

The Understanding of the Digital Transformation

The Digital Transformation of the Law Firm and the Legal Department

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LR 2019, Page 38 to 40 (overall 3 Pages)

In 50 years Google will answer any legal question immediately: 1

Bank: „Google, the Securities Companies Compensation Fund sent me a contribution notice for 2070 in the amount of 43.5 million euros. Is that contestable?“

Google: „Yes. The correct contribution amounts to 8.3 million Euros only.“

Bank: „Thank you, Google! In 2019 my law firm charged 27.000 Euros for such an answer.“

Google: „I know. That’s why lawyers are extinct since 2065.“¹

I. The Understanding of the Digital Transformation

Is this the future of law? Maybe, but that doesn't really matter, because all these "in 50 years everything will be different"-visions do not help law firms and legal departments to get fit for the digital age and Industry 4.0. now. To master the digital transformation, it is vital to understand its origins and nature. 2

The digital transformation of the industry in general and of law in particular is not a plan. There wasn't a specific problem that a group of visionary innovators wanted to solve. As so often, when humanity makes great technical progress, the transformation was simply driven by young entrepreneurs who dreamed to somehow use the new technological possibilities to build successful businesses. Faster processors and internet connections enabled completely new business models. So it all just started because the technology had evolved and made it possible. 3

Making yourself aware that the digital transformation does not proceed in structured ways helps to better understand why it is so difficult to grasp and comprehend. And that's why the digital transformation of your law firm and your legal department is not a straight line. 4

¹ This article is based on Jochen Brandhoff's opening keynote speech at the eurolegal Annual Conference in Gdańsk on 26 April 2019.

It's more of a messy march with bumps in the road, permanent ups and downs, and detours. There is no "one-fits-all-plan".

This understanding is the starting point to master the digitization, improve your legal work and maintain your competitiveness. 5

II. Now comes the Benefit

In the early years it was more about visions and what could be. By now, the specific benefits of digitization are becoming more visible. More and more tools with a clear benefit are emerging. They increase the speed of legal work, save costs or improve the quality of legal work. 6

Still, it will be years before the entire legal industry sees the benefits of legal technology. For our law firms and legal departments to remain competitive, it is our job from now on to find and make use of these benefits. We have to start immediately, because it takes years to create the necessary mindset and the framework to profit from the new technology. Now is the time to try out new approaches and to experiment. 7

The new mindset involves enjoying to learn from professionals in other fields, from IT-specialists, software developers, project managers, legal operation managers, finance specialists, businessmen-and-women and others. There is a remarkable resource waiting to be tapped simply by listening to experts from other areas. 8

The way we lawyers often see ourselves is not helpful to acquire the new mindset. The distinction between so-called professionals (i. e. we lawyers) and "non-professionals" (i. e. all professionals from other fields), which is still common in some law firms, is exemplary for the old mindset that we need to overcome. 9

Many lawyers think that legal technology is about saving costs and getting faster. And it is. The implementation of a software, however, takes a lot of time and money. Two or three years might pass before your investment pays off. What you achieve first is an increase in quality. In fact, the first benefit you get from deploying legal tech is that the quality of (legal) services provided by your law firm and your corporate legal department improves. When you implement a contract automation software, for example, you will immediately receive more consistent contracts with verified terms at a uniformly high quality level and thus prevent common contract drafting errors. 10

III. Check your Processes

The digital transformation requires a lot of know-how. One piece of knowledge is particularly significant: To make the most of legal technology it is vital to understand the importance of a proper process organisation. Clear responsibilities, well-defined 11

processes and clean workflows – that are huge factors to successfully implement a legal software like a law practice management solution. Richard Susskind, the most cited author on how information technology changes the Legal Profession, already in 2013 in his *book Tomorrow’s Lawyers* wrote how business processes will play a central role for lawyers to remain competitive.

A legal business process is a (complex) sequence of steps performed by the members of the law firm or legal department and their – internal or external – clients to achieve a concrete goal. Each step denotes and defines a task that is assigned to a participant. The goal can be legal such as drafting a supplier contract, handling an internal investigation or a complex litigation or non-legal such as the onboarding of a new client, recruiting talent, or the sourcing and storing of data. Key processes – those that have maximum impact on the success of your organization – deserve special attention. Key process for a legal department, for example, is the process of drafting a specific type of contract that is central for the company like an engineering, procurement, and construction contract for a constructor. For a law firm a process for the management of frequently occurring mandates is key such as the acquisition of a company for an M&A practice. 12

Only a good process is worth to be digitized. Creating a good process means putting your – internal or external – client first. Don't be biased by your legal background. Try to put yourself in your client's shoes. Then you will be able to develop the best process. You might have heard about Legal Design Thinking, the creative yet systematic approach to find user-centric solutions in the field of law. That is one good way to create legal processes. 13

The law no longer belongs just to us lawyers. To build a sound organisation and proper processes, it is worth to look at legal tech companies. Vertically integrated providers of legal products like atornix and visaright show how legal services can be standardised. They combine process, IT, and legal expertise to deliver legal services in a highly efficient way. 14

Also, it is rewarding to see how legal tech startups collect, analyse and exploit their existing data to increase productivity. Law firms and legal departments can use their data, too, to drive efficiencies and improve their services. For example, they can evaluate their data to determine average processing times to optimize their workflows. Law firms can even exploit this to offer accurate flat-rate fees. 15

A law firm and a legal department that embraces the new opportunities and engages in legal innovation can generate real added value and increase the value of its firm. This is essential for continuing to play a leading role in the legal market of the future as competition between traditional lawyers and alternative legal services providers will increase. The traditional legal market and the legal tech market, which today are regarded as separate markets, in the coming two or three decades will merge into one digitalized legal market. 16