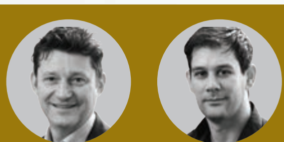
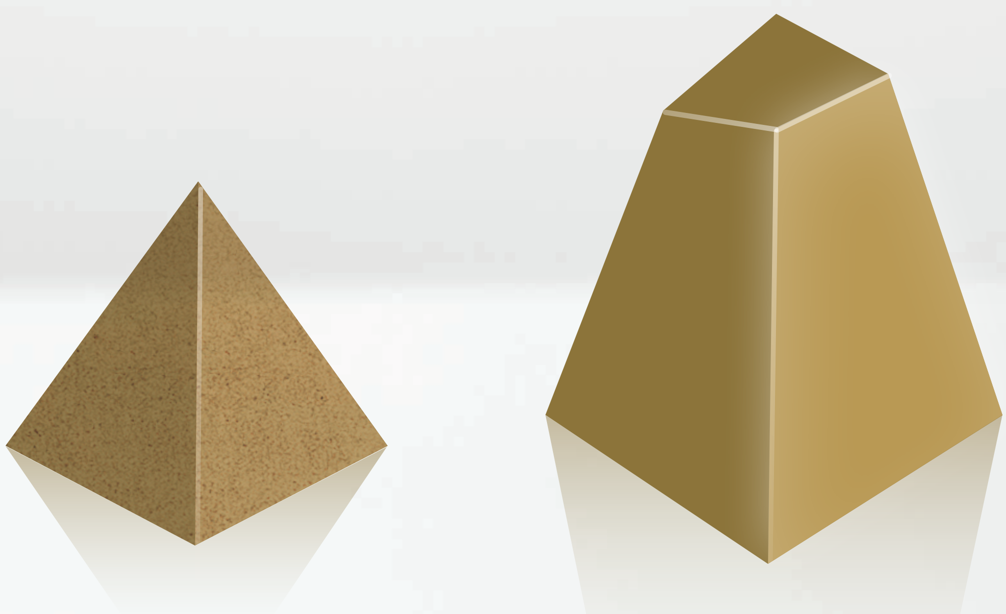
The shape of things to come



What if… technology transformed law firms into AI-led consultancies? It could happen. We speculate on the future of law and discover that major change is already upon us

Matt Byrne and Richard Simmons



For as long as anyone currently working in a big law firm can remember, the global legal market seems to have been poised on the cusp of revolutionary change. The best-known proponent of this view in the UK is still Richard Susskind, the architect of this prediction in 1996 in his book The Future of Law, which examined the impact of new technology on the provision of legal services.

Susskind repeated the warning six years ago in his book Tomorrow's Lawyers, in which he insisted that the way lawyers and firms work would change more radically over the next 20 years than it had "over the last two centuries".

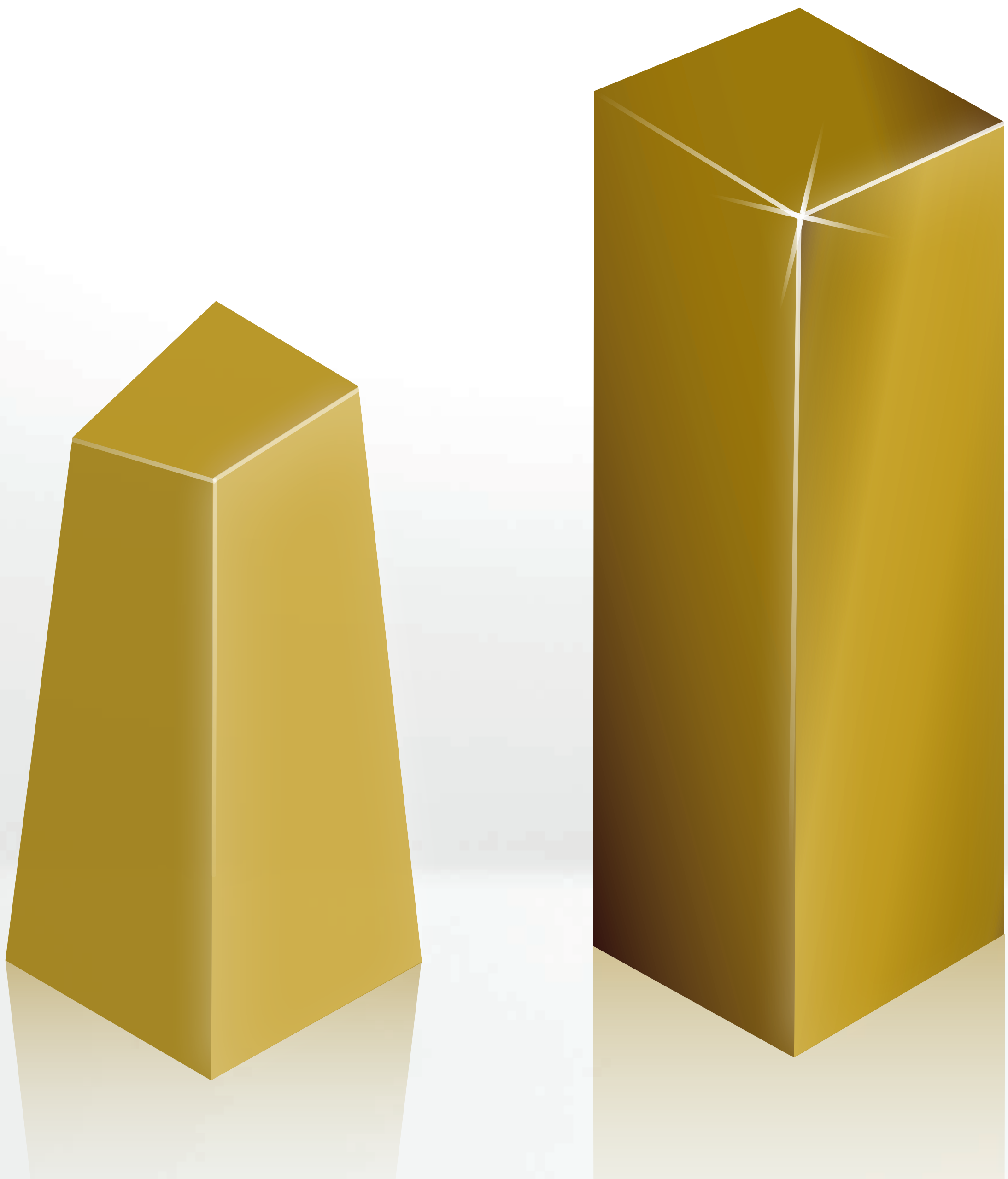
Now, finally, there are signs that these well-rehearsed prophecies are becoming reality. A growing number of legal market specialists, including senior lawyers, business services group leaders and academics, agree that the next decade will see Big Law transformed as clients demand new services delivered in new ways. It is a trend that demands a response from today's leadership if their firms are to remain relevant. And, of course, many are already responding.

In this article we highlight six scenarios ("What If…"), that illustrate aspects of this shift. Each are interlinked and overlap. Each has the potential to expand significantly over the next decade.

And each touches on ways firms are replacing years of traditional process with new ways of working. We call it 'six ways to attack the pyramid', but it is not just the pyramid model that is under pressure; it is also the very nature of the law firm.

The move to consulting

Some firms are already morphing, and quite rapidly. Pinsent Masons, widely seen as one of the leading UK firms in terms of providing adjacent and complementary



> A growing number of legal market specialists, including senior lawyers, business services group leaders and academics, agree that the next decade will see Big Law transformed

services to legal, refers to itself internally as 'a professional services firm with law at its core'.

It's a catchy way of expressing the firm's ability to expand its reach into a range of new service lines as well as its appetite for embracing new ways of working. Logically, this trend could result in Pinsents and other firms with a similar appetite for change transforming into a model that is closer to management consulting, just like the way accountancy businesses broadened their offerings away from their core discipline.

Other firms are also heading down this route. In January, the former co-head of Allen & Overy's (A&O's) banking group Andrew Trahair began a new role as head of the firm's Advanced Delivery group, its roster of technology and consulting client solutions that includes flexible resourcing business Peerpoint, derivatives-focused automated document production tool Margin Matrix (which it created in association with Deloitte) and the regulatory-focused A&O Consulting, headed by former JP Morgan managing director Sally Dewar.

Still only a few weeks into the job, Trahair told *The Lawyer* that there was a need for even greater focus on these kinds of services.

"We need to up the ante in these investments," confirms Trahair. Notably, just days later, A&O launched the consultancy business in Australia.

'Upping the ante' has been happening a lot in the UK legal market recently, as firms diversify their offerings to meet client demand in what Trahair calls, "a joined-up approach".

The extent to which any firm morphs over the next decade will depend upon the extent to which it is prepared to be radical, still a rare concept among most lawyers. But some are already prepared to break the mould. Which brings us to "What If" scenario number one.

What If...
law firms broke the hours mould?

The four-day week is still in its infancy but Dutch firm BvdV has implemented this model, basing it on the average minimum number of chargeable hours each year its lawyers need to work for the firm to break even. It usually works out at around 600.

Lawyers set their own hourly rate with their clients. For billings above the break-even point, they receive half while the other half is distributed between BvdV shareholders (who are elected by the employees).

"Most firms have a billable target but we have a billable cap," says BvdV attorney Martina van Eldik. "We don't want people to work crazy hours, so the limit is 1,120. You can work more, but it will not be financially beneficial to you. In the end, being a lawyer is a creative profession and we believe no one is creative if they are working from 7am to 7pm, and weekends as well.

"You're more creative when you take a walk in the park and have time to think and relax. Then, in the four days you work, you're actually more productive and energetic."

It is an exceptionally unusual model, of course, and it is notable that BvdV only has around two dozen lawyers. But if the four-day week is still too radical a concept, there are other experiments taking place, including at some of the world's largest firms.

In 2017, Linklaters began a trial in its German offices of a scheme it dubbed 'YourLink'. Now made permanent, participating lawyers work a regular 40-hour week and are not expected to check their emails out of hours. Graduates on the scheme start on €80,000 (£70,000) in the first year of their job, instead of the €120,000 offered on the 'classic' career path.

And in 2017, French workers won the 'right to disconnect'; that is, not have to check their email outside of work. The fact that it is French, Dutch and German employers experimenting with such schemes is significant. Not every country shares the Anglo-American attitude to work.

Until recently the concept of a four-day week tended to be dismissed as a pipe dream but in the last couple of years has become a much more realistic prospect, with workplace automation and flexible working making the idea more practical and palatable for employers.

Shadow Chancellor John McDonnell raised the potential for it to be introduced into Labour Party policy last October, confirming it was on the agenda, "because I think people are working too long".

Small businesses such as medical communications agency Synergy Vision have tested the idea, while in January, The Guardian revealed that the Wellcome Trust was considering trialling a four-day week for its 800 head office staff, giving them Fridays off with no reduction in pay. So could such an idea work in the world of commercial law?

"So long as revenue is tied to the hours people are able to bill, substantive change is very hard to achieve," says futurist Alex Soojung-Kim Pang, author of Shorter: How Companies are Redesigning the Workday and Reinventing the Future. "It's difficult for a firm to get its head around the idea that you could go to a four-day week if you raise your fees by 20 per cent. Even if you become more efficient and automate work, justifying that to clients is a conversation most people have trouble imagining having a positive outcome."

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> *Alex Soojung-Kim Pang*

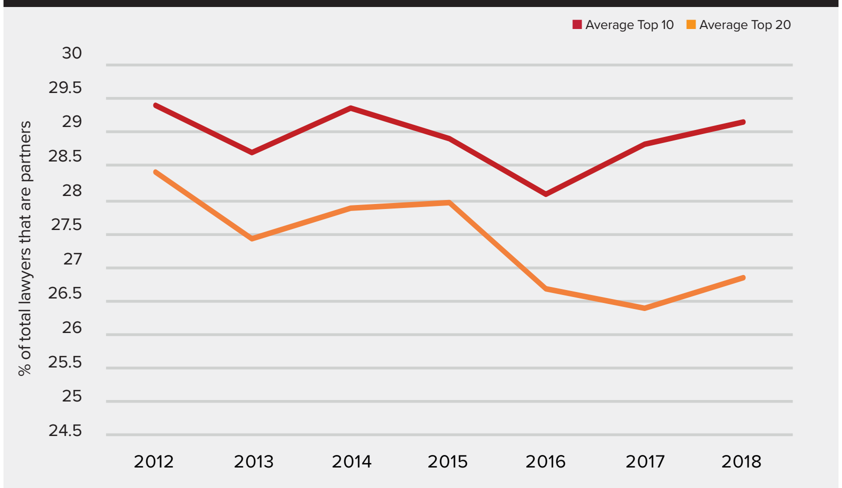
What If...
traditional leverage was no more

Our second trend specifically focuses on the demise of the deeply entrenched pyramid model. This has been much discussed over the years, but today's accelerating market pressures suggest that what was once impregnable may no longer be appropriate for the next decade.

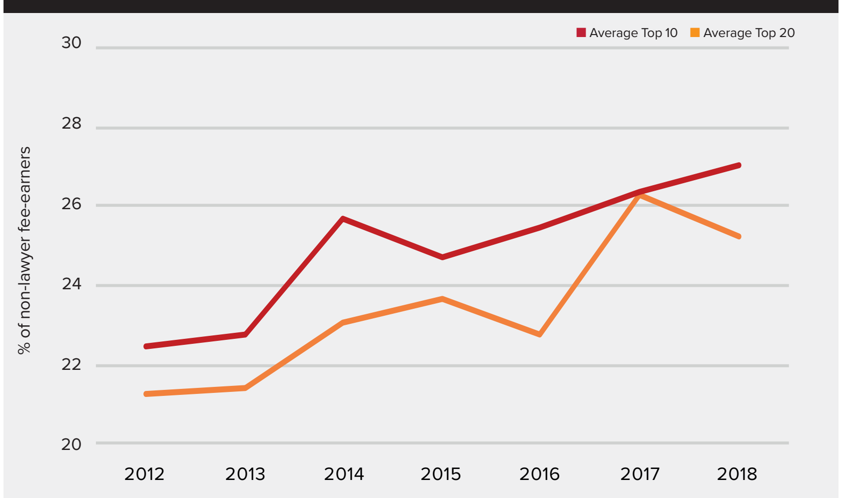
In fact, as the UK 200 data on page below reveals, the pyramid is already showing signs of crumbling. For decades, the traditional law firm model has deviated little from having a small number of equity partners at the sharp end of a structure populated by fee-earners in ever-decreasing tiers of seniority but ever-increasing levels of commodity-type work. The lower on the pyramid you are, the lower the quality of the work you do and the less you get paid.

Another characteristic of the pyramid model is its 'up or out' nature, in which if an individual 'fails' to progress to the next level they generally leave the business. Both

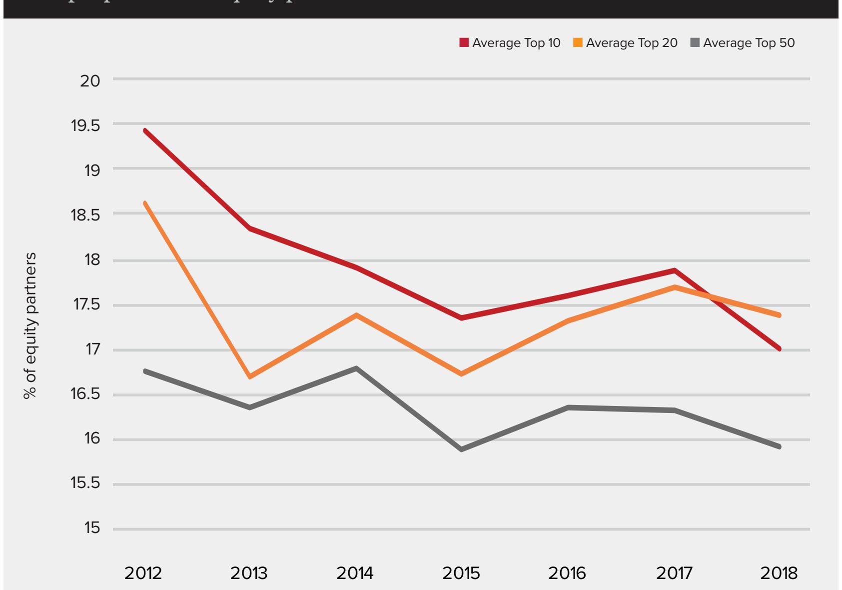
The proportion of partners to lawyers has barely changed since 2012



The proportion of non-lawyer fee-earners has risen since 2012



The proportion of equity partners has declined since 2012



Source: UK 200 2018

of these features are predicated on a method of delivering legal services that has barely shifted in 200 years.

Now, pressure on fees and rates, ramped up competition from new entrants and technology-driven methods of delivering legal services, coupled with the demands from all levels of staff (not just millennials) for the ability to work flexibly, remotely, even sporadically, suggest the pyramid will at last change meaningfully.

"I believe that as technology comes much more into play then this [the pyramid] will transform into this," says Macfarlanes digital and innovation advisory practice group head Mike Rebeiro, illustrating what he calls a 'tower' by placing his hands a few inches apart and in parallel.

In other words, the classic pyramid structure will gradually be replaced by a model in which there is much more uniformity between the numbers of lawyers and other fee-earners.

Data from the UK 200 confirms that the erosion of this model is already under way. Since 2012, the proportion of non-lawyer fee-earners (such as paralegals and legal executives) in the top 10 firms to qualified lawyers has grown from 21 per cent to 25 per cent. Across the top 20 the shift is from 22 per cent to 27 per cent. This may not sound like a seismic shift but equates to around 1,500 jobs across the UK top 20 alone.

In the top 20 firms, the proportion of qualified lawyers has stayed approximately the same over the period, as has the proportion of partners to total lawyers, while firms' total headcount has grown. The impact of this change over time will be to grow the, still relatively small, cohort of non-lawyer fee-earners until it is similar in headcount to that of qualified lawyers, flattening out the leverage.

The UK 200 data also reveals the shrinking equity partnership across the UK's largest firms. In 2012, almost 19.5 per cent of all lawyers in the UK top 10 firms were equity partners. By 2018 that had fallen to 17 per cent. The data shows that the smaller the firm, the less pronounced the change. Across the top 20 the shift over the same time period was from 18.6 per cent to 17.4 per cent while over the top 50 it was from 16.7 per cent to 15.9 per cent.

"The UK data shows already a contraction in the ratio of the number of lawyers in the UK 200," says Macfarlanes' Rebeiro. "As digital and other technologies continue to disrupt, I think we will only see this trend continuing and the evolution of new "non- traditional" legal roles within many firms."

What If...

law firms followed the sun

The 'follow the sun' resourcing model may be nothing new in broader business terms but it remains elusive in the legal market. "In my experience shared services centres currently allow you to operate at best 24/5," says Clyde & Co global head of communications Stephen

"Vario this year will be about 60 per cent up in revenue on last year. Our growth is accelerating"
Matthew Kay, Pinsents

Doggett. "If you wanted truly 24/7 you'd probably need to look at adding in a centre somewhere such as the Middle East, where it's not a Saturday-Sunday weekend."

But some firms are edging closer to achieving it, and at least part of the impetus behind this trend is the perceived growing competition from tech-enabled (and therefore time-zone agnostic) new entrants to the market.

As Elevate president and co-founder John Croft puts it: "People are worried, apprehensive, and realistic about companies like Google being a central player [over the next decade]. This directly bleeds into most people seeing the global, 24/7 workday as a must in order to compete with a goliath like that."

This January, Herbert Smith Freehills (HSF) confirmed it was extending its alternative legal services centre network with an e-discovery team launch in New York, its first in the US. Now, along with its existing capabilities in London, Belfast and Australia, HSF believes it will be able to give its clients a 24/7, integrated and in-house service.

HSF's move followed similar recent launches, with Baker McKenzie and Ashurst both announcing plans to open centres last October, in Tampa, Florida and Brisbane, Australia respectively.

Bakers was one of the market's trailblazers, having launched one of the first shared services centres nearly two decades ago, in Manila in 2001 and followed by Belfast in 2014. By then, Manila's headcount had grown to more than 800 while Belfast is pushing 350 (with space for 450) with Tampa aiming for 300. Even so, it has not quite yet achieved full FTS capability.

"At the moment we have no further expansion planned," says Jason Marty, Bakers' global COO and the man behind the Belfast launch. "But a consultant said to me when we were opening Belfast, 'once you open the second very quickly you start thinking about the third and fourth'. So, we will be constantly thinking 'do we have the right footprint?'"

And this is likely to be one of the key questions for many global firms over the next decade, as achieving genuine FTS capability will require significant investment.

As Mike Polson, director of Ashurst Advance (the firm's innovation-focused team) says, the top priorities for any firm with sufficient scale to make a shared services centre viable are quality ("the number one priority"), access to a talent pool ("not just legal but graduates in IT, HR, finance and so on") and cost.

Trahair suggests that more Belfast-style operations are at least a possibility at A&O.

"Some of our services, such as document production, IT support and new business acceptance are already global and done in multiple offices and some do follow the sun," says Trahair.

"We don't at the moment have a full shared services office like Belfast in other time zones but over time some of these local groups like IT support in Singapore could develop into multiple shared services centres."

What If...

all firms worked flexibly

The fourth of our trends is the dramatic uptake in the flexible resources model. Indeed, so significant is the pace of change in this part of the market that the managing director of Pinsents' flex resource arm Vario, Matthew Kay, believes that a ten-year horizon to 2030 is simply too far ahead to be meaningful.

"Things are already changing very rapidly," says Kay. "It has changed dramatically over the past three to four years. We've gone from nought five years ago to where we are now. Vario this year will be about 60 per cent up in revenue on last year. Our growth is accelerating."

Vario's revenue growth this year, which comes on the back of around 30 to 40 per cent growth in previous years, also underlines the structural, behavioural and cultural changes in the once ultra-conservative UK legal market.

"Our ability to find talent, and the market's comfort around using flexible resource that is fronted by a law firm, has changed from a time where clients were dipping their toe in the water to one where they're building their resource plans at the beginning of the year around the need to use this type of resource," says Kay. "Clients are going into the year knowing they're under headcount and they will get the resource they need from their law firm flexible resource provider."

The increasing availability of talent is evidence of "a virtuous circle", says Kay. As more lawyers enter the flexible market the talent pool becomes deeper. This means more clients are likely to access the resources they need in the locations they need them. That in turn gives greater confidence to more lawyers to move into the flexible working arena because they know the work is out there. More clients then use them. And so the circle rotates.

This should mean that businesses, including law firms and their clients, have more flexibility to park difficult decisions around permanent headcount levels at a time of unprecedented uncertainty.

"It's a business model that's working for them, they're building it into their core thinking around how they meet their legal needs," insists Kay.

That's the theory, at least, and it may be increasingly true of corporate legal departments. Less so law firms, which can also use flex resource but seem reluctant ▶

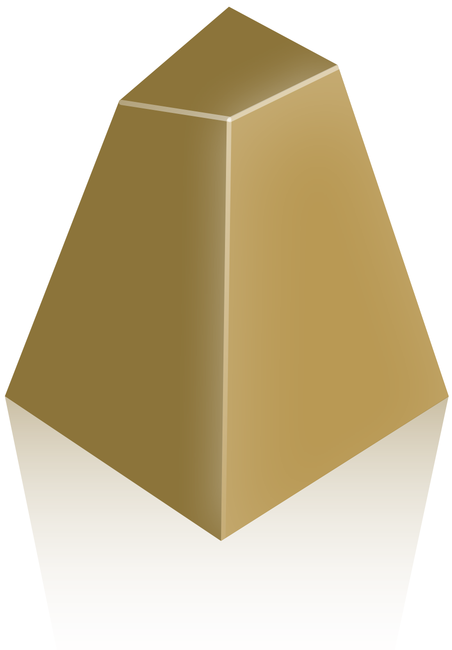
ALSPs FINANCIALS

If you're consoling yourself with the fact that ALSPs are still a relatively minor part of the market in terms of total revenue, then stop. That won't always be the case.

Data in a recent study by Thomson Reuters, Georgetown Law, Oxford Saïd Business School and Acritas showed that the use of ALSPs by corporate legal departments and law firms was growing faster than projected. It is now a market worth more than $10bn (£7.7bn). It also found that ALSPs are projecting a growth rate of 25 per cent over the next few years.

"The 2019 report captures the expanding influence of ALSPs on the global legal ecosystem," said Eric Laughlin, managing director of Thomson Reuters Legal Managed Services in a press release. "It's not surprising to see adoption of ALSPs by both legal departments and law firms growing at a pace that has exceeded expectations. Their combination of specialised expertise, unique delivery models and use of cutting-edge technologies is rapidly disrupting the space."

Mari Sako, professor of management studies at Saïd Business School, added: "In a short period of time, ALSPs have evolved from a relatively unknown phenomenon into a fast-growing segment that is an integral part of the legal services industry. They are expanding the available range of services by combining talent and technology."



“The most successful platform businesses are about bringing together an ecosystem of buyers and suppliers”
Mike Rebeiro, Macfarlanes

to do so.

Jomati principal Tony Williams says he regularly encourages firms to think about using more contract lawyers to help address challenges on profitability, often with little success. “It absolutely makes sense to have a cost base for say 95 per cent of budget and bring the rest in on a flex-type model as a resource that is not a fixed overhead,” says Williams. “You now have very good people who are working flexibly and it would very significantly de-risk your business. But most firms are still not doing it. They say ‘yes in theory’, but then say ‘we can’t get the right people’, or ‘our lawyers like their team’ and so on. But they should take a look at such a model which may also help to reduce their premises costs.

What If...
law firms become platforms

Our fifth and sixth trends are directly linked and represent probably the most significant agents for change in the legal market: new technology and the importance of data analytics. Their impact draws together numerous challenges but also creates significant opportunities.

The latter was underlined in February when US firm Wilson Sonsini Goodrich & Rosati became one of the first in the market to launch its own software development business, SixFifty, aimed at automated document drafting. Expect others to follow suit.

On the flip side, one obvious challenge is the impact tech will have on the Big Law business model.

“Big Law loves big M&A and big litigation, partly because it gets the grey matter working but also because these matters generate a whole load of grunt work where, even now, firms need armies of paralegals,” says one senior lawyer at a UK firm.

“Document review can be the most profitable part of large-scale disputes or M&A. The market has moved on a bit from the days when firms made their money out of photocopying, but the speed of change today means the shift in service delivery patterns is likely to accelerate and firms will have to respond.”

When the work paralegals handle does become fully automated and is priced as a commodity, firms will need to adapt.

“The strides which the technology has made over the last five years are significant. There are now enough firms using it, you’d expect the quality of that to get better,” says the lawyer. “Logically that is likely to mean that the amount you can charge for it just goes through the floor. What does that mean for your revenue?”

New technology is also likely to change the way firms interact with clients, with some morphing into ‘platform businesses’ that sell services on a subscription, rather than an hourly rate-based, model.

“The most successful platform businesses are about bringing together an ecosystem of buyers and suppliers,” says Macfarlanes’ Rebeiro. “I think that the successful law firms of the future will provide a platform from which their clients will come and interact together. So it might be another client on the platform who answers a question that a different client has asked on that platform.

“We’re all lawyers; you don’t have to spend 20 hours researching the answer to a question because that question has already been answered by another bank to another bank.”

Data and knowledge will be at the heart of this change, with both monetised and weaponised in a targeted, personalised way to upsell other activities.

“In terms of the model, think computer games and freebie apps,” says Rebeiro. “Fortnite generated $2.4bn in 2018 a large percentage of which was through in-app purchases. What I think you’ll end up with is firms saying, ‘we’ll make our whole suite of commercial contracts available and upsell it by giving away stuff for free. I think people will be prepared to pay a premium for personalised legal services.”

What If...

your firm’s biggest biller was its knowledge manager

Data will also be one of the drivers behind an expected increase in sole supplier deals, in which one legal services provider handles all of a client’s work in a particular business stream. If firms can properly mine the goldmine of client data to highlight patterns, risks and opportunities, both should be able to make better business decisions.

This is where tech and longstanding relationships can help lawyers on both sides of the equation become more commercial. For in-house lawyers, putting all of their run-the-company work through one firm should result in the latter developing significant and actionable institutional knowledge about that client. That can be fed back to both sides’ benefit. Indeed, some firms’ strategies already have this approach deeply embedded within them.

“If a general counsel can say ‘we’re going to stop doing X,Y and Z because the data’s telling us the decisions we’re currently making are leading to the following types and numbers of claims’, then that means we can help the business reduce the claims against it by X’,’ says Pinsents’ director of knowledge and innovation delivery, David Halliwell.

“Clients are expecting law firms now to start to see links between different business risks that they might not have done before.”

As an example, in November last year E.ON renewed its existing sole supplier deal with Pinsents for another five years after a full market review. Last year, Balfour Beatty also confirmed that it would be retaining Pinsents’ services, the third time it has formed such a deal with the firm.

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David Halliwell, Pinsents

CVC and ULX

The impact of external capital on legal services and as an agent of accelerated change has been long talked about, but nothing so far has come close to CVC’s acquisition of alternative legal services provider (ALSP) UnitedLex last year.

In September, CVC Capital Partners acquired a majority stake in UnitedLex (ULX) for around $500m, believed to be the largest investment of its kind ever. It was borne out of almost three years’ research by the private equity house, with the assistance of Bain Consulting.

Its half billion is likely to significantly expand ULX’s international reach and penetration of major corporate clients’ workload. But there will be other benefits.

ULX founder Dan Reed says that while CVC’s “initial thesis” had been to inject money into technology development and unearthing potential merger partners, it found that the maturity of legal tech lagged well behind other industries. Consequently, it shifted its focus for 2019. ULX is budgeting around $10m-$15m to what Reed calls “a two-pronged approach” to training.

Prong one is investment in the academy, focused on deep domain-based training, that ULX founded in 2013. First-to-fourth-year lawyers take an accelerated six-month to two-year programme teaching contemporary legal skills including project management, eDiscovery, technology, cybersecurity, contract management, patent licensing and IP management.

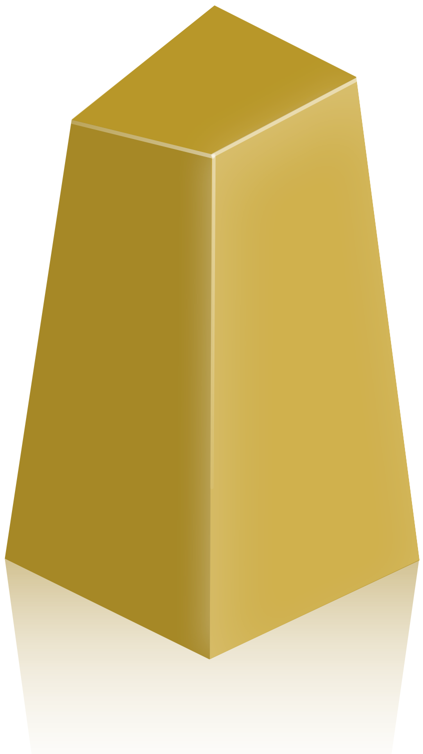
Prong two is the part-virtual Digital Lawyer Institute, launched in collaboration with tech business DXC (and, notably, general counsel Bill Deckelman) which develops skills and competencies traditionally outside lawyers’ core training and at what Reed calls the intersection of law, technology, and business.

“Tech and mergers are sexy, but for 2019 the biggest impact, where you’ll see truly meaningful change rather than just conjecture, is in the area of training,” says Reed. “It’s desperately needed. ‘Going digital’ is the focus of leadership of most major corporations, with the specific action of finding new ways to drive massively greater value in how business operates. This is the brave new world, and a key challenge for lawyers in corporate legal departments is to stay relevant and keep pace with the business.”

It boils down to what Reed calls, “value capture”, a three-point focus on driving performance and quality gain; risk reduction; and cost reduction.

“CVC’s extensive evaluation of the legal industry resulted in a conviction that law departments as never before must focus on adding value to the business, going well beyond the traditional focus risk and day to day basic legal needs,” says Reed. “This focus is a very real catalyst for the pressure to evolve. And training is what enables true manifestation of the promise of technology and process refinement – at levels that address material scale and complexity to keep business flowing.”\And the impact of this shift on traditional law firms?

“It will sharpen their focus,” insists Reed. “They’re a critical component of the legal services ecosystem, but evolution is happening.”



> There's always a tension between should we invest in new solutions or stick to our core strengths, but our clients confront all sort of problems and our job is to help them find a solution"
>
> *Andrew Trahair, A&O*

While Pinsents' ability to offer what E.ON head of legal Kirin Kalsi called "a competitive price" naturally played a role in it securing the deal (this was at least in part a costs-reduction drive by the energy company), another major factor was the institutional knowledge Pinsents has of its client, allowing it to supply E.ON's in-house team with the data, technology and specialist talent it needs to help improve the overall business's performance.

Other firms are also taking this data-rich approach. DWF's business model incorporates an integrated approach to both commoditised work and higher-end work. "All of the big firms are saying 'we're innovating' and you have New Law providers saying, 'it's just process and tech, so you don't need the paraphernalia attached to delivery to extract the value'," says DWF's CEO for managed services Anup Kollanethu.

"But that's forcing GCs to choose between two spectrums. We'd say in contrast that we have a platform built both for business-as-usual and bet-the-company, as and when the need arises."

This trend will see the rapid rise of importance in firms of data and knowledge specialists.

"Law firms will transform themselves on a foundational cornerstone of knowledge," says Justine Reeves, head of knowledge at Clyde & Co. "Knowledge has an intrinsic value, but that value is all about systemising what it is we do with the marriage of law and technology. But even the word 'data' scares most lawyers."

"The knowledge manager role is going to balloon in importance, largely because legal data is still a mess," says Elevate's Croft. "Whether that means they get compensated appropriately remains an open question."

As HSF's CEO Mark Rigotti puts it, "knowledge and data specialists, not M&A lawyers, will be the rock stars of the future".

Who, other than possibly an M&A rainmaker, could argue with that?

Where are the rewards?

As some of these service offerings grow in size and importance to firms' overall business they will raises big questions, not least how will these professionals (who are increasingly not lawyers) be rewarded and incentivised?

But it is worth underlining that for most firms these are still very early days. Two years ago, in *The Lawyer* UK 200 report, we highlighted the growth of law firm consulting businesses, asking whether they were generating enough revenue to make establishing them worthwhile. Our research found that 23 per cent of the 144 firms that responded to the question had set up at least one consultancy (Hogan Lovells had four). But compared to the revenues generated by legal services, most remained small and little more than an add-on.

Indeed, among the largest was Eversheds Sutherland's ES Consulting, which was generating in the region of £10m to £15m. Not yet enough to concern Bain. And yet. "There are certainly wider-ranging implications of the significant changes you're now seeing in the market," says Eversheds Sutherland CO-CEO Lee Ranson. "I have no doubt our size and structure will change."

"The bulk of our business is still fairly traditional, but we're clearly investing in a number of alternative services and delivery models," says A&O's Trahair. "Different clients want different things, and law firms have been trying to work out different ways of providing those services efficiently. There's always a tension between should we invest in new solutions or stick to our core strengths, but our clients confront all sort of problems and our job is to help them find a solution."

"For most law firms, doing deals and handling litigation will remain the core but certainly we and other firms are extending into areas that have law at the core but are adjacent to it," agrees Jonathan Brayne, the chairman of A&O's tech innovation space, Fuse.

Ultimately, the biggest issue facing traditional firms is this: the old approach no longer looks fit for purpose. "Would a firm look the same if you started today with a blank sheet of paper?" asks Ranson. "No, of course not."

Still, as Susskind has already recognised, that's a tough line to sell when you're addressing a roomful of millionaires happily working in the old model. Then again, that doesn't mean it's not accurate.

The answer to the oft-asked question 'what would an international law firm look like if you were to build it today from scratch' is a bit like the punchline to the old joke about a lost traveller asking for directions: "If I were you, I wouldn't start from here."

In other words, if you did want to build a Big Law firm today, it wouldn't look much like any that currently exists. And that is the issue facing the leaders of the world's largest firms. Law firm leaders need to dismantle decades of crusted-on cultural, procedural and professional norms while at the same time adding talent in new areas, getting buy-in from partners to explore new ways of delivering legal advice and convincing those same partners to invest in new legal services-enabling technology. That is easier said than done.

As RPC managing partner James Miller puts it: "The days of being a 'producer-manager' running the firm are looking increasingly numbered."

Clifford Chance's global head of people and talent, former capital markets partner Laura King, ▶

"Knowledge has an intrinsic value, but that value is all about systemising what it is we do with the marriage of law and technology"

Justine Reeves, Clyde & Co

TRAINING

What happens when technology whittles away at the need for junior lawyers and paralegals? And, critically, how can the profession train new lawyers if all of the lower-level work they used to do is automated?

What happens when technology whittles away at the need for junior lawyers and paralegals? And how can the profession train new lawyers if all the lower-level work they used to do gets automated?

Futurist Alex Soojung-Kim Pang, the author of Shorter: How Companies are Redesigning the Workday and Reinventing the Future, says the key is how that tech is utilised.

"The first thing I'd do as a managing partner would be to make the big strategic choice that all heads of organisations have to make regarding how they plan to use automation and AI," he says. "Do you want to deploy these technologies in a way that specifically aims to eliminate workers?"

But, Pang says, there is a different direction: using technology to augment human skills and productivity. "I would draw an analogy with Uber," he says. "It's trialling self-driving cars, and one scenario is that Uber buys thousands of them, and everyone who worked for Uber is now unemployed.

"But option two is Uber sells that tech to its drivers, so drivers go from driving cars to being robot managers. You have the same tech and a similar set of outcomes for customers, but because of who decides how the tech is implemented you get different outcomes for workers. This is a choice that every executive is going to have to make in the future: whether you want to replace your workforce or help workers become smarter, more flexible and move higher up the value chain."

Some firms clearly are already thinking about how technology can be integrated into training. Clifford Chance's 'Ignite' scheme will see the firm take on five trainees in autumn 2021 and put them through a programme specifically focused on legal technology and on which they can achieve qualification as a solicitor after two years.

Universities are adapting too. Goldsmiths University is launching its first-ever law degree and will build technology into the curriculum from the start while Manchester University's first-ever legal tech module, developed with law firm input, launched at the end of January 2019.

"We aren't equipping our students to go into the jobs that are becoming available," says Professor Claire McGourlay of Manchester University. "It's not about expecting lawyers to learn to code or to be computer science students, but giving them an awareness of what it is they are going to be facing."

One of the guest lecturers at Manchester is Alistair Maiden, the founder of legal engineering business SYKE. He is already teaching students how to code and also brings them into his company working part-time.

"We're really respectful of their exams and other commitments, but actually there is a lot of free time in a student's calendar, and it is working nicely," he says. "We took our first one on as part of a pilot scheme in July, and he said that the experience helped him with his degree more generally because he's getting that practical experience that helps contextualise things."

> There's much more disaggregation of putting the right experts on the right matter at the right time."
>
> *Laura King, Clifford Chance*

says there has been a marked change over just the past five years in the firm's approach to professional resource management.

"Now when we're staffing a matter it's not about partners stalking the hallways to see who's available, we've brought in experts who know how to do it," says King. "There's much more disaggregation of putting the right experts on the right matter at the right time. There has been a vast explosion of these differently deployed experts, some of whom are working on top matters as billing individuals."

King adds that the trend for law firms to move towards a consulting model with a much wider variety of experts and a multi-disciplinary approach raises real challenges for practice group and firm-wide leaders.

"It can be a real psychological change for business unit leaders who are surrounded by experts in other areas," confirms King. "They tend to be comfortable leading lawyers because everything they do is something they also did. With the growing numbers of new specialists, a different kind of leadership is needed. You have to equip your leaders to be strategic."

Change is already here

At the risk of painting an overly polarised picture of the legal services market, this is precisely the point at which the law companies come in. Last year's landmark $500m deal between private equity giant CVC Capital Partners and US technology, consultancy and process improvement provider UnitedLex looks like a game-changer.

It epitomises the accelerating pace of change in the legal services market over the past 12 to 18 months. For the leaders of any legal services provider it should have come as a clarion call: change isn't coming, it's here (see box on page 29). "The law firm structure as it's known today will be upended in exchange for flexibility in staffing, access to the latest technology and the data analytics training that will be core to the career of legal professionals into the future," insists Elevate's Croft.

A&O's Brayne believe that the opportunity for his firm to diversify into products and platforms beyond pure law is significant. Indeed, it is putting its money where its mouth is with a standalone R&D budget, the Advanced Delivery budget, to fund investments and address "the real issue of prioritisation".

"It's a lot easier today to get investment for areas such as this than it was 10 years ago and will be a lot easier in 10 years' time than it is today," Brayne adds.

"What is relevant to clients, that's the key," says Pinsents board member Alastair Morrison. "It's not about launching a product line to get a revenue stream, even though the flex models like Vario have unearthed a bigger demand for these services than was maybe anticipated. We don't look at it like that. It's much more about long-term relevance."

To Morrison what matters is the combination of skills that is important to a relationship or on a deal, regardless of whether or not these are traditional lawyer skills. How can a firm like Pinsents build the processes and technology to develop those skills? How does it run these still nascent businesses and manage them as they grow?

"Vario has been successful because we've professionalised the running of it," adds Morrison. "We're being thoughtful about where the value is being built and generated, and how we can have an inclusive business with engagement and participation for the people who are driving that value for the firm."

That sounds very much like the future. TL