

October 2, 2015 12:02 am

## Many more challenges, not least in new technology, lie ahead for law firms

Reena SenGupta

[Share](#) [Author alerts](#) [Print](#) [Clip](#)

[Comments](#)



This year's FT Innovative Lawyers report marks a decade of researching and writing about innovation in the legal profession in Europe. The first report, in 2006, came at a time when law firms were enjoying double-digit growth and there was a feeling the bumper years would never end. As one firm in Portugal put it, developing the business meant standing by the fax machine. Sure, the market was competitive and there was a need for firms to differentiate themselves, but being successful had never been so easy.

Skip forward to 2015 and there is a new mentality in the European legal profession. Previously held totems have disappeared. For example, back in 2006, few law firm leaders ever thought that significant parts of their legal services would be standardised and that they would have to offer low-value, high-volume services. Outsourcing was not seen as a premium law firm activity.

Today, nearly all of the top 20 UK-originated law firms have a low-cost delivery centre, including more traditional names such as Freshfields Bruckhaus Deringer, which opened its Manchester facility this January.

Innovation is now a value to which law firms and in-house lawyers aspire, but some lawyers still equate it to providing services more cheaply. As this FT report shows, it is as much about innovations in technical legal expertise as it is about innovation in operations or the business of law.

The need for lawyers to innovate for clients became acute during and after the financial crisis of 2008. Brad Gans, then deputy general counsel at Citigroup, the US banking company, said: "No one could have expected a year before Lehmans that Citi's share price would have dropped to a dollar." The legal sector found itself in the eye of the storm that followed.

As a reflection of lawyers' contribution to the stabilisation of financial markets and business, the FT instituted its first special achievement award in 2009.

The inaugural winner was Rodgin Cohen of Sullivan & Cromwell. The decision to give an American lawyer the first European prize was a measure of how his work in big bank-related transactions had ramifications for European institutions and how the law was no longer a domestic product.

The financial crisis to this day provides many novel situations in which lawyers are forced to be creative. But this report also recognises the work of lawyers in everyday business situations who come up with inventive solutions.

There is, however, an important distinction between inventiveness and mere novelty. António Cardoso, a partner at Portuguese law firm Vieira de Almeida & Associados (VdA) and one of the FT's top 10 innovators in 2013, says: "They are not the same thing. Inventiveness is when the solution is not obvious. This is important when we deal with innovation. What is considered inventive is when you discover a new problem, even if it is not finding the solution. When you are innovative, you have to know what the problem really is."

Mr Cardoso's comment is a reflection of what it means to be an innovative lawyer today. It is no longer enough to be a great problem solver. Now, premium lawyers have to create their own instructions and be "problem finders". The standout legal expertise rankings in the 2015 FT report show lawyers who have done just that but who have also, in some instances, displaced other professional advisers to come up with the overall commercial solution.

Besides needing these creative, commercial and leadership skills, lawyers also have to be conscious about the appropriateness of their legal service delivery model. No longer do their clients pay for young lawyers to learn their trade on their deals. Despite a return to growth in several European jurisdictions and increasing demand for legal services, the client-lawyer relationship has not returned to pre-crisis conditions where the law firm had the upper hand.

In fact, one of the biggest changes of the past 10 years has been in the corporate legal department. As legal service purchasers, they now have teeth. General counsel have more of a role in the boardroom and supply advice to top executives that used to be the preserve of private practice. Their departments have become strategic functions, closely working with business colleagues to balance risk and revenues. The result of this is that their purchasing patterns have changed. They are willing to buy from alternative legal suppliers such as Axiom that are disrupting established practice.

Organisations such as these are changing the landscape in Europe, particularly in work on commercial contracts, often seen as the bedrock of legal work in any big business. Mark Harris, Axiom's chief executive and the FT's Special Achievement Award winner in 2013, said in his

What is considered inventive is when you discover a new

acceptance speech: “The business of law is the most exciting part of the profession to be operating in right now.”

problem, even if it is not finding the solution

- António Cardoso

Axiom has achieved 1,216 per cent growth in revenues over the past 10 years and gains one of the top three slots in a special FT ranking for this year, the Top 10 game changers of the past 10 years.

Tweet this quote

In this ranking, which illustrates how the profession has evolved, no single law firm has fundamentally changed the way in which the profession operates, but all the firms listed have led the legal market in some way. Many reflect the impact of globalisation on the profession. Outside the financial crisis, the story of the past 10 years is one of how law firms have changed their domestic products into international ones. DLA Piper and Latham & Watkins, while operating in different market segments, have shown how to internationalise quickly and successfully. King & Wood Mallesons, the first leading international law firm to be headquartered in the Asia-Pacific region, reflects how the global centre of gravity has shifted towards that part of the world.

Other important trends in the legal market are reflected in the inclusion of Berwin Leighton Paisner for its LOD (Lawyers On Demand), which shows how the legal sector is not immune to the growing “gig economy” – the rise of career paths based on flexible, short-term stints of work. The impact of regulatory and legislative change is shown in the inclusion of Slater and Gordon. The first law firm to float in Australia, it has taken advantage of the UK’s Legal Services Act to grow its consumer legal business in England and Wales.

Being a first mover is not the only indicator of innovation in the profession. Sometimes coming from behind can be a strength. UK law firm Pinsent Masons, which was ranked 16th last year, takes first position in the FT’s overall index of top performers for the 2015 report.

Richard Foley, the firm’s senior partner, believes that being innovative in the legal sector is as much about having an entrepreneurial culture as it is about being first. “We make a value of watching and learning,” he says. “For us, there is a sense that if you can’t be first then you need to be second. We made boldness a core value of our business and a lot of what we have done is a consequence of that decision.”

One of the firm’s winning innovations is in the technology category, where its new cloud-based product Cerico helps clients deal with compliance. It is an important category of the FT report in which to show prowess.

If the story of the legal sector of the past 10 years has been dominated by the financial crisis, the rise of the client and globalisation, the one for the next decade is likely to be how the profession deals with new technologies. To take just one example, Watson, IBM’s artificial intelligence computing system, is set to change the way lawyers work far more radically than anything has done in the past.

Share Author alerts Print Clip

Comments

