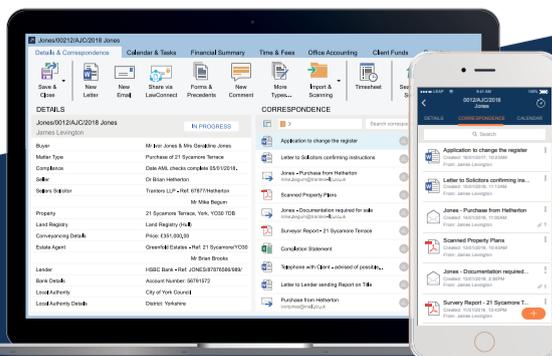


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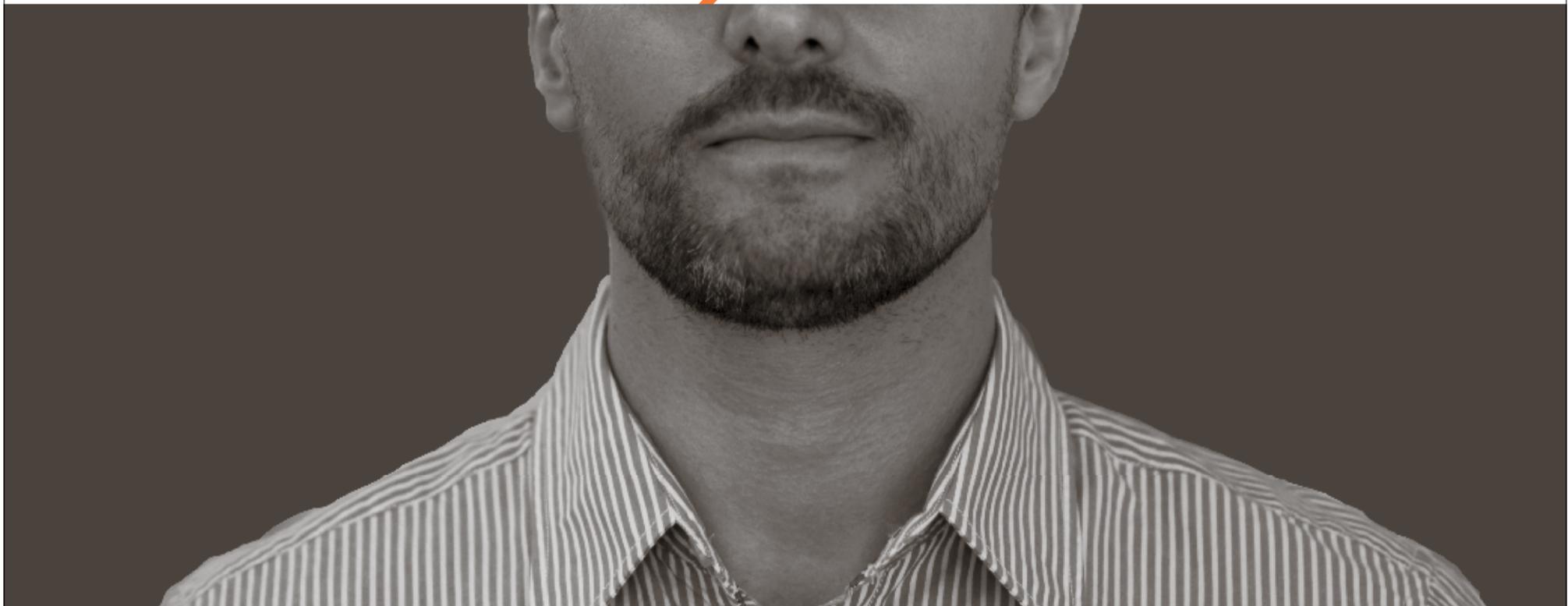
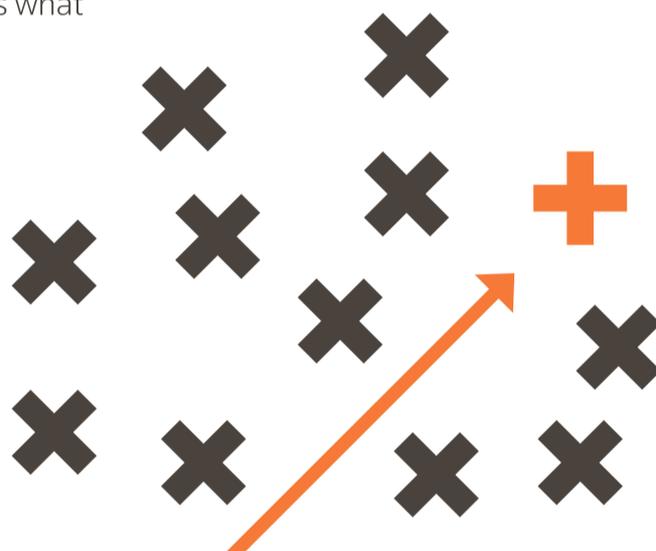
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MID-TIER LAW FIRMS

Tech can save the squeezed middle

Technology can be the lifeline to rescue middle-ranking law firms, facing increased competition and squeezed profit margins

DAN HAYES

With the recent cinematic successes of *Churchill*, *Dunkirk* and *Darkest Hour*, the year 1940 appears to be very much in vogue.

The legal profession may be following the trend, it seems, with a recent Thomson Reuters report comparing law firms' attitudes to change with that of the creators of the Maginot Line, France's supposedly impregnable Second World War defence structure that proved rapidly obsolete when faced with the German Wehrmacht's Blitzkrieg and paratroopers.

Entitled the *2018 Report on the State of the Legal Market* the publication, produced in conjunction with Georgetown University in the United States, warns: "Flat demand for law firm services, declining profit margins, weakening collections, falling productivity, and loss of market share to alternative legal service providers and others are gradually undermining the foundations of firm profitability."

In the face of such challenges many mid-tier outfits are finding themselves in a particularly exposed position, says law firm strategy consultant Richard Tromans.

"The well-known economic argument of get big, get niche or get out is partially true, but it's more complicated than that. This isn't necessarily about the size of a firm's revenue," he says. "The organisations that are likely to be most under pressure are those that are handling day-to-day legal tasks, such as employment, real estate, IP and trademark, for medium-sized and upwards corporates."

Mr Tromans points to a legal market in a state of flux, where new entrants, such as the big four accountants, are offering many such day-to-day services, which were once the preserve of medium-to-large law firms, at extremely competitive prices.

Last month, for example, PwC launched a flat-fee employment law service that gives clients unlimited access to a technology portal providing, among other things, template contracts, policies and letters, in addition to a legal advice hotline. Costs for the service start at £250 a month for companies with fewer than 100 employees.

Increased competition is only part of the story, says Tony Williams, principal of legal consul-



tancy Jomati. "A lot of clients understand they have considerable buying power and one of the challenges facing the mid-tier is the panel-type process [of choosing advisers]," he says. "This is squeezing firms out of the higher-end corporate work from the FTSE 100 organisations and their subsidiaries. While those companies weren't necessarily ever a big area for them, they could be relevant in certain offices and certain locations."

While Mr Williams acknowledges mid-tier niche firms might emerge successful from a panel process, he suggests less-focused firms are being increasingly sidelined. He says: "Every time you see a panel announcement, and the firms that get on that panel, it's not the mid-tier firms."

He believes such firms need to take a long, hard look at their role, their offering and what they can deliver to potential clients. "If they provide

a good service, have a good client base and offer a good understanding of a client's business then they have some great opportunities. But you don't get that by accident. You have to work hard at it and demonstrate it," says Mr Williams.

Firms' approach to technology is likely to be key to this process, adds Mr Tromans. "Tech is going to become a differentiator. If a firm gets its strategy right in this area then it will gain a competitive advantage," he says.

"It's not just about clients pushing down on fees and firms introducing automation to deal with that. Technology can also create new value in the legal services market. The biggest risk to the mid-tier is underestimating the importance of competitive issues such as these."

One firm that is forging ahead on the technological innovation front is Mishcon de Reya, which in 2017 launched an incubator programme, MDR LAB, designed both to create

partnerships with legal tech companies and raise awareness of their potential among the firm's staff. This programme contributed to its winning the award for the Best Use of Technology at last year's British Legal Awards.

Mishcon recently invested in two of the six firms that were part of MDR LAB, Everchron, a litigation management software outfit, and Ping, whose product automates timekeeping for lawyers.

Nick West, Mishcon's chief technology officer, says: "We're not a venture capital firm; we're not investing money for the sake of it, but by investing we not only stand the chance of financial upside, but we get to be more influential about how the companies develop over the next year or two."

A similar approach can be seen at Cambridge-based Taylor Vinters, which in recent years has partnered with artificial intelligence-focused startups Pekama and ThoughtRiver. At the same time, it has sold off other elements of its business, such as regional real estate, that were deemed a distraction from core aims.

The firm's managing partner, Ed Turner, explains: "Assuming it's an accepted proposition that fundamental change is going to be necessary, it's important to understand the purpose of your organisation and why there's a need for it in the future. Having a clear understanding of that is absolutely essential, particularly in the mid-market."

For Taylor Vinters, the focus is now on entrepreneurship and innovation, with tech partnering an important part of the firm's offering.

Mr Turner says: "It's brought some intangible benefits, such as cultural change and the excitement that goes with that, but it has also been a good door-opener with clients. If we're talking to fast-growing tech businesses, it gives us huge kudos that we're an investor ourselves."

It has also helped Taylor Vinters look further afield for work. He adds: "If we're talking to a general counsel in a large US corporate in the innovation business, it's likely they won't have heard of us because we're not very big. But we benefit from being able to discuss innovation based on our understanding of working with organisations like theirs. That helps us have conversations with clients who otherwise wouldn't have given us so much time and opportunity." ♦

Biggest challenges for law firms

Percentage of UK managing partners and senior managers ranking the following in their top three challenges over the next two to three years

72%

Attracting and retaining the right people

51%

Adopting new technologies

43%

Differentiating my firm from competitors

Smith and Williamson 2017

Challenge of linking law and tech

With the potential to disrupt legal services, blockchain is fast becoming the focus of law firms anxious not to be the weakest link

SOORAJ SHAH

New technology trends have a tendency to be all encompassing. Not only is the latest trend the cheapest, most efficient way to do something, it is also supposedly game-changing for most, if not all, industries. This same hyperbole has been used within the legal sector for blockchain, with the technology promising transformative benefits that are largely yet to become reality.

The numerous use cases have been well documented, from smart contracts that mean that if a service isn't delivered, a customer doesn't pay, or if it exceeds the contractual parameters of use, it triggers payment, penalties or cessation of service. This is without the long legal paper chain that requires a lawyer to be instructed about the history of the deal, deci-

pher the details and correspond with the opposing side.

Then there's intellectual property, where royalties from streaming could be coded into the blockchain to ensure artists are paid immediately. Other use cases include land ownership in developing countries and chain of custody, both of which demonstrate blockchain's effectiveness at ensuring certainty of transactional history in a highly encrypted database.

All of these use cases are also linked. As Alistair Maughan, co-chair of global law firm Morrison & Foerster's technology transaction group explains, the first consideration for his company regarding blockchain wasn't about using the technology internally, it was about helping clients to understand how they could make use of it. There has been an urgency for law firms to come up with solutions and this is why many are investigating the possibilities.

Global law firm Hogan Lovells has been looking at smart contracts, while Fieldfisher says it is highly experienced in cryptocurrencies, proof of existence and smart contracts.

"Firms that have engaged with blockchain on an experimental basis are niche technology companies or larger international firms with a proportionally large R&D budget," says Gareth Malna, a solicitor at Burges Salmon.

There is also the potential for medium-sized firms to look into blockchain, albeit in a different way. According to Joanne Frears, a solicitor at Lionshead Law, early-adopters could collaborate with smaller blockchain developers to create a joint blockchain solution.

But many of these pilots are shrouded in secrecy. Karim Derrick, head of research and development at global lawyers Kennedys, suggests that much of the alleged involvement in blockchain amounts to "hot air". He says his company is actually acting on blockchain right now. The company has built a fraud-focused insurance prototype on IBM hyperledger software.

"Most of fraud happens because clients have their own databases and there is very little interaction that is automated, so fraudsters operate in the gaps between these databases," Mr Derrick explains. "Blockchain will enable insurers to share their books with each other without exposing their books. This enables them to cross-reference claims and make it difficult for fraudsters to exploit the ignorance between them."

Kennedys is also exploring the use of blockchain in motor claims, to enable insurance carriers, repair garages and hire companies to process claims automatically. For Mr Derrick, blockchain is merely an extension of a database, but it "incentivises people to share data and makes sure people can get data" because of the added security around it.

One of the hurdles of blockchain for law firms and their clients is regulation. UK companies have to ensure that what they're doing is authorised by the Financial Conduct Authority and that the use of the technology doesn't undermine

Blockchain interest and adoption

Percentage of law firms that are using/plan to use blockchain solutions



PWC 2017

Blockchain's main attraction is security, but those making investment decisions will need proof the technology works

the regulations. Depending on the use-case, there is also the consideration of personal data and privacy, particularly with the incoming European Union General Data Protection Regulation.

In addition, there may be apprehension from decision-makers about the unknown; what the technology is, whether it is at the right level of security, and if it really is more resistant to hackers and malware than proprietary systems. For example, DDoS or denial-of-service attacks are less effective because of blockchain's decentralised nature – information would be stored among a large network in many locations, so an onslaught of requests that take down targeted servers won't be as much of a threat.





While it's clear blockchain is a technology that will affect the legal industry, the repercussions are still unclear

resource, with creaky systems and leaky databases that are prone to being hacked”.

But William Akman at Morrison & Foerster believes that complicated legalese will make it extremely difficult for certain legal agreements to be completely automated, without the need for a lawyer.

Mr Maughan gives the example of smart contracts needing to be presented in a way that is understandable by the person signing it, and that much of the contract will include subjective statements, such as “X will make reasonable efforts to do Y”, both of which may be difficult to automate. He envisages a hybrid of technology and lawyer within smart contracts, whereby some parts of a contract can be fully automated such as a service level agreement with an IT company, but other parts need a human element.

Regardless, there is movement away from lawyers, so fewer hours to bill. However, Mr Derrick at Kennedys believes this is a necessary move that law firms need to embrace. “We’ve seen claims drop with our technology and clients only using lawyers when they need to,” he says, adding that work on high-end legal issues will still be required. “What we’re essentially saying to young lawyers is that the world is changing and their route to becoming a partner is not the same – it will involve using technology. This is a powerful message.”

This shift away from traditional law services will also benefit in-house legal teams and Mr Maughan believes they will be at the forefront of using blockchain. “We’ve seen a distinct rise of legal operations within large clients, often this is about process loads and methodologies, as well as working out how to adopt new technologies,” he explains.

Meanwhile, law firms are opening themselves up to a whole range of other types of business to remain relevant in the digital age. This includes more sophisticated functions in due diligence and deal-making, as well as the potential to track down cryptocurrency in divorce settlements and provide guidance for banking on stocks running on blockchain.

The key for those involved in the legal sector is to ensure they have a foot in the door with blockchain, so when other more traditional openings close, they have somewhere to go. ♦

Of course, blockchain’s main attraction is security, but those making investment decisions will need proof the technology works and that there aren’t any workarounds.

Most of these fears can be alleviated with the right expertise, but this leaves larger firms in a better position, with the budget to hire the best talent. Smaller outfits would have to co-operate with technology companies, making use of the tech firm’s in-house talent, or send staff out to training sessions.

But even the right experts need to be listened to by lawyers. “You need to empower senior specialist tech professionals across the firm, telling us how we need to change, what the tech is and what the client wants,” says Morrison & Foerster’s Mr Maughan.

While it’s clear blockchain is a technology that will affect the legal industry, the repercussions are still unclear. According to Ms Frears at Lionshead Law, commercial and dispute resolution lawyers could be out of a job within ten years.

“Once real services are put into blockchain, the role of a lawyer to do due diligence about the good or services, to check what can be offered under a contract, prepare the terms and present them to a purchaser is negated entirely,” she suggests, emphasising that the addition of artificial intelligence will mean the fields of banking law, financial services law, litigation support and paralegals will be obsolete.

Lawyers, she says, are “by comparison an expensive and fallible

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RULE OF LAW

Protect against the rising populist threats

Threats to the rule of law are a major problem that should not be underestimated in risk areas, including the UK

SHARON THIRUCHELVAM

In countries across the world, the rule of law is under threat. In Hong Kong, Turkey, Hungary and Poland, autocrats and extreme right-wing parties muzzle courts, restrict the judiciary and ignore human rights.

The latest World Justice Project (WJP) *Rule of Law Index* shows that a majority of countries worldwide saw their scores decline in the areas of human rights, checks on government powers, and civil and criminal justice. Overall, more countries' rule of law score declined (34 per cent) than improved (29 per cent), compared with 2016 ratings.

The trend is deeply troubling. "We are witnessing a global deterioration in fundamental aspects of the rule of law," says William H. Neukom, WJP founder and chief executive. "Reduced adherence to the rule of law anywhere threatens development everywhere."

Even mature democracies, such as the UK and United States, that were architects of the international rules-based order, have seen their rating drop one point, their politics fallen victim to populism, occasioning attacks on judges that would have been unthinkable ten years ago.

R. Daniel Kelemen, professor of political science at Rutgers University, points to the worldwide rise of populism as a significant cause. Populist narratives, which bluntly draw a line between "the people" and "the elites", almost always condemn judges to the latter category. When populist leaders attain power and judges enforce constitutional limits, as they ought, they are caricatured as "thwarting the will of the people".

"It's right out of the autocratic playbook," says Professor Kelemen. "Orbán did it in Hungary, it is being replicated in Poland and Trump would likely do the same in the United States, but for the strength of the US judiciary and its decentralisation."

Professor Murray Hunt, director of the Bingham Centre for Rule of Law and former legal adviser to Parliament's Joint Committee on Human Rights, identifies a worldwide retreat from international legal obligations and a growing hostility towards international courts, including the European Court of Human Rights (ECHR).

"The reassertion of national sovereignty over the claims of

The Philippines saw the most significant drop in the World Justice Project's recent *Rule of Law Index* as demonstrators continue to protest against President Rodrigo Duterte's brutal crackdown on illegal drugs



international courts is a worldwide phenomenon that goes hand in hand with populism and the return of authoritarian nationalism," warns Professor Hunt. "This resurgence of inward-looking, nation state-first outlooks poses a very large challenge to the rule of law, because so much of the rule of law architecture has depended since the Second World War on these institutions that were set up thereafter."

Reduced adherence to the rule of law anywhere threatens development everywhere

Through the Bingham Centre, he believes that innovative approaches to countering attacks on the rule of the law are "absolutely crucial". "We have to think in a far more imaginative way than we have in the past about how we defend the rule of law and advance it," says Professor Hunt. "We need to get out there and explain what

the rule of law means in an accessible way and in practical terms."

Meaningful clarity and consensus over definition of the rule of law, which is so often impeded by its abstraction, is a crucial first step.

Lord Bingham, the senior law lord after whom the centre is named, gave a definitive account in his accessible 2010 book *The Rule of Law*. In it, the rule of law is outlined through a cluster of core concepts, including legal certainty, equal treatment and non-discrimination, non-arbitrariness, permission for democratic parts of the constitution to scrutinise the executive, democratic scrutiny of widely delegated powers, access to courts, access to legal remedies, protection of human rights, and international legal obligations.

How best to legislate for human rights, however, is contested by some. While in favour of human rights in general, Richard Ekins, professor of law at Oxford and director of the Judicial Power Project at the Policy Exchange think-tank, argues that the Human Rights Act and ECHR undermine UK rule of law. For him, the "judicialisation" of politics is itself a threat.

For Professor Hunt, the most urgent objective of the centre is to "democratise the rule of law". It is crucial, he believes, that all

aspects of society have a shared stake in and responsibility to defend and promote the rule of law. "It should include all actors," he says, "Government, Parliament, the judiciary, business, media and individuals."

Business is only latterly emerging as important agents in the defence of the rule of law. Through its business network, the Bingham Centre builds capacity among in-house counsel, shifting thinking from compliance issues to identifying and mitigating rule of law risks in the countries where they operate. Eventually, the programme hopes to extend to board-level members, with the goal of positioning rule of law as a strategic business imperative.

In the UK, the centre aims to make discussions of the rule of law extend from school classrooms to the heart of Parliament. Legal literacy classes, to be included in the citizenship curriculum, would teach school children, from primary school upwards, to think critically about real-life

applications and conflicts around the rule of law.

The All-Party Parliamentary Group on the Rule of Law, founded three years ago on the 800th anniversary of the signing of the Magna Carta, and for which the Bingham Centre is secretariat, encourages MPs to discuss matters of business through a rule of law lens.

The digital age has brought with it challenges to the rule of law that society has struggled to make sense of at every level. Questions around the responsibility of big tech to police extremists, effects of social media on children, implications of artificial intelligence and who owns big data present regulatory challenges that "far outstrip our institutions' ability to keep up with them, let alone be ahead of the game", says Professor Hunt.

The UK's withdrawal from the European Union presents its own rule of law concerns. "Whatever your view of Brexit - whether it is a good thing or a bad thing - it poses enormous rule of law challenges,"

Professor Hunt adds. "Leaving the EU, given how long we've been a member of it and the degree of regulatory immersion, is really tantamount to ripping up your constitution in one go without having first decided what you're going to replace it with. There could be an enormous problem in terms of legal discontinuity and legal uncertainty."

The EU, meanwhile, faces rule of law challenges that undermine the very principles upon which it was founded. Worse than the euro crisis, Brexit and the migration issue, Professor Kelemen argues the flagrant disregard for the rule of law displayed by Poland and Hungary presents "the greatest existential crisis in the EU's history".

Perhaps more than ever, the defence of the rule of law will require constant vigilance, ingenuity and effort. In Lord Bingham's words: "It remains an ideal, but an ideal worth striving for, in the interests of good government and peace, at home and in the world at large." ♦

Case studies

UK

In January 2017, in the immediate aftermath of the Brexit vote, the UK Supreme Court found in favour of Gina Miller, who brought a case arguing that Parliament must have a vote to trigger Article 50 and formally initiate Britain leaving the European Union. The judgment, which sets a far-reaching constitutional precedent and upholds parliamentary sovereignty, was hailed by supporters as setting clear limits on the extent of the government's executive powers.



Jason Alden/Bloomberg via Getty Images

Hungary

In December 2017, the European Union took Hungary to the European Court of Justice over Hungarian President Viktor Orbán's crackdown on political freedoms and persecution of a leading university. The European Commission said the legislation ran counter to academic freedom and the right to run a business under the EU's charter of fundamental rights. Hungary is also being referred over a law that requires non-governmental organisations receiving foreign donations to label themselves as "supported from abroad".



Scott Olson/Getty Images

United States

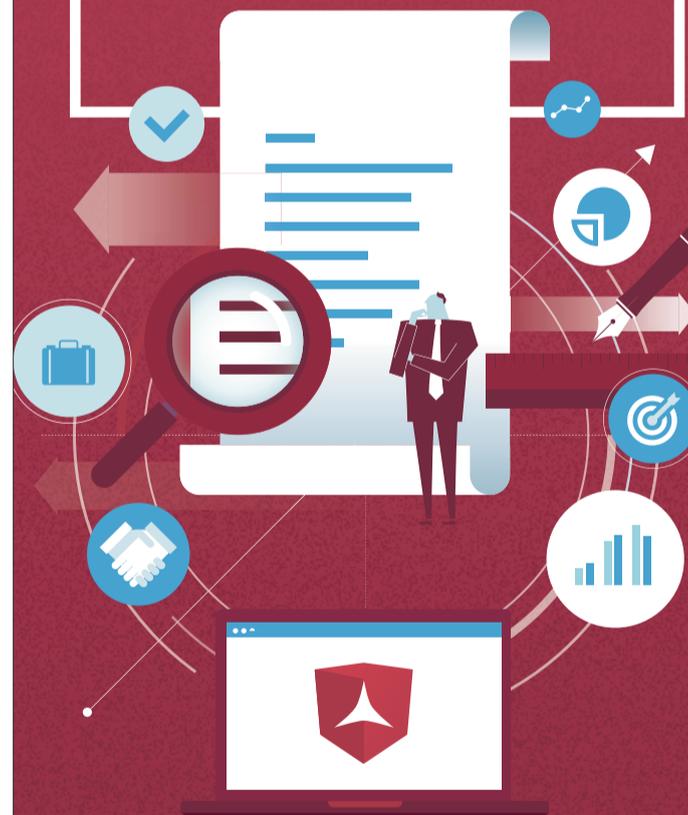
In May 2017, Hawaii became the first US state to file a lawsuit against President Donald Trump's revised travel ban, arguing the order would harm the state's economy and educational institutions, and would prevent Hawaiians with family members in the six targeted countries from reuniting. Separately, in an amended complaint, a Hawaii district judge blocked the executive order, arguing that it remained incompatible with freedom of religion protections in both the state and federal constitutions.



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Den Kftwood/Getty Images

Glass ceiling keeps women from the top

Women are advancing in the legal profession, but sexist stereotypes may persist barring them from many of the top jobs

CATHERINE BAKSI

In 1913 aspiring lawyer Gwyneth Bebb, along with three others, sought a declaration that she was a “person” within the meaning of the Solicitors Act 1843 and therefore entitled to take the Law Society’s exams to qualify as a solicitor. While Ms Bebb et al failed, their claim provided momentum for the Sex Disqualification (Removal) Act 1919, which enabled women to become lawyers.

Almost one hundred years since the act, progress has been made along the road to equality, but more needs to be done. Baroness Hale made history last year becoming the first female president of the Supreme Court. Lady Black joined her as the second woman to sit on the country’s highest court and, for 11 brief months until July, the position of justice secretary and lord chancellor was held by woman, Elizabeth Truss, albeit not a lawyer.

The number of women (47 per cent) entering the legal profession

is almost level with the number of men and that looks set to rise, as UCAS figures show that last year for the first time, the number of women (17,565 or 67 per cent) who accepted a place to study law at university was more than double the number of men (8,510 or 33 per cent).

Dana Denis-Smith, founder of the First 100 Years Project, which is creating a digital archive charting the history of women in the legal profession, says: “Women have come from nowhere – from a point where they were barred from the profession, to making up an almost 50:50 ratio of

“The reasons used to keep women out are the same as in 1917 and are based on the same sexist stereotypes

those entering law – in 100 years. They have advanced.”

But, she adds: “The debate has not evolved. The reasons used to keep women out are the same as in 1917 and are based on the same sexist stereotypes.”

While there is equality at entry level, further up the pecking order high attrition rates, due variously to career breaks, the failure of men to value what women bring to the table and the promotion structure within law firms, the picture is more skewed, says Leah Glover, chair of the Law Society’s Women Lawyers Division.

Figures from the Solicitors Regulation Authority show that women make up only 33 per cent of partners in law firms. Despite a number of major law firms signing up to The 30% Club, committing to a 30 per cent female partnership by 2020, the latest promotion rounds indicate that the number of women making it to partner at the UK’s largest law firms has fallen by almost a quarter over the past two years.

A report from BPP University Law School, *Law Firm of the Future*, which analysed more than a quarter of a century of Law Society data, suggests it will take another 20 years to get gender parity in senior positions.

Among the 16,500 barristers, figures paint a similar picture. Data from the bar’s regulator, the Bar Standards Board, shows that although 51 per cent of pupils are female, women make up 37 per cent of the practising bar, a figure that many fear will drop due to government plans to pilot extended sitting hours in criminal courts.

At the top of the bar, only 13.7 per cent of Queen’s Counsel are women and, predicts the BSB report, at the current rate of change, it will take more than 50 years to reach gender parity. Although, 32 (27 per cent) of the 119 QCs announced in December are women, giving hope that the BSB’s prediction is perhaps pessimistic.

Equality at entry level has not translated further up the pecking order

Women in law, as in most other professions, are paid less than their male counterparts. According to the Law Society, the gender pay gap across all private practice solicitors in England stood at 30 per cent in 2014. But the Office for National Statistics suggests that women in the legal profession are paid 10.3 per cent less than their male colleagues, a smaller gap than the 18 per cent national average.

A more accurate picture will emerge thanks to the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017, which requires bodies with more than 250 employees to publish gender pay gap figures every year from April. So far, three large law firms have published theirs.

International firm Herbert Smith Freehills’ figures show that it pays its female staff almost 20 per cent less than the men and gives them

30 per cent smaller bonuses. Women at City firm CMS are paid 17 per cent less than its men and get bonuses that are about 27 per cent smaller, and at regional firm Shoosmiths, women are paid 15.5 per cent less.

The make-up of the profession determines the pool from which judges are drawn. Since 2010 the proportion of women judges in courts has gone up by a third. The latest statistics, from April 2017, show that 28 per cent (890) of judges are women. Among the most senior, two of the 12 Supreme Court justices, nine (24%) out of 38 Court of Appeal judges and 21 (22 per cent) out of 97 High Court judges are female.

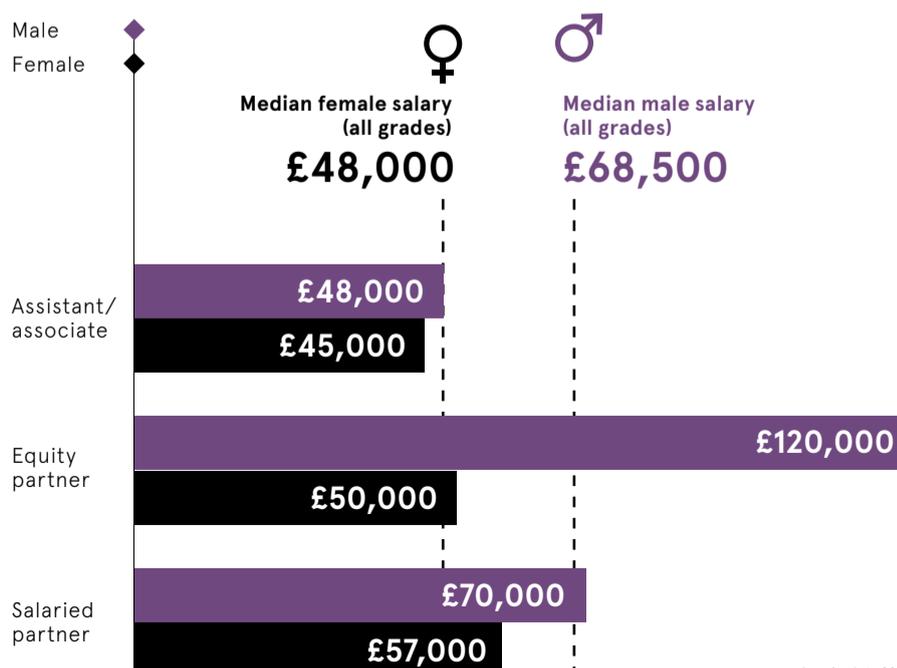
The judiciary appears to take seriously the desire to increase diversity, setting up the Judicial Diversity Committee, chaired by Lady Hallett. It organises networking, work shadowing and mentoring events, and support programmes to encourage under-represented groups to apply for judicial appointment, and has put together online videos and personal case studies.

QC Appointments, the body charged with administering the process for silks, has also taken measures to ensure there are no barriers for women. Its chief executive Russell Wallman explains that it has reduced from twelve to eight the number of judicial assessors applicants are expected to list and increased the time period over which their supporting cases are selected from two to three years. When women do apply for silk, Mr Wallman notes that they are more successful than men, but they are still applying in smaller numbers.

In the wider profession, the Bar Council and Law Society, as well as law firms and chambers, are implementing initiatives to redress the gender imbalance, including maternity and returning-to-work schemes to help with applying for silk or judicial appointments. ♦

UK private practice salaries by gender

Median average annual salaries for each grade in 2016



Digitisation of conveyancing: a key opportunity for law firms to innovate

With buying and selling a home still typically taking months to complete, private sector businesses are leading the innovation charge to drive transformation and reform. Conveyancers that resist digital transformation face a challenge to keep up

The digitisation of conveyancing, also known as e-conveyancing, is regularly mooted in the media as something for the future, with the government attempting to take a leading role in reforming how people buy and sell houses, which remains a process filled with bottlenecks and flaws.

When the Land Registry set out its priorities for an ambitious digital transformation last year, its chief executive Graham Farrant asked for the support of law firms as it “explores how through digital technology we can... make conveyancing quicker, cheaper and simpler for everyone”. It also recently revealed plans to publish comparative data on how fast and efficiently conveyancers perform, giving home movers more clarity.

However, these efforts have raised concerns that taxpayers’ money is being spent unnecessarily on e-conveyancing. Meanwhile, the Law Society, a professional association funded by membership fees from law firms in England and Wales, spent millions of pounds on their Veyo initiative, a failed attempt at introducing e-conveyancing to the masses.

“If the government are looking to target legislation towards streamlining the conveyancing process then it should be left to the private sector to deal with the innovation around delivery,” says Richard Hugo-Hamman, executive chairman at legal software firm LEAP. “We have seen before how government consultations on delivering digitisation have hindered progress more than they’ve helped.”

The reality is a lot of forward-thinking firms are already doing all manner of conveyancing digitally, from listing the property for sale through to API lodgement. And this innovation is being firmly driven from the private sector.

A rapidly growing number of law firms are pursuing a paperless office as they face up to demands from customers to be more efficient and deliver documents back at their convenience. Young property buyers are accustomed to the seamless user experience they enjoy on social media and when banking online, and expect the same from their lawyer. However, many firms lack the knowledge or conviction to make the change.

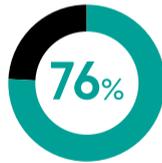
In a study of the mortgage sector conducted for the CML (now UK Finance) by Accenture, 84 per cent of companies said technology could improve customer experiences and relationships, and 76 per cent said it could improve their own operational capabilities. It’s clear that law firms need to transform



Opportunities from digital change



of companies believed technology improved customer experiences and relationships



thought technology improved their own operational capabilities



felt technology put customers in greater control



believed it had the potential to unlock the power of data

The research, conducted for the CML by associate Accenture, interviewed firms and customers across the mortgage sector

Digital Change and Mortgage Borrowers 2017

their businesses and digitise internal processes to survive in an ever-changing market. Time is a lawyer’s only commodity and inefficiencies from poor IT can waste hundreds of pounds a day.

LEAP, the largest provider of innovative software to small law firms in the UK, is leading the innovation charge. Last year, 852 law firms used its document sharing system LawConnect, sharing 63,411 documents. More than this, law firms turn to companies such as LEAP to help with the change management required to go digital.

“Our focus is to help small law firms change and be more profitable. Some of those firms just don’t know how to do it, so we have a dedicated team to help,” says Mr Hugo-Hamman. “Our teams travel around the country delivering not only great software, but detailed knowledge of how a legal practice works within the e-conveyancing space.

“We see a trend gathering massive momentum within firms to provide a more client-focused and business-like service, not only at the point of instructing a solicitor, but well before that too. Having access to documents online and the ability to sign these documents digitally are just a few of the ways law firms are changing the e-conveyancing landscape. A completely digital end-to-end process is here and LEAP clients are already enjoying the benefits.”

One of those law firms is Ipswich-based Michael Smith & Co Solicitors, which sought a case management

The e-conveyancing tidal wave is on its way – change is inevitable

system to keep up with the expectations of younger customers, as well as increase efficiencies and ease the burden of dealing with compliance.

“We are a small law firm with a very loyal, traditional client base, but we can’t rely on that loyalty because younger users need a law firm that matches their IT abilities and their expectations for how they want the information delivered and returned,” says Vicky Hosking, the firm’s managing partner. “What I liked about LEAP is I could really tell that they were very forward thinking in terms of future IT. I like the way they partner and connect with other programs and systems, such as Xero for accounting, rather than trying to be everything themselves.”

Like most law firms, Michael Smith & Co is trying to use less paper and using LEAP’s software has allowed it to accelerate those plans. “I feel more assured that our online matters in the case management are likely to be complete, meaning I don’t have to rely on paper files so much in the future because everything is there,” says Ms Hosking. “I

FACTFILE

LawConnect key statistics

Law firms’ adoption of document-sharing systems

60% of law firms using LEAP practice management software share documents via LawConnect

63,411 legal documents have been shared via LawConnect

27k+ clients of a law firm have logged on to receive documents through LawConnect

LEAP Legal Software, 2017

also like the fact you can track through the matter, order your searches and get the results back into the matter, so lots of efficiencies are gained.

“Now, when estate agents ring up and want an update on where the file is, I can go on the LEAP matter and see if the searches have been ordered and when they’re due back, and that’s often enough to satisfy the estate agents by way of an update. That means the support staff can provide the updates and that’s really good for business because estate agents are very much an important part of us getting work in. We come across as efficient and on the ball, and we will pick up the phone and give good service.”

Agility is set to be the new kingmaker in the legal sector and that can only be enabled by digital innovation. In the short-term future, most house purchases will complete within six weeks and law firms that fail to transform in this landscape will struggle to survive.

“They will soon find themselves unable to compete with the same level of speed and efficiency, making them less streamlined,” concludes Mr Hugo-Hamman. “With the government’s intention for a digital future within conveyancing, firms that don’t innovate are in danger of falling behind. The e-conveyancing tidal wave is on its way – change is inevitable.”

For more information please visit leap.co.uk



CYBER RISK

Recent high-profile hacks have pushed cybersecurity towards the top of the agenda for law firms, which represent a honeypot of confidential information for hackers to exploit. This infographic explores some of the notable hacks of recent years, the biggest vulnerabilities for firms, and the extent of leaked legal documents on the dark web



2015

CRAVATH SWAINE & MOORE, WEIL GOTSHAL & MANGES

Hackers penetrated email accounts of partners at these US-based firms, amongst others, in an apparent effort to obtain information about publicly listed companies to facilitate insider trading. While it is unclear who conducted the hack, the breach may have been part of a larger initiative by the Chinese government, according to information obtained by *Fortune* magazine

31%

of law firms in the US have formal cybersecurity training programmes, according to LogicForce



2015

PANAMA PAPERS

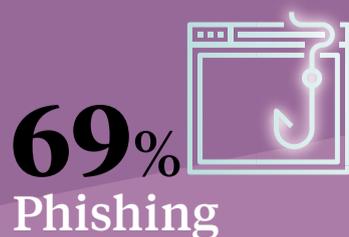
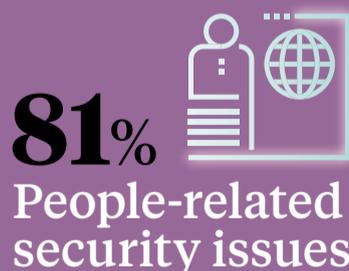
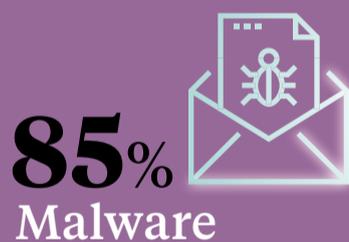
More than 11.5 million documents from Panamanian offshore law firm Fonseca were leaked by an anonymous source and obtained by *Süddeutsche Zeitung*. The documents were shared with the International Consortium of Investigative Journalists (ICIJ), which revealed how hundreds of high-profile politicians, business people and celebrities were exploiting offshore tax havens

2.6

terabytes of data were leaked in the breach

Biggest cyber-vulnerabilities

Percentage of law firms ranking the following in their top three issues
Smith and Williamson 2017



Data breaches in the UK legal sector

Information Commissioner's Officer 2018

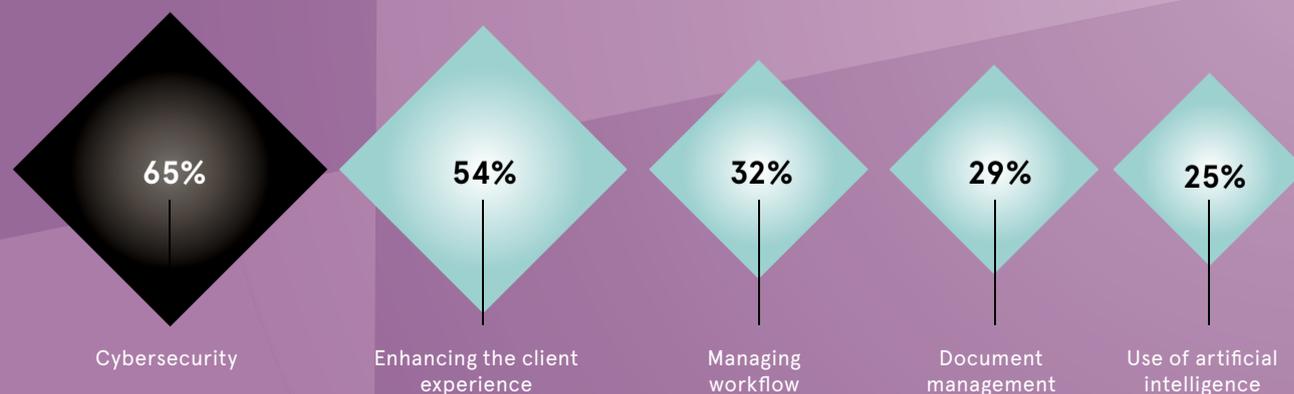
Breaches reported to the Information Commissioner's Officer



Biggest technology issues facing law firms

Smith and Williamson 2017

Percentage of law firms ranking the following in their top three issues





2016

DLA PIPER

The Petya ransomware attack that hit Microsoft Windows-based computer systems across Europe and the United States also took down law firm DLA Piper, bringing the company to a virtual standstill for almost a week

3.6k

thousand lawyers at DLA Piper were blocked from accessing their email accounts



2017

WORDPRESS

Websites of many US-based law firms were hacked due to vulnerabilities with site-building platform WordPress, allowing the attackers to edit content and deface homepages

100k

websites were hacked in total over a fortnight



2017

PARADISE PAPERS

Some 13.4 million confidential electronic documents (1.4 terabytes) from Bermuda-based offshore giant Appleby were leaked to *Süddeutsche Zeitung* and shared with the ICIJ. They contained details of offshore investments by high-profile figures and businesses

120k

people and companies were identified in the breach

Number of breached credentials on the dark web

RepKnight 2018

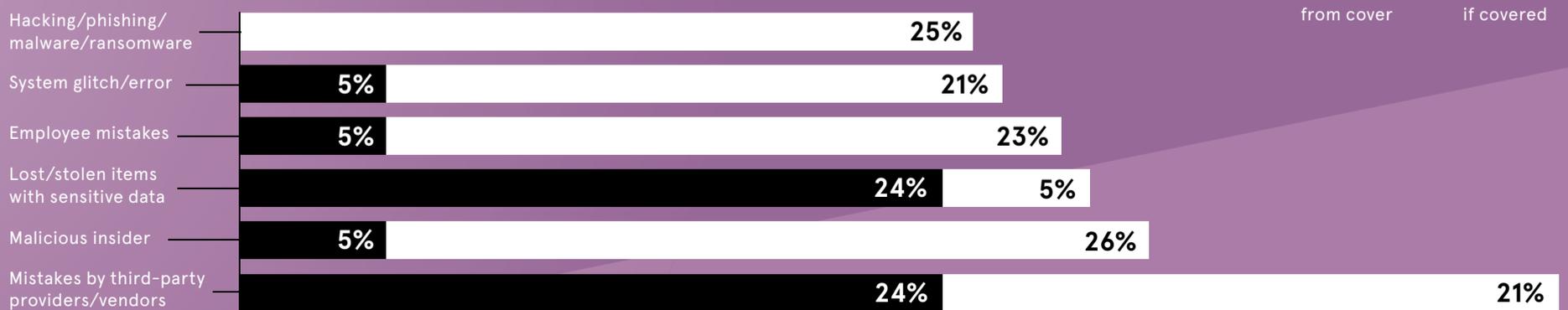
The top 500 law firms in the UK have more than one million credentials exposed online on the dark web, such as clients' addresses, contact details and bank account numbers



Cyber insurance policy

Legal Week Intelligence/Kroll 2018

Percentage of general counsels whose insurance policy cover excludes the following:



What will you be doing this weekend?

Friday 1st April 2016

Mossack Fonseca notifies its clients that it has sustained an email hack

Friday 12th May 2017

WannaCry holds machines around the world to ransom

Friday 25th May 2018

GDPR comes into affect

Our managed security service provides you with the technology and the expertise required to monitor and protect your network.

As well as blocking hackers, malware and fraud in realtime, we help our customers demonstrate compliance with current and upcoming regulations.

Say goodbye to weekend fire fighting!



ThreatSpike Labs
www.threatspike.com

Protecting Your Weekends

ARTIFICIAL INTELLIGENCE

Don't get left behind by

Law firms must adopt artificial intelligence technology and adapt services rather than letting rivals eat into their profits

DAVID BENADY

From checking leases at the Land Registry to sorting through millions of documents for disclosure during litigation, artificial intelligence or AI is speeding up some of the most repetitive legal tasks.

Much of this work has historically been the bread and butter of lawyers who have charged by the hour for such services. But lawtech startups and legal services providers offering AI are poised to take over many of these tasks, depriving established law firms of a large slice of their revenues.

Critics wonder whether law firms are prepared for the coming changes. Given the transformation that automation requires, who in the sector is ready for the AI revolution?

"The middle market is the danger zone," says Matt Meyer, chief executive of law firm Taylor Vinters and chairman of lawtech startup ThoughtRiver. Mid-sized law firms lack the resources of the biggest firms to invest heavily in AI technology while their management structures are too cumbersome to allow the creation of interesting collaborations, incubations and investments with startups.

"Those law firms have an acceptable level of profitability which

means they don't have to innovate; they aren't really concerned about using tech to preserve profitability. They have long-term, sticky relationships with clients that produce repeat business," adds Mr Meyer.

But Duncan Eadie, IT director at Foot Anstey, a regional law firm, says: "This is more about management, risk and matching cultures than it is about size. Many mid-tier firms have that in abundance."

Mr Eadie says clients are driving the shift to AI as they look for innovative firms that offer value for money, transparency and tech solutions. "We will certainly see more disruption in the sector as we go forward, but forward-thinking firms, no matter what size, will already be considering this as an opportunity," he says.

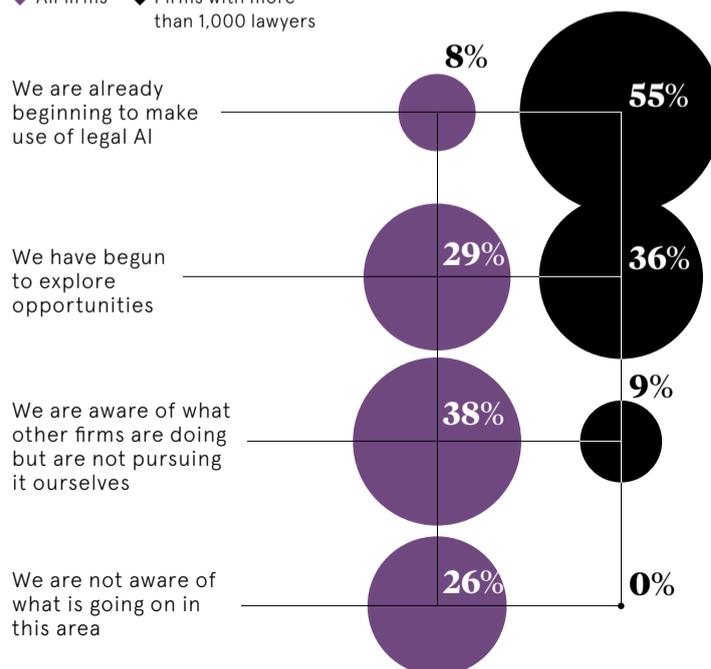
Emily Foges, chief executive of Luminance, an AI platform for the legal industry, says that until recently some of the biggest law firms thought they didn't need to worry about the cost-savings offered by AI because their huge clients weren't price sensitive.

However, over recent months, even these firms have started to realise that clients are starting to demand lower costs. "Yes, the legal profession is ready for AI. Though whether everybody has realised that is another matter," says Ms Foges.

Law firms' stance on legal AI tools

Survey of US-based law firms

◆ All firms ◆ Firms with more than 1,000 lawyers



Altman Weil 2017



"Firms who say 'we charge by the billable hour so the more time we spend on an activity, the more value is associated with it' are starting to realise that what their clients want from them is time spent thinking and analysing negotiation points, not trawling through repetitive documentations."

Some believe that the partnership structure of law firms acts as a break on innovation. It slows down progress as all partners need to agree on new moves. Meanwhile, as they all take their share of the profits, this can leave law firms lacking the funds for investment.

Chris DeConti, executive vice president of global solutions at Axiom, an alternative legal services provider, warns: "Structural limitations like the partnership structure, limited investment capacity and over-reliance on lawyers rather than technologists, analysts or data scientists will impede the effective adoption of AI by law firms."

But AI, indeed any innovation, should deliver more than sim-

AI revolution



Samuel Zeller/Unsplash

Forward-thinking firms, no matter what size, will already be considering this as an opportunity

ply cost-reductions. It also needs to add value to the legal process. Mr DeConti says AI can streamline legal work, which reduces cost. But the more interesting potential is for AI to be used to derive insights from contracts and other legal documents that can be applied to the business. “These insights can save money or generate revenues that dwarf the savings represented by reducing legal costs,” he says.

A substantial proportion of law firms’ work will be automated, taking away a proportion of revenues. An AI can churn through hundreds of leases during the

acquisition of a shopping centre, for example, and quickly find any relevant clauses that matter to a client. It would take a team of lawyers days to sort through the leases manually and extract the important information or to analyse documents to see if they need to be disclosed during litigation.

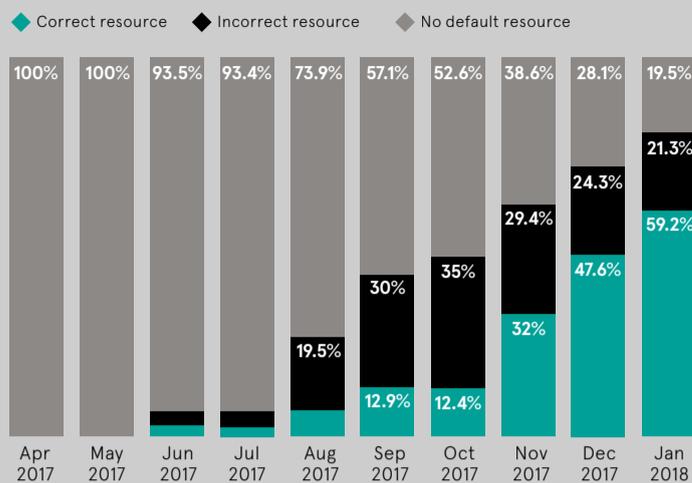
If law firms are simply charging by the hour – some even charge by six-minute units – they stand to lose significant revenues from the AI revolution. Nick West, chief technology officer at Mishcon de Reya, says: “The value in litigation, what you pay for, is the litigation strategy, understanding how we are going to win this case that is a matter of really mastering the facts of the case and understanding what is going on, and moving the chess pieces accordingly.”

The law firms that are ready for the shift will be the ones with a culture of innovation. That includes finding new ways to charge for the value their services add, given that the time-based charging model will be turned upside down by superfast AI technology. ♦

Commercial feature

Getting work to the right resource

The results of implementing BigHand Now in a top-50 law firm



Within six months BigHand Now can generate significant return on investment by ensuring work is done by the right person at the right time

BigHand client

- 1) The data in April and May was the first time this was ever reviewed by the firm, and indicates limited control over who completed what work
- 2) The data for June and July, during the pilot phase, highlights that work was being sent to the incorrect resource
- 3) From August to October, the introduction of BigHand Now to all teams means work can now be routed automatically to the best resource
- 4) Following a full roll-out of BigHand Now, seen in November to January, lower-value work is now being done by the right resource at a lower cost, with no impact on customer service and management have data to improve this further

Uncover your operational blindspot

Depending on who you ask, the era of super profits has either already finished or the end is on the horizon. Either way, the future looks different, says **James Kippenberger**, managing director of commercial product management and UK client delivery at BigHand

Business clients, themselves under financial pressure, are slashing fees and bringing more work in house. New competitors in various guises are nibbling at the edges. There is constant downward price pressure and this is hitting profits across the legal industry.

To protect margins, law firms need to become more cost conscious. While they have always focused on the fee-earners who carry out legal work, they have invariably paid less attention to the activities of support staff. They are now turning the spotlight on staff such as legal PAs and team assistants to make sure they are doing the right work and operating as efficiently as possible.

Progressive law firms understand the incremental gains they can reap by modernising their back-office operations. They are using new tools that help them assign tasks in the most economically efficient way, without damaging client service.

This is only one part of the solution, however. Creating processes that delegate work effectively requires a deep understanding of the workflow and it requires a significant focus on adoption.

A key element of analysing the flow of work is to find ways of making best use of the specialised skills and knowledge among support staff. You don’t want expensive legal PAs doing photocopying or archiving when a lower-cost team assistant is perfectly, if not more, capable. Customers will not pay for low-value tasks, so law firms need to spend as little as possible getting them done. The secret is to have a

system that allocates the right tasks to the most appropriate back-office staff.

The first step to achieving this is to get an accurate picture of the support skills available and how they are being used. Getting this information is difficult, but critical. It should now be a top priority for law firms of all sizes that want to compete effectively.

Streamlining business services starts with visibility

Secretarial services managers often manually put together a weekly or monthly spreadsheet for board meetings, roughly outlining the work of support staff. Law firms lack accurate data on support staff effectiveness so this area has been managed blind. Law firms need to gain greater insights into the way support staff operate to help them understand where improvements can be made.

One common mistake is that law firms invest in a variety of workflow solutions. While these offer pockets of success, they tend to be expensive and complex. They often struggle to function ubiquitously across the business. The theory is great, but the practicality is tough.

Having developed considerable experience in observing the workflow processes of law firms over the

past decade, BigHand has leveraged this knowledge to create a task-delegation system that allows a law firm to organise, disseminate, track, monitor and report on the firm’s entire support staff workload. The system allocates work to the people who are best placed to do it or can do it at the lowest cost.

In contrast to heavyweight workflow solutions used by some big law firms, our software is off the shelf, easy to configure and can be deployed rapidly. Law firms can readily adapt it to how they work and, critically, it is quickly adopted by fee earners. Our consultants go into the firm and install, implement and train staff on how to use the system, but once it is up and running, the firm manages it themselves. It is not onerous for IT and does not require third-party involvement.

For the first time, BigHand Now gives law firms a lens into the operational side of their legal services work. This allows them to make sensible and informed decisions about support ratios, team structures, competencies and office space. It provides a tool to help them proactively transform the way the firm operates. This will be crucial to halting the underlying attrition on profit while still delivering superb customer service.

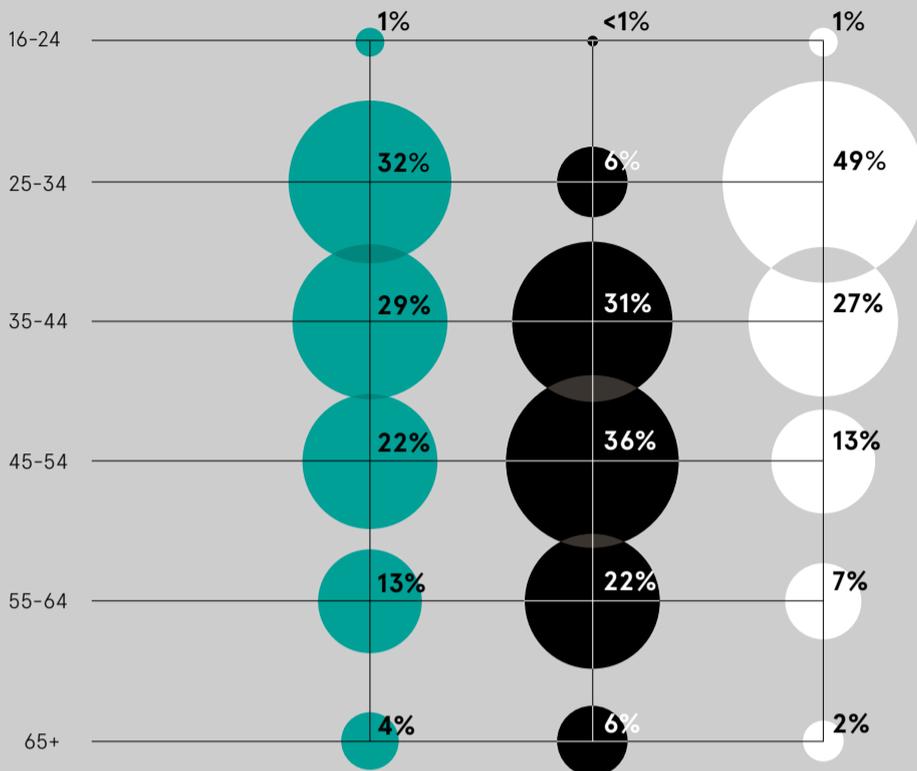
James Kippenberger will be hosting a webinar to discuss this topic further on Thursday February 15 at 1pm.
www.bighand.com/raconteur-report



Demographic of the legal profession in the UK

Percentage breakdown by age

◆ All lawyers ◆ Partners ◆ Solicitors



Numbers may not equal 100 per cent due to rounding

SRA 2017

Millennials by numbers



50%+

of employees expect to be working in a smart office in the next five years



80%+

of millennials say workplace tech would have an influence when deciding to take a job



60%+

would prefer to receive high-tech perks at work rather than low-tech perks like ping pong and free food



70%+

feel advanced tech and smart offices are crucial to a collaborative, productive and efficient work environment

Dell and Intel Future Workforce Study, 2016
Conducted by research firm PSB



Jack Newton
Chief executive and co-founder
Clio

allowing them to provide clearer invoices for their clients.

"If you are time-recording by hand, you just don't capture it all," says Ms Donald. "I think you actually underestimate the amount of time it takes you to do something and it's impossible to know how much value you're getting back from the fees you're issuing if you don't know how much time you've spent on something."

Ms Reid adds: "Clio makes the whole process with our clients and the conversations we might have with them in terms of procedure much easier. I feel more relaxed because I know there's a record of all the time I've spent. And if there are concerns about fees, I can show clients where my time has gone."

use legacy systems, which require lawyers to be in the office, will be increasingly limited in how and where they can provide their services.

After ten years of practising law, Rachel Roche set up her own law firm in 2011 with a vision to modernise the way private client solicitors do business, focusing on offering personable service with a modern edge. Initially running the business from home, she relied on cloud services such as Dropbox for storing files and Xero for accounting.

As the business grew, Ms Roche required software that better organised her cases, contacts and files, while keeping better track of her billable time. With Clio's solution, she could access everything wherever she was, from any device. "If I am on the road and take a last-minute appointment, I don't have to worry about not having the file with me," she says. "I've always lived by the mantra that organisation is the key and Clio helps me with this."

Stephen C. Paul, a millennial law firm owner and another Clio customer, adds: "I grew up on computers and, while a lot of my clientele is older than me now, very shortly the majority will be millennials too. We're used to using a computer to find an answer immediately. Sometimes we don't want to call anyone on the phone. We just want to send a quick message, or log in to something quickly, and get the information we want straight away."

Cloud technology allows law firms to remove the hindrances of outdated processes. Scotland-based law firm owners Emma Reid and Cathy Donald, for example, use timers in Clio to keep a digital record of their billable hours,

Alongside the demand for more effortless, technology-based interactions with law firms, millennials expect the sensitive information they share to be secure. Not only are many traditional law firms lagging behind in adopting cloud technology and providing the services millennials desire, they are also failing to do enough to protect themselves and their clients from cyber-threats. The cybercrime landscape is evolving at a daunting pace so lawyers must constantly be educating themselves to protect their business and their clients from online threats.

Simple economies of scale have led cloud computing vendors to invest aggressively in security infrastructure that is orders of magnitude more secure than what a small-to-medium-sized law office would be able to invest in to protect on-premise servers. Analyst firm Gartner expects that through 2020 public cloud infrastructure-as-a-service (IaaS) workloads will suffer at least 60 per cent fewer security incidents than those in traditional datacentres.

"While there were some initial doubts over the security of the cloud back in 2008, especially among lawyers, it's now accepted that the cloud is more secure than on-premise solutions," says Mr Newton. "Clio spends hundreds of thousands of dollars each year on security, penetration testing, a dedicated security team and much more to make sure all client data is secure."

For more information please visit
clio.com/uk



Law firms embrace cloud technology to meet millennials' expectations

Cloud-based technology will continue to transform the legal industry

Millennials make up more than 35 per cent of UK workers and are set to represent 50 per cent of the global workforce by 2020. Characterised by their desire to both work and consume services flexibly, millennials expect the user experience they enjoy on their smartphones and social networks in all aspects of their life.

As millennials reach an age where they rely more on legal services, many are discovering that law firms aren't meeting those expectations. Some 30 per cent of millennials who have had a legal issue say they prefer to use technology to share legal documents with their lawyer, compared to 23 per cent of older clients, according to the 2017 *Legal Trends Report* by Clio, the world's leading legal practice management platform.

What once seemed like a wish-list of irreconcilable demands is now a prerequisite for survival in the modern legal landscape. Clio began

transforming the legal space with the rise of cloud computing, which enabled a smarter and more efficient option. With powerful solutions made accessible and affordable, firms that have adopted the technology are disrupting an industry filled with unresponsive, traditional law firms.

Legal solutions have traditionally been designed and improved in silos, but cloud technology makes it easier for different tools to integrate with one another, enabling legal professionals to craft technology ecosystems that work for them.

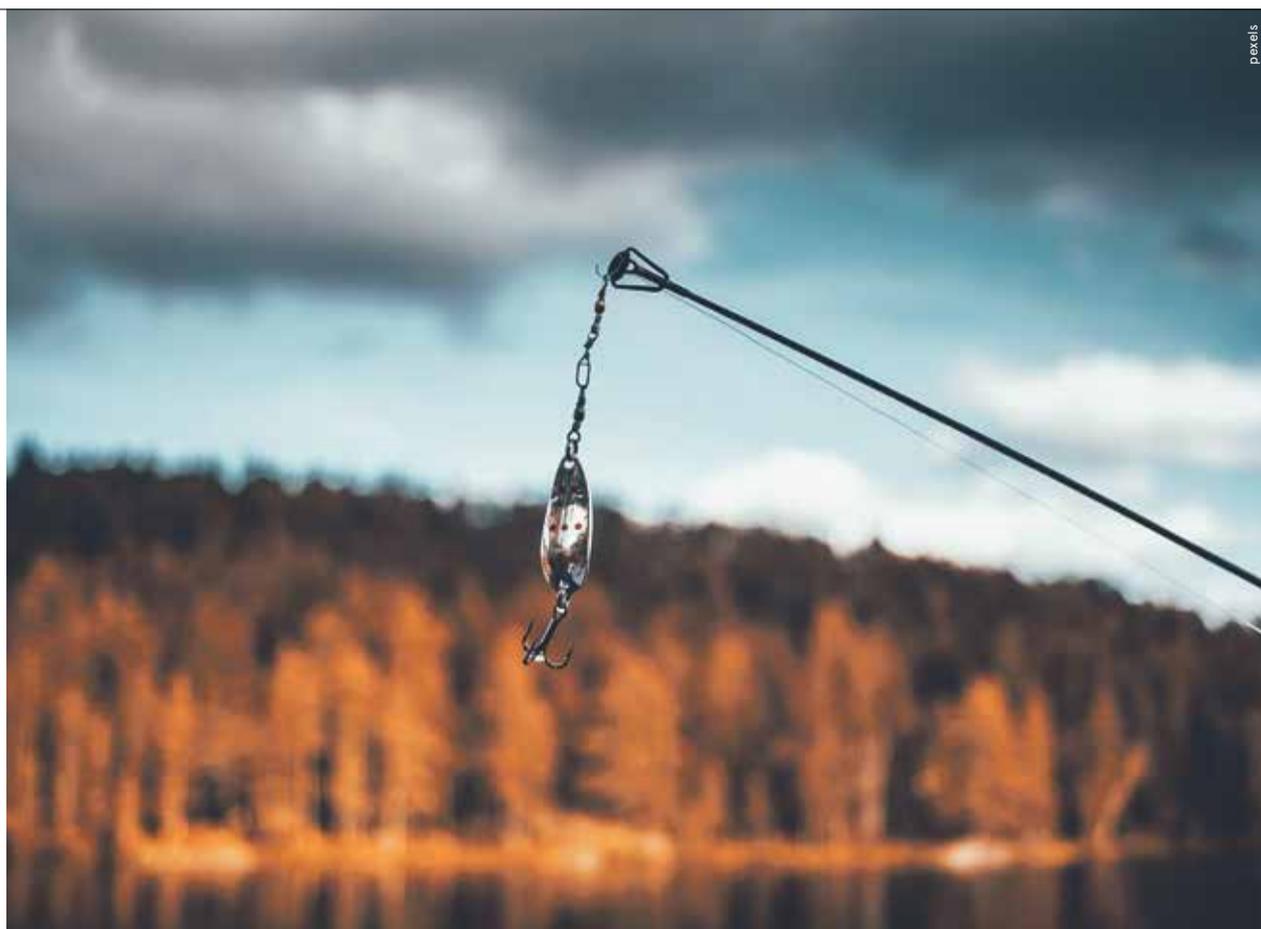
Clio's platform, which with a 150,000-strong customer base is used in more than 90 countries, currently integrates with 18 leading UK legal apps and services thanks to an open application programming interface or API platform that allows applications to interact.

"We believe technology will continue to transform and redefine the legal practice, and we want to

provide a fertile ground upon which additional innovation can occur," says Jack Newton, chief executive and co-founder of Clio. "We want the Clio platform to be the first place developers look to build innovative legal technology tools. In turn, we know this will benefit our customers, who will gain a competitive edge from the full breadth of creativity and innovation in the tech industry."

To provide the mobile services that millennial clients crave, law firms must embrace cloud-based practice management, with integrated document management and accounting tools. It's clear that those who continue to

We believe technology will continue to transform and redefine the legal practice



Law firms face talent crisis in poaching war

Growth of in-house legal departments is spurring law firms to reflect on their workplace culture to attract and retain the best talent

BEN ROSSI

In-house legal teams are causing law firms a headache. With businesses facing more legal facets, the cost-savings and assurances of having in-house counsel are, for many, a better option than instructing external lawyers who charge hefty fees for carrying out day-to-day legal affairs.

Through their tighter integration with a company's operational leaders, general counsel (GC) can fill a broader remit. Their legal knowledge can be leveraged to help transform an organisation beyond restructurings, such as supporting strategies to change business models and acting in a more commercial capacity.

"GCs tend to be business minded and outcome focused, driven by commerce and results," says Rhannon Cambrook-Woods, managing director at legal recruitment firm Zest Recruitment and Consultancy LLP. "They are determined to get things right for their employer and are very mindful of managing costs."

Jochen Kasper, vice president and legal counsel Europe, Middle East and Africa for software firm Infor, adds: "As a prerequisite to

successfully support the operational structures, in-house legal departments need to work closely with the business leaders and understand their visions and strategies. They are part of the definition of such strategies."

The ability of legal departments to align with the strategic goals of their business has evolved the role of GCs beyond just managing risk. They typically have a blend of legal and non-legal skills, and often look at how legal technology and innovative processes can add more value to the company they work for.

As opposed to external firms, which are naturally driven by their own targets, GCs are entirely dedicated to the company's goals and can act as an internal integrator. With more knowledge of the business, an internal team can demonstrate more internal value and acts as a real company representative.

"While law firms focus on legal problems, internal legal resources concentrate on providing solutions that fit both from a legal perspective and a commercial perspective," says Mr Kasper. "It is the combination of the legal and commercial understanding of the business case that allows the internal legal function to be more innovative than an external attorney."

Becoming a partner at a top firm was always viewed as the pinnacle of the legal profession. However, with C-suite directors from other sectors increasingly keen to recruit lawyers into important roles, lawyers in private practice are recognising other avenues for success. "GCs who can communicate, operate pragmatically and behave commercially have been rightly catapulted into prominent business roles," says Matt Meyer, chief executive at law firm Taylor Vinters.

With the work-life balance of a GC also considered far better than that of somebody working in a private

It may not be long until graduate lawyers jump ship and chase career growth within a legal department

law practice, legal firms are facing the tough task of keeping the best talent on their side.

The number of in-house lawyers doubled between 2000 and 2012, and the portion of all practising solicitors working in-house grew from 16 per cent in 2001 to 22 per cent in 2016, according to analysis from the Law Society. This can be

attributed not only to more demand across sectors for GCs, but also an emerging perception that such a role can offer a better variety of work and quality of life.

To most graduates, spending the early stages of their career in private practice is still viewed as necessary to forming a successful legal career. The opportunity to develop skills across a range of client environments with the law firm structure remains the highest regarded entry route for a lawyer. But it may not be long until they jump ship and chase career growth within a legal department.

"Law firms are not necessarily known for their flexibility, work-life balance or attractive benefits package, but in-house can often attract all of these things and more," says Ms Cambrook-Woods. "Aside from developing a strong commercial awareness, in-house lawyers often

report that in any given week they could be advising on employment law, personal injury, commercial law or copyright law."

The opportunity to have board-level influence acts as a further draw, according to Mr Meyer. "Couple that with meaningful remuneration, capital opportunities through options, and the ability to work internationally and across sectors, and you have an attractive option," he says.

Private practices still employ three in five lawyers, according to the Law Society, but attracting and retaining the best and brightest talent, amid competition from both competing law firms and other sectors, is now more difficult.

In this landscape, law firms are realising they need to examine their treatment of employees. Holiday allowances have historically been poor in the legal profession, but Douglas Scott Legal Recruitment's most recent salary and benefits study found that 54 per cent of employees now benefit from above the statutory allowance compared with 47 per cent last year and only 35 per cent in 2016.

"For the first time ever, over half of legal professionals are helping strike a better work-life balance with an enhanced holiday allowance," says Kathryn Riley, Douglas Scott's managing director. "If an employer is selling themselves as a nimble and dynamic legal business, they need to move with the times."

While technologies such as artificial intelligence will automate some legal processes, success in the industry will continue to rely on having the best people. With an increasingly competitive landscape and the growing lure of in-house legal departments, law firms can no longer count on prestige only when recruiting talent – building a culture befitting of the millennial generation is paramount. ♦

Threats from non-traditional competition

Law firms were asked if they are losing business from other providers of legal services, other than from their traditional competitors

◆ Taking business from us now ◆ Potential threat ◆ Not a threat ◆ Don't know

Corporate law departments in-sourcing more legal work



Non-law firm providers of legal and quasi-legal services



Non-traditional law firms



Branded managed networks of independent lawyers



Innovating for a competitive future

As an era of unprecedented opportunity opens up for legal businesses, only those who actively embrace new ways of working, even if that means battling traditionally risk-averse cultures, will be fully poised to reap the benefits

Technology, data and alternative business models are disrupting the legal sector, with artificial intelligence (AI) taking over many mundane tasks. Meanwhile, the latest software will allow clients to cost-effectively perform various legal operations they had previously paid the legal industry to undertake.

Legal businesses with an eye to the future will be at the forefront of these developments, commissioning, testing and launching new technology and alternative business models that make clients' lives simpler. Leaders in this space will focus on reducing costs for clients while improving the effectiveness of legal operations.

Simultaneously, forward-thinking businesses will look to move into a range of connected services with a view to providing a more comprehensive offering, catering for consulting, accountancy, communications and legal services. As the big four – PwC, Deloitte, KPMG and EY – move in on the legal industry's turf, law firms can match these new rivals by expanding their own services.

To seize these new opportunities, companies must embark on transforming their culture, with lawyers actively evolving their outlook. By

building a culture of experimentation, this encourages a broader willingness to try new ways of working. Crucially though, products and services should still be carefully tested with inbuilt ways of mitigating development risks through an effective innovation pro-

Innovation is not just technology, but about how people make the most of human-only capabilities in an increasingly digital world

cess. As for all law firms, it is imperative that the accuracy and precision expected from legal services are never compromised.

This is not an unfamiliar story; thanks to the new startup wave, the legal industry faces similar challenges

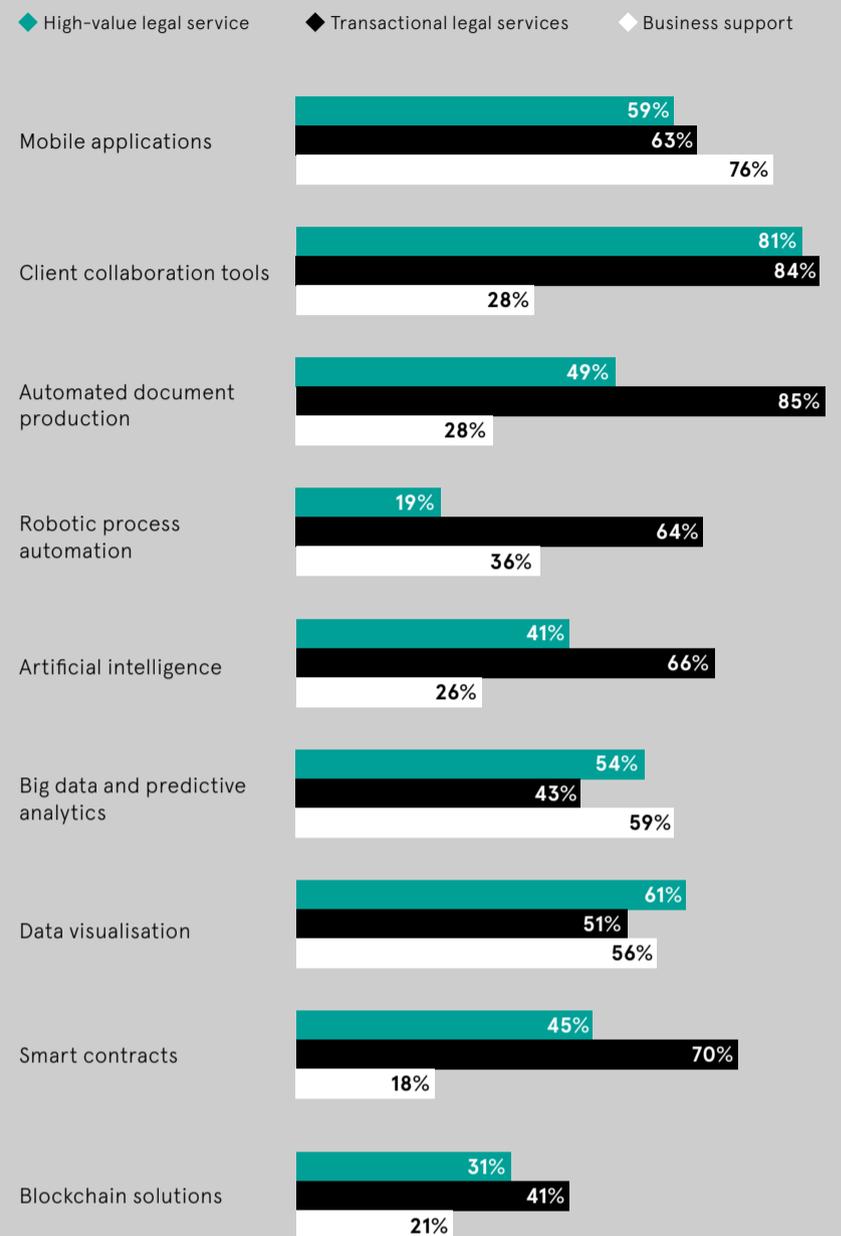
to many industries that are also currently confronting digital disruption. This shift challenges established business models and presents clients with increased choice. Hence, many established businesses are attempting to transform themselves internally before rivals get there first. For law firms, this means seeking out areas that are ripe for change and testing out ways to update their working practices.

To prepare for this shift, a first step for firms would be to rethink the fundamental time-based business model. Historically, the legal sector is driven by time to the point where a legal adviser in a traditional law firm records their day in six-minute units. This attitude towards the emphasis on time, rather than results, will need to change as clients increasingly expect quality service at any length.

At DWF, we recommend three key mechanisms for change in the law firms of the future. A strong research and development culture is crucial, either with a dedicated department within the business or by setting up a separate development arm. Secondly, by alerting senior leaders to new developments on the horizon and they in turn setting aside time to review the latest innovations, firms

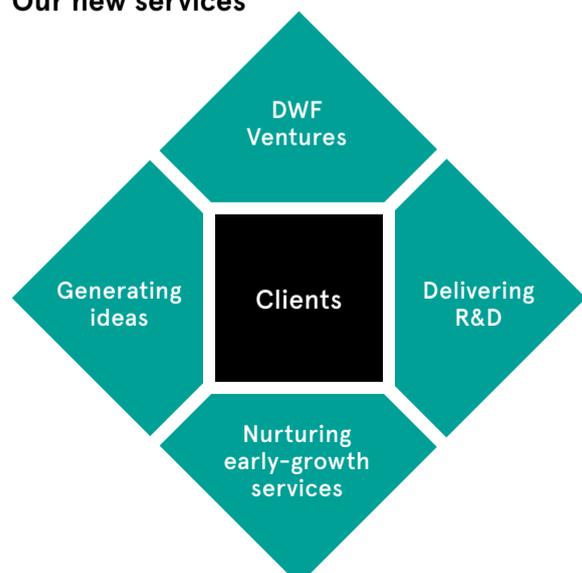
Digital and emerging legal technologies

Percentage of law firms that are using/plan to use the following technologies



PwC 2017

Our new services



Introducing DWF Ventures, our arms-length research and development company, which provides support to help clients:

- ◆ Innovate and frame new ideas
- ◆ Experiment to design and develop new concepts
- ◆ Nurture and grow new and emerging services

can ensure those most suitable to certain clients and sectors can be appropriately offered. A third area of change is one that many businesses have dabbled in across the sector, setting up the right environment for early and fast-growth service incubators.

Steps can be taken to ensure law firms nurture progressive ideas, as well as give them the financial backing to commercialise new products. When an initiative or new product has been proven and the time is ripe to launch it, an incubator style model offers the resources to move that product into early growth. These suggestions of new services can come from external sources such as startups or from innovations that begin within the law firm itself.

At DWF, we champion a strong reputation for innovation that comes from constantly preparing our business for shapeshifting opportunities, stemmed from evolving our culture and business model.

Innovation is not just technology, but about how people make the most of human-only capabilities in an increasingly digital world. Predictions of an AI-fuelled job cull

among lawyers are wide off the mark. Document automation, virtual assistants, extraction tools and digital review technologies should free up time for lawyers to instead work on delivering superior, more tailored services to their clients.

Where historically law firms have perhaps looked for recruits in relatively similar backgrounds, in the future those from science, engineering and maths will be increasingly important to provide a varied skillset. This mindset is part of the more agile, change-embracing culture that the shift to an innovation-based model should encourage.

We are in an increasingly competitive landscape where clients demand greater efficiency and lower costs from legal businesses. This, coupled with the threat of lawtech startups, should hammer home the urgency to be proactive and occupy the higher ground of innovation first.



Lawyers organise to protect the planet

Governments and companies that pollute the planet are being challenged by a growing band of campaigning environmental lawyers

SHARON THIRUCHELVAM

When James Thornton first visited Brussels in 2007, there were 15,000 corporate lobbyists buzzing around the European Commission, including several well-paid senior legal counsel, but not one environmental lawyer.

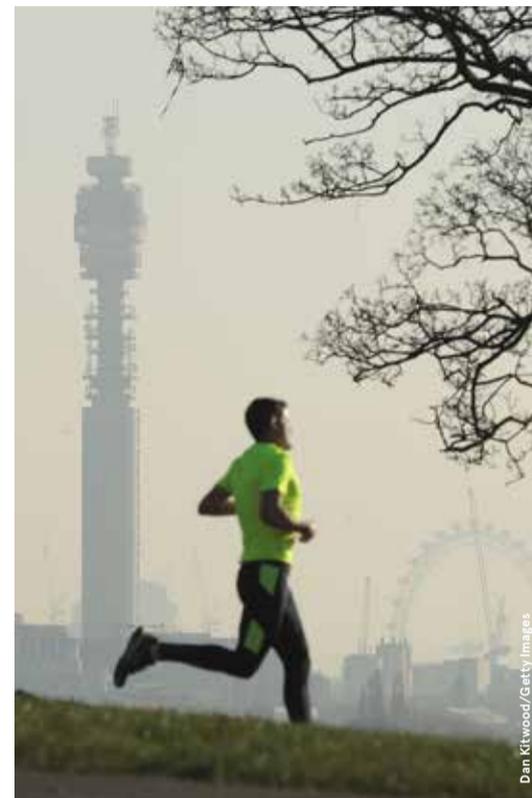
Unlike in the United States, where the environmental movement evolved in the slipstream of civil rights, and where Mr Thornton trained and worked for the National Resources Defense Council, in Europe the environmental lobby was dominated by campaigners not lawyers. This is beginning to change.

Lawyers are beginning to proselytise, lobby and litigate against politicians and policymakers over the environment and their enforcement duties. And the timing couldn't be more crucial.

Lawyers are rising to the challenge, and striving to bridge the legal, regulatory and policy gaps left in the wake of the Paris Agreement

Christiana Figueres, the former United Nations climate chief and architect of the Paris Agreement, warns that unless greenhouse gas emissions begin to fall within the next two years, the planet could face dangerous and irreversible temperature increases. Such increases would render the goal outlined in the Paris Agreement, to prevent temperatures rising more than 2C by 2100, unachievable.

“Moving from political agreement to concrete regulatory schemes that



people agree mutually to bind themselves to create an outcome – that is our concern,” says Mr Thornton, founder and chief executive of ClientEarth, the UK’s first public interest law firm.

ClientEarth’s track record is impressive. The firm, which has offices in London, Brussels and Warsaw, has never lost a case, and includes among its successes the halting of new coal-fired power stations in the UK and Poland.

Merely a decade old, ClientEarth has won a raft of awards and accolades. In 2017, it was named the Legal 500’s Public Law Firm of the Year, and was ranked second by the *Financial Times* against all law firms and legal services providers in Europe for its originality, leadership and impact.

Currently, it is suing the UK government over illegal levels of air pollution, and last year it won a landmark case against Poland’s extreme-right government in the European Court of Justice over the illegal logging of the country’s primeval Białowieża Forest.

While the litigation cases are attention grabbing, Mr Thornton explains that 60 per cent of ClientEarth’s work is behind the scenes. One such case is a year’s-long programme to reframe the fiduciary duty of institutional investors, such as pension funds, to take climate change risk into account. It is expected this should lead to the divestment of high-carbon projects.

But it is in China where ClientEarth’s mission to strengthen the rule of law and protect the environment has the largest potential impact. In 2014, ClientEarth was invited to help write regulations relating to a landmark law that China had recently passed to allow Chinese environmental NGOs to bring cases against polluting companies, including state-owned organisations.

As special advisers to the Supreme

People’s Court of China, ClientEarth has been working with the Chinese Ministry for Environmental Protection and federal prosecutors to build a culture of compliance that will make it easier to bring environmental cases to court, try them fairly and hold polluters to account. This ambitious project involves the training judges, all the way from the Supreme People’s Court to the provincial courts, training of prosecutors, on how to bring environmental cases to court, and deployment of an effective

environmental permits system.

Mr Thornton acknowledges that while China’s ambition to become an “ecological civilisation” is not couched in the language of human or civil rights, he is encouraged by the country’s urgent commitment to the cause. “The feeling of openness and creativity is enormous there,” he says. “In Europe, we have a mature system and we have to put enormous work into making it work.”

Despite European governments’ reiteration of their commitment

James Thornton from public interest law firm ClientEarth, which is currently suing the UK government over illegal levels of air pollution

to the Paris goals, progress is still stymied by a lack of political will, political weakness and fear of short-term economic fallout. Instead, lawyers are rising to the challenge, and striving to bridge the legal, regulatory and policy gaps left in the wake of the Paris Agreement.

“A recurring theme post-Paris has been that although the money for these green investments exists, investors are hesitant to deploy their funds in the absence of stable and transparent legal frameworks, including neutral and reliable enforcement mechanisms,” says Annette Magnusson, secretary general of the Arbitration Institute of the Stockholm Chamber of Commerce and general counsel of the Stockholm Chamber of Commerce.

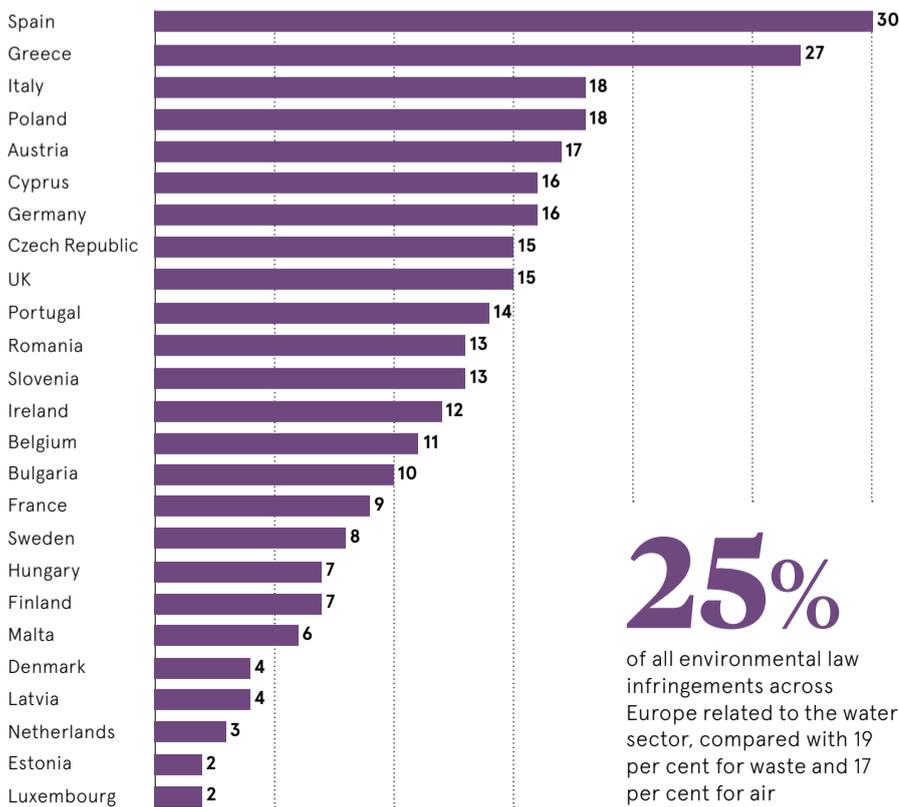
The Arbitration Institute of the Stockholm Chamber of Commerce, in collaboration the International Bar Association and crowdfunding website HeroX, have launched an innovation prize to encourage the creation of an international legal instrument to incentivise and protect cross-border investments aimed at climate change mitigation and adaptation.

The Stockholm Treaty Lab specifically aims to dismantle silos between the legal sector and other disciplines, as well as within the legal sector itself. “The two most obvious are between international investment law and climate change law,” says Ms Magnusson, who points to the 40,000 cases pending relating to investment disputes in renewable energy.

Original thinking is essential to overcoming the regulatory and technical hurdles that stand in the way of a low-carbon economy. The private sector is more committed than ever to sustainability, but without stable and long-term legal and policy structures in place, its willingness to invest will diminish. ♦

Environmental law infringements in Europe

Number of infringements per European Union member state in 2017



25%

of all environmental law infringements across Europe related to the water sector, compared with 19 per cent for waste and 17 per cent for air

Facing the taboo of mental health at work

High-pressured jobs in the legal profession can take their toll, but firms are beginning to take the mental health of staff more seriously

MARTIN BARROW

Sovani James dreamed of a long and fulfilling career in law, and she took a major step when she became a junior lawyer with a major firm with offices in London and across the South East.

But her dream became a nightmare as she struggled to cope with a culture of fear in her workplace, which has been criticised by the Solicitors Disciplinary Tribunal.

In January, Ms James was found to have acted dishonestly in creating and backdating letters to give the impression that a clinical negligence case was progressing. However, the tribunal opted against striking her off the roll after concluding her primary motivation was fear of the consequences from the firm's management of the discovery of her wrongdoing.

In its judgment the tribunal said: "Pressures suffered by management were passed down to the fee-earning team, who must have felt that they were carrying the weight of the world on their junior shoulders."

Giving evidence, Ms James said: "Almost daily I would be in tears due to the pressures I was under... The stress I was under was obvious towards the end of my time with the firm. I was clearly distressed and cried regularly. My hair started to fall out and I put on weight."

Mental health in the workplace is under greater scrutiny than ever and law firms are having to ask

tough questions about a corporate culture that promises financial rewards but, too often, at a high personal cost to employees.

In recent years, high-profile suicides of senior partners have made headlines. But the disciplinary process against Ms James, a junior lawyer, shined a light on an unsustainable, target-driven culture that encouraged bullying and intimidation.

Sadly, her testimony will strike a chord with many working in the legal profession. LawCare, a charity set up to support mental health and wellbeing in the legal community, has seen a strong increase in the number of callers to its helpline over the past couple of years.

Nearly half the solicitors and barristers who called for help cited depression, anxiety and workplace stress as the reason. The majority of callers were women (65 per cent) and 45 per cent were trainees or had been qualified five years or less. Last year the number of callers rose by 11 per cent over the previous 12 months.

Elizabeth Rimmer, chief executive of LawCare, says the increase in demand for the charity's support is a cause for concern, but adds that it may also signal a positive change in the culture of law firms.

"Law firms are beginning to take employee mental health and wellbeing seriously. There is a greater awareness that there are issues that need to be addressed. Mental health is higher up the agenda and organisations are understanding that not only is it the right thing



skaman306/Getty Images

to do, but also there is a business case," she says.

The stigma of mental health remains a huge challenge across the legal profession and not only in the UK. Lawyers and their teams are expected to cope under huge pressure, working long hours with little respite. Under such conditions, it becomes difficult to admit that you are struggling to cope and need help, often with catastrophic consequences.

A study of US lawyers, published by the American Society of Addiction Medicine, found alarming rates of behavioural health problems. Some 28 per cent experienced symptoms of depression, 19 per cent anxiety and 23 per cent stress; 21 per cent screened positive for hazardous, harmful and potentially alcohol-dependent drinking.

Although there is limited equivalent UK data, Ms Rimmer, a former lawyer, says that such statistics are a close reflection of the legal environment here. "Many of the qualities that motivate people to choose a career in the law possibly make them more susceptible to mental health issues," she says. "Lawyers are high achievers and perfectionists. They have a fear of making mistakes because so much is at stake. They are committed to solving other people's problems and often do not make time to solve their own."

The stigma of mental health remains a huge challenge across the legal profession

Having leaders willing to speak publicly about stress and depression is having a positive impact in the legal profession. Nigel Jones is chair of the City Mental Health Alliance, a coalition of organisations that have come together to create an environment where mental health is discussed in the same way as physical health. He is also a senior partner at the law firm Linklaters and a specialist in intellectual property.

"We created the City Mental Health Alliance five years ago to make the City of London a healthier place to work," says Mr Jones. "We're doing this by trying to reduce the stigma and improve the literacy around mental health, and identify practical steps that businesses based in the City of London, primarily larger businesses, can take to help people remain well."

Despite the challenges, LawCare's Ms Rimmer is optimis-

tic about the outlook for mental health in law firms. The Solicitors Disciplinary Tribunal's strong condemnation of working practices, in the Sovani James case, is just one sign that attitudes are changing for the better.

"Employers are realising they need to provide more flexible working opportunities and that they need to trust their staff," she says. "The current generation is less attracted by high salaries and more interested in a better work-life balance."

As for Ms James, she has been able to continue her career with a different firm in Chester, while living closer to her family home. ♦

Feeling the stress

Junior lawyers in the UK were asked how often they feel stressed as a result of work, defined as being under too much emotional or mental pressure

◆ Regularly ◆ Occasionally ◆ Rarely ◆ Never

Overall



Legal practice course qualified



Trainee



Numbers may not equal 100 per cent due to rounding

Law Society 2017

28%

of lawyers experienced symptoms of depression

19%

experienced anxiety

American Society of Addiction Medicine Study of US lawyers

'It is quite obvious law firms will have to change their business model and innovate their products'

The rapid pace of technological evolution will affect society as a whole and will also potentially reshuffle the entire legal market. This will present challenges and opportunities and law firms will need to anticipate the future legal landscape to formulate a strategic plan.

For me innovation is a word that tries to capture the steps lawyers and law firms are taking to anticipate and respond to the more general changes happening in the marketplace. When we speak about innovation, I think we need to look at how the market is changing. Technology is probably the most important driver of this change, but I would say the business environment is also changing.

Look at the law itself: we're used to having national laws that people learn about at law school, but all of a sudden we are dealing with transactions that are borderless. So when we look at a bitcoin or blockchain-based transaction, what is the applicable law? Which jurisdiction governs the transaction? How do you litigate around that? I don't pretend to know all the answers, but clearly there are new areas in substantive law that need to be adapted.

There has also been a huge change in how clients value legal services. Following the financial crisis, clients have seen their budgets shrink and this has changed their approach. Many are looking at what legal work they can bring in-house, and how they can better budget for and manage their legal service providers.

For some time the legal profession has largely been viewed as "fat cats" and there's some appetite among others to start competing in our marketplace. There are new entrants, with startups and the big four getting involved in many aspects of legal services, and there will be more. As I have read in one report on innovation in legal services: "You do not have a seat at the table because you are probably on the menu."

The definition of legal services has also changed. If you close your eyes and think about all the things being produced by machines at the push of a button, it makes you wonder where lawyers fit in. We used to have many young lawyers

doing basic drafting in basement offices. They will probably not be needed in the future, at least not as much.

What then is the lawyer of the future? Machines are never going to be able to deal with emotions, negotiation strategies, or work with people more generally. We will probably see lawyers focusing more on guiding the client. However, unless we are able to visualise what the law firm of the future looks like, it is very difficult to do meaningful innovations that are also substantive.

In the face of these challenges, I've set up two task forces at the International Bar Association (IBA). The first focuses on the future of legal services where we have done some initial research and now we are identifying individual projects where the IBA believes it can add value. The IBA is uniquely placed in the legal marketplace to add that global perspective. The other task force centres on cybersecurity issues. As technology plays an increasing role in what lawyers are doing, cybersecurity is gaining in importance and needs to be considered in the context of any innovation project.

No one's crystal ball is better than anyone else's, but it is quite obvious law firms will have to change their business model and innovate their products. Some believe new technologies will broaden access to justice. Many more lawyers will be required to deal with the impact of this. I'm not sure if this is what will happen, but I can see the logic and hopefully they're right. If innovation was to have a positive impact on access to justice, then that would be great news for all of us.



Martin Šolc
President
International Bar Association



Conference calls and client security

While law firms increase efforts to protect client confidentiality from cyberbreaches, a glaring hole remains exposed when it comes to remote meetings

Security breaches in the legal world are on the rise. According to PwC's annual survey, 60 per cent of law firms reported a security incident in 2017.

While email, BYOD (bring your own device) and various technologies feature as areas of concern, any mention of conference calling tools, which are in constant use by legal teams for important client communications, is notably absent.

"Who just joined?" is perhaps the most-asked question ever on conference calls. This stems from the fact that most lawyers are still dialing in with phone numbers and access codes. They're not using any software for a visual representation of who's actually on their meetings.

In a recent survey of 1,000 frequent conference callers commissioned by LoopUp, more than 50 per cent said they thought it was quite normal not to know exactly who's on their calls. In confidential client meetings, this is troubling at best.

So why do most lawyers persist with dial-in? After all, the experience is rife with all too common frustrations

Our minimalist interface is designed to guide users through an intuitive experience, with no training required

50%+

of frequent conference callers consider it normal not to know exactly who is on their conference calls

such as not knowing who's speaking, waiting for late joiners and dealing with distracting background noise.

The answer lies in how people tend to adopt software. Very few work through a user guide. For most, it's a process of trial and error over time. You test the waters by clicking a few things with mixed outcomes. Maybe you leave it for a while and come back to it. Maybe you ask a colleague for help. And over time, you end up either adopting it into regular use or you don't.

But trial-and-error-based learning simply doesn't play out well when it comes to remote-meetings software. As host, you're live in the hot seat with multiple guests – clients, colleagues, counterparties. The last thing you want is for anything to go wrong. You just want something that works.

And so most lawyers do something very understandable, they default to the devil they know – dial-in. They may well not like it, but at least everyone can dial a phone number and punch in a code. It's the safe play.

Plenty of feature-rich software products have tried to drag conferencing out of the dark ages. And they've had some success with tech-savvy early adopters and certain specialist user groups, such as IT and training teams. But none have managed to "cross the chasm" into the

mainstream majority, who continue to play it safe with dial-in.

So are we doomed to a never-ending future of painful, insecure dial-in conferencing? Certainly not. At LoopUp, we've taken a contrarian approach to software design. Rather than trying to wow the tech savvy, LoopUp has been built very specifically for the mainstream majority. In the wider software world, this might be seen as foolhardy, but considering the risk-averse nature of the remote-meetings world, we think it's essential if we are to entice them away from dial-in.

We don't overwhelm users with features; we believe less is more when it comes to remote meetings. Our minimalist interface is designed to guide users through an intuitive experience, with no training required. We integrate with tools that businesses use every day, such as Outlook and focus on a reliable, high-quality experience throughout every call, in terms of both audio quality and visual context.

And it's working. While our users may still dial in if they choose, 75 per cent of the time they forego it altogether, opting instead to have LoopUp call out to them on a phone of their choice. They're then naturally guided to a webpage or mobile app where they can see who's on the meeting and who's speaking, with intuitive controls to add missing guests and mute background noise.

We're working towards a world where dial-in fades into the background, bringing a new level of visibility and security to light.

Read the Enterprise Conferencing User Behaviour and Impact Report: www.loopup.com/legal-innovation



no edge

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