



# Global Trends in the Legal Industry

Presented by  
Thomas S. Clay  
Altman Weil, Inc.  
October 6, 2017

# Kodak

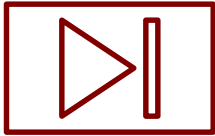


# Great Companies Fail Because of One or More of the Following Reasons...

- Corporate arrogance and hubris
- Insufficient attention to weak signals
- Lack of vision and risk taking
- Trapped in yesterday's business models
- Biases of internal decision processes
- Wrong incentives: short-term and risk-averse

# The Legal Profession: Five Critical Issues

- Responsiveness to **client needs** around value, speed, innovation and security.
- **Decreasing demand.**
- The impact of **commoditization.**
- An accelerating pace of **technology disruption**
- The pursuit of **differentiation** in the face of continuous change and killer competition.



[www.altmanweil.com/LFiT2017](http://www.altmanweil.com/LFiT2017)

**2017 Law Firms in Transition**  
**An Altman Weil Flash Survey**

*Contributing Authors:*

**Thomas S. Clay & Eric A. Seeger**

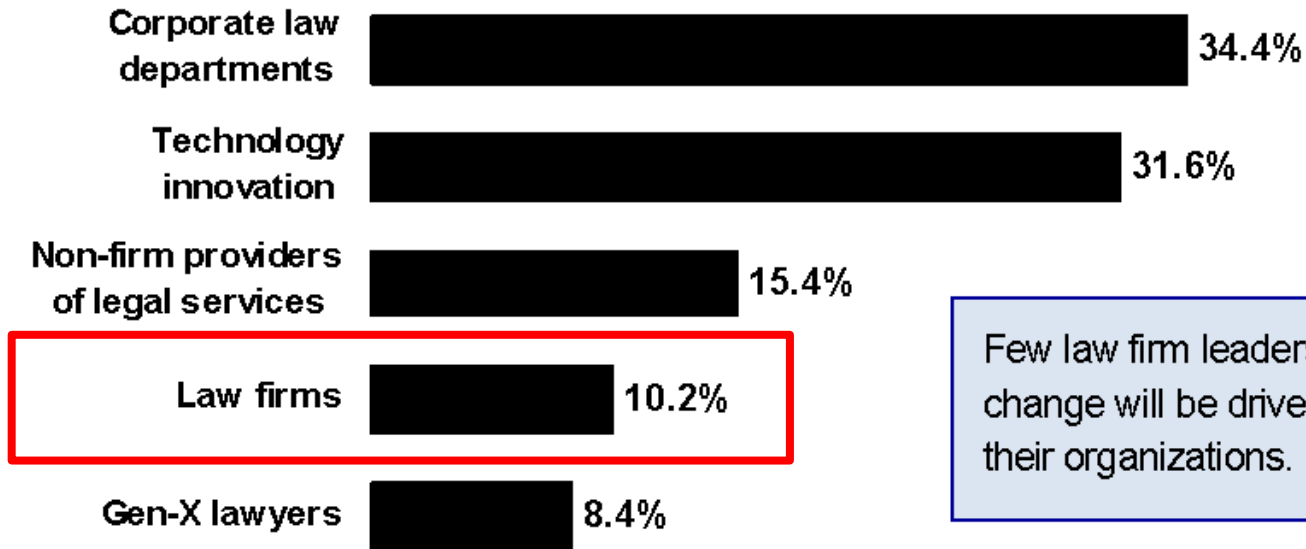


**LEVEL**

**THE PLAYING FIELD**



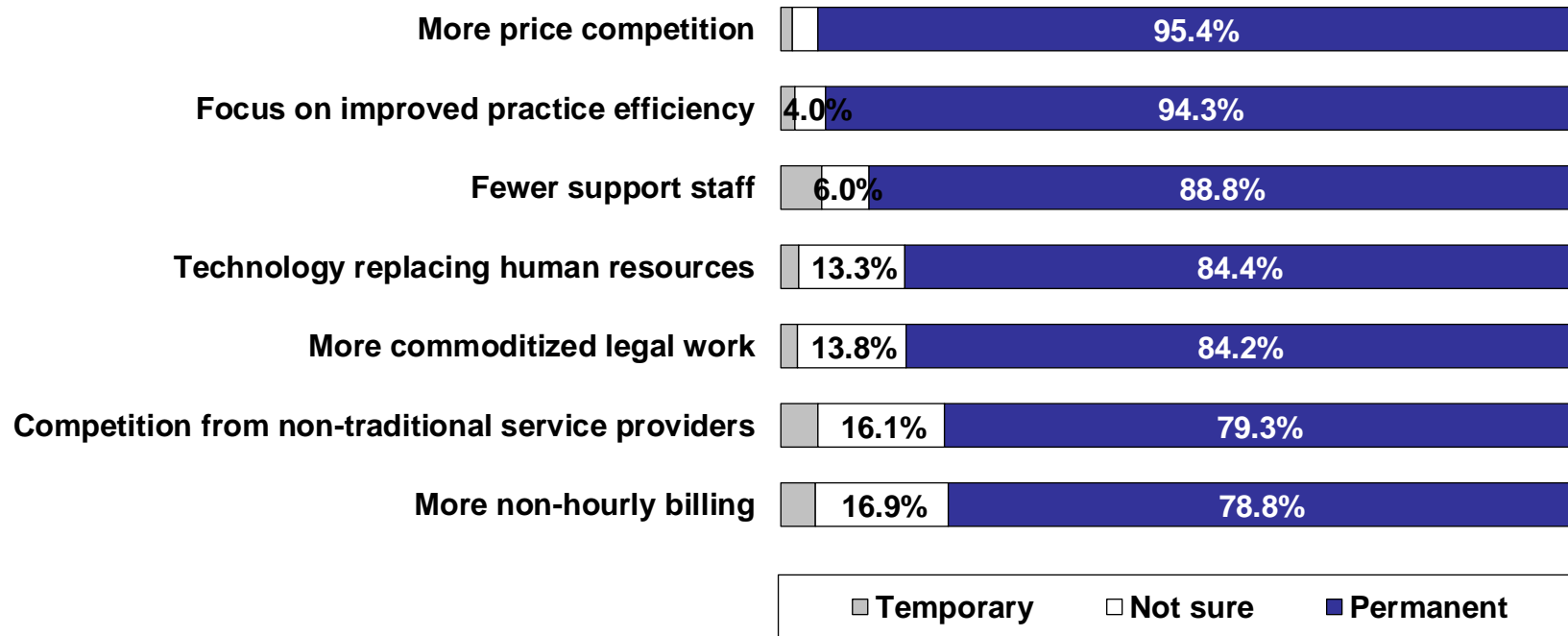
# Which of the following is the most likely change agent in the legal market over the next ten years?



Few law firm leaders think market change will be driven from within their organizations.

SOURCE: Altman Weil Law Firms in Transition Survey

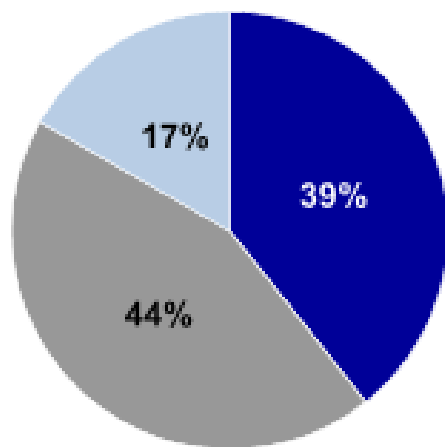
# Which of the following legal market trends do you think are temporary and which will be permanent?



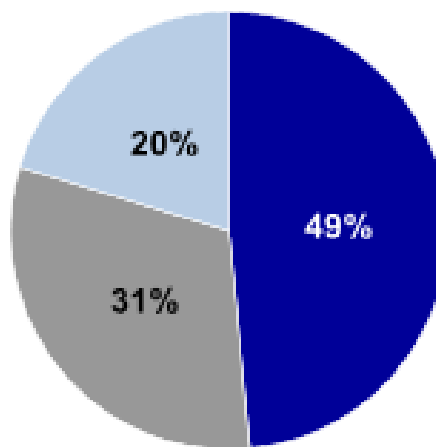
SOURCE: Altman Weil 2017 Law Firms in Transition Survey



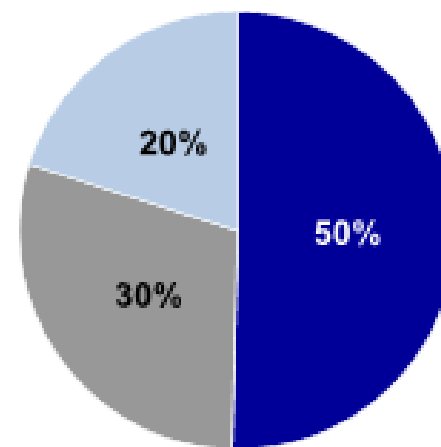
# Since the recession, has your firm significantly changed its strategic approach to pricing, efficiency or lawyer staffing?



**PRICING**



**EFFICIENCY**

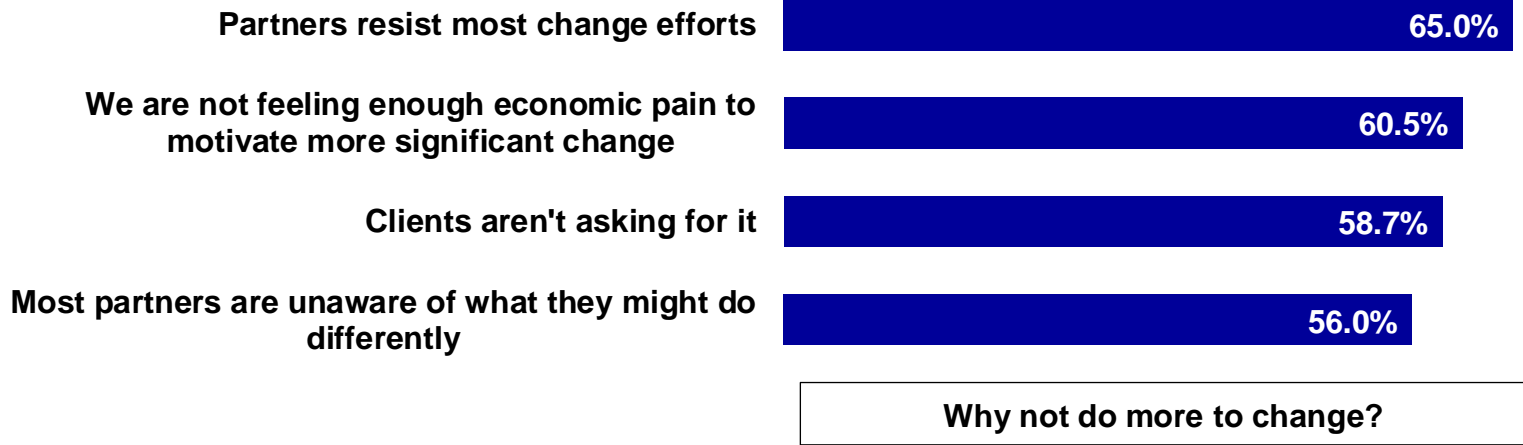


**STAFFING**



SOURCE: Altman Weil 2017 Law Firms in Transition Survey

# Why isn't your firm doing more to change the way it delivers legal services?



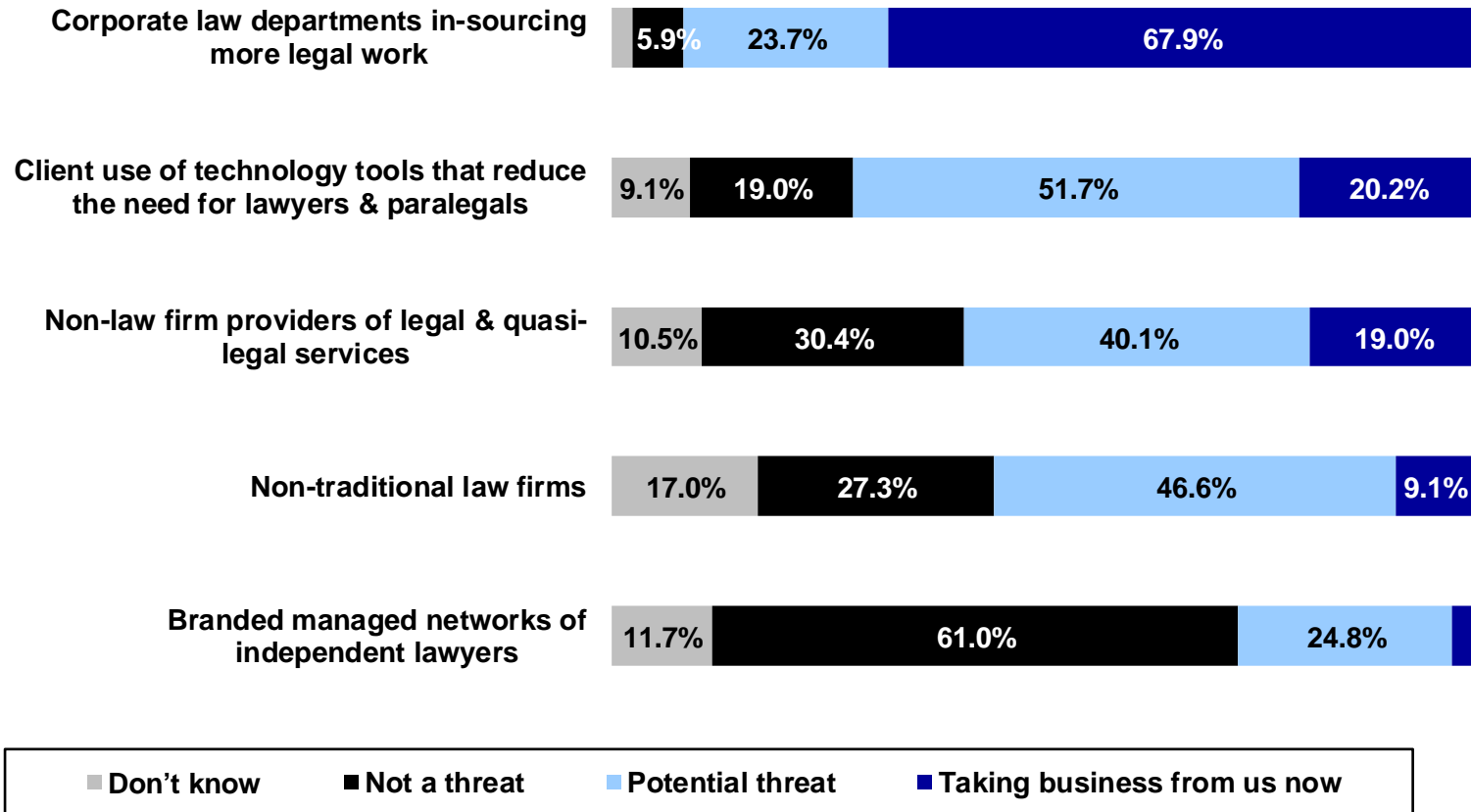
	Partners resist most change efforts		Not feeling enough economic pain		Clients aren't asking for it	
	Percentage	Rank	Percentage	Rank	Percentage	Rank
<b>2017</b>	65.0%	1st	60.5%	2nd	58.7%	3rd
<b>2016</b>	64.4%	1st	55.9%	3rd	59.1%	2nd
<b>2015</b>	44.4%	3rd	45.8%	2nd	62.7%	1st

SOURCE: Altman Weil 2017 Law Firms in Transition Survey

# Decreasing Demand

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# Aside from your traditional law firm competitors, is your firm losing any business to other providers of legal services?



SOURCE: Altman Weil 2017 Law Firms in Transition Survey

# Alternative Legal Service Providers (ALSPs)

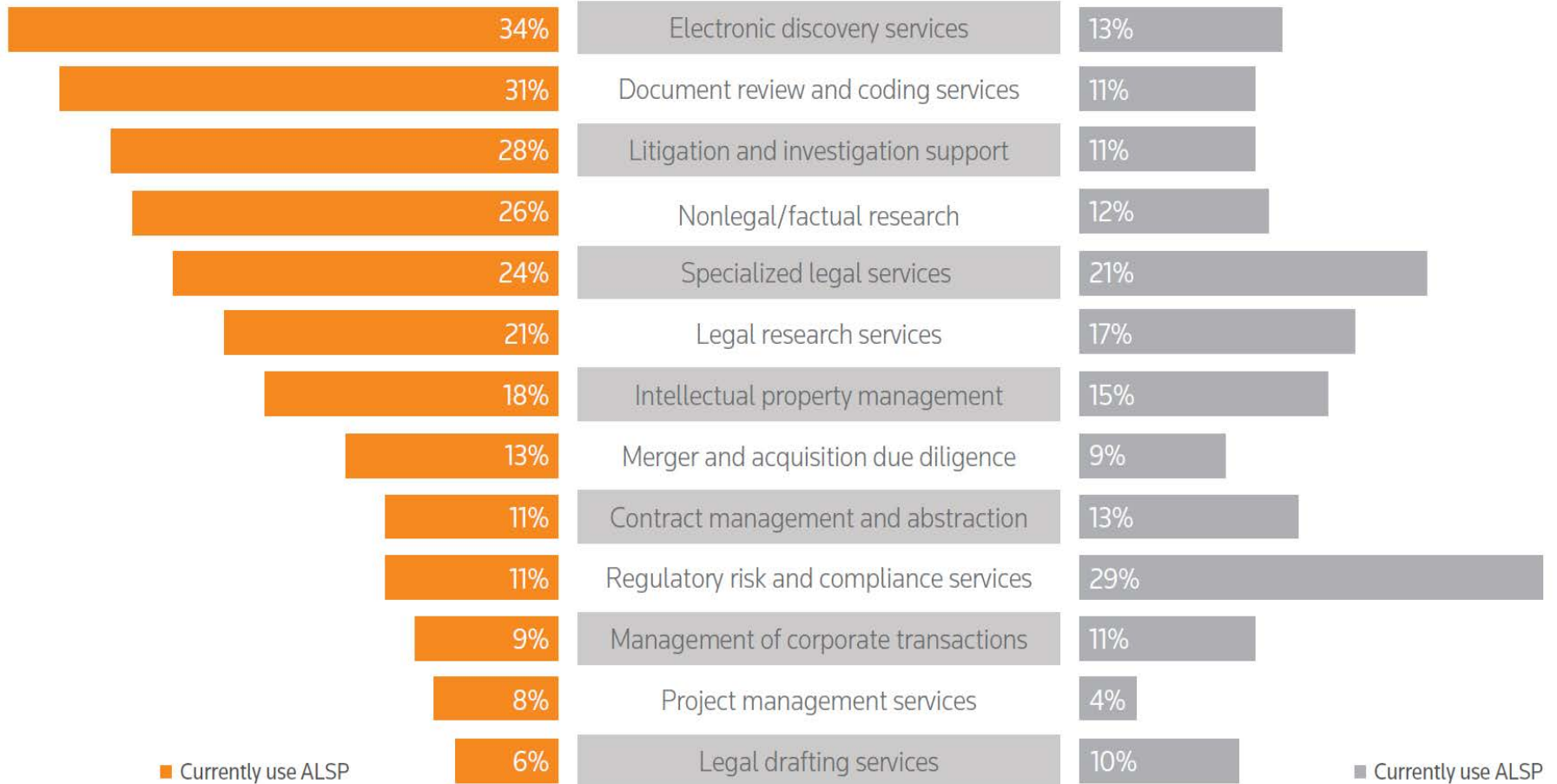
- “Alternative”:
  - Other than a law firm
  - Services delivered via a model unlike the traditional law firm model
- Estimated market of \$8.4 billion annually ( 2016)
- Expected to grow in volume and types of service used
  - 51% of law firms and 60% of legal departments are using an ALSP in at least one service category
  - Another 21% of law firms and 14% of corporations plan to use an ALSP in the next year

# The Rise of ALSP

- Document Factories – Legal Zoom
- Nontraditional lawyering – Contract lawyers
- PwC – Washington DC office, 2,500 lawyers. 8,500 among the Big Four
- Offshore shops
- Electronic “everything” – due diligence, discovery, document drafting, lease evaluations

Law Firm Use of ALSPs

Corporation Use of ALSPs



Alternative Legal Service Providers: Understanding the Growth and Benefits of These New Legal Providers, by the Thomson Reuters Legal Executive Institute, in partnership with the Georgetown University Law Center for the Study of the Legal Profession and the University of Oxford Said Business School, 2016.

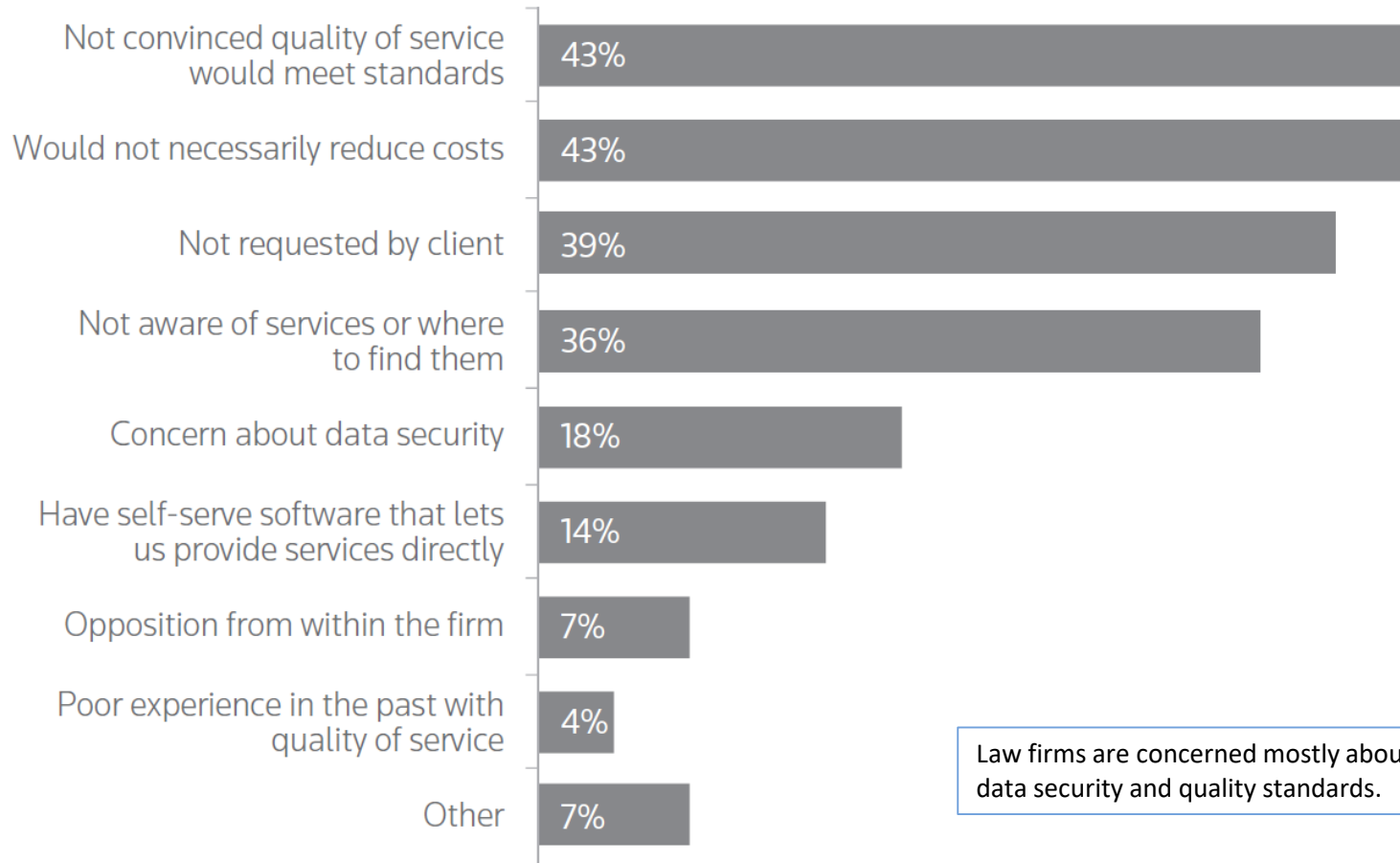
# Types of Providers Used

- Legal staffing agencies
- Outsourced document review services
- eDiscovery vendors
- Accounting firms
- Economists
- IP management and trademark monitoring services
- Corporate formation and filing services
- Specialized industry regulatory consultants
- Law libraries ...

*Alternative Legal Service Providers: Understanding the Growth and Benefits of These New Legal Providers*, by the Thomson Reuters Legal Executive Institute, in partnership with the Georgetown University Law Center for the Study of the Legal Profession and the University of Oxford Said Business School, 2016.



## Corporations' Reasons for Not Using Any ALSPs



Law firms are concerned mostly about data security and quality standards.

# AW 2016 Chief Legal Officer Survey – Growing Trends

- **32%** intend to decrease their outside counsel spend over the next 12 months.
- **37%** intend to increase their in-house lawyer workforce while only 8.5% plan to decrease.
- **57%** reported that their companies outsource some work to non-law firm vendors.

# ***Commoditization of Legal Services***

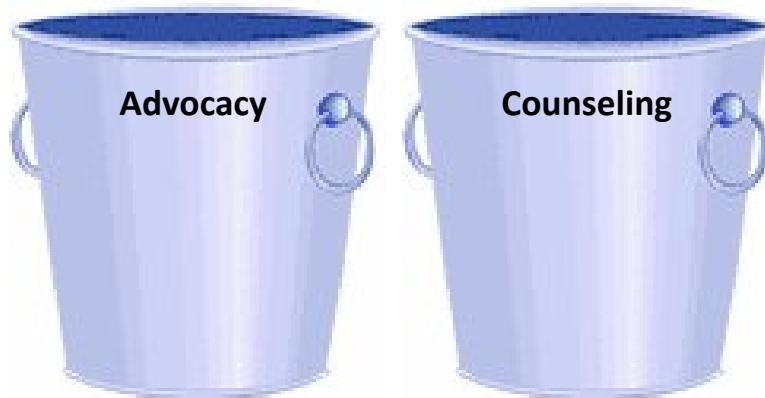


# “Four Buckets” Theory of Services

Clients will pay for Advocacy and Counseling.

*Skills, experience, expertise, judgment, knowledge of the client, knowledge of the industry :*

**RECOGNIZED HIGH VALUE**



Clients will increasingly not pay for Process and Content.

*Due diligence, document drafting, research, document assembly, document review:*

**PERCEIVED LOW VALUE & DECREASING**



**Commodity Services**

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**Commodity Services**

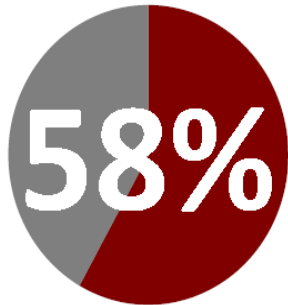
# Clients and Value Perceptions

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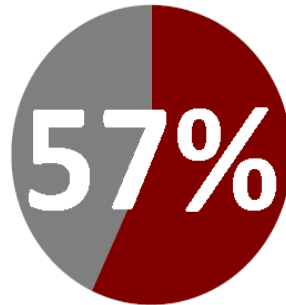
**WE ASKED CHIEF LEGAL OFFICERS:**

Select the top three service improvements and innovations you would most like to see from your outside counsel.

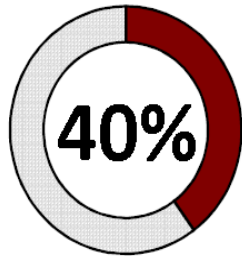
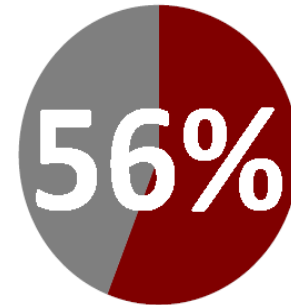
**Greater cost  
reduction**



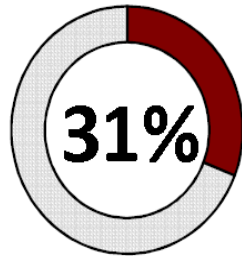
**More efficient  
project management**



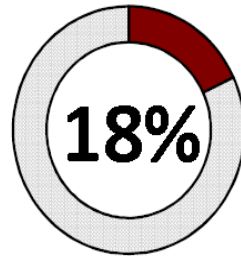
**Improved budget  
forecasting**



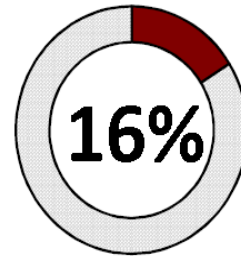
Non-hourly based  
pricing structures



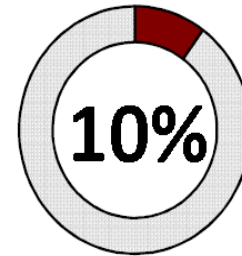
Communication  
& responsiveness



Alternative project  
staffing



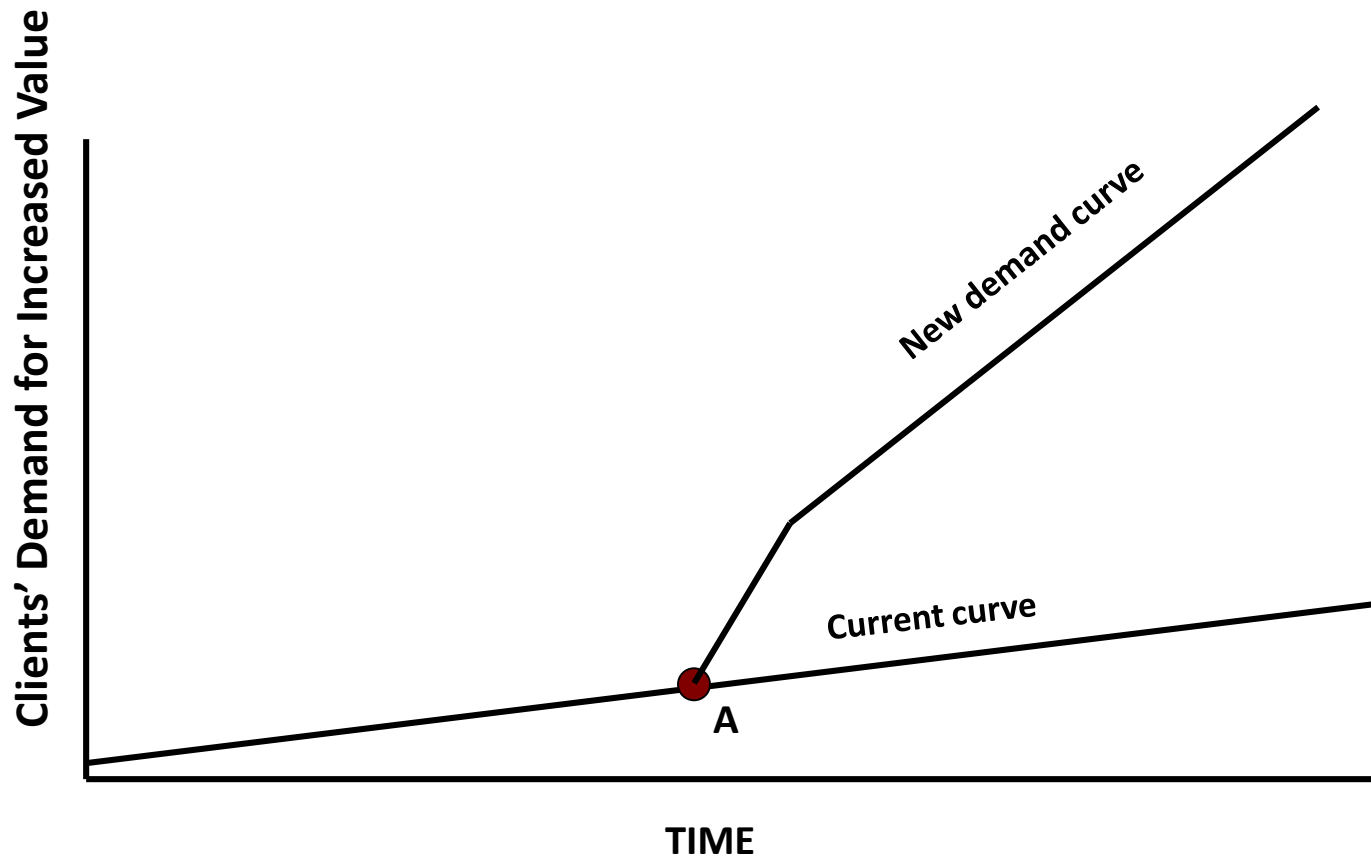
Preventative law  
strategies



Technology  
efficiencies

SOURCE: Altman Weil 2014 Chief Legal Officer Survey

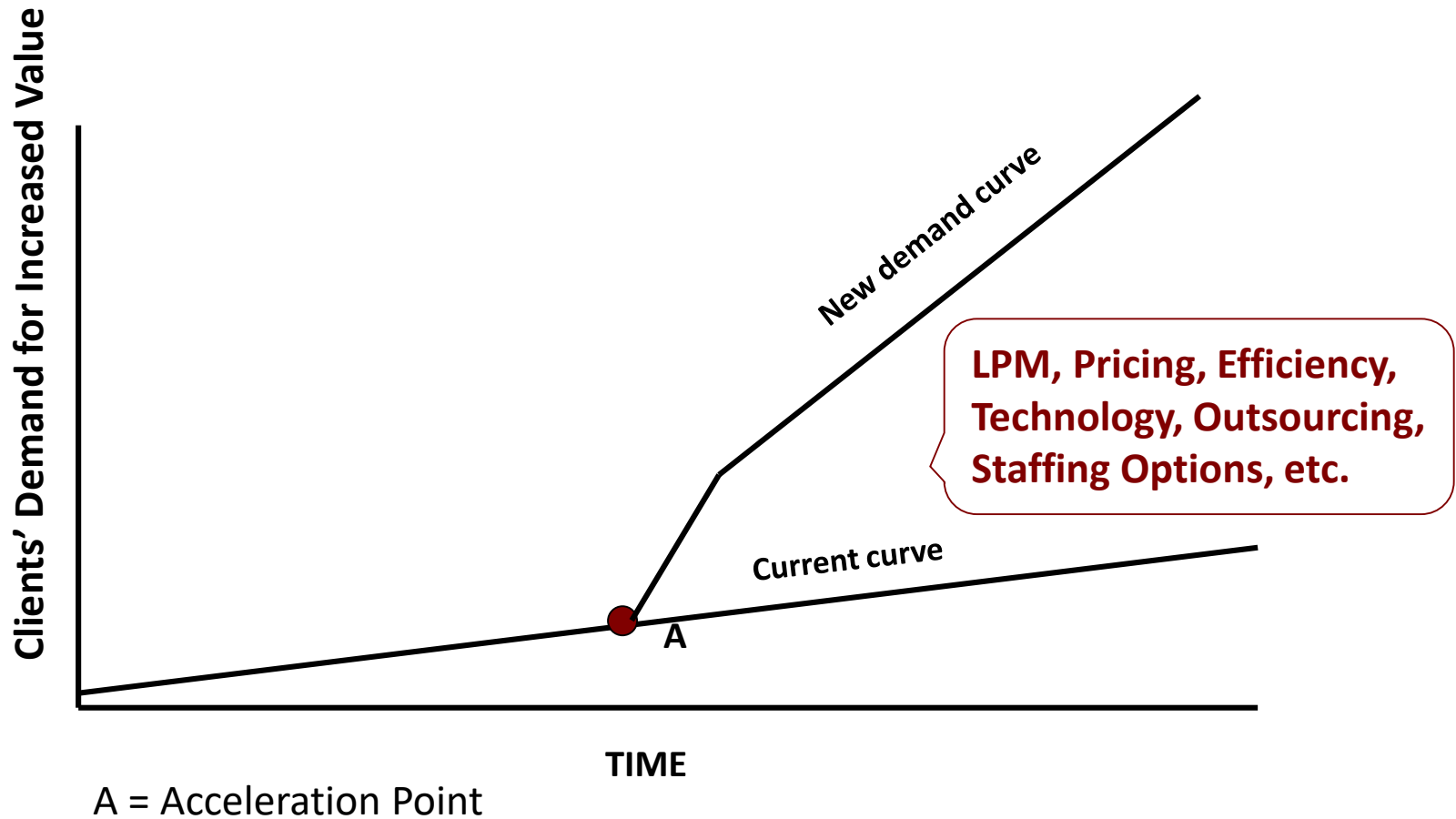
# Client Demand Acceleration Point



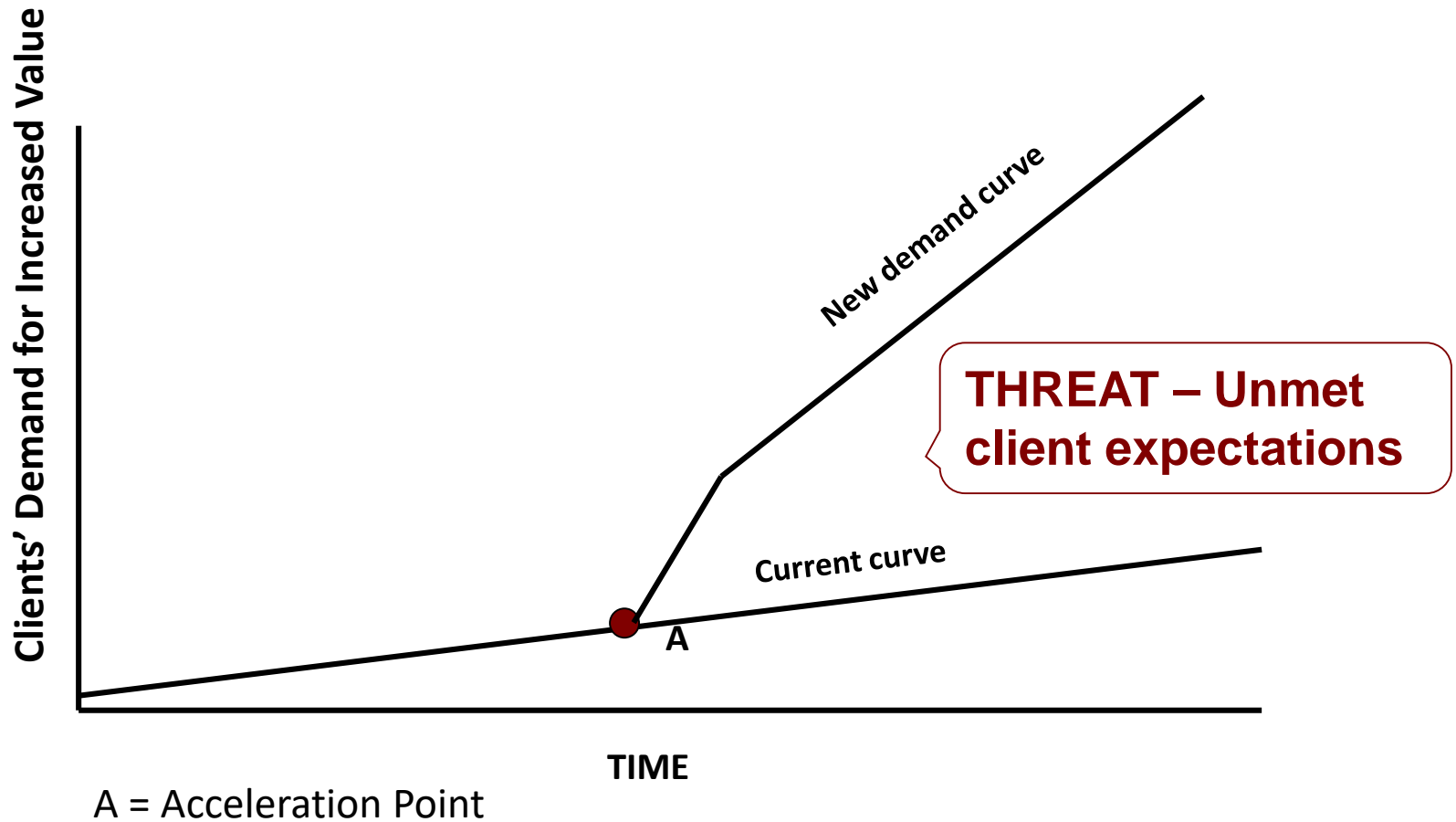
A = Acceleration Point



# Client Demand Acceleration Point



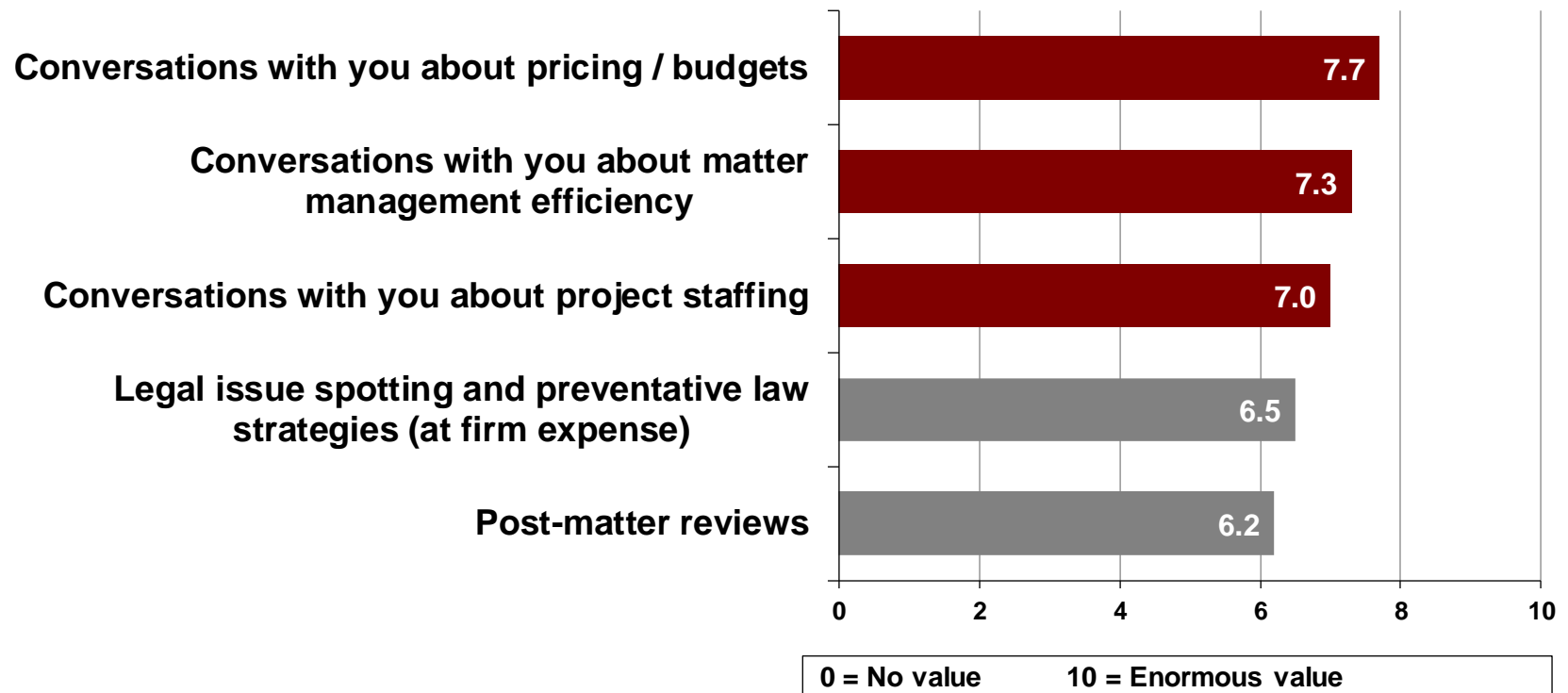
# Client Demand Acceleration Point



# How Can You Add Value?

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# Rate the value to your law department of these things law firms do to better understand your organization.



SOURCE: Altman Weil 2015 Chief Legal Officer Survey

# Which of the following activities is your firm proactively initiating to better understand what individual clients want?

	Under 250 lawyers	250 lawyers or more
Conversations about pricing / budgets	83.1%	90.8%
Participation in client industry groups and events	67.3%	73.6%
Management visits to key clients	60.2%	85.1%
Conversations about project staffing	63.9%	71.3%
Conversations about matter management efficiency	53.4%	67.8%
Formal client interview program	35.7%	64.4%
Industry research and issue spotting (at firm expense)	34.2%	50.6%
Legal issue spotting/preventative law (at firm expense)	29.3%	40.2%
Post-matter reviews	19.9%	37.9%
Formal client survey program	19.5%	39.1%

SOURCE: Altman Weil 2017 Law Firms in Transition Survey

# Unless You Ask

## A Guide For Law Departments To Get More From External Relationships

By D. Casey Flaherty

*Sponsored by ACC Legal Ops External Resources Interest Group:*

Diana Barlow, Voya Financial

Vincent Cordo, Jr., Shell Oil

Stephanie Corey, Flextronics

Kurt Grasinger, Marsh McLennan Companies Inc.

Aaron Katzel, American International Group

Lynette Lupia, Abbvie

Nicole Rahimzadeh, Abbott Laboratories

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SOURCE: Altman Weil 2017 Law Firms in Transition Survey

# Is your firm currently pursuing any of the following alternative staffing strategies?

	Under 250 lawyers	250 lawyers or more
Using contract lawyers	50.4%	77.0%
Using part-time lawyers	46.5%	71.3%
Using staff lawyers	29.6%	78.2%
Outsourcing non-lawyer functions	17.7%	24.1%
Creating a low-cost service center for back office	9.2%	21.8%
Outsourcing legal work	4.2%	13.8%
None of the above	27.3%	5.7%

SOURCE: Altman Weil 2017 Law Firms in Transition Survey



## **Is your firm doing any of the following to increase efficiency of legal service delivery?**

	<b>Under 250 lawyers</b>	<b>250 lawyers or more</b>
Knowledge management	47.7%	56.8%
Using technology tools to replace human resources	49.6%	47.7%
Rewarding efficiency/profitability in comp decisions	41.2%	52.3%
Project management training	30.9%	68.2%
Shifting work to contract/temporary lawyers	27.1%	64.8%
Shifting work from lawyers to paraprofessionals	34.0%	31.8%
Reengineering work processes	22.1%	35.2%
Using non-law-firm vendors	10.3%	17.0%
None of the above	10.7%	2.3%

SOURCE: Altman Weil 2017 Law Firms in Transition Survey

## Is your firm doing any of the following to support its pricing strategy?

	Under 250 lawyers	250 lawyers or more
Developing data on cost of services sold	49.1%	87.5%
Training lawyers to talk with clients about pricing	40.1%	58.0%
Setting margin goals in firm and practice group plans	26.2%	44.3%
Identifying each client's unique pricing preferences	29.6%	29.5%
Incorporating pricing in all planning efforts	20.6%	43.2%
Adding Pricing Director / Staff member	13.9%	62.5%
None of the above	22.1%	1.1%

SOURCE: Altman Weil 2017 Law Firms in Transition Survey

# **Demanding & Finding Differentiation**

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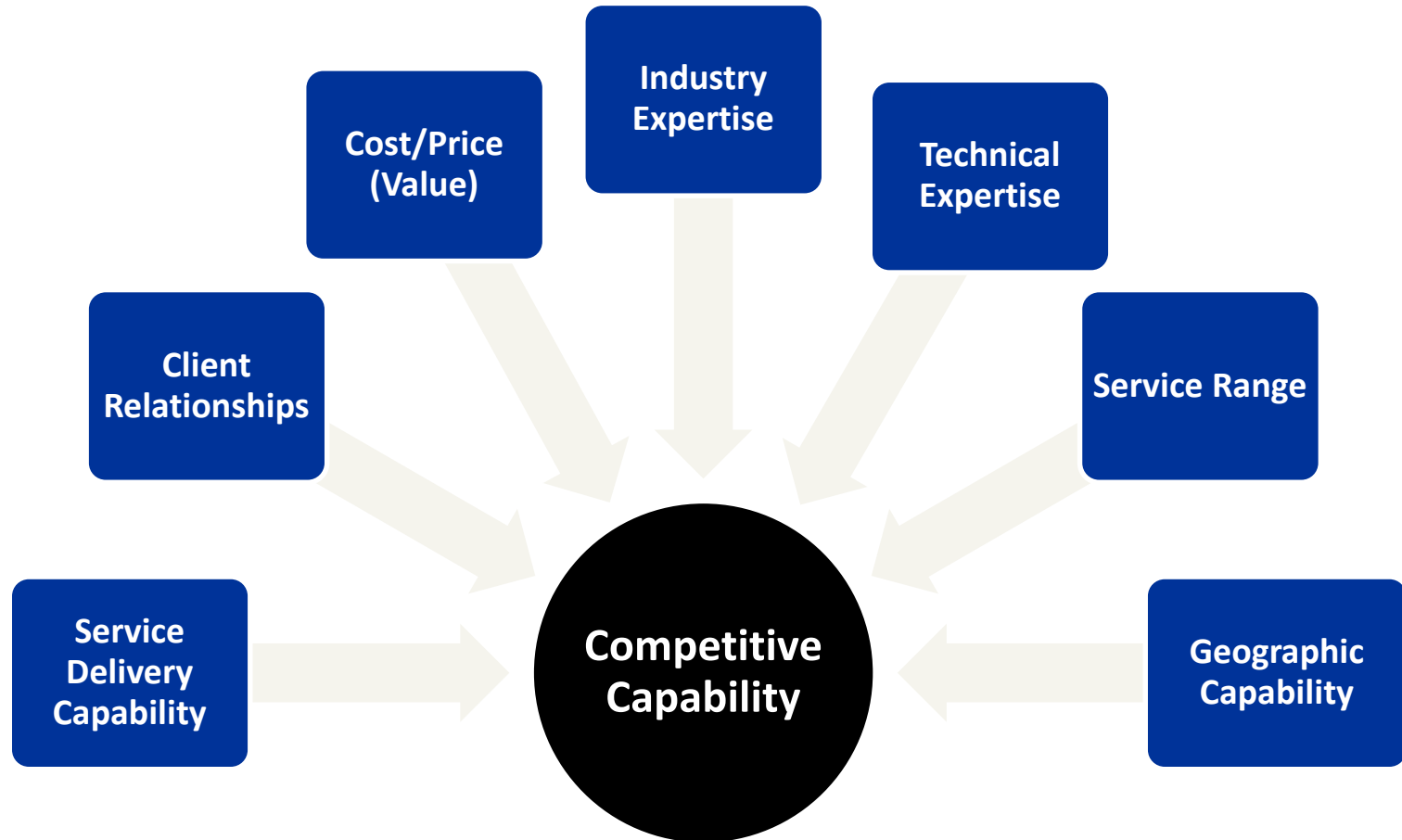
# Single Action Bias



# Common Law Firm Claims

- “We’ve got great people (lawyers),
- Deliver superior Quality and Service,
- And we put Clients First.”

# How Do Law Firms Differentiate?



Continuous Improvement is a structured and logical approach to analysing and improving how people work. It is not new: in fact, it can trace its history back over 100 years to the manufacturing innovations that heralded mass production, but adoption in the legal industry is still rare.

Clifford Chance is at the forefront of the deployment of Continuous Improvement techniques in the legal sector. This paper sets out our experiences over the past five years of applying this methodology within an elite law firm; the benefits experienced by our clients and by the firm; and our views on how Continuous Improvement will be used by lawyers in the future.

“ If you can't describe what you are doing as a process, you don't know what you are doing.”

W. Edwards Deming

## Efficiency

The results we achieve for our clients – and the efficiency with which they are achieved – is a significant element of the innovative way in which we are structured.

We maintain a low staff-to-lawyer ratio, but our membership in a worldwide alliance of independent accounting, law and consulting firms gives us the reach and depth of a much larger practice. We leverage technology to achieve optimum results. We focus our resources more on client work and less on corporate overhead.

In short: our insistence on efficiency is why our clients think of us as a business-building investment, not a corporate expense.





## SmartPaTH®

SmartPaTH® is our comprehensive approach to managing and delivering legal services to achieve efficiency, transparency and predictability without sacrificing quality. It is based on leveraging four major strategies – legal project management (LPM), process efficiency, flexible staffing and value-based pricing – to better align our services with clients' needs.

### Client Benefits

- Increased predictability in amount and timing of legal spend
- Unparalleled visibility into matter progress and budget
- Better alignment of objectives and expectations
- More efficient processes and more consistent work product
- Reduced likelihood of surprises and cost overruns

# Would you do this?

## Valorem Law Group, LLP

35 East Wacker Drive • Suite 3000 • Chicago, IL 60601 • (312) 676-5460 • valoremllaw.com

Client Name: January 14, 2014  
Matter Name: Invoice No.: 11258  
Client Matter Number: 0000-0000

For services rendered during the month ended 12/31/2013, detailed in Exhibit A \$

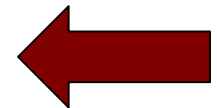
Out of pocket expenses incurred as detailed on Exhibit B \$

### Proposed Invoice Amount: \_\_\_\_\_

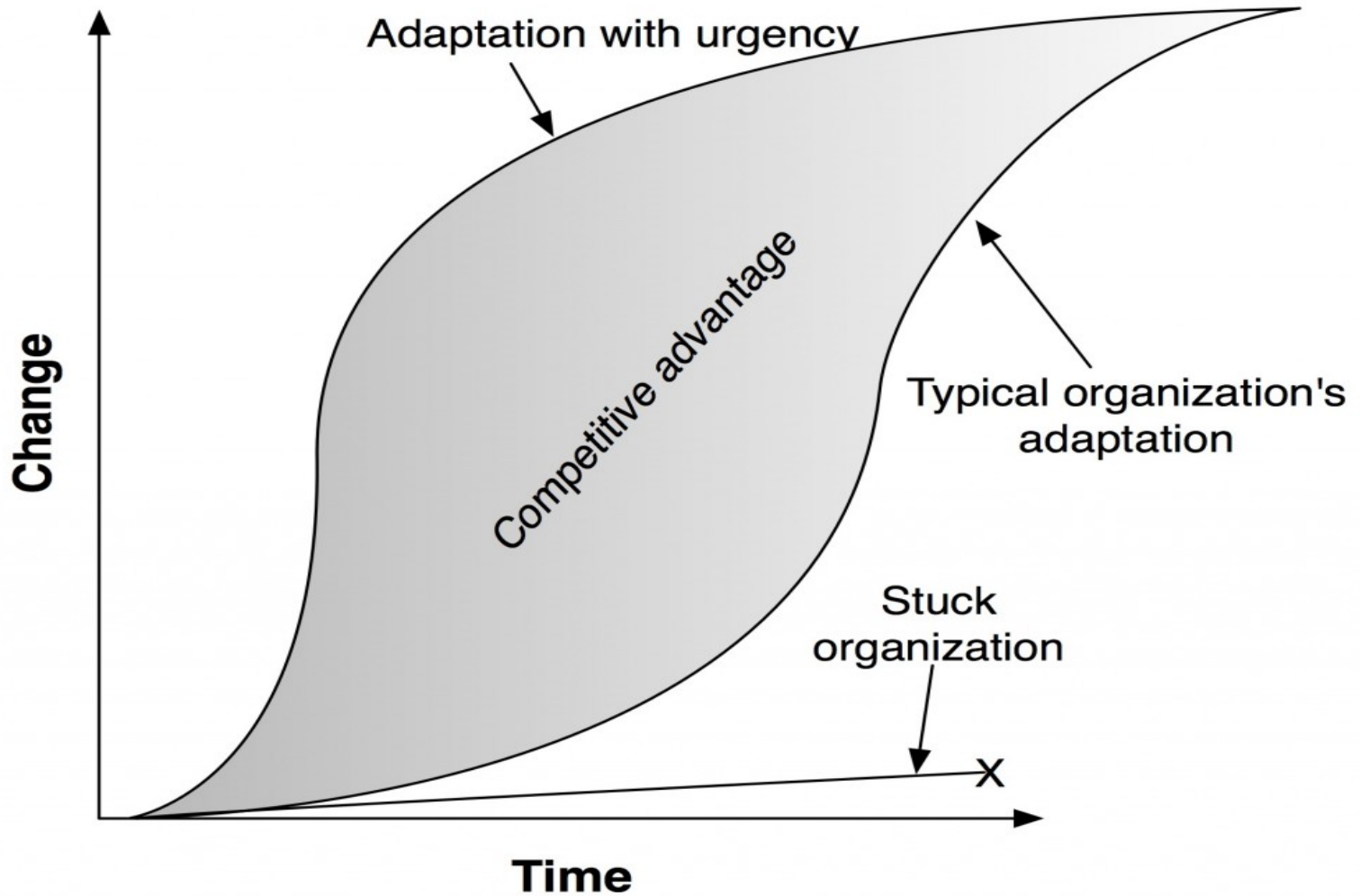
Exceptional service and value are the standards we live by. If, for any reason, you do not believe that the services we provided should be valued as agreed, we encourage you to make any adjustment -- up or down -- that you believe is warranted. All you need to do is enter your adjustment and make payment within 15 days of the invoice date.

Value Adjustment

TOTAL DUE



# Shlomo's Case for Urgency in Change



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# Legal Project Management

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# The Value Side of Productivity: A Fast-Growing Differentiator



# Legal Project Management

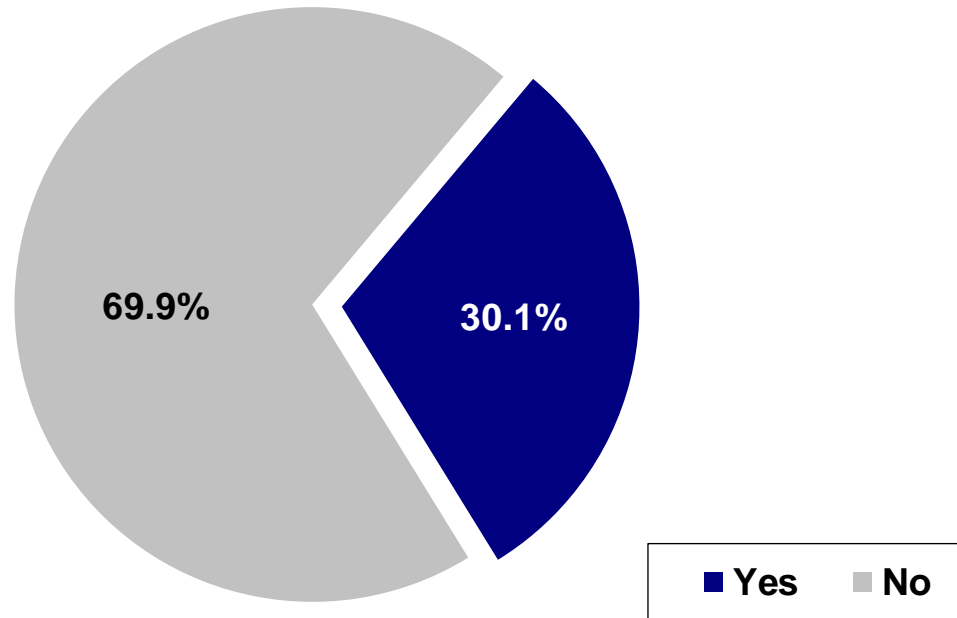


- Some use a narrow definition that applies only to very large matters
- We use a broad definition that can be of benefit on every legal matter, including:
  - Pricing
  - Track costs and spending
  - Communication
  - Matter process improvement

# Eight Key LPM Issues

<b>LPM issue</b>	<b>Benefit</b>
1. Set objectives and define scope	Avoid misunderstandings
2. Identify and schedule activities	Maximize efficiency
3. Assign tasks, manage team	Better manage valuable time
4. Plan and manage the budget	Increase realization
5. Assess risks	Prevent problems in advance
6. Manage quality	No compromises on work quality
7. Manage client communication	Increase client satisfaction
8. Negotiate changes of scope	Protect profitability

# Are discounted, capped or alternative fees routinely linked to changes in how the work is staffed and delivered?





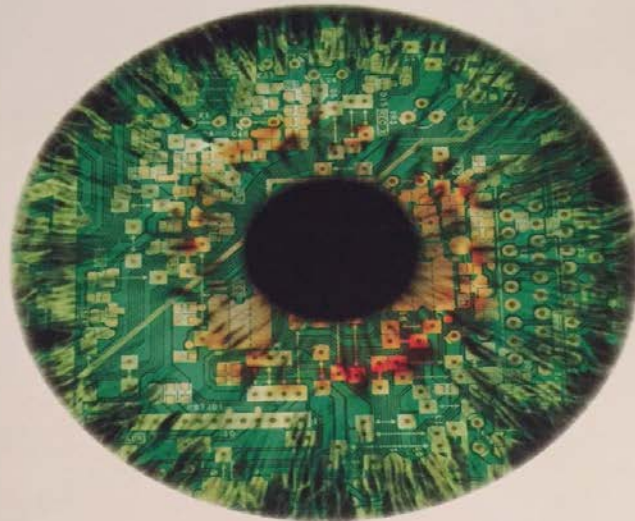
# Technology / Artificial Intelligence

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# How Important/Big is AI?

- China sets goal to lead in AI by 2030 - NYT 7/21/17
- 50+% of COLPM InnovAction submissions were AI/Machine Learning oriented.
- Bill Gates, Elon Musk and Stephen Hawking worry about it.
- IBM has a whole division focused on selling to the profession, large and small firms.
- To ignore it will be foolish.

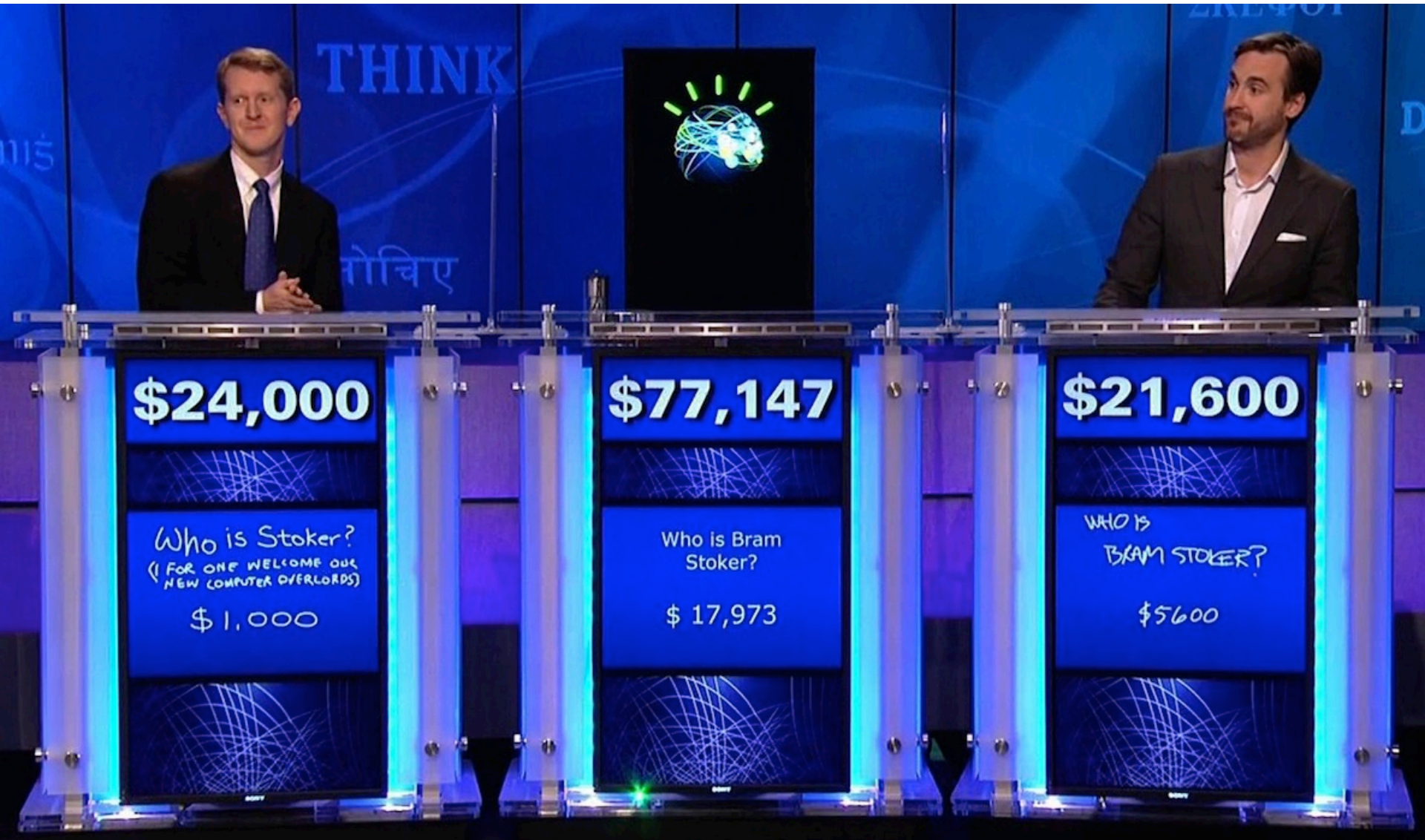
RICHARD DANIEL  
SUSSKIND SUSSKIND



# THE FUTURE OF THE PROFESSIONS

HOW TECHNOLOGY WILL TRANSFORM  
THE WORK OF HUMAN EXPERTS

Google+ Analytics = ?



**\$24,000**

Who is Stoker?  
(I FOR ONE WELCOME OUR  
NEW COMPUTER OVERLORDS)  
\$1,000

**\$77,147**

Who is Bram  
Stoker?  
\$17,973

**\$21,600**

WHO IS  
BRAM STOKER?  
\$5600

# IBM's Watson

Watson (per IBM)

“...is a technology platform that uses natural language processing and machine learning to reveal insights from large amounts of unstructured data.”



when  
**WATSON**  
met  
**SIRI** 



# What is your firm's stance on the use of technology tools that incorporate artificial intelligence and machine learning?

	50-99 lawyers	100-249 lawyers	250-499 lawyers	500-999 lawyers	1,000 lawyers or more
Beginning to make use of tools like these	5.7%	5.0%	7.0%	9.4%	54.6%
Exploring opportunities	19.9%	25.0%	44.2%	59.4%	36.4%
Aware, but not pursuing ourselves	36.2%	43.3%	41.9%	28.1%	9.1%
Not aware of what is going on in this area	38.3%	26.7%	7.0%	3.1%	0.0%

SOURCE: Altman Weil 2017 Law Firms in Transition Survey



# Prediction

**“Technology holds great promise for smaller firms by allowing them to punch above their weight and by giving them the tools to emulate much larger firms at competitive prices.”**

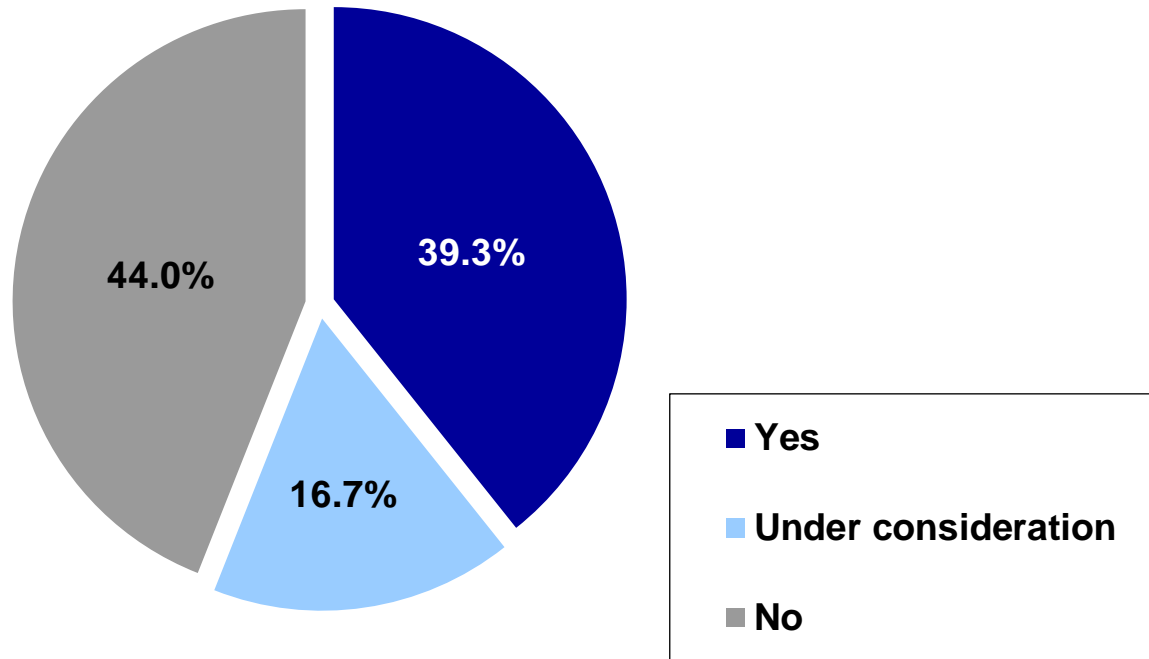


**Jon Olson,  
Senior VP and GC, Blackbaud**

# Pricing

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# Has your firm significantly changed its strategic approach to pricing?



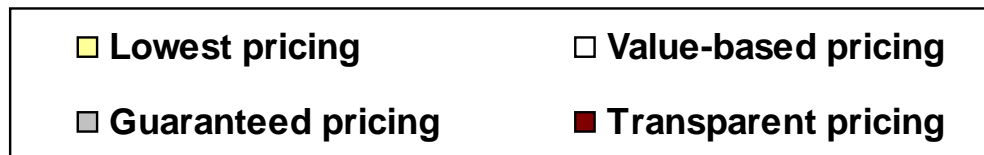
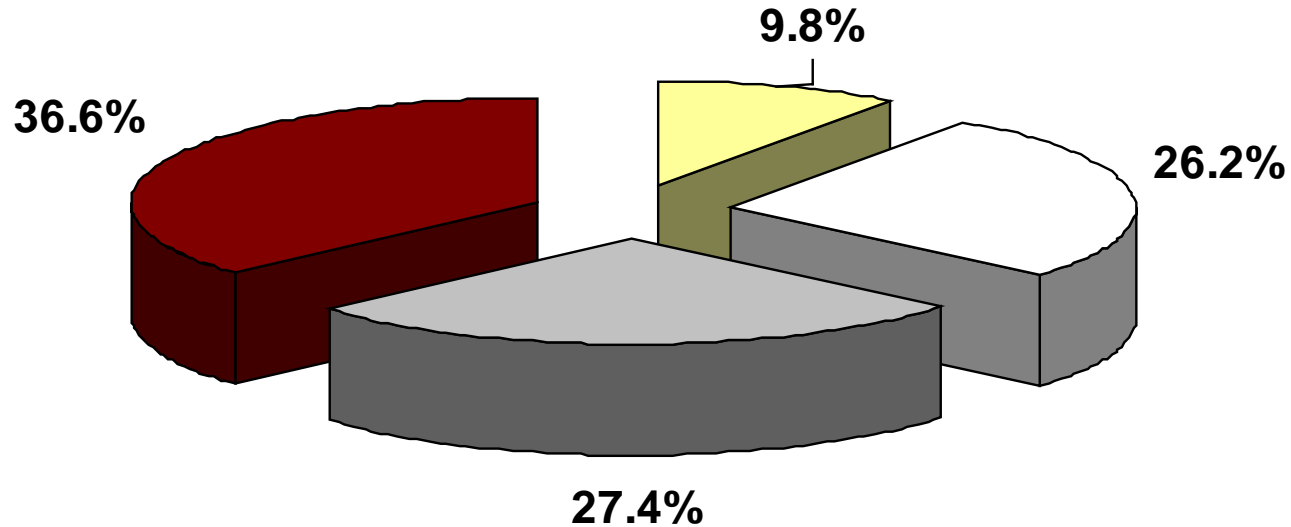
SOURCE: Altman Weil 2017 Law Firms in Transition Survey

# Excluding “bet the company” matters, if you could select only one pricing scenario...

- Lowest pricing available
- Guaranteed pricing
- Transparent pricing
- Value-based pricing

SOURCE: Altman Weil 2014 Chief Legal Officer Survey

# CLOs' Preferred Pricing Scenarios



SOURCE: Altman Weil 2014 Chief Legal Officer Survey

# Would you do this?

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35 East Wacker Drive • Suite 3000 • Chicago, IL 60601 • (312) 676-5460 • valoremllaw.com

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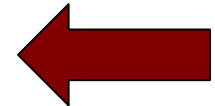
Out of pocket expenses incurred as detailed on Exhibit B \$

### Proposed Invoice Amount: \_\_\_\_\_

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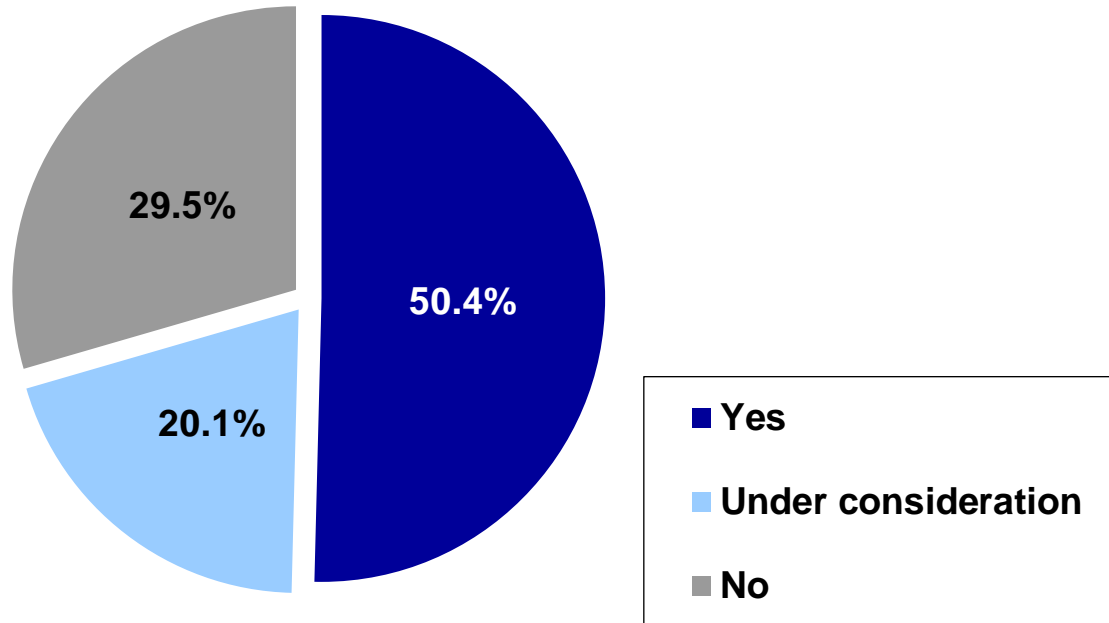
TOTAL DUE



# Future Staffing Models

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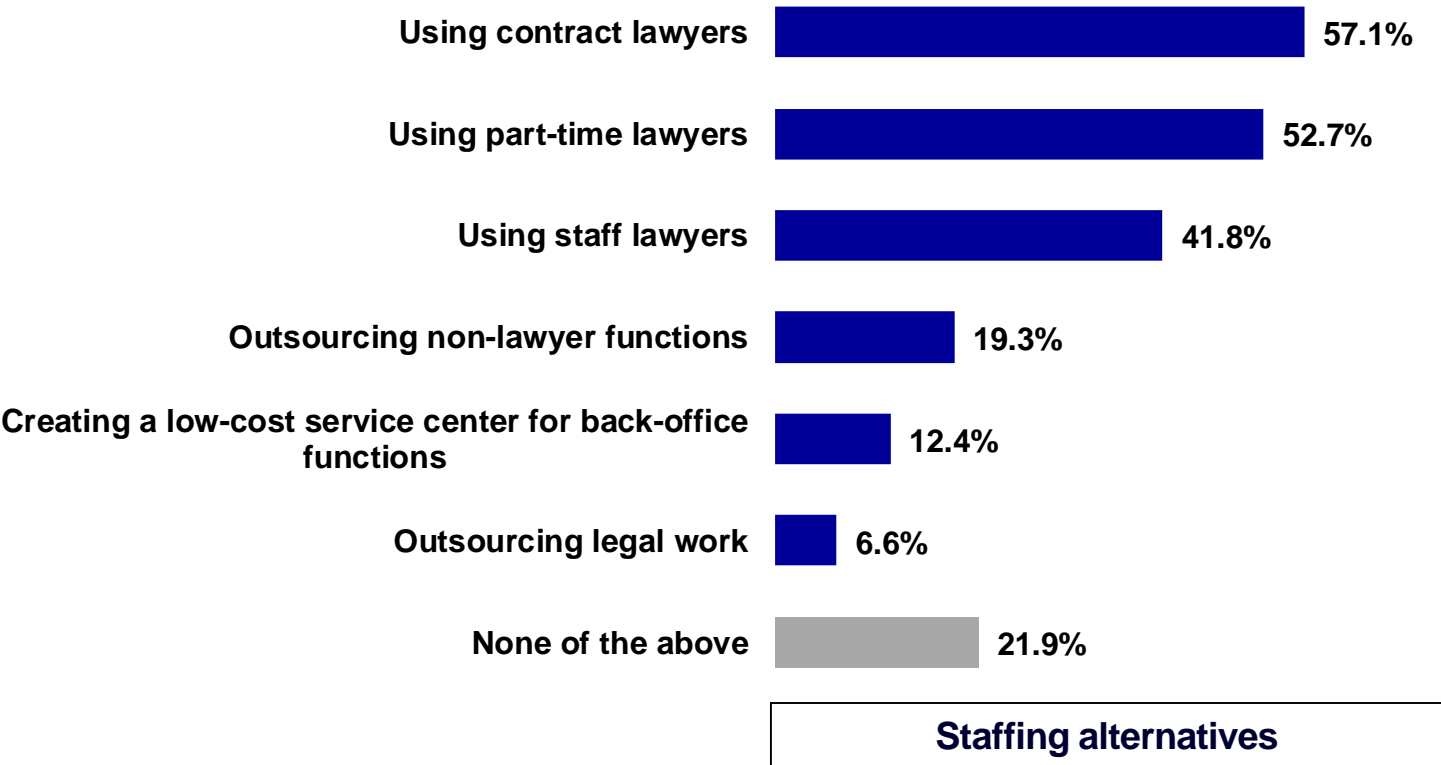
# Has your firm significantly changed its strategic approach to lawyer staffing?



SOURCE: Altman Weil 2017 Law Firms in Transition Survey



# Is your firm currently pursuing any of the following alternative staffing strategies?



SOURCE: Altman Weil 2017 Law Firms in Transition Survey

# Knowledge Management

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PATRICK DiDOMENICO

# KNOWLEDGE MANAGEMENT FOR LAWYERS



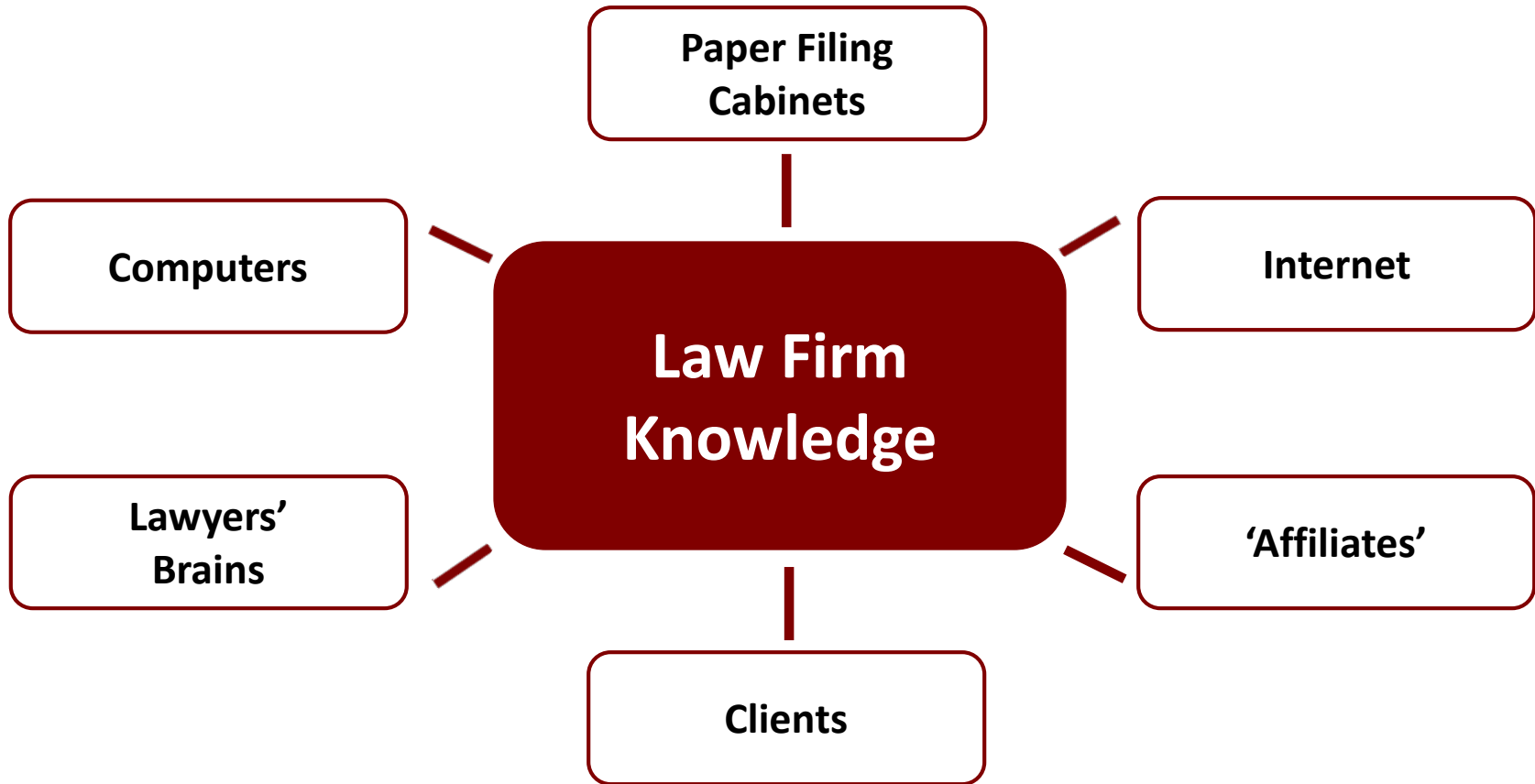
# Definition of KM

The concept by which the firm consciously and comprehensively:

- **Gathers,**
- **Organizes,**
- **Shares, and**
- **Analyzes**

...its resources, documents and people skills & know-how.

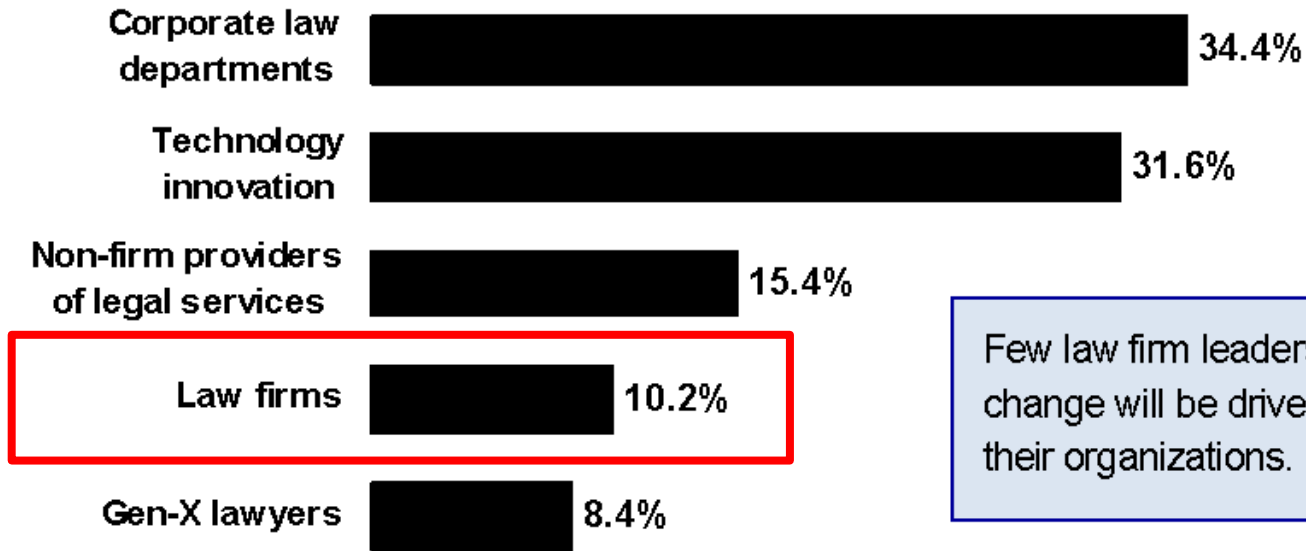
# Sources of Knowledge



# Innovation

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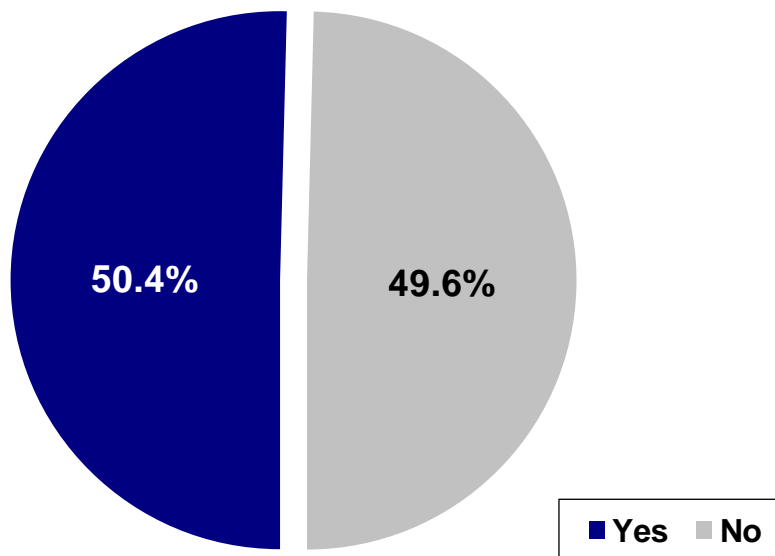
# Which of the following is the most likely change agent in the legal market over the next ten years?



Few law firm leaders think market change will be driven from within their organizations.

SOURCE: Altman Weil Law Firms in Transition Survey

# Is your firm actively engaged in creating special projects or experiments to test innovative ideas or methods?



ALL FIRMS

	YES	NO
50-99 lawyers	39.3%	60.7%
100-249 lawyers	51.6%	48.4%
250-499 lawyers	58.1%	41.9%
500-999 lawyers	72.7%	27.3%
1,000+ lawyers	81.8%	18.2%

BY FIRM SIZE

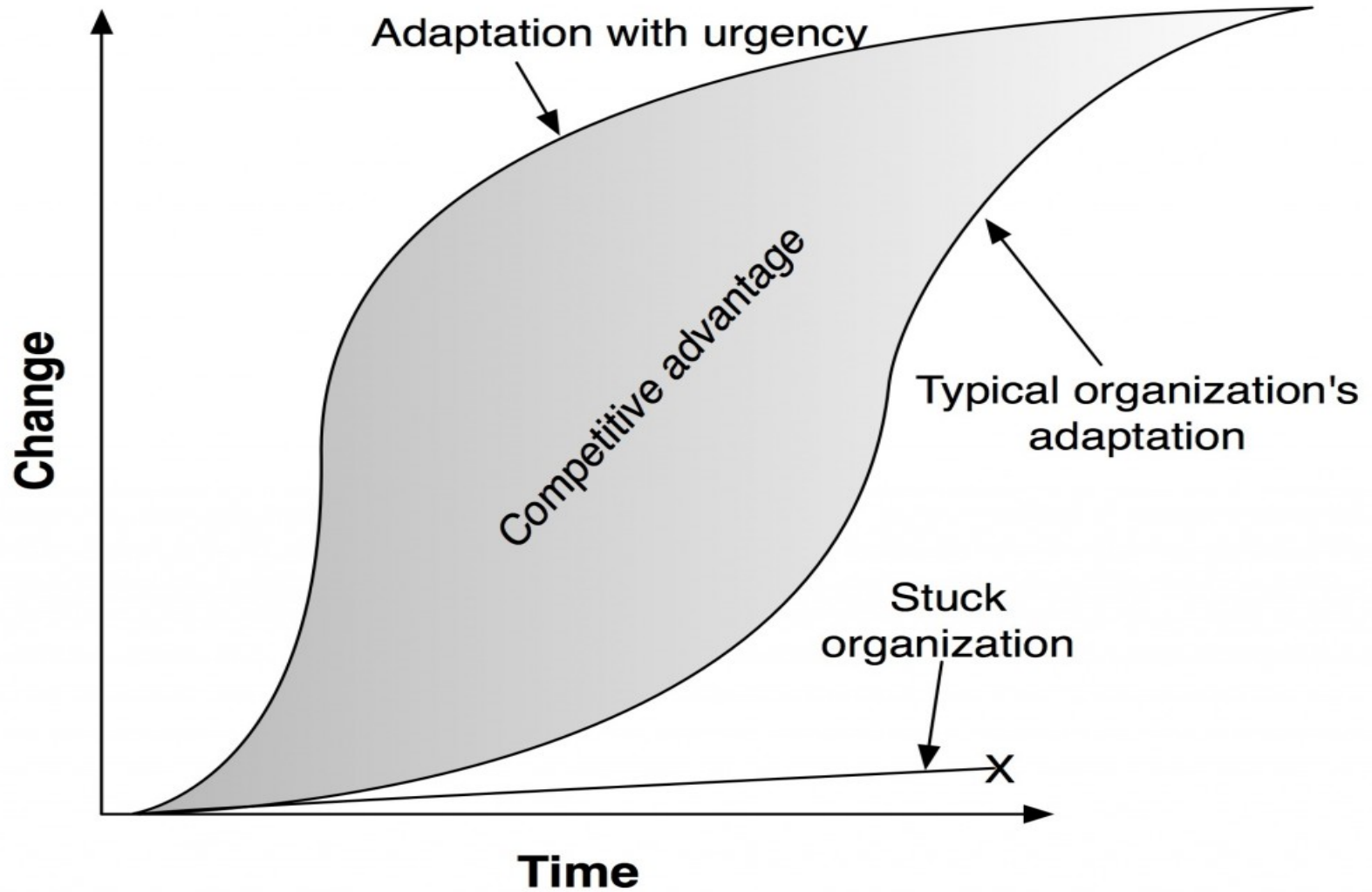
SOURCE: Altman Weil 2017 Law Firms in Transition Survey





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# Shlomo's Case for Urgency in Change



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# Questions



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