

'I'd like to cut through the hype to propose that we've reached an important, positive tipping point'

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Discussions around innovation in the legal market are often sidetracked by talk of cyborgs and artificial intelligence agents bent on world domination.

While such talk grabs attention, it's an unhelpful distraction that makes innovation seem like something from an Asimov novel.

I'd like to cut through the hype to propose that we've reached an important, positive tipping point.

That's not to say that technology is not playing a significant role in the legal industry. It is and will increasingly do so. And while predictions of robots replacing lawyers sound a little panicked, studies still suggest that between 13 and 39 per cent of legal jobs will be automated within two decades.

However, the narrative around "robots dooming lawyers" has been replaced by a more constructive debate concerning innovation as a powerful enabler of better legal services for all.

This proposition finds support in the Law Society's recent *Capturing technological innovation in legal services* report. Examples from firms and in-house teams paint a picture of a dynamic sector embracing innovation right across the way lawyers operate, deliver services and engage with clients.

Why now? Most of the changes we see are rooted in responding to external pressures. For years, powerful forces have been driving changes in our industry and a dynamic response was essential for growth or even survival.

Much of the pressure has come from the buyers of legal services. As corporates tightened their belts after the global financial crisis, in-house teams were repeatedly asked to do more for less. They, in turn, made similar demands of external counsel.

Part of that solution has been to examine carefully how technology and innovation more generally can reduce the burden.

For instance, technologies such as robotic process automation have been deployed to cut the cost of manual processes by 20 to 40 per cent and, by reducing human error, have significantly increased the accuracy of output, cutting time spent on reviewing and correcting work.

As lawyers and their clients become more familiar with technological and other innovations in the legal sector, such activities are increasingly being viewed as prizes to be actively pursued, rather than just "necessary evils".

This shift from a reactive to a more proactive approach is being manifested in myriad ways. Legal innovation clusters into three main strands: service and service delivery; business process and resourcing; and strategy and pricing.

A 2015 survey by the Enterprise Research Centre at Warwick Business School found activity across all three. The survey found that 28 per cent were innovating by providing new and improved services to clients. Almost 37 per cent were innovating around marketing strategies or channels.

Such activity is increasingly becoming a firm buyer expectation, with evidence of innovation around technology use, service delivery and operating models, appearing as criteria for panel firm selections.

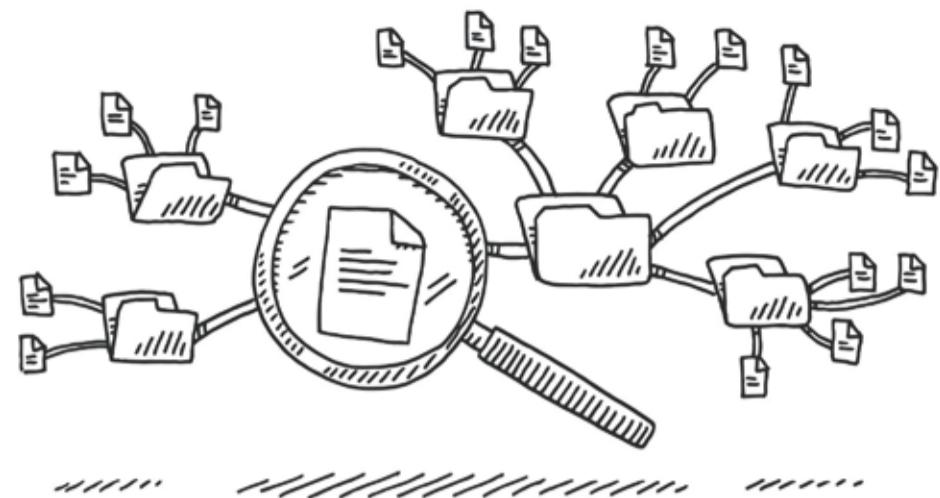
In response, we are seeing firms harness opportunities such as the analysis of big data to know and service clients better in a way that differentiates their offering beyond pure legal expertise.

The legal sector's market size and profitability make it an attractive target for new entrants. As such, new forms of competition have emerged from within and outside the profession, players such as accountants, consultancy firms and tech startups are now all in this space.

In summary, I believe that, in terms of the adoption curve, innovation in legal services now sits firmly within the "early-majority" category. Legal innovation is finally going mainstream.

This offers immense opportunities for solicitors, their clients and those from outside the legal sector who can work with them. We will look to use our unique perspective across the sector to support solicitors to find these opportunities and find the technology and partners they need to succeed.

As for robots replacing lawyers, I'll give Asimov the final word: "Do no fear computers, fear the lack of them."



Mitigate risk by simplifying contract management

Organisations can expose themselves to massive risks, costing millions of pounds, if they don't fully grasp the contracts they've inherited in an acquisition or properly manage the auto-renewals of their business contracts



For most people, contracts are little more than a nuisance, hurriedly signed or clicked through before completing the desired transaction.

At their best, contracts are dynamic and represent everything from intellectual property to commitments to clients and employees. At their worst, contracts are unmanaged, outdated and even squander resources. Large organisations, on average, manage tens of thousands of contracts that range from the dynamic to the outmoded, but new contract intelligence capabilities are disrupting the status quo.

This disruption comes at a particularly critical time. Rapidly changing legal, political and regulatory frameworks, including Brexit, place greater burdens on organisations to find, understand and act upon contracts quickly so they remain relevant.

Managing contracts across the various activities within the corporation is daunting and fraught with risk in the worst cases. The business that does not know the details of its contracts opens itself up to exposure both in revenue lost but also costs that could be incurred to execute upon contractual requirements.

"We see these issues most commonly across the highly regulated industries such as financial services and pharmaceuticals as well as in multinational corporations," says Kathryn Hardie, senior managing director and global contract intelligence (CI) leader of business advi-

sory firm FTI Consulting. "As an example, in merger transactions there is a particular urgency for corporations to understand the nature of the targeted company's contracts to assess their obligations. Entering into an integrated company requires that acquired contractual terms not only be understood but adhered to in ongoing business practice."

There are numerous pending situations that currently exist from the analysis of leases for compliance requirements, change in tax regulations and looming new compliance requiring stricter adherence to changing reporting requirements.

"A simple example of hidden risk could be auto-renewal clauses," says Craig Earnshaw, senior managing director at FTI Consulting. "A contract could be written in such a way as to be automatically renewed and, as a result, a company could be facing a huge bill that it wasn't expecting. A lot of companies don't think about this until they actually have a problem with it. Then they have to try and find the relevant details in a particular contract."

These issues have prompted a growing number of companies to turn to FTI Consulting to manage their contracts more effectively. FTI Consulting's CI experts use their experience, combined with advanced analytics, to create a more effective way of managing contracts.

"Our service is based on our many years of knowledge gained in dispute resolution and in identifying informa-

tion within the corporate landscape," says Mr Earnshaw. "CI gathers intelligence on contracts and helps organisations to take action to avoid problems or to solve them quickly, easily and cost effectively when they occur."

FTI Consulting has already been helping clients to handle difficult issues and, with Brexit impending, Mr Earnshaw believes this is exactly the sort of situation in which FTI's experts can assist. He says: "Organisations need to be aware of their contract terms about geographical and territorial issues. For example, they could be the sole distributor of goods or services in the EU, with a potential requirement to renegotiate the contract to determine whether this includes or excludes the UK post-Brexit."

"Once the UK is no longer part of the EU, there may be new trade barriers or new taxes and levies. Companies therefore need to understand whether their current contracts provide for these situations as they might become uncommercial and require renegotiation."

Ms Hardie is keen to stress that CI is an iterative product and part of the firm's managed services. "We work in partnership with our clients to make sure that their contract management processes aren't just following the status quo, but are meeting the increasing demands and staying ahead of the game," she says.

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