



THE NEXT FIVE YEARS: FUTURE *of* LEGAL TECHNOLOGY

The Potential that External Collaboration,
the Adaptive Experience, and the Cloud
will Yield for Law Firms by 2025

A LEGAL BUSINESS REPORT BY ADERANT

INTRODUCTION

Four years ago, we introduced a thesis called “[Your Firm 2020](#).” At the time, we predicted the majority of law firms will expect legal technology to support better automation, mobility, and collaboration. We also noted that cybersecurity would be one of the most pressing concerns. As we publish this paper, we’re closing in on the final quarter of 2019 and we think those forecasts have largely played out.

Proof of this can be found from a variety of sources, including [Altman Weil’s 2019 Law Firms in Transition](#) survey: Regarding automation, the survey reports that “About half of the survey respondents (48%) reported using technology tools to replace human resources in order to increase efficiency of legal service delivery.” In addition, the survey noted that, “Most firms (62%) that have moved toward rewarding efficiency and profitability (not just absolute revenue) in partner compensation decisions have seen consequent improvements in performance.”

In the same survey, when asked what their firm is doing to develop a flexible, scalable and resilient business model, 63.3% of respondents cited a rethinking of office space requirements to include flexible, shared spaces. This suggests more and more firms are embracing the idea of mobility and the agile culture of today’s lawyers and staff.

Aderant’s own annual survey, the [2019 Business of Law and Legal Technology Survey](#), found that 57% of respondents use a mobile device for something as simple as time entry. Not surprisingly, it corresponded to their firms getting invoices published faster than those firms that did not enable mobile time entry for their lawyers.

As we have conducted this survey three years in a row, an interesting trend emerged in the way firms viewed cybersecurity. From 2017 to 2018, we saw a 57% spike upward of cybersecurity being a top challenge facing their firm. As this is such an important challenge, it’s no surprise it was addressed quickly. Consequently, from 2018 to 2019, we saw a 48% decrease of cybersecurity being a top challenge.

Yet if the past is prologue, then those developments were just the introduction to where legal technology (legal tech) is headed. In the next five years, we believe law firms will come to expect that legal tech must enable three emerging dynamics:

- business-to-business collaboration;
- an adaptive experience, and
- be primarily, if not entirely, cloud-based.

In this report, we will explain each of those concepts whilst also providing context and examples. We’ll describe how we think this will unfold and why it matters to law firms that want to remain competitive in the future.

HOW COLLABORATION HAS CHANGED INSIDE FIRMS

Collaboration has [changed](#) substantially inside of law firms over the last several years. In 2017, we [fielded a survey](#) of business of law professionals that found, “nearly half of all respondents (47%) said the people with whom they collaborate internally is different than it was five years ago.”

This development has unfolded for several reasons. First, client demands forced lawyers to collaborate with new roles amongst allied professionals. The rise of business of law titles in legal pricing, strategy, and cybersecurity are good examples.

Second, whilst we’ve seen positive signs of the growth of the legal market – these indicators are quite recent. Many in the industry will remember the market had remained more or less flat for years. Growth meant firms either had to capture more work from existing clients or capture market share from competitors. Both approaches required improving internal firm collaboration in order to capitalise on the opportunity.

Third and finally, the rise of [billing guidelines](#) and client-side [eBilling](#) systems squeezed margins. Time entries faced automated scrutiny, invoices were rejected more often, and law firms were dragged into prolonged appeals processes.

This, in turn, brought larger write-downs – all whilst slowing cashflow and reducing profitability. It was unsustainable. The resolution brought the back office and front office together – collaborating to hammer out improvements to operations and efficiency.

In hindsight, this was a remarkable transformation. However, when you get down to brass tacks, this collaboration largely centered around documents, where the potential is so much greater. In the next five years, it will evolve into something more impactful – such as initiating matters and facilitating legal decision making. More importantly, this level of collaboration won’t be limited to people inside firms; it will grow externally and come to include clients, partners, and suppliers.

LAW FIRMS, THEIR CLIENTS, AND BUSINESS-TO-BUSINESS COLLABORATION

External collaboration, or business-to-business collaboration, is an idea that's been around for a while. However, this too has largely been relegated to documents. That's all about to change.

Leading law firms are already beginning to think about business-to-business collaboration to better serve clients. This will also involve partners and suppliers that provide legal support services and technology. For example, it would improve client service and legal service delivery to have a single portal to track or interact with outside counsel, even when it has two or more firms working together on the same matter.

This is already happening. An excellent illustration of this stems from a collaborative project that was recognised as part of the [2019 Legal Week Innovation Awards](#). In short, Bryan Cave Leighton Paisner LLP (BCLP) teamed up with Pinsent Masons LLP and their joint client – the in-house legal team for Heathrow Airport – to develop a collaborative decision support portal.

A [press release about the award](#) published by BCLP characterised the project this way:

“BCLP worked collaboratively with Pinsent Masons and Heathrow, as part of a single-blended legal team, to manage the planning consent phase of the expansion of Heathrow Airport. A high-profile and complex infrastructure project, the planning aspects associated with the Heathrow expansion were considered too large for one external law firm. An industry-first partnership was shaped – the Single Integrated External Legal Team (SIELT) – made up of BCLP, Pinsent Masons and Heathrow's in-house team.”

As forward-leaning as this project may seem now, in five years, we believe the ability to set up this type of collaborative environment will be a minimum barrier to entry to winning legal work from premier clients. External collaboration will facilitate the work firms do with clients and third-party vendors in a way that is far more dynamic and transparent. More than sharing documents and posting invoices, it will be about collaborating on legal action items taking place inside a matter.

As clients come to expect their firms will be able to provide this level of collaboration, law firms too will expect their legal technology providers to enable them to support it quickly, dynamically and securely.

Some of the use cases we envision include the following:

Real-time reporting.

Clients are demanding more transparency such as the status of a matter or budget as compared to work-in-progress (WIP). Today, tech savvy lawyers can pull this up on a tablet computer in a meeting and show to a client on demand. In the future, an interactive external portal will provide a place where clients can obtain that information any time they want – without waiting for a meeting or for a billing partner to call them back. Practical applications might include matters priced on contingency fees or fixed fees, where a client can see how things are progressing as compared to a €200,000 budget, for example.

Matter initiation and decision making.

This example provides a place for clients and firms to kick-off new matters or to facilitate decision making as events play out in negotiations, arbitrations or rulings. These use cases may vary by the type of firm. For example, we see matter initiation proving most useful in transactional work, such as insurance defense, where decision making would be a fit for complicated matters that unfold over time and involve multiple law firms – like the example around Heathrow airport above.

Collaboration with third-party vendors to serve a client.

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Third-party payment status.

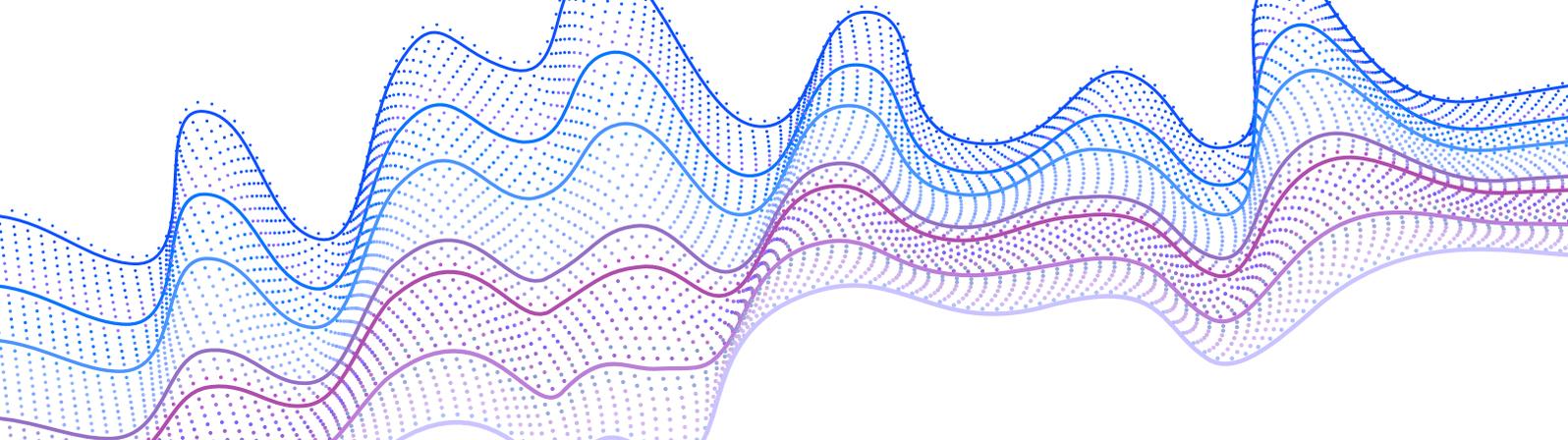
Legal support vendors are often not paid by a law firm until the firm is paid by the client. It would be useful for a law firm to provide a way for that third-party vendor to see where an invoice is in the process, which frees up time on both sides to attend to higher-level tasks. Similarly, this also works the other way around, where for example, the total cost for legal support exceeds a certain threshold, say €10,000, a client may wish to process and pay that cost directly – yet the law firm would still have visibility.

Some of these use cases entail sharing information in this manner that may sound uncomfortable for a firm today. There is little doubt, this will push law firms outside their comfort zone and beyond the [status quo](#). Yet the legal market has been making firms uncomfortable for the last decade or so, and the leading firms have responded, and will continue to do so.

In five years, we believe this deeper level of collaboration will be commonplace. Rather than winning awards, law firms will be filling out a standard section in RFPs about their external business-to-business collaboration capabilities.

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HOW THE VOICE INTERFACE IS SHAPING TECH EXPERIENCES

One of our executives noticed something different about the way his son was doing homework one night. He was working through his school assignment with his phone next to him. When he got stuck on a problem, he'd ask his phone for help – voice interaction.

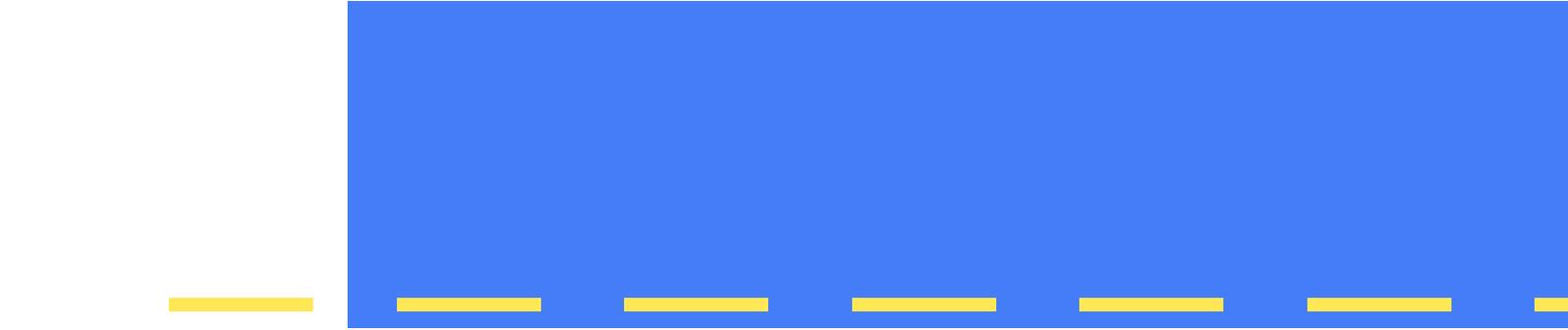
The executive observed that in his own work when he gets stumped, he typically types his question into a search engine. At a high-level, the mental problem-solving exercise was the same, but the processes and workflows were entirely different.

This is more than just a generational observation about people and technology. It is an indication of the adaptive experience we've all come to expect from our devices and software. Law firms are experiencing something like this today. Younger lawyers are becoming hard-pressed to remember a time before touch screens. Tomorrow, it'll be the same thing for voice interaction.

Consider the following:

- Three years ago, the technology research firm [Gartner predicted](#), that “30% of web browsing sessions will be done without a screen” by the year 2020.
- In 2019, Google added a [voice interface](#) to search from mobile devices and trade media reporting suggested, the company “appears to be conditioning searchers to use voice across all platforms.”
- In early 2019, Edison Research, which publishes [The Smart Audio Report](#) for the news outlet NPR, said 53 million adults in the US own smart speakers.

We've seen this before – this is the consumerisation of business technology in action. Remember how the iPhone, with its sleek and intuitive interface, was credited with having influenced business software and forced vendors to make their technology easier to use? We believe something similar is happening with voice interfaces today.



THE ADAPTIVE EXPERIENCE

Voice interaction is just the beginning of what is possible through what we call the adaptive experience. Voice interaction requires the technology to learn your voice and how you speak. The adaptive experience is an evolution of the same idea: it's a grouping of mobility and automation to the extent the legal software that learns with you, adapts to your preferences, and anticipates your needs. The benefit of this is efficiency and the ability to free up law firm resources to attend to more strategic concerns.

We foresee this manifesting in several ways:

Surfacing relevant research, documents, and experts.

At the very first interaction of opening a new matter, the software is already beginning to anticipate what the lawyers might need: narrowing down relevant legal research, surfacing related best practice legal documents to model, and identifying additional experts within the firm based on experience.

Matter planning, prediction, and forecasting.

When planning a matter today, law firms generally examine previous cases to determine staffing levels, time, and costs. Today, the firm has to choose which cases are most appropriate for financial modeling, but these systems will become far more predictive. As a firm begins to plan a matter, the system will be able to accurately forecast expected time, cost, and profitability based on precedent cases, and perhaps business intelligence, in the system already.

Automatically coordinating calendars and scheduling meetings.

Technology will begin to understand the language exchanged on a conference call. When it understands the conversation indicates another meeting will be required, it automatically analyses and presents the best available options for scheduling the next time and place.

Automating time entries and expenses.

Software will begin to understand – based on the ‘digital exhaust’ – the context of documents and matters in which a lawyer is working. It uses that context to begin suggesting time entries or expense entries based on the phase and task. In a sense, it’s predictive, the way search engines today strive to auto-complete your search query as you begin to type.

Another use case in this example, is when a lawyer doesn’t complete a time entry, there are a variety of ways technology helps them [remember and reconstruct their time later](#). Tomorrow, the system will take it a step further and write the entry for the lawyer and present it for their review and approval.

A third use case here is for those lawyers who still spend a lot of time editing and reviewing pre-bills by hand. The adaptive experience helps those lawyers work the way they prefer to work, whilst also bringing new efficiency – and that means being able to read and convert handwritten edits into electronic prebills.

More extensive billing automation.

Much of the billing process today involves data entry – staff keying in data. Future billing systems will learn over time, how those entries are completed and begin to pre-fill those data fields. This will accelerate billing, improve the accuracy of invoices, and free up staff to focus on analytical tasks.

We also see this progressing into activity-based billing. The technology recognises when activity in a law firm meets the billing threshold agreed upon in an engagement letter – and launches a billing workflow across a team assigned to a matter.

Dynamically writing rules to avert invoice rejection.

When an invoice is rejected, the technology is capable of assessing why the invoice was rejected, and then dynamically writing rules, for coding, staffing, or time entry narratives to prevent a future violation of client billing guidelines like that from happening again.

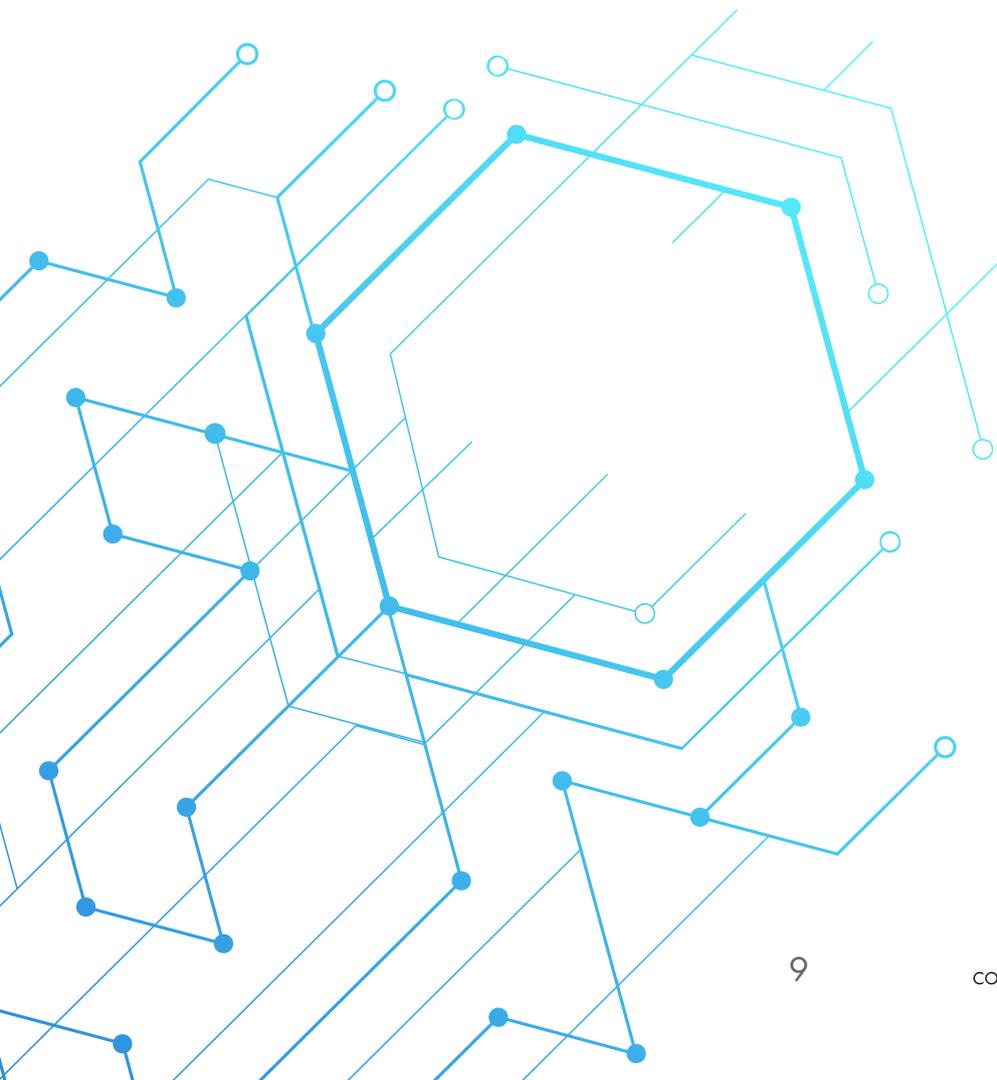
Business intelligence and client retention.

An adaptive technology interprets data across all the systems – not just financial – and is able to predict when work for any given client appears to be slowing. It sends a message to the partner with a data summary and suggests the probability of a given client becoming a flight risk has grown. It does this in time for a partner to save or strengthen the client relationship.

It's not enough to surface this information to be truly an adaptive experience – the technology has to surface it in the place the lawyer is working. Every large law firm has dozens of systems, but typically their lawyers tend to live and work in email, document management systems and mobile devices. The same is true for allied professionals, whether they are digging through business intelligence or the time and billing system.

Consider, for example, a meeting alert reminds a lawyer of a scheduled client call pending in 15 minutes – and that the client is past due on an invoice of € 25,000. The adaptive experience has to anticipate that lawyer's needs at that moment and on that medium. Perhaps flashing the past due message on the screen of a VoIP phone and providing a link to the invoice in their calendar invitation for that client meeting.

Still, legal work can take unusual twists and turns, so perhaps a system can't anticipate every possible need. When someone has a question, the adaptive experience makes it as easy as possible for them to find the answer, whether that's typing a question into a search box, swiping left or right, or asking a question through an old-fashioned voice interface.



ALL LEGAL TECHNOLOGY WILL BE CLOUD-BASED

Most law firms rely on the cloud at least “slightly” today – according to [the 2019 Aderant Business of Law and Legal Technology Survey](#). A few firms (2%) said they are completely reliant on the cloud, whilst most indicate they have some cloud capabilities. For many respondents, it’s probably smaller technology parts that are in the cloud – things like file sharing, email, or perhaps storage.

However, there was a much stronger reaction when respondents were asked about putting critical systems in the cloud; think: law firm practice management. About 27% said their system was either already there (9%) or they had plans to move to the cloud within the next 6-24 months (18%). In contrast a full 37% said their firm would not move the cloud in the foreseeable future and cited reasons such as “partner resistance” and “not our current model.”

Here’s the catch: we just don’t think avoiding the cloud is possible. Most firms will become overwhelmingly reliant on the cloud – which we define simply as someone else’s server – over the next five years.

Why?

Law firms are realising whilst they want to gain the leverage of technology, they don’t want to get in the business of managing IT. There are just too many reasons to move to the cloud when compared to an on-premise environment:

- The cloud converts large and unpredictable capital costs of buying and upgrading hardware to smaller and forecastable operating costs;
- The cloud reduces operating costs and the workplace disruption required to maintain hardware and software;
- The cloud supports access from anywhere with an internet connection, which brings inherent disaster recovery and business continuity assurances; and
- The cloud brings vendor security expertise, tools and talent that most law firms would struggle to match.

The question that remains is, these are all arguments legal professionals have heard for the last five years... why will this be different over the next five years? There are many reasons for this, including the fact that clients are asking for it – clients that want improved collaboration capabilities must be accepting of cloud environments.

To that end, clients were part of the original barrier to law firms moving to the cloud. Security was a principle concern back then, but clients too have come to recognise that their law firm can't match the security expertise of cloud providers like Amazon, Microsoft, or Google. Most importantly, in-house legal teams acknowledged that their employers already rely on the cloud to host sensitive data such as CRM, BI, and ERP.

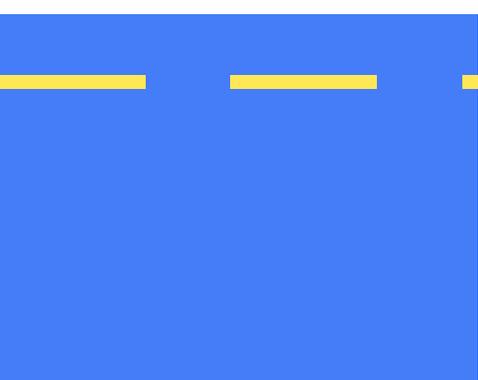
Clearly, the barriers are falling and many law firms, whether the lawyers realise it or not, have already begun to use the cloud. The penetration of Microsoft Office 365 is one of the strongest examples. Similarly, the migration of document management systems (DMS) to the cloud is isn't that far behind email.

Indeed, that's a roadmap some technologists recommend for moving to the cloud. "Start with email, then the document management system (DMS), and finally practice management," says Craig Bayer, a legal technology consultant with [Optiable](#), LLC, in the 2019 survey report.

Another objection that law firms had to moving to the cloud was the fact that features and functions of cloud-based products were still playing catching up with on-premises software. For a long time, law firms noted on-premises tools offered advantages of personalisation, customisation, and configuration. Some of these on-prem products had 20 or more years of development behind them, yet cloud products have used the last decade to catch up – and the gap is closing rapidly.

Finally, there were long held concerns about co-locating data in a public cloud – the physical geographic location of the data, including jurisdiction, was a related concern. However, as leading legal technology providers have poured research and development investment into cloud products, they created controls to address the fears of multi-tenancy.

In summary, the resistance to move to the cloud is purely one of acceptance. That's an objection that we believe the market for legal services can and will change by 2025.



WHY DOES THE FUTURE OF LEGAL TECH MATTER?

Why should law firms care about the future of legal tech?

One reason is technology is a way to respond to client demands and ward off the competition. A second reason is that technology helps improve operational efficiency. A third reason is that technology has a role in helping leaders create a culture that attracts the best talent.

Finally, law firms should care because the future of technology offers a [strategic advantage](#). Where one firm can replace existing technology with a new and improved version and gain incremental efficiency, others will view that moment as a more significant opportunity. These firms look for ways to use technology to better serve clients in new and creative ways – that’s what the future of legal tech is all about.

THE FUTURE IS ARRIVING AHEAD OF SCHEDULE

If much of this seems futuristic, rest assured that it is not. Most of what is described exists today, it’s just up to the providers, like Aderant, to mold it into products and tools that firms can put to use.

Collaborative technology isn’t new, even if the use cases are novel. Voice interaction, for example, is based on natural language processing (NLP) and machine learning (ML) that millions of people are using today. The cloud is undeniably pervasive.

If four years ago, 2020 seemed a long way off, then 2025 isn’t that far away. The future will be here faster than you think.

ABOUT ADERANT

Aderant, headquartered in Atlanta, Georgia, is a global industry leader in providing comprehensive legal business management software for law firms and other professional services organisations. Aderant is a market leader in technology solutions for practice and financial management, ebilling, knowledge management, business intelligence, matter planning, calendaring and docketing. Aderant is an established and trusted partner with its versatile and innovative technology solutions, superior customer service and reliable implementation process. Aderant operates as a unit of Roper Technologies, a constituent of the S&P 500®, Fortune 1000® and the Russell 1000® indices.

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