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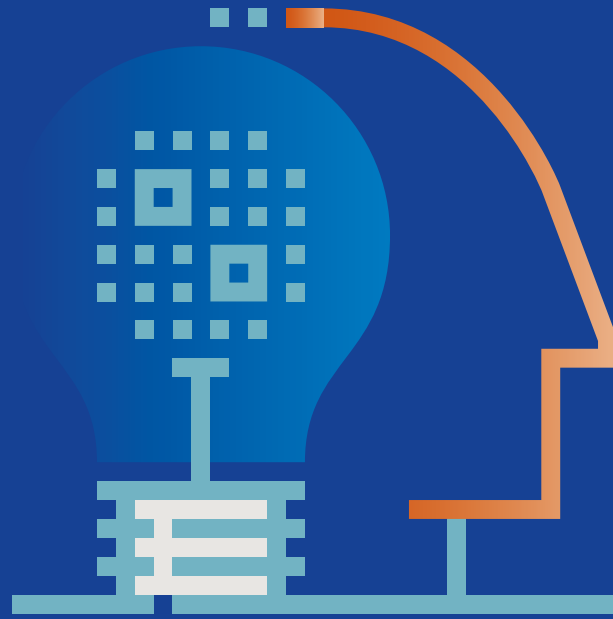
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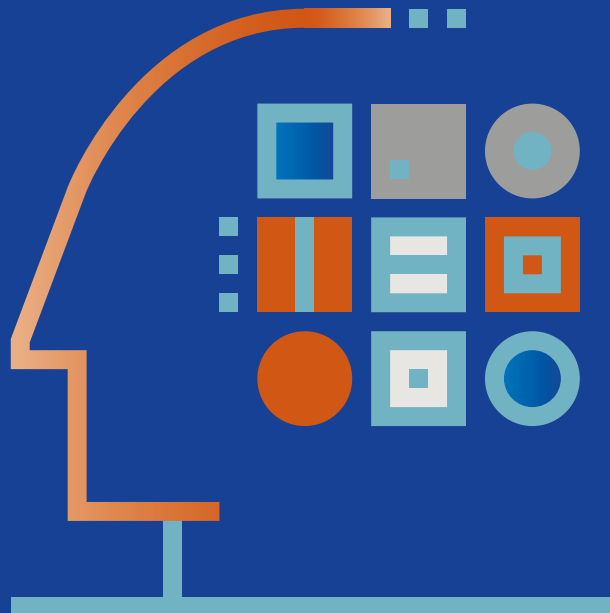
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# LEGAL IT LANDSCAPES 2019



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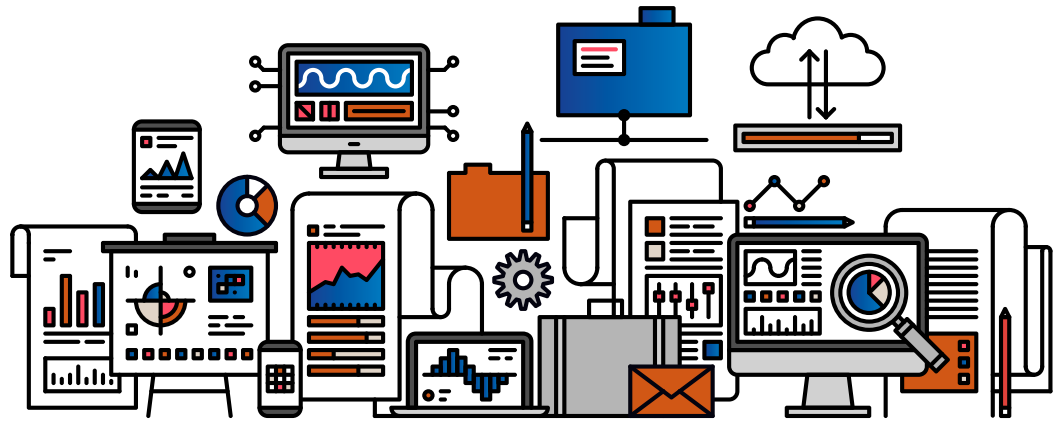
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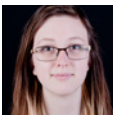
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Welcome! My team here keep track of and write about firms' strategic technology choices in **Briefing** a great deal throughout the year. However, in recent years this work has peaked with the vast undertaking that is the Legal IT landscapes report. This year, I'm delighted to say we have crunched on more questions – and fantastic responses – than ever before, to paint you a frankly stunning picture of what business leaders think most needs doing, and in some cases what's most stopping them from getting it done.

From machine learning to ML, portals to pricing, once again we reveal which areas of tech lie where on our axes of law firm efficiency and competitiveness; probe how much you're investing in future-proofing; and for 2019 we give extra consideration to where the trend for greater innovation is being directed. We believe the market could well be staring at a defining moment of choice between one strategic course and another.

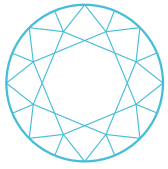
In short, I'd heartily recommend reading on ...

Finally, a big thank you to the International Legal Technology Association (ILTA) for its help in our representing more of you than ever. It is much appreciated.

**RICHARD BRENT** EDITOR

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# Thank you

We promise anonymity to everyone taking part in Legal IT landscapes, but we couldn't do it without your help – and the help of our sponsors, and of course the good people at ILTA. Thank you to every firm taking part this year.

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## GOOD RESEARCH SHOULD LEAD TO GREAT OUTCOMES ...



We carried out this year's research by online survey and on the phone in October/November 2018, and gained 62 responses from 59 firms, evenly spread across the **Briefing** audience (£19-20m to £2bn).

We achieved this with the help of our friends at ILTA, with whom **Briefing** will be working closely in future. Special thanks to ILTA UK member leads Tony McKenna at Gowling WLG and Karen Jacks at Bird & Bird for their help.

For every useful response we donate £5 to Shelter. It's always seemed the right charity to support in the run up to Christmas. We also asked our sponsors to match our donation. Not every business can do this, but we're delighted to have our donation matched by Converge TS, Intapp, Landmark and LexisNexis Enterprise Solutions. Total raised when we went to press was £1,600. Now that's a great survey result.

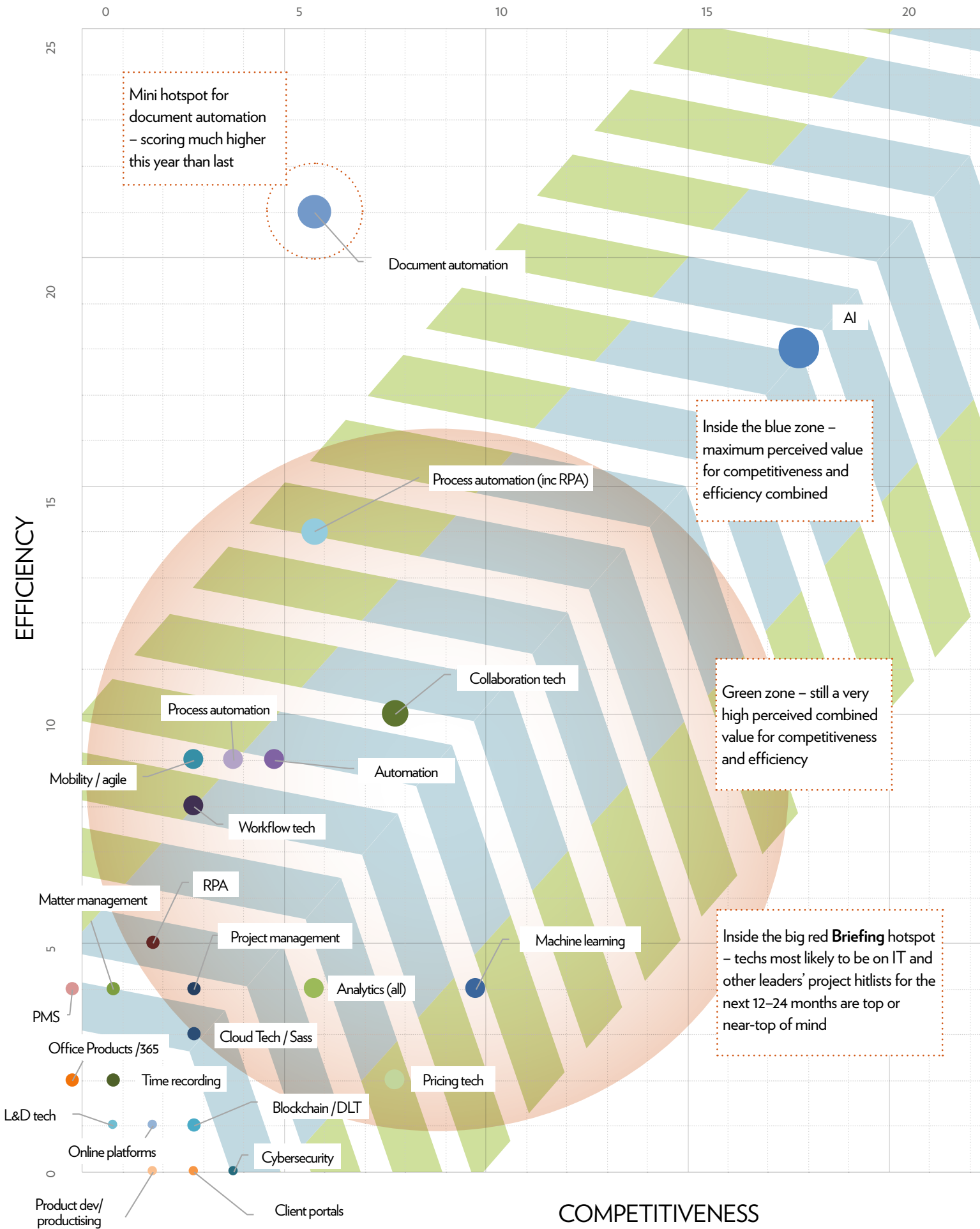


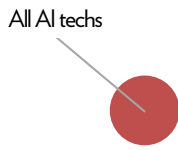



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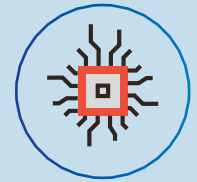
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## WHAT'S EFFICIENT, WHAT'S COMPETITIVE?

There are some striking changes to our legal business leaders' perceptions of the value of technologies, according to this year's Legal IT landscapes efficiency v competitiveness matrix. To plot this, we simply ask all respondents to name their top three technologies for each driver.



'Artificial intelligence' as a broad bucket of capabilities remains well out in front – almost off the chart, let's be fair. However, people do appear to be being more specific in 2018 than they were in 2017 – with **machine learning** (ML) making the cut as a phrase for the first time.

### WAY UP HIGH!

The year's very brightest rising star is **document automation**, beating even 'AI' on efficiency (although admittedly falling just a touch for competitiveness). This may be because firms are now really sweating this investment.



**Collaboration tech** also performs particularly well, pushing into the very centre of our tipped project hotspot. That's up from a showing in the lower third of categories when picked in late 2017.

### DOWN BELOW!

The biggest drops this year are for **mobile/agile** and **cloud** – perhaps suggesting 'been there, done that' now, rather than a lack of contribution to current success or strategy. Although it's notable that 'cloud tech' barely scrapes the hotspot ...



**Cybersecurity** also falls for competitiveness (this made it one to watch back in 2017...), so are security scares a little less worrying than they were a year ago? Either way, that doesn't mean they've gone away of course ...

### NEW THIS SEASON!

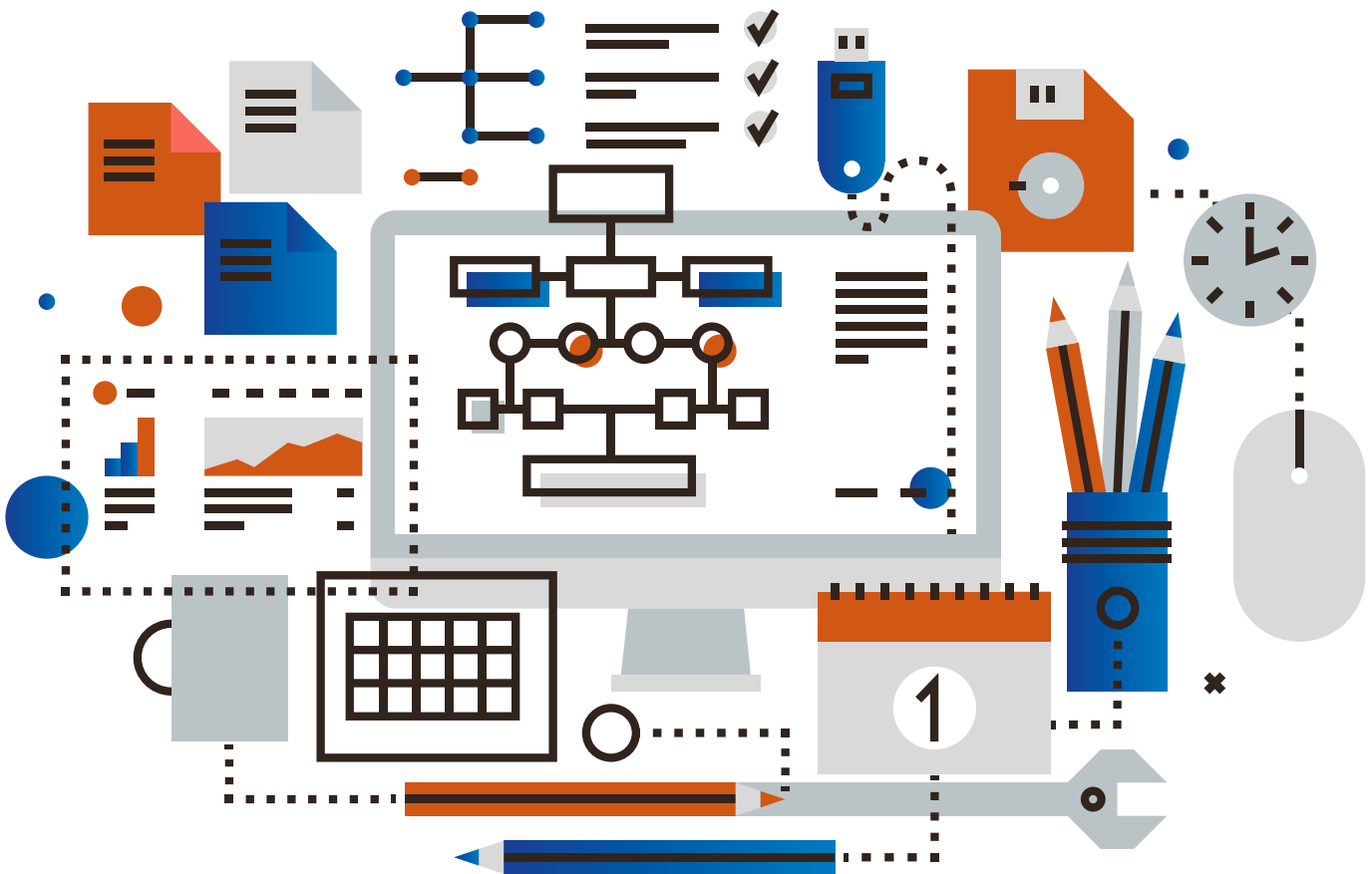
**Pricing** technology sees its name in lights again in 2019 – with a very healthy competitiveness score, although it's fairly low for efficiency this year. And **RPA (robotic process automation)** has a solo mention for the first time, successfully nudging it into the hotspot on the grounds of efficiency (and note, it fares much better combined with the phrase process automation).



Finally, **product development/productising** appears to be a technology concept just coming into the linguistic picture, perhaps tied to firms' emerging innovation agendas.

TECHNOLOGY	EFFICIENCY SCORE
1. All AI techs	23
2. Document automation	21
3. AI	18
4. Process automation (inc RPA)	14
5. Collaboration tech	10
6. Automation	9
6. Mobility/agile	9
6. Process automation	9
7. Workflow tech	8
8. RPA	5

TECHNOLOGY	COMPETITIVENESS SCORE
1. All AI techs	28
2. AI	18
3. Machine learning (AI)	10
4. Collaboration tech	8
4. Pricing tech	8
5. Analytics (all)	6
5. Document automation	6
5. Process automation (inc RPA)	6
6. Automation	5
7. Cybersecurity	4
7. Process automation	4
8. Blockchain/DLT	3
8. Client portals	3
8. Cloud tech / SaaS	3
8. CMS	3
8. Mobility/agile	3
8. Project management	3



# Influence speakers

**E**verything changes, and everything stays the same, they say. 2018 has been another year of transformation for UK legal business. We've seen dramatic mergers such as Bryan Cave Leighton Paisner and Ince Gordon Dadds (fittingly, the latter aiming for completion by the midnight chimes of 31 December 2018); the growth of legal operations departments; divisive regulatory changes proposed by the Solicitors Regulation Authority; the profession's first attempt at gender pay gap reporting; and the Law Commission's guidance that e-signatures can be treated as equivalent to written ones.

That's to name just a few developments. On the other hand, we're still at parties talking about what sort of Brexit (if any) we ought to expect – and law firms like yours still aren't really spending all that much on technology.

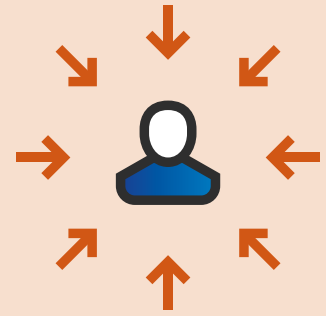
The respondents to Legal IT landscapes 2019 have revealed that average law firm spend on IT as a percentage of revenue has hit 4.94% – a small (possibly perceptible) increase on the figure of 4.7% that we reported back in the closing days of 2016.

As we've mentioned a number of times before, that's still quite a way behind what other sectors tend to spend on their engines of efficiency. However, just 4% of IT or other department heads in the know say that sector averages (such as those put forward by Gartner, for example) play a part in IT spend decision-making. I suppose we should be pleased that almost half (47%) of you can say that 'what you think you actually need to get your vital projects done' is a big influencing factor on IT budget (p9) – although perhaps less so that nearly a third (30%) are led by "what partners will accept as a percentage of projected revenue".

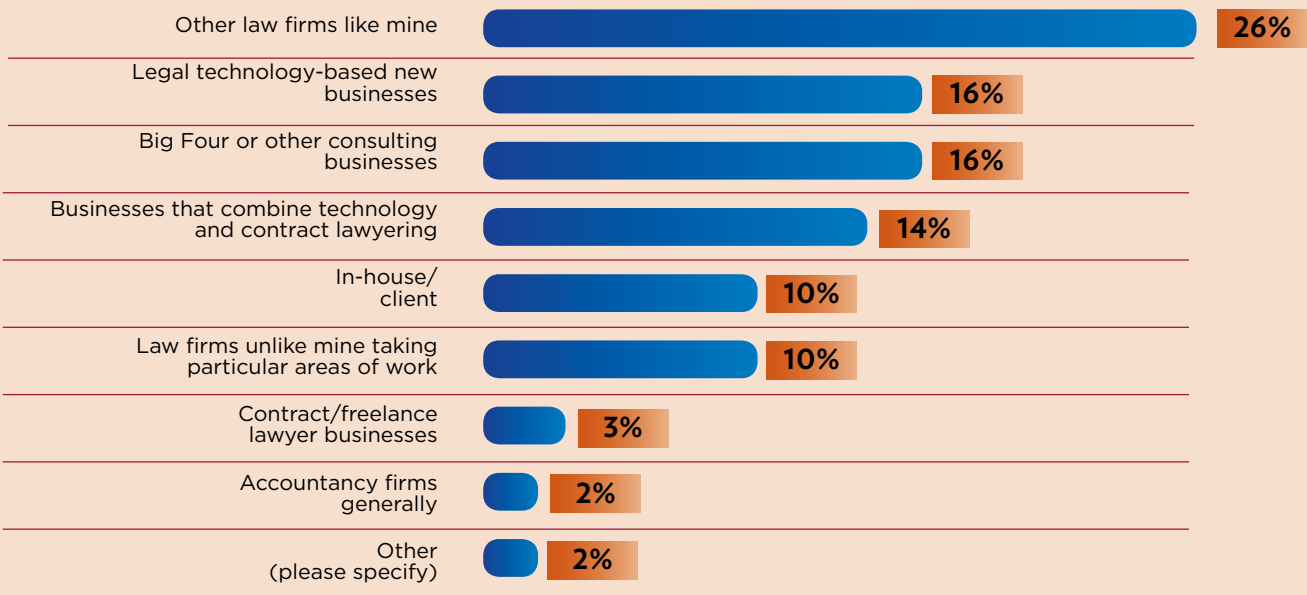
## Bigger news

Perhaps the most ponder-worthy of all this year's findings is that in the year that EY acquired Riverview Law (the latter named one of the three most innovative legal businesses in Legal IT landscapes 2018) – something the former said would build on the "current EY technology approach to legal managed services" – precisely 0% of leaders can say that what the Big Four or other alternative legal service providers (for

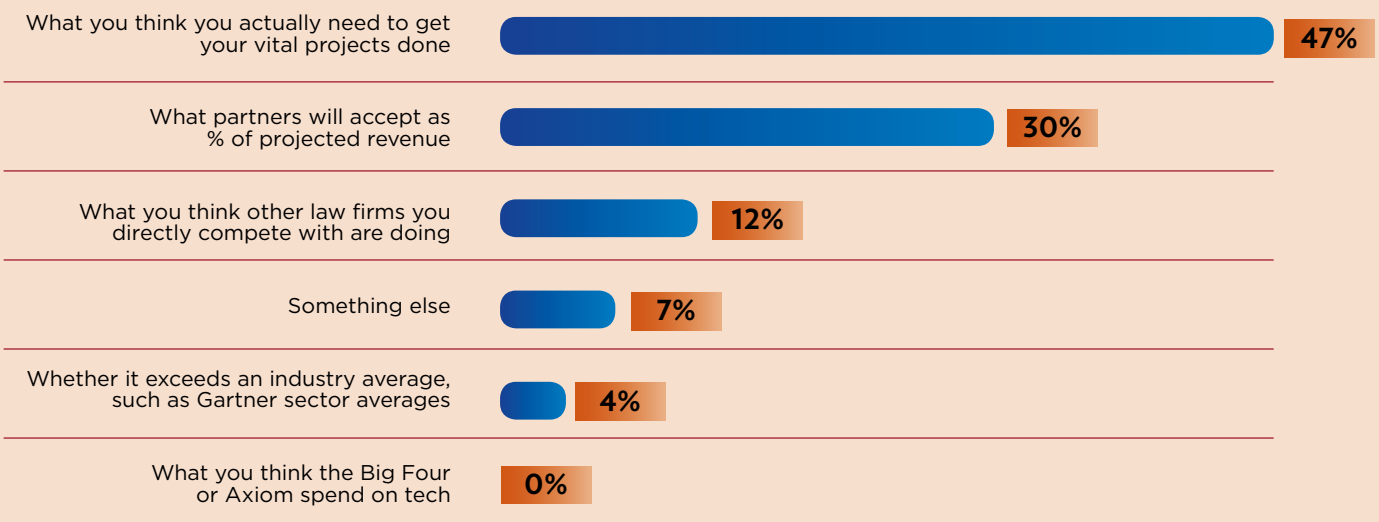




**Which kinds of businesses are most threatening to your firm's future?**



**What are the big influencing factors on the size of your IT budget?**



# 4.94%

Average law firm spend on technology as a percentage of its revenue

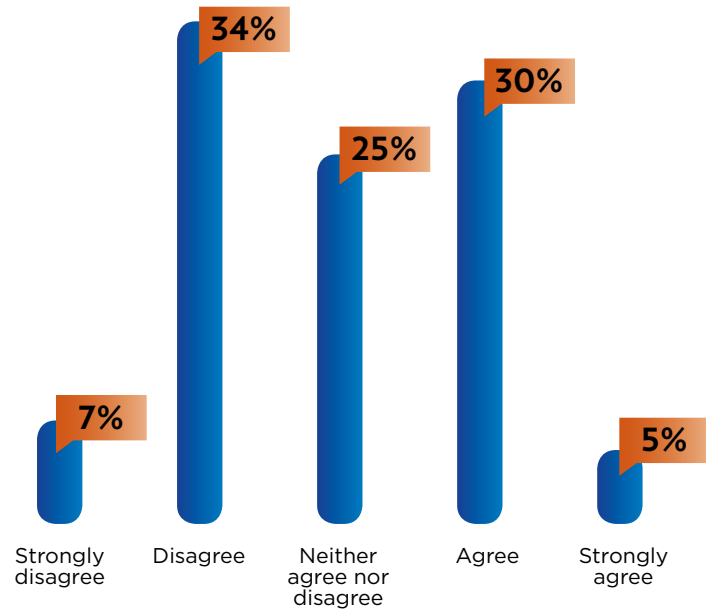
example Axiom) spend on technology influences what they decide to budget.

As an IT director pointed out in one recent conversation, that's not necessarily the same as saying legal businesses don't care what their growing base of competition is choosing to spend. However, it does jar a little with the fact that the Big Four are the really big movers in terms of where you say your firms are most threatened by changes to the competition (p9). Just over a quarter (26%) are still saying 'other law firms like mine', while 'law firms unlike mine, taking particular areas of work' is unchanged on 10%. There's also little shift in the perceived threat posed by specific contract lawyer businesses, or the movement of more work in-house. Legal technology-based businesses even show something of a drop in fear factor – but the Big Four and their consulting kin rise from joint fifth place (10%) in 2017 to joint second (16%) as we head into 2019.

Shane Scott, IT director at Shoosmiths, suggests the perception of threat may well have increased as firms themselves have started to pursue a wider range of work than before. "Now some big names are targeting lower-margin work that they probably wouldn't previously have touched – for example, by 'nearshoring' through process centres," he says. The Big Four may well want their own slice of that new lunch item.

However, Jonathan Patterson, managing director and head of development at DWF, says: "All the answers to this question are really 'correct', because the competition is so much more varied across the many segments of a legal business such as ours. For example, for DWF's growing connected services division, it's mainly non-regulated companies. The competitive landscape is so much broader."

**"The IT leader's role in top-tier UK/ international law firms has the same level of executive/decision-making power as IT leaders in other sectors." Do you agree?**



**"The future market's more of a mosaic than the 'new normal' we hear so much about, and the Big Four aren't some one-stop-shop within that."**

*Stephen Allen, head of legal services delivery, Hogan Lovells*

Stephen Allen, head of legal services delivery at Hogan Lovells, agrees. "With the best will in the world, there are only the four," he laughs. "I believe the future market's more of a mosaic than the 'new normal' we hear so much about, and the Big Four aren't some one-stop-shop within that. Their investments and activities are focused on particular areas. However, it's certainly true that there will be more choice for our clients from all sides – including clients doing it for themselves."

Nick Galt, IT director at Boodle Hatfield, adds: "The Big Four have certainly got their act together, but appropriately I think they'll be a bigger threat to larger firms. I can see that corporates will be tempted by their broader portfolio of professional



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## The differentiation game

What are the biggest threats to law firms today? Similar firms, followed by recent disruptors in the form of the Big Four, consulting firms, and new legal technology players. In this landscape, it seems obvious that the most important course of action is for a firm to pursue a strategy of differentiation – to determine what unique characteristics and values it offers to distinguish itself from competitors both alike and different.

But that’s easier said than done. Leaders at the firm could likely provide a snapshot, but may not have formally articulated these qualities or implemented a strategy.

Only half of respondents in the 2018 Altman Weil Law firms in transition survey felt their firm “clearly and specifically” differentiates itself with a “distinct and compelling” value. However, doing so provides rewards, it found. The main finding – only 40% of firms reported continued growth over three years – was broken down further. Demand grew for nearly half of the differentiated firms, but for only 28% of undifferentiated firms.

Firms that successfully claim their place in the market do so by considering what clients need and value. And they help business development fill its critical role by freeing capacity – a frequent but beatable challenge.

Law firms that do create a more compelling message have many paths available. They must identify what truly sets them apart, focus on clients and craft a clear, easily communicated message. Here are a few possibilities.

- **Pricing.** Firms can compete on price, providing an offering that ties the firm’s value proposition and experience to justifying the cost of services.

- **Expertise.** Perhaps a firm stands out in a certain industry or practice. It can highlight its talent, expertise, and experience with past matters.

- **Client service.** Firms can develop a reputation for forging strong, collaborative client relationships. They can share more information and deliver more face time. They can anticipate client needs, and not just react to them.

When differentiating, larger firms often have advantages – greater name recognition or a more established reputation. These firms spend more time thinking about, and developing, strategy. Indeed, the portion of differentiated firms jumps to more than 75% for those with 1,000+ lawyers, according to Law firms in transition.

Regardless, successfully determining and communicating differentiators also relies on business development capacity (time) and resources (staff and data). Historically, that’s where a key challenge arises.

Firms clearly need both marketing and business development, and those with a larger workforce or greater propensity to innovate have delineated the roles and created separate teams. There’s certainly a case for that.

But whether firms restructure or not, they can help business development leverage technology to gain efficiencies in pitch, proposal and RFP prep. Experience management solutions, for example, help to track matters the firm has worked on, and which lawyers took part.

By taking a data-driven, systematic approach, firms help their business development teams work faster and more efficiently – freeing capacity for more strategic initiatives, including firm differentiation. ▴

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services – that’s a compelling proposition – but there’s less threat there for work that depends on personal relationships, such as private client.”

### Power players?

Another area of ‘no change’ in Legal IT landscapes 2019 (more or less) is in response to the statement that “The IT leader role in top-tier UK/ international law firms has the same level of

executive/decision-making power as IT leaders in other sectors” (p10). There’s a smattering of good news in that 5% can now say they “strongly agree” with this – something nobody would have said just a year ago.

In the last two years, the number saying they disagree – ‘strongly’ or otherwise – has also fallen (from 47% to 41%), but we’d venture it’s hardly time to be cheering from the rooftops. ▴

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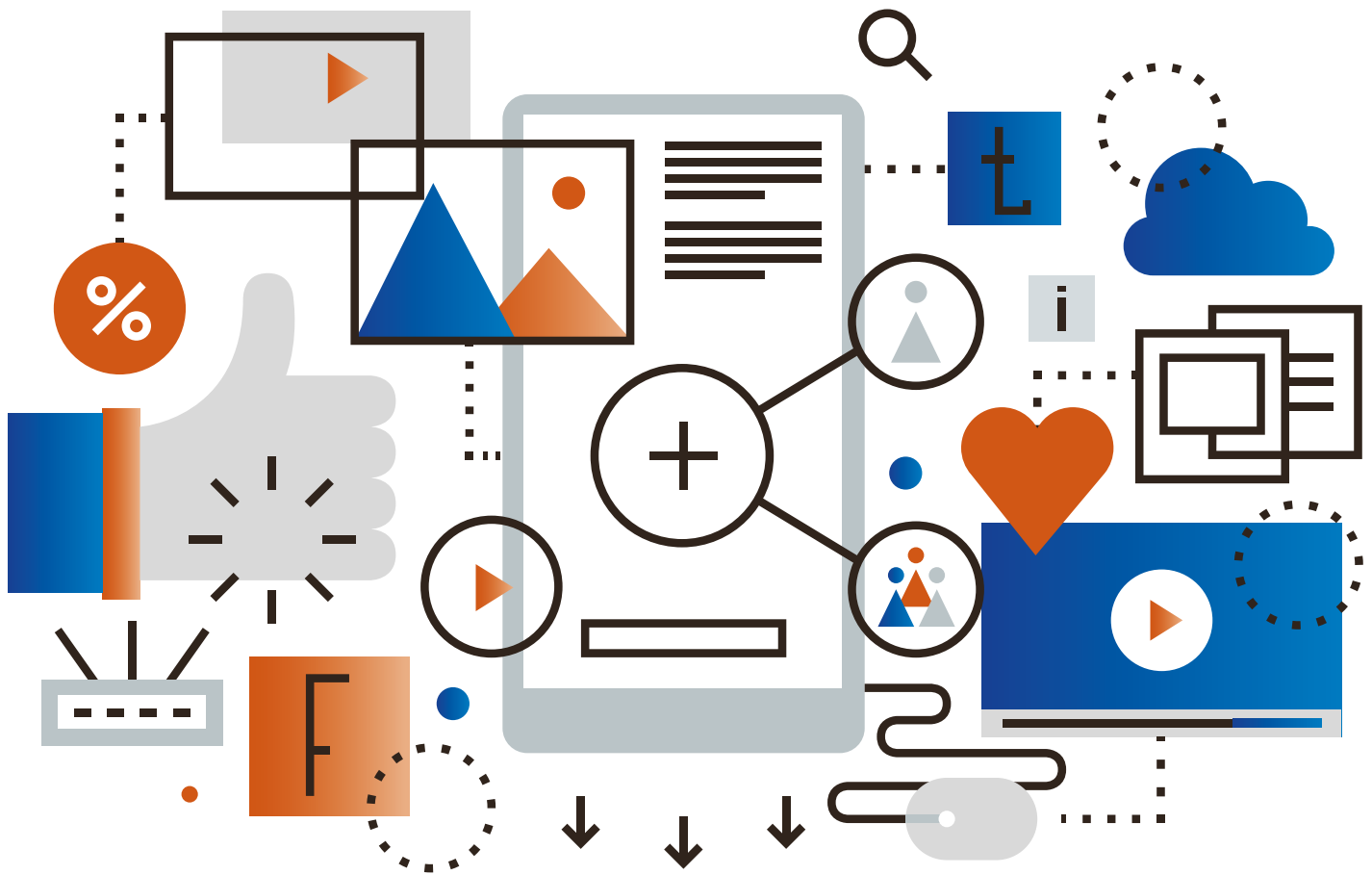
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# Innovation master

**H**ere's something else a bit tasty to chew on. We don't need to tell you that 2018 has been a year that saw plenty of discussion of the value of 'ringfencing' spend for R&D/new products or services – as distinct from business-as-usual technology.

## Ownership shape

However, almost two-fifths (38%) of legal IT or other business leaders say their cash for such activity falls within the figure they gave in our IT spend question (p14). Moreover, it's not even a discrete sum within that. The same proportion again say they have no separate budget, but there is a discrete amount of spend.

On the other hand, one fifth say that the firm has a dedicated innovation (or similar) budget –

although IT influences rather than 'owns' it. Just 5% of respondents say that such a budget exists, and yes, they could be said to manage/own it.

In short, it's a mixed picture for how much control the IT sphere has over however much innovation cash is in the pot for our law firms to play with – and it's fair to say that software suppliers should probably consider that as they seek to exert their own influence.

The obvious next question: exactly where is whatever innovation cash there is being splashed? Previous **Briefing** research on (international) legal market attitudes to innovation back in June 2017 ([www.briefing.co.uk/reports/innovation-in-global-legal-business/](http://www.briefing.co.uk/reports/innovation-in-global-legal-business/)) found firms were more likely to consider the concept to be about 'inventing or creating new products and services'

**Where does money for R&D/new products/  
productising services, and so on, fit into your IT  
budget?**

In another budget like 'innovation'  
that I manage/own



In another budget like 'innovation'  
that I influence but don't own



Inside the % figure I gave for IT  
budget, not a discrete amount



Inside the % figure I gave for IT  
budget, but a discrete amount



or 'transforming existing processes and service lines' than 'continuous improvement.' In Legal IT landscapes 2019, we asked people to be a bit more specific about that.

Quite remarkably, our respondents were absolutely evenly split on whether innovation should be "more focused on" creating client-facing products and services (à la the work of the new breed of innovation spaces that invite clients in to collaborate on designing new tech solutions or ways of working), or creating better service delivery for all through investment in internal process improvement activity, such as automation (p15).

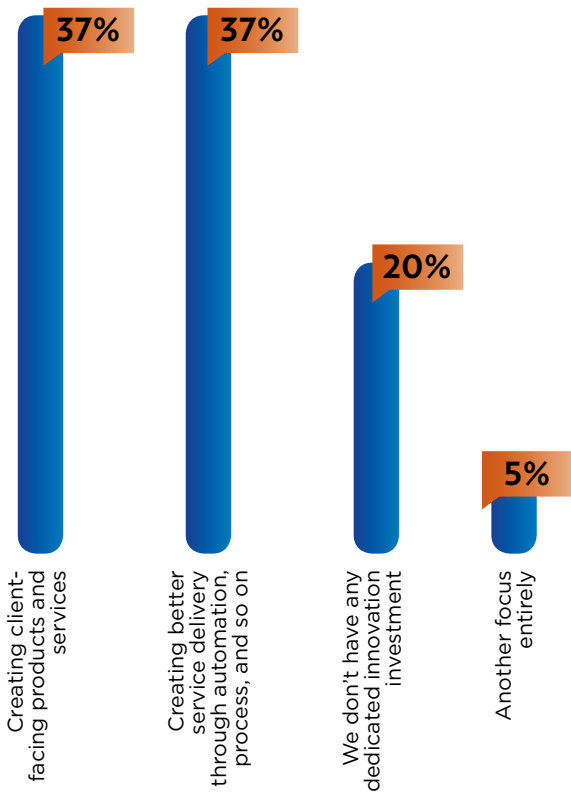
**Stashing the cash**

Setting to one side that a fifth of respondents say their firms have 'no dedicated innovation investment' at all – and in such a dynamic market, we'd say that should probably cause pause for thought – the obvious conclusion is that firms are being pulled one way or the other. To give them the benefit of the doubt, that ought to be because they see more value in one or the other. But should that be the case? Do they need to nail their innovation colours to one mast, or should a firm today really invest in both areas if they intend to keep the categories of competition referenced earlier at bay? Certainly, in the past, IT investment would be most channelled toward making firms

**“The entire organisation and everyone involved should be empowered to think differently, challenge the norms and constantly keep improving everything we do.”**

*Priya Lele, project management lead, corporate, Herbert Smith Freehills*

**When it comes to ‘innovation’ teams or initiatives, in your firm is innovation investment focused more on...?**



more efficient (and, of course, profitable), however ‘outside the box’ they were otherwise. But as the operating models of innovation continue to evolve, are we reaching a point where clients could be choosing your firm specifically for how it ‘does innovation’?

**Heads up?**

We have certainly seen leading large firms continuing to appoint their first ‘heads of’ innovation in 2018 (although that title may be chief innovation officer, it may not) – so here’s something a little surprising. This is only the second year we’ve asked you whether or not your firm has an innovation leader, and the number saying yes has dropped from two-thirds (67%) to just over half (p19). However, it has to be said that this year we’ve seen more full responses to our survey from more firms (with revenues >£20m)



**“There’s an obvious extra focus that comes from somebody having this as a full-time role – with a title – but it’s often the less senior employees who are pushing most for more innovative approaches to working.”**

*Nick Galt, IT director, Boodle Hatfield*

than ever before, including from the smaller firms within that bracket.

Anthony Stables, who joined Forsters as CIO in May 2018, says the need for a dedicated new leader for work on innovation depends somewhat on the prevailing culture at the point they arrive. “If you’re a business with a positive outlook, good communication and openness to experimentation, you don’t necessarily need an innovation director. However, if there is a historic culture of playing it safe and simply following others, a fresh face with a new job title probably does come in handy for making that shift.”

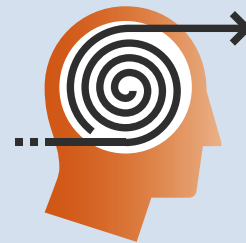
Nick Galt at Boodle Hatfield adds: “There’s an obvious extra focus that comes from somebody having this as a full-time role – with a title – but it’s often the less senior employees who are pushing most for more innovative approaches to working.”

And Priya Lele, legal project management lead, corporate, at Herbert Smith Freehills, says: “Innovation and continuous improvement should be on everyone’s agenda. The entire organisation and everyone involved should be empowered to think differently, challenge the norms and constantly keep improving everything we do.



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## Solutions to innovation



The Big Four/other consulting businesses makes it into the top three perceived threats to a law firm's future for the first time – but alongside legal technology-based new businesses, so the role that technology has to play in client service delivery and product creation is firmly on the radar for law firm leaders. Less clear is how law firms are influenced by those perceived threats from the Big Four, consulting businesses, legal technology-based new businesses, and – still the number one perceived threat to the law firm's future – 'other law firms like mine', when deciding on IT spend and investment in innovation.

As the legal tech 'startup map' produced by Thomson Reuters and Legal Geek, now in its second iteration, demonstrates, an ecosystem of legal tech startups has emerged, with tech innovators tackling risk and compliance, practice management, law for good, analytics and search, contracts and marketplaces. These solutions are but one part of the wider law firm IT ecosystem, which requires navigation by law firm IT leaders in collaboration with innovation leaders – or those with a focus on innovation as only part of their working day – as they seek to make the firm more productive, competitive and fit for the future.

As recognised by respondents, with law firms relied upon to support legal departments on complex work and specialist issues, across contracts and drafting, litigation, M&A, and IP, implementing technologies and solutions

### These solutions are but one part of the wider law firm IT ecosystem, which requires navigation by law firm IT leaders in collaboration with innovation leaders

that improve both the efficiency and the quality of client service delivery and product creation will align the actions of firms with the expectations of their clients.

Implementation of solutions such as document automation and document checking, and e-billing, together with the continued use of billing systems – and legal research and knowhow solutions, which support the legal sector in current practice, and in predicting the impact of future legal developments – can support both improved service delivery and the creation of client-facing products/services. These are the two areas of focus respondents highlighted equally for law firm innovation investment, and a given for law firm IT spend. ▴

See: [www.legalgeek.co/startup-map](http://www.legalgeek.co/startup-map)

[www.legal-solutions.co.uk](http://www.legal-solutions.co.uk)

**Samantha Steer**  
Director, large law strategy  
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**“If you're a business with a positive outlook, good communication and openness to experimentation, you don't necessarily need an innovation director.”**

*Anthony Stables, chief information officer,  
Forsters*

Having people in innovation and continuous improvement roles helps to foster a culture of innovation and continuous improvement. They can inspire and mobilise teams and drive initiatives. In the absence of dedicated resources it is hard to keep momentum.”

In line with leadership, there's also a small drop in the number saying they have one of those nice innovation or R&D budgets we were talking about (from 50% to 45%). At least in 2018 there are significantly fewer leaders saying they “don't know” if they have innovation leaders or budgets



A horizontal row of six leaves is shown against a dark, textured background. From left to right, the leaves transition in color from vibrant green to yellow, then orange, and finally to a dark brown. A blue arrow-shaped banner is superimposed over the leaves, pointing to the right. The text "Evolving business acceptance" is written in white inside this banner.

## Evolving business acceptance

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## SEE YOU INNOVATOR

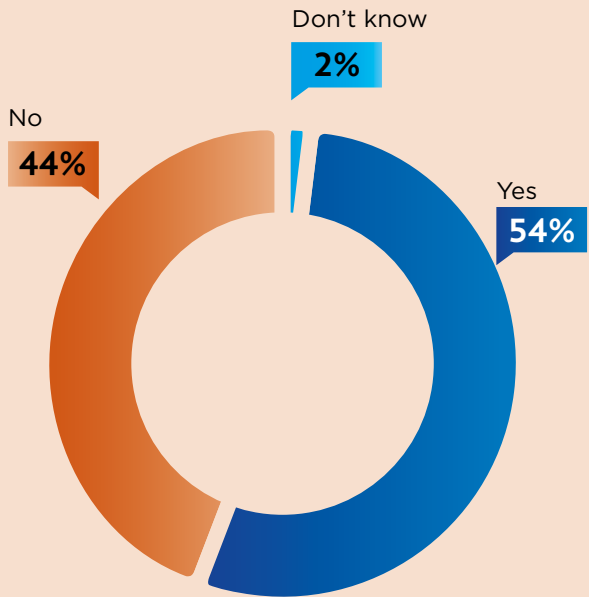
What does innovation mean to you? If unsure, can you name us an innovative law firm? Legal IT Landscapes 2018 was the first time **Briefing** asked people to name the firms they perceived as “most innovative”, and to give their reasons if they wished. This year we’ve done it again. Here are the top three (four), with the most mentions:

- **Allen & Overy** holds onto its top spot – in the same year that it was named Most innovative law firm in Europe for a record sixth time in the Financial Times Innovative lawyer awards. At the same ceremony, the founder and chair of its tech innovation space Fuse, Jonathan Brayner, was jointly recognised as Legal innovator of the year. Launched in 2017, Fuse gets one mention all of its own among Legal IT Landscapes respondents this year, with A&O also associated with “organisational learning”. In May 2018, a second group of tech companies successfully pitched to move into Fuse – joining several who stayed from the first cohort – with machine learning a common theme. Among other delivery models, the firm is also known for its online tools, such as one launched in 2018 for helping businesses to implement the Financial Conduct Authority’s senior managers and certification regime (SMCR). Template documents, policies and training materials are combined with project planning tools, all available via subscription.
- **Mishcon de Reya** is a newcomer in our top three. One respondent to Legal IT landscapes 2019 comments: “Although other, larger firms are shouting more in the market, Mishcons seems to be producing quality outputs and properly implementing its tech.” They’ve certainly had a busy year. In November 2018, this

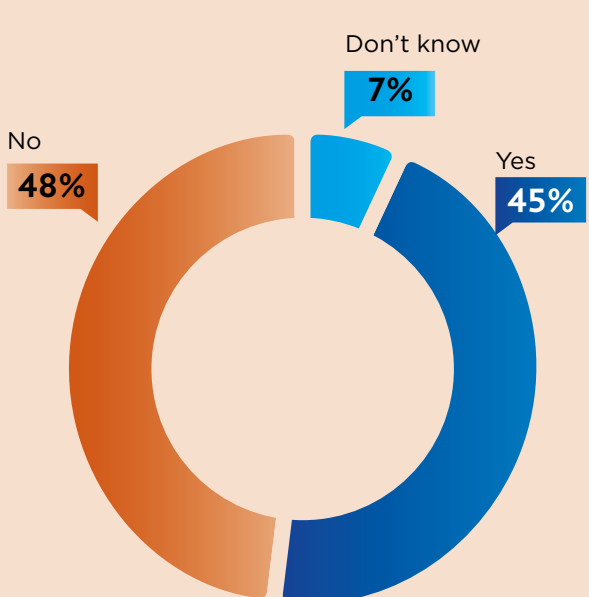
firm invested financially in a third startup to pass through its own 10-week incubator programme MDR LAB (platform Thirdfort, designed to improve identity verification and money laundering compliance in property transactions). Another of our respondents notes that Mishcon de Reya was an early convert to the alternative business structure. The firm offers cyber consultancy and intelligence services through MDR Cyber, and in September 2018 it launched a fourth non-legal business within Mishcon de Reya Group, MDR Brand Management.

- **Clifford Chance** and **Reed Smith**. These two, both with exactly the same number of mentions, both also made legal business innovation headlines in 2018. In July, Clifford Chance unveiled two new units under its Best delivery and innovation strategy and leadership group – Clifford Chance Applied Solutions and Clifford Chance Create. The same announcement also confirmed that the leadership group (mandated by the executive leadership group and chaired by the firm’s managing partner) would set innovation priorities, targets and investment. Clifford Chance Create also takes on client partnerships, such as with the Barclays Eagle Lab incubator. In 2018, Reed Smith continued to build on the work of its twin London and New York ‘Innovation Hubs’ (launched in 2016), with an expanded version of its ‘Innovation Hours’ programme. Piloted throughout 2017 – and leading to the in-house development of a free app for helping businesses respond to data breaches – the 2018 programme recognised up to 50 innovation hours as counting towards contributing fee-earners’ billable-hour targets (17 lawyers spent 364 such hours on six selected projects during the 2017 pilot). ▴

**Does your firm have an innovation leader?**



**Does your firm have an innovation/R&D budget?**



– just 2% and 7% respectively.

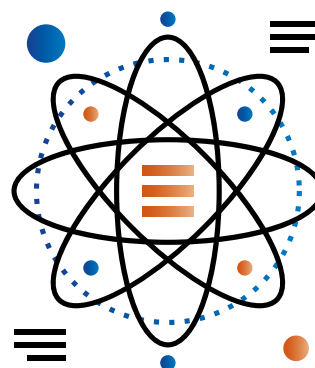
Karen Jacks, IT director at Bird & Bird, says: “We do earmark certain funding for new products and ideas, and ultimately that falls to me to control. It’s quite closely linked to technology, although I accept and recognise innovation isn’t necessarily always technology first and foremost. In the end, I think it’s probably right that it sits with me, as I do have sight of most of what’s unfolding throughout the firm in process improvement and client solutions as well as pure technology.”

Stephen Allen at Hogan Lovells agrees with the principle. “If you don’t have dedicated budget and it isn’t someone’s day job, you can risk 101 different things going on in all directions. You really want investment to maximise return for the greatest number of people across the firm possible, and a significant amount of the investment happening isn’t in tech – it’s also in project management, design thinking work, and so on.”

However, when it comes to both the opportunities and the threats to legal business innovation efforts, it’s about to get a whole lot more fascinating again ... it appears to depend on how your firm sees itself. ▀

**“If you don’t have dedicated budget and it isn’t someone’s day job, you can risk 101 different things going on in all directions. You really want investment to maximise return for the greatest number of people across the firm possible.”**

*Stephen Allen, head of legal services delivery, Hogan Lovells*





# Lawyers or outcomes?

**I**t's common to hear the view that capability in 'the law' is 'a given' with firms' clients today.

But what else do clients want if not lawyers? Outcomes is one possible answer – perhaps a faster or cheaper process or service, fewer court appearances, measurably lower risk, fewer Brexit bottlenecks. You name it.

This year we asked respondents to consider whether clients were more likely to buy them for the quality/knowledge of their lawyers or the quality/delivery of their outcomes. And it's noteworthy that this also seems to split firms along innovation lines.

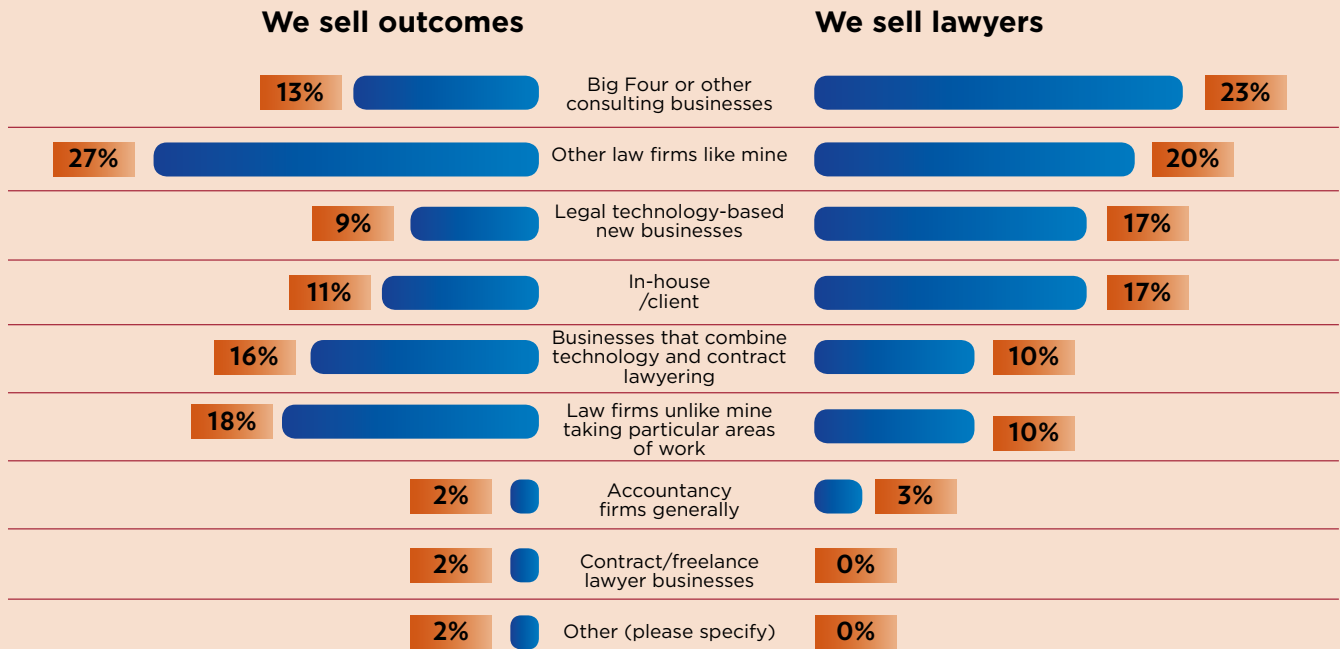
More than half of 'outcome' firms (56%) channel most innovation investment into client-facing products/services, while the lion's share in 'lawyer-first' firms goes on improved service delivery (45%). Also, over three times as many 'lawyer firm' as 'outcome firm' respondents (36% v 11%) say their firms

have no dedicated innovation investment – perhaps because the former assume clients will continue buying them for the quality of their people anyway.

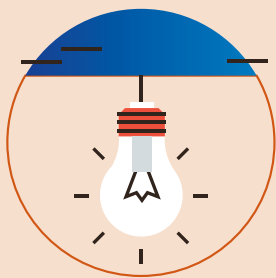
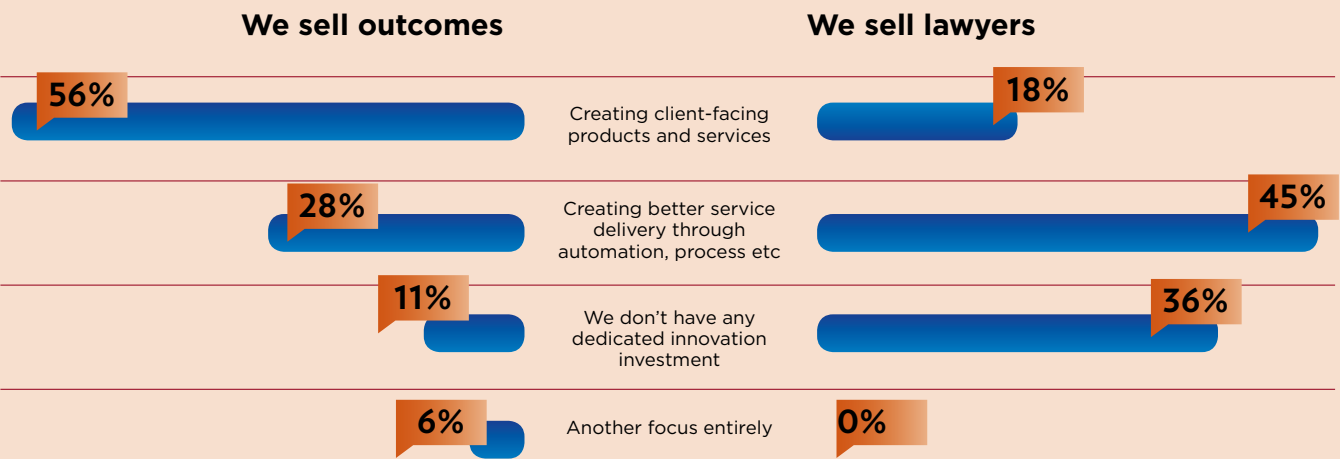
Those that work for outcome firms, by contrast, are much less likely to cite the Big Four/consultants as a threat, and rather more likely to say 'other law firms like mine' are the big problem (27%).

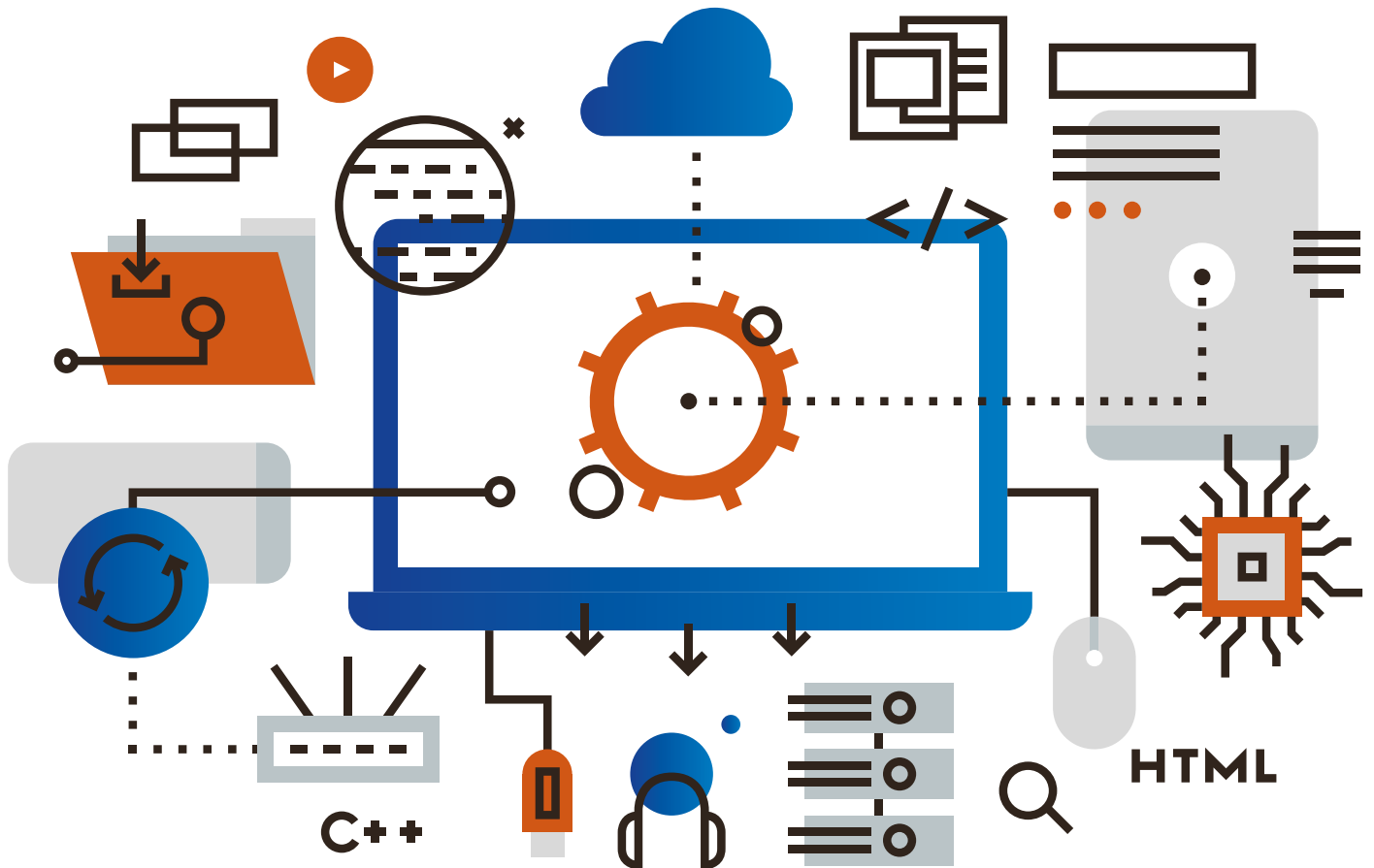
So, what might this mean? Jonathan Patterson at DWF suggests: "The quality of lawyers will always be a factor, and an outcome might be performance/track record-related. But for us, value must be benchmarked against helping to deliver an outcome for clients. At some point, even the most improved service line in the world won't be enough – the world changes, the client's own model must move on and new outcomes are needed. The new products and services that deliver them are often digital and direct-to-customer, helping them to do things for themselves." ▴

**Which kinds of businesses are most threatening to your firm's future?**



**When it comes to 'innovation' teams or initiatives in your firm, is innovation investment focused more on...?**





# The auto pilots

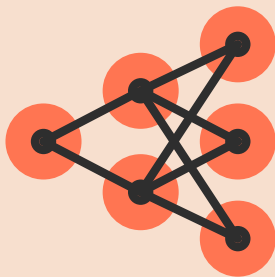
**W**ho would have thought we could possibly get this far into the main body of some legal tech research with barely a mention of artificial intelligence? Well, fear not reader – AI continues to ride high in **Briefing**'s trademark tech efficiency/competitiveness grid (p6). Needless to say, the promise, buzz, hype – call it what you will – surrounding what technologies typically lumped together as 'AI' could do for firms shows little sign of dissipating. And rare is the software supplier that isn't keen to show it's playing hard in this space somehow too.

For Legal IT landscapes 2019, we reran our question from last year asking you for the tasks or work areas to which your firms would be applying 'AI software' (in which we include machine learning and natural language programming) within the next 18 months (which includes right now). As you'd expect, there's quite a range being piloted or otherwise explored, led out front by contract review/analysis (19%) and due diligence (17%) respectively (p23).

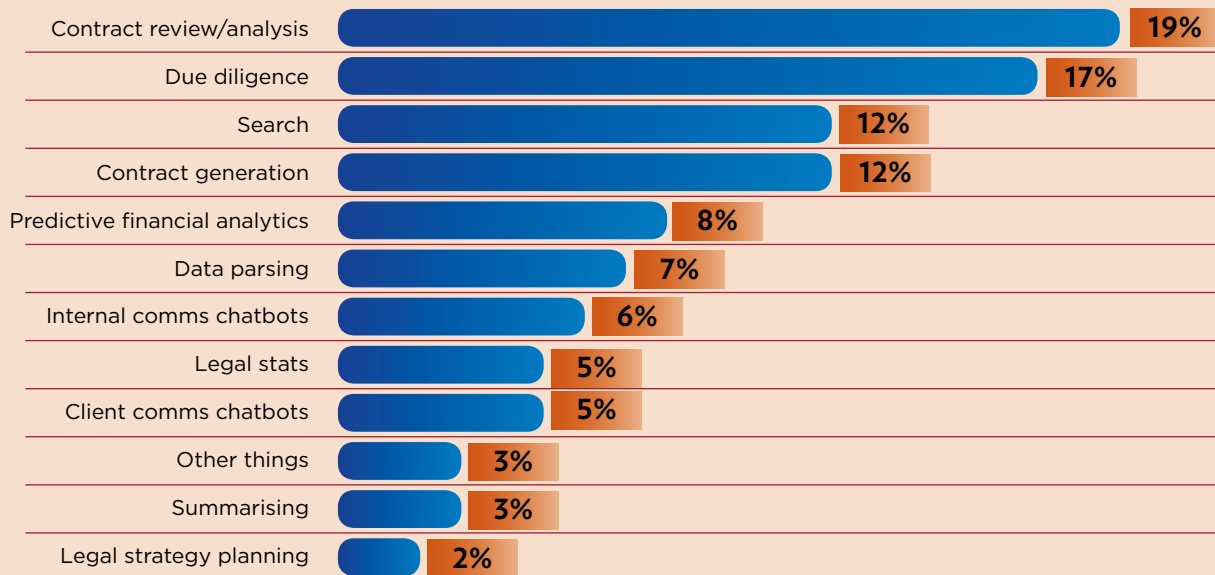
But most interesting to us at **Briefing** is what follows – the 'non-service delivery' areas of firms' work. That's where business services tends to see the goodness, as they're 'released' to add value at a more strategic level. We know from ongoing research that this technology is a hot one in the world of KM. And these results seem to back that up, with 12% citing 'search' as an application. Even more exciting to us is almost as many (8%) pulling out 'predictive financial analytics' – one of firms' top profitability challenges.

The appetite for AI-driven internal comms chatbots for dealing with the likes of HR queries, or perhaps work re-routing/allocation, also very marginally beats that for client comms chatbots (6% and 5% working on them respectively).

Also, remember the state of automation at this time last year? Not to worry, we'll refresh your memory. One of the **Briefing** Legal IT landscapes 2018 big reveals was the yawning 'automation gap' between 'how automated' firms' legal work was then, and how automated it could have been with

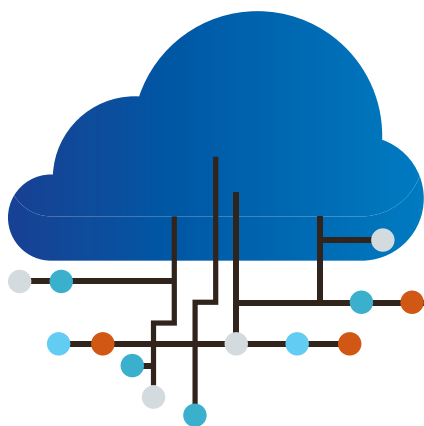


**Which areas/components of work are your firm applying machine learning, NLP or other ‘AI’ software to now, or will be inside 18 months?**



technology that was already available on the market (almost twice as automatable was the heads-up, by the way).

We also asked where a firm’s business services workload could most benefit from investment in automation – with finance way out in front. We know that plenty are making strong progress in the



**“The development and use of a lot of automation tools has been skewed toward front-line legal services.”**

*Jonathan Patterson, director and head of development, DWF*

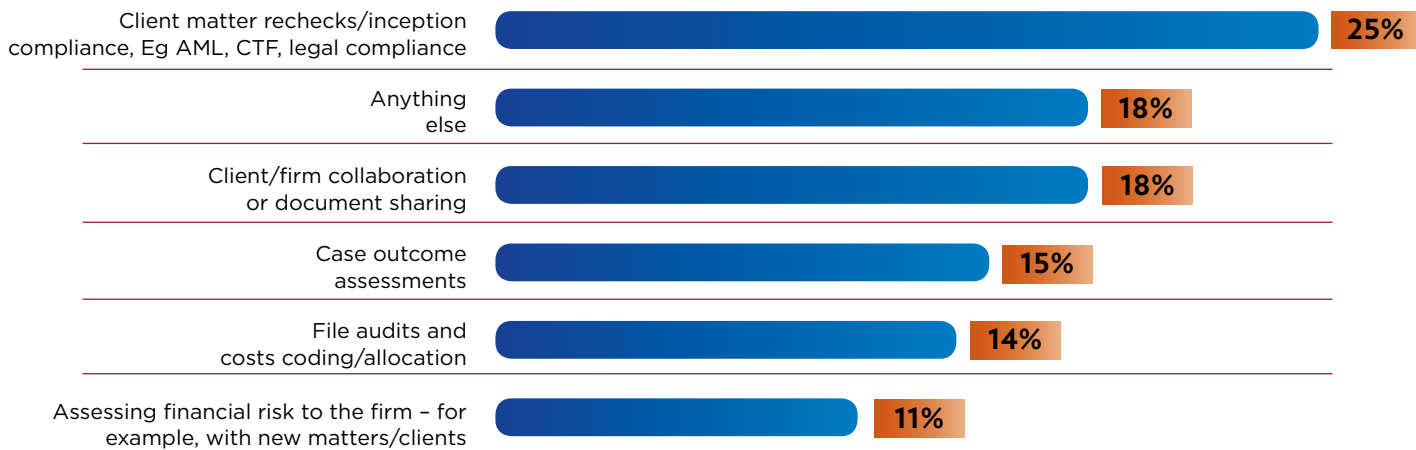
world of document/contract automation – which is not to underplay its continuing high score for efficiency by any means. However, for 2019, we therefore asked where firms were applying robotic process automation (RPA), either right now or within the next 18 months (p24).

One big answer is risk – with a quarter of respondents citing their inception compliance work, such as managing anti-money laundering and terrorist-financing checks. And another tenth (11%) are implementing RPA for assessing likely financial risk on new client or matter inception. The other notable response is RPA applied to client collaboration, including document sharing (18%) – almost certainly another efficiency win.

Jonathan Patterson at DWF says: “In some areas of work – we’re very involved in insurance, for example – there is heavy client expectation it will be heavily automated. There is also a very clearly measurable return on investment for the production cost of a particular legal service, as there’s a chargeable price attached. So, I think the development and use of a lot of automation tools has been skewed toward front-line legal services.

“However, a different costing structure isn’t to saying business functions shouldn’t receive automation investment, and any kind of standard

**Where is robotic process automation being applied to in your firm now, or will be applied within 18 months?**



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## Tech KYC to the next level

Know your client (KYC) and anti-money laundering (AML) for law firms continues to prove costly and time-consuming, with regulators implementing the most challenging set of regulations yet written in the form of 4MLD in 2017. With the fifth directive already on the horizon, it is more important than ever for law firms to have a firm grasp on their compliance processes, and ensure they are as streamlined, comprehensive, quick and cost-effective as possible.

AI and robotic process automation (RPA) have a big role to play here, and it is clear a number of law firms are seeing the benefits of adopting these technologies. When asked about their use of AI software and RPA either now or within the next 18 months, 17% of respondents said they are (or will be) applying the former to due diligence, while 25% are (or will be) using the latter for AML or counter-terrorist financing (CTF) compliance at client and matter inception.

While it's great to see the legal industry starting to embrace technology for regulatory compliance, it is still quite a way behind financial services in terms of system and process for KYC. This survey backs up our long-held view that, when it comes to 'innovation', too many law firms focus on their existing client base, rather than

investing in the new client experience. This can backfire. If a firm's onboarding and KYC processes are too lengthy and cumbersome, potential new clients may opt for a competitor with a faster, more efficient process.

It's also somewhat surprising to me that IT leaders at law firms aren't spending any more on IT as a percentage of revenue than they have for the last few years, yet the types of businesses they identify as 'threats' (including the Big Four and legal technology-based new companies) will almost certainly be spending more on tech. At encompass, we firmly believe that investing in technology will pay dividends for law firms over the long term, reducing the cost and risk involved in due diligence activities, while demonstrating efficiency to their clients and compliance to regulators.

KYC is certainly a process ripe for automation, and I hope to see more and more law firms harness the technological solutions available to them so that they too can benefit from increased efficiency, accuracy, accountability, consistency and simplification. ▴

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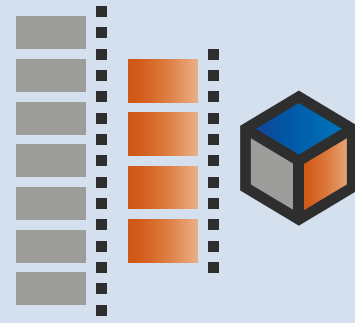






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## Have an AI on you ...



What is clear from the Legal IT Landscapes 2019 report is that the legal industry is very open to embracing new technologies to improve service delivery via automation innovations, as well as to create a new generation of innovative client-facing products. These will help to reshape the profession with modernised and responsive services to meet the growing demands and expectations of digitally connected consumers.

The acceleration of blockchain, AI and robotics is disrupting traditional business models at pace, particularly in areas where information is interpreted and communicated between parties. It doesn't surprise me that 38% of respondents said the focus of their innovation investment over the coming months is on creating improved service delivery via automation or similar.

In the property conveyancing sector we specialise in, AI is already surfacing fresh insight to existing problems. It is helping us to reimagine how data flows through the conveyancing process, highlighting where bottlenecks occur to cause delays; it is advancing our risk models and interpretation in our core data products; and it will help us reshape the customer experience for homebuyers and professionals alike.

The appetite for such services is growing commensurate to the acceleration of the capabilities of AI, so the rate of business adoption must naturally catch up.

Of those firms considering applying machine learning, AI or NLP over the next 18 months, the responses suggest a shift is on the horizon in the way legal practices conduct

many of their current processes. For example, 17% stated due diligence as an area of focus, a further 19% said contract review and analysis, while 12% suggested search and contract generation as areas where AI or other related technologies could benefit from greater automation.

A potential obstacle here is that 20% of respondents said they don't currently have any dedicated innovation investment. From this, I take away the fact that law firms may look toward IT vendors and AI specialists to support their business change and digital transformation initiatives, rather than turn their own practice into a software house – although the latter must not be ruled out, as several larger firms have successfully demonstrated it is achievable. Accessing Software as a service and hosted data solutions to evolve intrinsic functions in practice is a likely approach.

Ultimately, the ability to use AI to enhance decision-making and augment daily operating practices will enable the legal profession to work more productively, be more creative, and focus on higher value tasks than the mundane, inefficient administrative overheads that often bloat office workers and service professionals across a number of industries today.

AI is reinventing operating models and ecosystems, and will be a driving force in business over the next few years. ▴

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Kris Clark

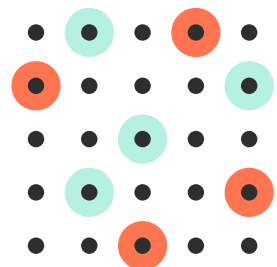
Head of AI

Landmark Information Group



documentation – employment or other HR letters, finance reports, and so on – would be strong candidates.”

Jana Blount, legal innovation manager at DLA Piper, adds: “I suspect we'll be finding ways to automate almost everything.” But more accurately, she says, that should be the automation of a percentage of a task or work type. “The real value isn't in a decision between human or robot, but in the integrating of all of these technologies into processes for more efficient working or improving client service.” ▴





# Smarter up

One of the areas we have consistently tracked in Legal IT landscapes over the years (and **Briefing** more generally) is the steady migration from a dusty desk-bound legal profession to more agile (or, we prefer, 'smart') working. This might be on the move around town, from home, in a so-called 'coffice' (on- or offsite), and so on. With the latest in mobile and collaborative technology – plus greater awareness of drivers of productivity and retention such as 'wellness' – firms are continuing to cut down on the desks they have available for their employees. And, let's be candid – they're most likely saving some money in the process too.

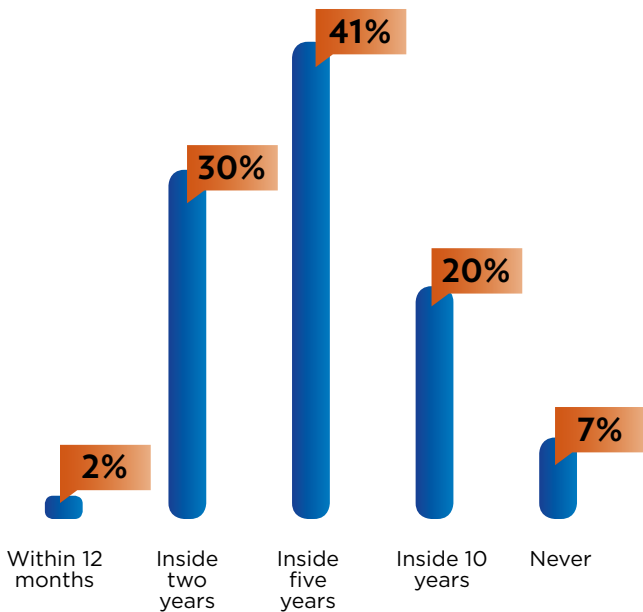
## Desk behaviour

After three years, this is now a definite trend. Our barometer question here is whether firms

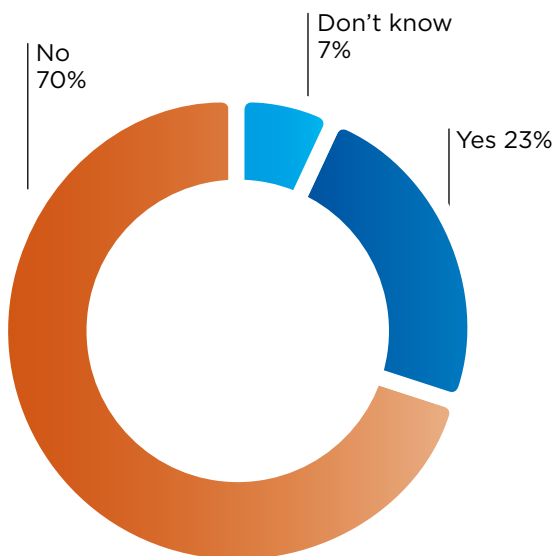
currently have 'significantly more' (defined as >10%) people employed by the business than there are desks in the office for them to work at (p27). The number of respondents answering yes to this has almost doubled in the course of a year – from 13% to 23%. Back in December 2016, this stood at just 8%.

Essentially, we can say that the third (32%) of business leaders who then said their firms ought to have reached this point within the next two years of growth have seen those businesses deliver on that projection. As in late 2017, today another 2% of firms say they'll be 'there' in the next 12 months – and the number saying it will take five years has dropped from almost half (49%) in 2017 back to some two-fifths (41%). Notably, the number saying they could 'never' envisage such a spectacle is down from 17% to 7%.

**Over what timescale will your firm move to a point when it employs significantly (>10%) more people than it has desks for them all to sit at?**



**Does your firm currently have significantly (>10%) more people than it has desks for them all to sit at?**



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## Many paths to choose



Digital transformation is revolutionising the legal industry, creating innovations and competitive advantages by utilising digital technologies to improve how firms do business. The road is not a straight one though; there are many things to truly consider as well as challenges to overcome – so let’s open a dialogue.

Digital technologies (such as cloud, AI and security/governance solutions) serve as key enablers for better serving clients, delivering higher-quality results and working more productively – all while protecting clients’ sensitive documents and emails. Today’s modern legal professionals need to know whether they are utilising the most innovative technologies available and to ensure they are on the best path forward to full digital transformation. Here are a few to consider:

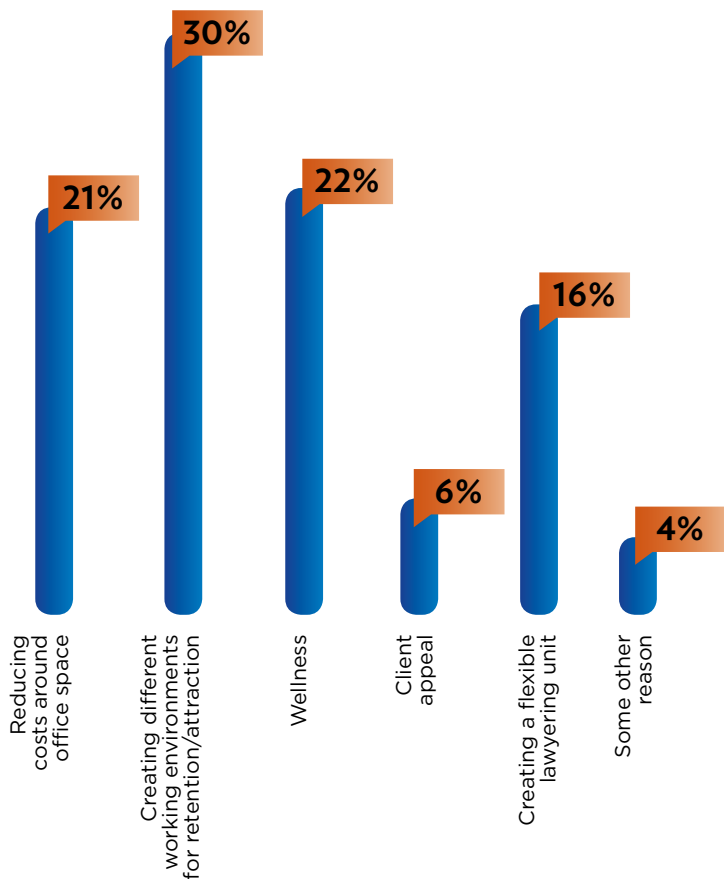
- **Cloud.** By moving confidential documents and emails to a high-performance cloud, firms can eliminate significant recurring hardware costs, simplify upgrades and improve productivity – all while staying at the leading edge of innovation and giving lawyers easy-to-use tools that work the way they want to work.
- **AI.** Advancements in AI allow today’s modern law professionals to work smarter, as AI is making content smarter. Practical AI is proving to be an efficient application, as it’s specific to demonstrated use cases that deliver high ROI. And don’t worry, your job isn’t in jeopardy – leveraging advanced AI solutions will allow you to focus on more value-added tasks.
- **Security.** Managing global security policies and seamlessly protecting critical client information is at the top of the list of technologies for leading firms. Organisations in all industries face sophisticated forms of security threats, and even more so in the legal industry, with its copious amounts of sensitive and confidential information. Managing client information to a higher standard will always remain a top priority.

There are an unprecedented number of challenges facing firms today, and incremental changes or upgrades just aren’t going to cut it. To stay competitive, firms need to take a good look at the technologies they have in place and ensure the most strategic technology partners are selected to meet the future head on. ▴

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If your firm has a will to get more people to work from home/remotely, what are the real drivers for it? (All the data is weighted)



Scott says Shoosmiths is one of the 23%. “Our model is occupancy of approximately 70% at any one time. There are no fixed desks and we are fully agile.”

Jacks says Bird & Bird doesn’t hotdesk. “Everyone here still has a desk. However, we have invested a lot in agile working in other respects. All have headsets instead of handsets now, for example, and convenient apps on phones for remote comms, as well as a lot of work on document automation to help people have files at

**“We have invested a lot in agile working ... All have headsets instead of handsets now, and convenient apps on phones for remote comms.”**

*Karen Jacks, IT director, Bird & Bird*

# 33%

The % of employees that business leaders believe currently work from home on a regular basis

the ready wherever they’re travelling.”

### Wellness now

It’s worth pausing on a few of the reasons given by our anonymous ‘nevers’ on this point, however. “There is value in being part of a team and that is supported by sharing office space,” said one. “Our culture is about offering an environment people want to be in. They want to feel valued and our staff care about their workspace, so we want to offer a place they can make their own ... if that’s what they want.” So, no clear-desk-or-ditch policy there then.

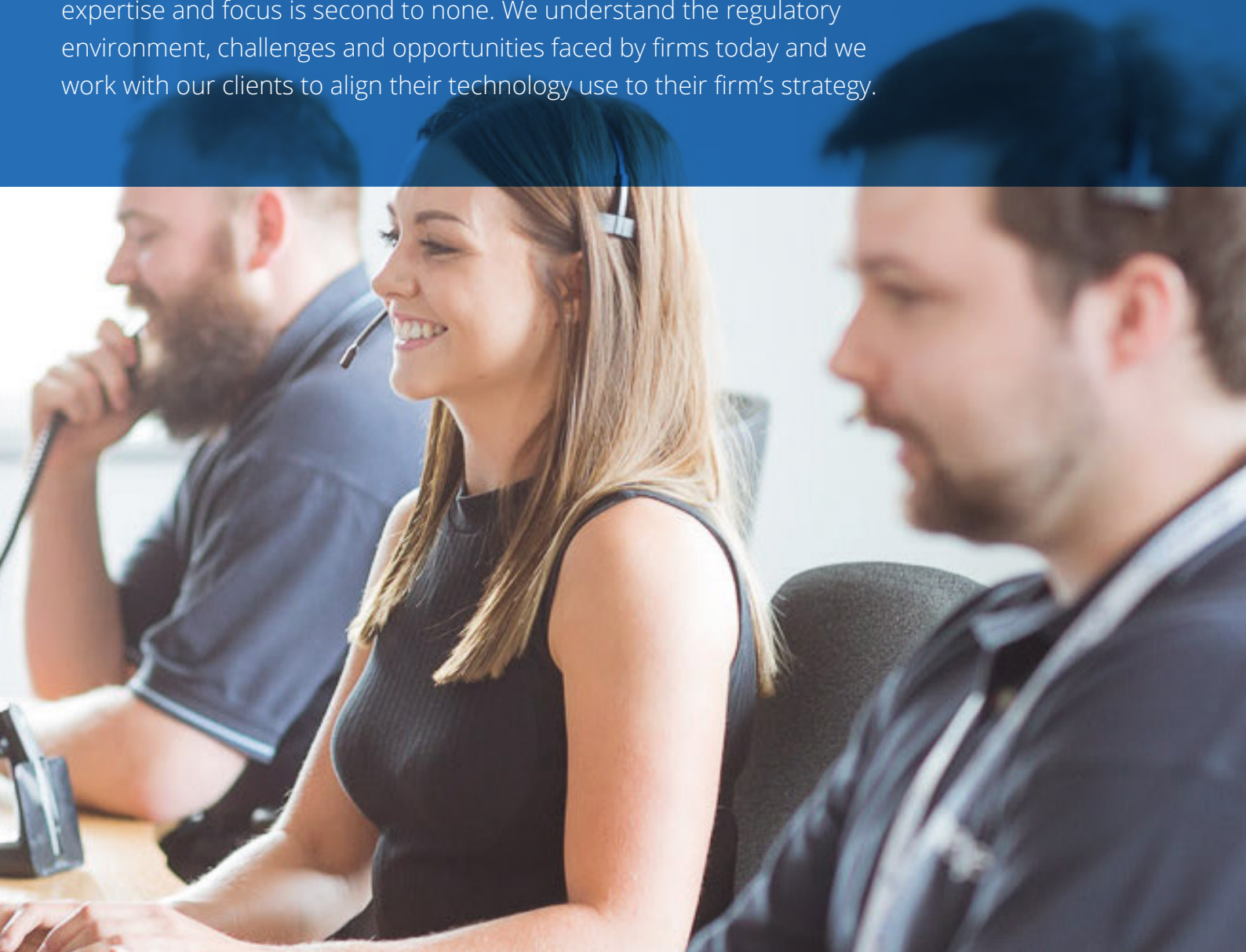
Perhaps responses like these, at least in part, reflect the parallel movement for firms (and corporates more generally) to invest in modernising their workplaces. Are they bringing in break-out (or indeed, chill-out) zones, restaurants, roof gardens – and who knows what else – to create spaces that people really want to travel toward?

Certainly, when asked about drivers for shifting people out of the office environment, the weighted top response was ‘creating different working environments for retention and attraction.’ Second came ‘wellness’, and only then was this followed by “reducing costs around office space” (p28).

Another anonymous comment response is intriguing, however. “Business services embrace working from home much more easily than the lawyers. The lawyers openly say they don’t give work to people who are at home because they like to be able to just wander around the floors and speak to people. A huge cultural shift is required

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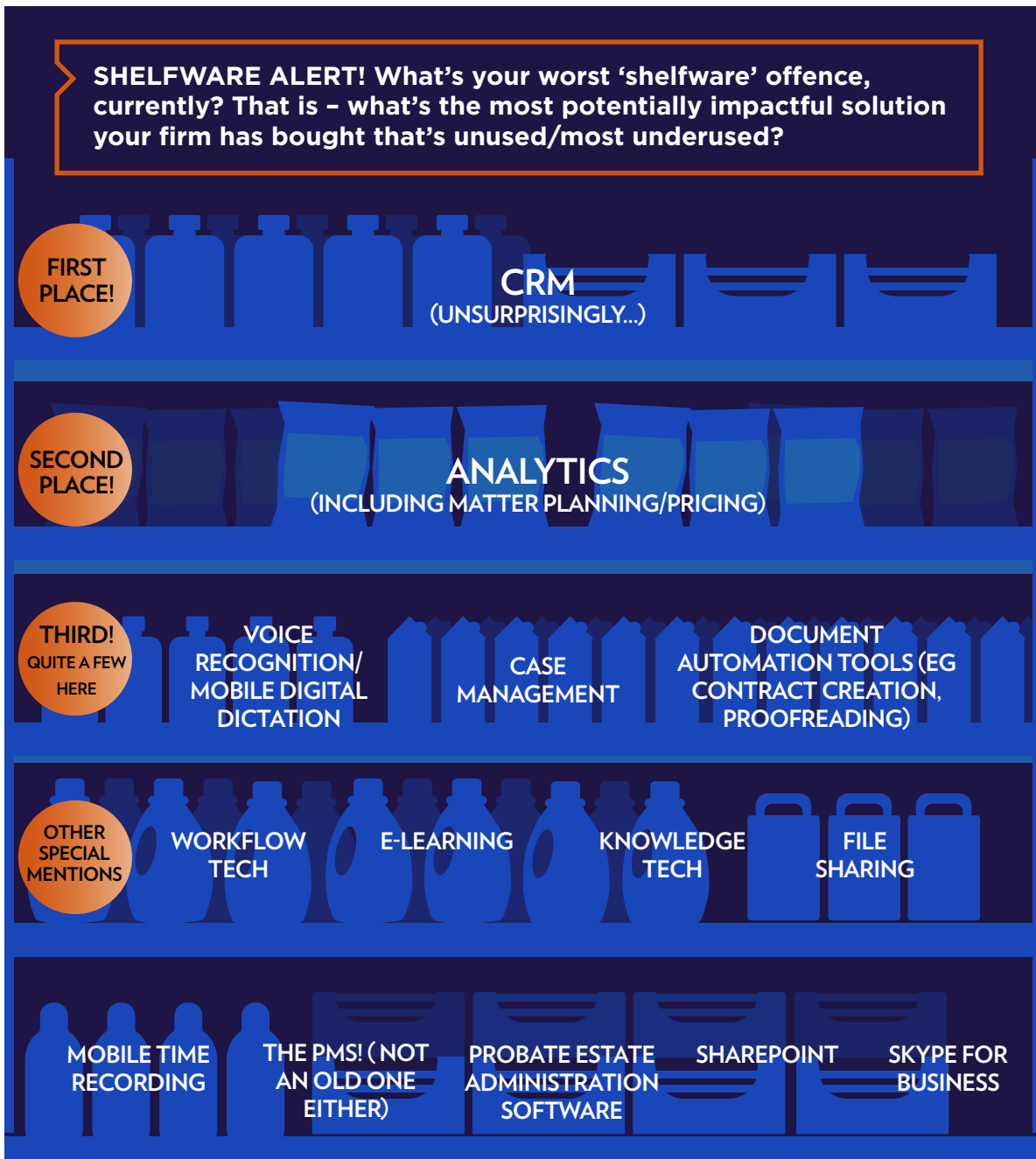


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from the more senior lawyers.”

Shane Scott at Shoosmiths says: “If your initial position is that you trust your workforce to produce the outcomes for clients, work becomes an activity, not a place to go. That’s our philosophy – the trust, as well as the agility, makes people more productive and happier, and with both of those comes wellbeing.”

Or, perhaps it’s just that firms prefer more formal flexible working to the ‘agile’ variant that might involve the need to remember to book a desk, or risk turning up only to be turned away.

**“Agile working is very much the norm here, but mandatory working from home is almost the opposite of flexible.”**

*Becca Johansson, head of operations – real estate, DLA Piper*



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## Winner time

The IT world is not going away; it's the biggest way to leverage your talent and succeed. Whoever wins in IT tends to win."

These aren't the words of a Tech Unicorn founder or a VC investor. It is a statement by Sir Clive Woodward (coach of the England team that won the 2003 Rugby World Cup). I was reminded of these words as I read this **Briefing** report. But does the legal industry embrace the same philosophy as sporting champions? A few areas of the report suggest there is still a way to go ...

First, it notes that there is increased recognition of the non-traditional competitive threats in the legal market – and yet there does not appear to be a direct correlation of these threats with the quantum and areas of IT investment in response.

Second, cloud technology is generally seen as the inevitable pathway for adoption of newer digital technologies (with Gartner predicting that cloud software will grow at 22% this year – compared with 6% growth for other forms of software – and IDC suggesting this growth for the professional services sector will be faster than for

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**Legal IT landscapes 2019 suggests that within legal there remains a disproportionate hesitation in cloud adoption, underpinned primarily by concerns about security risks – contrary to all the evidence**

others). However, Legal IT landscapes 2019 suggests that within legal there remains a disproportionate hesitation in cloud adoption, underpinned primarily by concerns about security risks – contrary to all the evidence and the billions of dollars invested every year by firms like Microsoft in cybersecurity.

It's heartening to see that smart working is being viewed more positively. While cost saving remains one of the key drivers for this trend, law firms are beginning to acknowledge its value in helping to attract and retain talent and in ensuring employee wellbeing. However, as people-based industries, it is surprising that more law firms don't deploy enterprise-wide technologies to facilitate HR management, and thus translate employee talent management into a competitive advantage.

Lastly, it remains astounding that law firms continue to invest more energy and resources on speculative vanity projects rather than on core business applications and in developing the culture and transformation capabilities to ensure adoption and value realisation.

The findings of this report signal that firms are taking strides in the right direction – but the approach to technology is still tactical rather than viewing it as a core enabler. When will law firms realise 'whoever wins in IT tends to win?' ▴

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Andy Sparkes  
General manager  
LexisNexis Enterprise Solutions



Respondents say they believe that a third of people in the firm regularly work from home, and if they're right they would like to be able to almost double that number (62%).

DLA Piper doesn't do the hotdesk thing either, says Becca Johansson, head of operations – real estate. "Agile working is very much the norm here, but mandatory working from home is almost the opposite of flexible. I think we acknowledge different people have different wants and needs. It's not one model of working for everyone."

Her colleague Blount adds: "In the last six

months we've also implemented new hardware so everyone can work from anywhere more efficiently."

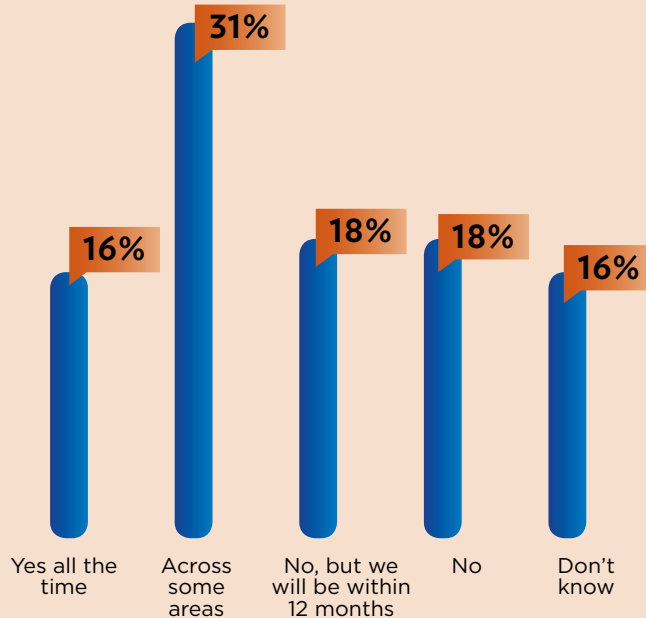
Productive 'smart' working depends on several things is the consensus – but one of them is certainly the right tools for the right jobs. The 'any device, anywhere, anytime' mantra of productive working and work-life balance is familiar from many a software supplier – but what's the reality on the law firm ground?

Another barometer question we like to ask every year in Legal IT Landscapes is whether

# 62%

The % of the workforce business leaders would like to enable to work from home on a regular basis

**Do you currently use need-to-know security as default for new matters?**



**“I can envisage newer firms coming along and everything’s there in the cloud, because there’s no legacy – either with the technology, or with the people.”**

*Nick Galt, IT director, Boodle Hatfield*

leaders believe their firms’ core systems will be mainly ‘in the cloud’, remain on-premise, or hover somewhere between the two, in five years’ time. That means that this year we’re looking out to 2023 – and you’ll see there are a couple of significant alterations (p33).

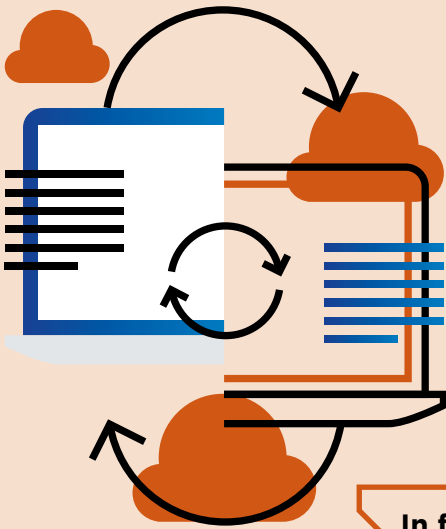
Document assembly/automation/review and time recording remain firmly in the top five, which would seem to make sense as drivers of personal efficiency and organisational profitability. The big risers are HR systems and knowledge management, and the biggest faller artificial intelligence solutions (perhaps as this has been more fully explored as an option now). Only just over half (57%) think their ‘AI’ will be fully or

mainly cloud-based in 2023, compared to the 75% who predicted that for 2022 a year ago. Client relationship management (CRM) is also down somewhat on the 2017–2018 findings, with over twice as many now saying this is likely to remain fully on-premise. Practice management continues to look the least ‘cloudy’ – and this from a more purely IT-focused group of respondents than we’ve had in the past.

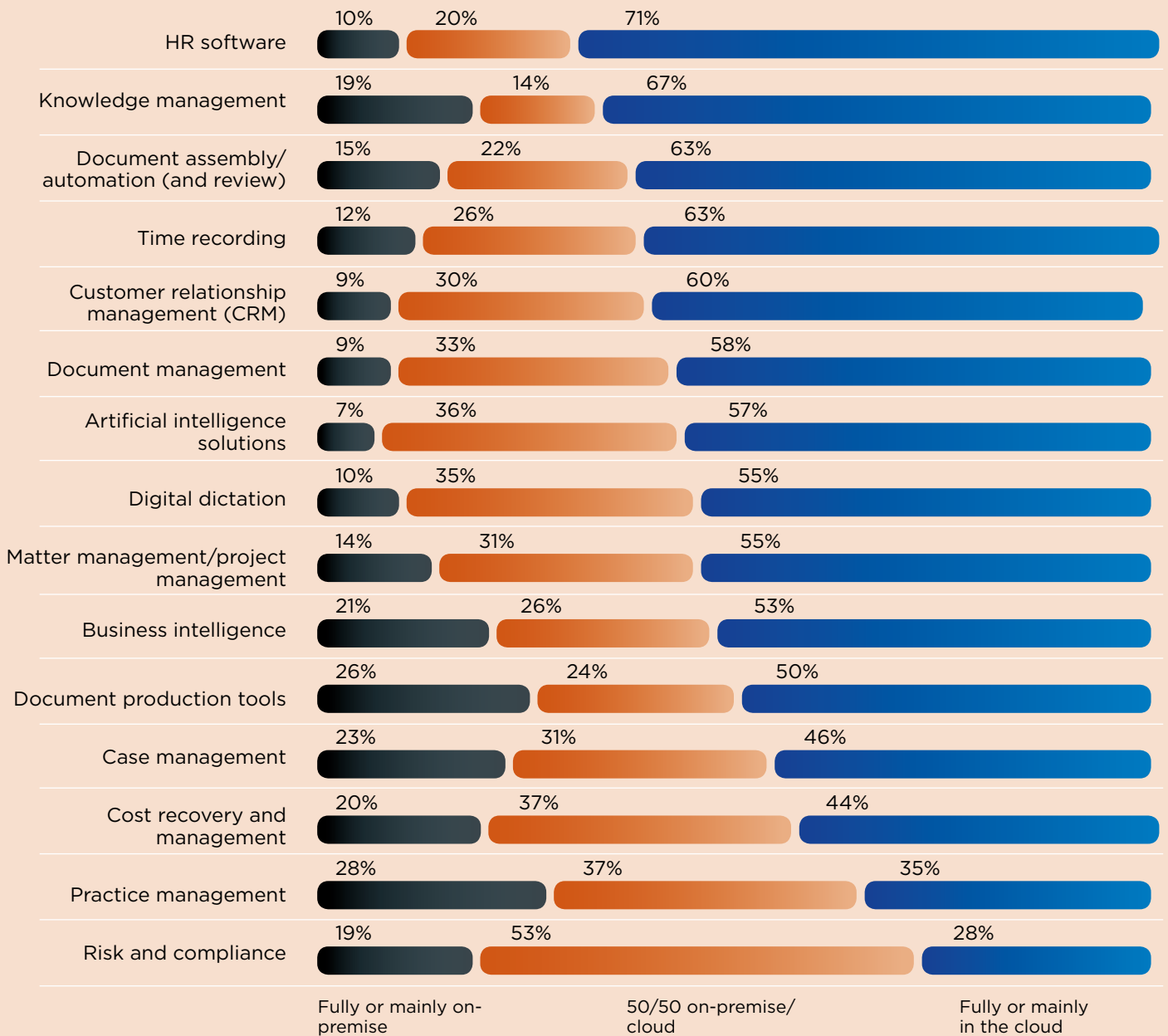
Stables says Forsters is making some strides here. “I have a strong preference for cloud-based providers. We’re nearing the end of a selection process for a managed services environment ourselves, and will probably be in a public/private hybrid for all our services within around six months.

Nick Galt at Boodle Hatfield adds: “We already have some smaller services, such as HR and payroll, in the cloud – we’d probably put document management there as well – but one general challenge for firms is our existing systems’ levels of customisations and integrations. I can envisage newer firms coming along and everything’s there in the cloud, because there’s no legacy – either with the technology, or the people who’ve been doing things the same way for 30 years or so.”





**In five years' time (in 2023), how do you think these systems will be used by your firm?**





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## Moving to the multi-cloud?

As a cloud provider, we're partly responsible for creating this catch-all term that has grown to mean just about anything that isn't a server you have at your office. This broad definition of cloud makes it difficult to truly understand what the market is doing and how firms are managing their data.

Are we talking about public cloud such as Azure, Software as a service applications, private cloud in a UK datacentre, or something else entirely? It doesn't appear anyone is clear, but firms do appear to agree that storing data in 'the cloud', in one form or another, is inevitable.

Often criticised for a lack of focus on innovation, the legal sector has reason to be cautious about adopting a cloud-first approach. A study carried out by IDC found that businesses are migrating applications and data away from the public cloud at a staggering rate, with 80% of IT decision-makers surveyed stating their organisation has migrated either applications or data that were primarily part of a public cloud environment to an on-premise or private cloud solution in the last year. By hanging back and letting other businesses test the water, law firms have had the benefit of learning from the mistakes of earlier adopters. Firms need to be smart about which workloads belong in the public cloud and which don't.

Businesses across all sectors are learning that a one-size-fits-all approach isn't suitable, and we firmly believe that most firms will choose, or ultimately end up with, a hybrid

cloud strategy. This could include elements of public cloud, private cloud and on-premise. But this approach has its own issues.

IT leaders are rightly concerned about a loss of control. IT teams need to ensure security, consistent performance and reliability – a difficult feat when managing data that is dispersed across different providers, each with their own SLAs, T&Cs and technical practices. With so many integrations between the systems used by law firms, the complexities are great, but so are the rewards if firms can get it right.

To ensure success, firms should engage with an IT partner with sector experience who has the ability to understand a law firm's strategy, applications and processes in order to create an IT roadmap that aligns. Call it 'right-sourcing' if you will – we call it future-proofing and making solid, strategic business decisions. ▴

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Peter Gill

Chief commercial officer

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Karen Jacks at Bird & Bird explains: "It's often the best option in terms of flexibility and scalability. However, one thing that a cloud solution is always marketed as is cheaper and easier, and that's definitely not necessarily the case. We're hybrid here, and the decision very much depends on the product."

Shoosmiths' Scott says: "We're adopting cloud tactically, but overall there are still some significant hurdles – integration, performance, encryption and security. That will likely take a little longer than a couple of years."

The **Briefing** team will be taking a much closer look at what we think are some important

information security questions in another special report coming in early 2019. However, it seems reasonable to infer that data sensitivity might play a part in decision-making around mobility generally. For example, note that only 16% of respondents say their firms currently use 'need-to-know security as default for new matters' all the time; 31% say yes, but only across some areas; and another fifth (18%) say they will be doing this within the next 12 months (p32). So, if you think you have your chief information and chief innovation officers sorted, it may now be time to put some serious feelers out there for the chief information security remit. ▴



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