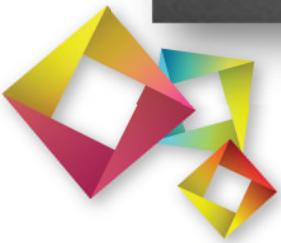


LMA Think Tank Live!

2014 LMA Annual Conference | April 2-4, 2014 | Orlando, FL

Discussion Summary



Introduction

This year's LMA Annual Conference once again gathered some of the best and brightest minds in our field to explore two transformational issues facing our industry. Think Tank Live! covered a substantial amount of ground, and we are grateful to all of those who participated and provided their observations, insights, and shared knowledge.

Of course, these sessions were just the launch of an iterative process. The foundations for this ongoing dialogue have been laid with the articulation of best practices—both those that are currently in place as well as those that are more aspirational.

Guided by the panels' output, we have also pulled in some thinking from both inside and outside the legal services sector, in the hope that it might spark new ideas and discernment, and perhaps some future innovations. While we cannot capture the full detail of each session in this summary, we are hopeful that these highlights and distillations will help keep the discussion alive.

2014 Discussion Topics



Disruptive Legal Trends

More Than a Passing Fad

Big Data

Qualified Hope

Disruptive Legal Trends – More Than a Passing Fad

Key point

The imperative to maintain competitiveness in an innovative and arguably disrupted marketplace will continue to drive changes to the traditional legal services business model.

What we heard

Clients (and some in the younger generations of lawyers) want and expect changes that improve the efficiency, predictability, and transparency of legal services. However, the leadership of large law firms – particularly equity partners – may not share this perspective, and thus may not have the incentive to fix or change existing structures. CMOs can play a role in communicating how the competitive landscape is shifting, and identifying best practices for adjusting to those changes.

Discussion

Many in our conversation saw the need to bring about change to current business practices, especially in light of the plight of Heenan Blaikie and the looming trouble for other established firms (though the current law firm business model received at least some support in the discussion). Other firms also faced challenges with the traditional business model, but a "broken model" is more visible within a smaller firm. One participant added: "We, as an industry (and a professional association), keep talking in terms that amount to nothing more than 'rearranging the deckchairs on the Titanic.' How are we going to change the conversation?" When are we going to drive change from within the law firm or legal industry?

We have turned a corner

"The disruption has already occurred – in took place in 2008, when we saw the shift from a supply economy to a demand economy."

Large law firms may be reluctant to embrace alternative fee arrangements because the hourly model has always worked well. While the top levels of a firm may not see any apparent reason to change, this raises, or is giving rise to challenges:

- From the client's perspective, they want change. They are going to firms to get legal projects done in different ways (e.g. insourced projects, project swat teams, secondments), and they want billing options. One participant noted that clients are also willing to send work to smaller firms in less costly locations, and as big firms continue to acquire mid-size firms, this may provide better opportunities for smaller firms, while clients will see lower engagement costs.

- There is a generational divide – generation X and generation Y are willing to embrace change, and the status-quo current business model is not effective to draw in new talent, in part because those entering the "lower tiers" of law are not willing to support the \$1M/PPP targets. The Axioms of the world are picking up today's young professional, including recruiting from the LMA membership.

Questions loom about how to make change happen in a setting where there's little incentive to change. For those that do realize the need to change, there are several challenges and questions that exist:

- Decisions in a traditional firm take too long to be relevant, compared to nimble new legal service providers.
- With respect to billing, "what is lacking is management, someone to determine a task takes a specific amount of time and to only allow billing for that amount of time (rather than lawyers freely billing hourly)."
- With all the shifts in pricing, outsourcing, accountability and in other areas, which disruptive things are firms going to react to? Firms like PwC (and other alternative providers), which now has 1,000 immigration lawyers, are quietly assuming market share.
- What will be the impact of technology? As technology is phased in that can replace a whole tier of lawyers, and what consequences, both positive and negative, will this have? This has the potential to have a serious impact on the legal business model.
- Varying generational populations - some 80 million Baby Boomers, 46 million Generation X, and 76 million Generation Y/Millennials - will create an impact on the number of lawyers, staff, and clients. Each generation carries with it an inherent culture with its own respective needs and intricacies: how will law firms deal with this change?
- Merger as a strategy appears to be relatively unsuccessful. While the mergers allow firms to keep up revenue numbers for the AmLaw 100, this serves as a false indicator of success, because there is no indication of net income. Firms could be insolvent, yet rank highly on the AmLaw rankings.
- With the demise of Heenan Blaikie, Dewey & LeBoeuf and other long-established law firms, will law firm leadership begin to take a CEO-like approach, one in which they become responsible to stakeholders? Observing best practices from non-lawyer entities like ABSs may serve to bolster efforts as firms strive to maintain a competitive edge in the current economic environment.

Additional thinking to explore:

The following are chosen from various publications. Some selections are merely highlights of the respective pieces, and we encourage you to explore the full publication for further thinking on the topic.

[Fit to survive](#) – Financial Times

- The traditional pyramid structure of law firms – with a small number of highly paid partners sitting above larger numbers of junior associates – is increasingly threatened. This is principally because general counsel will not go back to paying by the hour or paying for associates' on-the-job training now that they have seen the alternatives, which have become the norm since firms have been forced to compete on price as never before.
- One US-originated device gaining traction in the U.K. is process mapping, part of the Six Sigma management technique made famous by General Electric in the 1990s and now enjoying something of a renaissance. In the legal world, Seyfarth Shaw has evangelically taken up the Six Sigma message in the U.S. – and previously won an Innovative Lawyers award for its efforts. U.K. firms are catching on to process mapping's use: Addleshaw Goddard and Berwin Leighton Paisner are among those that have created maps for complex legal procedures. The maps are useful because they enable firms to predict accurately how much time a particular litigation, say, may take, and which kinds of lawyers it will require. This enables a firm to quote a realistic project fee to general counsels, who prefer such billing arrangements to an hourly rate. Moreover, mapping is often done hand-in-hand with a particular client.
- A ground-breaking tactic was a venture between a client, a traditional law firm, and one of the new breed of legal-service providers: BlackRock was faced with the onslaught of regulatory change under the banner of the EU's Alternative Investment Fund Managers Directive. It looked to Herbert Smith Freehills for top-drawer regulatory advice, while Axiom executed this advice and project-managed the venture. The result was some £4m in savings compared with the cost of normal legal advice.

[Alliances shift up a gear](#) – Financial Times

- A result of more collaborations by law firms with both lawyers and non-lawyers, internally and externally, is potentially a paradigmatic shift in law firm culture. Currently even internal collaboration between partners in the same firm is not a default setting for firms. Getting partners to stop guarding their work is not straightforward because of the way many firms compensate them and the fear felt by partners that if they share work they risk losing clients or personal billings. "Partners are coin-operated," is the complaint of one leading law firm's chairman. To get over this, some law firm leaders are now consciously putting culture at the top of their agendas for change.
- Simon Davies, the managing partner of Linklaters, [says](#): "We are focusing a lot on culture." In particular, he adds, the firm is more accepting of potentially winning strategies that also run the risk of failure.

[Buying In: An Interview with an In-House Insider \(Part 1\)](#) – Above the Law

- AP: How are Biglaw's clients, including your own company, currently relating to their Biglaw firms?

IHI: My company is increasingly focused on the value proposition in our external counsel engagements and even looks to our procurement process to better track and manage costs. I know that we are not alone. I have a pretty good network of in-house folks (old firm colleagues, friends, etc.), and I hear a lot of the same from them. Firm rates outstrip inflation (along with college tuition),

so something has to give. Looking to alternative vendors ([small firms](#) or [Axiom](#)) that can deliver equivalent service for less cost for labor-intensive tasks is part of the answer, keeping more work inside and alternative fee arrangements (more appropriate for litigation than transactional matters but I have had some success on the transactional side too) is another part, stressing efficient handling and staffing of matters through a holdback earned by performance measurement is another tool. All of this (and other tools we employ) work to minimize the agency cost associated with external counsel (which seems an odd concept applied to the attorney-client relationship).

[Legal Industry Pioneers 2013](#) – Financial Times

FT.com **Legal Industry Pioneers 2013**
FINANCIAL TIMES FT.com Innovative Lawyers

Firm	Award level	Originality	Strategic Vision	Market Impact	Total	Description
Radiant Law	Standout	9	9	6	24	A new model combining technology, legal process outsourcing and a pure fixed-fee service.
New Street Solutions	Standout	8	9	6	23	A standalone business set up by Taylor Wessing to deliver efficient contract and due diligence services.
Obelisk Legal	Standout	5	8	9	22	Built on experienced and City-trained lawyers working flexibly, the business has seen rapid growth.

Big Data – Qualified Hope

Key point

Big data should generate substantial actionable intelligence for all businesses, including law firms. To date within the legal services sector, however, the procedures for manipulating the data, interpreting the results, and extracting the value of that data are lacking. While challenges do exist, overcoming these challenges could unlock significant value from both big and small data – it is a worthwhile endeavor.

What we heard

Some B2C companies have gained a competitive advantage by leveraging big data, but in the legal services sector there are challenges to the collection and exploitation of large data sets. As marketing professionals, we can identify experts and help build a framework that would enable law firms to extract value and insights from the data they have (or to which they can get access).

Discussion

As marketing professionals, we understand that there is a fundamental difference between the types of data readily available (and exploitable) by consumer-oriented businesses, and that available to B2B organizations. Professional services firms may also be less inclined to make data-driven decisions.

Law firms have some data, but this is largely unorganized and firms are unsure what to do with it in its current form. There are some examples of industries or companies that have used big data well (like credit scoring companies and Netflix), but in the legal sphere, data isn't what it needs to be to be actionable and create a comprehensive picture. To wit: "much of the data available to law firms 'is crap.'"

External data versus internal data

It is important to differentiate between internal data, like client information and statistics, and external data, which can include legal services information aggregated by a third party as well as other business metrics such as cost benchmarks. To address knowledge gaps, firms may consider looking to external data for competitive advantages that can be leveraged for internal business processes.

In order to understand this data – which is in need of ownership - firms could get data scientists to introduce lawyers to basic concepts on how to leverage data and to help them to [understand](#) what questions to ask. With tutelage from a data scientist or other knowledgeable champion, an understanding of methodology could serve to close the perceived generational and departmental gaps, allowing for effective use of both quantitative and qualitative data to bolster organizational

management, creating client profiles, tracking governmental and corporate actions, as well as predicting future trends. Currently, answers are desired, but the questions are not yet known.

There is concern about the reliability of big data to predict long-term trends, though an assertion was made that legal trends like asbestos lawsuits could have been predicted with big data.

In our role as marketing leaders – and perhaps through the LMA in some form – we can establish a framework for converting the data available to law firms into actionable leads and insights.

Additional thinking to explore:

The following are chosen from various publications. Some selections are merely highlights of the respective pieces, and we encourage you to explore the full publication for further thinking on the topic.

[How Big Data Can Improve the Practice of Law](#)

How can law firms use big data? What are the implications? Mark van Rijmenam, founder of BigData-startups.com, and others share the following:

- **Taking on cases:** Law firms can [use](#) algorithms that offer predictions on certain cases and based on how similar cases fared in the same jurisdiction, and give a prediction of how new cases could work out. The small Californian law firm Dummit, Buchholz & Trapp [uses](#) such technology, developed by LexisNexis, to determine in 20 minutes whether a case is worth taking on or not, instead of the standard 20 days. Similarly, Lex Machina uses a "[Moneyball](#)" approach to predict likely outcomes on intellectual property cases.
- **Benchmarking and controlling costs:** The tool [TyMetrix LegalView Analytics](#) for example has [collected](#) vast amounts of invoices of tens of billions of dollars of legal spending. This helps law firms easily benchmark themselves against the industry and determine the right price for a certain case. On the other hand, there are tools like [Sky Analytics](#) that helps companies reduce legal spend, control legal costs and benchmark legal spend. They give companies an unparalleled macro view into the costs of legal services, as well as specific advice on how to cut the best deal on legal services in any given location.
- **Firms should be aware – Your customers can use big data too:** The app [RateDriver](#) [enables](#) users to quickly determine the appropriate rate they should expect to pay for attorney's fees in 51 U.S. states. Sharon D. Nelson & John W. Simek shared in [BIG DATA: Big Pain or Big Gain for Lawyers?](#) that: "The most frightening possibility to law firms—especially large law firms—is that clients will begin to use data analytics to evaluate law firms in a far more precise fashion. If, as is so often the case, a large client spreads its work among 10 to 20 firms, it can aggregate data to determine how much it is being charged by different firms for similar work, what percentage of the work is being done by partners versus associates, what the hourly rates are and the totals for similar work, what percentage is based on value billing, and how much is being billed for travel and other expenses. Comparisons between law firms will be much easier to make as analytic tools are applied. Clients may even analyze the extent to which fees and

costs come down after a “come to Jesus” meeting with law firms—and how long the effects of the meeting appear to last.”

- **Finding evidence:** Big data can deliver new evidence in court. When the data is digitized it can be easily connected to other (open and public) data sets, providing clarifications and new insights. As LexisNexis Chief Architect Ian Koenig [explains](#): “it allows (users) to find the right needle in the stack of needles.”
- **HR:** Big data can enable HR managers to crunch all sorts of data on potential new employees, among others how an applicant performs during an assessment. This can help firms to find recruits that really match with what they are looking for.
- **Finding the ideal client:** Our own President, Tim Corcoran, [writes](#) that “law firms have also begun to employ a big data approach to identifying the 'ideal' client. While this definition varies from firm to firm, it generally encompasses clients generating profits from multiple matters over time rather than from one matter, and clients with legal needs spanning multiple practices and requiring numerous partner relationships rather than those with one key rainmaker tied to one key decision maker. A firm that can be more precise with its client and prospect targeting can improve profitability merely by walking away from dilutive work, and avoid raising rates. The analytical rainmaker will identify the characteristics of the ideal client, then identify prospects matching this profile, and then work with the marketing team on successful tactics to pursue these prospects. Contrast this with the 'traditional' approach to rainmaking where we talk about our capabilities to anyone we can, with the knowledge that sooner or later we will find a prospect in need of these capabilities, and you can see how an informed approach can easily surpass the results of a 'shotgun' approach to rainmaking.”

[How Many Data Scientists Does the World Really Need?](#) – CIO.com (Excerpts)

- For many smaller and mid-sized firms, the hype surrounding big data doesn't [resonate](#), and probably won't translate into hiring, because the challenges those businesses face aren't truly related to Big Data, says Tim Herbert, director of research at CompTIA.
- “A lot of companies don't actually have big data problems -- they have smaller challenges,” Herbert says. Many of these data challenges crop up between IT and other departments such as marketing, finance, and business operations, as SMBs uncover their true business objectives and figure out how to make raw data into actionable intelligence, he says.
- “While they need to find ways to take their business data and translate that into business intelligence, most of these SMBs are looking at data analytics and technologies like Hadoop and realizing they don't need anything as huge, powerful and scalable,” Herbert says.
- “Most companies may not realize that they have to first invest in making sure their data's in a format that can best be analyzed to derive value,” Herbert says. “Finding the technology to do that is the easy part -- it's finding and nurturing the analytical talent and expertise that's hard, and that will take some more time,” he says.
- Most large enterprises, looking for a competitive edge, will jump at the chance to hire folks who can use the data they've collected to try predicting the future of the markets, sales cycles and trends, and customer behavior rather than just react to what's happened, says Roger Gaskell, CTO of Kognitio. Kognitio itself has seen great success with such a hierarchy that it calls the Kognitio Analytics Center of Excellence (KACE), he says.

Elad Israeli, co-founder and CPO of SiSense, shares [5 questions you should be asking about big data](#) in this *VentureBeat* article. He says the questions firms should be asking themselves about big data are:

- **What's your problem?** Do you have current issues bringing data together, or are you waiting too long for query results? Is your data structured or unstructured?
- **What's the price you pay for free (open source) software?** Hadoop runs on commodity software, which requires an investment, as does the power and connectivity to run it. Unless you download your components direct from the Apache Software Foundation, you're likely on the road to software licensing and the same concerns you have with commercial products.
- **Does size matter?** Most businesses use terabytes of data, and when working in this range, the overhead of a big cluster of machines may not pay off. A single server solution may meet your needs.
- **What is your data?** On premise versus cloud-based data will require different strategies. For example, if your data is sitting on the Amazon or Rackspace cloud, then running a big data solution within that framework makes sense because the data is easy to move within that environment. However, if most of your data resides on-premise and you're considering running your big data queries in the cloud, think again. Big data is difficult to move around and keeping it synced when uploading to the cloud poses many challenges. Better to remain within the on-premise environment in such cases.
- **What is the distinction between the various technologies?** There are three types of technologies currently utilized for big data analytics: software database appliances, hardware database appliances, and distributed databases. Software database appliances are deployed on commodity hardware, generally on a single computer so they are generally affordable and architected simply. Examples are relational databases such as SQL server or MySQL, as well SiSense's [ElastiCube](#) technology. Hardware database appliances are comprised of proprietary software bundled with proprietary (i.e. expensive) hardware. Proprietary hardware has more powerful specs than commodity hardware but can cost 50 times more. Distributed databases refer to software that is deployed on a cluster of computers, allowing it to "parallelize" resource-intensive processing operations. This involves complex architecture.

[Five Ways Companies Can Compete Using Big Data and Analytics](#) – IBM

Here are five ways to take advantage of big data and analytics:

- **Build a corporate culture that's savvy about big data and analytics.** Organizations are becoming much more data driven, applying insights to everything from key business processes and decisions to the way they fundamentally operate. Rather than relying on decisions based on gut feelings, businesses are infusing analytics into everything that employees touch—such as management systems, machine-to-machine processes, daily decisions and tasks — to develop evidence-based cultures and workforces.
- **Make security, privacy and governance a requirement.** Businesses need to embrace innovation — while managing risk — by thinking and acting more quickly on insight derived from analyzing big data. They will need to embed security, privacy and governance policies directly into all of their daily processes.

- **Invest in a big data platform.** Company-wide big data platforms allow organizations to address the full spectrum of big data business challenges. The real benefit of a platform (versus point products) is the ability to start with one capability and easily add others over a big data journey, whether it's based upon transactions, social media or mobile computing. They can run a full range of analytics, use dashboards to observe and plan, employ predictive analytics or even new cognitive computing capabilities.
- Satellite TV provider [Sky Italia](#), for example, used to rely on data from cable boxes to understand what its customers were watching. After switching to digital platforms, [Sky Italia](#) was able to find new insights into viewing behaviors with big data and analytics. We helped them create program schedules and on-demand content that was based upon social media data, which revealed the most popular shows based upon comments in social media. The same data also allows the company to run targeted marketing campaigns, delivering more effective messaging to precise customer segments.
- **Appoint a Chief Data Officer.** The research firm Gartner says more than 100 Chief Data Officers have been appointed in large enterprises today, which is more than double the number of CDOs in 2012. Chief Data Officers will continue to emerge as a vital member of the C-suite in a variety of industries. They will be an organization's champion of data, focusing on the best ways to analyze big data to transform their businesses.
- **Infuse cognitive intelligence into a new generation of apps.** We are seeing a new ecosystem of startups, ISVs and developers who want to accelerate innovation, creativity and an entrepreneurial spirit around cognitive computing. This will spark an entirely new class of applications that will learn from experience, improve with each interaction and outcome, and assist in solving the most complex questions facing industries and society today.

The use of social networks and apps is driving transparent interactions and creating fundamentally new sources of data that didn't exist five years ago. Businesses are learning to harness this data — generated both inside and outside of their organizations.

A marketing and sales department, for example, could use analytics to create customer experiences tailored to an individual's preferences and interests. At the same time, human resource teams could see thousands of data points to develop more precise plans to recruit, cultivate, develop and retain their top performers.

As more organizations embrace big data and analytics, they will continue to find more ways to transform their businesses and acquire, grow and retain their customers.