



Reimagine Your Practice

Steeped in tradition, the legal sector is often seen as slow to accept and implement change; however, the legal digital technology revolution has arrived. Business as usual is not an option for many, if any, legal service providers going forward. As a new generation of tech-savvy lawyers move into leadership roles, there is a desire to unlock the power of technology to see what it can offer a legal practice, its employees and clients.

Law firms are finding they don't really have a choice when it comes to adopting technology. Recent pricing transparency rules, changes in taxation and data protection regulations, coupled with the shifting expectations of employees and clients, means that digital transformation needs to be at the heart of their business initiatives. Firms unable or unwilling to embrace digital practices are already seeing a sizeable difference in their ability to service clients effectively compared to those working digitally - and are ultimately losing business. If a firm is not reimagining how it operates in response to changing market conditions then it is under threat from those who are more agile and better adapted to the new environment.

"Evolution of the legal industry is happening faster now than ever before. Though many will survive, only the fittest – those most capable of adapting, of embracing change – will thrive."

Tamara Box, Managing Partner for Europe & the Middle East, Reed Smith

In this latest white paper for the legal sector we take a look at some of the current challenges, the opportunities they also bring – and the innovative digital technology that is helping firms to step back and fundamentally reimagine how they do business. By rethinking, recharging and reshaping, legal practices can transform the way they work to maximise time more effectively and compete in an evolving market.

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Pricing transparency

Pricing Transparency Rules, governed by the Solicitors Regulation Authority (SRA), CLC and CILEX, came into effect in December 2018. The rules require a major shift in the way law firms publicise their prices for certain services, such as conveyancing, probate, motoring offences, immigration, debt recovery and employment tribunals. Firms should now be displaying these prices on their website 'in a clear and easy to understand format' – or provide them to prospective clients on request. The information should provide a total cost, or, if this is not possible, an average range of costs. It also needs to include (in plain English not legal jargon) the basis of the charges, key stages of the matter, likely timescales and any disbursements – as well as the qualifications of those undertaking the work. The SRA will be reviewing whether firms are publishing the right information, and failure to comply with the regulations will be treated as a disciplinary matter and could result in sanctions. However, the SRA is keen to point out it wants to help firms rather than immediately clamp down.

Although this clearly introduces new requirements to be met, it also brings opportunities for firms to look at their costs and pricing structures and then review how they are presented to clients. Data analytics are making it easier to reliably predict the legal effort involved in resolving different matters, which in turn enables law firms to provide more price certainty to their clients. Consumers increasingly want to buy fixed fee services, and the traditional hourly-rate billing model used by many law firms may have had its day in the sun. This rigid structure is incompatible with the current market where clients are more price conscious and see value in project-based pay and success fees. The Price Transparency Rules are a chance to simplify and package services – providing clear pricing guidance up front so that consumers have the confidence to proceed. Solicitors who are competing with 'conveyancing factories' who are leading on price, will be able to present a more personalised, responsive and transparent offering to prospective clients.

Making Tax Digital (MTD)

As we continue to move into the digital era, more government initiatives are being put in place to push businesses in all sectors towards making digital-first choices. The latest example

of this is Making Tax Digital (MTD) – which comes into effect from 1 April 2019 - a key part of the government's ambition to become one of the most digitally advanced tax administrations in the world.



MTD is being implemented to de-stress tax, reduce the amount of paperwork and improve the flow of information between businesses and HMRC. There is also the potential to lower bills. It will make it easier for businesses to get their tax right first time, helping them minimise costly errors - which total a £9bn loss for the Exchequer every year. All businesses with a VAT turnover of over £85,000 will be required to submit their tax records digitally. Although this change holds huge benefits for both HMRC and UK businesses, many remain sceptical and concerned about how to prepare.

Worryingly, just 55% of law firms in the UK say they will be ready according to our latest [Annual Trends Survey Report](#), and 43% admit they don't know.

Although the official deadline is 1 April 2019, what this actually means is a firm's first tax submission after April must be submitted digitally. Tax submissions can be monthly or quarterly, so there may be a little extra time to get the right processes in place. Having said that, with fines running up to 20% of the tax amount, firms need to urgently introduce suitable digital software to ensure they can comply with VAT registration requirements in good time. At present, less than 15% of VAT returns are filed using software, but a capable online accounting solution is essential to create digital records of paper receipts, automatically calculate tax, update daily transactions and pull data straight from invoicing systems. The short-term pain of introducing a solution for MTD will bring longer-term gains in productivity, accuracy

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and efficiency, which can be spent on driving the business forward.

Although change can be difficult, MTD is a great opportunity for firms to take the plunge and invest in digital technology. There will be wider benefits such as improved security, increased collaboration and easier mobile access. Using a Cloud-based bookkeeping tool will not only allow firms to comply with the new regulation and provide better control of critical information, it will elevate the way in which the business runs. Moving to a Cloud strategy is often seen as the first choice for digital transformation. Secure Cloud-based solutions that provide one version of the truth across all systems and data are of growing importance to law firms.

The General Data Protection Regulation (GDPR)

The General Data Protection Regulation (GDPR) has introduced much tighter rules and legislation around the way in which all organisations obtain and hold personal data on individuals.



Personally identifiable information (PII), or sensitive personal information (SPI), as used in information security and privacy laws, is information that can be used on its own or with other information to identify, contact, or locate a single person, or to identify an individual in context.

The legislation is designed to 'harmonise' data privacy laws across Europe, as well as give greater protection and rights to individuals who have the power to demand companies reveal or delete the personal data they hold.

With no set rules on how to go about ensuring data and processes are compliant, it can seem like a minefield. Even complying with the basic

requirements for data access and deletion presents a challenge for companies who don't have tools for collating this data. However, failure is not an option, as enforcement actions will have real teeth, with the maximum fine now reaching the higher of €20m or 4% of the company's global turnover.

Lawyers are of course used to rules about the period for which files should be retained, but the GDPR introduces higher standards of maintaining records. This requires streamlined processes underpinned by reliable technology. Data must be deleted when legitimate purpose for processing expires, so there needs to be safeguards and a clear procedure in place. On request, firms will have to provide evidence of good record management practice, such as having a disposal schedule. This will affect any sanctions imposed in the event of a data breach, so having reliable software, and ensuring staff are familiar with clear procedures, is key.

A data audit will help identify all the places personal data may be stored or used – not just for clients but employees and contractors too. It is important to review the software involved and see if it has clear guidance on how it can assist with compliance. Firms need to consider who has access to the processed data, whether it is necessary for each member of staff or if numbers can be limited. The GDPR requires businesses to assess all processing of PII determine on what basis it is being processed, where it is recorded or updated and if data is held by consent of the subject.

Another key area to consider is Subject Access Requests (SARs), where individuals may exercise their right to find out what personal data is being held and who their information is being disclosed to. Before the GDPR came into force, businesses had 40 days to comply with SARs - now it is one month. On receipt of a SAR every day counts, so that is not the time to be finding out if the firm has a process and what it is. There should be recognised workflows in place that can quickly identify personal data and answer relevant questions. Having a specific person, such as a compliance officer, who knows about the systems and where the data is stored is very helpful. It is also important to remember 'bring your own device' (BYOD) initiatives mean that employees may be processing the data on behalf of the firm on their own devices and they would also fall within the scope.

Firms also need to review client care letters,

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and sections that are affected by the new data protection rules will need to be adjusted. The GDPR needs to be addressed within the letter, outlining how the firm is adapting to changes around data, what will happen to personal data after a certain time period and how clients can find out what personal data a firm holds. By clearly outlining you have systems in place to deal with compliance for these important data regulations, you will demonstrate transparency as well as competence and build trust. GDPR is an ongoing legislation, with the next stage, ePrivacy being well underway: The regulation takes on board all definitions of privacy and data that were introduced within the GDPR, and acts to clarify and enhance it. In particular, the areas of unsolicited marketing, Cookies and Confidentiality are covered in a more specific context.

Rethink processes to drive efficiencies

Meeting the highest standards in regulatory compliance, while driving efficiencies in every part of a firm's operations, is central to delivering strong and sustainable growth. It is increasingly important for firms to rethink old formats, lose preconceptions and reimagine how the business could operate for maximum productivity. Digital technology means the workplace is evolving, and to fully leverage the power of these innovations it is important to embed a digital approach not only in processes but in the business culture as well.

In our most recent Annual Trends Survey we asked those in the legal sector what digital technologies they wanted to see in their daily working lives: Easy to use access for system administrators to manage users and mobile devices.

- > 31% said Cloud services and BI
- > 29% said Artificial Intelligence
- > 27% said Predictive Analytics
- > 15% said Robotic Process Automation

More than half (57%) would be happy to work alongside robotic technology if it meant less manual processes, and 74% have already adopted technology to automate tasks and processes.

Initially the legal sector was reticent about adopting Cloud technologies in the workplace – after all, firms are dealing with highly

confidential information that needs to remain secure for their clients' welfare. However, as fears are allayed regarding Cloud security, and existing systems are modernised to enable them to embrace digital business trends, forward-thinking firms are leading the field and cultivating a reputation for clarity, transparency and agility.

"Although we have a heritage dating back to 1799, we're a very modern and digitally ambitious firm which understands the critical role technology can play in driving professionalism and commerciality."

Alan Barrett, Head of IT, TWM

Practice management platforms with integrated tools such as document and file management, time and billing services, calendaring and client communication systems improve productivity and save huge amounts of time and money. They also help firms to comply with the government's Digital by Default directive, which aims to drive paperless efficiency. Documents can be scanned using optical character recognition and then appropriately tagged and entered into the system. Software solutions which can aid the transition from paper to online form submissions will also need to be in place well ahead of the 2020 deadline.

The adoption of a digital mind-set is one of the biggest opportunities for business improvement today. For firms that were previously at a disadvantage, due to size, resource or location, going digital can be the perfect chance to get ahead of the competition. As well as increasing efficiency, simplifying processes and enhancing client care, digital initiatives can also address any work-life balance issues – helping to address the fact there is often simply too much work to do in the time available. In our recent [survey on workplace stress](#), 61% of those working in the professional services sector said lack of time was a key source of their work pressure.

One of the many workplace benefits to going digital is the ability to automate basic, process-driven services. Artificial Intelligence (AI) is promising much in this area - it is predicted to be transformational in the next decade and is already benefitting early adopters.

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YouGov research conducted by Microsoft and Goldsmiths University of London, discovered companies that have started to use AI are already outperforming others by 5%. Organisations deploying the technology were found to be more productive, have higher performance and experience better business outcomes.

"AI is an indispensable tool for coping with the ever growing amounts of data that lawyers have to handle in running complex matters."

Edward Chan, Banking Partner,
Linklaters

AI was a term first used in the 1950s to describe machines that mimic certain operations of the human mind and complete tasks that normally require human intelligence. At the core of AI today is Machine Learning, where computers use rules (algorithms) to analyse data, discern patterns and gather insight. The more manual and tedious elements of research and due diligence are being done by Machine Learning, quickly finding information that is most relevant to a case. Lawyers will no longer have to sift through reams of data – teams of bots can quickly locate the information they are looking for. Not only is this a faster, more cost-effective and accurate research process, but it is actually finding key data points and patterns that humans might miss.

AI is able to standardise and automate processes, reduce drafting errors, preserve knowledge, simplify pricing structures and speed up transactions. This enables firms to do more high value and highly paid work. It also provides the opportunity to make the industry more transparent, with self-service offerings that help de-mystify the legal process and encourage clients to come forward. Many legal problems currently go 'unlawyered' as potential clients shy away from anticipated costs and complex procedures.

AI will help people to know when they need to speak to a solicitor – much the same way as AskNHS assists patients in understanding when they need to see a doctor. Indeed, consumers have already been using AI in the legal sector for a number of years. AI-driven apps such as Do

Not Pay help determine whether there is a case for not paying a parking ticket – it assisted with the overturn of 375,000 tickets in a two-year period. Online Dispute Resolution (ODR), which broadens access to self-serve justice, is already being used successfully by sites such as eBay, with some 60m disagreements amongst traders being resolved every year.

How AI is revolutionising the legal sector

- > **Reviewing documents and legal research** - AI can efficiently carry out extensive document analysis, flagging documents that are relevant to a case and producing a refined list for lawyers to review further.
- > **Performing due diligence** - This often tedious work can be done very accurately with AI, confirming facts and figures as well as thoroughly evaluating decisions on prior cases to effectively provide counsel to clients.
- > **Contract review and management** - Identifying risks and issues with how contracts are written and helping to negotiate better terms. AI can analyse contracts in bulk, as well as individual contracts faster and with fewer errors. AI can read and interpret legal language within contracts and provide the user with a near-instant summary of principal legal obligations. AI technology automatically populates these obligations into the platform, saving lawyers hundreds of working hours in reviewing contracts and abstracting key legal information.
- > **Predicting legal outcomes** - With access to years of trial data, AI can answer client questions such as whether to file a lawsuit, how it might be resolved and how likely they are to win a case. AI is already being used by a London personal injury firm to determine the optimal time to settle a claim.
- > **Automating divorce** - Online divorce software can reduce time and cost for couples wishing to separate. AI guides them through key decision-making and the necessary steps, while legal professionals can be on hand to provide additional guidance if necessary.
- > **Automating the work of clerks** - AI is now able to take an enquiry, identify the legal help that is required, match this to the right legal representation, determine who is available and manage the scheduling of appointments. This removes tedious administration and makes the work faster and less expensive for

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the client.

- > **Civil claims and petitions** - With 1.4 million cases brought to the UK county courts each year, there is an increasing body of knowledge that lawyers need to grapple with. AI can sift through this information with great accuracy, crunching data and finding patterns. Amongst all the witness statements, court logs and judge summaries there will be insights that could help a lawyer win a case. In simpler cases, where facts are undisputed and precedents exist, AI software can even diagnose the situation and produce a draft judgement for review.
- > **Increasing job satisfaction** – AI takes on many of the mundane legal processes traditionally assigned to those in junior roles, increasing job satisfaction and giving graduates valuable early experience and work that is more challenging. This will help attract and retain top talent.
- > **Dealing with compliance** - Automation can efficiently handle customer data in accordance with GDPR, as well as automatically proving compliance, saving time and reducing stress.



Recharge with digitisation

The So is AI threatening the role of the lawyer? The Law Society believes 67,000 legal jobs will be replaced as a result of automation by 2038, and of course, there is some trepidation in the industry about how this will affect daily operations and longer term career prospects. However, we shouldn't fear that the robots are coming to take our jobs. The lawyer's role is simply changing – and for the better. With AI in a firm, lawyers are freed up to focus on more analytical and strategic aspects of their work, interpreting information and providing greater

depth of knowledge and advice.

People with machines – rather than against them – can really accelerate business benefits. There are things that machines can do faster and with more accuracy, and there are things that humans excel at – the secret is to spot the difference and use resources insightfully to reboot productivity. Indeed, in the same Law Society report it was also predicted that 80,000 new roles will be created in the next decade – 25,000 by 2025 alone. The AI robot will never be able to replace the relationship of expertise and trust that develops between lawyer and client. There will always be a need for professionals who understand the intricacies of situations and can provide the insight, interpretation and empathy required, especially for complex cases.

At the same time as AI is entering the legal sector, the number of digital-savvy Millennials in the workplace continues to grow – it is predicted they will form 75% of the workforce by 2025. This generation expects the same level of digital ease at work as they get at home. Research shows some [90% of lawyers](#) use smartphones, and not just to talk or text, but to track hours easily, video conference from any location, and to provide speedy written collaboration and communication while on the move. As the functionality and performance of mobile devices continues to improve, the workforce increasingly expects to be able to access client information from wherever they are, and at any time.

Mobile access to servers means real-time information such as reports, account ledgers, documents and emails can be securely uploaded at the touch of a button. Solicitors can maximise their time more effectively and eradicate their reliance on paper, which can make all the difference as they juggle the day-to-day pressures of delivering high quality legal services. Clients receive the highest levels of service, while enjoying the convenience of quick updates and case progression. Cloud and mobile-based tools are fast becoming a necessity in the legal sector – and they are also acting as catalysts for the introduction of further exciting, disruptive technologies in the future.

Reshape for a strategic advantage

The legal profession is now inheriting the impact of changes made by leading consumer brands to successfully build reputation and interact with purchasers online. Consumer buying

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behaviours have altered, as potential legal clients are now accustomed to researching information and reviews through social media in order to make decisions, and then communicating via digital solutions. Firms can entice prospective clients and improve client engagement and satisfaction with real-time, mobile-responsive solutions. A connected and agile firm ensures processes and productivity are still continuous when away from the office, reflecting the 'always on' attitude that consumers have become accustomed to.

Generation C – the Connected Consumer - expect businesses to know them, understand and deliver what they want, when, where and how. Generation C represents a digital lifestyle that is looking for a level of value that goes beyond legal expertise. It is important to understand how consumers define value and then fill this value gap rather than focusing on your own area of expertise and simply pushing that. Innovation in services and service delivery will be a key differentiating factor for firms in the future.

Don't just survive, innovate and thrive

The Law Society has advised 'firms must do or die'. Those who fail to innovate in the fast-paced digital era may not be able to compete in an evolving market. There is a widening gap between successful and struggling firms. A top-down approach, with a firm's management leading the way in line with clients' needs, is vital in determining the quality of digital transformation. There should be emphasis on unlocking and retaining the potential of talent within the firm, supported by innovative automated processes that aid productivity and delight clients. With the right tools, and forward-thinking leaders who can reimagine how their practice operates, digital technology can become a game-changing business enabler in the legal sector.

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