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THE LAWYER

Navigating a new reality in the client-empowered era

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U.K. EDITION

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Executive summary

Law firms operate within a highly competitive market where the rules of the game have changed. As clients become more informed about process, value, and alternative services, long-term relationships are being challenged. Seeking better prices, greater efficiency, and more transparency, clients are demanding more of their law firms and, in some cases, are looking for alternatives.

To thrive in the new era of the empowered client, law firms must make investments designed to modernise the way they run their firms and service their clients. This requires changing cultures and behaviours, developing new competencies, and operationalising new ways of working. Innovative technologies are key enablers to accelerating firms' transformations in these areas. New research conducted by [Intapp](#) in collaboration with The Lawyer found that while firms attest that data-driven strategies are highly important in all areas of the client lifecycle, there is a significant gap with where they are currently deploying enabling technologies such as intelligent automation. Although driving growth is a strategic focus of law firms, to date they have primarily invested in technology to drive operational efficiencies.

Forward-thinking law firms will not only embrace technology as a critical part of their strategies to drive both top- and bottom-line growth but will also make significant organisational changes across five key areas: resources, service models, operating models, innovation investments, and data strategies.



Key research findings

Intelligent automation and artificial intelligence are powering a new era of “augmented intelligence”, defined as the combination of human knowledge with machine learning to enhance efficiency and improve decision-making. Lawyers are still making key legal judgements but now have powerful tools to draw new legal insights and make more informed decisions.

There is a significant gap between where U.K. firms place the importance of intelligent automation and where they are currently investing:

- Ninety-eight percent of respondents stated that intelligent automation for opportunity identification and cross-selling is important, yet only 13 percent of law firms report they are currently utilising data-driven insight for this purpose.
- Although 85 percent of law firms agree that automation is important to deliver insight and analytics to clients, only 20 percent have, to date, made the investments necessary to embed this capability into their service delivery models.
- Ninety-four percent deem intelligent automation to be important for conflicts, yet only 43 percent of firms are taking advantage of data-driven insight in this area.
- While 86 percent of firms believe that using data-driven insight to manage client terms is important, only 17 percent currently use technology solutions for this purpose.
- Ninety-one percent of firms feel intelligent automation is important for resource allocation, yet only 20 percent have invested in this area.

1. The top areas in which U.K. law firms indicated intelligent automation is “very important” are:

- Capture of time reporting and narratives (77 percent)
- Billing (71 percent)
- Conflicts clearance (67 percent)

While these figures are relatively consistent with global results, U.K. opinion on the importance of pricing automation deviates greatly from the worldwide response. Fifty-nine percent of British firms identified pricing automation as “very important” against a global response of 74 percent. Worldwide, pricing was the top area in which firms indicated intelligent automation was “very important”, whereas British respondents ranked it fifth behind the three areas listed above and contact management (64 percent).

2. The top areas in which U.K. law firms are currently utilising intelligent automation are:

- Conflicts clearance (43 percent) and legal project management (43 percent)
- Pricing (37 percent) and capture of time reporting and narratives (37 percent)
- Contact management (36 percent)

Again, these results are consistent with global figures except with respect to pricing. Forty-nine percent of law firms globally reported they were utilising intelligent automation for pricing.

3. Investments in intelligent automation help increase efficiency. U.K. respondents reported reductions in the number of hours spent on tasks from up to 25 percent to over 50 percent in the following areas:

- Conflicts clearance (46 percent) and billing (46 percent)
- Matter budgeting and pricing (43 percent)
- Legal project management (34 percent)

4. Globally, firms with £700M-1B in revenue, which we are designating as “Pacesetters”, plan to make the most significant technology investments across the entire client lifecycle with:

- Eighty-one percent planning to invest slightly or significantly in client development
- Seventy-four percent planning to invest in business acceptance
- Seventy percent planning to invest in client delivery

5. Within those lifecycle stages, the specific processes where Pacesetters are planning to invest most heavily include:

- Pricing (86 percent) and client proposal process (86 percent)
- Capture of time reporting and narratives (84 percent), billing (84 percent), conflicts clearance (84 percent), and contact management (84 percent)

6. Looking ahead, the top three areas firms indicated they would prioritize the application of AI include:

- Time recording
- Pricing
- Intake data collection and analysis to predict client regulatory and/or financial risk

To put these figures in context, let’s take a look at the current state of the legal market in our next section.



Intelligent Automation

The use of technology to reduce human involvement in a repeatable process thereby freeing up time to undertake higher value activities. The use of technology in automated processes enables greater accuracy and reduced times to complete tasks.



Artificial Intelligence

AI is the theory and development of computer systems able to perform tasks that normally require human intelligence.



State of the market

Today's U.K. law firms face a challenging future. The good news: Revenue for the top 200 British law firms has gone up 73 percent in the decade since the Great Recession, jumping from £13.5 billion in 2007 to £23.5 billion in 2017¹. The bad: Revenue growth rates across Europe have slowed every year since 2013², with U.K. law firms limited to an average revenue increase of between 2.3 percent and 3.7 percent in 2017³.

As costs grow and profit margins shrink across the British legal market, a pair of political disruptions threaten to further cloud the future for U.K. firms: the pending withdrawal of the U.K. from the European Union, commonly known as Brexit, and the strict IT security and privacy provisions imposed by the General Data Protection Regulation (GDPR).

Predictions of Brexit's impact on the U.K. legal industry vary wildly between analysts. Some are optimistic, believing the move could improve London's standing as a global legal centre, thereby bringing in more international cases and more revenue⁴. Others envision cataclysm, with U.K. lawyers losing legal privilege in EU cases and clients from EU countries fleeing to Dublin and New York.⁵

Still others anticipate minimal repercussions. They argue that most U.K. firms have an established continental presence in Frankfurt, Luxembourg, and elsewhere, which should allow British lawyers to continue to operate in the EU uninterrupted.⁶

It seems that with Brexit, the only thing certain is uncertainty, with the political separation of the U.K. from mainland Europe creating regulatory, operational, and IT security concerns.

The GDPR, with its stringent data protection requirements now enforceable, offers its own degree of uncertainty. Although U.K. firms have made significant progress in updating IT security protocols to meet GDPR standards, many are experiencing high

levels of anxiety as to how managing data in a GDPR regime will work in practice.

Finding a sole solution to stagnant growth, Brexit complexities, and GDPR concerns would be an impossible task. But solving the core problem underpinning and intensifying all of these issues—an environment where empowered clients are increasingly turning away from law firms and towards in-house counsel—may be achievable through a single pursuit: the implementation of intelligent technology across the firm.

In his book "The Fourth Industrial Revolution", World Economic Forum founder Klaus Schwab describes the world as entering a new era of rapid technological change and innovation, impacting the digital, physical, and biological world⁷. Technologies like artificial intelligence (AI), machine learning, and mobile computing are becoming disruptive forces in what Schwab calls the "Fourth Revolution".

New client demands bring new challenges for law firms as they look to drive growth, maintain profitability, and compete in this changing environment. Technology has moved to the forefront of the strategic battleground, not only to enable operational efficiencies in business acceptance and client delivery, but now for winning business and innovating new client solutions. But despite a high level of interest, many U.K. firms have struggled to integrate intelligent technology in a way that maximises growth and improves returns.

U.K. firms are aware of the changing landscape, with analyst Redcentric reporting in 2016 that 74 percent of British law firms planned on investing in new technology to address business challenges in the next two years⁸. But despite a high level of interest, many U.K. firms have struggled to integrate intelligent technology in a way that maximises growth and improves returns.

This could be due to a unique quality of the U.K. legal market. More so than their global counterparts, British firms tend to practise a culture of transparency and data sharing. As such,

many may believe intelligent automation is less necessary to improve growth rates, as U.K. firms are already ahead of the global curve in matters of data. But the truth is, U.K. firms are in danger of losing business to larger, more aggressive U.S. firms, many of which are outpacing them in technological innovation.

Some firms have focussed on leveraging technology to deliver new solutions to old problems through the development of document-based applications; however, overall levels of investment suggest that firms still see technology as a business expense rather than a key pillar of their business strategies.

To further understand the maturity level of law firms' data-driven, intelligent automation strategies, we undertook research with 300 of the world's leading law firms across the U.K., the U.S., Europe, and Australia, including one-to-one interviews with managing partners, CIOs, CFOs, CMOs, and chief innovation officers. The U.K.-specific stats listed in this report are based on the responses of 111 U.K. firms surveyed as part of that group.

While every law firm in our survey considered intelligent automation and data-driven insight to be highly important, their current levels of automation are falling well short of where they need to be to compete in this client-empowered era. Firms that embrace data-driven strategies across the full client lifecycle will see significant gains in winning new business, process efficiency, delivery of client work, and client satisfaction.



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We are asked by clients to continue to help find ways to reduce overall cost of legal for them. This means increasing the efficiency in the way we deliver our legal service to them.

DAVID HALLIWELL, PINSENT MASONS,
DIRECTOR OF KNOWLEDGE AND INNOVATION DELIVERY

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An inflection point

Law firms act within a highly competitive market characterised by a downward pressure on fees and ever-increasing costs—and now, they are beginning to see their long-term client relationships challenged as clients demand more.

Clients are now setting the agenda, bringing us to an inflection point in the legal industry. Our survey results show that while all respondents agree data-driven insight has an important role to play in the evolution of their business and the services they deliver to clients, current levels of investing in enabling technologies remain low.

Further, investments have primarily focussed on operational and business delivery activities to drive process efficiency and improve profitability for the law firm.

While important, efficiency is no longer enough. According to PwC 2017 study “Time for Change”, demand for legal services in the U.K. industry is expected to remain at modest growth rates in 2018 and beyond⁹. This slow growth environment has created a hyper-competitive market and has extended to competition for matters, for clients, and for talent. Firms are facing a number of market forces that challenge top-line growth: price competition, the push for greater efficiency, an expanding competitive landscape, and accelerated pace of technology innovation.

The firms that will thrive and survive in this new era will harness technology to drive top-line and bottom-line growth. New technology innovations now enable firms to enhance client

relationships, differentiate the firm from its competitors, and deliver new services.

Forward-thinking firms will leverage technology across the full client lifecycle to change how they operate and interact with their clients. Through the creation of a unified data model that integrates disparate workflow and automates low-level tasks, law firms will be best positioned to develop innovative client solutions that reduce the cost of legal services and lead to stronger client relationships.

The client lifecycle: untapped opportunities

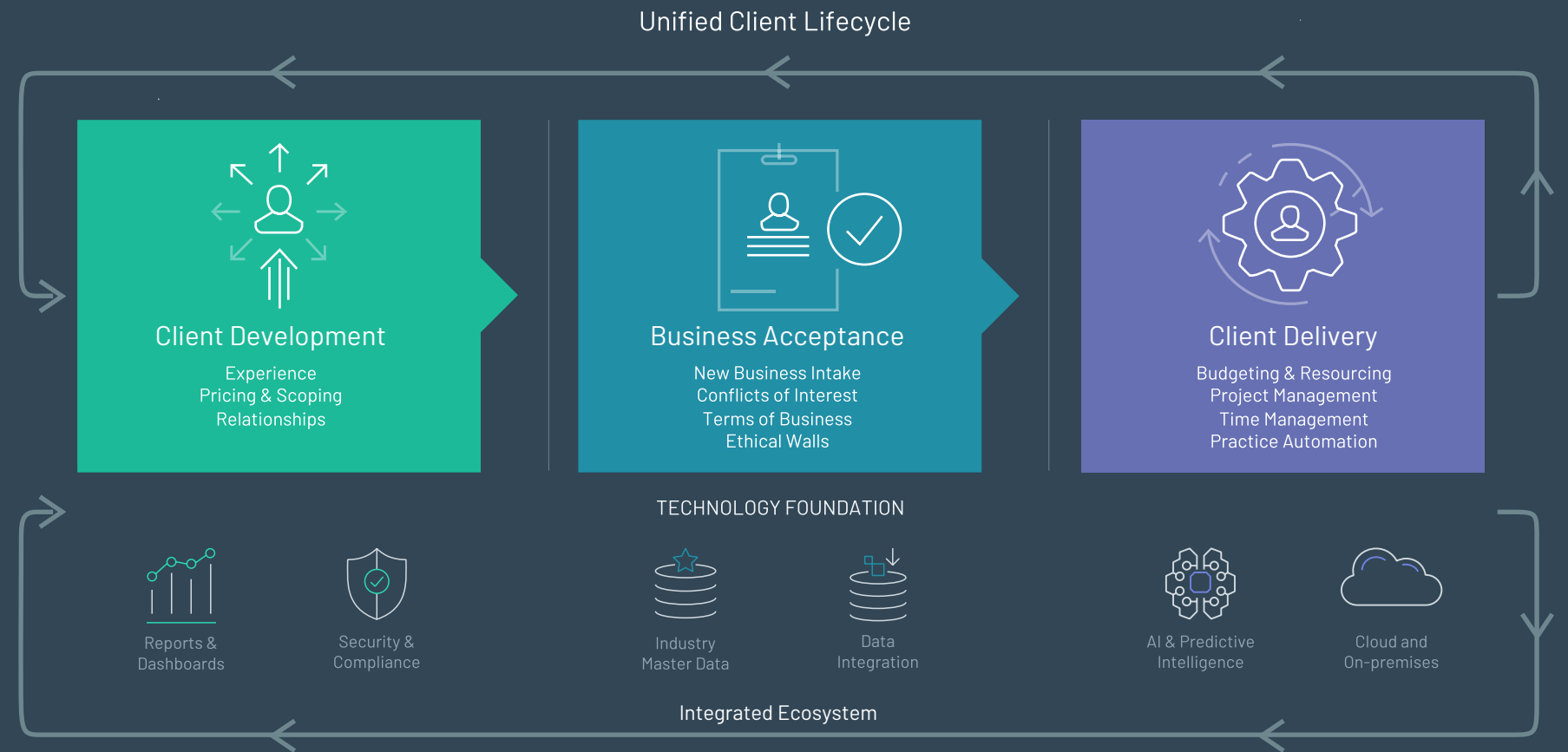
The client lifecycle comprises three stages: client development, business acceptance, and client delivery. Investment in innovative technology across all areas of the client lifecycle will drive growth, improve efficiency, reduce costs, and enhance client relationships.

In this fast-changing world, speed, agility, and creativity drive competitive advantage. To succeed, law firms need better ways to share ideas and information and get things done quickly and accurately. That requires a technology change to expand the boundaries of human potential.

Early investments in technologies focussed on the business acceptance area of the client lifecycle with projects being undertaken in a piecemeal fashion to solve a specific problem and mainly for the benefit and convenience of the firm. In this new technological era, however, law firms need to re-think the entire end-to-end delivery model from a client-centric standpoint.

With a comprehensive view of the entire client lifecycle, law firms can build upon these existing investments to create solutions that deliver significant operational savings while delivering against new client demands.

Our research focussed on processes in each area of the client lifecycle to understand law firms' current levels of data-driven insight and automation and their attitudes towards future investments.



The research focussed on the following business processes within the client lifecycle:

Client Development

- Client planning and marketing
- Opportunity identification and cross-selling
- Contact management
- Client proposal process
- Pricing

Business Acceptance

- Conflicts clearance
- Managing client terms
- Management of ethical walls/screens

Client Delivery

- Resource allocation
- Legal project management
- Capture of time reporting and narratives
- Delivering insight and analytics to clients
- Billing and collections

Client development: technology investments

Winning new clients and growing existing relationships through excellent client service lie at the heart of every successful law firm. However, business development has not received the technology investment it needs.

The current marketing business development function in law firms is mired in the following onerous and ineffective processes:

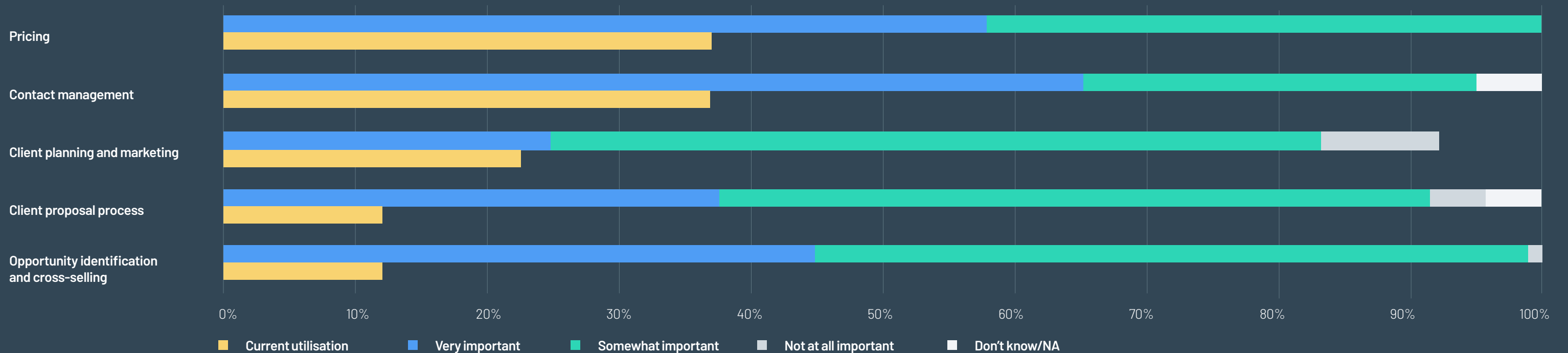
- Spur-of-the-moment requests to respond to client RFPs, accompanied by a lengthy approval process
- Data scavenger hunts with information spread across a variety of sources and systems
- Inability to access critical information that resides in a lawyer's brain
- Manual collation of intricate spreadsheets
- Minimal time to use the data to drive higher-value efforts

U.K. firms are particularly keen on using intelligent automation in the pricing stage of client development, with 100 percent of respondents indicating that this is important, 59 percent of whom said it is "highly important". U.K. firms also lag behind the rest of the world in utilising intelligent automation in pricing (37 percent in the U.K. vs. 49 percent globally).

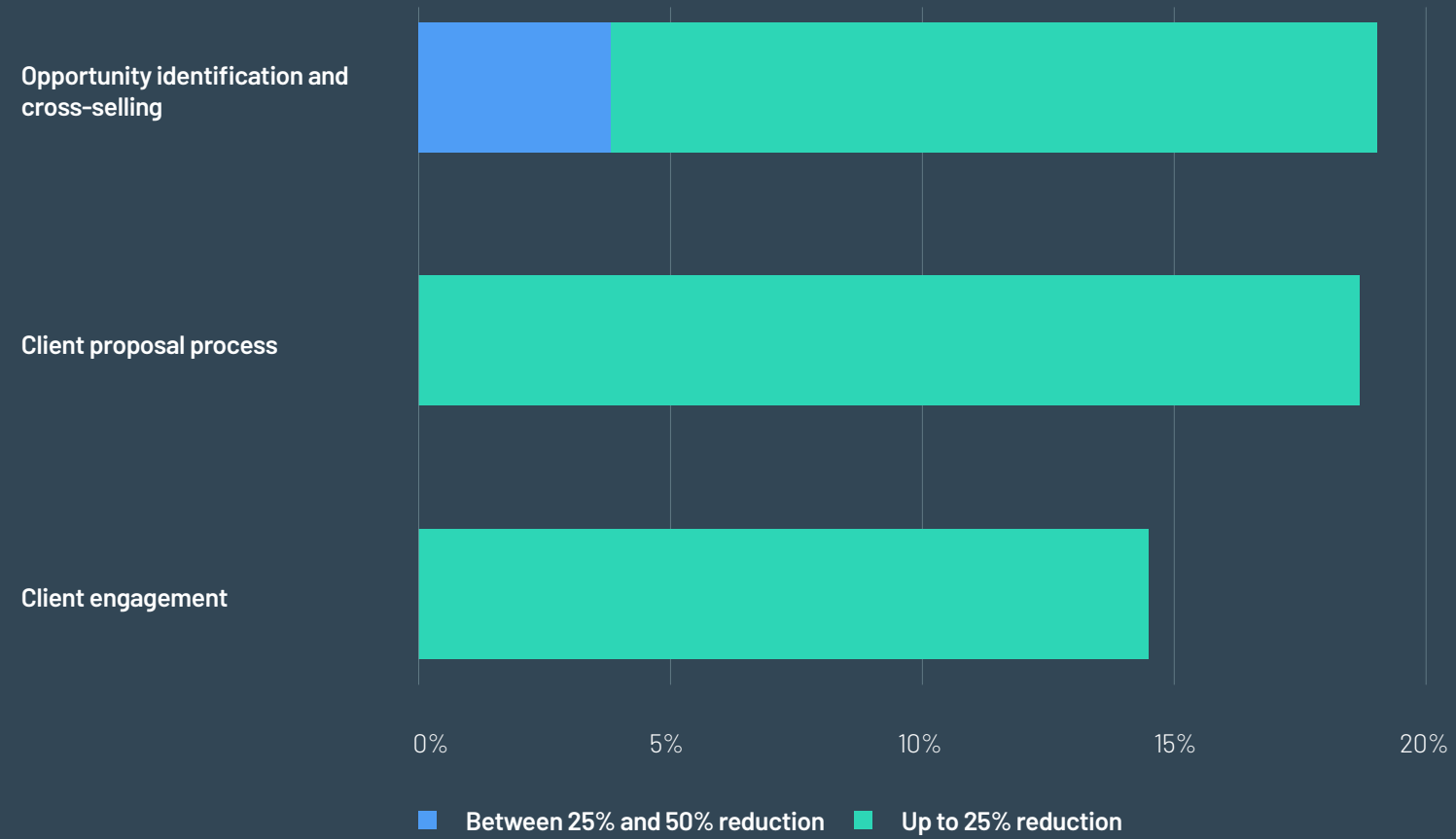
Worse still, much of the automation is based off of Excel spreadsheets and business analytics. Many of the current systems do not provide a unified approach to data, which would enable the culling and sharing of data across other workflows

such as budgeting and tracking. With the advent of more sophisticated artificial intelligence capabilities and software platforms that reach across the entire lifecycle, we should expect the number of firms using automation in this area to grow over the coming year.

Client development U.K.: How important do you consider automation and data-driven insight to be in the following areas?



Client development U.K.: Roughly speaking, how much, if at all, have you reduced the number of hours spent on the following tasks in the last year?





Osborne Clarke Boosts Client Development Program

With 740 lawyers located in 25 international locations, Osborne Clarke advises across eight sectors. For the business development and marketing team, a major challenge was gaining visibility into work performed across practice areas, sectors, and offices.

As the firm's business continued to scale, it was taking more time to compile credentials and to prepare for pitches that required examples of the firm's current and past work.

Team members were trying to keep track of this information using spreadsheets, which weren't comprehensive and required excessive time to maintain.

To address this challenge, the firm invested in an experience management system that revolutionised its business development approach. Within a few short months, over 1,000 credentials had been stored centrally, and 91 percent of all requested matters were profiled. This enabled a significantly more rapid and efficient response to RFPs, pitch presentations, and other client requests, with targeted, differentiated information to help win the firm more business.

[READ THE CASE STUDY](#)

More than 90 percent of U.K. firms confirmed the importance of using technology to enable better positioning of the firm's credentials in the client proposal process and increase the ability to identify the most promising opportunities by leveraging data and analytics. However, only 13 percent of U.K. firms are using data-driven insight for the client proposal process and for opportunity identification and cross-selling.

Firms capture incredibly valuable data throughout the matter lifecycle as they complete intake forms, enter time, and analyse new business. Unfortunately, most of that data is never leveraged or accessed other than to send a bill out. By providing a correct picture of the firm's breadth of experience and costs for specific types of engagements and jurisdictions, firm firms can really improve the odds of winning work that's most profitable.

Client development: performance gains

The area that is benefitting the least from a reduction in hours is the client planning and marketing, and it is also the area that in which firms have the least technology investments. This should become an important focus for firms, as clients and prospects are expecting a more personalised, high-quality experience when interacting with firms on new business pitches.

Also, when conducting business development activities, firms want to pursue business they are likely to win and spend the least amount of billable time doing so. For U.K. firms that have deployed intelligent automation across the business development function, 17 percent report at least some reduction in the number of hours spent on opportunity identification and cross-selling.

Further, the client proposal process has, for a long time, been the burden of many business development teams with their time consumed by searching for partner credentials and previous cases that will stand out in a pitch. Automation in these activities can deliver significant performance

improvements by speeding up the RFP process, generating higher quality and more compelling pitch documents, and freeing up time for business development teams to concentrate on other activities. U.K. firms have some catching up to do in this area—only 15 percent of British respondents reported a reduction in the number of hours spent on client proposals, compared to 40 percent globally and 26 percent across all of Europe.

Firms can institute more sophisticated business development operations by implementing processes and technology tools that assist marketing and business development teams to work more effectively with attorneys across the firm—and help them stay focussed on the activities that generate results. These tools help teams better share information and client intelligence, facilitate strategic planning and client plans, build relationships, and collaborate across the firm. As a result, firms can help prospective clients solve their most pressing problems or solve additional problems through cross-serving initiatives.

Business acceptance: technology investments

Evaluating new business, onboarding clients quickly, and managing those relationships across the lifecycle are vital to supporting a firm's financial health, risk priorities, and business objectives. Emerging technologies like intelligent automation enable firms to evaluate and continuously monitor potential client relationships while more simply and efficiently managing regulatory, financial, and reputational risk across the entire client-engagement lifecycle.

Intelligent automation technologies can automate client-matter lifecycle processes. The benefit of integrating data into intake and lifecycle workflows is that there is a continuum of information; risk isn't always identified up-front and indeed might not exist at the point of onboarding.

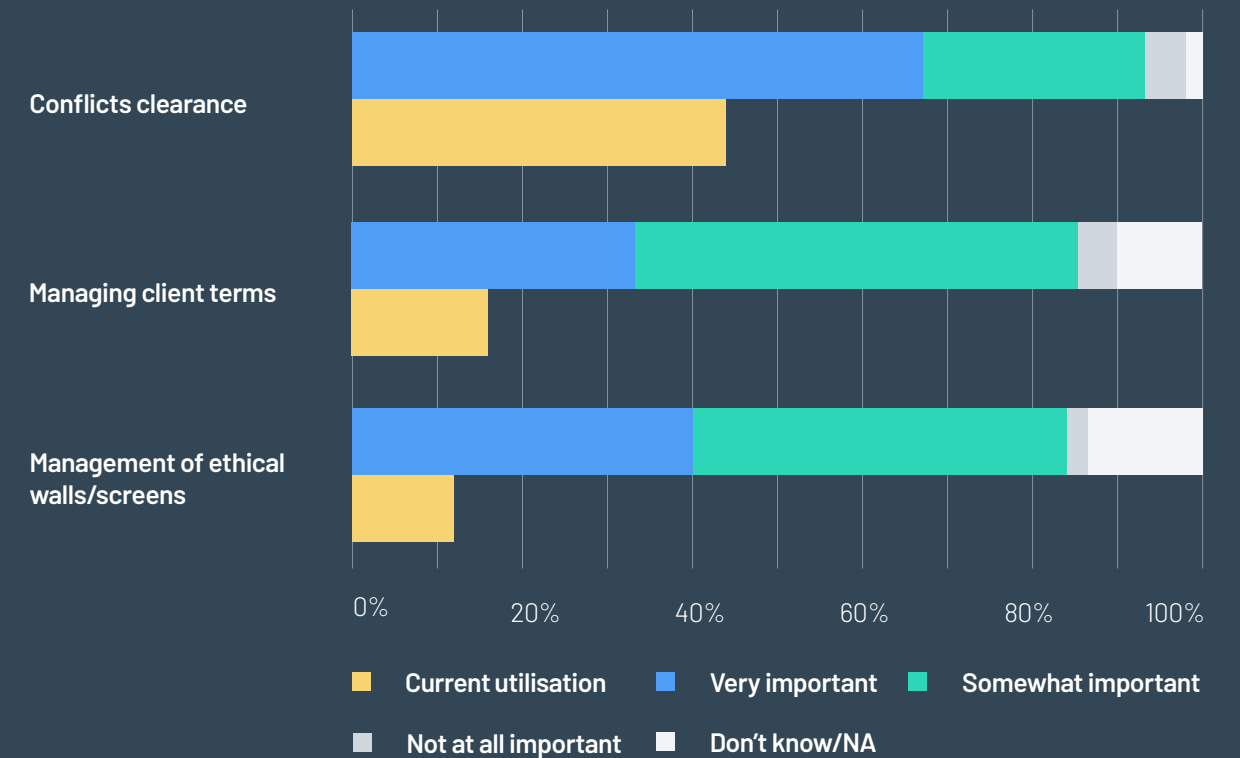
For example, a lawyer might have already started on billable work—then something changes that prompts a need to pause or change course to limit credit, compliance, or reputational exposure. Here the situation needs to be rigorously monitored, with the most appropriate risk data available at the right time. In a firm with thousands of clients, the credit team is unlikely to have full visibility into all variables on a daily basis. And it only wants the client-management team alerted to relevant changes, such as a drop below a certain acceptable threshold or other red flag. Diligent monitoring of data via artificial intelligence can highlight emerging opportunities, as well as changing risk parameters.

Another common example is if a client acquires another business; the risk department needs to know that a structure has changed and not only alert them to check for conflicts, but also provide insight into new revenue opportunities.

Our results show that one area law firms believe is ripe for technology investment is in the management of client terms. Intelligent automation can help identify, capture, and automatically categorise terms from multiple sources, with the ability to prioritise the terms considered most important to the success of engagements. It also can enforce engagement terms by automatically communicating policies and disseminating commitments across departmental workflows. Eighty-six percent of U.K. firms believe that using data-driven insight to manage client terms is important, yet only 17 percent currently use technology solutions for this purpose.

Conflicts is another area of underinvestment. Intelligent automation provides significant value in the area of conflicts including accelerating reviews, reducing operational cost, and providing more comprehensive and high-quality diligence. Ninety-four percent of U.K. firms deem automation to be important, yet only 43 percent of them are taking advantage of data-driven insight in the area of conflicts.

Business acceptance U.K.: How important do you consider automation and data-driven insight to be in the following areas?



86%

of firms believe that using data-driven insight to manage client terms is important

17%

currently use technology to manage client terms



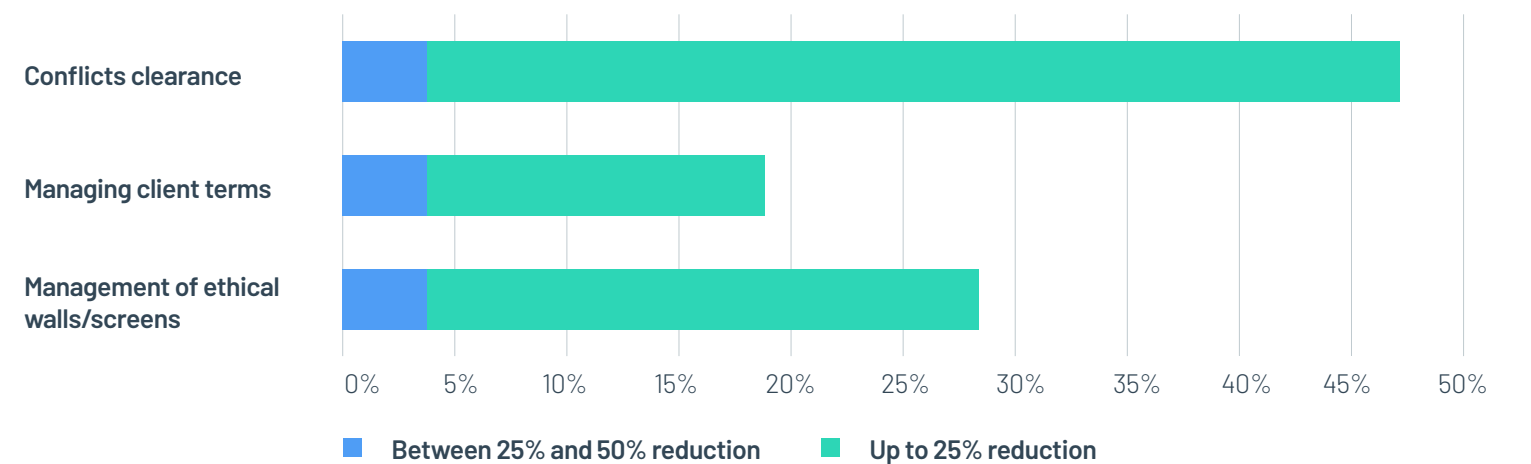
Business acceptance: performance gains

Risk management is no longer simply focussed on checking conflicts of interest after a lawyer engages with a prospective client. Risk departments are now directly impacting the firm's bottom line by proactively exploring potential engagements and running conflict checks to clear the way for lucrative work.

Intelligent automation provides a game-changing opportunity for smarter resourcing. Consider that the average law firm opens 6,000 new matters a year. The manual processes associated with each can take a significant amount of time, as a matter, on average, takes about nine hours.¹⁰ Intelligent automation has huge promise in this area; those who have begun to adopt this innovative technology have seen significant reductions in time associated with this part of the client lifecycle.

Conflicts clearance is a standout with 46 percent of U.K. firms achieving up to 50 percent reduction in the time spent on this process. This time reduction is in large part due to the fact that intelligent automation accelerates conflicts resolution by streamlining critical risk-management activities—including searching, evaluating clients, reporting, analysis, compliance, and resolution. U.K. law firms also reported significant reductions of up to 50 percent in the time spent on other business acceptance activities: seventeen percent achieving these time savings on managing client terms, while 26 percent achieved these time savings on managing ethical walls.

Business acceptance U.K.: Roughly speaking, how much, if at all, have you reduced the number of hours spent on the following tasks in the last year?





“

We have been using legal project managers for 3-4 years, but we are now expanding it into a dedicated team to support major client relationships.

**DAVID HALLIWELL, PINSENT MASONS,
DIRECTOR OF KNOWLEDGE AND INNOVATION DELIVERY**

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Client delivery: technology investments

Clients are demanding greater transparency across the progress of their legal matters and the billing status of their work. In response, law firms have indicated that they understand the value technology can bring to these service delivery activities.

Firms are beginning to recognise and act upon the potential advantages technology can bring to the creation of new service opportunities that they can use to reduce the cost of legal services to their clients while also strengthening those client relationships. Technology can also enable the execution of services that were, until now, impossible to deliver.

In addition to these new products and services, law firms' current focus is on the automation of legal project management, as 43 percent of U.K. firms selected this in their

top five areas where they are currently utilising automation. Eighty-eight percent of U.K. firms believe this is an important area of focus for intelligent automation.

Legal project management is a relatively new concept. Early efforts focussed on taking traditional project managers and “plugging them in” to the legal client delivery team to understand where project management techniques could be applied.

The next step was to look to the functionality of the practice management system where phases and tasks can be configured to help with time capture and billing. Although many firms struggle to implement this best practice across the partnership, it is recognised by firms as an important component of the matter workflow.

In addition to resourcing and project managing matters, capturing time reporting and narratives is identified by 97

percent of U.K. firms as an important process that can benefit from intelligent automation. Some progress has been made, with 37 percent of U.K. firms implementing some level of intelligent automation today.

However, not all areas of client delivery are receiving the same level of attention. Although 85 percent of law firms agree that automation is important to deliver insight and analytics to clients, only 20 percent have made the investments necessary to embed this capability into their service delivery model.

There is a long way to go before law firms deliver the solutions their clients are demanding in this area. In particular, central to a firm's ability to take advantage of intelligent automation is the quality of its data. Firms need to be building robust data strategies now in order to prepare for the adoption of these technologies.

"We try to use phases and tasks to help streamline matter activities to generate accurate billing, but it depends on accurate set-up and getting people to record time against them. The more we can do with this the better".

DAVID HALLIWELL, PINSENT MASONS, DIRECTOR OF KNOWLEDGE AND INNOVATION DELIVERY

Client delivery: performance gains

Looking at performance gains in client delivery, billing has benefited from technology advancements for quite some time now, with 46 percent of U.K. firms seeing at least some time reduction and 7 percent cutting billing time a quarter or more.

Time reporting and narratives also boast a big impact, with 15 percent of U.K. firms seeing a time reduction of over half of the time spent on this activity. As mentioned above, this area is also rated an important area in which to apply intelligent automation. Accurate time and narrative recording has significant financial impact for firms. Intelligent automation can not only drive billable utilisation by ensuring work performed is not missed or underrepresented, but it also can reduce leakage and increase realisation. More accurate narratives minimise self-discounts, client adjustments, write-downs, and write-offs through a reduction of budget overruns, bill rejections, and lockup days.

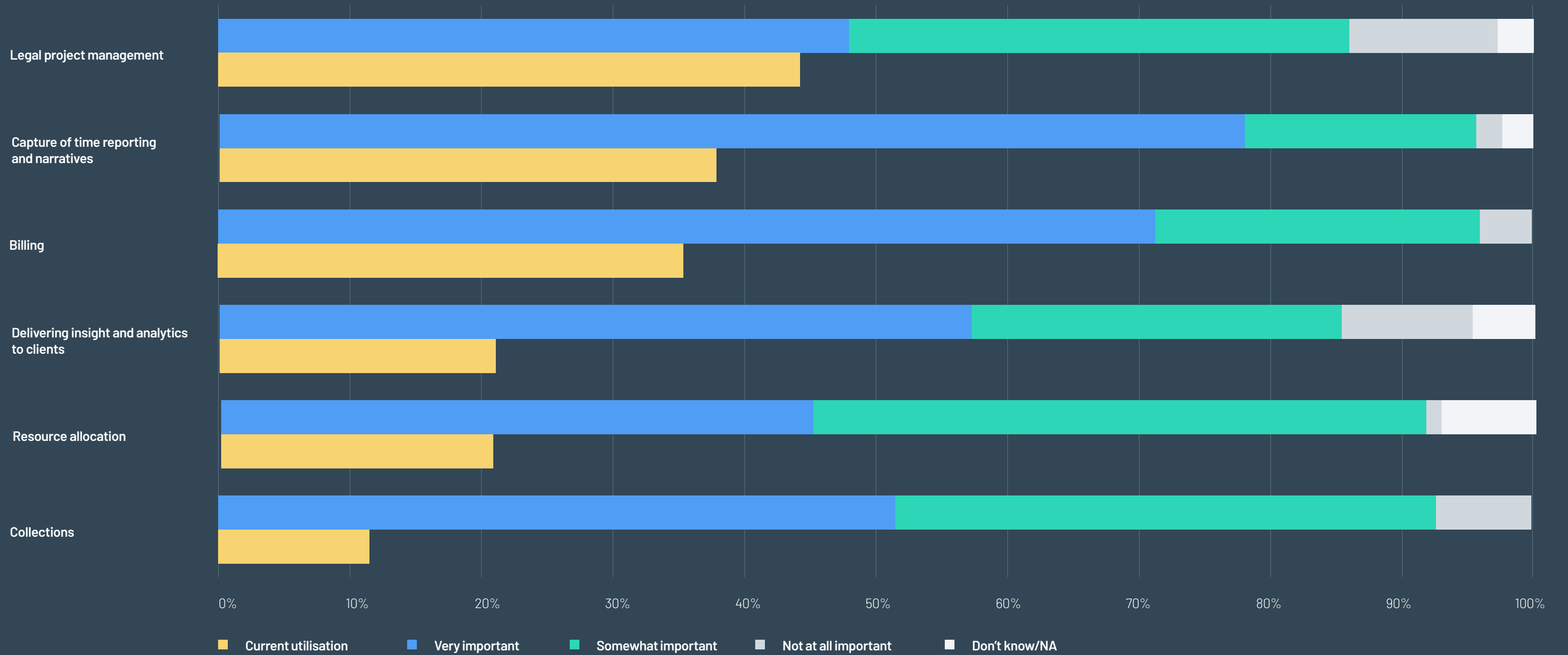
Investments in legal project management also stood out, with 34 percent of U.K. respondents indicating a reduction in the number of hours spent on these activities.

Of note is the (small) group of U.K. firms that have reported a 25-50 percent reduction in the time spent on delivering insight and analytics to clients, presumably through automated client portals. This is a significant area of opportunity for both performance gains and increased client satisfaction.

“Legal technology is opening new opportunities to deliver new services for clients. For example, our MarginMatrix™ service, launched in 2016, provided an end-to-end solution to regulatory change thereby lifting the problem off the client, and ensured that the client had a reg-compliant response to this time critical challenge”.

JONATHAN BRAYNE, ALLEN AND OVERY, PARTNER AND HEAD OF FUSE

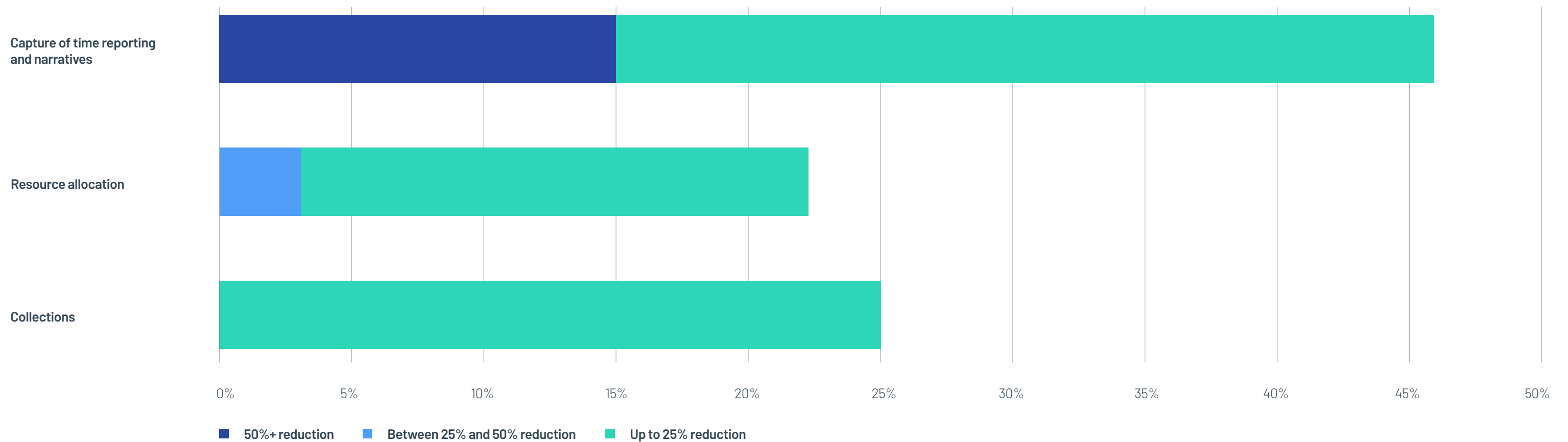
Client delivery U.K.: How important do you consider automation and data-driven insight to be in the following areas?



"We need to focus on our ability to communicate and share information with clients – client demand and expectation has grown significantly in this area. They are looking for value add activities including access to information, better insight into progress on matters, and visibility of processes we use for delivering client work".

DAVID WOOD, WATSON FARLEY WILLIAMS, DIRECTOR OF INFORMATION TECHNOLOGY

Client delivery U.K.: Roughly speaking, how much, if at all, have you reduced the number of hours spent on the following tasks in the last year?





Pacesetters pull ahead

While the data has shown a large gap between interest and investment levels in automation across the client lifecycle, one group stands out globally. Pacesetters, £700M-1B size firms, that are striving to grow to be part of the £1B+ revenue club indicate they have the greatest level of commitment for investment in innovative technologies, with 79 percent planning to invest in client development and 78 percent in business acceptance. This is a marked difference in comparison to the largest firms that are already generating revenues of £1B+, which showed some of the lowest levels of commitment to invest in any of the three areas of the client lifecycle.

In addition to their commitment to investing in innovative technologies, the Pacesetters have other standout characteristics. These firms have greater revenue growth than others. The average revenue growth of global Pacesetters in the last financial year is 14.5 percent, as compared to 9.5 percent for the U.K. 200 and 13 percent for the £1bn+ firms. The Pacesetters have experienced additional performance gains:

- Average revenue per lawyer growth is 8.4 percent versus U.K. 200 at 5.6 percent
- Average revenue per partner growth is 8.8 percent versus U.K. 200 at 5.2 percent
- Average profit per equity partner growth is 13 percent versus U.K. 200 at 7.4 percent

On average, Pacesetters have also increased the number of their billable lawyers. The average number of lawyers is 1,121 and partners is 404 (average growth of 5.4 percent and 5.1 percent respectively).

The Pacesetters are unique in that they see investing in the automation of client development as a route to growth through the acquisition of new clients and the extension of existing client relationships. They also recognise the need for cost reduction through the automation of workflow processes across the business

acceptance area of the client lifecycle. Additionally, respondents in this group of firms indicated their intention to invest in client delivery activities by showing a commitment to strengthen their capabilities across all areas of the client lifecycle.

The Pacesetters expressed an interest in matter budgeting and pricing, with 54 percent of respondents indicating they would significantly invest in this area and 57 percent saying they would significantly invest in legal project management (LPM), defined as the practice of planning and executing the work of a legal team to achieve desired goals within a specified time frame. LPM involves the application of specific methodologies, tools, and approaches that have not historically been used by lawyers. This suggests that these firms are keen to strengthen their client relationships and reduce costs and write-offs through improved accuracy in their matter pricing and tighter control of their matter delivery, two areas that have traditionally been a challenge to firms.

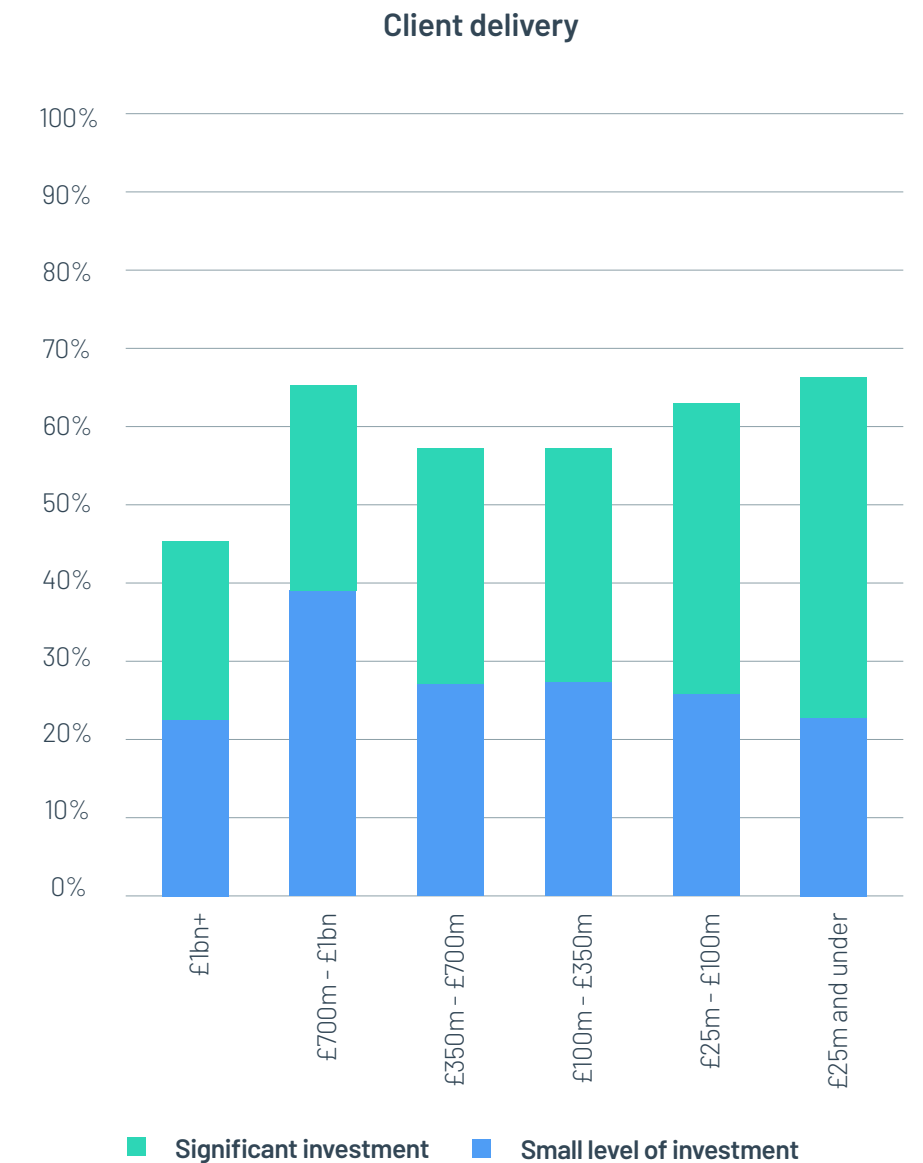
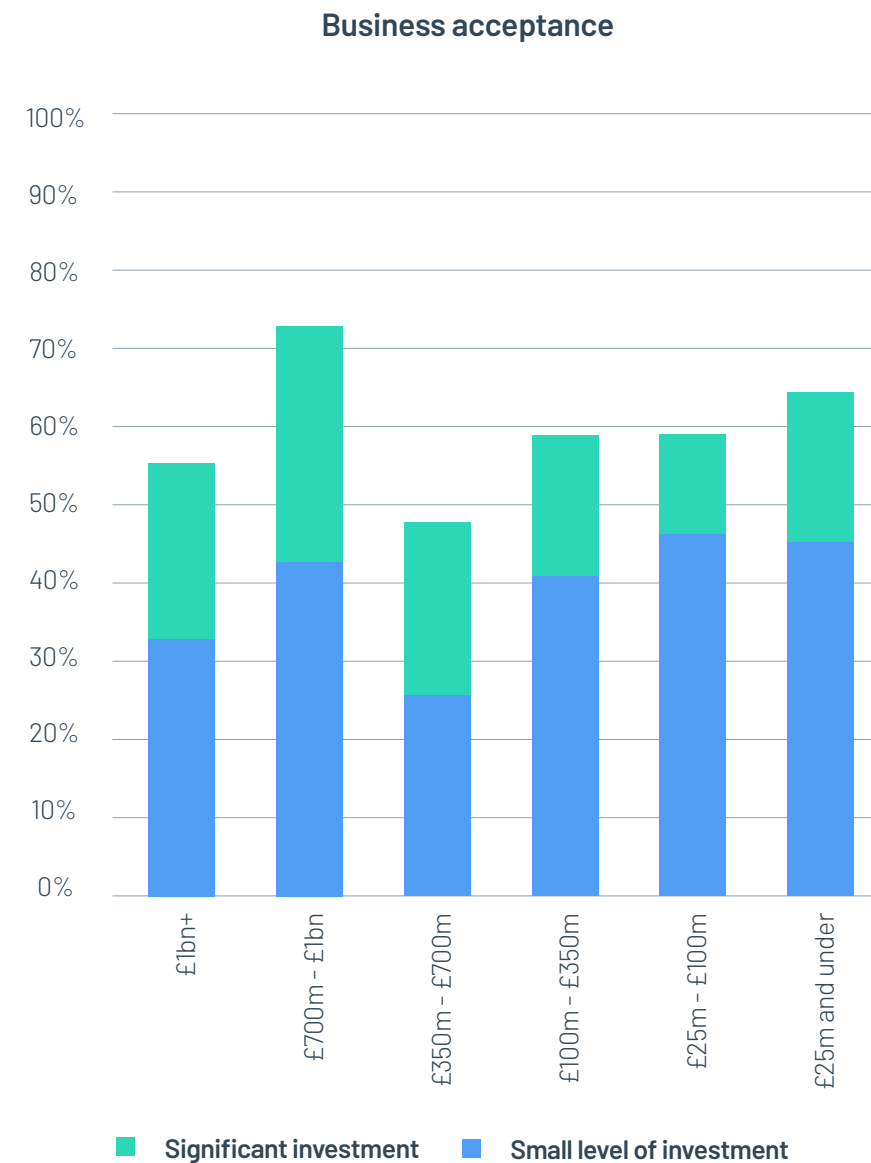
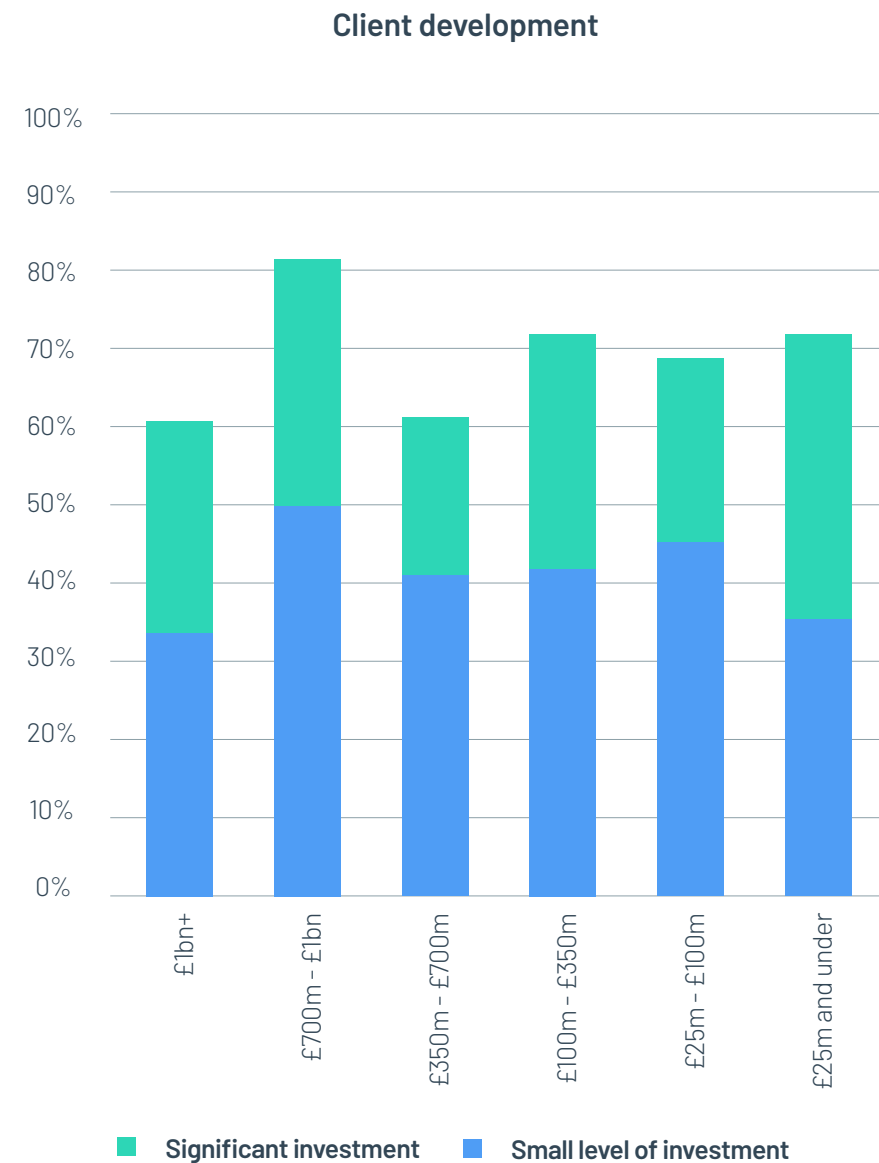
Looking at the client development area of the client lifecycle, the Pacesetters also plan to invest. However, their approach is to make smaller levels of investment, with 68 percent planning small levels of investment in the client proposal process and 65 percent proposing small levels of investment in contact management. However, what is most surprising about these results is the lack of commitment to investments in resource allocation and delivering insight and analytics to clients, two areas that have importance to client satisfaction and have been requested by clients.

The £1B+ club law firms are sitting on a gold mine of data on each of their clients, which they should be proactively tapping through the more sophisticated artificial intelligence capabilities that are now available. They stand to lose out on business to the Pacesetters if they don't act now. Additionally, mid-market firms that face even greater competitive challenges should be building technology into their strategies to drive new business and client satisfaction.

As we'll see in the next section, our study showed a correlation between investment in automation and performance improvement, suggesting that smaller firms could leapfrog both Pacesetters and £1B+ earners by allocating more of their budgets to automation.

Global investment levels in intelligent automation by firm size

Over the next three years, how much does your firm plan to invest in automation and data-driven insight in these areas? (Includes all responses marked as either a small or significant investment.)



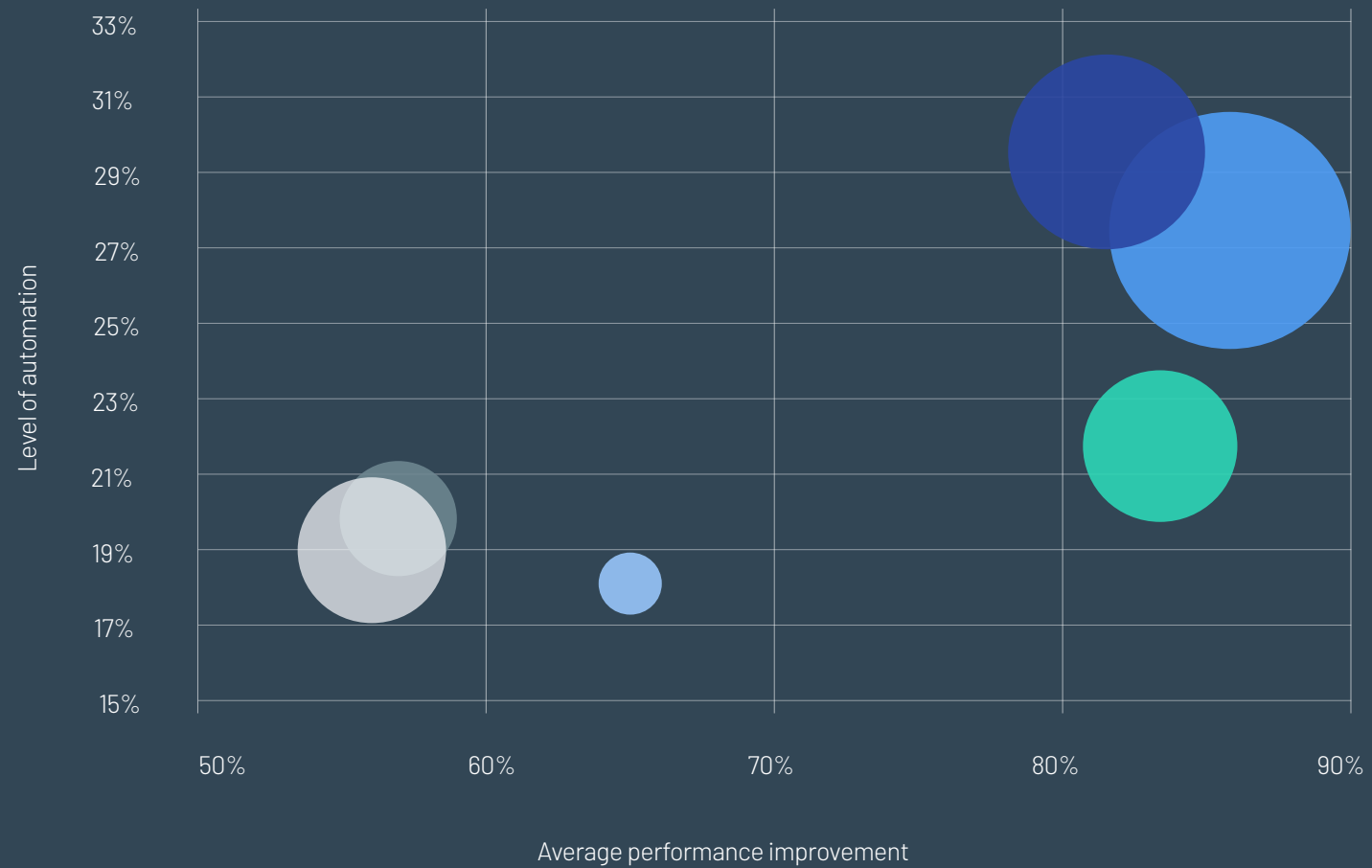
High performers adopt intelligent automation

In this study, global firms were asked to rank their perceived performance improvement during the past year. While technology investment is a big driver of performance gains, it is not the only driver. Larger firms have developed “continuous improvement teams”, comprised of lean, Six Sigma-trained specialists, who investigate all the ways—people, process, and technology—in which firms can drive better performance improvement. However, the level of technology investments in intelligent automation is an important key indicator that corresponds with higher performance. When correlating the performance of firms with those that have made data-driven technology investments, the results are intriguing. Firms with revenues of £350M and above have reported the greatest level of performance improvement and have the highest levels of automation across the business acceptance and client delivery processes. This indicates that investment in data-driven, intelligent automation can lead to performance improvements through time. Considering that the level at which firms have deployed intelligent automation powered technologies is relatively low, the opportunity for future increased performance is high. However, this will only occur if firms are approaching these technology deployments from a business strategy lens, incorporating the necessary changes from a people and process perspective—while also embracing new technologies like artificial intelligence.

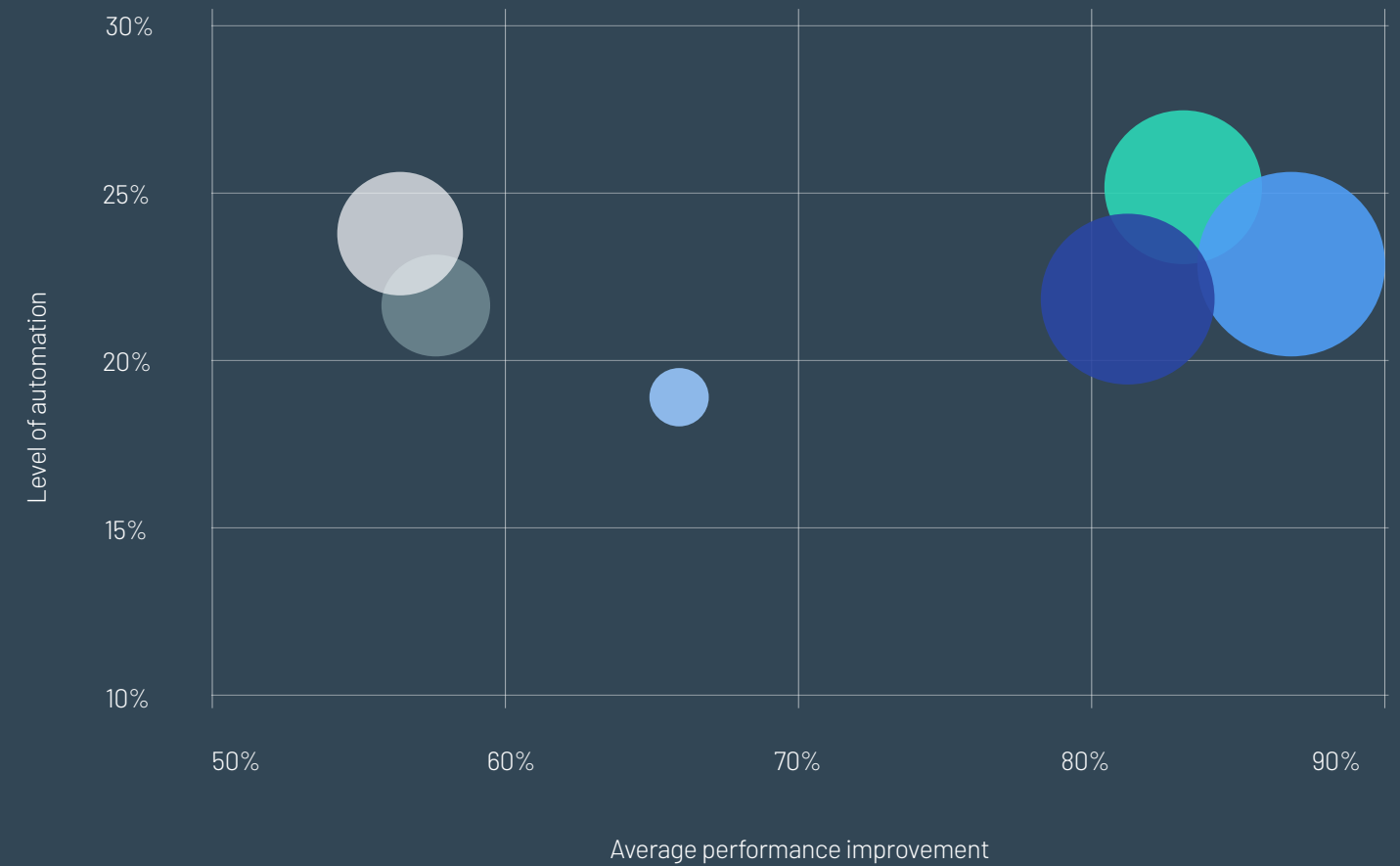


Global results by firm size: current automation utilisation compared to performance improvement over past 12 months

Business acceptance



Client delivery



- £25m and under
- £25m -£100m
- £100m-£350m
- £350m -£700m
- £700m - £1bn
- £1bn+

- £25m and under
- £25m -£100m
- £100m-£350m
- £350m -£700m
- £700m - £1bn
- £1bn+

DACbeachcroft

DAC Beachcroft: First Mover In Time Capture

With over 1,100 lawyers, DAC Beachcroft has offices in the United Kingdom, North America, Asia Pacific, Europe, Latin America, and Central America. DAC Beachcroft is a first mover through adopting intelligent automation capabilities to make timekeeping more effective and efficient for lawyers. The software the firm uses automatically searches through diary appointments and emails to surface suggestions for time entries. All minutes, whether office-based or mobile, are recorded not only fully, but entirely correctly—the first time. With pre-programmed codes and narratives, it's simpler for fee earners to ensure they use the standards that some clients now specifically request. This technology helps the firm avoid time being wasted in situations such as clients challenging bills due to non-standard narratives or time recording. Further, it helps them avoid the worst-case scenario in which they are asked to agree to an unprofitable write-off.

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An eye to the future: the emerging applications of artificial intelligence (AI)

Clearly, firms are already reaping benefits from intelligent automation, whether through time saved or performance of the firm. The advent of artificial intelligence capabilities opens new possibilities above and beyond the ways in which law firms are currently automating workflows.

AI brings a new, compelling set of capabilities to law firms, including:

- Enhancing efficiency and aiding decision-making based on human-trained machine-learning models that free professionals to apply judgements to more complex issues
- Automatically capturing the real tasks and activities on which professionals spend their time and predicting the client and engagement/matter for each activity
- Automating the identification and classification of client terms, allowing for greater compliance with engagement letters and billing guidelines
- Recoding historical timekeeping data to create an accurate cost database, based on practice area, engagement type, sector, industry, and other characteristics

Our research showed that globally law firms are particularly interested in implementing AI technologies for time recording to support accurate and prompt billing, for the scoping and pricing of matters to improve budgeting accuracy, and for identifying target opportunities through relationship mapping.

Time recording

Time recording sits at the heart of the law firm business model, with the billable hour being the unit of currency by which all traditional law firms operate. As such, accurate time recording has a significant impact on a firm's profitability.

Moving beyond the limits of traditional time and billing solutions with AI-driven activity-capture technology to provide timekeepers with automatically prepared timesheets can deliver tangible benefits to firms. These investments will accelerate billing and collections, minimise revenue leakage and write-offs, meet client requirements, and deliver improved insight into the true costs of engagements.

AI solutions will enable lawyers to automatically generate time sheets based on the activities they have been undertaking through calendar entries, matter-related emails, and time spent on drafting. These time entries will have accurate, intelligently generated narratives to accelerate billing and, when integrated with an "intelligent" pricing solution, will deliver all the data required for pricing the next similar matter.

“

In the future, using AI, we'll be able to enhance the accuracy of the narratives suggested by time capture, so the process becomes even more automatic.

DAVID AIRD, DAC BEACHCROFT, IT DIRECTOR

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Pricing

As clients demand greater value, better prices, and customised fee arrangements, firms need new ways to drive growth and profitability. Accurate pricing has always been a major challenge for firms; finding the best examples of prior work to use as templates for future matters is no easy task. Implementing a pricing tool that uses data science to deliver value-based pricing propositions that are attractive to clients and profitable for firms is now a realistic proposition.

Firms can invest in AI solutions to scan all matters a firm has undertaken, understand the resource requirements and project duration required to deliver the client's requirements (based on AI-driven activity-capture time recording), and recommend a suitable pricing structure. Furthermore, AI systems will enable firms to identify potential cost overruns that typically occur in a specific type of matter and suggest contingency costs for a client to budget for in the event of these potential changes in circumstance. These solutions will bring transparency to clients on what has historically been a "black box" process.

Relationship mapping

Every law firm has at some time invested in a client relationship management (CRM) system. Many will have learned from their implementation mistakes and be working towards containing the growing number of contacts inside the system. Most of these law firms will also have a team dedicated to maintaining these systems and extracting data sets for use in business development activities. Time and again, however, firms find they are targeting the wrong individuals in a client organisation or are unaware of existing client relationships held within their own firms.

AI-powered software goes beyond the traditional CRM implementation to scan email and calendar entries to uncover the true relationships between lawyers and their clients. AI gives firms the ability to leverage their institutional knowledge—and successes—across the engagement team and the entire

firm, ensuring they find the right people, deliver the right message, and participate in winnable deals.

Business development teams can rapidly identify who has the deepest relationship with a senior executive or which associate has the widest range of working relationships with in-house counsel to ensure the right team is present at every client pitch.





How to drive growth in the client-empowered era

The research has shown that law firms have not yet aligned their technology investments to their long-term strategic plans, resulting in limited levels of current investment in these technologies across the full client lifecycle: client development, business acceptance, and client delivery.

Law firms understand the importance of data-driven, intelligent automation technologies and the benefits they can bring to the business acceptance and client delivery stages of the client lifecycle. However, in order to drive growth, firms need to be prioritising investments in technology that power their business development programs as well.

In the client-empowered era, the firms that will drive growth at a faster pace will have introduced best-in-class technology into all of their legal processes and will continuously innovate as more sophisticated software tools are developed. Work will still be led by legal practitioners but they will be augmented by technology such as artificial intelligence, thereby increasing success of business development efforts, reducing time on manual processes, and improving risk-management practices.

Case studies from DAC Beachcroft and Osborne Clarke have shown how investments in these technologies can deliver significant benefits. However, the law firm of the future will need to invest in all areas across the entire client lifecycle to reach the full potential these technologies can offer and to meet the growing demands of their clients.

The legal industry is indeed at an inflection point where the astute, forward-thinking firms will develop operating and service models that foster innovation in organisational design,

business process, people collaboration, and the application of technology. Rather than looking to make incremental adjustments in a piecemeal manner, firms need to develop a business strategy that includes a unified technology approach across the entire client lifecycle, from first touch to final outcome.

“

People are now thinking of investing in technology because of the strategic advantage it can give them. Previously these investments were seen as a necessary ‘keep the lights on’ evil.

ABBY EWEN, BLM, DIRECTOR OF INFORMATION TECHNOLOGY

”

“Ensuring our processes are fit for purpose is important for us to remain competitive. There are new entrants and new solutions in the market that can change the range of services we need to offer or that clients are asking for”.

DAVID WOOD, WATSON FARLEY WILLIAMS, DIRECTOR OF INFORMATION TECHNOLOGY



Follow these steps towards accelerated growth

To begin this journey towards accelerated growth, law firms should consider these steps:

1. Rethink resources

A 2017 PwC report found that chargeable hours have fallen across all grades and bandings in the Top 50 U.K. law firms.¹¹ Combined with an increase in fee-earner headcount, this has led to spare capacity at many British firms. Smarter human resource management is therefore critical to firm growth.

The advent of software technology platforms powered by intelligent automation provides law firms with a unique opportunity to adjust leverage models to provide the highest value to clients at the lowest cost. For example, it is now possible to not only quickly identify the best talent for inclusion in an RFP (in an automated fashion), but also to staff the client engagement more profitably by assigning (in an automated fashion) the most strategic matter workflows to the partners and the less strategic tasks to career associates and other professionals. This approach, enabled by intelligent automation

and data-driven technologies, will reduce cost while increasing client satisfaction. Further, the application of artificial intelligence capabilities will allow firms to employ technologies that deliver portions of the service previously done by lawyers and other professionals.

2. Develop new service models

Law firms must develop new ways to deliver services. In the client-empowered era, it is not sufficient alone to deliver the service successfully. Instead, firms must optimise how they deliver services, taking all relevant factors into consideration. While clients are still willing to pay a premium for the best advice, they want to know that their providers are making full use of available technology so that they are not paying for expensive resources to undertake repetitive work manually. Firms should adopt the approach for each matter that best fits the situation and best addresses their clients' objectives, including, specifically, maximising efficiency and otherwise controlling cost without sacrificing quality. Those firms that employ data-driven strategies across the entire client lifecycle will be best poised to deliver profitable services while

simultaneously increasing client satisfaction.

3. Build a new operating model for client development

While intelligent automation is a key enabler, accelerating growth requires a rethink of how resources are coordinated, what processes are implemented, and how technology is deployed to make maximum use of firm data. Simply increasing the volume of business development activity or putting more people resources into this function will not lead to an increase in billable hours or top-line income.

The new operating mode for client development must be keenly focussed on driving consistency in the delivery of business development activities across practice groups to improve RFP response times. Marketing and business development practices must be aligned to the business strategy to help create an understanding of where the firm should focus its efforts. Lawyers must work collaboratively across marketing and business development teams to shape proactive and meaningful responses to client pitches.

A firm's ability to use its data as a strategic differentiator will enable it to capture a greater share of the market. It must be able to extract meaningful analysis from real-time data to respond to clients' specific needs. As explored in *Data-Driven Business Development Initiatives: Is Your Firm Utilising the Complete Value of Existing Assets*, firms can use the matter lifecycle to their advantage.¹² Leveraging certain points such as matter opening, changes in matter status, and the close of a matter can trigger workflows to the proper stakeholders who then fill out a template with additional matter-specific information. This is a critical strategy for capturing accurate data. Embedding data capture in the way lawyers work increases the likelihood of gathering complete client, matter, and experience information and eliminates duplication of effort after the fact. Data capture also helps the firm achieve consistency in data, making it easy to find, analyse, and possibly even benchmark. Beyond data capture, intelligent automation can address other processes that consume business development time, such as workflows for marketing and pitch content approval.

4. Invest in innovation

Clients may not be asking directly for technology as part of their legal services, but its absence could erode demand. Firms that don't keep up stand to lose work to better-positioned competitors, alternative providers, or in-house departments.

The firms that succeed in the client-empowered era will invest in research and development. For those firms to meet their goal, they will need to make bold investments for front office functions—software that unifies the entire client lifecycle—rather than focusing on standard technology in the back-office functions, such as finance and ERP systems. Forward-thinking firms will recognise that process design, technology, and experimentation can help them better differentiate, win more business, produce material improvements in their service delivery model, and increase quality while reducing cost. Rather than looking at technology as an operational cost it must drive down, winning firms will set aside a portion of each year's income to invest in technologies that enable the front office. They will integrate the cost into financial and pricing models and will measure the return from those investments over time.

5. Supercharge your data strategy

Modern firms will recognise that data is a strategic asset and drive to build a data-driven culture, enabled by emerging innovative technologies. They will look at ways to enable data to flow throughout the firm where and when it is needed in order to bring insights and value. Decisions and actions will be driven by data rather than by institutional knowledge alone. Firms will use predictive analytics to provide counsel to their clients, leading to greater client satisfaction. The firms that advance in this area will compete more effectively and find new sources of growth.

Data-management issues can undermine firms' ability to create value from analytics. The structured and unstructured information firms collect about clients and processes has the power to spur cutting-edge new business and retention strategies. It can reveal areas where processes could be

made more efficient, and it can help firm leaders make better decisions that reduce overall organisational risk.

Data solutions created for specific practice areas—such as the ad hoc repositories built for financial, marketing, or administrative data—have been difficult to replicate firm-wide because there is no end-to-end logic or central governance associated with them. Critical business information remains trapped in isolated systems.

To achieve the desired end state, firms will need to align their data under one unified software system across the entire lifecycle from client development to client delivery.

Intapp strategic consulting can help you develop a fit-for-purpose business operating model and road map to accelerate firm growth in the new client-empowered era.

Contact consulting@intapp.com to start your journey today.

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Unified Data Management Strategy In Action

From a single data model, firms will need to implement connected, automated workflow solutions at each point in the client lifecycle; they can then identify business opportunities by mapping client relationships held across the firm and identify gaps in client coverage to generate client proposals with up-to-date credentials. These proposals need to be integrated with a pricing and resourcing solution that can access the data model to draw on past experience of matter delivery.

Confirmed client instructions then need to pass through an automated clearance process. Once a matter has been cleared, a project-management solution can monitor progress through phases and tasks against automated timesheet delivery while monitoring against the agreed terms of the client. On completion of the matter, or at pre-agreed stages, accurate bills can be raised, which the client can anticipate and see through its billing portal and pay according to the terms set out in the client agreement.

About the study

Intapp and The Lawyer surveyed 300 of the world's top law firms to assess their attitudes towards investments in intelligent automation across the client lifecycle. The U.K.-specific stats listed in this report are based on the responses of 111 U.K. firms surveyed as part of that group.

Geography

To understand the priorities and investment decisions that law firms are making, the survey went out to law firms across the U.K., the U.S., Europe, and Australia, and the results were analysed to identify differences in attitudes across these key markets.

Firm size

This chart shows the breakdown of respondents by firm size, the second measure used to analyse and group survey responses. Based on their 2018 revenue figures, law firms were clustered into groups to enable the identification of differences and trends within and across the groupings.

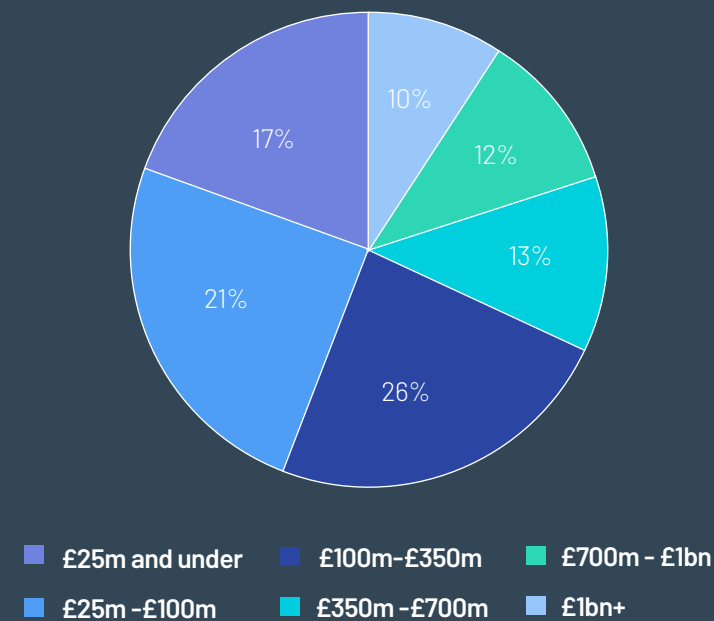
Research from The Lawyer, which measured revenue growth, was used as a benchmark for the analysis. The metrics used in the report are for the U.K. 200 law firms, which reported 9.5 percent average growth in revenue, and the U.S. top 50 in London and the Global 200, with 12.3 percent and 7.1 percent average revenue growth respectively.

Job roles

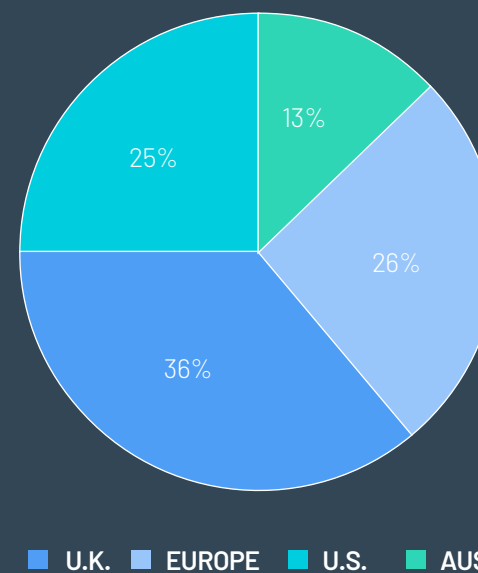
The research also sought to understand the attitudes of key individuals within law firms and focussed on those individuals that would set or influence the future strategy and investment decisions of the firm. This chart shows the spread of respondents by job title.

Additionally, seven global one-to-one interviews, including five from U.K.-based firms, were undertaken with senior managers from some of the largest law firms and influencers within the legal market to obtain a more granular view and add context to the research findings.

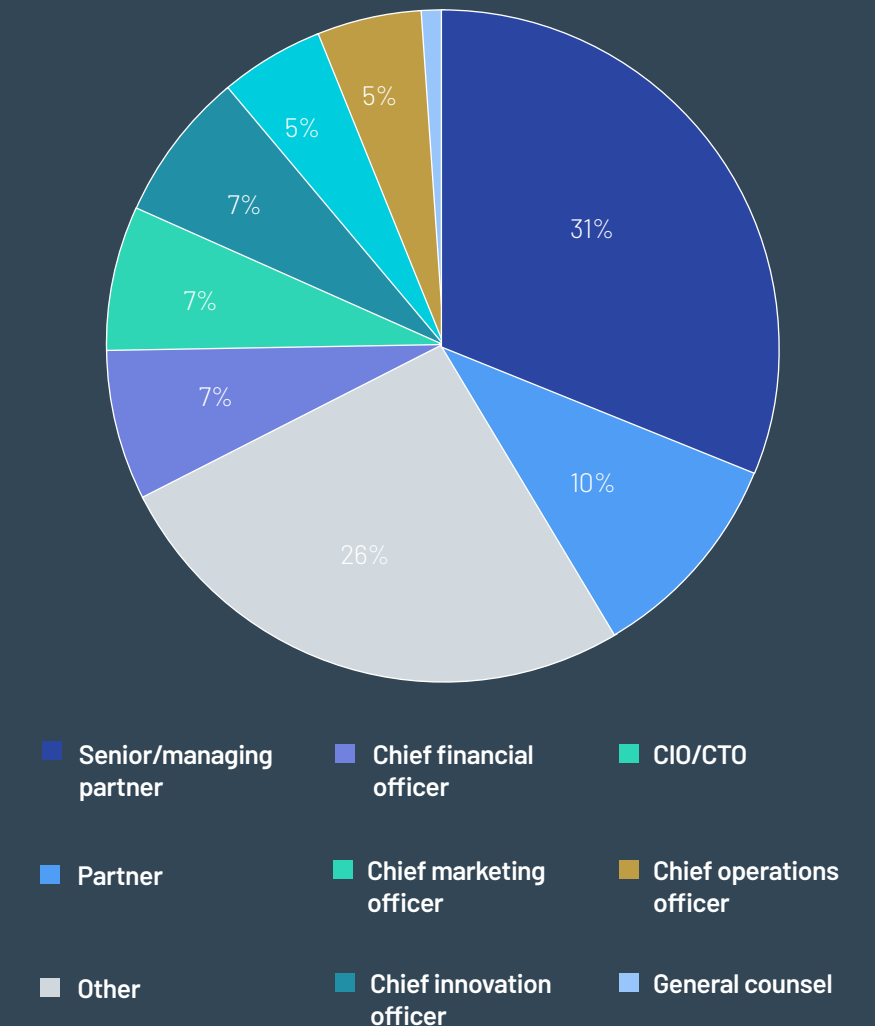
Revenue band breakdown of respondents



Regional breakdown of respondents



Breakdown of respondents by job title



Sources

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