

The Future of Legal Services



REINVENTING LAW

When you've built a successful business, why would you change a winning formula? That's the dilemma many law firms and their partners have faced in the past. As profits boomed, what was their incentive to innovate?

Yet as regulations have loosened and in-house budgets have tightened, a flurry of alternative providers have emerged to challenge Big Law's hegemony, disrupting the way legal services are delivered and, in doing so, propelling innovation to the top of the agenda.

In this report we examine how New Law is pushing the boundaries of both what it means to be a lawyer and a buyer of legal services in the

21st century. We look at how legal tech companies are helping drive greater efficiencies across the industry—and what that means for traditional hourly billing models.

We explore how law firms are innovating in response to increased competition and shifting client demands. And we lift the lid on how innovation is working for GCs and in-house teams, and what they want from their legal providers in the future.

We hope you find it useful.

**Ben & James,
Pensar Media**

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HOW NEW LAW AND TECHNOLOGY ARE DISRUPTING LEGAL SERVICES...

For most of the past half-century or so, there has been one business model that law firms have been reluctant to turn their backs on—billing clients by the hour and rewarding lawyers for how long they keep the meter running.

But things are slowly starting to change. Over the past few years, there has been an emergence of alternative legal service providers trying to grab a slice of what has become a roughly \$600 billion global industry by reinventing how legal services are delivered.

The growth in alternative providers has been driven in part by corporate legal departments seeking to cut back on legal spend, leading to an

unbundling of services that were previously offered by law firms, and spurring a rise in legal outsourcing specialists, managed services providers and on-demand staffing solutions.

Alternative providers saw their revenues climb to \$10.7 billion in 2017, according to Thomson Reuters' Alternative Legal Service Providers 2019 report, 27% higher than 2015 when Thomson Reuters previously surveyed the market. Part of that is down to the Big Four accountancy firms—PwC, Deloitte, KPMG and EY—expanding their legal services capabilities, with 23% of large law firms saying they competed for and lost business to the Big Four last year, Thomson Reuters data show.

But other alternative providers are also making an impact. One such business is Integreon, which provides managed services not only to corporate in-house legal teams but to law firms as well, offering everything from litigation services and contracting work through to compliance and administrative assistance.

"Anywhere law firms and corporate legal need support for high-volume activities that require scale and a process-driven approach, and that are critical to their strategy and their mission, that's where we're playing," said Bob Rowe, chief executive officer at Integreon.

"Law firms have always offered to do this process-driven high-volume work, but typically it has not been done very efficiently. That's where Integreon has been able to step in to solve inefficiencies in this market."

Rowe says Integreon's approach is transformational because they are providing business solutions to what historically had been viewed as legal problems. To do that, Integreon draws upon a multi-disciplinary team that includes data scientists, Six Sigma experts and people with deep knowledge of business process design and implementation.

"Most of the issues we deal with are business problems that require a business process—and lawyers don't get that kind of training in law school," said Rowe.

"Bringing in a fresh set of eyes, perspectives and experience really helps when you are trying to implement change. That's the key difference between Integreon and a traditional law firm—the way we identify a problem and solve it."

NEW MODELS

On-demand lawyer services are also growing in popularity. UK-based Lexoo, which launched in 2014, provides external counsel for in-house teams as a way to ease some of the common frustrations corporate legal departments experience when dealing with traditional firms,



BOB ROWE
Chief Executive Officer, Integreon

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says Lexoo's co-founder and chief executive officer Daniel van Binsbergen.

One issue that in-house teams frequently complain about, he says, is mismatched legal advice. For instance, they might receive a first draft of a document that is way too aggressive and would be instantly rejected by their counterparty, meaning they either have to go back to the lawyer for a second draft and pay for the extra hours spent working on it, or fix it themselves.

Another problem is when costs spiral out of control or unexpected bills turn up on the

doorstep because the work wasn't scoped properly.

"Philosophically where some firms go wrong is they feel expertise is enough, so they have a great focus on getting the right people onboard but they haven't really layered in process or technology to make sure it works," said van Binsbergen.

"What we've done is create a service where we combine that expertise but with the process and technology to go with it."

Part of that process involves constantly tweaking and improving the firm's scoping methodology to ensure that Lexoo's lawyers really understand what van Binsbergen calls 'the need behind the need', and then following up with clients after every job to further refine the process.

"If you're doing 300 matters a month and you improve your process just 1% after each job, it really compounds," he said.

"Traditional firms might do a big survey every two years or so, but they don't have the systematic process to catch these things on an ongoing basis."

Another alternative provider that is innovating with on-demand lawyer services is New York-headquartered Axiom.

David Pierce, senior vice president and head of global sales at Axiom, says the firm's offering is not only aiming to improve the way legal services are delivered but also to help improve both the career opportunities for lawyers and the way law is practiced.

"Axiom is a gateway between clients and lawyers that gives great legal talent opportunities and work that is interesting and exciting, and to practice the way that suits them," Pierce said.

"We're always thinking about how we can make it easier for lawyers to connect to opportunities that might be interesting to them, and to take the next steps in their career to advance and build skills, all while making it easier



DANIEL VAN BINSBERGEN

Co-founder & Chief Executive Officer, Lexoo

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for clients to have a real-time beat on our legal talent and have access to the right resources at the right time.

"That's what Axiom is all about—the crux of our business is really a human talent business. And that's the one thing that no one can reverse engineer or copy."

Axiom is also making meaningful strides with its diversity efforts by creating opportunities for people who have found it harder to establish law careers at traditional firms.

More than half of Axiom's hires in 2018 were women, while roughly a third of new recruits were

from racial and ethnic minority backgrounds. That is well above national standards in the US, where only about 16% of lawyers are classified as racial and ethnic minorities, according to the National Association for Law Placement.

"We have to be more creative in how we identify and welcome legal talent into the profession," Pierce said.

"The majority of our legal talent comes from top law schools, but law school pedigree is not always the best indicator for in-house aptitude.

"I have seen too many legal professionals ruled out of opportunities elsewhere in the industry because they don't have the pedigree or the record that looks like everyone else's.

"Identifying talent that recruiters typically overlook and giving them opportunities, and then watching them thrive, is a really great thing Axiom can do because we can do it at scale—nobody has hired more lawyers in the last five years than we have. If anyone can move the needle on diversity, it's us."

UK challenger firm Keystone Law is another innovator that has championed alternative career paths for lawyers who want flexible, remote-working opportunities without the constraints and demands of a traditional firm.

"We have liberated our lawyers to practice law and freed them from office politics, billing quotas, and other stressors which come with the traditional partnership structure," said Maurice Tunney, director of technology and innovation at Keystone.

"Our culture promotes putting our clients first, giving our lawyers a healthier work-life balance and promoting collaboration through technology."

EMBRACING TECH

While Keystone was one of the first to really recognise how tech can lead to greater efficiencies and reshape how legal services are accessed, others are now following suit.



DAVID PIERCE

SVP & Head of Global Sales, Axiom

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PwC, for instance, has been offering legal function benchmarking services that help in-house teams assess and streamline their workflow processes to improve business outcomes by making better use of legal tech.

"Clients are under huge cost pressures, so that typically means they want to know how to provide quality legal services to the business in a way that doesn't increase their cost base," said Juan Crosby, partner and co-lead of PwC's New Law team.

"What we do is look at how their function is set up, how they organise internal activities, what

they go external for, and really try to understand how tasks are performed.

"Then we look at how we can improve or optimise those workflows and design an improved delivery model that is more cost effective or that can achieve more in terms of output for the same amount of money—which is heavily linked to leveraging legal technology."

One snag: legal functions are often lower down the budget pecking order for splashing company cash on new tech. That means helping clients really understand the value of implementing technology and what the potential return on investment can be, says Crosby.

"That involves a careful assessment of how the work is currently being done, what the case for change is and what the cost benefits are that come from automation," he said.

"What we're typically finding is that upwards of 50% of the legal function's current activities can either be improved through technology or fully automated.

"There's quite a lot of manual activity at the moment that can leverage technology to deliver the same amount of output much more efficiently, and we help them quantify the cost benefit of that—which frees up lawyers' time to focus on higher value, more rewarding tasks."

While some traditional firms are also working hard on innovation and looking at ways technology can enhance service delivery, much of the sector is still lagging behind the curve relative to other industries.

"A lot of the very basic stuff hasn't happened yet, so while there is awareness, it's still not the main practice to use better process and technology for very obvious things," said van Binsbergen.

"We're starting to see a bit of lipstick where some firms are putting in a little slice of technology to signal to clients that they are using tech. So for instance they might have an AI tool, but in reality if you look behind the scenes they



JUAN CROSBY
Partner & Co-Lead New Law Team, PwC

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haven't really trained the AI tool properly. It is very difficult to digitise a legacy business."

One reason that legal services has been slower to adopt technology is that law firms and corporate legal departments have typically been run by an older generation of lawyers that are not always as comfortable with tech.

"There is a lot of generational turnover in those ranks right now, and the new leaders that are emerging will be more native to technology and more open to the possibilities of what technology can do," said Pierce.

"That's not to say there aren't leaders who

have been in their seat for decades who are also very open to technology, but the pace of innovation is about to seriously quicken.”

Pierce points to the highly-regarded Silicon Valley venture capitalist Marc Andreessen taking a seat on the board of legal tech start up Atrium as a further sign of how technology is going to change the business of law.

And Axiom is already leading the way—the firm’s chief executive officer Elena Donio, who joined in 2016, hails from a tech background rather than law.

“Legal will be increasingly run and influenced by technology and we’re going to see more people in legal departments who are really technologists first—right now we don’t have that many of them,” said Pierce.

TECH INNOVATION

There is, however, a growing number of legal tech companies. One of those at the cutting-edge end of the market is UK-based Luminance, an artificial intelligence platform that uses machine learning tech to help law firms and in-house legal departments quickly and accurately review large volumes of documents.

“When you look at processes like M&A due diligence or e-discovery, there’s way too much documentation for humans to read on their own,” said Emily Foges, chief executive officer at Luminance.

“The result of using Luminance in those situations is pretty phenomenal. We’re not talking about a 10% efficiency saving here, you’re talking about accelerating the speed at which lawyers can review documents by 100% initially, and then that accelerates to crazy numbers—one case study showed an 11,000% acceleration.”

Those efficiency gains come with other challenges, however, given that traditional hourly billing models are less lucrative when work can be completed in a fraction of the time. That means law firms are being pressed to rethink how they



EMILY FOGES

Chief Executive Officer, Luminance

“Getting work done faster gives you an advantage because if you understand the parameters of a deal better... before anyone else, you can negotiate more powerfully.”

charge for this type of service, Foges says.

“If you take due diligence as an example, getting the work done faster gives you an advantage because if you understand the parameters of a deal better than everybody else before anyone else, you can negotiate more powerfully,” she said.

“Therefore speed is good, so why are you charging more to spend longer? Why would you not have premium pricing for early closing?”

But not all legal tech is just about speeding things up with artificial intelligence.

ObjectiveManager, for instance, is a

technology platform that helps law firms achieve their strategic goals by aligning them with fee-earner objectives and keeping track of those through more dynamic and timely performance reviews.

"Most law firms are good at writing their strategy, but the major issue usually comes with execution," said Ray Oldfield, founder and chief executive officer of ObjectiveManager.

"For most of the law firms we talk to, if not all of them, their main issue is how they can properly align what they're doing strategically with what people are doing on a day-to-day basis.

"Most of the performance management frameworks within a law firm are quite disconnected from the strategy, so a lot of lawyers feel as though it is a compliance process as opposed to a really valuable strategic exercise."

Another benefit of ObjectiveManager's software is the ability for lawyers to share information about what they are working on with other lawyers across the firm, creating a more collaborative environment that can spark ideas for higher value cross-practice or cross-border work with clients.

"Our technology can help law firms identify the best opportunities to fully service a client and get the partners collaborating across the practice groups to really make the most of that," said Oldfield.

"It's a big issue for law firms because not collaborating has two consequences—it means potentially they're not servicing the client as well as they could be, but also it's a missed revenue opportunity."

And it is not just law firms and in-house legal departments where technology is disrupting the legal industry—it is also in the courts.

UK-based legal tech company CaseLines is helping digitise evidence bundles in courts across the world, enabling law firms to upload evidence digitally through the cloud and then share and collaborate more efficiently.



RAY OLDFIELD

Founder & Chief Executive Officer, ObjectiveManager

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England and Wales has already digitised its criminal courts, but has yet to do the same in its civil courts (lagging, for example, South Africa, which recently licensed the CaseLines system to manage all civil litigation in the country). The civil courts are likely to catch up, but the potential efficiency savings are already clear.

"Whereas in the past, law firms might have needed five paralegals to prepare a hard copy evidence bundle for court, now you would only need one—so it's a saving of 80% of effort," said Paul Sachs, founder and chief technology officer at CaseLines.

That also makes things easier for judges. Previously a judge might have had to search through 50 to 100 lever-arch folders when reviewing a big case, now they can just do it instantly online.

Plus it is more environmentally friendly. If you stacked the amount of paper saved in the criminal courts of England and Wales, it would be as tall as the London Shard every four days, says Sachs.

But just as document review software has commercial implications for traditional law firm business models, so too does paperless evidence.

"Many law firms report that clients are demanding more for less," said Sachs.

"Non-law firm competitors have also entered the market, embracing new ways to deliver legal services.

"Law firms that ignore the drive for increased efficiency do so at their peril, even if it impacts billable hours."

MARKET GROWTH

The increase in legal technology alone does not always lead to more efficient outcomes for users. As more tech becomes available, lawyers are having to jump in and out of numerous software portals, often resulting in a messy and disjointed user experience.

The need for a more integrated solution is likely to lead to consolidation in the market as companies battle to become the 'go-to' platform for legal, says Jeffrey Catanzaro, senior vice president of contracts, compliance and commercial services at Integreon.

"Over the past 18-24 months there has been significant investment in the legal technology space," he said.

Thomson Reuters is one such legal tech provider that is investing in tools to integrate multiple applications following its recent acquisition of collaborative software platform HighQ.

"The legal tech market is incredibly fragmented and there is a lot of energy and cost inefficiencies in trying to get the various bits of technology to talk to each other and to be able to get the right data and insight from various systems into a place where it's good value for users," said Karen Ngo, legal and advisory customer proposition lead for global accounting firms at Thomson Reuters.

"We want to deliver an open, integrated platform that knits together both third-party technology as well as our own, so people can switch from application to application seamlessly without having to enter multiple login details or lose the environment in which they are working. That's our vision."

But change is not always just about technology. Rowe says when corporate legal departments come to Integreon now, they don't just want to save money on a process with a one-off solution, they want an ongoing relationship that will ensure they are constantly up-to-date with best practices.

"There's an increasing recognition that legal activities in corporate law departments are not much different than any other cost centre in the company, and GCs have to prove they're handling their activities efficiently," said Rowe.

"It's that mindset that will continue to drive the growth of the alternative legal services market."

For Pierce, that growth means the term 'alternative providers' is already sounding outdated as legal departments increasingly rely on non-traditional firms.

"The fact is general counsel and in-house teams have engaged alternative providers to the point where they're no longer really alternative," he said.

"Big clients are leaning on them more and more regularly, so it's not a risk using an alternative provider anymore, it's just business as usual." ●



HOW LAW FIRMS ARE BUILDING FOR THE FUTURE...

The rise of alternative legal service providers and new technologies means law firms that want to stay relevant in the future have little choice but to adapt to the shifting commercial backdrop or risk being left behind.

For many firms, that means innovating not just in how legal services are delivered to clients, but completely rewiring how the underlying business operates—from the people it employs to the way process is understood and implemented.

“One of the biggest changes to legal services over the last five years is law firms, alternative legal service providers and in-house teams recognising that law is a repeatable process rather than something that is created fresh each

time,” said David Halliwell, director of client solutions at Pinsent Masons.

“If it’s a repeatable process then you probably don’t need a lawyer delivering every part of that process. So for us, innovation also means thinking about the people that you need to support and enhance service delivery, so project managers, forensic accountants, tax professionals, legal engineers and data scientists, a whole range of different skillsets.”

That means taking an entirely different approach to how matters are handled and managed. Hogan Lovells, for instance, has also introduced a project management team to help run jobs more efficiently, but it has complemented

that by partnering with on-demand lawyer service Elevate to better optimise staffing levels depending on the scope and scale of the work.

"In the old world, firms typically had permanent capacity to deal with peaks in workloads but this flexible model enables us to run our capacity at a slightly lower level and gear up quickly for major projects or urgent client demands," said Susan Bright, regional managing partner for UK and Africa at Hogan Lovells. "We can be much more agile in terms of how we use our resources."

Encouraging a more innovative mindset is another priority at many top firms. CMS, for instance, last year launched CMS #Hacks, an idea-sharing portal that invites employees to submit suggestions on how to improve the firm, its culture and service delivery—either through 'quick wins' that can be implemented in weeks, or 'big ideas' that need more time and investment, says Penelope Warne, the senior partner at CMS.

TECH SOLUTIONS

The biggest focus for innovation tends to cluster around technology. Ben McGuire, innovation and business change director at Simmons & Simmons, says it is a fallacy that law firm partnership structures are technology averse.

"We've had an e-discovery platform in-house for six years now and that's a very successful part of the business," said McGuire.

"Evidently we have a responsibility for making sure we are on top of emerging and existing technology and ensuring the firm and its clients can leverage those, so we see about 150 companies a year, and we use some of them ourselves and we recommend some of them to clients.

"There has been a significant upsurge in investment and development of tools which are focused on legal, but what has changed in the last year is that the people developing technology have shifted their focus from getting as many



customers as possible to producing value for customers. That's leading to better outcomes for us and for clients."

Some firms are stacking technologies to create even greater value for clients. For example, CMS uses a combination of Kira—a machine learning contract review tool—and HighQ—a collaborative software platform—when performing large-scale document reviews and due diligence for clients.

The firm recently advised HP on its \$1 billion acquisition of Samsung's printer business, which involved reviewing around 2,500 contracts in 22

languages.

"Using Kira improved the speed of each contract review by 30%," said Warne, while HighQ enabled the firm to "create a playbook, triage the contracts, and introduce some legal project management to report on progress and drive the deal to a very tight deadline."

James Miller, managing partner at RPC, says investing in technology should always be about client needs rather than just buying the latest bit of kit.

"Our starting point is what do our clients want, and is there a tech solution we can use that is going to help them," he said.

"We've invested quite heavily in legal tech to help with the disclosure and discovery process. Historically that disclosure exercise has been extraordinarily burdensome for clients, so using predictive coding software can help bring the cost down and also be more accurate.

"So this is where our focus is—how is it helping our clients? If it doesn't do that, then I'm not interested in the product."

Some firms are configuring their own software to help service clients in a more customised way.

Osborne Clarke, for instance, has a business unit that, for the past three years, has been creating bespoke cloud-based tech solutions for clients to improve both their legal and operational workflows.

"There is a growing trend for the development of self-service solutions for in-house teams—especially through collaborations of law firm product design and development teams, like Osborne Clarke Solutions, working directly with clients," said Dan Wright, a partner at Osborne Clarke and director of Osborne Clarke Solutions.

"Our online platforms can track multiple projects, deals or transactions in real time; integrate with and share information with key stakeholders; capture, analyse and discover insights from the data; automate in-house



DAN WRIGHT
Director, Osborne Clarke Solutions

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contracts and documents, and do so in a way that's designed and built for our clients."

That involves engaging with clients to understand how they operate, and where they have the greatest need for support or the greatest opportunity to add value for their businesses. Osborne Clarke then develops products and solutions that meet those unmet needs and opportunities, says Wright.

"We constantly focus on the client and delivering sensible, helpful and easy systems," he said. "Everything we do is about enabling people to deliver more of their potential value by

configuring technology actually to help them. People first, then technology.”

STRATEGIC THINKING

Other firms are taking innovation beyond technology and service-delivery optimisation and rethinking how they charge for matters and operate as a business.

Harper James Solicitors, which launched in 2014 to provide legal services primarily to start ups and small and medium-sized businesses, introduced a novel pricing structure built around a monthly subscription fee and a low hourly rate. Clients on its Enterprise plan pay £189 a month, with an hour’s legal advice chucked in for free, and then £99 an hour after that.

“I wanted to create a pricing structure that made getting legal advice more accessible for these types of companies,” said Toby Harper, the firm’s founder and chief executive officer.

“They often need a range of quite sophisticated legal support, but when they go to a traditional firm they will usually get pushed down to the most junior person while paying a very high hourly rate, so they tend to overpay for services that are more often than not inadequate. I wanted to make it as cost effective as possible for them.”

The main reason Harper James can provide lower cost services is because its lawyers all work remotely—some even as far away as France and Italy.

“The only permanent offices that we’ve got are in Sheffield and Birmingham, that helps reduce our costs,” said Harper.

“Clients more so now than they’ve ever been before are more interested in the quality of legal support, the price and the turnaround time, not whether the firm has an office around the corner.”

Traditional firms have also started to be more creative with how they price up jobs. Pinsent Masons, for instance, offers fixed rates on certain



TOBY HARPER

Founder & Chief Executive Officer, Harper James

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types of work and continues to innovate with its fee structure.

Some years ago, the firm introduced pre-agreed fixed prices across its whole relationship with its client E.ON UK, which vary according to the complexity of the work, the risk profile and the stage of the matter.

“That was a real step forward for us and the client in trying to regard pricing as something which you do as a collaborative exercise and looking at the value the client is going to get out of it, which is quite often a consequence of the risk the client is facing for that particular piece of

work,” said Halliwell.

“Often now clients just aren’t prepared to accept hourly billing for certain matters.”

While the pressure to revamp billing models has generally come from clients, increased competition from new providers is also having an impact on both the pace of innovation and law firm strategy.

“The advancement of alternative business structures has been the injection that the sector has needed in order to change,” said Halliwell. “The decision law firms have to take is where do they want to compete? Do they want to compete with those providers by mirroring what they do, or are they going to narrow their focus and only look at either higher value or higher quality work?”

“Our strategy is to develop long-term sustainable relationships with clients in our core sectors. For us, a relationship means more than just undertaking highest value work, it means really getting under the skin of the client’s business across a whole range of service lines.

“That has allowed us to be on the front foot when confronting some of these new competitors rather than having to respond if a client asks us if we’ve got a different way of doing things.”

Some firms are taking a more collaborative approach with alternative providers—and in some cases even buying them.

Simmons & Simmons acquired legal engineering firm Wavelength in July having previously worked with the team on a number of client projects.

That willingness to collaborate with other businesses is a step change for an industry that has traditionally been reluctant to share client work.

“There’s no reason why we wouldn’t work very closely with one of the Big Four [accountancy firms] on major mandates, making sure we leverage our legal expertise, our ability to deliver that advice and our transactional support, with their operational and financial expertise, or their



technology capabilities, or whatever it happens to be,” said McGuire.

“You’ve got to remain focused on the output and not the input. Law has struggled with that for a long time—as long as we were delivering high quality legal expertise we thought the job was done.

“But actually what Simmons & Simmons is very good at is focusing on what the client is trying to achieve for their business, and if that means us working with others to achieve that, then that is what we will do.”

Competition is not just about competing for

new business—it is also about attracting and retaining the best legal talent.

That is getting harder not just because there is a wider choice of legal careers on offer, but also because starting salaries for newly-qualified lawyers continue to rise. Some US firms now pay new lawyers in London as much as some firms pay their partners.

“Some law firms have whacked up starting salaries to unbelievable amounts, we’ve got competition from alternative providers, so really good people are hard to come by,” said Miller.

“That means you have to be flexible and innovative on what you will offer them—and that means looking at ways on how to incentive them from a career progression standpoint.

“Salary is obviously important and for some money will always be the be all and end all, but the vast bulk of people want an environment in which they can see they are achieving things and progressing and have more autonomy than in the past.

“That requires a bit of a culture change, but in order to retain the best people, you have to be happy to look at your models.”

DIVERSITY GOALS

Law firms are also starting to recognise the need to be more diverse. In part that is being driven by clients demanding more diversity among client teams, but it is also about creating more inclusive working environments for law firm employees—something that can have broader business benefits.

“Inclusivity is front and centre of everything we do not least because it drives profitability,” said Bright.

“If people can come into an organisation like ours and be themselves and enjoy working here with their colleagues, then they will give discretionary effort.

“It’s that discretionary effort that really drives the business forward.”



JAMES MILLER

Managing Partner, RPC

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Hogan Lovells has a number of diversity and inclusion initiatives in place, including a focus on improving the firm’s retention and promotion of Black, Asian and Minority Ethnic employees. In 2010/11, 19% of the firm’s graduate recruits in the UK were from BAME backgrounds. That rose to 47% for those completing their training contracts last year.

“This is something we’ve really moved the needle on, so the next thing is making sure that our BAME people progress to senior roles,” said Bright.

“We are focusing on the attraction, retention

and advancement of our diverse talent.”

Hogan Lovells is also taking an industry-leading role in its work around bullying and harassment.

“It’s not that Hogan Lovells is a hotbed of harassment, but this is an industry issue that needs to be tackled,” said Bright.

“It’s about making people understand what constitutes harassment and bullying, what is acceptable and what is not.

“The key is creating an environment where people can speak up and comment if they see something that they’re uncomfortable with, knowing that something will be done about it. It’s not acceptable to be a silent bystander.

“Moreover, what some people might perceive as fairly small comments can add up over time and be very wearing.”

Pinsent Masons is another firm that has been making a consistent impact with its diversity efforts, resulting in it topping Stonewall’s 2019 UK Workplace Equality Index.

The firm’s latest initiative is to try and improve diversity of thought at the top of the business.

“Our board is made up of senior people from across the firm, who are typically in their 50s, and they recognise they’re not the only people who should be thinking about the future of the firm,” said Halliwell.

That has prompted the firm to set up an alternative board comprised of eight junior staff members from across the business to bring fresh ways of thinking and problem solving when the main board needs a different perspective on an issue.

“They are really introducing a diversity of thought into our senior leadership in a way that we’ve not seen before,” he said.

FUTURE VISION

Preparing for and imagining what the law firm of the future should look like is something that all law firm leaders are currently grappling with.

For McGuire, this doesn’t just require thinking about strategy, but also mapping out different scenarios that might happen in the future beyond the next five years and plotting how that overlaps with the firm’s business plan.

“These are the things you need to start addressing now in order to make sure you’re in the position to react to them when you get to that point,” he said.

“You have to think about what you’re going to need to satisfy the demands of clients in the future and then work backwards and think through what your organisational structure might look like.

“It is often too late to react to the bigger problems if you just leave it to the strategy review and think about it then for the first time.”

The law firm of the future is also likely to have far more client-facing professionals that are non-lawyers, says Halliwell, as well as making better use of data to enhance the insights and advice they can provide to clients.

And for Miller, there are likely to be far fewer generalist firms as clients demand and expect more specialist knowledge and expertise.

“Clients are infinitely more informed and savvy than they used to be,” he said.

“That requires a different mindset—it’s no good just being an expert at the law, you’ve got to really understand your client’s business and give legal advice that is practical and commercial.

“Law is obviously important, and that’s why clients come to us, but you have to be able to put it in context.” ●



HOW INNOVATION IS IMPACTING IN-HOUSE LEGAL DEPARTMENTS...

You don't have to delve too deeply into a law firm's strategy to find out about their innovation plans. Almost every law firm that has any interest in making their practice fit for the 21st century will have some kind of innovation department or programme in place.

But unpacking what innovation actually means is not straightforward—not least because it often means different things to different people.

That can sometimes lead to simple changes being dressed up as innovation even if clients might struggle to recognise them as such.

"The word is misused—all too often we use

'innovation' to mean fixing the basics or improving processes," said Kerry Phillip, legal director for Vodafone Business.

"Innovation means combining ideas and thoughts in a new way to solve a problem. It does not have to be totally new—you can borrow from other industries and sectors—and it certainly does not have to use technology."

Dr. Funke Abimbola MBE, general counsel at Cycle Pharmaceuticals, says innovation means a disruptive breakthrough that leads to the enhanced value and impact of a service or product, while Mo Zain Ajaz, general counsel and global head of legal operations at National Grid, says innovation doesn't necessarily have to be

transformational.

"It's all about doing what we do today better, and when we mean better, we mean effectively and efficiently," Ajaz said.

"It can be a very small innovation or it can be a big innovation."

For Bjarne Tellmann, general counsel and chief legal officer at Pearson, innovation is an ongoing process that consistently seeks to sharpen and improve business outcomes.

"I think of innovation as a broad term that covers technology, process, ways of working and culture—it can embrace a lot of different aspects, but the thing they all have in common is that they're continuously improving on service delivery," he said.

SLOW PROGRESS

Despite all the fanfare around law firm innovation, in-house teams are largely underwhelmed. One reason for that lack of enthusiasm is because the legal sector is so far behind other industries that what passes for innovation in law—introducing project managers, for instance—has long been standard practice elsewhere.

"When it comes to innovation and law, beauty is in the eye of the beholder," said Nick Hartigan, head of legal at Kier Group.

"Within some law firms I know they feel they are hurtling forwards with an innovative agenda, and in fairness to them, they are trying very hard.

"On the flipside it could be observed that, in the broader context looking at other sectors, law firms are a long way from doing anything vaguely innovative."

Other in-house teams suggest that law firms' innovation efforts are often misguided—particularly when it comes to technology.

Ben Wulwik, head of legal and transaction management at OakNorth, says that instead of law firms shouting about their own tech innovations—which are often generalist and not



tailored to a client's specific business needs—they should invest time learning about their clients' tech solutions and offering help around that.

"Our business is all about lending money and in particular the speed of execution," he said.

"Right now we are investing heavily in our front office execution platform, and what we want is a law firm that asks what they can do to understand that, what they can do to add value to that, and how they can be best placed to be our 'go-to' lawyers.

"Instead some firms are too busy saying 'look at what we are doing, aren't we innovative'. Well,

not really, if your innovations add zero value to my day-to-day business challenges.”

Another potential issue is execution. While law firms might have started thinking more broadly about innovation, putting those ideas into practice has generally been a slower process.

“A large number of firms are getting more sophisticated about embedding innovation into their firms—pretty much every law firm I’ve come across recently has a chief innovation officer—but what is still falling short is that those innovators within law firms don’t actually have a lot of power,” said Tellmann.

Part of the problem, he says, is the traditional partnership model with an hourly rate at its core.

“That’s still very much embedded and I don’t think it’s because they haven’t discovered that there are more innovative ways of doing it, it’s just that it bumps up against the incentives of the partners who run the firms,” he said.

Abimbola also believes the partnership structure impedes the pace of innovation.

“The main challenge is that the vast majority of law firms are partnerships, a model which does not necessarily support the nimble decision-making inherent in driving innovative solutions,” she said.

“The best innovations I have seen have been within the New Law sector—which, tellingly, is not based on a partnership model and is therefore more nimble and agile in decision-making.”

WIDER CHOICE

Complacency has also played a role in the relative lack of innovation in the legal sector. An absence of competition in the past has meant law firms could make a profit without being particularly innovative or efficient, says Abimbola. The rise in alternative providers is starting to change that.

“Increased competition in the manner in which legal services are delivered has meant that firms have had to significantly up their game,” she said.



DR. FUNKE ABIMBOLA MBE

General Counsel, Cycle Pharmaceuticals

“The vast majority of law firms are partnerships, a model which does not necessarily support the nimble decision-making inherent in driving innovative solutions.”

That is leading to better outcomes for in-house teams not only because there are more ways to access legal services, but also because that competition is helping to drive down fees.

“The legal services value chain is coming undone and there are providers at almost every step of that value chain offering alternatives,” said Tellmann.

“That makes the market very attractive for clients, as we’re able to farm out work in all different directions and lower our costs significantly.

“What we’re seeing is an emerging ecosystem

of providers that are really offering a lot of opportunity, and law firms are just one of the players in that ecosystem."

That is also changing the way corporate legal departments are buying legal services, most notably with the emergence of in-house procurement specialists, he says.

"Those legal procurement experts are helping to organise panel selection processes, RFPs, and things like that, so that's brought costs down for us, but it's also diversified the firms that we use," said Tellmann.

"That's improving the output because you're getting the best positioned people for that specific work."

Yet not everybody thinks the rise of alternative legal service providers is actually resulting in more competition across the board, given that the biggest law firms continue to dominate the market. The top 100 global law firms saw profits-per-equity-partner rise 4% in 2018 to an average of \$1.7 million, according to ALM.

"Large US and Magic Circle firms, the mid-market, smaller firms and ALSPs are not all competing against each other for the same work in the same areas," said Hartigan.

"Clearly there is some competition but many corporates are still dishing out work for specialist or strategically significant mandates following antiquated procurement practices, resulting in leading law firms continuing to make what appears to be supernormal profit."

DIVERSITY DEMANDS

Another area that law firms are working hard to improve is the diversity of their workforce, not least because it is something that clients are scrutinising more than ever when they are choosing what firms to hire.

"We include diversity as a key pillar in our selection process, and when we have panels we have conversations about their metrics, their



NICK HARTIGAN

Head of Legal, Kier Group

"Large US and Magic Circle firms, the mid-market, smaller firms and ALSPs are not all competing against each other for the same work in the same areas."

numbers, the initiatives they're taking, how they're improving it, and we hold them accountable to it," said Tellmann.

"It's hugely important, and not just because it's the right thing to do, it's also because firms that are more diverse provide a more diverse team to solve our problems, and they are going to be better at problem solving than a very homogenous group of people."

Firms also need to ensure their diversity levels stack up to what they claim and are not just a marketing tactic, says Maurice Woolf, founder of Caldera Advisory and former general counsel at

Interoute.

"One law firm I was using recently made a play of their diversity credentials but the front page of their online directory was overwhelmingly white middle-aged men," he said. "Law firms need to walk the walk."

But while law firms in most cases are taking diversity more seriously—and sticking to their promises—pressure from in-house teams is ensuring progress is being made much faster.

"Firms are keenly aware of the value of diversity, but there is a push-pull element," said Tellmann.

"Having clients that are holding you accountable and are increasingly vocal about it—signing letters and demanding action, for example—that does hold their feet to the fire in a way that probably is accelerating the pace of their focus on it."

IN-HOUSE INNOVATION

It is not just law firms that are innovating, in-house teams are also looking at ways they can improve the way the legal function operates, often by integrating technology.

National Grid, for instance, has put together a law firm ranking system by taking data from Thomson Reuters Legal Tracker and analysing that through Microsoft's Power BI platform.

"That has allowed us to put a scorecard together with all the measures that we really care about and then rank our law firms in terms of their contribution," said Ajaz.

"That's enabling us to have real-time conversations on value add and conformance which then leads to improvements in service delivery that we wouldn't ordinarily get."

Tellmann's in-house team has already introduced a number of tech-based innovations to optimise processes and enhance risk analysis, but over the past year it has also been focusing on softer innovations around culture and diversity.

"We've developed a team called Ethos



BJARNE TELLMANN

General Counsel & Chief Legal Officer, Pearson

"Firms are keenly aware of the value of diversity, but there is a push-pull element... that does hold their feet to the fire in a way that probably is accelerating the pace of their focus."

consisting of people from all across the department to engage with the legal leadership team on a range of initiatives to improve our community and our culture," he said.

"We've also had a real push around what we call future literacy, where we're trying to figure out what conversations are happening outside the legal space and how we can apply those to what we do."

That has led to the creation of a 'special ops' programme that allows in-house lawyers to volunteer for and work on matters outside of their usual business silos.

That initiative has already delivered meaningful results. For example, Pearson's in-house team had budgeted half a million pounds for consulting advice on a compliance programme that it needed to implement, but through the special ops team, the department was able to complete the exercise on time without spending any money, while also giving those people valuable new skills, says Tellmann.

Some in-house teams also have the flexibility to innovate at a much faster pace. Ben Wulwik, who joined OakNorth in early 2016, has not only been able to build the legal department from scratch, but the company's 'zero basing' culture means the in-house team is encouraged to continuously refine and rethink how they work.

"Zero basing is effectively if you are given a blank sheet of paper, how would that team and function look if you were starting afresh," he said.

"While we did that four years ago, what we are constantly striving to do and challenge each other to do is to zero base pretty much every day.

"We might be using a process that has 'worked' for a number of years, but is it the most efficient and suitable process for the business? If you had a blank sheet of paper would you actually be doing this? If something doesn't quite work, we will change it straight away."

FUTURE DEMANDS

One challenge for law firms is that client demands won't just shift over time, they will also vary considerably depending on the client.

That means there is no set blueprint for law firms to adhere to when they are building for the future.

Hartigan says that because technology is likely to augment or even replace certain types of legal services, firms will need to streamline and adapt their business models accordingly.

"The most successful law firms of the future will provide more emphasis on a rounded, thoughtful and flexible service," said Hartigan.



BEN WULWIK

Head of Legal & Transaction Management, OakNorth

"We might be using a process that has 'worked' for a number of years, but is it the most efficient? If something doesn't quite work, we will change it straight away."

"Law firms will need to look beyond bare legal services and look to implement best in class non-legal disciplines taken from blue-chip consultancies and corporates in respect of their own operations."

For Woolf, while the intellectual capital of lawyers will ensure law firms will still be relevant in the future, technology could in time completely transform how in-house teams buy legal services.

Woolf wonders, for instance, whether legal tech providers might become increasingly dominant to the point where GCs would access legal advice through those providers as part of a

cloud-based subscription service.

But while innovation is likely to continue transforming the way legal services are delivered, some in-house teams fear it could distract firms from focusing on the core purpose of their business—providing accurate legal advice.

“Our door is being battered down every day by lawyers who want to work with us, and the best firms that we work with invest the time into actually understanding what we do, why we do it, and what are the key challenges that will shape the short and medium-term future of the business,” said Wulwik.

“We can talk about innovation, we can talk about the future, but fundamentally we just want really good lawyers who get the basics right.”

That also means law firms need to do a better job of understanding their clients’ businesses and retain lawyers with genuine expertise of the sectors they are covering.

“Law firms need to be truly client centric in this regard, improving their industry knowledge, such that lawyers in private practice are able to empathise more closely with the challenges that their in-house clients are facing and, as a result of this deepened understanding, provide practical, pragmatic legal advice,” said Abimbola.

To that end, law firms need to take a different approach to how they interact with clients, says

Phillips.

“A law firm of the future should be a business partner that is in tune with its client’s business needs, offering proactive advice, services and technology to help solve the business problems their customers face,” she said.

“Collaboration is key, along with a focus on solutions rather than advice.”

And for Tellmann, it is not enough for law firms to just understand a client’s business, they also need to have a better understanding of what it means to be a GC from the perspective of managing an in-house legal department.

“In effect I am running a business with a complex budget and I have to deliver services within that budget in a quality manner, at cost, and at speed, and it feels like very few firms fully appreciate what that means,” he said.

“What I would like is a firm that understands the full cycle of what I need to do and can offer tools and services and products all along that chain.

“We have a kind of medieval guild structure that provides black letter legal advice in the abstract, sometimes without too much understanding of how legal advice gets delivered inside a corporation in reality, and with little understanding of what it actually means to run a corporate legal department.” ●

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