

Trust and Technology

Building Successful Law Firms

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At first glance it may look as though trust and technology don't go together at all. Yet trust is a critical component for firms that want to build longstanding and lucrative client relationships – and technology can be deployed to help build it. This article explains exactly how. 1

It might not seem as though trust and technology are complementary. After all, isn't technology just a hard fact, while trust is an elusive, and perhaps also a fragile, emotion – hard to build, easy to destroy and difficult to measure? 2

But despite its vagueness, trust undoubtedly underpins a lot of business interactions and is arguably nowhere more important than in the provision of legal services. After all, clients expose themselves personally and professionally to relative strangers who don't merely act on instruction, but ideally give considered advice before significant decisions are taken. Clients need to trust their lawyers' expertise and integrity. Internal clients need to trust their GC's expertise. Trust is a crucial commodity for firms wanting to build long-term, mutually-beneficial client relationships because it can be the differentiator which drives competitive advantage and sustained success. 3

That's not to ignore the importance of trust within the firm – between colleagues and partners. Nor to underplay its role in other stakeholder relationships, with suppliers for example. However, this article focuses on developing trust between firms and their clients because this is the most business-critical role for trust. So how does technology contribute to its development? The first part of the equation is to understand more about the importance of trust to the legal sector. 4

I. The Point of Trust

To begin, let's look at the 2019 Edelman Trust Barometer.¹ When respondents were asked to rate their trust in businesses "to do what is right" in 15 selected sectors – Professional Services (68 percent) was rated as the sixth most trusted sector behind Technology, Manufacturing, Education, Automotive and Retail. 5

Perhaps the fact that 32 percent (that's almost 1 in 3) *don't* trust professional services should give us a pause for thought. As Edelman notes, "Unlike reputation, which is based on an organisation's historical behaviour, trust is a predictor of whether stakeholders will find you credible in the future, will embrace new innovations you introduce and will enthusiastically support or defend you. For these reasons, trust is a valuable asset for all institutions, and ongoing trust-building activities should be one of the most important strategic priorities for every organisation." 6

Grant Thornton's 2017 paper *The Business Case for Trust*² underscores the importance of trust. It also records that trust facilitates business interactions: investments are easier to find, and innovation and change are more readily accepted. 7

Of particular interest to law firms, and unsurprisingly, it notes, "a clear correlation in the Customer Loyalty and Experience Index between trust in a brand or firm and continuing as a customer or recommending to others." Clearly, when trust is damaged there is a higher probability that clients will reduce the amount of business, or leave a firm altogether. 8

The research also highlights that this is a double blow because a firm then faces the costs of landing new customers. "Depending on the industry," it continues, "the cost of customer acquisition can be up to 25 times greater than the cost of retention." Reducing churn rates can have a big impact on profitability. Bain & Company estimates that, in financial services, reducing churn rates by 5 percent can lead to a 25 percent increase in profits because returning customers tend to buy more and as they do so, the operating costs to serve them tend to decline.³ The same model could be said to exist in legal services. 9

Finally, trust can also speed up and simplify business processes and reduce transaction costs by accelerating decision-making. It affects negotiation costs, reduces conflicts and 10

¹ The 2019 Trust Barometer is Edelman's 19th annual survey, measuring trust across more than 33,000 respondents in 27 countries. For more see: <https://www.edelman.com/trust-barometer>

² <https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/the-business-case-for-trust.pdf>

³ Bain & Company have a stream of research on the business benefits of customer retention. The full set of studies are available

here: <http://www.bain.com/consulting-services/customer-strategy-and-marketing/customer-loyalty.aspx>. The figures quoted specifically come from this paper:

http://www.bain.com/Images/BB_Prescription_cutting_costs.pdf

enhances performance. As one contributor to the Grant Thornton research put it: “It takes a lot of time and effort ... to write up agreements, and it puts you in this very official relationship that’s almost like, ‘What can I get away with? What are the loopholes?’ instead of being open and honest, reaching out and talking things through.”

Trust matters, so firms should understand what contributes to trust and the levers that increase it. 11

II. The Components of Trust

To start with, the bedrock of trust in legal relationships has to be professional competency. Firms need to consistently demonstrate that they have the knowledge and skills necessary to achieve the desired results for their clients. They need to cultivate a sense that the client is “in safe hands”, that people know what they are doing and that they do it to a high professional standard. Good technology will buy lawyers more time to do a good job, but fundamentally, they ought to be good lawyers. 12

For clients with no past experience of a firm, referrals can be used to create trust. Referrals carry weight because the referring party has their own reputation to consider and there is generally no financial incentive. Therefore, firms need a happy client base – built on professional competency, but in addition, shored up by ensuring that clients are happy with the services received – enabled by feedback mechanisms which can be triggered by a system event, e.g. when a final invoice is raised. Also, where necessary, prompt action needs to deal with any concerns that are raised. Indeed, detractors can become the loudest promoters if their issues are dealt with efficiently and effectively. This is an area where a high performing customer relationship management system will pay dividends. 13

Another way to demonstrate competency to prospective clients is by having the ability to supply case studies, testimonials and other information on short notice. Indeed, it can be a key differentiator in the race to secure a client’s trust in the firm’s competence. A quick response with high quality supporting material suggests that a) the firm has a large quantity of such material to choose from (implies many happy clients willing to act as references) and b) that its internal systems are effective and efficient. Firms should work to hold a carefully curated and branded set of this type of asset and provide all their client-facing users with the ability to quickly construct responses to requests for information. It calls for technology to help deal with the storage of assets, the internal processes used to submit and approve such assets and their consistent branding. 14

III. The Impact of Integrity

Integrity is the second component of trust. Clients entrust their most sensitive data to law firms, either commercial or personal. They need to have a deep-seated belief that the firm will treat this data with integrity and will not put them at risk by: 15

- Exposing the data to a third party
- Allowing the data to become public
- Failing to comply with regulatory demands
- Failing to comply with client instructions

Nothing destroys trust between a client and a firm quicker than a data leak or the firm being found in breach of regulatory requirements. Yet such breaches are not as rare as they ought to be. For example, the UK's GDPR regulator⁴ has stated that 212 reportable data breaches of GDPR were recorded by the UK's top 150 law firms in GDPR's first year in force. Virtually half of the UK's top firms (48 percent) sustained at least one data loss. 16

The ICO has started handing out large fines for GDPR breaches: to date £183 million for British Airways and £98 million for Marriott Hotel Group; and it's surely only a matter of time before a law firm is also subjected to an equally significant penalty. But in truth, as painful as a fine might be, a more mortal blow might be struck when clients discover that their firm isn't to be trusted with their data. 17

It calls for firms to invest in staff training, but also in technology which provides iron-clad data protection. The aim is to implement a system in which staff have implicit trust that data is secure and managed in line with client guidelines and appropriate regulations. What you don't want is staff having to make decisions every time they store or share a document. Security, data protection, jurisdiction of data, retention of data and ultimate disposition of data should all be built in to your system - all your staff has to do is work normally. Tikit works with NetDocuments, together with partners such as FileTrail and Prosperoware, to make this a reality for your firm. NetDocuments, recognised as the most secure cloud-based document management system in use today, has recently said that they will be opening three data centres in Germany in early 2020, to ensure that compliance with local data jurisdiction requirements can be seamlessly dealt with. 18

IV. Total Transparency

The third component of trust is transparency. In the past, dealing with law firms was too much a case of blind trust. Clients requested work, some arcane ritual was performed and an invoice appeared "for our professional services". It was as though clients weren't 19

⁴ The Information Commissioner's Office (ICO)

expected – or indeed entitled – to be curious about what it was that they were paying for. The world has, however, moved on since those days.

Now transparency is increasingly expected and that’s a good thing because it nurtures trust. Specifically, this transparency means: 20

- Clear explanations of the legal process. In the same way as a surgeon details exactly what will happen before treatment commences, clients want to understand what they should expect from the legal process
- Defined milestones. The matter needs to be broken down into milestones, and these milestones put into some form of plan. Even if the exact way the matter will proceed is not rigidly defined (conveyancing vs dispute resolution), there are general principles that should be adhered to
- All costs should be explained in detail upfront together with any variables or unknowns that may affect the final cost
- Provision of continual updates against the milestone plan should be communicated, including progress against cost and time estimated
- If something unexpected happens, or there is a change in direction that has cost implications, clients should be notified immediately of likely additional charges

Firms need systems which enable this level of transparency and communication with clients on a consistent basis and which, importantly, are not too resource heavy for the firm to support.

V. Showing Respect

The fourth component of trust is respect. Respect is key to every successful human relationship, whether personal or professional. In the context of law firms, it’s about making the client feel important and valued by: 21

- Listening to them and remembering what they have told you – do not make them repeat themselves
- Making them feel valued by showing you know all about them
- Responding positively to feedback and admit failings
- Letting them know you’ve listened if they have taken time to give feedback
- Making them feel you have gone out of your way to make amends if you delivered less than excellent service

This can all be supported by technology, which, if used effectively, will give each contact a strong sense that they are important to the firm – without the firm expending a disproportionate amount of resources to do so. 22

One initial barrier might be a cultural one. In some jurisdictions, lawyers have historically been told to keep what they know about contacts to themselves. However, it is now very important that it is impressed upon them that it is not *their* data, it is the firm's. Thereafter, as soon as contact is made, information gathering into the customer relationship management system can begin. The trick is to invest in CRM systems which use automation to take the pain out of data capture and organisation. 23

Subsequently, firms can also struggle to make use of the information they have at the point where it is going to matter to the client. Again, the right technology can intervene to ensure that anyone from the firm who is meeting that contact will automatically receive an up-to-date and user-friendly dossier ahead of the meeting. 24

That said, the information must be used sensitively. Letting a contact know that they have been 'stalked' through their digital interactions with the firm does not give a good impression. Using the data to inform a conversation does. 25

VI. Reliably Reliable

The final component of trust – the last piece of the jigsaw – is reliability. This is, in essence, the firm doing what it has said it will do, when and how it has said it will do it. 26

With effective transparency at the beginning of a matter, the client feels in control of the process. They know, as well as they are able, what should be happening and when. In order for the firm to deliver on its promises, resources need to be coordinated, processes followed and activities scheduled. While it is certainly possible to do all of this 'by hand', life can be made significantly easier if appropriate technology is used to support the humans. 27

As with integrity and respect, the aim here is to remove as much responsibility from people as possible and for them, in turn, to trust the technology to effectively support them. Use of tools to efficiently plan and distribute workload, as well as those that support process automation, can all help in making a firm more reliable and more trustworthy. 28

VII. Conclusion

It's important to say, in summary, that trust is not built in a day. Developing trust is typically a long term process because of its importance, it is one in which firms should consciously invest. 29

Remember too that trust can be lost very quickly with one misstep. So the firm's efforts should be consistent and persistent to build up "credit" in its trustworthiness *as a whole*. (Trust which is invested in individuals runs the risk of walking out the door when the individual leaves.) 30

Firms need to systematically and determinedly grow their clients' trust by working to embed the components of trust. This effort will be underpinned and made more successful by the right technology choices. Trust is simply too important to be left to chance.

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