

2020 Legal Transformation Study

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Legal Transformation Study

Your 2020 Vision of the Future

Four Strategic Planning Scenarios that:

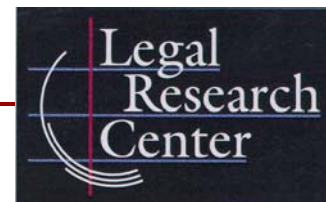
- Challenge current legal service models;
- Answer key strategic questions; and
- Enable legal organizations to effect a 20/20 strategic vision

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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
- Limitations of three- to five-years plans
 - Traditional, iterative, rolling business plans may miss broader “potentially” transformative trends that present real opportunities or possible threats

Slow Pace of Change?

- The nature and purpose of the legal industry suggests a continued slow pace of change, but the industries, companies and cultures served by the legal industry can change rapidly

Recent Disruptive Events

- Enron/Sarbanes-Oxley
- 9/11
- Credit crunch/economic slowdown
- Next?

Predicting the Future

- Generally we are not good at it
- Lawyers are worse than average due to overconfidence, precedent orientation

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
 - Offshore outsourcers

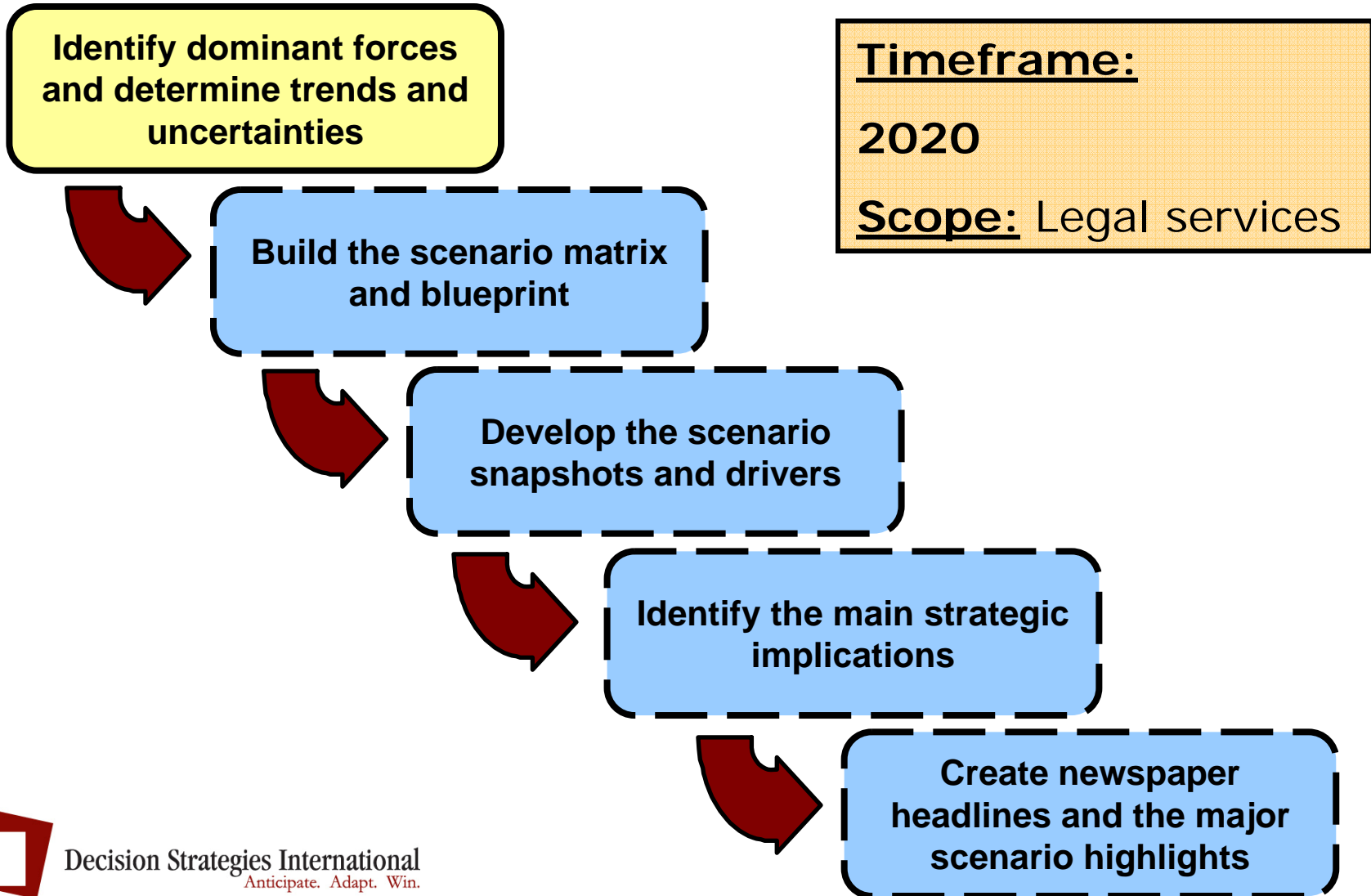
What Is Scenario Planning?

- Traditional planning:
 - Focuses on forecasts and extrapolation
 - Attempts to define and plan for the future
 - Focuses on empirical facts
- Scenario planning:
 - Emphasizes future variances and their possibilities
 - Imagines different futures to stimulate strategic thinking
 - Focuses on uncertainties and how they might play out over time

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

Scenario Development Process



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. (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?



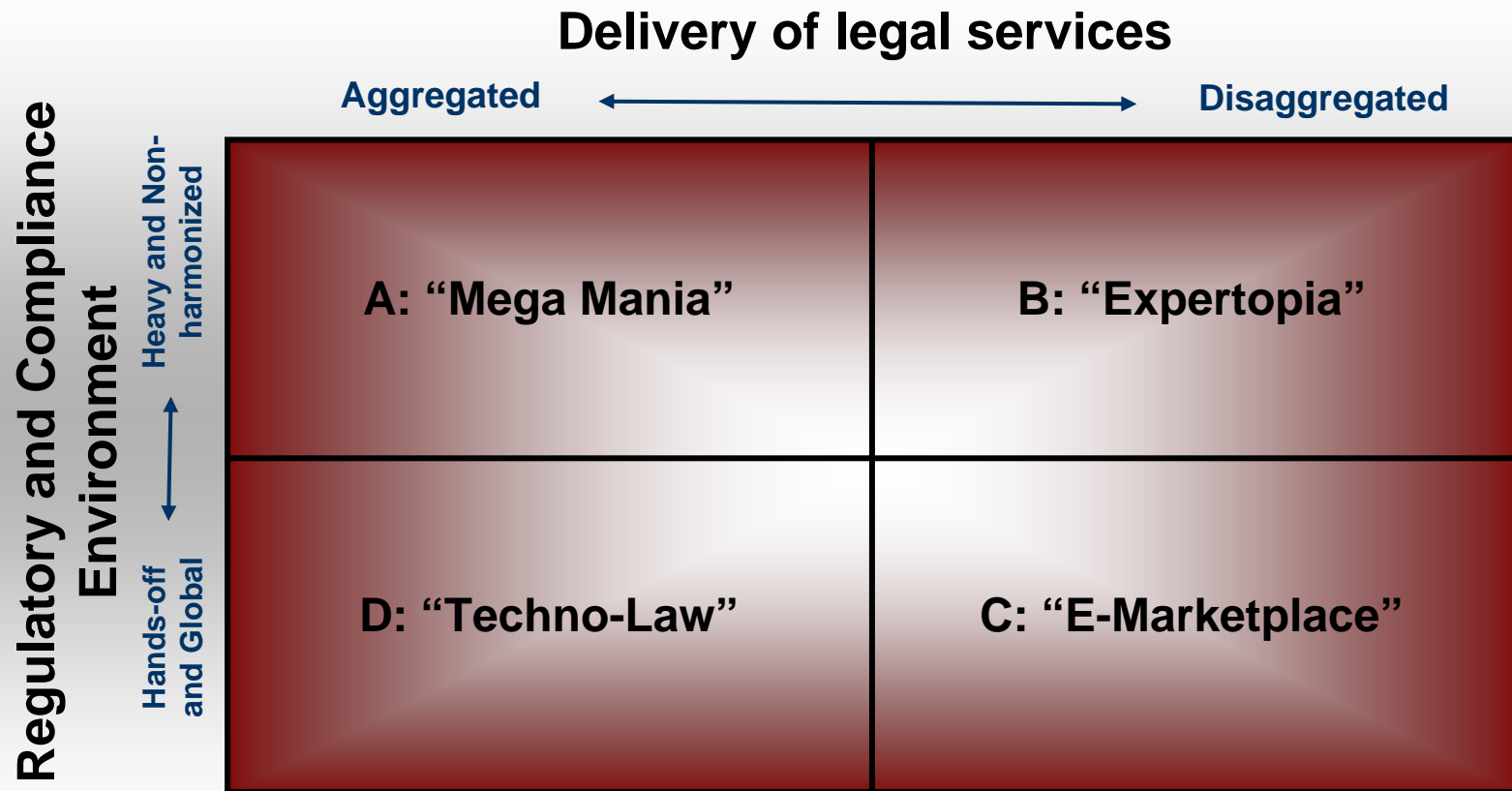
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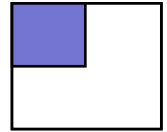
Scenario Building

- The four scenarios being presented today 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



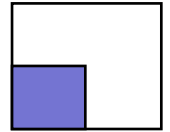
□ Disaggregated providers in a hands-off and harmonized regulatory, compliance environment

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?

Executive summary can be found at:

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