

The 2020 Wolters Kluwer Future Ready Lawyer

Performance Drivers

SURVEY REPORT



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Introduction

The disruption caused by the global pandemic of 2020 will have far-reaching, long-term and structural impact across the legal industry. Yet, amid the changes to come, there will also be continuity, and even acceleration, in the ongoing transformation of the legal profession.

Before the crisis, the legal sector was already undergoing transformation driven by economic, demographic, regulatory, technology and competitive demands. Those forces will continue to influence the industry, with some forces further amplified and fortified as a result of the crisis.

Given the new financial pressures on businesses created by the crisis, there will be a brighter spotlight on legal professionals' performance moving ahead. Corporate counsel and law firms alike will need to increase productivity and efficiency, while also ensuring they deliver the highest value and ROI. Those demands, which gained momentum following the global financial crisis of 2008, now need to be met with greater urgency.

The importance of client satisfaction, already one of the most critical aspects of law firm success, will further intensify as firms strive to differentiate themselves from traditional and new competitors and add higher value, at the same time clients may look to spend less and do more in-house.

The ability to use technology to optimize performance will be more important than ever.



For some businesses, the crisis has revealed vulnerabilities; for others, it has showcased strengths, but the learning is the same. The crisis has crystallized that technology solutions, including legal technology solutions that enable work at any time from anywhere, are key to business continuity. The pandemic perhaps will set a foundation for “must have” technologies to keep a legal business operational. But as the legal industry moves forward, the focus will be on the capabilities that can help an organization thrive in the new legal landscape.

Are legal professionals ready to meet the demands ahead?

In 2020, Wolters Kluwer issued an independent survey – the *2020 Wolters Kluwer Future Ready Lawyer Survey: Performance Drivers* – to assess future readiness and resilience in the legal sector. The survey, conducted in January 2020, includes insights from 700 legal professionals across the U.S. and nine European countries. The survey examined trends affecting the future of law as the industry overall undergoes a significant transformation, and how well-prepared legal organizations are to drive and deliver higher performance. Based on the survey findings, there are gaps to fill and there is progress to be made.

This *2020 Future Ready Lawyer Survey* report covers five areas related to the future ready lawyer and performance drivers: Top Trends and Readiness Across the Legal Profession; Driving Successful Client-Firm Relationships; Changing Legal Departments; Changing Law Firms; and Technology Investments and Advantages.

Key Survey Findings

Conducted before the crisis fully took hold, the survey already revealed that legal professionals see technology as a key force for change in the profession and critical to improved relationships, performance and productivity. In fact, the Increasing Importance of Legal Technology is the top trend for 76% of respondents – across Europe and the U.S., and across law firms, corporate legal departments and business services firms.

The survey also revealed a number of gaps – gaps in understanding, expectations, experience, priorities and capabilities – within, as well as between, law firms and corporate legal departments. The good news is that work is underway to close those gaps.

The survey found that many law firms, driven by client expectations, were already seeing the urgency to enhance services and capabilities as 2020 began. Client-focused firms recognized the importance of increasing productivity and efficiency, and helping clients cope with increased complexity. They were seeking approaches to foster innovation, strengthen areas of specialization and increase collaboration, all while ensuring greater cost efficiency. Yet, many still face challenges as they navigate their transformation.

As the legal industry moves forward, the focus will be on the capabilities that can help an organization thrive in the new legal landscape.

Specific findings of the 2020 *Wolters Kluwer Future Ready Lawyer Survey* address trends, progress and challenges across the legal profession with a focus on the future.



Trends

- Overall, fewer than one-third of lawyers believe their organization is very prepared to keep pace with changes in the legal market.
- The Difficulty of Change Management & Leadership Resistance to Change is the biggest barrier to implementing change for both corporate legal departments (65%) and law firms (53%).
- The Increasing Importance of Legal Technology is the top trend with impact for 76% of respondents across Europe and the U.S. and across law firms, corporate legal departments and business services firms. Only 28% of respondents indicate that their organization is very prepared for it.
- Meeting Changing Client / Leadership Expectations is reported as a trend with high impact; yet only 31% of respondents say they are ready.

Client-Firm Relationships

- When evaluating law firms, corporate legal departments rate as the top-three criteria:
 - Ability to Use Technology to Improve Productivity / Efficiency and Collaboration / Work Processes;
 - Ability to Specialize; and
 - Ability to Understand Client Needs / Partner with Clients.
- Law firms believe legal departments rate Price as the top-most important criteria, followed by Understanding Client Needs, Specialization and Using Technology for Improvement.
- Minding the gap: Legal departments assessed the law firm attributes most important to them and how well their firm delivers:
 - Specializes in the Types of Services We Need: 80% say important; 34% say it describes their current firm very well;
 - Demonstrates Efficiency and Productivity: 79% say important; 28% say it describes their current firm very well;

- Equips Staff with the Right Tools to Perform Our Work: 76% say important, 30% say it describes their current firm very well;
- Offers the Best Pricing / Value: 76% say important; 32% say it describes their firm very well; and
- Trust in the Firm to Meet Our Needs: 76% say important, 37% say it describes their firm very well.
- 71% of corporate lawyers report they are neutral to somewhat satisfied with their current law firm; 26% are very satisfied; 3% are dissatisfied.
- Yet when it comes to client focus, many firms report they struggle in their ability to keep up with changes, with only:
 - 26% very prepared to Use Technology to Improve Client Services;
 - 26% very prepared to Offer Greater Specialization; and
 - 25% very prepared to Keep Pace with Clients' Changing Needs.
- To ensure they meet client expectations, 67% of law firms report that they are Investing in New Technology to Support Firm Operations and Client Work.
- Artificial Intelligence is the transformational technology that 59% of law firms expect will have a significant impact over the next three years, yet just 22% understand it very well.

Corporate Legal Departments

- The top changes legal departments expect in the next three years include: Greater Use of Technology to Improve Productivity; Greater Collaboration and Transparency Between Firms and Clients; and Increased Emphasis on Innovation.
- The top challenges for corporate legal departments today are: Reducing and Controlling Outside Legal Costs; Managing the Growing Demands on the Corporate Legal Department; and Automating Routine Tasks and Leveraging Technology in Work Processes.
- 82% of corporate lawyers say it's important that the law firms they work with leverage technology.
- Within three years, 81% of corporate lawyers will ask the firms they plan to work with to describe the technology they use to be more productive – 41% already do so today.
- Big Data and Predictive Analytics are the transformational technologies that 67% of corporate lawyers expect will have a significant impact over the next three years; yet just 25% say they understand these technologies very well.

Law Firms

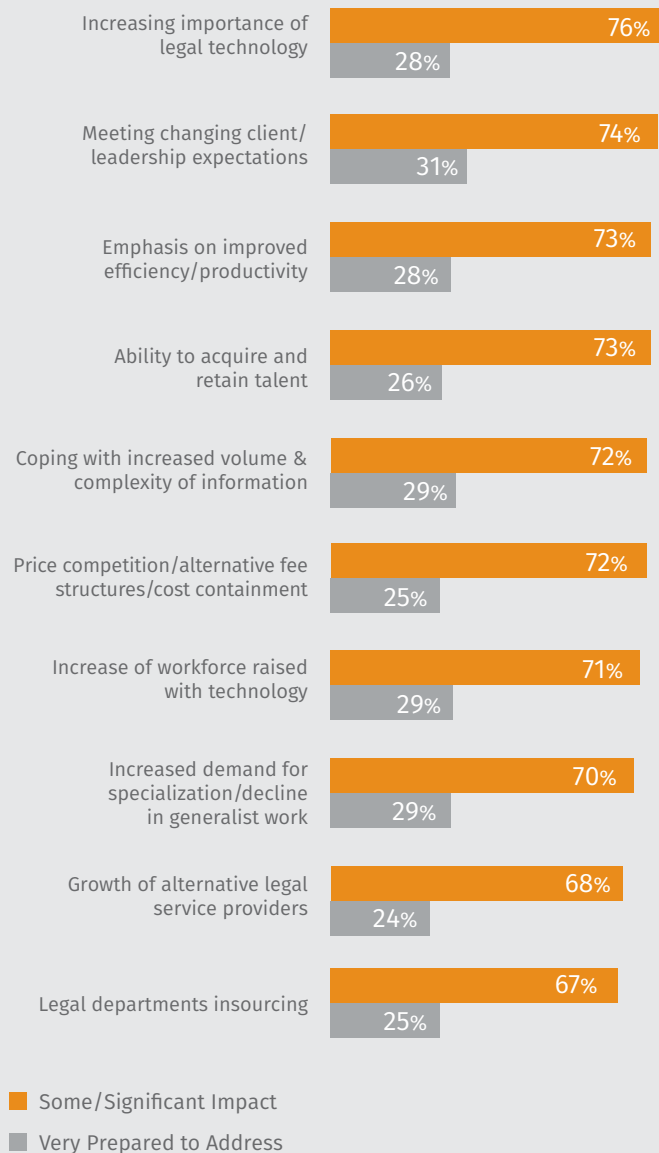
- Among the top changes law firms expect to make in the next three years are: Greater Use of Technology to Improve Productivity; Greater Specialization of Legal Services Offered; and Increased Emphasis on Innovation.
- Across all areas of preparedness related to technology, staffing, organizational and client focus, *Technology Leaders* also outperformed those with lower technology use – across both firms and legal departments.

Technology

- For all respondents, technology is the key driver of change:
 - 82% predict that the Greater Use of Technology will change how they deliver service;
 - 63% expect Big Data and Predictive Analytics to have a significant impact on the industry within three years; and
 - 56% expect to Increase Spending on Legal Technology Solutions over the next three years.
- Legal professionals report that Organizational Issues – including the lack of a technology strategy, leadership resistance to change and the lack of change management processes – comprise the top category for resisting new technology.
- Tech Leaders continue to lead: Among firms, 62% of *Technology Leaders* report their profitability increased over the prior year, compared to 39% of *Transitioning* firms and just 17% of *Trailing* firms.

Figure 1: Trend Impact & Readiness to Address

More than two-thirds of lawyers indicate their law firms or legal departments will be impacted by these trends; but fewer than one-third believe their organizations are very prepared to address them.



Top Trends and Readiness Across the Legal Profession

Across law firms and corporate legal departments, lawyers are feeling pressure from key trends that will impact their organizations over the next three years – and technology tops the list.

The trends most expected to impact legal organizations, according to the 2020 *Future Ready Lawyer Survey*, are:

- Increasing Importance of Legal Technology – 76%;
- Meeting Changing Client / Leadership Expectations – 74%;
- Emphasis on Improved Efficiency / Productivity – 73%;
- Ability to Acquire and Retain Talent – 73%;
- Coping with Increased Volume and Complexity of Information – 72%; and
- Price Competition / Alternative Fee Structures / Cost Containment – 72%.

Of note are the changes in priorities since the 2019 *Future Ready Lawyer Survey*, when respondents ranked technology and client expectations the third and fourth most impactful trends, respectively. In 2020, those two trends rose to the top.

Looking across all of the trends, however, there is an alarming gap between overall market trends and readiness to address them. Fewer than one-third of respondents report their organization is very prepared to address *any* of these issues (Figure 1).

In fact, while the Increasing Importance of Legal Technology is a top concern at 76%, only 28% of respondents indicate that their organization is very prepared for it.

Similarly, 74% report that Meeting Changing Client / Leadership Expectations will impact them, yet only 31% are ready. And while 73% acknowledge the growing importance of Improved Efficiency and Productivity, just 28% are prepared to meet this demand; likewise, 73% identify the Ability to Acquire and Retain Talent as an important trend, yet only 26% are very prepared.

The emerging issue that respondents are least prepared for is the Growth in Alternative Legal Service Providers, with only 24% very confident in their ability to address this trend.

Driving Successful Client-Firm Relationships

Technology at the Center of the Client Experience

With the Increasing Importance of Legal Technology as the top trend for 76% of all lawyers surveyed, followed closely by the Ability to Meet Changing Client / Leadership Expectations at 74%, it's clear that these two top trends are progressively interconnected: how well legal professionals leverage technology is a critical component of how well they meet client and leadership expectations.

Corporate legal departments – already faced with the need to improve productivity and efficiency and to offer higher value as a strategic business partner – have turned to technology more aggressively. In turn, they increasingly are pressuring the law firms they work with to do the same.

The importance of legal technology capabilities to corporate counsel is evident as more legal departments incorporate these criteria into their evaluation of prospective law firms.

According to the survey findings, within the next three years, 81% of legal departments say they will require prospective law firms to describe how they are using technology to be more productive and efficient (Figure 2). This is nearly double the rate of 41% asking this today. This is likely to further increase following the recent crisis, which puts at risk the business continuity of less technology-savvy firms.

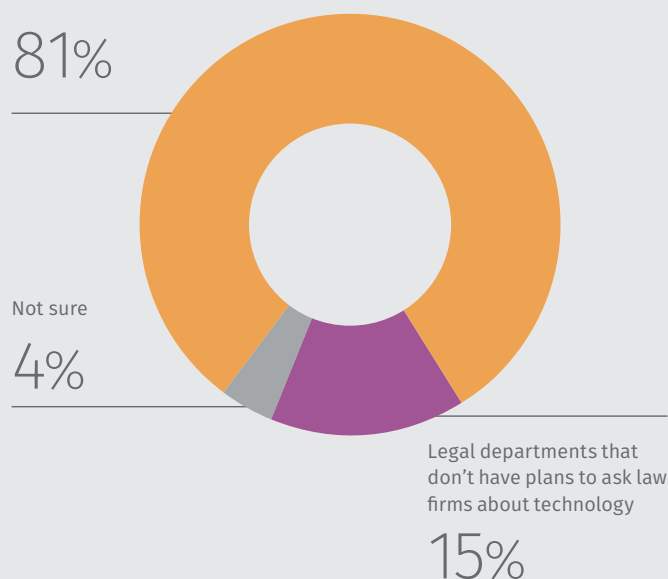
Moreover, the *Future Ready Lawyer Survey* found it's not just in the evaluation process of *new* firms where legal departments are focusing on technology capabilities. When it comes to *existing* law firm relationships, 82% of legal departments report it is important that their law firms fully leverage technology. However, only



Figure 2: Growing Importance of Technology as a Firm Evaluation Factor

Within three years, more than 80% of legal departments will ask the law firms they are considering to describe the technology they use to be more productive and efficient.

Legal departments that currently ask or plan to ask law firms about the technology they use



Technology and Client Expectations

- 82% of corporate lawyers say it's important that the law firms they work with leverage technology;
- Within three years, 81% of corporate legal departments will ask the firms they plan to work with to describe the technology they use to be more productive – 41% already do so today; and
- 74% of corporate lawyers say it's important that their law firm is able to help them select and implement legal technology.

73% of law firms believe corporate legal departments find this important, indicating that firms do not fully understand the high importance their clients place on a firm's effective use of technology (Figure 3).

As technology becomes a key enabler to the successful legal organization – from how firms and departments are organized, staffed and led to how lawyers work, advise and serve clients – understanding technology and prioritizing technology investments will be critical.

In the legal industry overall, technology investments continued to climb in 2019, with legal technology deals and investments reaching a record-setting amount that exceeded \$1.2 billion, before the year was even over.

Given the increased importance of legal technology, it's no surprise that legal organizations plan to invest more in legal technology ahead.

According to the findings of the *Future Ready Lawyer Survey*, 56% of lawyers overall expect to increase their spending on legal technology solutions over the next three years. An even higher rate of those who are already strong technology users (known as *Technology Leaders*) plan to do so, with 63% of these organizations reporting they will increase their investment in technology over the next three years. (See *The Technology Leader Edge Continues for the Future Ready Lawyer*, pages 20–21, Figure 21.)

By segment, 60% of law firms plan to increase their technology investment, while 51% of legal departments plan to do so. The growth is fueled by increasing interest from law firms and corporate legal departments in leveraging these platforms to streamline and automate processes, more effectively manage their organizations, increase productivity and better serve clients and customers.

Figure 3: Gaps in Expectations: Leveraging Technology

Eighty-two percent of legal departments think it's important that the law firms they hire fully leverage technology, but only 73% of law firms believe that their clients' legal departments want them to.

82%

Legal
Departments

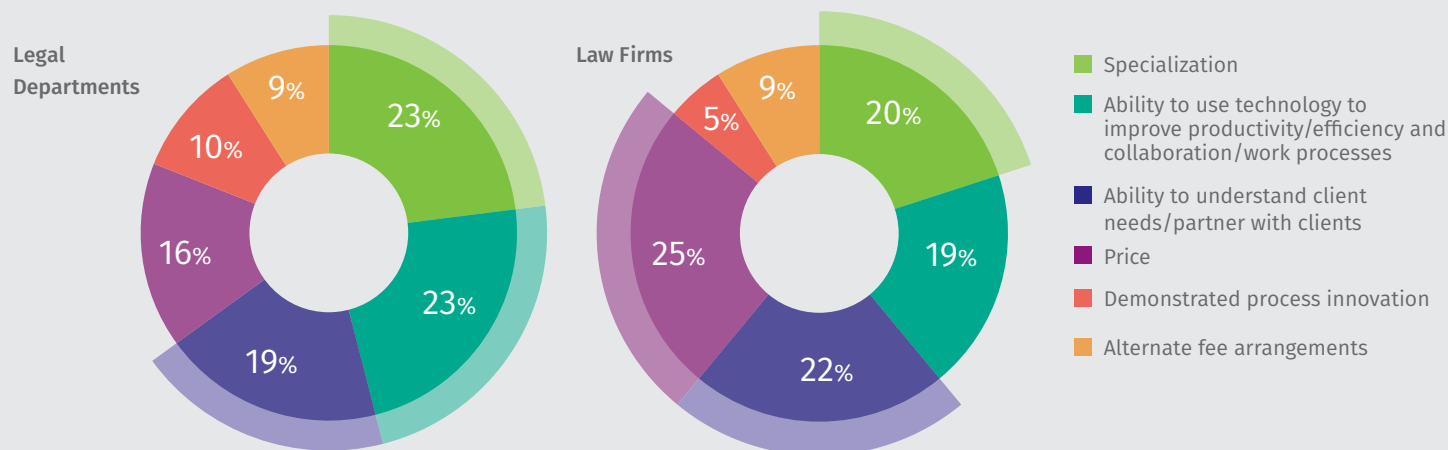
73%

Law Firms



Figure 4: Most Important Law Firm Evaluation Factors

When evaluating law firms, criteria most important to corporate lawyers are a firm's ability to: specialize, use technology to improve productivity and understand client needs. Law firms believe price is the top criteria on which they are evaluated, followed by the ability to understand client needs and specialization.



Law Firms and Corporate Legal Departments: Expectations and Experience

Across the board, the *Future Ready Lawyer Survey* surfaced gaps between the expectations and needs of corporate legal departments and law firms' understanding of those expectations and their ability to deliver on them.

For example, when evaluating law firms, corporate legal departments rate the top three criteria (Figure 4):

- Ability to Use Technology to Improve Productivity / Efficiency and Collaboration / Work Processes;
- Ability to Specialize; and
- Ability to Understand Client Needs / Partner with Clients.

For legal departments, a law firm's Price was ranked as the fourth most important evaluation factor.

However, when law firms were asked how they *think* legal departments evaluate firms, their responses were almost in reverse order of the priorities reported by corporate counsel. Law firms believe legal departments rate Price as the most important criteria, followed by Understanding Client Needs, Specialization and Using Technology for Improvement (Figure 4).

The fact that cost is a pain point for corporate legal departments is not questioned. In fact, controlling outside legal costs ranks high on the list of challenges corporate legal departments say they face, according to the survey: 45% say it is a top concern.

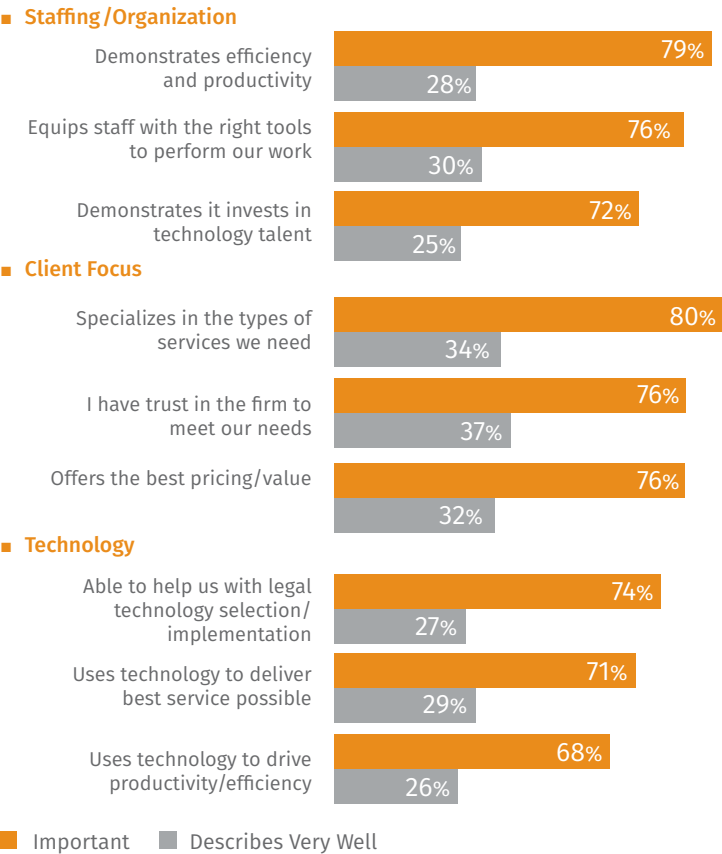
Yet when it comes to a successful relationship with their law firms, legal departments report that it's more about overall value than about price alone. They expect firms to understand them, to collaborate with them and to provide the specialization and expertise they need, while operating in a highly productive and efficient way.

In fact, more than 75% of corporate lawyers agreed with each of the following statements, indicating the high value they place on law firms' productivity and performance:

- Our Organization Is Becoming More Focused on the Return We Are Getting from Our Law Firm;
- It's Important That Our Law Firm Leverages Technology to Improve Productivity and Efficiency; and
- Our Organization Expects Our Law Firm to Leverage Technology to Optimize Performance.

Figure 5: Firms Can Do More to Meet Client Expectations

More than two-thirds of all legal department lawyers indicate these attributes are important to them in choosing a law firm. However, fewer than 40% indicate any of these attributes describe their current firms very well.



The survey also found that among the attributes legal departments rank as most important for law firms, very few indicate that these particular attributes describe their current law firm very well.

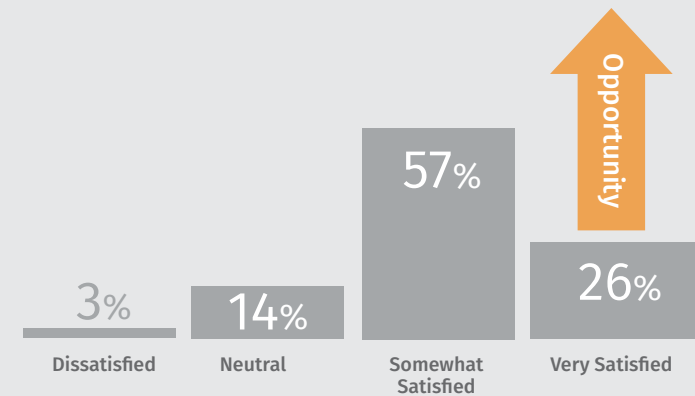
Legal departments say these law firm attributes are the most important to them (Figure 5):

- Specializes in the Types of Services We Need: 80% say important, only 34% say it describes their current firm very well;
- Demonstrates Efficiency and Productivity: 79% say important, only 28% say it describes their current firm very well;
- Equips Staff with the Right Tools to Perform Our Work: 76% say important, only 30% say it describes their current firm very well;
- Offers the Best Pricing / Value: 76% say important, only 32% say it describes their firm very well; and
- Trust in the Firm to Meet Our Needs: 76% say important, only 37% say it describes their firm very well.

These disconnects between what corporate counsel clients find important and how well they rate their firms’ performance is concerning – and telling in the overall client satisfaction levels among legal department clients.

Figure 6: Client Satisfaction

Most legal departments (57%) indicate they are somewhat satisfied with their law firm (rating satisfaction as a 7 or 8 on a 10-point scale). Only 1-in-4 legal departments (26%) are very satisfied with their law firm (rating satisfaction as a 9 or 10 on a 10-point scale), indicating firms have the opportunity to do more to improve customer satisfaction.



As a result of some of the expectation gaps corporate legal departments are experiencing, the majority of respondents – 71% – report they are neutral to somewhat satisfied with their current law firm. Overall, only 26% of corporate lawyers are very satisfied with their current law firm. On a positive note, a very small percent – just 3% – are dissatisfied with their firm (Figure 6). The findings, however, indicate a clear opportunity for firms to do more to support their corporate clients through continuous improvement initiatives and investment as switching law firms is not the only alternative available to clients today – as alternative legal service providers gain momentum in the market.

The low rate of dissatisfaction also contributes, in part, to respondents reporting a low likelihood of leaving their law firm behind in the next year, in addition to the overall difficulty of replacing incumbent counsel. According to the *Future Ready Lawyer Survey*, only 13% of corporate lawyers indicate they are very likely to replace their law firm in the next year.

The leading reason a client would replace a firm is based on the firm's inability to meet client needs, followed by the inability to offer specialized services, pricing / value concerns, a lack of demonstrated efficiency and productivity, and staffing challenges.

In today's legal environment, corporate legal departments are further minimizing their spend on outside law firms by reducing the number of firms they engage, regardless of firm performance. Those legal departments planning to cut back on the number of firms they use cite the top reasons for doing so as:

- Insourcing More Work; and
- An Overall Business Decision to Reduce the Number of Firms We Work With.

It's clear that while legal departments are moving more work in-house, the vast majority are still relying on outside law firms for a significant portion of the work that must be done, and there are numerous opportunities for law firms to continue to strengthen their partnership with their legal department clients across all aspects of service delivery.

Legal industry leaders agree that changing client expectations will be a driving force in the transformation of the legal sector. Clients expect more – they want to pay for value delivered instead of hours worked, and they expect ready access to service and expertise. Going forward, client service will need to be more insight based, collaborative, accessible, specialized and price sensitive. With the increasing digitalization of client data, technological capabilities can also be a differentiator, as firms leverage data analytics to gain improved insights about their clients.

Top 5 Reasons Clients Would Switch Firms

- 1 If I no longer had trust in the firm to meet our needs
- 2 If the firm did not specialize in the types of services our organization currently needs
- 3 If the firm did not offer the best pricing / value or did not offer different pricing models or alternative fee arrangements
- 4 If the firm did not demonstrate efficiency and productivity
- 5 If the firm failed to staff our work at the appropriate level; provide alternative staffing to meet our needs

At a Glance: Driving Successful Client-Firm Relationships

Top Three Law Firm Evaluation Criteria

- Ability to Leverage Technology
- Ability to Specialize
- Ability to Understand Client Needs / Partner with Clients

Technology Matters

- 81% of legal departments ask or plan to ask prospective firms to describe how they are using technology to be more productive and efficient
- 82% of legal departments report it's important their current law firms fully leverage technology

Satisfaction

- 26% of legal departments are very satisfied with their law firms
- 57% are somewhat satisfied and 14% are neutral
- 3% are dissatisfied

Technology Investment

One-half of corporate legal departments expect their technology investment will increase over the next three years.



The Changing Legal Department

Corporate legal professionals in the *Future Ready Lawyer Survey* report that their top priorities are to: Reduce / Control Outside Legal Costs, Improve Legal Operations and Legal Project Management and Provide Strategic Value to Their Company. Technology is rapidly changing how corporate legal departments work with their company leadership, outside law firms and other legal service providers to support these priorities, according to the survey.

The top changes legal departments expect in the next three years include:

- 82% expect Greater Use of Technology to Improve Productivity;
- 80% expect Greater Collaboration and Transparency Between Firms and Clients; and
- 76% expect Increased Emphasis on Innovation (Figure 7).

Corporate Legal: Investing in Change

When the *Future Ready Lawyer Survey* asked corporate legal professionals about the changes they see coming, over 80% say that they expect Greater Use of Technology to Improve Their Productivity, and 51% expect to increase their technology investment over the next three years. And, they have been proactive in laying the foundation.

Legal departments are already balancing containing costs with investing in technology and many have already made critical investments. For example, 90% have undertaken at least one technology advancement initiative; this includes 35% that have Established a Legal Operations Function and 36% that have Developed Their Own Legal Technology Solutions In-house. (See *Technology Advancement Initiatives Overview*, page 19, Figure 18.)

But legal departments also face barriers in implementing change, including the difficulty of change management and leadership resistance, as well as the costs associated with change.

Figure 7: Expected Changes in Legal Departments

The majority of corporate lawyers see changes in how their organizations will deliver service in the next three years.

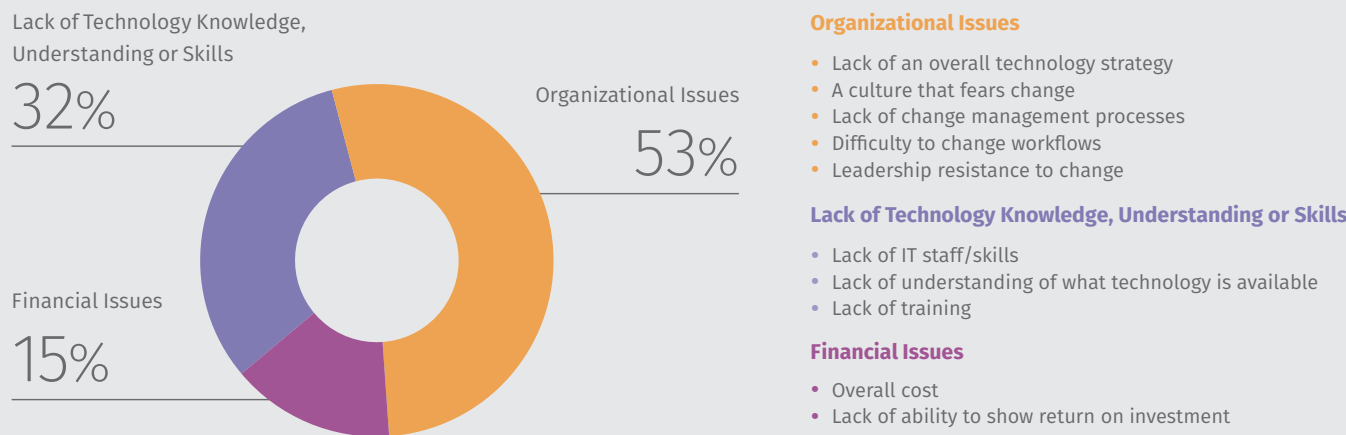


Barriers to Implementing Change

- 65% | Difficulty of change management & leadership resistance to change
- 50% | Cost of change

Figure 8: Reasons New Technology Is Resisted in Legal Departments

Organizational Issues are the leading reason new technology is resisted in legal departments.



Given that the increased importance of technology is the most significant change expected across the legal industry (as noted in Figure 1), corporate lawyers were asked to identify the biggest reason for resistance to new technology in their department (Figure 8).

With people, process and technology all critical to successful change management, 53% of legal departments cite Organizational Issues as the reason new technology is resisted, including such areas as the lack of a technology strategy, a culture that fears change and change management challenges.

Lack of Technology Knowledge, Understanding or Skills follows at 32%, with Financial Issues following at just 15%.

It's clear that people and processes are critically important to the successful adoption and deployment of technology – and departments recognize the gaps they face in these areas. Having a plan to address organizational issues and the skills gap is crucial for ensuring any significant technology initiative is successfully implemented.

Corporate Legal: Preparing for Change

Corporate lawyers recognize they face tremendous change in their businesses and functions, and many are concerned that their department is not as well

prepared as it should be to address these changes across several technology and customer-focused areas (Figure 9).

Figure 9: Preparedness – Technology Strategy & Customer Focus

Fewer than 30% of lawyers believe their legal department is very prepared to address these customer focus and technology related changes.



With a focus on technology, the gap in technology knowledge and preparedness in legal departments is most acute when it comes to transformational technologies (Figure 10).

Big Data and Predictive Analytics are the transformational technologies that 67% of legal departments

expect will have impact over the next three years, yet just 25% say they understand these technologies very well. As noted earlier (Figure 8), technology is resisted about one-third of the time in organizations as a result of a Lack of Technology Understanding, Knowledge or Skills. If corporations are to benefit fully from technology solutions, resources are needed to support the deployment and adoption of new technologies that can drive desired financial, operational and performance results.

Corporate lawyers also identify an emphasis on improved efficiency and productivity, and the ability to recruit and retain talent as among the top trends they are facing (as noted in Figure 1). In both areas, however, legal departments indicate they are not ready. According to *Future Ready Lawyer Survey* findings, few corporate lawyers today believe their department is very well prepared to address key organizational and staffing issues related to these trends (Figure 11).

Figure 10: Transformational Technology Impact & Understanding

Legal departments most often cite big data & predictive analytics as the transformational technologies to have an impact on their organizations over the next three years. However, few say they understand any of these transformational technologies very well.

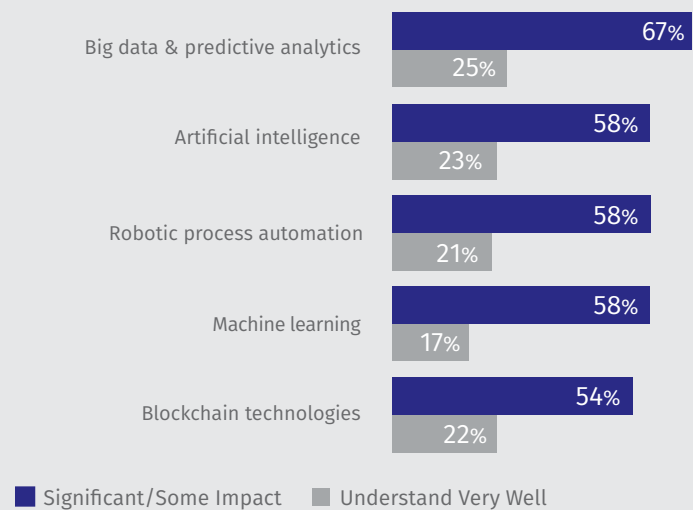
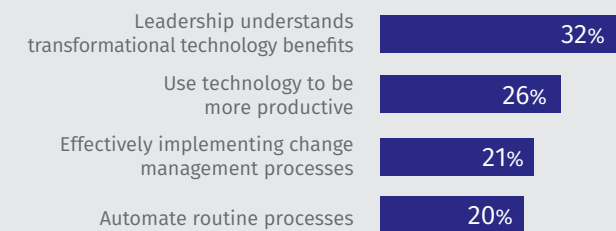


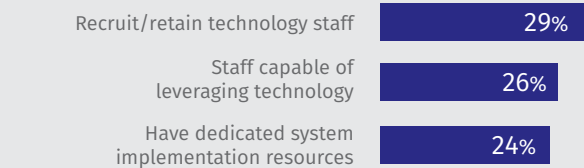
Figure 11: Preparedness – Organizational & Staffing

Fewer than one-third of lawyers believe their legal department is very prepared to address these organizational and staffing related changes.

Organizational



Staffing/Talent



At a Glance: The Changing Legal Department

Top Changes Expected

- 82% expect Greater Use of Technology to Improve Productivity
- 80% expect Greater Collaboration and Transparency Between Firms and Clients
- 76% expect Increased Emphasis on Innovation

Resistance to Technology Change

- 53% cite Organizational Issues as the reason new technology is resisted
- 32% cite Lack of Technology Knowledge, Understanding or Skills
- 15% cite Financial Issues

Technology Use

- 67% say Big Data and Predictive Analytics are the transformational technologies that will have the greatest impact over the next three years; yet just 25% understand these technologies very well
- 51% will increase their technology investment over the next three years

The Changing Law Firm

Significant transformation is underway across all areas of the law firm landscape. Firms are looking at new ways to structure their organizations, reevaluating the types of services they offer and how they offer them and the technology and talent they need to deliver the highest value to clients. This client-centered focus is accelerating as firms face competition not only from other firms, but alternative legal service providers and even clients themselves.

Despite these challenges – or possibly fueled by them – there is evidence based on the findings of the *Future Ready Lawyer Survey* that client-focused law firms are responding to their clients’ evolving expectations, as they

invest and innovate. For example, client expectations for law firms to invest in and leverage technology and deliver specific expertise is clear. And law firms are acting.

The top changes law firms expect in the next three years include:

- 83% expect Greater Use of Technology to Improve Productivity;
- 80% expect Greater Specialization of Legal Services Offered;
- 75% expect Increased Emphasis on Innovation (Figure 12).

To ensure they meet client expectations, 67% of law firms also report that they are Investing in New Technology to Support Firm Operations and Client Work. Additionally: 39% are Formalizing Their Customer Feedback Approach; 36% are Undertaking Process Optimization Projects; and 34% are Creating a Dedicated Innovation Function / Focus within their firm (Figure 13).

Figure 12: Expected Changes in Law Firms

The majority of lawyers see changes in how their organizations will deliver service in the next three years.

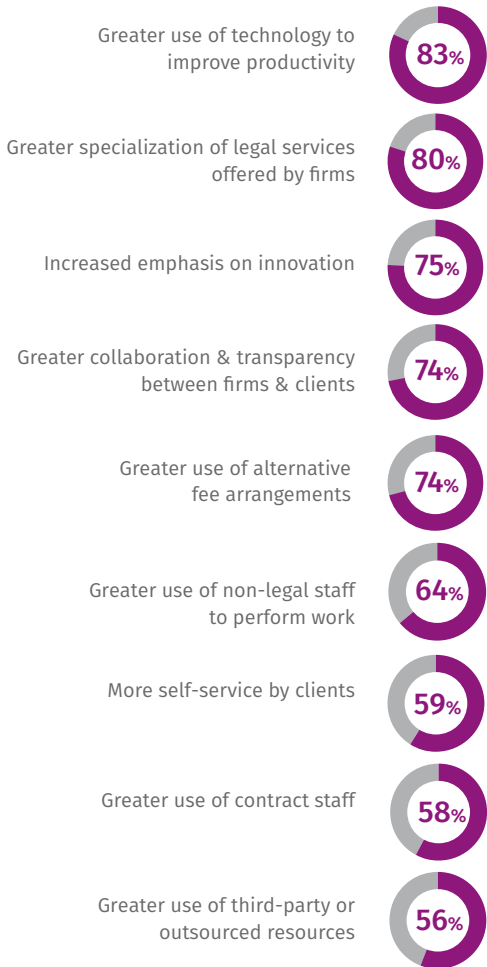
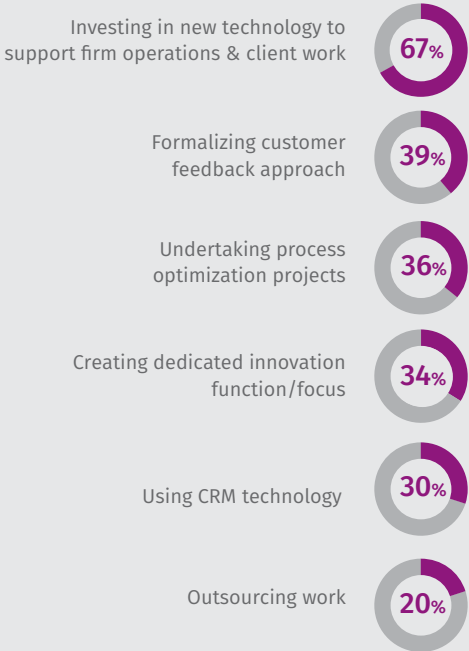


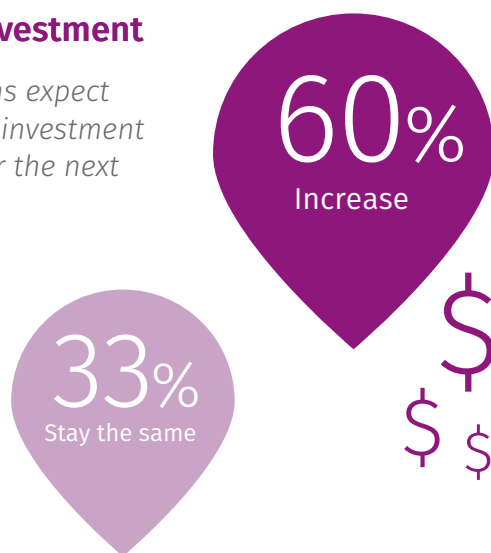
Figure 13: Productivity and Service Improvements

Law firms are responding to client expectations by investing in new technology, improving client communications and undertaking process improvement initiatives.



Technology Investment

Six-in-10 law firms expect their technology investment will increase over the next three years.



Law Firms: Investing in Change

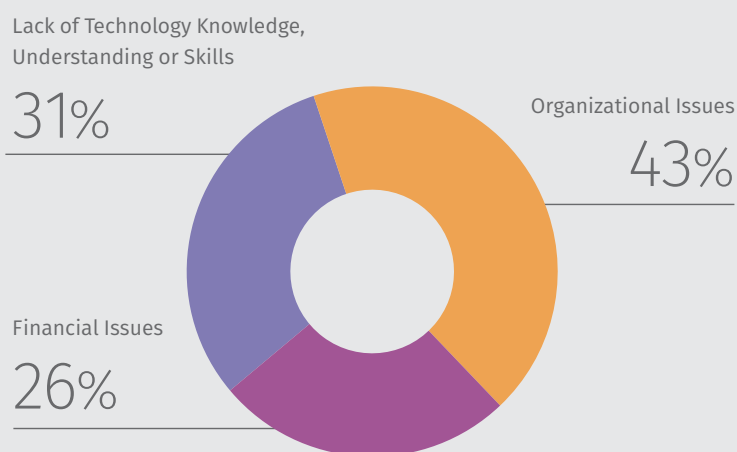
Given the increasing importance of legal technology, it's no surprise that law firms plan to invest more in legal technology. Six-in-10 law firms (60%) plan to increase their technology budget over the next three years, according to the *Future Ready Lawyer Survey*.

While this is promising for those firms that are investing, it also is cautionary for those that are not as many law firms tend to lag other legal organizations in undertaking technology advancement initiatives, according to survey findings. (See *Technology Advancement Initiatives Overview*, page 19.) Firms that are not investing in legal technology will need to reexamine their investments to both catch up to meet the expectations of their corporate clients as well as defend against potential competition from other alternative legal service providers.

As is true for corporate legal departments, law firms also indicated there are barriers to implementing change, including the difficulty of change management and leadership resistance to change, as well as the financial cost of change.

Figure 14: Reasons New Technology Is Resisted in Law Firms

Organizational Issues are the leading reason new technology is resisted in law firms.



Organizational Issues

- Lack of an overall technology strategy
- A culture that fears change
- Lack of change management processes
- Difficulty to change workflows
- Leadership resistance to change

Lack of Technology Knowledge, Understanding or Skills

- Lack of IT staff/skills
- Lack of understanding of what technology is available
- Lack of training

Financial Issues

- Overall cost
- Lack of ability to show return on investment

Barriers to Implementing Change

- 53% | Difficulty of change management & leadership resistance to change
- 48% | Cost of change

The difficulty in getting leaders on board is a common struggle across many firms. In fact, more than two-thirds of respondents to the 2019 *Law Firms in Transition: An Altman Weil Flash Survey* said partners resist most change efforts.

With the greater importance of technology named the most significant trend among lawyers for 2020 (as noted in Figure 1), the *Future Ready Lawyer Survey* asked law firms to identify the roadblocks – what are the reasons for resistance to new technology? (Figure 14)

Topping the list: Organizational Issues, including leadership resistance to change, is cited by 43% of law firms. Next, 31% of law firms give Lack of Technology Understanding, Knowledge or Skills as the reason technology is resisted. Last, Financial Issues come into play with 26% of firms reporting this as a reason for resistance.

Of note, the reasons technology is resisted differs somewhat between law firms and their corporate legal clients. While just over 30% of both agree that Lack of Technology Knowledge, Understanding or Skills is the reason technology is resisted within their organization, corporate legal departments report Organizational Issues as an impediment to change far more often than firms (53% for legal departments vs. 43% for firms), while law firms report Financial Issues as a more significant barrier (26% of firms vs. 15% of legal departments).

Law Firms: Preparing for Change

While most law firms clearly see the changes they are faced with, they also are concerned that their firms are not well prepared to address them (Figure 15).

Only 29% of firms believe they are very prepared when it comes to Understanding Technology Solutions Available. Similarly, only 26% are very prepared to Offer Greater Specialization or Use Technology to Improve Client Services, such as for enabling greater collaboration, more strategic counsel, flexible service models or enhanced user experience. Given the increasing importance of technology and client expectations, it is a priority for firms to continuously assess their capabilities relative to each of these aspects and fill in the gaps where needed.

Transformational technologies are one area where the gap between impact and understanding should be closed as many of these technologies are already moving into the workplace and are important to clients (Figure 16).

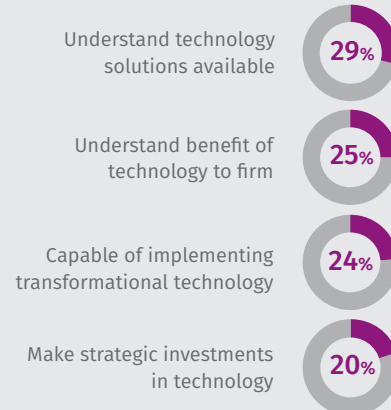
For example, Artificial Intelligence is the transformational technology that 59% of law firms expect a significant impact from over the next three years, yet just 22% of law firm lawyers believe they understand it very well.

It's also important to note that 67% of law firm clients – corporate legal departments – cite Big Data and Predictive Analytics as the transformational technologies that they expect will have significant impact over the next three years (as noted in Figure 10), compared to 58% of law firm respondents (as shown in Figure 16), suggesting another gap and alignment opportunity for firms and their clients to ensure investment in the right technology.

Figure 15: Preparedness – Technology Strategy & Client Focus

Fewer than 30% of lawyers believe their law firm is very prepared to address these client focus and technology related changes.

Technology



Client Focus

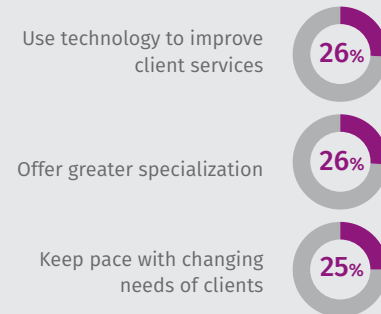


Figure 16: Transformational Technology Impact & Understanding

Law firms most often cite AI as the transformational technology to have an impact on their organizations over the next three years. However, few say they understand any of these transformational technologies very well.

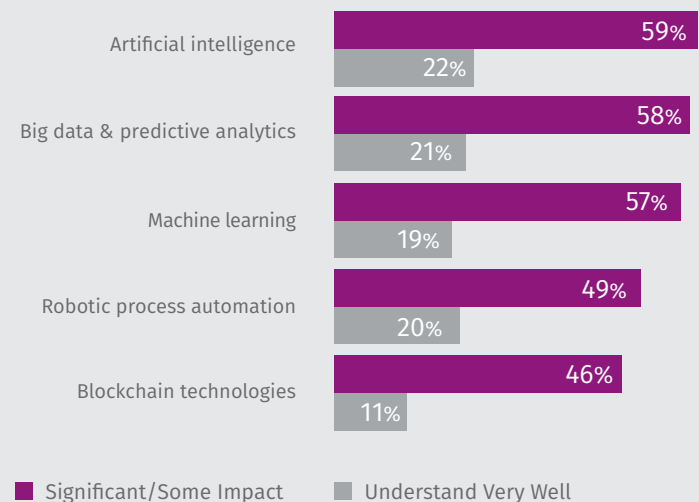
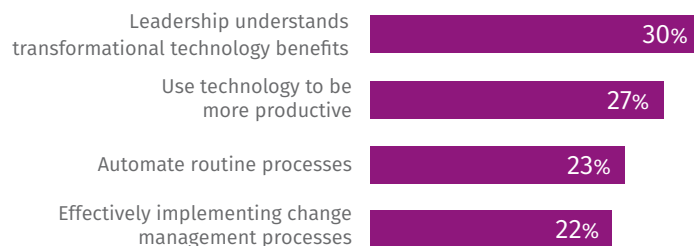


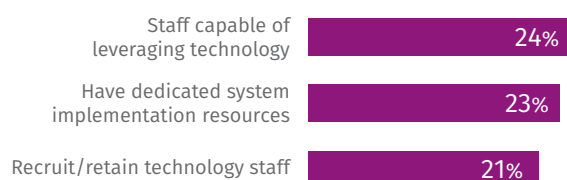
Figure 17: Preparedness – Organizational & Staffing

Fewer than one-third of lawyers believe their law firm is very prepared to address these organizational and staffing related changes.

■ Organizational



■ Staffing/Talent



As noted earlier, top trends across the legal industry include an emphasis on improved efficiency and productivity and the ability to acquire and retain talent. In both areas, firms need to examine their readiness. According to *Future Ready Lawyer Survey* findings, few today believe their firms are very prepared to address key organizational and staffing issues related to these trends (Figure 17).

For example:

- 30% believe their firm's Leadership Understands Transformational Technologies Benefits;
- 27% believe they are very prepared to Use Technology to Be More Productive;
- 22% are very prepared to Effectively Implement Change Management Processes;
- 24% say their staff have the needed skills Capable of Leveraging Technology; and
- 21% say their firm is very prepared to Recruit / Retain the Technology Staff needed to effectively support their firm.



At a Glance: The Changing Law Firm

Top Changes Expected

- 83% expect Greater Use of Technology to Improve Productivity
- 80% expect Greater Specialization of Legal Services Offered
- 75% expect Increased Emphasis on Innovation

Resistance to Technology Change

- 43% cite Organizational Issues as the reason new technology is resisted
- 31% cite Lack of Technology Knowledge, Understanding or Skills
- 26% cite Financial Issues

Technology Use

- 59% say Artificial Intelligence is the transformational technology that will have the greatest impact over the next three years; yet just 22% understand it very well
- 60% will increase their technology investment over the next three years

Focus on Technology Investments and Advantages

A look at 1) legal sector investments in technology advancement initiatives and 2) the performance advantages tech-savvy organizations have

Technology Advancement Initiatives Overview

An increasing number of organizations report they are taking steps to advance their use of technology. As part of the 2020 Future Ready Lawyer Survey, business services firms, law firms and corporate legal departments were asked about their technology advancement initiatives (Figure 18).

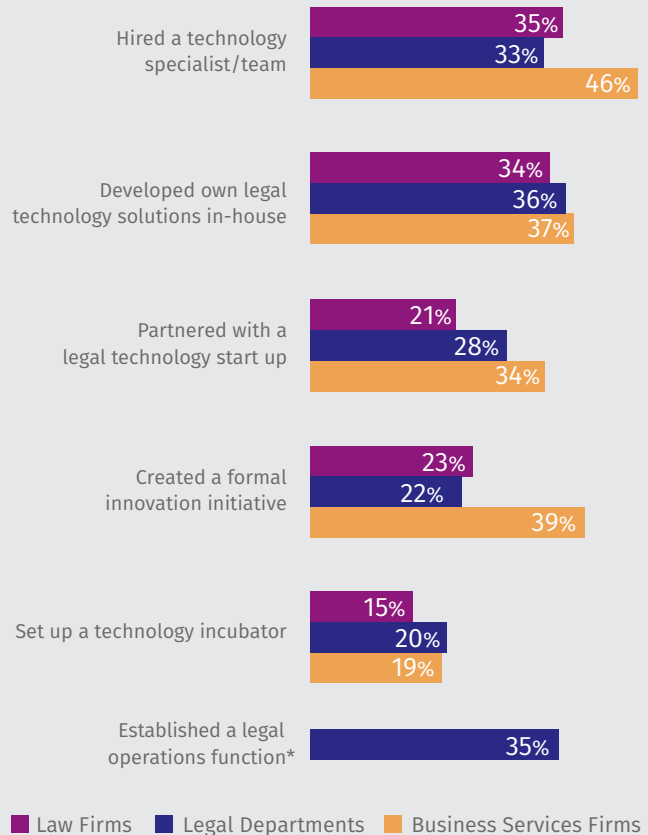
Overall, business services firms are the most active, with 97% having taken at least one of these steps, compared to 90% of corporate legal departments and 76% of law firms – each group showing an increase over 2019 findings, with new activity highest for law firms.

Specifically, the most popular types of initiatives by organization include:

- Law Firms: Hiring a Technology Specialist / Team (35%) and Developing Their Own In-house Legal Tech Solutions (34%);
- Legal Departments: Developing Their Own In-house Legal Tech Solutions (36%) and Establishing a Legal Operations Function (35%); and
- Business Services Firms: Hiring a Technology Specialist / Team (46%) and Creating a Formal Innovation Initiative (39%).

Figure 18: Technology Advancement Initiatives

An increasing number of organizations are taking actions to implement technology advancement initiatives.



* Asked only of legal departments

The Technology Leader Edge Continues for the Future Ready Lawyer

The strategic importance of technology to business performance and continuity has become all the more clear as the global pandemic has taken hold of every industry. For many in the legal profession, the crisis has required an accelerated acceptance of technology solutions as legal professionals, clients and colleagues – from courtrooms to boardrooms – have been forced to work remotely and virtually across the entire legal ecosystem. And, as the adoption of technology in the legal sector has gained greater momentum in just a few weeks, it is certain that the legal industry landscape will be forever different as a result.

The crisis has pressured legal professionals to fast-track their use of technology solutions. It is also true, however, that the profession was already on this path of transformation, with different players moving at different paces.

The previous *Future Ready Lawyer Survey* conducted in 2019 found that *Technology Leaders* – those firms and legal departments that fully leveraged technology – outperformed, across the board, those organizations that were not fully leveraging technology. This included

both those organizations that were not leveraging technology as much as they should today but plan to in the future (known as *Transitioning* organizations) and those that were not fully leveraging technology today and had no plans to do so in the future (known as *Trailing* organizations).

In 2020, those findings were confirmed.

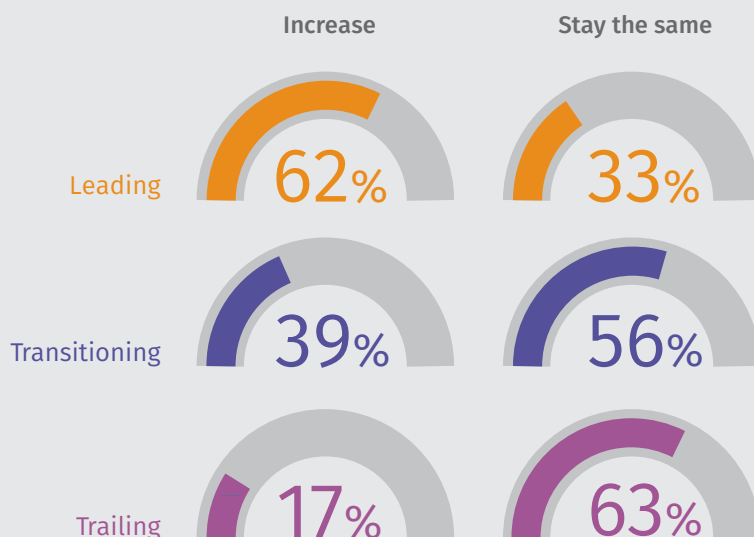
Overall, in the 2020 *Future Ready Lawyer Survey*, 39% of organizations identify themselves as *Technology Leaders*, 54% as *Transitioning* and 8% as *Trailing*.

Lawyers from business services firms were most likely to view their organizations as *Technology Leaders* (60%), compared to 38% of law firms and 34% of legal department lawyers giving their organizations this designation.

Key factors where *Technology Leaders* outperformed others include, among firms, that 62% of *Technology Leaders* report their profitability increased over the prior year, compared to 39% of *Transitioning* firms and just 17% of *Trailing* firms (Figure 19).

Figure 19: Firm Profitability

Technology Leading law firms and business services firms are significantly more likely to report higher firm profitability over the prior year than Transitioning or Trailing firms.



Additionally, across all areas of preparedness related to technology, staffing, organizational and client focus, *Technology Leaders* also outperformed those with lower technology use – across both firms and legal departments.

While post-crisis performance data is not yet available, it is likely the *Technology Leaders*’ business continuity was more strongly supported as a result of overall

preparedness across these different performance categories (Figure 20).

Additionally, while *Technology Leaders* already are ahead of other organizations in leveraging technology and preparedness for change, more also plan to continue to increase their technology investment over the next three years, potentially further extending their lead compared to their peers (Figure 21).

Figure 20: Technology Leaders Are Better Prepared

Technology Leaders are better prepared to meet changes across all key areas of client focus, technology, organizational and staffing.

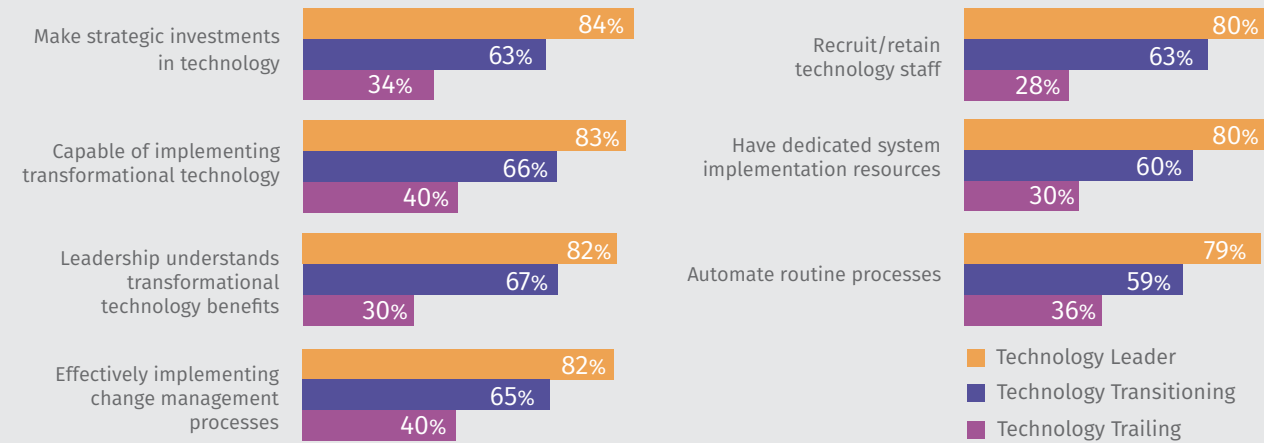
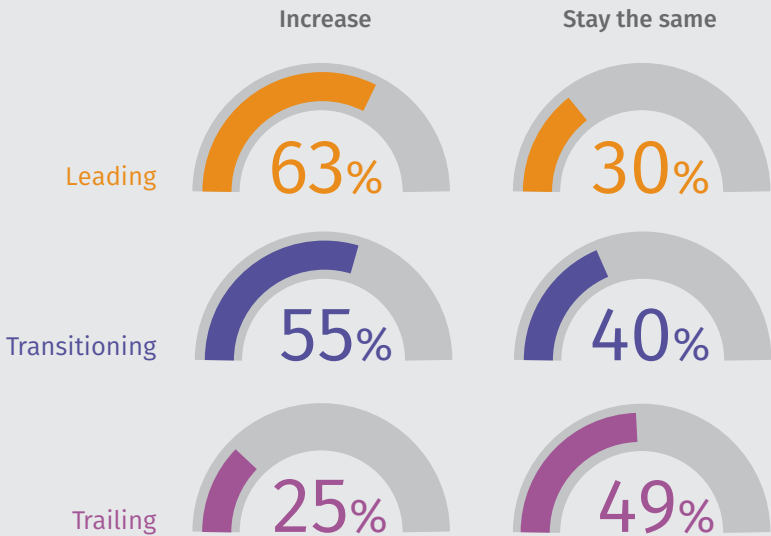


Figure 21: Technology Investment

Technology Leaders are more likely than others to say they will increase their technology investments ahead – 63% say they plan to do so. For Transitioning organizations, 55% say they will increase their spend moving ahead – up from 45% who said they would do so in the 2019 Survey.



Insights from Luminaries: Special Focus on COVID-19 and Legal Sector Impact

Industry luminaries from Europe and the U.S. share their insights on the impact of the coronavirus global pandemic on the legal sector, today and longer term

Bob Ambrogi

Robert Ambrogi is a Massachusetts lawyer and journalist who has been covering legal technology and the web for more than 20 years, primarily through his blog LawSitesBlog.com and now also his podcast LawNext.com.

What are your observations on the impact of the pandemic on the legal sector today, and what do you think the most significant future impacts might be?

I believe that many of the adaptations legal professionals have had to make in our immediate response to the pandemic have set in motion changes that will permanently reconfigure the legal landscape. Further – and without meaning to minimize the pain and suffering this crisis has caused for so many – I believe that many of the changes that will emerge out of it will be for the betterment of the legal system and, especially, for those it is intended to serve.

“The organizations that already leveraged technology were the ones that were best prepared to meet this crisis head on and continue to serve their clients with a minimum of disruption.”

What do you see as the key attributes / characteristics of resilient organizations through this crisis so far?

Not to pander, but the 2019 *Future Ready Lawyer Survey* hit the nail on the head: the organizations that already leveraged technology were the ones that were best

prepared to meet this crisis head on and continue to serve their clients with a minimum of disruption. Of course, technology is only part of the formula. Also critical are leadership, a strong and agile organization, and a collaborative and supportive culture.

What areas / professionals in the legal industry will face the most disruption: What do you think will be the long-term impact on how they work and the value they provide?

The area of the legal industry that will see the most disruption is the courts. Until now, the courts have been stuck in a vicious circle that has impeded them from innovating – overwhelmed by demand, particularly from self-represented litigants, and without adequate funding or time to deal with it. In always struggling to keep up, they could never get ahead.

For the courts, the pandemic has been like a system-wide “reset” button. With physical courthouses closed and few courts equipped to operate virtually, the system has all-but come to a halt. But with the need for their services unabated, courts have been forced to rapidly iterate new ways of delivering justice and managing cases – and that has already led to adoption of new technologies and more-efficient systems.

There will be no going back. As courts have adapted for the short term, they will inevitably change for the long term.

How do you see the pandemic as a driving force, among other forces, in the ongoing transformation of the legal industry: Has it accelerated or impeded the transformation of the legal profession?

It is difficult to speak of silver linings in a crisis that has hurt so many. But I believe that the pandemic has been

a wake-up call for many in the profession, demonstrating the fundamental urgency of reform and innovation in virtually every segment of the legal profession. In the wake of this pandemic, we will see broader adoption of technology by legal professionals across the board, liberalization of lawyer regulation, innovation in the courts and upheaval in legal education.

Markus Hartung

Markus Hartung is a lawyer, mediator, Senior Fellow of the Bucerius Center of the Legal Profession at Bucerius Law School, Hamburg, and Managing Director at Chevalier law firm, Berlin.

What are your observations on the impact of the pandemic on the legal sector today, and what do you think the most significant future impacts might be?

The Corona crisis not only leads to a realignment of the economy: many companies, probably entire industries will come under severe stress and will probably not survive, at least not without state funding. But: as many companies will face even more (also legal) challenges than today, the demand for legal services will increase, beyond the traditional crisis law areas (restructuring, insolvency law, employment, financing, etc.) in the medium and long term. However, not all law firms will benefit from this, and they will not be the only ones who want to profit from it.

In the short term, law firms need stamina, strong nerves and liquidity. Smaller general law firms are under a lot of pressure, even more than usual. In this crisis, delayed and/or ignored innovation/digitalization projects are taking revenge: While Magic Circle law firms are easily able to send their staff home to work from there without any significant loss of work ability, many traditional lawyers do not know what to do with their notebook at home, if they have one at all.

In the medium and long term, commercial law firms in the top 75 will face the same challenges as before the

Corona crisis. The strategic goals and the need to optimize their delivery of legal services do not change due to the crisis. Everything just happens much faster. However, team structures and work processes will come under greater scrutiny: in this crisis those law firms perform well that have introduced well organized and transparent work processes, know the difference between working from home (in German: Homeoffice) and remote working and have designed their team structures in such a way that a fixed workplace in a building with location-based communication structures is not necessary for effective and efficient service provision.

“The strategic goals and the need to optimize their delivery of legal services do not change due to the crisis. Everything just happens much faster.”

Having said that: despite a considerable boom in demand for legal services, the price sensitivity of companies will increase significantly – boom in demand does not necessarily translate into booming demand for law firms. Bear in mind that the crisis is also accelerating the importance of legal operations in companies, i.e., the

reorganization of the internal legal and risk management function. Previous strategies to expand legal departments are proving unsustainable if there are other ways to ensure cost-efficient legal and risk management; and if there are also service providers willing to become part of the value chain, this accelerates the process.

The crisis is accelerating the pace. Competition from legal service providers who are already digital today will become much fiercer. These include, in particular, the Big 4 and those companies that are grouped

together as alternative legal service providers (ALSPs). These service providers have gone much further in diversifying their range of services and have heavily invested in technology and workflows. Lawyers feel prevented from making such investments for regulatory reasons (ban on non-lawyer ownership). However, the lead is not uncatchable. But you have to be well trained.

This is an excerpt of an article by Mr. Hartung published recently in Deutscher Anwaltspiegel.

Dean Sonderegger

Dean Sonderegger leads Wolter Kluwer Legal & Regulatory U.S., as Executive Vice President and General Manager. An author, speaker and business leader, Dean has more than 20 years of experience on the cutting edge of technology across industries.

What do you see as the key attributes / characteristics of resilient organizations through this crisis so far?

Resilient organizations are able to maintain demand for their products or services, and are also able to continue operations in order to meet that demand. To maintain demand, organizations need to be seen as essential by their customers which ultimately means the organization needs to be strategically aligned and partnering with their customers. To meet that demand, organizations need to be well organized and have planned for these types of events in advance. If you only start to consider how to deal with business disruptions when they arise, it's likely to be a very tough road for your organization.

“Organizations need to be well organized and have planned for these types of events in advance.”

What areas / professionals in the legal industry will face the most disruption: What do you think will be the long-term impact on how they work and the value they provide?

High value providers in areas such as M&A or bet the company litigation will be relatively unimpacted other than seeing near-term shifts in demand. In the mid-long term, you will see technology begin to dramatically impact the efficiency of attorneys' work – particularly in transactional work. This will start with the corporate legal department insourcing more work and leveraging technology to drive down costs / improve efficiency and outcome. That movement in turn will place downward pressure on attorney fees and push a shift to AFAs. A version of this had already happen for CPAs in the tax preparation space.

How do you see the pandemic as a driving force, among other forces, in the ongoing transformation of the legal industry: Has it accelerated or impeded the transformation of the legal profession?

The very nature of our response to the pandemic – sheltering in place and telecommuting – has put an additional emphasis on the use of technology in all fields and particularly in legal. In order to be effective, legal professionals will need to be able to leverage technology better in all of its forms.

Jeroen Zweers

Jeroen Zweers is Owner of NOUN.legal a #LegalInnovationAgency; co-founder of Dutch Legal Tech; and a board member of the European Legal Technology Association (ELTA). He has been named among the top 10 European legal innovators by Financial Times.

What are your observations on the impact of the pandemic on the legal sector today, and what do you think the most significant future impacts might be?

I think this is a wake-up call especially for law firms. Law firms who had the courage to invest in technology or legal tech have a big advantage against their more conservative counterparts. This pandemic will force more out-of-the-box thinking at law firms, and also corporate legal departments. This will create higher budgets for innovation and legal tech.

The time for “Innovation by Press Release” for law firms is over; it is “Do or Die.”

What areas / professionals in the legal industry will face the most disruption: What do you think will be the long-term impact on how they work and the value they provide?

Law firms with a full-service practice and a large volume of commodity work will suffer. The super-specialist will survive. New players like the Big Four and companies like Axiom, Elevate and UnitedLex will take off a part of the market because of their focus on process and technology.

“The time for ‘Innovation by Press Release’ for law firms is over; it is ‘Do or Die.’”

How do you see the pandemic as a driving force, among other forces, in the ongoing transformation of the legal industry: Has it accelerated or impeded the transformation of the legal profession?

I hope that this pandemic is also a wake-up call to all regulators and bar associations globally. The regulations in most countries are very conservative and not open to experiments to make the legal sector more future proof. I hope that these regulators open up their minds to examples like the alternative business structure (ABS) in the UK or the Regulatory Sandboxes in Utah in the U.S. I also hope this provides the impetus for law schools to adjust to the need of a broader skillset like more openness to technology, project management, etc.



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About the 2020 Wolters Kluwer Future Ready Lawyer Survey

The *2020 Future Ready Lawyer Survey: Performance Drivers* from Wolters Kluwer Legal & Regulatory included quantitative interviews with 700 lawyers in law firms, legal departments and business services firms across the U.S. and nine European countries – the United Kingdom, Germany, The Netherlands, Italy, France, Spain, Poland, Belgium and Hungary – to examine how client expectations, technology and other factors are affecting the future of law across core areas and how legal organizations are prepared to address these. The survey was conducted online for Wolters Kluwer by a leading international research organization from January 10 to 30, 2020.