



Evolution vs Disruption

Will we ever see genuine disruption in the legal industry?

Harnessing strategic ambitions

The ecosystem of legal services is undoubtedly in flux. Whether the pace of change in the legal sector will be evolutionary or genuinely revolutionary, traditional law firms need to prepare themselves for the future as best they can. The preparatory work needs to start now. Work can be delivered faster and smarter through technology, so law firm leaders will need to make decisions now about what business model will best incorporate this, as well as considering the issue holistically to understand how new technologies will change their firm's relationship with its clients and its employees.

The firms that stand the best chance moving into the future will be those with a clear strategy for innovation – one that involves real action, not mere lip service to ideas. Although innovation within law firms isn't always easy, it is very possible. Here are five questions to ask yourselves in order to build up simple processes and create an underpinning infrastructure that removes many of the common stumbling blocks.

1. **What are your innovation priorities?** All firms need a clear understanding of what they want their future relationship with technology and innovation to be, and to set their priorities accordingly. It's important to remember that innovation doesn't need to be transformative to be successful; incremental changes can also deliver efficiencies for law firms and offer enhanced value to clients, without causing financial upheaval in the short term.
2. **Do you have the right strategic innovation capabilities?** Keep in mind that this might involve finding new members of staff to pioneer the changes. Innovating involves challenging the status quo, which can be daunting for existing members of the team.
3. **Can you support change with appropriate investment?** You will need to put your money where your mouth is – without sufficient investment it is difficult to prototype and scale up proven ideas. A lack of a clear business case for change and short-termism suffocates innovation in law firms.
4. **What is the impact for your business model, client delivery and talent pipeline?** Innovations within law firms – particularly when they are technology-driven – have the potential to fundamentally alter how a firm makes money, how it services its clients, and how it recruits and trains its people. Leaders, therefore, need to adapt their business model to suit innovation, rather than scale back their innovation ambitions to fit their current business model.
5. **Who do you need to collaborate with to drive success?** Innovation doesn't happen within a vacuum. Consider the possibility of involving clients early on in the development of new service offerings, and identifying the right strategic partnership to take innovations to the market.

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The pursuit of innovation and excellence: evolution or revolution?

The legal industry is undergoing a period of profound change. Indeed, flux seems to have become the status quo. With technological advancement, an informed, tech-savvy client base, new non-traditional market entrants, and more, we are increasingly aware of the challenges and opportunities inherent in the legal profession today.

But awareness is just the first step – it's scratching the surface of an important, vital issue. In short: it's not enough. We wanted to understand, to better guide you, and help you stay ahead of the game. So, we looked deeper. We wanted answers as to what kind of change is truly taking place. How does the industry change, and when? Does it evolve organically or does it react and change in response to disruption?

To better take the temperature of the profession, we convened a panel, in partnership with Meridian West, a leading consultancy that helps professional firms to develop and implement client-focused strategies.

The motion discussed was as follows:

"This House believes innovation in the legal profession will always be evolutionary and we will never see genuine disruption."

On the 21st November, 2017, the panel, which was comprised of two teams, met before an audience of their peers to debate this issue of evolution versus disruption in the legal industry. To explore its nuances and its implications. To assess and argue over the very nature of the profession, and what we can learn from yesterday's example and today's issues, in order to better to move forwards and prepare for the future.



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The Disruption Debate Panellists - 'Disruption team'

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Dana Denis-Smith

Dana is the founder of First 100 Years, a 5 year project charting the journey of women in the legal profession since 1919. She is also the founder and CEO of legal business Obelisk Support, a tech-enabled business that matches work to 1,300 highly skilled lawyers that want to work flexibly around their family commitments.

Before becoming an entrepreneur, Dana worked as a journalist. She later trained and qualified as a solicitor with Linklaters in London and Amsterdam. Dana has received numerous accolades for her work - being recognised as a legal innovator by Legal Week and the Financial Times and as entrepreneur by Management Today and Daily Mail. She holds an BSc in history and MSc in political economy, both from the London School of Economics. Married to a barrister and mother to a 6-year-old daughter, she now lives in London, having grown up in Transylvania, Romania.



Andrew Cheung

Andrew is a partner and the general counsel of Dentons UKMEA LLP, based in the firm's London office. He sits on the Boards of Dentons UKMEA LLP and Dentons' venture capital fund, Next Law Ventures, and is a member of its Regional and Global Risk Management Committees. In addition to being responsible for Dentons' regulatory compliance and enterprise risk management, Andrew regularly advises clients on the development, maintenance and assessment of regulatory compliance programmes, investigations and breach reporting. His particular areas of focus are international financial sanctions, anti-money laundering and anti-bribery.



Matthew Kellett

Matthew is the FSO UK Law Leader at EY, responsible for building the FSO UK Legal Services business, following the grant of a Licence to EY by the Solicitors Regulation Authority in December 2014. He joined EY in September 2014 and is based in London.

Matthew is a Solicitor of the Supreme Court of England & Wales with over 20 years' experience, and a frequent speaker and guest speaking on the changing face of the Legal profession, and in particular developments in the area of Legal Risk analysis and mitigation.

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Isabel Parker

Isabel trained and qualified as a finance lawyer at Freshfields Bruckhaus Deringer. In 2013, she moved from fee earning into the Management Office of Freshfields as Strategy Lead for a firmwide global change project to shape the firm's target operating model. She set up the firm's Legal Services Centre in Manchester, which formally opened in July 2015. In December 2015, Isabel was made a Senior Director of the firm, responsible for legal services innovation. She has responsibility for reshaping the legal services elements of the Global Centre and the wider firm, to enhance the value of Freshfields' client service.



Rob Dinning

Rob is General Counsel for Operations and Technology at Barclays, based in London. He leads the global teams responsible for the provision of commercial, intellectual property, cyber security and data privacy legal advice across the bank, as well as the day-to-day support of the O&T function. Rob has been with Barclays since 2012.

Prior to joining Barclays, Rob spent 11 years at portfolio risk management solutions and data vendor, RiskMetrics Group, in New York and London. He held several leadership positions, including Group General Counsel, as the company evolved from start-up to NYSE-listed industry leader. Rob spent eight years in private practice with Freshfields and Shearman & Sterling, including 3 years in Singapore, advising on a wide variety of commercial legal matters, with particular focus on infrastructure projects in emerging markets.



Kishore Sengupta

Kishore is Director of Executive Education and Reader in Operations Management, Judge Business School, University of Cambridge. His research and teaching focus on managerial decisions in complex dynamic environments. Kishore's writings on the legal sector have covered topics such as barriers to change, and client perceptions of law firms.

The arguments

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The legal profession, according to the Disruption Team, has weathered disruption before, but it was slow to occur and not universal in its reach. But this current moment in time is unique due to the fact that there is more than one disruptive force at work – deregulation, increased client power, an expanding marketplace, and technological advancement, to name but a few.

However, the fact that we are aware of such changes taking place would indicate, according to the opposing team, that the changes are evolutionary in nature.

Getting “disrupted” is a symptom of a lack of attention to the factors that drive change. Perhaps, therefore, it is not the nature of change that is disruptive, but that it is perceived to be so by *reactive* organisations.

Proactive organisations look for factors signalling change and adapt accordingly, whereas *reactive* organisations, on the other hand, don’t pay attention to signals on their horizons, or simply disregard the signals until it is too late – and as a consequence, get disrupted.

1. Market composition

But with new market entrants opening up the sector – from the rise of online dispute resolution to alternative legal services providers like Axiom and Obelisk, – there is less need to use traditional law firms according to Team Disruption. Is that not a truly disruptive event? After all, such outfits will only grow by disrupting the traditional legal model.

Furthermore, the traditional legal model itself is antiquated and under attack by a client base that demands more and better than they are currently receiving. The fact that deregulation has brought down barriers only reinforces that the environment is fertile to change.

“Traditional law firms that don’t reinvent themselves will have very little to do in the future.”

– a General Counsel, *Meridian West research*.



However, according to the Evolution Team, law firms are already reinventing themselves in order to adapt to the changes taking place in the market. As one panellist put it, the profession is “vibrant and full of energy” and firms have begun making client-centric changes, namely providing “greater efficiencies, higher quality service and lower costs through technology solutions, alternative delivery models and smarter pricing.”

The reason for this is that the law itself is evolutionary at its core and it’s therefore part of the DNA of those who practice it. Gradual change and improvement is inherent in the profession. But is it possible for incumbents to survive by gradual change alone? Isn’t something more radical needed?

“Most senior professionals in law firms know they need to be doing something differently, but they don’t have the skill sets to do it. They feel uncomfortable because they haven’t had to change before.”

A Financial Services General Counsel, *Meridian West research*.

2. Technological innovation

In today’s legal landscape, new technology, machine learning, and automation play a significant role, all of which requires adjustment from those operating within it. There has been a huge growth in processing power as well, with ever more capable AI. Without adequate support and training, these changes can feel disruptive.

However, implicit in the notion of disruption is the assumption that change occurs suddenly. Evidence from innovation lifecycles across other industry sectors suggest

the time it takes to turn ideas into viable products or services is shortening. In the legal market the time to take new propositions to market is reducing, albeit not as quickly as in fast moving sectors such as TMT or consumer goods. Adapting to change requires innovation. Law firms have traditionally been most comfortable innovating incrementally, by optimising their traditional service models in the first instance. The most forward-thinking are now embracing radical innovations in technology, business model and service delivery.

“A mindset shift is needed – lawyers need to be the architects of smart processes, rather than trying to reinvent the wheel every time.”

A Partner at a Top 30 UK law firm,
Meridian West research.

“Lawyers are prone to think of client needs here and now. They do not think strategically.”

Law firm Head of Support, Voice of the Client Report, LexisNexis

The budgets for the creation or adoption of transformative technological innovations do indeed lie with, or at least dependent on, law firms. As the Evolution Team suggested, innovation is evolutionary in nature. For new business and working practices, the best and most sustainable mechanism for repeatable innovation is natural, steady, organic change executed at a thoughtful and measured pace, building and learning from what’s been done before.

This has been the approach for law firms thus far because there has been no killer technological innovation that has disrupted the industry, like Uber for the taxi market, or Kindle entering the book market.

Nevertheless, the Disruption Team suggested that the industry is instead on the cusp of truly radical change. “The bread and butter work of law firms is significant and will soon be robotised – the lifeblood of firms will go,” said one member of the team. “Pretty soon the prevailing law firm model will not be sustainable.”

Despite the cost of change and the cultural objections raised to making them, deep and rapid thought is required to prepare for the future.

3. Other professions

Other professions – such as banking, medicine and teaching – have been and continue to be disrupted, but they’ve survived, according to the Disruption Team, so why would the legal industry be immune? Indeed, it can be argued that much of legal advice is increasingly standardised already.

However, the Evolution Team suggested that large technology firms, for example, have weathered many changes over time as well, as have organizations in the energy and industrial sectors. But they’ve done so by monitoring weak signals that denote change, and by evolving to accommodate it – not through disruption.

4. Client power and perception

Public perception of lawyers, however, could benefit from a shock to the system, according to the Disruption Team. The idea that lawyers are “selfish” and “a necessary evil” is damaging to the profession, but could be disrupted by providing tools that help provide the public with better access to justice.

The Evolution Team agreed, but it was suggested that by being more involved, lawyers would be working with changes that are already taking place – like the move towards the full digitisation of courts, for example – rather than disrupting the system.

The issue of perceived selfishness persists, however with The Evolution Team acknowledging that the billable hour is “not client-friendly”.

“In the next tendering, we’ll go for a radical approach, go to those with disruptive work.”

General Counsel, Voice of the Client report, LexisNexis

Nevertheless, clients are increasingly informed and aware of their power. As one Disruption Team member stressed: “clients don’t just demand lower fees, they are demanding changes in the delivery model.”

The pace of innovation is, to some degree, driven by clients. But even when firms respond to their demands, for example, by improving the use of technology, the actual benefits for clients may not be fully felt. “Professional firms view technology as a way of reducing the cost of delivering their services,” as one Partner asserted, “but they won’t typically pass the majority of that saving onto their clients. It’s all about protecting margins. It means that when clients ask you to reduce fees, you can do it for less without destroying your margin.”

Nevertheless, lawyers are still held in a unique position of trust. “By resorting to disruption,” as the Evolution Team stressed, “we risk cannibalising the core of our proposition, and the trust our clients have in us.”

So, how should we move forwards?

“Traditional law firms will inevitably be laggards. It’s basic economics. You don’t do things which don’t make sense for you.”

a Director, top 50 law firm, *Meridian West research*.

It's important to keep advancing, whether that means making small, incremental changes to your working practices, or opting for a large-scale, firm-wide disruptive shift. Ultimately, however, whatever your approach, getting technology right is vital to ensure that your future is successful and meets both your firm's needs, and those of your clients.

So, how do you prepare for the changes that are to come?

- **Workforce:** Embracing legal operations as an integral part your law firm will be essential, removing the distinction between “fee earners” and “support staff”.
- **Approach:** Flexibility and being open to experimenting with new technology and new practices will serve you well.
- **Software:** Do your research. Don't buy it if you don't how your firm will use and benefit from it. You can take your time here, act smarter.
- **Clients:** Listen to them. What better to way to improve your client service than by talking with them and taking on board the issues they raise.
- **Change:** A change management strategy will be vital to ensuring that you enter into the next stage with adequate drive and support. Implementing change can be difficult; you should have a plan in place.
- **Culture:** This may need to be overtly challenged in order to change. Diversity can help this shift. Don't be afraid to threaten the status quo.
- **Communication:** Collaborate and converse with members of the team openly and without the fear of failure, specifically explore the best way for your firm to incubate innovation.
- **Investment:** For true, tailored innovations to occur, you will need to ensure that both time and money are spent in their pursuit.

Furthermore, paying attention to the industry as a whole and listening to those “signals of change”, especially the weak ones, is important. After all, forewarned is forearmed. But that's where we come in. LexisNexis has been the partner of choice for law firms for the past 200 years, and we will be here to ensure your future into the next 200.

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