



International
Legal Technology
Association

LEGAL TECHNOLOGY FUTURE HORIZONS

LEADER'S DIGEST

ABOUT THE STUDY

A forward-looking global study exploring how advances in information technology (IT) could impact the legal profession over the next decade was undertaken during 2013 by Fast Future Research at the behest of the International Legal Technology Association (ILTA). The study used a combination of desk research, interviews, workshops and two global surveys — one explored the business applications of IT in the legal sector, and the other provided input to create an emerging technology timeline. The resulting report, *Legal Technology Future Horizons*, provides the critical findings and implications emerging from the study.



BUSINESS APPLICATIONS OF IT SURVEY



499 responses | 72% from legal



EMERGING TECHNOLOGIES SURVEY



223 responses | 61% from legal



The report is targeted to managing partners and/or CEOs and their CIOs. For law firm leaders, it highlights how information technology (IT) is becoming absolutely critical to strategic survival and future growth in a rapidly changing and highly competitive business environment. For CIOs, it highlights key technologies breaking the horizon and the role IT can play in helping law firms respond to change and create new sources of value.

[Download the report at www.iltanet.org/ltfh.](http://www.iltanet.org/ltfh)

A set of inevitable economic forces is driving clients to consolidate the number of law firms they use. If you look at the history of professional services: accounting, architecture, advertising, business consulting — everyone who sells ideas for a living — you can usually pinpoint the time when there was a dramatic consolidation. Clients are driving consolidation because they believe there is an economic incentive. They also believe they get higher quality services. The more work they consolidate into law firms, the better the lawyers in those firms understand their company. In addition, clients want to have lawyers who understand the business culture of where the deal transpires to ensure a successful transaction or a favorable dispute resolution.

Finally, consolidation pressures are further increased by technology, which challenges firms to capitalize on automation efficiencies while never losing sight of the importance of building relationships and recognizing how to deliver the most value.

— Joseph Andrew, Global Chair, Dentons

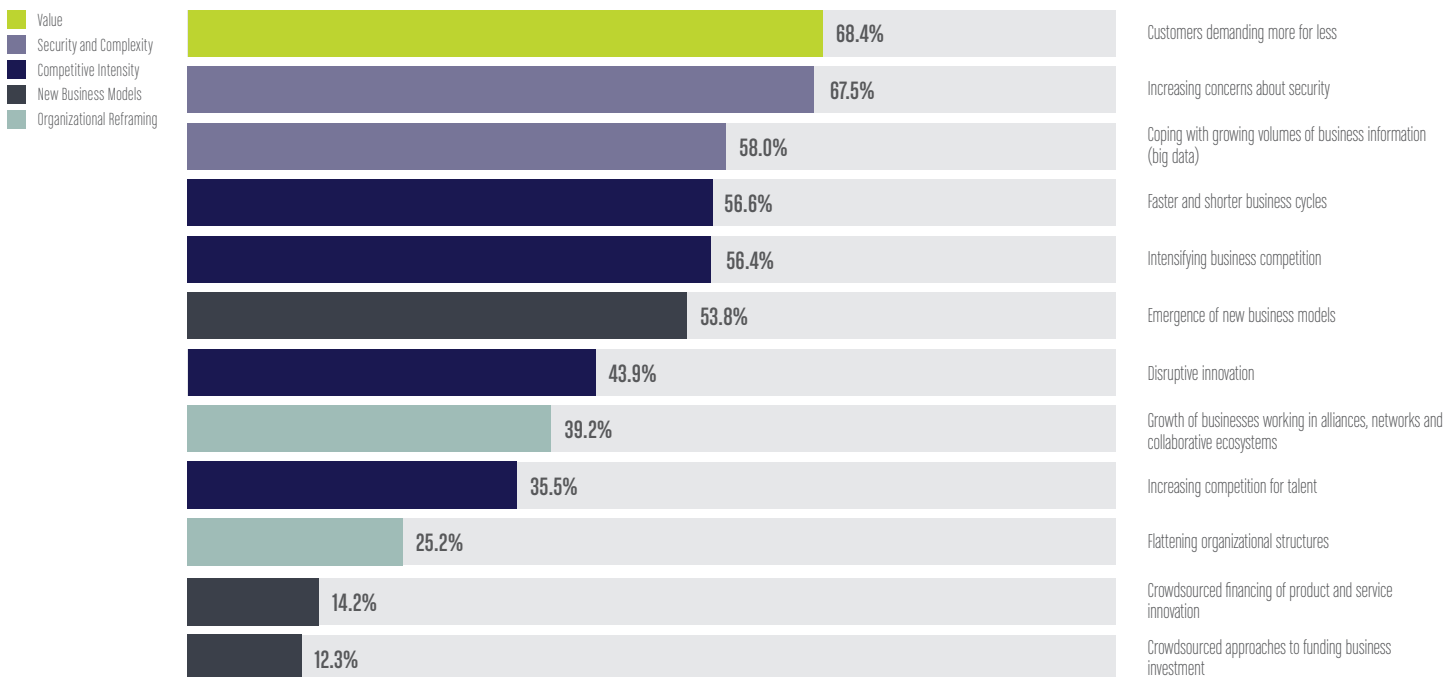
FORCES OF CHANGE

The research highlights how the decade ahead will be shaped by powerful economic, political, technological, environmental and socio-demographic global forces impacting individuals, societies, organizations and governments. Collectively these forces are driving the need to review many of our governance institutions and systems and highlighting the necessity for new thinking and large-scale change to serve a rapidly changing world.

For the legal sector, critical issues confront law firm leadership:

- An accelerating pace of technology disruption and diffusion with the associated challenges of learning to manage rapid systems change and embrace the strategic potential of IT
- Responsiveness to client needs around value, speed, innovation and security
- Industry-level forces such as intensifying competition, changing firm structures, alternative business models, new entrants and a heightened talent agenda
- The impacts of consumerization, commoditization, automation and the pursuit of optimal firm scale
- Responsiveness to the opportunity and competitive challenges presented by emerging economies
- The pursuit of differentiation in the face of continuous change

Over the next decade, what are the critical business trends that could impact the strategies and operations of clients and the law firms that support them?



THE TRANSFORMATIVE ROLE OF IT

Out of all the forces of change shaping the operating environment for law firms over the next decade, advances in science and technology could have the most revolutionary impacts. Breakthroughs in many fields — IT in particular — will drive radical, socially challenging and operationally disruptive change. Individuals, societies, businesses, governments and the institutions that surround us will all feel the transformative force of these developments. For some law firms and in-house legal departments, IT innovation is already a strategic priority. For the rest, it is becoming clear their future survival and growth depend on making the intellectual and emotional shift to accepting that they simply won't have a viable business without mastery of IT.

Innovate or Perish

By its own admission, the legal sector has historically seen itself as a slow mover and cautious adopter of IT innovations. Generally, legal has followed rather than led clients and other professional sectors in driving IT-enabled innovation. That situation is changing, not least because clients are demanding it — they are clarifying their expectations to all of their professional services partners. Clients need their key partners to equip themselves to provide effective and flexible service offerings that reflect the continuously changing reality shaping the business landscape. In this turbulent environment, IT is seen as a critical enabler of the delivery proposition for the 21st century law firm. A simple choice is emerging — either embrace and invest in the opportunity, or suffer the consequences of a lack of commitment.

While IT advances are expected to permeate and transform every aspect of law firm activity in the decade ahead (and beyond), the research highlights four core themes:

- **THE CLIENT IS THE PRIORITY**

We must focus IT investments on securing and enhancing customer relationships. Strategic priorities must include quality of insight and advice, speed, responsiveness, flexibility, enhancing the capability and efficiency of professional staff and the capacity for innovation. Operationally, client demand is expected to focus on clarity of progress and budget reporting, providing real-time visibility of legal workflow, improving collaboration, integrating with client systems and building intelligence into systems to add insight and value and reduce the level of human involvement required.

- **LEVERAGE LAWYERS**

We must enhance the productivity, strategic insight and impact of lawyers. At the most basic level, they need to perform from anywhere at any time on a range of personal devices that could emerge over time. Next, we must build intelligence into lawyer support to anticipate and provide the content they need when they need it — from analyzing critical information to presenting in court. Artificial Intelligence will play a major role in learning how lawyers work, personalizing the support and gradually automating many tasks historically performed by professionals.

- **RE-ENGINEER PROCESSES**

We must take a process- and project-management approach to all work undertaken. Workflows must be streamlined, broken down into discrete tasks to be allocated to the lowest cost resource that can complete them — a lawyer, outsourced service partner or intelligent system. This will accelerate the commoditization of many tasks and could reshape the legal value chain as more low-value tasks are parceled out to external providers. This in turn will drive the firm to focus on developing new value-adding services.

- **INNOVATE TO DIFFERENTIATE**

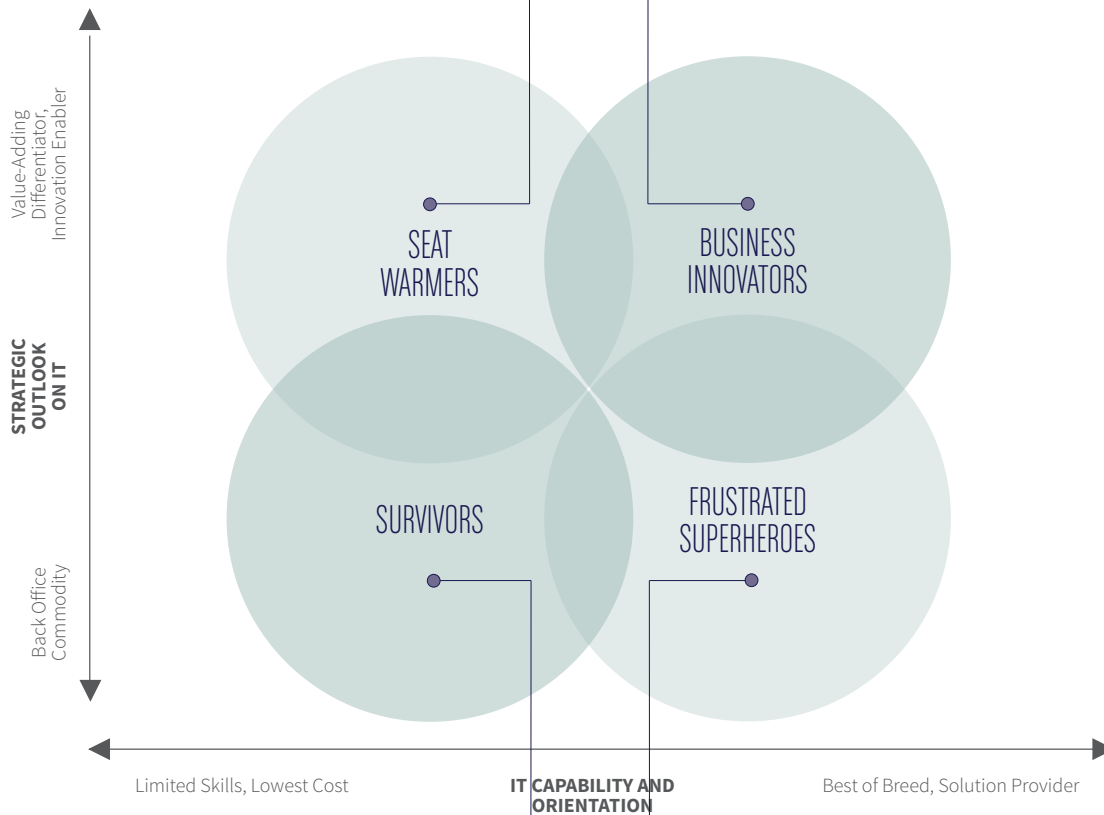
As a greater scope and volume of work is automated and the price gets driven down, firms must focus on using IT to generate and support client-focused innovation. This could be the development of new products and services, taking on activities traditionally performed in-house by the client and moving up the value chain into areas such as new product development. For example, as clients enter new markets with technology solutions like driverless cars, these will be highly disruptive and will require new thinking in areas such as risk and liability. Increasingly intelligent products might even have laws embedded; for example, cars could fine us for exceeding the speed limit. Law firms will need to use IT to help develop early warning systems that alert them to the emergence of such new ideas. Leaders will seek to gain a “first-mover advantage” by approaching the innovators and becoming involved from the product design stage.

FUTURE SCENARIOS FOR IT

Given the speed and scale of change in technology over the next decade, four possible scenarios emerge for how IT could be positioned in tomorrow's law firm:

Firms understand the potential for competitive advantage and innovation presented by IT. Ambitions are frustrated by a limited IT function that is not up to the job and is effectively keeping seats warm for a more proactive replacement team who are being recruited. Funding is increasingly being channeled to third-party innovators who can create disruptive new solutions the next round of IT leadership will be asked to deploy. Clients are demanding ever-firmer commitments of when a firm will upgrade its technology capability and orientation.

These firms have transformed their relationships with clients through the effective use of IT. They are highly IT-literate, and this is seen as a powerful source of competitive advantage and differentiation. A high level of experimentation and innovation is characteristic of the firm's culture, and clients see it as a first port-of-call to try out new approaches and ideas. The IT function has built a strong reputation for delivery of effective business solutions and has close alignment with key client-facing practice areas. IT's role and innovation potential is well understood and supported and is encouraged to play a central role in creating new opportunities and value.



For these firms, little has changed in material terms from the world as they knew it in 2014. Competition has eroded their competitive position in all but a few key opportunity areas. Survivors typically have relatively low expectations beyond basic service provision, and they minimize investment in IT. The IT function is run with lowest cost as a prime directive.

IT has a highly capable team, strong business orientation and excellent delivery skills. The business, though, is unwilling to seize the opportunity and is reluctant to embrace an enhanced role for IT beyond delivery of a core set of services. IT is increasingly trying to secure internal alliances with more forward-thinking lawyers and using small amounts of budget to pilot more innovative ways of working and delivering client solutions. IT invests a significant amount of effort in trying to help the business get maximum value from existing investments and to encourage the sharing of successful ideas across practice areas.

SEIZING THE OPPORTUNITY THE LEADERSHIP IMPERATIVE

To seize the full opportunity presented by the disruptive potential of IT, firms will require radically new thinking about how to survive and thrive in the new era of business. This will extend well beyond technology to cover every aspect of their strategy, services, structure, staffing, funding and core values. Ten key imperatives emerge, each of which can be enabled and enhanced through IT:

1. BUILD A GLOBAL MINDSET.

A universal business challenge facing firms of all sizes is the need to gear up to support clients' globalization efforts and the impact of emerging markets. Even firms that don't have ambitions to extend their own footprint will have to be capable of supporting clients as they venture into new geographies.

2. DEVELOP COMFORT IN CHAOS.

Firms must learn to manage and thrive in a volatile, uncertain, complex, ambiguous (VUCA) and rapidly changing reality. Developing a "rapid response" mindset becomes a core competence.

3. PURSUE PROCESS EXCELLENCE.

In an era of commoditization, intense scrutiny and rising client service expectations, process excellence is essential.

4. DIFFERENTIATE THE BRAND.

In a sector where standards are already high and competition increasingly intense, the search for differentiation is vital for those that want to consolidate or enhance their positioning. Firms must develop insight and strategic wisdom as core sources of advantage with the potential to enhance revenues and profit margins.

5. REDEFINE RISK.

An uncertain environment creates risks both in terms of the firm's preferred strategies and the cost of inaction. Both types of risk must be evaluated in any assessment of strategic options.

6. CREATE MAGNETISM.

Leaders increasingly appreciate the value of encouraging the flow of ideas and opportunities into the firm — particularly as a means of speeding up the innovation process.

7. ACKNOWLEDGE DISRUPTORS.

The legal sector is now a prime target for potentially disruptive new entrants, often coming from outside the sector. This reality calls for a systematic approach to scan for such potential developments and identify, embrace and pre-empt new entrants through collaboration and competition.

8. RETHINK TALENT.

Firms need to prepare for radical changes in staffing profiles, recruitment, retention, graduate education and continuous development.

9. EMBRACE IT OPPORTUNITY.

To address changing client demands and respond to the other strategic imperatives outlined here, firms have to invest in and unleash the transformational potential of IT.

10. NURTURE EXCELLENCE.

To ensure the technology function delivers on expectations, firms need to demand and invest in "best in class" IT leadership.