

## The Understanding of the Digital Transformation

### The Digital Transformation of the Law Firm

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In 30 years Google will answer any legal question immediately: 1

Bank: „Google, the Securities Companies Compensation Fund (EdW) sent me a contribution notice for 2050 for 53 million euros. Is that contestable?“

Google: „Yes. The correct contribution amounts to 8 million Euros only.“

Bank: „Thank you, Google! In 2019 my law firm charged 94.000 Euros for that answer.“

Google: „I know, that´s why lawyers are extinct since 2047.“<sup>1</sup>

#### I. The Future of the Law

Is this the future of the Law? It might be, but these "in 30 years, everything will be different"- visions do not help law firms to master the digital transformation now. 2

To prepare your law firm for the digital transformation it is important to understand that there is no "one-fits-all-plan". You have to keep in mind countless factors. To determine them, you have to analyze the actual situation of your law firm. It is not enough just to buy certain software applications, to master what will come.

#### II. The Understanding of the Digital Transformation

Understanding the legal transformation is the starting point for how we can master the challenges of the digital transformation, for how we can improve our legal work and for how we can maintain your competitiveness! 3

In order to understand that we need to understand the origins and the nature of digital transformation. 4

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

The digital transformation is not a plan. There wasn't a specific problem that a group of visionary innovators wanted to solve. It just started because the technology has evolved and made it possible. As so often, when mankind makes a huge technical progress, the legal transformation was started and is driven forward by ambitious people, by entrepreneurs who dream to revolutionize the legal market by using the advanced technologies.

In the early years it was more about visions and what could be, now it shifts to finding specific solutions. This explains, why digital transformation is so difficult to grasp and comprehend. And that's why the digital transformation of your law firm is not a straight line. It's a messy march with permanent ups and downs detours, and bumps in the road. 5

### III. Now comes the Benefit

By now, the specific benefits of digitisation are becoming more visible. More and more tools which have a clear benefit are emerging. They increase the speed of legal work or they save costs or they improve the quality of legal work. 6

Actually, the increase in quality is much more important than many lawyers think because it is the first advantage of digitisation. When implementing legal tech Software, many lawyers first check whether the software saves time or money. But while implementing software, you will spend a lot of time and money and until you have a return on this investments two or three years might pass. What you achieve first and immediately is the increase in quality. Once an application is implemented successfully it prevents mistakes and improves the outcome.

Still, it will be years, until every lawyer sees these benefits. But our new job from now on is to find and make use of these benefits for our law firm. We have to start immediately, because it takes years to create the necessary framework and the requirements to profit from the new technology. It takes years, for example, to develop the necessary mindset in our law firms for the transformation and to create and implement the necessary organisation and workflows to make the best use of software and innovative legal tech tools. 7

So, if you start in five years, when everybody sees the advantages, it is too late. In five years you will already have risked your competitiveness. Now is the time to be more excited to try out new approaches and to be willing to experiment.

### IV. Crucial Skills and Know-How

There are several crucial skills and know-how you need to be able to use the benefits of legal technology. 8

#### 1. Check your Processes

For a successful transformation it is vital to understand the importance of business processes. Digital Transformation is about becoming more efficient by saving costs, becoming faster and increasing the quality of your work e.g. by avoiding mistakes. 9

To become more efficient, it is not enough to use software. The successful implementation of software requires that standardized processes and workflows are already in place. As soon as you have proper processes and workflows, it is the right time to use a legal tech tool to digitize and automate them. 10

Only a good process is worth to be digitized. Creating a good process means putting your client first. Especially if your client has no legal department, don't be biased by your legal background. Only if you put yourself in the client's shoes, you will be able to develop the best process. You might have heard about design thinking, the process of innovating. That is an excellent approach for developing good processes. 11

## 2. Take care of Professionals from other Fields

The distinction between lawyers and non-lawyers (all professionals from fields like finance, IT, business and marketing), which is still common in many law firms, has to stop. Your IT manager, first of all, is an IT manager and not a non-lawyer. 12

You will need a lot of IT specialists, software developers, businessmen-and-women, marketing managers, finance managers, legal operation managers, process engineers, digitization managers and other non-legal-specialists to prepare for the transformation. Lawyers will only continue to be successful, if they open their world to other specialists for the sake of greater efficiency, profitability, and even economic survival. 13

Today, almost every decision, from the renting of a parking space to the advertisement in the business magazine, needs consensus of the partner. This often results in delays and, even worse, in not making a decision at all. The following situation occurs over and over again: The firm needs software urgently. One of the partners, who is especially bad with IT and therefore prefers not to have any software at all, delays the acquisition, until the project is completely abandoned. 14

To improve non-legal key-areas, it is better to hire specialized managers. You need to get used to listen and learn from specialists from other fields! Effective law firm leadership means to shift the power to make decisions and even to shift decision rights from partners to specialists in that field! It will be painful to cede decision-making power. But it's necessary! Otherwise, you will not gain the experts you need to successfully transform your firm. 15

## 3. Learn from the new Competitors

Let's say you want to buy a car. You go to the BMW dealer, you tell him what you need and you ask for the price. Even though the car still needs to be produced and the market prices for steel and aluminium are currently very volatile, the dealer will not argue that he has no influence on the trade unions and the material prices, which is why he can only give you an unbinding estimate or a price range. Instead he will tell you a fixed price for the car you asked for. 16

Lawyers, on the other hand, usually work with non-binding estimates or price ranges. Of course, a lawyer will argue that high-quality legal advice is not the same as producing a car. How is he or she supposed to know how many rounds of negotiations are necessary when negotiating an SPA? How should he or she guess how the antitrust authority behaves in antitrust proceedings?

But isn't the production of a car subject to just as many imponderables and unknowns as providing legal services? I think so. 17

The difference is that buyers on the car market expect and demand a lump sum. Car dealers who can't meet this demand, are not competitive. But in the legal market these demands are not the standard – yet!

Vertically integrated providers of legal products show how it works. Providers like *visaright* and *casecheck* focus on a specific legal matter, on a specific need of the clients (*casecheck* for example focuses on objections against decisions regarding social assistance; *visaright* focuses on visa solutions). 18

In this narrow area of law, they acquire all the process know-how, IT know-how and legal expertise. They are so well versed in this specific field that they are able to check the chances of success with very little effort and immediately reject cases that do not promise to be successful without charging anything. A law firm, instead, would ask for a lot of money for this preliminary examination. If the mandate is promising, the alternative legal provider tells you immediately, how expensive it will be, because the outcome of a legal case is sufficiently predictable to be able to give a lump sum.

Thanks to their specialization, they achieve a high number of cases, which makes it possible to balance out unusual courses of events with easy cases.

Even complex services such as commercial law advice can be standardised. That's a long way to go, of course, but it will happen. 19

Of course, this does not apply to all legal services. A dispute over contributions to the compensation scheme for securities trading companies will continue to be individually addressed for a long time to come. BUT: more and more legal areas are ready to be standardised. 20

A requirement for such standardization is, that we begin to use the large amount of data available in a law firm. Average working times for similar cases could help to determine a reasonable fixed fee. This would be one example where Legal Tech provides a direct benefit for the client and thus increases the competitiveness of a law firm.

#### 4. From Legal Services via Managed Legal Services to Legal Products

On the journey from inefficient legal services to a process-based and IT-supported legal product, there is an important intermediate step that is very interesting for law firms: managed legal services. 21

Managed legal services are integrated and process-driven services, that make complex legal work more efficient. This allows to reduce costs as well as delivery times and increases cost transparency.

For example, a large corporation needs a due diligence involving 2.000 documents in one month. The old solution would mean, that a large team of lawyers work through the night, which is very inefficient and expensive.

A managed legal service means building and implementing a process, that integrates document review into technology, to allow a team of lawyers, legal engineers and project managers to complete the work transparently and efficiently on a large scale.

The elements of managed legal services are: 22

- efficient processes
- the application of technology
- multi-disciplinary teams
- investments in technical infrastructure.

This is also interesting for law firms. The alternative providers of legal services bring the processes and the technology while the law firm provides the client relationship and the trust. As a result, more and more cooperations between legal tech providers and law firms are evolving. 23

#### V. If you want to be certain, you will certainly be late

Why is it so important to start the transformation now? Because law firms that don't start now won't be able to change the switch from "wait-and-see" to "innovative" all of a sudden in five years. It is a question of mindset. And it takes at least five years to change the mindset. 24

It is sure that the law firms, that have not already turned the switch around and are unwilling to do so, will be the first law firms that risk to disappear from the market.