THE PIVOTAL CONNECTION OF PARTNER BUY-IN, CHANGE MANAGEMENT & LAW FIRM EFFICIENCY

Does the efficacy in which a law firm collates and submits invoices also shape their competition? Not in a way that’s immediately obvious.

The efficiency of any business process is not just about technology, but also a function of leadership. Leaders wield the influence to embrace change and guide their teams to achieve improved levels of performance. While not conclusive proof, the results of the 2019 Aderant Business of Law and Legal Technology Survey underscore this assessment.

Throughout this report, we suspect you too may see evidence of an empirical connection among intangibles like leadership and change management – to the downstream effects on the business of law. It makes a lot of sense when you think about it: removing systemic stress around essential processes provides a firm with a new capacity to turn their attention to other things. Things like pausing, reflecting, and observing new sources of competition that are coming into focus on the horizon.

For the third year in a row, we’ve had the privilege of polling business of law and legal technology professionals for this survey. Importantly, that’s what makes this particular report so unique in the legal community – because allied professionals are largely the nerve center of a modern law firm.

Indeed, there’s no better group to articulate just how pivotal the connection among partner buy-in, change management, and efficiency is to a law firm. Thank you to all who participated!

Deane S. Price
Chief Executive Officer
Aderant
**The better times for legal continue.**

More than 90% of respondents say this year is at least as good as last year. More specifically, about half (54%) say times are better and smaller subset (8%) even say much better. On the other end of the spectrum, another 8% say things have gotten worse compared to last year.

**The top challenges facing firms.**

Operational efficiency (31%) and pricing (29%) are the top challenges facing law firms in 2019. Pricing has ranked as the No. 1 or No. 2 challenge all three years Aderant has fielded this survey. Cybersecurity dropped to seventh place with 18% – down from second place last year. Rounding out the top five challenges are technology adoption (26%), change management (22%), and growing business from existing client accounts (19%).

**Where firms see competition.**

Law firms see other firms as the top source of competition (53%), followed by clients taking work in-house (22%) and alternative service providers (15%). Interestingly, a segment analysis shows that firms that publish invoices more efficiently – an essential business process that runs smoothly – are more likely to see alternative service providers as a larger competitive threat.

**The time it takes firms to publish an invoice.**

Including prebills, about 38% of law firms say they publish client invoices in a week or less. About one quarter (24%) say this process takes 1-2 weeks; 20% say 2-3 weeks and 7% say publishing an invoice takes more than 3 weeks. Sentiment points to delayed time entry, printing off paper copies, and the continuation of clients-side adoption of eBilling technologies as friction points that slow the billing process.

**Law firms and cloud adoption.**

About three-quarters (74%) of respondents say their firm is “somewhat” or “slightly” cloud-based. Cloud adoption, “depends on privacy and indemnity,” writes one respondent. However, about one-third (34%) leave the window cracked open to the possibility of putting critical systems in the cloud over the next two years. “Email first, DMS second, then practice management likely third,” says another.

**Tech tools firms find most effective.**

Respondents said fundamental tools like document management and time and billing have the greatest impact on their firm. Much hyped concepts like artificial intelligence (AI) and blockchain ranked last out of 18 possible choices.

**Partner buy-in for innovation has a second order of effects.**

Respondents indicated that managing partners who were more supportive of new business of law initiatives and tech projects were 24% more likely to say this year is better than the last and were 25% more likely to say they get invoices out the door in a week or less – among other findings.

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**EXECUTIVE SUMMARY**
HOW IS BUSINESS COMPARED TO PREVIOUS YEARS?

More than half (54%) of all respondents report business in their law firm is “better” or “much better” than it was last year. This is slightly down from 2018, but still markedly higher than 2017.

While the 2017 survey only polled U.S. law firms, just 40% reflected the view that business in their firm had improved at that time. A crosstab analysis of this year’s survey indicated the optimistic tilt remained true even when the data was isolated to compare US law firm answers from this year with answers from last year. For example, 54% of the U.S.-based respondents said business had improved.
THE BETTER TIMES CONTINUE FOR MOST, BUT NOT ALL

More than 90% of respondents say this year is at least as good as last year. On the other end of the spectrum, 8% say things have gotten worse compared to last year. We asked respondents “Why?” and below is what we heard:

Those that said this year was about the same:
• “It is still a battle to win new clients and to do the current work more efficiently.”
• “Still in recovery from 2014 downturn; business/clients are hesitant to start new projects.”
• “While revenue continues to grow, attracting and retaining talent is challenging.”

Those that said this year was better:
• “Demand has picked up and so has utilization.”
• “We are expanding in other markets and continue to grow.”
• “We are retaining more clients; whose cases are more profitable.”

Those that said this year was worse:
• “Lower productivity and demand for our services.”
• “Changes in the insurance defense industry.”

These results are consistent with the results of the survey last year and further, there are multiple data points suggesting demand for legal services has picked up over the last few years. However, as we’ve observed in a blog post on the Aderant Think Tank, the growth in demand may be disguising the fact that some firms are outperforming peers by taking market share.
WHAT’S YOUR ASSESSMENT OF THE STATE OF THE LEGAL MARKET?

“The magnitude of change depends on the individual firm – it’s geography, practice areas, leadership, culture, and willingness to embrace change.”

Laura J. Broomell
CLM, Chief Operating Officer
Greene Espel PLLP
www.greeneespel.com

The legal market today is just like it has been for the last three to five years: in a constant state of fluctuation. The magnitude of change depends on the individual firm – it’s geography, practice areas, leadership, culture, and willingness to embrace change.

Our firm, which specializes in complex litigation, with 30 attorneys in Minnesota, recently celebrated our 25th anniversary. But things change so quickly that every day, we have to think and act like we’re a brand-new firm because what we did 25 years ago doesn’t matter today.

When you get down to it, the state of the legal market is really a mindset. It means continuously asking ourselves:

• What’s the best way to manage our cases?
• What’s the best way to improve our operational efficiencies?
• What’s the best way to collaborate and communicate with our clients?

In addition, firms have to continuously improve these core aspects of legal service, even as we face new requirements that range from the cultural, like diversity and well-being – to the operational, like flexible work environments and cybersecurity.

Culture is about as real as it’s ever been. It affects more than a firm’s ability to attract talent; there’s also a clear business impact because clients are keenly interested in the culture of their law firm partners. For example, diversity increasingly shows up on RFPs and in the annual scorecards corporate clients hand out to law firms.

Similarly, some of the more operational factors have a strong correlation to culture. For example, the very notion of what constitutes a workspace in a law firm is changing. This is especially true among our younger attorneys. It doesn’t matter where in the world you might be – working from home, working from the beach, or on client travel in Europe – you still need access to client and firm data, and it must be secure.

So, the state of the legal market continues to be in a state of change. If some firms are doing better than others, it’s a reflection of demand for legal services in the context of the compounding effects of all these changes.
TOP CHALLENGES FACING LAW FIRMS

2019  2018  2017

31% Operational Efficiency  32% Operational Efficiency  40% Operational Efficiency

29% Pricing Pressure  36% Pricing Pressure  43% Pricing Pressure

26% Technology Adoption or Implementation

22% Change Management

19% Growing Business from Existing Clients  22% Growing Business from Existing Clients  28% Growing Business from Existing Clients

18% Winning New Business

17% Cybersecurity  33% Cybersecurity  21% Cybersecurity

A FOCUS ON DELIVERING LEGAL SERVICES MORE EFFICIENTLY

Law firms continue to face a broad diversity of challenges. While no single challenge earned a majority of the responses, those that garnered the most – pricing, operational efficiency, technology adoption, and change management – are all centered around delivering more efficient legal services.

Among those that selected “other,” some wrote in to identify the following:

- “Partners and key employees aging and looking at exit plans, need to attract younger talent.”
- “Retaining quality employees.”
- “Increasing costs and expenses.”
- “National firms moving into the market.”

Interestingly, cybersecurity dropped to seventh place with 18% this year – down from second place last year when it netted about 33% of the votes cast. While security is still an important issue, it is not ‘new’ anymore. For many firms, security audits are a big part of the RFP process. This may suggest law firms are generally growing more confident with the subject matter of cybersecurity.
WHERE ARE FIRMS SEEING THE MOST COMPETITION?

53% OTHER LAW FIRMS

22% CLIENTS TAKING WORK IN-HOUSE

15% ALTERNATIVE LEGAL SERVICE PROVIDERS

5% TECHNOLOGY REPLACING ATTORNEYS

4% OTHER

A SLOW CHANGE IN THE COMPETITIVE LANDSCAPE?

The single largest source of competition law firms face is still other law firms. That’s according to 53% of the respondents. That answer was followed by legal work moving in-house (22%) and alternative legal service providers (15%).

While the survey last year (2018) did not ask a question about competition, we did ask it the year before that one. In 2017, 62% of respondents identified other law firms as the top source of competition. In addition, that same year, 29% identified the in-house legal trend and 5% ranked alternative service providers as the most significant source of competition.

By way of analysis, the order of precedence among who law firms see as the top competitors has remained constant, but the numbers do seem to be shifting. Alternative legal service providers (ALSPs) have certainly gained a lot of attention lately. Seven of our esteemed contributors to our annual year-end predictions list explicitly cited alternative business models and service providers as an emerging trend in 2019.
Many firms have thought about alternative providers and have acted. First, at least a half-dozen firms have announced partnerships with alternative providers – most recently in early June 2019 when Ashurst announced a partnership with Cognia Law.

Second, many large law firms have imitated aspects of alternative legal service providers (ALSPs). I wrote about this in 2012 and again in a 2018 post. The trend I noted in both continues today:

- most of the U.K. top 30 firms operate wholly-owned low-cost centers for both business and legal support;
- some global firms now operate multiple low-cost centers;
- many large U.S. firms hire staff attorneys who offer clients better value for certain work;
- dozens of large firms use efficiency and quality enhancing tools, for example, machine learning to accelerate contract review in due diligence.

ALSPs can be friend or foe, problem or opportunity. Prominent coverage by the legal media and blogs reflects that markets and clients have spoken – they want value for their dollars and multiple options for legal delivery. That trend will grow in my view. To date, it appears that ALSPs have gone after work that many large firms don’t pursue. In the future, there may be more head-to-competition. If that does occur, I expect even more law firms will either partner with them or adopt more of the efficiencies the ALSP pioneered.
**BILLING PROCESS AND EFFICIENCIES**

### Time changes the competition and profitability
The findings here are generally in line with prior year findings and consistent across firms of all sizes. There is little difference in how long it takes to publish an invoice by law firm size. What is different this year is the following comparisons:

**a)** There is a strong correlation between the efficiency of the billing process and who a firm considers as a source of competition. This suggests that a smooth and efficient billing process frees up law firm resources, time, and awareness to consider changes in the market like the rise of new competitors.

**b)** One of the areas that bogs the billing process down is in the very beginning – getting time entered. There are several things a law firm can do to help time entry along and mobile time entry is just one of them. Getting time entered sooner shows up in financial metrics like profitability – that the survey suggests firms that support mobile time entry solutions publish invoices faster just adds credence to the notion.

<table>
<thead>
<tr>
<th>Average time to send out client invoice</th>
<th>Relationship between time-to-invoice and who firms see as competition</th>
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<tr>
<td>&lt; 72 hours</td>
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<td>Unsure</td>
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<tr>
<th>Alternative Service Providers</th>
<th>Clients taking work in-house</th>
<th>Technology replacing attorneys</th>
<th>Other law firms</th>
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<tr>
<td>39%</td>
<td>33%</td>
<td>63%</td>
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TRENDS AND CROSS ANALYSIS

Comparison of average time to send client invoices by year

The time it takes to publish an invoice impacts profitability for several reasons: 1) the obvious impact on WIP-to-cash; 2) outside counsel guidelines (OCGs) typically require timely billing or risk being rejected and 3) memory fades with time and firms are more likely to write down invoices the longer they sit around.

Mobile device time entry by lawyers

Average time to send client invoices including prebilling process

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<th>Mostly</th>
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<td>&lt;72 hours</td>
<td>36%</td>
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<td>&lt;1 week</td>
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<td>1-2 weeks</td>
<td>41%</td>
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<tr>
<td>2-3 weeks</td>
<td>77%</td>
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<tr>
<td>&gt;3 weeks</td>
<td>13%</td>
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How long does it take big law firms to publish client invoices?

Unsure: 20% '19, 12% '18, 9% '17
Always: 22% '19, 27% '18, 25% '17
Sometimes: 32% '19, 37% '18, 37% '17
Rarely: 24% '19, 20% '18, 21% '17
Never: 16% '19, 11% '18, 11% '17
eBILLING PROLIFERATION

What percent of your firm’s monthly billings are processed through a client spend management or eBilling system?

- 31% (20% or less)
- 28% (21% – 40%)
- 15% (41% – 60%)
- 7% (61% – 80%)
- 7% (81% – 100%)
- 12% (Unsure)

About one-third (29%) of law firms put the percentage of invoices processed through legal spend management on eBilling systems at about 50% or more of their overall monthly billings. This is up 9% from 2018.
WHAT THEY SAID

In addition to the question about how long it takes your firm to publish invoices, respondents were asked an open ended question about why it takes so long.

Here are some of the comments submitted about the billing process:

“Delays due to billing attorney review.”

“Managing partner does not keep up on his time entry.”

“The billing process from prebill to invoice does not take us a long time. The bottleneck is getting the attorneys to submit or enter their time.”

“It depends on the billing attorney. Some bills take only a few days, some take a few weeks.”

“Still a very manual process that passes through too many hands causing bottlenecks in each area.”

“We print out prebills for partners to review.”

“With LEDES billing we have to go into each prebill (100+) and make corrections based on client requirements.”

“Electronic billing to the client takes some significant time many times to make sure everything is compliant.”

“There are too many eBilling platforms and they all put laws firms at a disadvantage. The legal industry should develop an eBilling platform that meets its needs and the client’s needs, so the exchange of data and the management thereof is balanced.”
WHAT ARE SOME WAYS FIRMS CAN BETTER MANAGE CLIENT eBILLING REQUIREMENTS?

“The goal of billing is the same – getting paid and turning the time entered to cash – the process of law firm billing today is more complicated than ever.”

David Glicksman
Director of Finance
Lester Schwab Katz & Dwyer, LLP
www.lskdnylaw.com

What happens when a budget was created under the L100 task code, but the actual work was being recorded to the L200 and L300 task codes?

You probably guessed it! The bill gets rejected. Attorneys are often baffled by this especially when there’s plenty of money left in the budget.

That’s just one of many anecdotes with which anyone involved in the law firm billing process can probably identify. Most of us have dozens of stories like these because while the goal of billing is the same – getting paid and turning the time entered to cash – the process of law firm billing today is more complicated than ever.

Why?

Here are just a few of the reasons that come to mind:

• Many clients have billing guidelines that require matter, budget and timekeeper pre-approval, among many other rules, for billing work to their matters;
• While some clients have similar or common core guidelines, other clients have specific and detailed rules that apply only to their matters; and
• Client-side eBilling platforms will automatically reject non-complying bills upon submission and each client has their own requirements and time frames for appealing a rejected bill – which can adversely impact the realization rate.

What’s a law firm to do?

Here are a few ideas for better managing the eBilling process at different stages in the billing cycle:

1) Start with time entry
Many firms wait until the end of the month to have their billing department scrub time entries to comply with billing guidelines. Some firms simply leave it up to the timekeepers. Develop some type of summary or knowledge management setup to compare and contrast the differences – and make sure each relevant stakeholder knows this when they enter their time.

2) Use tech tools to validate time entry
Some technology systems have upfront validations to make sure the time entered meets the billing guidelines immediately upon entry. In addition, there are validations for checking for new timekeepers, actual spend vs. budget, and disbursement control – among others.

Additionally, some law firm side eBilling tools (Aderant BillBlast or a similar tool) can serve a check and balance for both the billing department and the timekeepers. These will perform additional scrubbing and validating of time entries before submission based on the stored guidelines. It also helps to manage and simplify the submission process.

3) Follow the process through to payment.
Once the bills have been submitted, the focus turns first to make sure that the bill has been accepted by the client, and not rejected. Then to make sure that the bill is approved in a timely fashion and that all reductions are addressed for appeal. Some vendor platforms (such as Tymetrix T360) requires the appeal to be done initially before final approval or payment is completed.

It is important to monitor each step of the process to see the pending status of each submitted bill. In some cases, approval of a bill is just a first step, not a final step, meaning it doesn’t always lead to an actual payment being issued. As such, the billing and collections department needs to work closely together to follow the eBill as it winds its way through every stage – and to determine when a phone call or email is necessary as opposed to simply managing the electronic workflow.

4) Continuing education is required.
Most attorneys don’t understand the complexity of the eBilling process. Specifically, it’s important to help them understand how critical their budgets, actual time entries, and yes, the task codes they use, are to make sure each bill gets paid timely.
LAW FIRMS AND CLOUD ADOPTION

Degree of cloud reliance within firms (i.e. storing data, hosting applications, using cloud-based tools)

- 2% My firm is completely cloud-based
- 12% My firm is mostly cloud-based
- 39% My firm is somewhat cloud-based
- 35% My firm is slightly cloud-based
- 12% My firm is not using the cloud or cloud-based tools at all

The law firm and its cloud
The answers for cloud adoption were generally true across firms of all sizes. In other words, small firms do not appear to be more likely to embrace the cloud than large ones and vice versa. As a follow up to their firm’s plans to move to the cloud – we asked “Why?” and here is what respondents said:

**Plans to move to the cloud**

- **9%** It's already in the cloud or is cloud-based:
  "[It provides the] availability of info to any employee, no matter where they are."

- **7%** Yes, within the next 6-12 months:
  "Email first, DMS second, then practice management likely third."
  "Implementing a DMS."

- **4%** Yes, in the next 12-18 months.

- **14%** Yes, in the next 18-24 months:
  "My firm has recently purchased a server-based system that has options to be based in the cloud."
  "We just upgraded our server and the version of [practice management] is only 4 years old."

- **37%** No, not in the foreseeable future:
  "Partner resistance ."
  "Not our current model."

- **28%** My firm will never move to the cloud.

- **1%** Unsure:
  "Not sure fully cloud is viable. Private cloud is the next viable option."
  "Something we are considering but no timeline."
  "Depends on privacy and indemnity."
In 2005, Hurricane Katrina gave law firms in New Orleans an unforgettable lesson in disaster recovery. Many firms had the foresight to bring their backup tapes with them when they evacuated. However, there was one critical problem: they didn’t bring the backup tape drives.

As the natural disaster unfolded, firms realized it would be weeks, or even months before they’d be able to get back to their offices in the city. As a result, they had few options for getting back up and running.

One idea was to paddle a boat back to the office. Then they’d have to carry a server that could read the tapes down several flights of stairs. Keep in mind, in 2005, servers were big, bulky, and heavy. In addition, there was no electricity so the task would be done in the dark and without air conditioning in the heat of August.

The second option was to buy tape drives. Legal technology consultants like me flooded the auction sites like eBay to acquire these for our law firm clients. Bidding wars ensued and the prices soared.

Today, we have a better option, and it’s called the cloud. It’s not a question of if but when a firm will move. The cloud isn’t a fad, it’s not going away. However, the key challenge that remains, is obtaining the support of the law firm leaders and partners.

In my view there are three high-level ways to build the business case for the cloud:

1) **The cloud supports disaster recovery.** Cloud applications just work and they work from wherever you have an internet connection. Law firms don’t have to worry about taking the backup tapes – or tape drives – with them in an evacuation.

2) **It’s a good case for savings.** The cloud sometimes looks more expensive to law firms, but it probably isn’t. Law firms struggle with the cloud subscription model because they are accustomed to owning their software and servers and paying for it in a lump sum. The monthly payment model requires a level of acclimation. However, if you tally up all the costs of maintaining the infrastructure a cloud solution will replace, it’s usually far less expensive.

3) **Security is stronger in the cloud.** Ransomware has surged in the last few years, and law firms haven’t been immune. The fact is even the largest firms in the world have servers connected to the internet, which makes them susceptible. Those firms have to hope their IT staff – who get pulled in all sorts of directions every day – have the same time and resources to defend against threats as the dedicated cybersecurity specialists employed by the cloud companies do.

Where should firms start with the cloud? As one respondent to this survey noted, start with email, then the document management system (DMS) and finally practice management. I completely agree with that approach and would underscore that it’s appropriate to do this in smaller pieces. In other words, don’t wait to do it all at once.
TECH TOOLS ENABLING EFFICIENCY

The selections this year are in line with previous years. By weighted average, which accounts for those responses that said these tools have little-to-no impact, the top tech tools all address fundamental aspects of legal businesses such as working efficiently, managing the work or managing the firm:

1. Document management
2. Time and billing management
3. Case or matter management
4. Financial management or ERP
5. eDiscovery
6. Docketing
7. Knowledge management
8. Mobility and mobile applications
9. Business intelligence
10. Matter pricing and planning

Interestingly, artifical intelligence and blockchain ranked low on the list. That’s not to say these technologies aren’t promising, they just aren’t having an impact currently.

As lawyer and consummate legal technology journalist Bob Ambrogi recently observed, “…little advanced tech has filtered down to the actual lawyers working in the trenches of daily law practice.”
The first step toward operational efficiency is recognizing that no one person in a complicated and inter-related supply chain can or should be allowed to define efficiency. Many law firms confuse partner preference with efficiency, or profitability, or quality. But a paralegal who handles the same task six different ways for six different partners know that this is not efficient, it’s not profitable, and it reeks of poor quality. You know who else has this same perspective? The clients. As a client, I may not have the deep subject matter expertise to question your approach when you tell me, and then bill me, the “best” way to tackle some legal issue. But when five of your partners do it differently and then bill me differently for it, the one thing I know for sure is that none of you know what quality looks like, otherwise you’d all be demonstrating it consistently. So operational efficiency is an enterprise-wide mission, where we include all stakeholders in the discussion of how we do and deliver our work because this is the optimal way to identify opportunities for sustainable, meaningful improvement.

Law firm partners must also accept that sometimes operational efficiency is a euphemism for “I won’t change how I practice, so let’s find faster and less costly ways to fix my mistakes.” If timekeepers don’t have the discipline or financial incentive to record their time, buying a faster or more mobile time entry tool for them to ignore will have minimal impact. If clients examine every invoice in detail and routinely find instances where tasks specifically prohibited in outside counsel guidelines are nevertheless billed, a speedier and more thorough prebill review process might improve Outside Counsel Guidelines compliance. But we can achieve far greater compliance by using OCGs upstream long before we do the work, first by questioning why we keep doing billable tasks that the client clearly doesn’t value, and secondly by identifying alternative and less-costly ways to do these tasks. We can’t treat operational efficiency as something separate from legal services efficiency, because streamlining our back office will never recoup what we lose by doing work inefficiently that the client won’t pay for.

Finally, we must treat operational efficiency as a competitive differentiator. Clients are becoming savvier buyers, so they’re less likely to hire a firm they like that doesn’t have the necessary expertise, and partners are unlikely to “win the work first and we’ll figure out how to do it later.” This means we can assume we’re constantly competing with others who have just as much expertise as we do. Differentiation comes, therefore, in how we deliver the services. If a client can rely on our firm to deliver in half the time as others, that may give them a competitive market advantage and this, in turn, can lead to repeat business and premium rates. Operational efficiency allows us to provide more precise budgets, because we’ve mapped out this work and know what to expect, and we can account for multiple contingencies in our forecasts. This reduces surprise and improves collection realization rates and timing. Operational efficiency allows us to delegate work to those with the right skill set because we explicitly know who has the experience and to spread the work to maximize utilization rather than have pockets of over-worked producers alongside idle timekeepers.
CHALLENGES AND BENEFITS OF CHANGE MANAGEMENT

The notion of partner buy-in and leadership support is an important aspect of change management. In turn, change management is important to innovation, process improvement and technology adoption. To gain deeper insight into these answers we again asked respondents, “Why?”

Is it challenging to obtain leadership support or law firm partner buy-in for new business of law initiatives or new technology projects?

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<th>YES</th>
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<th>SOMETIMES</th>
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<tr>
<td>32%</td>
<td>18%</td>
<td>43%</td>
<td>7%</td>
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<td>47 firms</td>
<td>27 firms</td>
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Those that say gaining partner buy-in is challenging:
- “Cost versus perceived benefits.”
- “They do not know about technological advances and have no patience to learn about any related information.”
- “Many in leadership do not see the struggle of those on the front line.”
- “There is a committee for this, but there are different viewpoints that need to come to an understanding of what is best for the firm as a whole.”
- “This is the number one issue holding back teams from making advances.”

Those that say gaining partner buy-in is not challenging:
- “Our management is progressive. Our managing partner says, ‘If I can do it, we can all do it.’”
- “Innovation leader ensures partner or staff buy-in.”
- “It has been challenging until very recently. The attitude is changing as the members see the importance of keeping the technology up to date.”

Those that say gaining partner buy-in is challenging sometimes:
- “A fair amount of leadership is still older generation who don’t adopt technology quite as freely as some who are younger.”
- “They are partners and sometimes adverse to change.”
- “Very entrenched in their ways. Cost. Time to implement.”

Business compared to previous years
Those that said “no” were 24% more likely to say this year was better than last.

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<th>MUCH BETTER</th>
<th>BETTER</th>
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<td>39%</td>
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Mobile device time-entry by lawyers
Those that said “no” 20% more likely to enter time on a mobile device.

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<tr>
<th>MOSTLY</th>
<th>SOMETIMES</th>
<th>RARELY</th>
<th>NEVER</th>
</tr>
</thead>
<tbody>
<tr>
<td>54%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MOSTLY</th>
<th>SOMETIMES</th>
<th>RARELY</th>
<th>NEVER</th>
</tr>
</thead>
<tbody>
<tr>
<td>74%</td>
<td></td>
<td></td>
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</tbody>
</table>

The 2019 Aderant Business of Law and Technology Survey
Average time to send client invoices including prebilling process

Those that said “yes” were 36% more likely to say this process takes 2-3 weeks or longer to complete.

<table>
<thead>
<tr>
<th>Time</th>
<th>&lt;72 hrs</th>
<th>&lt;1 week</th>
<th>1-2 weeks</th>
<th>2-3 weeks</th>
<th>&gt;3 weeks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>44%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>29%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Those that said “no” were 25% more likely to get invoices out the door in a week or less.

<table>
<thead>
<tr>
<th>Time</th>
<th>&lt;72 hrs</th>
<th>&lt;1 week</th>
<th>1-2 weeks</th>
<th>2-3 weeks</th>
<th>&gt;3 weeks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>54%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>8%</td>
<td></td>
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</tr>
</tbody>
</table>

Future cloud adoption

Those that said “yes” were 14% more likely to say they’ll move to the cloud in the next two years.

<table>
<thead>
<tr>
<th>Status</th>
<th>Already</th>
<th>Yes, in 6-12 months</th>
<th>Yes, in 12-18 months</th>
<th>Yes, in 18-24 months</th>
<th>Not in foreseeable future</th>
<th>Never</th>
<th>Unsure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>44%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>30%</td>
<td></td>
<td></td>
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</tbody>
</table>

Despite the conventional wisdom, it’s not the big firms that are necessarily most resistant to experiments and new ideas.

Those that said “no” were 24% more likely to say firm is at least “somewhat cloud-based.”

<table>
<thead>
<tr>
<th>Firm Size</th>
<th>&lt;24 attorneys</th>
<th>25-100 attorneys</th>
<th>101-200 attorneys</th>
<th>201-500 attorneys</th>
<th>500+ attorneys</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>64%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>45%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
1. Be clear about your destination and why you’re heading there. What specific aspects of your culture do you want to change, and in what ways do you want them to change? How would you measure whether the change has been successfully achieved? And most importantly, why do you want your culture to change in this way? Everyone in your firm’s leadership and senior management should be able to answer these questions accurately and concisely. Woolly visions of “excellence” or vague aspirations to “improvement” are insufficient.

2. Communicate firm-wide your goal, your path, and your rationale for going there. Connect personally and regularly with every member of your firm, lawyers and otherwise, about what culture change you’re trying to achieve, how you intend to achieve it, and why you’re even trying. Internal newsletter articles or announcements at retreats are insufficient. Sit down with your people at the start and look them in the eye as you explain your plans. If you don’t have time to communicate your goal, path, and rationale in this way, then you don’t have time to change your culture.

3. Lead by example from the top. No attempt to change organizational culture will really take root if the firm’s leaders merely preach without practicing. Rank-and-file lawyers and staff members who are being told to embrace innovation will watch what the corner partner and senior rainmaker do (or don’t do) -- if they seem to be exempted from the new rules, the effort will fail. Relatedly, if you tell people you want more innovation, but your compensation and promotion structures still incentivize the old behaviors, nothing will change.

4. Monitor, measure, and publicize your results. If you want new behaviors, watch closely for and loudly praise examples of those behaviors as they occur, and publicly reward those individuals and groups that are behaving differently. Lawyers, in particular, seem to respond well to intramural competitions in which one group or office can outshine others and be rewarded for it. Equally, be ready to come down (hard, if necessary) on lawyers and groups that refuse to adjust to the new expectations. Carrots and sticks should both be in your arsenal.

We need to start with some definitions because these terms are notoriously vague. I propose defining “legal innovation” as any measurable change in the business activities of the law firm – or in the creation, management, or delivery of its services – that results in more efficiency, effectiveness, or client value and that ideally generates a competitive advantage for the firm. That’s obviously a sweeping definition, but I see no reason to exclude or penalize a well-intentioned innovation effort simply because it’s modest or unoriginal. And for “culture,” I’d use my own definition of ‘the daily manifestation of an organization’s explicit performance expectations and its implicit behavioural norms.’

Using those parameters, this becomes less a question of innovation per se and more a question of culture change. And bringing about measurable changes in a law firm’s culture is an extraordinarily challenging and long-term project. Here are some suggestions.

This isn’t, or shouldn’t be, groundbreaking stuff: it’s essentially change management, which is easy enough to grasp but really hard to implement and see through to the end. But my main point is that this isn’t about innovation per se, it’s about slowly bringing about a shift in the underlying culture – the norms and expectations, the encouraged and tolerated actions and behaviours – of your law firm. That requires patience, diligence, fortitude, and strong leadership. Good luck.

“Bringing about measurable changes in a law firm’s culture is an extraordinarily challenging and long-term project.”

Jordan Furlong
Principal
Law21
www.law21.ca

WHAT CAN FIRMS DO TO CULTIVATE A CULTURE OF LEGAL INNOVATION?
What is the Potential of AI in the Legal Sector?

“Many impressive inroads have been made in the quest to endow computers with semantic and legal reasoning abilities.”

Kenneth A. Grady
Adjunct Professor & Research Fellow
Michigan State University College of Law

“Artificial intelligence isn’t the future; it’s the now. Already more than half of Fortune 500 CEOs say their company is using these technologies to improve efficiency.”

That is what Alan Murray reported in a May 19, 2019, story covering the results of a Fortune 500 CEO Survey. Dig a bit deeper, and the story gets more complicated. Those companies that have deployed artificial intelligence at the enterprise level are using it to increase efficiencies. Most companies, it seems, are more in the pilot study phase where increasing efficiency is one of the top three priorities for AI use. And what about the legal sector? AI is not a priority. For law firms, it ranks near the bottom on a list of technology priorities. That raises the question: Does AI not have a bright future in the legal sector?

The story, again, is a bit complicated. Let’s divide our timeline into two periods: now-AI and future-AI. Despite all the amazing advances in AI, now-AI in the legal sector is limited in what it can do. Teach now-AI a pattern and ask it to find the same or similar patterns in hundreds of millions of documents, and it can do an impressive job. Impressive equals doing the job with higher precision and faster than humans. Ask now-AI to apply semantics (meaning) to what it finds or to do legal reasoning, and it struggles.

Of course, a bright line does not exist. Kevin Ashley’s book, Artificial Intelligence and Legal Analytics, covers in detail the many impressive inroads that have been made in the quest to endow computers with semantic and legal reasoning abilities. Still, the promised land is elusive and commercial AI programs used in the legal sector spend most of their time in the pattern recognition area.

Since law relies on semantics and legal reasoning, now-AI has limited appeal to the legal sector. That appeal lessens when now-AI is compared to other technologies that can do more to help today. The potential for future-AI hinges in large part on the degree to which future-AI gains semantic and legal reasoning abilities. Note that no law of nature stands in future-AI’s way, only the ability of humans to help now-AI get there (and even that may give way to future-AI teaching itself). Getting there also does not mean future-AI must have intelligence equal to a human. The timeline for now-AI to become future-AI is murky. But the first steps have been taken. Considered in that light, the potential for future-AI in law is bright. The deeper question: How will we choose to use it?
SURVEY METHODOLOGY

A total of 147 business of law and legal professionals from law firms all over the globe completed this survey, which was conducted online from April 8, 2019, until May 10, 2019. Respondents were solicited by email invitation. It contained 17 questions, including demographics and administrative questions and took respondents an average of six minutes to complete.

Most respondents hold titles or positions related to the business of law and legal technology – roles other than that of a practicing attorney. This included C-suite staff, financial or accounting staff, IT personnel, and other important roles essential to running a law firm. Respondents that selected “other,” wrote in that they held roles spanning litigation manager, docketing, project management, office management, and firm administrator.

Most respondents (87%) hail from larger firms in the U.S.; for example, 16% of respondent said they worked for law firms with 500 or more attorneys; 34% from firms with 201 or more attorneys; 54% from firms with 101 or more attorneys; 85% with 25 or more attorneys.

Aderant incentivized respondents with a chance to win one of 12 Visa gift cards valued at $20 each.

This is the third consecutive year Aderant has conducted the survey.
ADDITIONAL RESOURCES BY ADERANT

See the survey results from the previous years:
2018: Renewed Optimism in Legal Services Yields New Law Firm Challenges on Top of the Old [PDF]
2017: Study: Improving Law Firm Operational Efficiency a Pivotal Opportunity Amid Pricing Pressure [PDF]

Don’t miss these related publications:
Legal Business Report: How to Put Mobility to Work for Law Firms
Think Tank: Legal IT and Change Management: Little Wins Add Up to a Big Difference
Think Tank: Why Time Entry is So Hard and What Law Firms Can Do About It
Think Tank: 9 Tips for Obtaining Leadership Support for Legal Technology and Innovation Projects
Think Tank: Law Firm Business Processes That True Mobility Can Streamline
Think Tank: 5 Examples of Status Quo Thinking in law Firms

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