Workflow and Productivity in the Legal Industry

How today’s legal professionals are responding to the changing landscape

September 2014
FOREWORD

The rise of the use of technology in the legal profession to achieve greater efficiencies and flexibility has been well documented.

Up until now, the focus has been on making law firms more efficient; streamlining everyday work processes into a single system to provide a secure working environment and transparency of business performance, satisfying the needs of the whole practice. And while leading software providers like LexisNexis continue to offer next generation enhancements to practice management software such as Affinity, there will be a much stronger focus on developing tools that will make individuals more productive, efficient and mobile.

Indeed, the 2014 LexisNexis Workflow & Productivity Survey found that the most popular efficiency initiatives adopted by law firms were the use of technology, knowledge management and staff training. In-house lawyers also relied heavily on technology followed by outsourcing to external lawyers and flexible work practices.

All lawyers, whether in a law firm or in-house, are presently up against enormous cost pressures. The survey tells us that for law firms, the pressure is coming mainly from clients pushing for a better deal as well as growing competition as legal work becomes more commoditised. In-house lawyers on the other hand, cite an increased workload and the pressure to justify their value as the main drivers for their efficiency efforts.

At the recent LexisNexis workflow and productivity roundtable, participants made the point that the battle to make law firms more efficient had largely been won and the greater challenge now is to maximise the productivity of individuals. More and more legal professionals are using mobile devices for legal research, matter and document management, which can make them available 24/7 in the event of an important matter irrespective of their location. LexisNexis® Red® and Lexis® for Microsoft® Office are great examples of solutions in support of this need. Equally, bespoke solutions for solicitors practising in specialised fields will enhance the productivity of individuals.

Both law firm managers and in-house lawyers are strongly unanimous that the need to deliver legal services more efficiently is a critical priority. Both sectors have turned to technology as their number one solution in their efficiency drive making integration of these technologies an absolute priority.

There is no doubt that technology is shaping the law firm of the future and we at LexisNexis are proud to be part of that future.

Dr Marc K Peter
Chief Operating Officer
LexisNexis Pacific
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INTRODUCTION

The Australian legal landscape is undergoing its most intensive period of transformation since its inception. Recent years have seen new business models, aggressive mergers, international competition and emerging technologies place pressures on legal professionals to increase their efficiency capabilities.

To understand how today’s legal profession is responding to these pressures LexisNexis undertook a comprehensive Workflow and Productivity Survey with senior lawyers and managers of Australian law firms, as well as lawyers in corporate roles, to obtain their views and experiences on key issues affecting efficiency. Topics included:

• key drivers leading to investments in efficiency;
• measures that have been tried, tested and proven least successful and otherwise;
• barriers to investment; and
• future industry expectations.

This was followed by a Workflow and Productivity Roundtable discussion with C-suite representatives from Australian legal firms and businesses to discuss their practical experiences with workplace efficiency initiatives and to share ideas to promote future success.

The discussion was conducted in accordance with Chatham House Rules to ensure a setting that facilitated a free and open exchange of views into current investments, attitudes and key barriers.

LexisNexis would like to thank the roundtable participants and acknowledge their valuable contribution to this important discussion. This whitepaper details critical considerations for the need to invest and harness technological tools and solutions to procure workflow efficiency.

While technology continues to underpin improvements in productivity and profitability in the legal profession in Australia, pockets of the profession are struggling to overcome the challenges that inevitably come when endeavouring to maximise the benefits of their investment in technology. These are the collective findings of a LexisNexis survey and roundtable into Workflow & Productivity in the Legal Industry conducted in June and July 2014.

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1 2014 ALPMA / LexisNexis Research Results, ‘The Impact of the Changing Legal landscape on Australasian Law Firms’
EFFICIENCY DRIVERS

Law firms and in-house counsels are strongly unanimous that the need to deliver legal services more efficiently is the critical priority for their business. With 86% of law firm managers and 84% of in-house counsel indicating that improved efficiency was important.

Key drivers pushing an efficiency need for law firms are:

- cost pressures from clients;
- increased competition from within and outside the legal sector; and
- the commoditisation of legal work.

In-house counsels are met with different demands of:

- increasing workloads; and
- the pressure to demonstrate value to their organisation.

All survey participants agreed that efficiency gains will continue to be a major focus over the next one to two years. Despite this, survey respondents reported widespread lack of knowledge about the size of their organisation’s investment in productivity improvements with 34% of law firm respondents and 37% of corporate lawyers unaware of their organisation’s funding commitment. More importantly, of the corporate lawyers surveyed, 43% said that 5% or less of their annual budget is allocated to efficiency initiatives, while 26% of law firm respondents reported an investment of 5% of less of annual revenue, and another 26% an investment of between 5-10% of revenue.

Percentage of annual revenue being reinvested into productivity improvements for the financial year ending 2015:

<table>
<thead>
<tr>
<th>Law Firms</th>
<th>In-house Counsel</th>
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<tbody>
<tr>
<td>5%</td>
<td>3%</td>
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<tr>
<td>8%</td>
<td>37%</td>
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<tr>
<td>26.5%</td>
<td>43%</td>
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<tr>
<td>34%</td>
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</table>

Don't know | Less than 5% | Between 5-10% | Between 10-15% | Between 15-20% |
MORE FOR LESS

When reviewing annual budgets, both law firms and in-house counsels cited inadequate funding for systems as one of the top barriers to efficiency achievement.

Professor Richard Susskind says that liberalisation, doing “more for less” and technology are the three main challenges for the future lawyer. These challenges are already coming into place and legal professionals are undertaking a number of initiatives to improve the efficiency of their legal service delivery.

Of those surveyed the most popular initiative adopted by law firms and in-house counsels to drive efficiency initiatives were technology tools and solutions, with 86% of law firms and 66% of in-house counsel undertaking this option. While technology is clearly an important tool, lawyers are also placing a strong emphasis on non-technology drivers, this includes, knowledge management, skills training and flexible staff work practices.

When asked which initiatives have been the most successful, law firms rated skills training and flexible staff work practices as their third and fourth biggest success stories, after technology and knowledge management. In-house counsels, ranked flexible staff work practices as their most successful initiative, followed by outsourcing to external lawyers, knowledge management and skills training. Least successful efficiency initiatives for law firms were the reduction in graduates and outsourcing to overseas law firms – a finding that suggests the initial enthusiasm for legal process outsourcing may not have fulfilled its promise.

Have you undertaken any of the following in your efforts to improve the operational efficiency of your legal department?

<table>
<thead>
<tr>
<th>Initiative</th>
<th>In-house Counsel</th>
<th>Law Firm</th>
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<tbody>
<tr>
<td>Use of technology tools to drive efficiency</td>
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<td>Knowledge management</td>
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<td>Skill development &amp; training</td>
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<td>Alternative billing arrangements</td>
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<td>Flexible staff working practices</td>
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<td>Outsourcing legal work to external counsel</td>
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<td>Reengineering work processes</td>
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<td>Use of technology tools to replace human activity</td>
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<tr>
<td>Shift work to paralegals</td>
<td></td>
<td></td>
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<tr>
<td>Use of alternative staffing strategies</td>
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</table>
OVERCOMING RESISTANCE

Roundtable participants discussed a resistance to change as a key barrier to engaging technology to become more efficient. There was a general uncertainty in understanding how technology can help, which technology to use, and how to invest in efficiency tools. Investing in expensive technology is problematic with the sheer pace of technological development, legal practitioners risk investing in tools that become outdated, or are replaced with cheaper or free options. There was a general consensus on the need for increased skill training that encourages lawyers to use technology, and that gives more information on the available options. In this sense, it is encouraging to see steps undertaken to invest in human capital.

As providers of professional services where intellectual capital is the stock in trade, it is important that efforts to develop and sustain this intellectual capital with focus on training, management and flexible work initiatives.

There was general agreement that there had been significant gains in making law firms more efficient. The focus now is on making lawyers more efficient and overcoming lawyers’ – generally older lawyers – resistance to using technology. Not surprisingly, participants felt that cultural change supported by increased skills training and innovative approaches to encouraging lawyers to embrace technology would overcome this issue.
FUTURE EFFICIENCY TRENDS

In the next one to two years, participants agreed that efficiency will grow in importance and focus.

Law firms considered that the best opportunity for future efficiency gains lay in optimising technology tools and solutions, followed by talent management and process and workflow improvement. The least promising efficiency initiative is outsourcing legal work, either overseas or to non-legal providers. Corporate lawyers similarly identified technology as the most fertile area to unlock future opportunity, followed by process improvements/automation and talent management. The area of least opportunity identified by them was also outsourcing.

From the roundtable discussion, law firm participants saw the reduction of graduate intake as a detrimental strategy to desired human capital investment. Technology helps graduates achieve a higher output than previously possible. They are assets that can make efficient use of technology and provide value to clients rather than liabilities that must be trained before becoming useful.

Indeed, the participants agreed that technology has dramatically improved the productivity of law graduates, claiming that for 80% of matters, a graduate with two years experience can be more productive than a lawyer with 10 years experience and this will significantly enhance the productivity and profitability of law firms and provide much greater value for their clients.

In addition to the increasing commodisation of the profession like e-conveyancing and e-discovery, moving forward, firms will make greater investments in technology and the skills training they need to leverage that investment, outsource more process functions and rely more heavily on document automation.

Which of the following areas do you believe provide the best opportunity for future efficiency gains at your firm or in your daily work life?
CONCLUSION

While the benefits and inevitable challenges in the increasing use of technology in the profession dominated discussion at the roundtable and throughout the survey, participants also explored:

- the commodisation of the profession,
- leveraging technology to achieve a value add offering which is the right arbitrage between what is increasingly free legal information and knowledge and the client’s particular facts or issue,
- general counsel demands for cost certainty and what billing structures are best suited to meet those demands and finally,
- the emergence of new players in the profession including accounting firms.

Firms are beginning to look to other professional services such as accounting to learn where they might improve productivity as a services business and acknowledge the UK legal profession as leading the industry globally in terms of innovation.

While it is generally recognised that technology is under-utilised in law firms, discussion centered on emerging technologies and how these will disrupt the profession, with the prevalence of disruptive technologies set to increase.

The point was noted that law firms are not technology companies and firms should work with technology companies to develop new technologies, rather than develop them themselves as this can be high risk and expensive.

Simply investing in any technology is not an efficient approach. We are frequently told that technology can unlock a wealth of benefits, but when it is not skilfully and appropriately applied there is a patchier record of added stress and frustration. The needs of the legal profession are unique, meaning practitioners need digital tools and solutions that are relevant to them. They need appropriate, comprehensive, accurate and responsive information and tools that work around them to enable better decision making and workflow efficiency.

Legal professionals need tools and solutions that integrate and automate their processes, a working space that maximises their time and efficiency. Today’s lawyer — within law firms and in-house legal departments — is struggling with cost and time pressures, which have them looking to technology for their practice efficiency, but they need to make sure their investment is smart. Today’s lawyer needs a SmartOffice that puts them at the centre with advanced productivity tools, solutions and capabilities to increase efficiency.

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3 Frank McKenna, ‘In the Zone: Is technology helping or hindering lawyers’ decision making?’, 2013
STAGE 1: SURVEY

In June 2014, LexisNexis surveyed 109 lawyers and senior managers working in law firms, as well as lawyers in corporate roles to obtain their views and experiences on key issues affecting work efficiency. The law firm survey attracted 72 responses while the corporate survey returned 37 responses.

Key findings from that survey are presented in this discussion paper and were used to generate discussions at the roundtable.

STAGE 2: ROUNDTABLE

LexisNexis convened a roundtable on 25 July 2014, which brought together C-suite representatives from legal firms and businesses to discuss their practical experiences with workplace efficiency initiatives and to share ideas to promote future success. These discussions proceeded under Chatham House Rules to promote a full and frank exchange of views.

LexisNexis would like to thank the roundtable participants and acknowledge their valuable contribution to this important discussion.

Workflow and Productivity Roundtable participants included:

- **Beth Patterson**, Director - Applied Legal Technology | Allens;
- **Jonathan Prideaux**, LTS National Manager | Clayton Utz;
- **Warrick McLean**, General Manager | Coleman Greigg Lawyers;
- **Una Doyle**, Head of Professional Development - Membership & Communications | The Law Society of New South Wales;
- **Nick Abrahams**, Partner | Norton Rose Fulbright Australia;
- **Coralie Kenny**, Principal Legal Counsel | Suncorp Life;
- **Jamie Prell**, Legal Director | AdventBalance;
- **Bronwyn Pott**, Chief Executive Officer | Swaab Attorneys.
ABOUT LEXISNEXIS

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ISN’T IT TIME FOR YOUR FIRM OR DEPARTMENT TO INVEST IN IMPROVING EFFICIENCY?

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