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ESSENTIAL COMPLIANCE INSIGHTS

WHY LAW FIRMS NEED AUTOMATION TO ADAPT TO A CHALLENGING LEGAL MARKET

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Technology isn't merely changing the legal industry—it's transforming what it means to practice law in the 21st century.

Law firms are continuing to explore new technologies that can be integrated into their core businesses in order to meet fresh competitive challenges. Much of the pressure to embrace technology comes from the need to meet client demands. After pushing for lower costs in the wake of the 2008 financial crisis, clients have continued to seek reduced legal spending and increased efficiencies.

For law firms seeking to demonstrate value to clients, technology-based legal process improvements are playing an integral role in the development of effective cost containment strategies. Yet the evolution of new technologies is something of a double-edged sword for law firms, as it has also helped pave the way for the emergence of new competition in the form of alternative legal service providers.

In addition to using lower cost third-party vendors, more businesses have also sought to minimize legal spending by handling certain tasks internally, including due diligence, entity management and the fulfillment of global transactional requirements.

In order to meet these challenges, it's vitally important that today's law firms derive maximum value from the implementation of technological efficiencies. This can be accomplished by focusing on areas where technological solutions are likely to have a significant impact (due diligence, for example). Law firms should consider redoubling their efforts to ensure they draw on the benefits offered by service innovation (such as automation and other technological advances) lest they surrender a significant competitive advantage to newcomers and growing in-house corporate legal departments.

THE "NEW NORMAL" FOR THE LAW MARKET

The accelerated pace of technological change in the legal field has created a significant shift in how business gets done—and law firms have certainly taken notice. According to Altman Weil's most recent Law Firms in Transition survey, the vast majority of law firm leaders now believe that greater price competition, the commoditization of legal work, smart technologies and new types of competition are a permanent part of the legal landscape.

This outlook is unlikely to shift soon, as 69 percent of survey respondents also report that they believe the pace of legal industry change will continue to increase. This year, for the first time in the survey's history, not a single respondent reported a belief that the pace of change would slow—a testament to just how rapidly things are now shifting in the legal market.

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Quick adaption to change is critical for sustained success, and that's illustrated by the actions that law firm leaders are now taking. Core priorities from the Law Firms in Transition survey include improved practice efficiency and a more vigorous effort to align pricing, efficiency and staffing numbers with client expectations.

Additionally, 19 percent of law firm leaders report taking the step of re-engineering work processes, while a further 43 percent of these respondents report that this has resulted in significant performance improvements.

The survey shows that larger firms have proven to be more amenable to structured innovation. This can be partially ascribed to the fact that large firms are more incentivized to do so. Structured innovation can help acquire and retain large corporate clients while keeping margins elevated. It should be also noted that larger firms have sufficient resources to deploy in order to overhaul work processes.

Given these incentives, it's fair to ask why this kind of innovation isn't occurring on a wider scale. One answer can be found in the health of the legal market. A vibrant economy has helped sustain high legal revenues and partner salaries. While profits and income growth may have slowed to some degree at many firms, they still remain at historically high levels. And, in this kind of an environment, the need to pursue significant changes for the future seems like less of an imperative and more of an option.

Despite this, threats to long-term sustainability remain, and should not be ignored. Some observers have suggested that law firms, in their current incarnation, will lose ground to so-called "new law" providers.

According to a study from Thomson Reuters, total legal spending directed to U.S. law firms is projected to decline from $300 billion to $265 billion between 2015 and 2025. Meanwhile, "new law" firms are projected to expand their slice of the pie from $2 billion to $55 billion over the same time period.

In order to minimize any loss of market share, it's essential for law firms to stay at the vanguard of technological change by integrating relevant new technologies and unlocking greater efficiencies for clients—actions that will help prompt increased loyalty and generate higher revenue and profits.

DUE DILIGENCE CHALLENGES

In the realm of due diligence, additional challenges further compound these pressures. Accuracy and speed are paramount. The need for specialized knowledge of the deal, its workflow, and the complexities of the necessary due diligence all add to the intricacy that must be managed. Access to information that can be readily massaged, summarized and shared with clients or opposing counsel—all while operating under strict closing deadlines—often presents a significant challenge.

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As an example, just the physical act of entering all relevant lien data into a summary chart is time-consuming, tedious, and error-prone. Follow that with the subsequent UCC file creation process, with its own redundant keying steps. Each additional step increases the likelihood for inaccuracies, delays or missed content. Here is fertile ground for efficiencies and savings that can help firms reinforce their competitive advantage.

HOW AUTOMATED WORKFLOW TOOLS CAN ASSIST WITH DUE DILIGENCE

Luckily there are automation tools available to law firms that reduce the manual, time-consuming tasks. The best of these tools are designed to fit neatly within the law firm deal workflow and require little to no training, making adoption painless. These tools deliver to firms great efficiencies, reducing some of the less value-add tasks and the costs associated with them. With these reductions, firms are able to meet the external pressure to deliver more with less, to better showcase their own value proposition and to stay ahead of non-traditional competitors.

Today's firms are also taking advantage of new tools that streamline charting activities, UCC filings and the storage, retrieval and sharing of due diligence documents. These software solutions can save time by automatically gathering and dynamically populating lien and other public records information into forms and other customizable summaries.

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This removes the requirement to manually re-key data, freeing up time that can be devoted to less time-consuming, higher-value tasks.

Ideally, these solutions can also provide the functionality to amend UCCs and create bulk amendments, assignments and terminations.

CONCLUSION

Law firms have entered a brave new world of greater competition, increased client demands and disruptive technologies. Firms that are able to nimbly adopt new models and increase efficiencies are best positioned for future success. Moving low value-add work to an automated solution is one such model to emulate. By making processes, such as preparing UCC filings, more efficient and less prone to error, automated solutions can help law firms manage costs while meeting evolving client expectations.

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