environment. In addition, the tool will enable the following:

- Research and reference from within Microsoft Word and Outlook, removing the need to constantly shift between different tools.
- Automatically identify, flag and correct legal identities. Instead of having to identify critical elements in the document by hand, the lawyer will be able to use advanced pattern matching and search capability to automatically identify important components of the document, thereby saving time and reducing risk.
- Pin and note legal entities to facilitate preparation, communication and collaboration.
- Identify citations and their treatment quickly and easily.

## Partnering with technology

While new technology can be enticing (or disrupting) in itself, the initial focus should not be on specific devices or applications. If technology is to become a trusted partner it must be a reliable addition to a law firm – a partner which provides access to expertise that was not previously available, and protects the integrity and viability of the firm.

The major consideration should therefore be towards enhancing organisational capability. First ask the questions, “What challenges does my firm face? What skills and capabilities does my firm need to acquire to address those challenges?” Then a meaningful answer can be given to the final question, “How do I acquire and retain those skills and capabilities?” Increasingly, technology will be the answer.

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