

2020
Legal Transformation Study
Updated

College of Law Practice Management
Denver, CO
September 25, 2009

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Altman Weil, Inc.

Legal Transformation Study

Your 2020 Vision of the Future

Four Strategic Planning Scenarios that:

- Challenge current legal service models;
- Answer key strategic questions; and
- Enable legal organizations to effect a 20/20 strategic vision

Published by:

- Decision Strategies International
- Legal Research Center



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Study Mission

“The *Study* will **identify** key global trends and uncertainties shaping the future of the legal industry and **create** a set of four detailed planning scenarios from these forces. The scenarios will **challenge** current service models within our industry, **raise** key strategic implications, and **enable** corporate and law firm counsel to proactively identify decision-making strategies to ensure their future business success.”



Traditional Strategic Planning

- Three-year to five-year horizon placing emphasis on doing
- Positioning phase often uses SWOT analysis, identifying only current opportunities and threats
- May miss potentially transformative future trends

Slow Pace of Change? *Not Anymore*

- The nature and purpose of the legal industry suggests to many lawyers a continued slow pace of change, but the industries, companies and cultures served by the legal industry can change rapidly
- The upheaval caused by the recession has devastated many law firms and challenges the traditional law firm economic model
- Despite all of this, AW 2009 survey indicates most law firms are betting on recovery to restore the pre-2008 marketplace

What Is Scenario Planning?

- Chooses an end date and works backwards
- Considers how a variety of factors and forces will work together to create new realities
- Envisions futures that may seem strange but are plausible in view of forces already taking shape

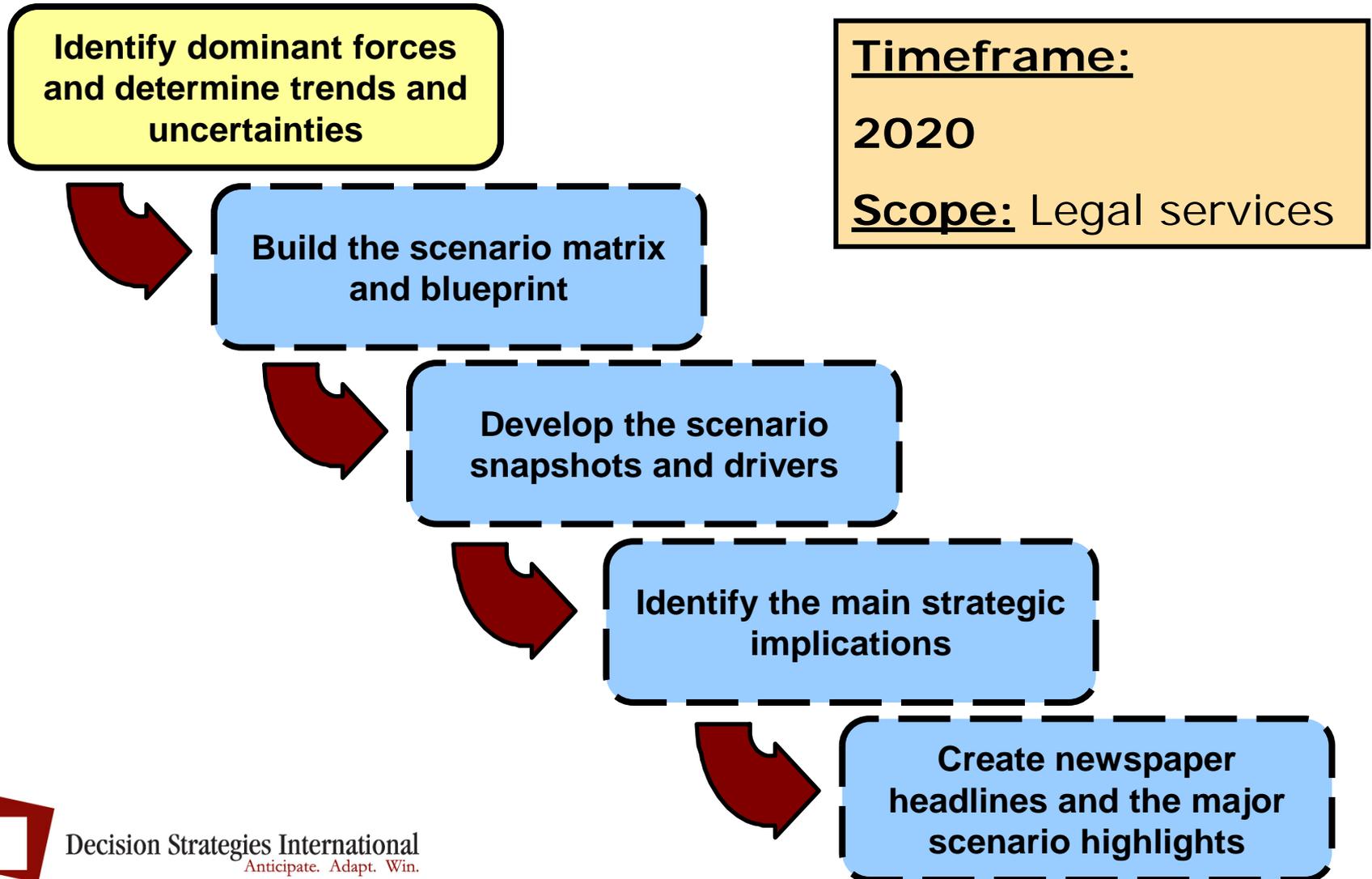
Legal Industry Stakeholders

- Six stakeholder groups were examined:
 - Law consumers
 - Law practitioners
 - Law makers/influencers/enforcers
 - Law enablers
 - Service providers, product providers, accounting firms
 - Law influencers
 - Corporations, lobbyists, academia, consumer groups, watchdog groups, religious groups, politicians
 - Law disruptors
 - E.g., IP assertion firms (enforcement trolls, etc.)
 - Offshore outsourcers

Benefits of Scenario Planning

- By considering the implications of alternate future marketplace scenarios, you can:
 - Position your law firm or department to compete more successfully in the future legal marketplace
 - Reduce the risk, and cost, of responding too late to predictable long-range business threats
 - Identify new opportunities and strategies for business growth, improved profitability and competitive advantage
 - Empower the next generation to lead the firm or department
 - Test the resiliency of current strategic plans

Scenario Development Process



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Identifying Forces

Through primary research and interviews with over 50 industry stakeholders, **more than 150 forces** affecting the future of legal services were identified.

Force	Type of force
Could the profession suffer a declining public image?	SOC
Will firms be able to attract and retain young associates?	SOC
Will law schools be forced to change the way they teach?	SOC
To what extent will smart technologies disintermediate attorneys / lawyers?	TECH
What will be the reach and penetration of 'self-help' applications?	TECH
Will data security issues remain the primary barrier to outsourcing?	TECH
Will there be an increase in internet-based delivery of service?	TECH
How will lawyer performance be managed and measured?	ECON
What will be the consequences of all the mega mergers of legal firms?	ECON
Will there be continued growth in associate salaries?	ECON
Will there be increasing third party pressure on costs?	ECON

Force	Type of force
How will bodies of law evolve in emerging markets?	ENV
What will be the impact of the increasing size of law firms on culture and communications?	ENV
What will be the level of authority of in-house counsel in relationship with external firms?	ENV
Will alternative billing arrangements change the relationship between corporate counsel and private firms?	ENV
Will law firms adopt a corporate-like model rather than a traditional partnership model?	ENV
What will be the potential impact of Clementi type reforms in the U.S. (on ownership of law firms)?	POL
What will be the impact of tort reform or the implementation of a loser pays model?	POL
Will compliance / advisory remain fastest growing legal area?	POL
Will the personal exposure of General Counsel increase?	POL

Partial List



Top Trends

Top Trends Observed in the Industry

1. Unbundled, outsourced and bifurcated legal services
2. Increased application of technology
3. Expanded globalization of legal practice
4. Heightened demand for legal work from economic and regulatory forces
5. Standardized legal information
6. Deepened interest in work/life balance issues
7. Increased Internet-based service delivery
8. Heightened demand for specialized experts
9. Enhanced role of non-lawyer business managers in law firms and legal departments
10. Increased authority of corporate management in legal purchasing decisions
11. Shifted focus to process orientation



Top Uncertainties

Top Uncertainties Identified

1. What purchase and delivery models will develop for legal services?
2. What type of regulatory and compliance environment will exist?
3. What will the global economy look like?
4. To what extent will non-attorney legal service competition move upstream?
5. Will the legal profession become deregulated?
6. Will the industry face a skill shortage?
7. How much will third parties focus on cost?
8. How much of a role will privacy and data security issues play in litigation?
9. Which litigation model will prevail globally?
10. Will non-governmental organizations (NGOs) shape and influence regulatory regimes?
11. How much will smart technologies that mimic attorney tasks penetrate the legal services market?



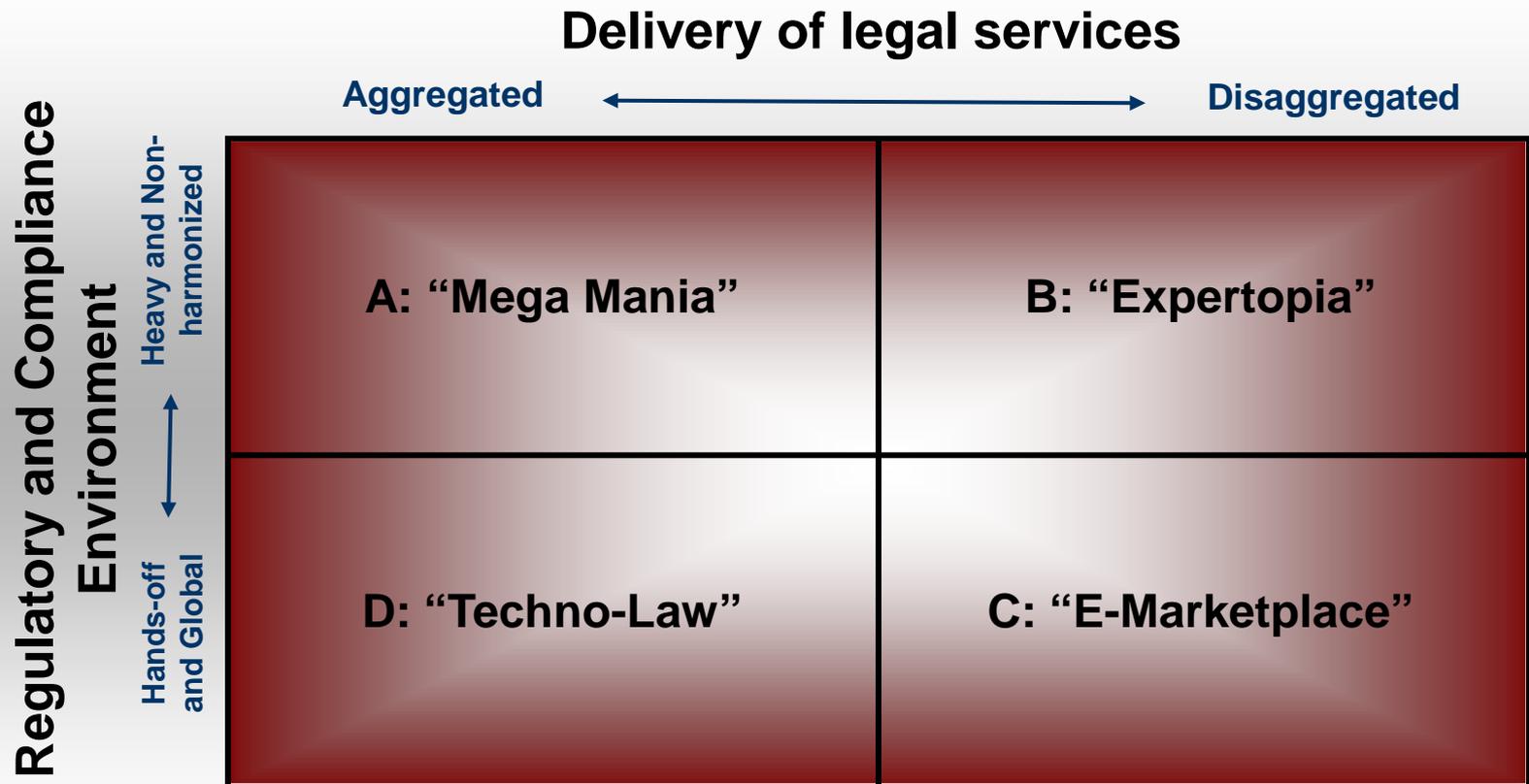
Stay with me now....

Scenario Building

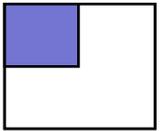
- The four scenarios developed in the study are built around two uncertainties:
 - Delivery model (aggregated or disaggregated)
 - Regulatory environment (heavily regulated or laissez-faire)
- Alternate scenarios can be built around other uncertainties
 - The other uncertainties are discussed in the report
- By examining all four scenarios as well as the other uncertainties and trends, you will be better prepared for the future that actually arrives

The Four Scenarios

Scenario Matrix



Scenario A – Mega Mania



□ Aggregated providers and delivery in a heavy and fragmented regulatory environment.

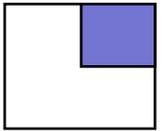
Snapshot

- Conflicts prone world
- Major economic blocks competing fiercely
- Few large firms acting as consolidators
- Still a traditional model dominated by giants
- Customer loyalty is low and frustration is high

Drivers

- Middle size law firms have been forced to consolidate or join into very integrated networks to offer the bench strength and international coverage sought by their clients.
- Aggregators have reduced their costs by leveraging outsourcing and using local expertise leading to the possibility of offering lower cost for volume work.
- The complexity and intensity of the various regulatory environments has increased the ability of law firms to demonstrate their value, thus conserving their margins.
- The continued high margins and potential for international development have made the profession an attractive one.
- Technology is limited to workflow, process and data management. It has not delivered in terms of critical analysis.

Scenario B – Expertopia



□ Disaggregated providers and delivery in a heavy and fragmented regulatory environment.

Snapshot

- Regulatory driven world with the individual at the center
- High stake litigation
- Expertise is at a premium
- Numerous niche players due to regulatory breakup of large providers

Drivers

- Rise in litigation cases linked to the growth of privacy and data security issues.
- Congress enacted new regulations making companies liable for the loss of employee / consumer information.
- Regulations have flourished to protect consumers and employees, but there is no harmonization among the national, federal and state levels.
- Increased demand for corporate social responsibility.
- High level of competition, increasing influx of young lawyers and NGOs providing more services have created a low margin environment.
- Technology is still a fragmented world with no standards.
- Regulations have been passed to break up the mega firms, in order to reduce conflicts of interest and to increase access and affordability of legal services.

Scenario C – The E-Marketplace



□ Disaggregated providers in a hands-off and harmonized regulatory, compliance environment

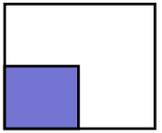
Snapshot

- Major economic downturn leading to deregulation and harmonization to spur growth
- Flurry of new providers
- Online selection/satisfaction tools
- Commoditization of many services

Drivers

- Regulatory hurdles have been lifted to boost global trade, resulting in increased harmony.
- Corporate organizations have adopted technology such as KM and others and are now in a position to reuse some of the knowledge they had paid for.
- Cost pressures have led to the change in the US litigation system (tort reform) and deregulation of the legal profession, enabling non-lawyers to provide a wider array of legal services.
- IT systems are still customized but pervasive and the world is digital.
- The legal marketplace has imploded and standards have emerged for the purchase, audit and delivery of services. Benchmark metrics are readily available for the comparison of multiple providers.

Scenario D – Techno-Law



□ Aggregated providers and delivery in a hands off and global environment.

Snapshot

- Peaceful world dominated by desire to further trade relations
- Harmonious regulatory systems
- Experts moving into technology field to codify content and rules
- Major aggregators offering “lawyers in-a-box”
- Selection based on value and capacity

Drivers

- Customers have demanded that technology be interoperable for cost purposes.
- Technology providers and content providers (legal publishers) have collaborated to create expert systems.
- Senior lawyers with high expertise move to create technology companies that provide these expert systems.
- Neural network AI systems are a reality.
- Political harmony, the UN is working and emerging markets are being supported.
- Peaceful relationship with China.
- Global sourcing is the norm.
- Technology enables aggregators to work and access any local resources.
- Large integrators have entered the market for aggregating and managing legal services.

Using the Scenarios

- What are the strategic implications of each scenario for law firms? Law departments?
- What opportunities or threats are presented by each scenario?
- Which are more likely to occur? Or, will the legal market in 2020 be a combination of two or more scenarios?



Making sense of uncertainty

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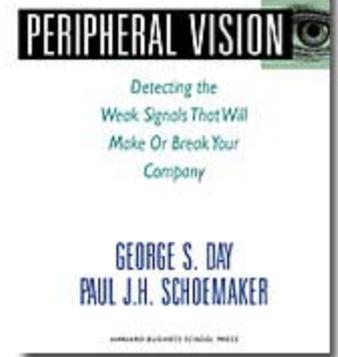


Strategic Radar™ provides the products and services to allow an organization to build and monitor a strategy for profiting in an uncertain world.

Peripheral Vision

George S. Day and Paul J.H. Schoemaker
Peripheral Vision: Detecting the Weak Signals That Will Make or Break Your Company
 Harvard Business School Press, May 2006.

Abstract - From emerging technologies to changes in consumer tastes, tremendous opportunities and threats often begin as weak signals from the periphery. How good is your organization at sensing, interpreting, and acting on these signals?



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Making sense of uncertainty

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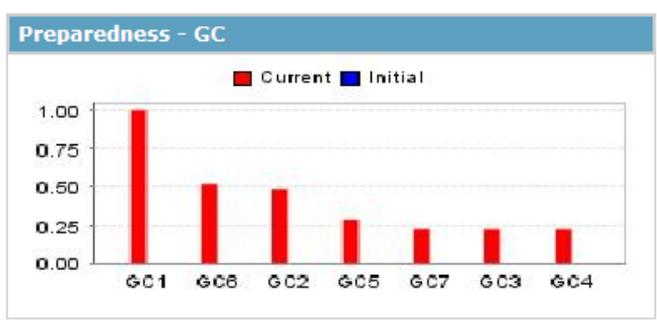
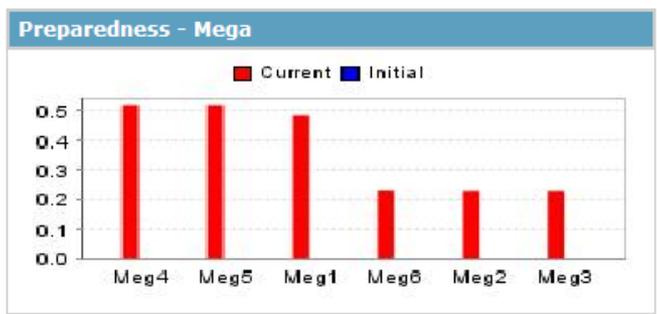
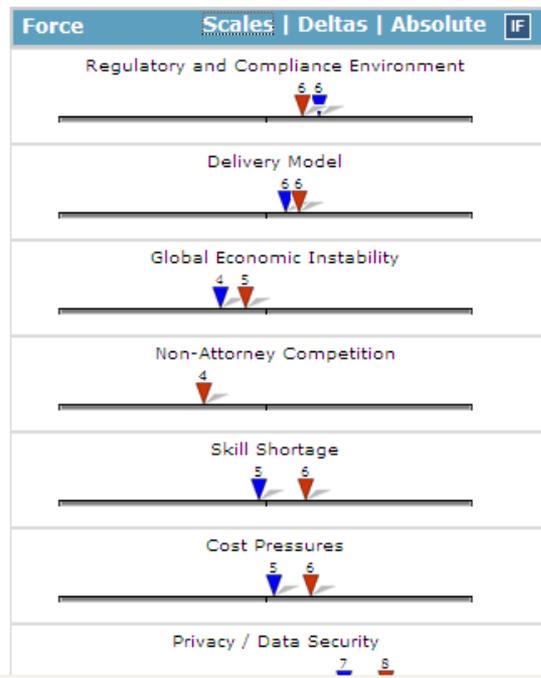
[> SRDM Details](#)[> SRDM Approach](#)[> SRDM Demo](#)

Strategic Radar's products offer your organization the ability to have an on-going, dynamic "living strategy".

Strategic Radar Dynamic Monitoring (SRDM) is an end-to-end solution to deliver dynamic monitoring integrated with an organization's scenario-based strategy. Dynamic monitoring encompasses the complex process of scanning the external signals that could favor a potential future scenario. Strategic Radar has developed proprietary methodology and technology that "wires" the changes in external market forces to the impacts on an organization's strategy and operational decisions. This system takes in a large amount of information and reduces the noise to spot key signals .

The results of this ongoing service are delivered to the client through our SRDM Dashboard. This dashboard depicts in a concise view, the areas requiring change and focus within and organization's strategy. Details of the process can be found here: [SRDM Details](#)





Project info & feedback

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Message Center

'Pre-crime' detector shows promise (ScanningItem)
Last year, [\[Read More\]](#)

Regulatory and Compliance Environment (Expert Opinion)

'Data protection will continue to challenge international business as countries and regional groupings pursue distinct approaches to the treatment of personal information. The differen [\[Read More\]](#)

Non-Attorney Competition (Expert Opinion)
'Lawyers cannot maintain a

To...
 Cc...
 Bcc...
 Subject: FW: Radar Project Update Report - Legal Transformation Study

Below are new project messages and scanning items for Legal Transformation Study. These are sent each week because you have specified a subscription to the email updates for this project. Instructions on how to change your subscription are at the bottom of this email.

Legal Transformation Study
(new items since 07-30-09):

In This Issue:

- [Attitudes and Behaviors Towards Privacy and Data Retention](#) (3 items)
- [Improvements in Search Technology](#) (2 items)
- [Legal Industry Buzz](#) (3 items)
- [Technology Mimicking of Human Capabilities](#) (3 items)
- [U.S. Tort Reform](#) (3 items)

Attitudes and Behaviors Towards Privacy and Data Retention

Featured Item:

EFF: Technology Can Help in Absence of Privacy Laws

If you're a developer and you're worried about digital privacy issues, the Electronic Frontier Foundation has a job for you. On Wednesday, EFF Civil Liberties Director Jennifer Granick put out a call for new technology. "We need technology. Citizens need technology to protect themselves because the

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All New Items

- [Does Microsoft + Yahoo = A Privacy Arms Race Among Web Giants?](#)  
- [UK Plans To Monitor 20,000 Families' Homes Via CCTV](#)  

Improvements in Search Technology

Featured Item:

Law Firm Done With Paper

Linarducci & Butler is a busy small law firm, helping clients navigate through the Social Security disability benefit process. Our firm typically has 600 to 800 client cases

All New Items

Legal Transformation Study Monitoring

Strategic Radar (www.strategicradar.com)

Scenario Weightings

	<u>Initial (2007)</u>	<u>March 2008</u>	<u>Δ</u>
MegaMania	34%	28%	-6
Expertopia	28%	29%	+1
E-Marketplace	21%	24%	+3
Techno-Law	17%	20%	+3

Executive summary can be found at:

<https://www.legaltransformation.com/studysummary.asp>

Also see:

www.strategicradar.com

Breakout Groups: Legal Transformation Study

- Group 1 led by Bruce MacEwen, Adam Smith, Esq.
“MegaMania”
- Group 2 led by Tom Clay, Altman Weil, Inc.
“Expertopia”
- Group 3 led by Tim Corcoran, Altman Weil, Inc.
“E-marketplace”
- Group 4 led by Ward Bower, Altman Weil, Inc.
“Techno-Law”

Questions to Consider

- What are strategic implications of this scenario?
Please identify primary opportunities and threats to:
 - Large law firms
 - Smaller and midsized law firms
 - Corporate law departments
- What is the probability of this being the prevailing or dominant scenario in 2020?
_____%

Leaders will report back at the end of the session,
two minutes each