

## 5 trends that will define the new decade for law firms

This being my first article of 2020, it might be a good moment to reflect on the past decade and to look forward to the decade ahead. For myself and for TGO Consulting, the past decade has been extremely good and exciting. We have gained a position as one of the leading strategy consultants in the legal sector. We published two books that quickly became influential best sellers. After having been nominated in 2018, we were awarded 'Best Business Consultant America' in 2019, a wonderful recognition to conclude the decade. Above all, we have had the privilege to work with some of the best law firms across all parts of the world. The twenty-tens were great, but we are even more excited about the years to come.

As we all know, in general people tend to overestimate what will happen in the next few years, but underestimate what will happen in a decade. Based on our insights and experience we have identified five trends that we think will define the coming decade for law firms. Since developments do not happen in perfect isolation, you will learn that these trends are interconnected. As Niels Bohr (1922 Nobel prize for physics) said: *"Prediction is very difficult, especially if it's about the future"*. Nevertheless, we are convinced that these five trends will significantly change the legal profession between today and 2030.

### 1. Law firms embrace Cognitive Diversity

In the last decade pressure has mounted on law firms to become more diverse and inclusive. There have been countless initiatives to empower women and minorities in law. Although the demand for more diversity is more explicit in the US, also in other parts of the world clients and society in general put pressure on law firms to provide equal opportunities for lawyers who are not the traditional white male with an affluent background.

We think this trend will not go away, but it slightly misses the point. As we have outlined in an [earlier article](#), gender or ethnicity are in the end not at the core of what makes diversity a necessity. Sure, gender and ethnicity are important as it comes to equal opportunities and non-discrimination. The most important argument for more diversity has nothing to do with politically correct behavior. Diversity is needed to provide a better product. Today's law firms are too homogeneous. Most lawyers whether male or female, straight or gay are from the same social and educational background. They share the same beliefs and tend to approach things from the same perspective, regardless of their gender or the color of their

skin. Law firms have become echo-chambers of a shared vision of the world. No explaining needed that this is risky.

In the decade to come law firms will need to increase cognitive diversity. As the world around us becomes more complex, law firms need lawyers and other professionals with different backgrounds, different personal skills and above all different beliefs and visions on society. On 2 January 2020 the infamous Downing Street top-advisor Dominic Cummings published an [article](#) in which he argues that the Government should hire more “*weirdos and misfits*” as well as people that don’t have the traditional Oxford/Cambridge educational background. Although I do not necessarily share Cummings’ vision on politics and on society in general, I do support his views on what it takes to create an excellent and capable team.

## 2. Making full use of Swarm Intelligence

Today law firms are very much organized around individuals, making even integrated law firms barely more than a group of individuals sharing an office and some other resources. Although many law firms will probably argue that for their firm this is not the case, reality is that partners are competing with each other for matters, clients and resources. Furthermore within a law firm there are silos: the practice groups. Each silo has its own resources being primarily the associates, secretaries and paralegals. No need explaining that this commonly leads to poor use of resources and under-utilization of fee-earners, having a direct negative impact on the firm’s bottom line.

Some firms have moved to central workload allocation, meaning that there will be a central function coordinating and planning which associates are available and best equipped to work on an aspect of a certain matter. We know from experience that in general there is huge resistance among partners to hand over the monopoly on ‘their’ associates. Resistance based on fear that when they will need the associates themselves the most talented ones will be unavailable, or based on the conviction that associates are one-trick-ponies that can only function in one small area of the law.

This individualistic and silo-based organization model comes not only at the price of sub-optimal profitability, it also under-utilizes the intellectual and creative capital of the firm. In the decade before us, law firm clients will face increasingly complex challenges that go well beyond one small area of the law. Helping clients solve these multidisciplinary issues will need not only breaking down the practice group silos to foster cooperation, it will also require tapping into the collective intelligence, experience and creativity of the firm. We call this ‘*swarm intelligence*’. The firm collectively will be able to find answers and solutions, were no individual partner or lawyer can.

### 3. Zenith of time as a measurement

Those of you who have read my recent book *'Data & Dialogue, a relationship redefined'* will know that I make a strong case for the transition from time-based billing to value-based billing. Although time-based billing is convenient for both law firms and their clients, it is also the primary source for clients' discontent. Over the past decade buyers of legal services across the world have taken numerous initiatives trying to get better value. All these initiatives have ultimately been focusing on rates multiplied by time and have, as we know now from experience, miserably failed. After one decade of campaigning for better prices, clients have consistently been paying more.

As outlined in my book, the problem is not that the over-all size of the legal budget is an issue. Even for large multinationals, with a constant myriad of complex legal issues, the total legal budget will hardly ever exceed 1% of the company's over-all costs. Companies have no problem spending money on lawyers as long as it helps them create value. Price is not the issue, return on investment is.

When you think about it, you will also come to the conclusion that time is an inadequate measurement for value. One hour listening in on a group conference call, does not have the same value as one-hour high level strategic legal advice. Yet, lawyers will charge the same for both hours, which of course is part of the deal, but basically pure nonsense.

In the coming decade, the legal sector will gradually move away from time-based billing and value-based billing will be widely adopted. This transition will be fueled by the use of data-analytics and the adoption of legal technology that will augment lawyers and make them more efficient.

### 4. The legal industry will become data driven

In the past decade there has been a disproportional amount of attention for legal technology. Some future scenarios where computers will eventually take over from lawyers are quite dystopian, others are more of a Jetsons like wild imagination. A world in which Artificial Intelligence will turn law firms into paradise. It goes without saying that neither scenario has any real-world relevance.

Now most of the dust has settled, it has become clear that (*Data & Dialogue, chapter 11*) the work that lawyers do should be divided in Creation and Production (*the Creation - Production Divide Concept* ©), where Creation has great value to the client and Production is execution that has far less market value. The legal industry will continue to implement technology to make Production (execution) more efficient and less time consuming. This is nothing new as

such. Law firms, like all other offices have been adopting new technology to enhance efficiency since forever. Remember how monks used to copy books by hand?

As legal technology will become mainstream, technical innovation will shift towards data and data analytics. Historically the legal industry does not have a strong track record as it comes to data collection. Just think about your CRM system or your Management Information system. Rubbish in, means rubbish out. Also, on an academic level the Faculties of Law have spent not nearly as much time on gathering and labeling data as let's say their brethren at the Faculties of Medicine.

In this new decade the legal sector will heavily invest in data and data analytics. Data will be used to manage the firm and make better use of the available resources. It will be used to improve the relationship with clients, streamline project management, communication and resources both internal and external. Data analysis will also be applied to help predict future events and prevent clients from getting into trouble. Prediction and Prevention will towards the end of the decade become established lines of business for law firms. Just like the medical sector is not only focusing on curing the patient, but equally on preventing the patient from getting ill in the first place.

## **5. Outsourcing of staff and functions**

On average about 35-40% of Indirect Costs at a law firm are connected to staff compensation and benefits. On top of that staff is also part of occupancy and office costs. Traditionally this has never been an issue. Most law firms have been relying on doing almost everything inhouse since their inception. Office space on prime locations is getting more and more expensive and at the same time attracting professional non-lawyer talent is getting harder and harder.

Just consider IT talent. In today's market there is a great shortage of talented professionals with high level expertise in areas such as cyber-security, artificial intelligence, data management and cloud computing. These talents are in high demand and typically prefer to work in inspiring innovative and challenging enterprises. Law firms to them are not attractive and are not on their radar. Realistically law firms will end up hiring second or third-tier IT professionals.

The same holds true for marketing and business development. Areas that are increasingly becoming strategically important to law firms. The talented professional will not want to be working within a law firm (which would be a career killer). The last couple of years the turn-

over-speed of marketing and BD professionals in the legal industry is between 1,5 and 3 years. This is a clear indicator of a mismatch and these figures are about to get worse.

In the years to come law firms will increasingly start outsourcing staff functions that have traditionally been done in-house. This trend has already started with IT department, but also other functions such as marketing, human resources, finance and facilities will follow. The law firm of the future will have a very lean staff and most services outsourced to professional third parties. The decisions carry some risk, but also big rewards.

Outsourcing will not be limited to non-lawyer staff. Increasingly we will see law firms cooperating with third parties on client matters. Today this is in some cases already happening with discoveries and high-volume document review, but it will expand to other areas in the future. A high-end law firm could decide to outsource all low value aspects of a matter to a mid-tier firm, an Alternative Legal Service provider or to one of the Big-Four. Even the lawyers themselves can be partly outsourced. This is also something we can already see happening today as there are several examples of law firms working with a flex-pool of independent lawyers that can be called in on demand. We even know of one law firm that has put all associates in a separate entity that has to pitch for work with the partners. Although we cannot see many other law firms going this extreme, still it can be considered part of a wider movement.

### **Great times ahead for the legal industry**

Looking in the rearview mirror, in the past decade much energy has been devoted to the alleged impact of legal technology, pricing of legal services, economies of scale (mergers), the emergence of the Alternative Legal Service providers, the Big-Four and some other discussions that were in the core driven by fear. The coming decade will be more entrepreneurial and driven by opportunities. People, not computers, will take center stage. Clients and law firms will cooperate and become far more aligned. Value will become more important than price. Talent will be more important than technology. There are exciting times ahead with many great opportunities. Together we can make it happen. We have ten years and counting...

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