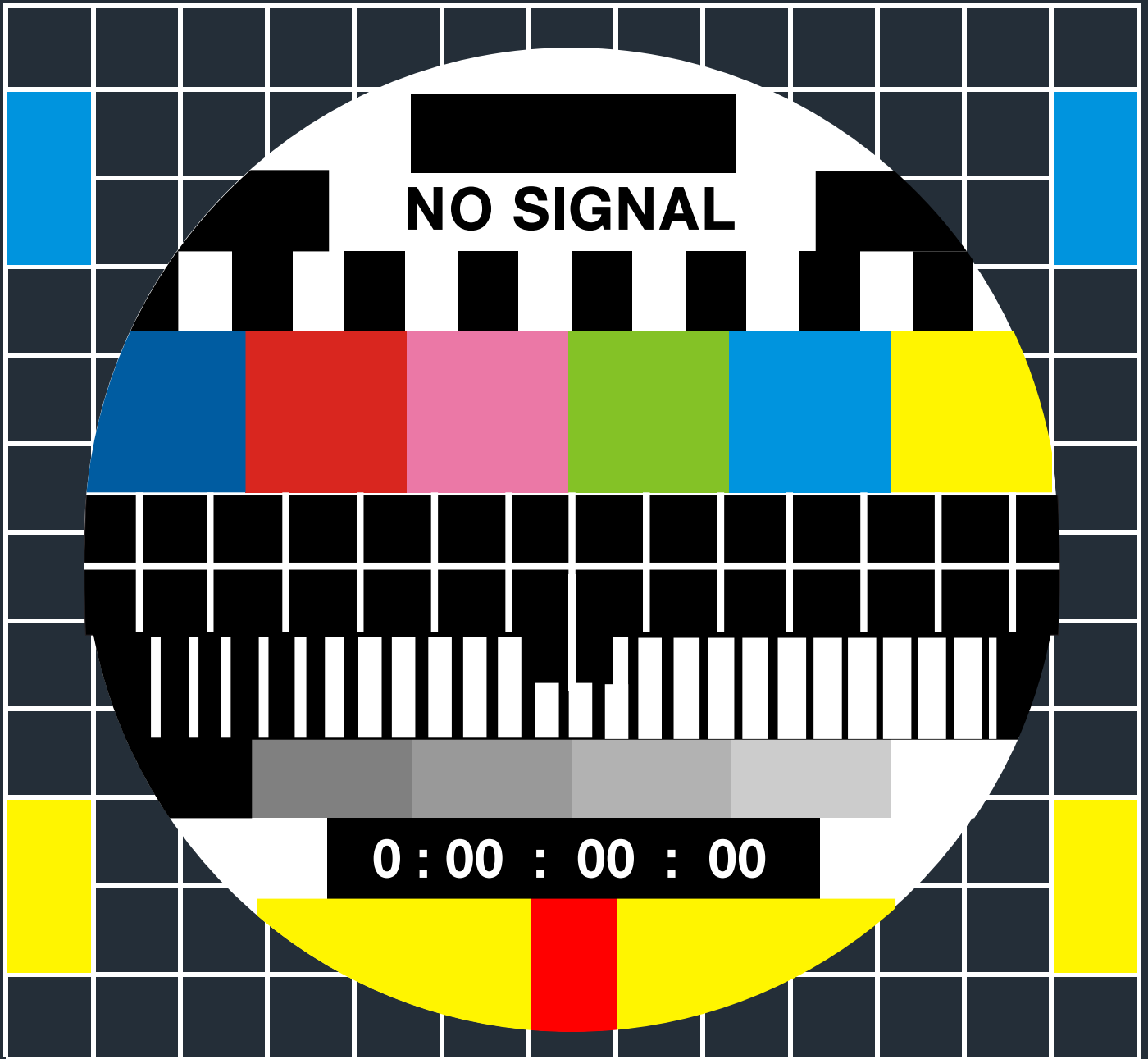


APRIL 2019

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LEGAL PRACTICE MANAGEMENT

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# AUTOMATION DELAY

*When will it be time for SME law firms to turn on automation?*

# Automate it or break it

The chatter around automation has shifted from process efficiencies to how automation can help law firms innovate legal services for their clients. Yet many SME firms are not even able to implement basic process automation. Jem Sandhu reports

This started out as a story on process improvement: how law firms are using automation not just for efficiency, but to streamline and enhance their interactions with clients – perhaps even provide them with entirely new services. After all, aren't client portals supposed to be the next big thing?

But it became increasingly clear that many SME firms have not even made it out of the starting gate when it comes to automation. This isn't really a surprise; the LPM Legal IT landscapes 2019 report found that SME firms said about 36% of their work is currently automated, however 68% could be automated with technologies currently on the market.

"I don't think that smaller firms are less interested in technology or process improvement," says Lee Kirby, practice director at Grosvenor Law.

So, why the gap? Although expense is a key consideration, when it comes to deciding whether to proceed with automation, cost is balanced against a number of factors.

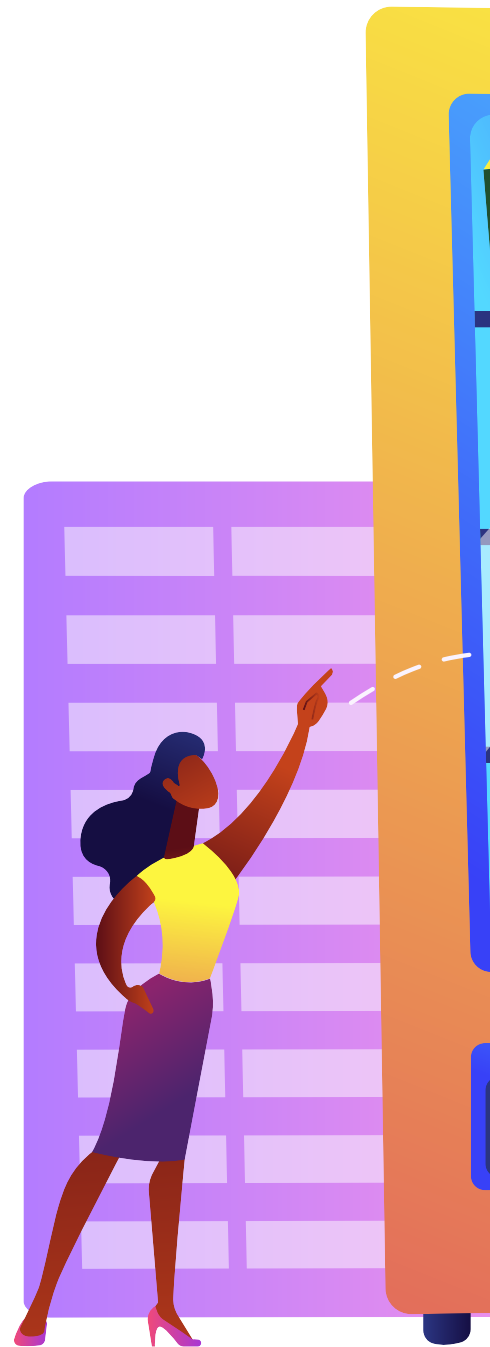
## NOTHING TO AUTOMATE?

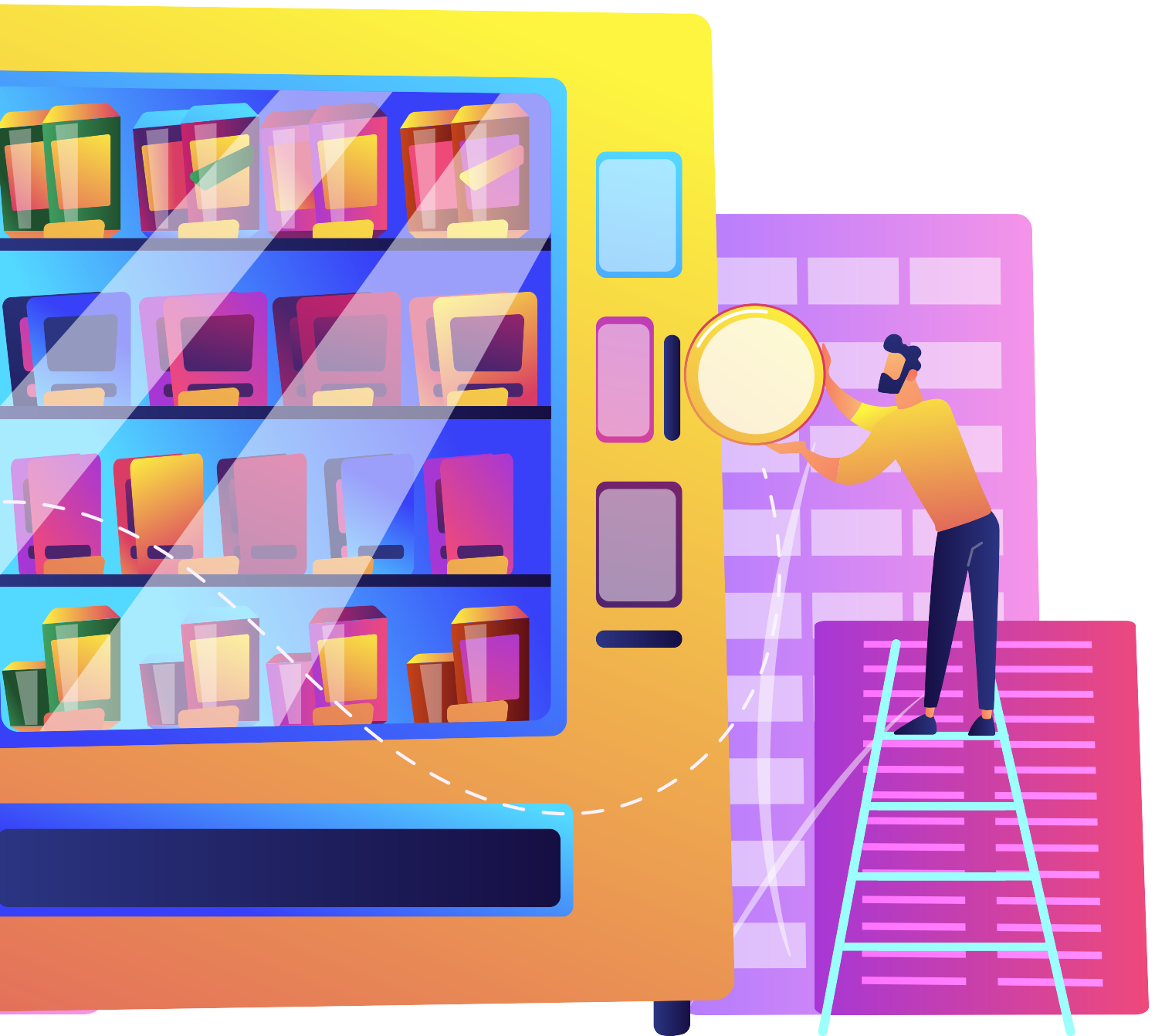
It's possible for a small firm to operate successfully without automating work in their practice areas, particularly if it does niche work. Grosvenor Law is a boutique corporate law firm.

"We don't do work like conveyancing, which lends itself more easily to automation since each transaction follows a similar path. We focus purely on litigation and the majority of our workload is unique to each client," says Kirby.

But there may be more scope for automation than an SME thinks. Jamie Abrahams, IT and operations director at Harold Benjamin Solicitors, says: "Many people think that there are no similarities from case to case. However, they're not producing bespoke works of art every time." When he sits down with lawyers to model out the data, eventually they will say, 'yes, I do have to write that down four or five times.'

Outside of practice areas, there's a broad agreement that risk and compliance, administration and operations, and finance are particularly





amenable to automation – with the £1m-7.5m turnover band seeing the most benefit in finance. Even so, Abrahams has heard of IT people coming cap-in-hand when it comes to requesting money to invest in finance automation.

“Firms in this band might benefit the most, but whether the firm has the foresight to invest in it is another matter,” he says.

Another reason for non-automation in business and support services, though it is unclear what percentage of SMEs this applies too, is that an SME might be outsourcing some of these functions. This is the case for Grosvenor Law.

Kirby says: “We don’t have secretaries. We have very limited administrative staff, made up of a finance manager, an office manager, and me. So we outsource functions such as IT and telephone service.”

Even if a law firm chooses to automate work, there must be enough of it. Kirby adds that if you don’t have that many payments, there’s no point in automating to a high degree.



*Larger organisations have IT departments and critical analysis departments who can tell them what will work and what won’t*

Paul Leggett, practice director, Curry Popeck

Trevor Dyer is practice director at Moorcrofts. The firm is not heavily automated, but Dyer has in the past worked for a larger firm.

“The software and programmers were expensive, but the firm did large volumes of transactions that easily lent themselves to automation. An SME would find it difficult to afford such an outlay before getting a return.”

**LACK OF RESOURCES**

Paul Leggett, practice director at Curry Popeck, sees lack of resources as the main reason that automation stalls for SME firms. The story of how his firm attempted to implement automation, only to find that the systems just didn’t work, is not so much a cautionary tale for small firms as it is a potentially demoralising one – because it’s precisely smaller firms who lack the resources to predict such failure.

“Larger organisations have IT departments and critical analysis departments who can tell them what will work and what won’t.”

Leggett highlights another development issue – once the firm put the system in place, its supplier changed the way it interrogated the databases to create its own reports. It was then told that it needed to know how to code in order to retrieve the data it wanted. On another occasion the supplier just withdrew a product that the firm needed.

Steven Lilly, IT director at Your Conveyancer, offers some sound advice: “A technical solution requires the right technical resource.”

His firm’s IT department, composed of Lilly, four developers, and a systems administrator, is big compared with that of other similar-sized firms. His advice for firms who don’t have this resource? Partner with a datacentre. “All of our critical data is outsourced to a datacentre. Most firms would outsource all of their IT to the datacentre, however, all of our calls are dealt with by the in-house IT team before they get logged with the datacentre.”

It’s not just the costs around resources and the initial implementation that play a part. Leggett at Curry Popeck says that, even if the automation is successfully implemented, it needs to be maintained and looked after.

“There’s a constant need to refresh and train. We don’t have training departments. I read through the release notes and draw people’s attention to important points. Vendors promise that their systems will integrate with all Microsoft products, for example, but Microsoft evolves quicker than they anticipate and they can’t keep up.”

Abrahams at Harold Benjamin says that firms are overwhelmed with all the automation systems that are available but aren’t prepared to pay the asking rate for an IT consultant. He recalls a remark he overheard recently: “If you think you are worth £250



*Our corporate clients want our partner-led, personal approach. They don’t want online forms to complete. They want commercial advice delivered by us, and they will pay for that*

Trevor Dyer, practice director, Moorcrofts

per hour, then why is an IT person not worth that?”

Still, the risk of an automation project not working out is riskier for small firms. Curry Popeck ended up having to litigate to recover some of its money. Leggett says: “Moving from one system to another and transferring data takes a very long time. And if it doesn’t work, you will need to do it again with another supplier, who might be more expensive and have similar problems.”

But Abrahams is optimistic that limited resources don’t necessarily have to stop a firm from implementing automation. “Something like a pay-as-you-go solution doesn’t require an investment. Also, you can get simple solutions for risk management, such as Lawyer Checker, and others which check for money laundering. You can scale down some of that stuff.”

He also feels that too much automation might not be necessary as some small firms run well just on process management.

With the benefit of hindsight, Leggett at Curry Popeck feels his firm shouldn’t have taken all the products the supplier offered – particularly in light of the fact that the firm was assured that the systems would work perfectly.

“We wanted a practice management system that integrated all aspects of our work – processes, workflows, document production, marketing, a client portal, accounts, time recording, integration with MS Office.

“By linking all these functions, including third party add-ons, we were promised considerable efficiency savings, which just didn’t materialise because it turned out that their software was underdeveloped. When I talked to other firms, nobody took on everything they offered and consequently they had fewer problems.”

**DEFINING SUCCESS**

Much of the talk around automation innovation focuses on the potential benefits for clients. Yet, some firms avoid automation because their clients prefer it that way. This, according to Dyer, is the case for Moorcrofts.

“Our corporate clients want our partner-led, personal approach. They don’t want online forms to complete. They want commercial advice delivered by us, and they will pay for that.”

**LPM FIRM FACTS**

**Curry Popeck**  
**Revenue: £2m**  
**Corporate status: Partnership**  
**10 fee earners (incl consultants), 19 total staff**  
**Offices: Harrow, London**

**LPM FIRM FACTS**

**Grosvenor Law**  
**Revenue: undisclosed**  
**Corporate status: Ltd**  
**15 fee earners, 23 total staff**  
**Offices: Mayfair, London**

**LPM FIRM FACTS**

**Moorcrofts**  
**Revenue: £3.3m**  
**Corporate status: LLP**  
**22 fee earners, 35 total staff**  
**Offices: Marlow, London**

**LPM FIRM FACTS****Harold Benjamin****Revenue: £8m****Corporate status: Ltd****50 fee earners,  
85 total staff****Offices: London, Harrow****LPM FIRM FACTS****Your Conveyancer****Revenue: undisclosed****Corporate status: Ltd****32 fee earners,  
100 total staff****Office: Dunfermline**

It's not because the clients fear innovation – they are mostly 'serious' tech companies – relationships that Dyer doesn't want to put at risk. He says: "They see us as an extension of their in-house legal teams. While they are looking for some automation built into their sales and contract drafting procedures, that's about as far as they want us to go."

It's not all bad news for firms wanting to automate – at least not if you possess the magic combo of conveyancing plus high volumes. Your Conveyancer finds itself in this happy position. The extent of its automation is vast, and includes the receipt and processing of case-creation instructions. Automating documentation receipt, in particular, was a big change.

"It used to take up to two weeks to get information back from the borrower. With a web-based form, it takes a few hours," says Lilly.

The benefits went beyond efficiencies. Risk of error was also reduced. With scanning, for example, the firm automated the file transfer process in the case management system, but, he adds, the system will also schedule tasks for certain scanned items.

The firm is now looking ahead to automating property registration (again, anticipating a double benefit of efficiency and risk mitigation). "Fee earners currently take 15 minutes to key information into a register's website. With the integration with land registries, it will take seconds."

The notoriously clunky process of client onboarding also lends itself to automation, says Kirby at Grosvenor Law.

"You're trying to get your 'know your customer' from the client to send out a retainer letter. And you're unable to progress the matter in the finance and practice management systems. The lawyers can't open documents because the matter's not open yet because the client has not signed the retainer."

Abrahams at Harold Benjamin is currently looking at automated methods of client onboarding, and is also keen on the risk management aspect.

"We're finding the onboarding process difficult with the regulatory environment at the moment. How do we get clients past the regulatory gateways to get the transaction running as quickly as possible?"

Regulatory and compliance requirements in general can benefit from automation. Abrahams' firm uses a lot of automated reporting and alerting processes to keep on top of compliance requirements.

He says: "It's the biggest headache I've had to deal with. It's not fee-generating, but it is fee-limiting."

And with GDPR in full force, Lilly at Your Conveyancer says: "Automation can help us mitigate human error leading to security breaches. With a data feed, we can save data and documents

to the correct file using unique references."

**BEYOND EFFICIENCIES**

Obviously, clients are largely unaware of how efficiently their documents are created, or how their firm's billing process work, but automating internal processes can improve quality of service and client relations. Lilly says lawyers will have more time to spend with clients, or on the legal aspects of the case. Also, customers and borrowers can get regular updates.

But firms that already use fully automated solutions can gain a competitive edge – building upon such solutions to offer client-focused services and products. Take client portals, for example, which placed high in terms of competitiveness and efficiency in the LPM legal IT landscapes 2019 report.

Client portals were another important item on Leggett's wishlist. The hope was that, when clients signed into the portal, the system would show them information relevant to their case – for example, a mortgage offer had come in, or searches had been received. He says this would have allowed efficiency, cheaper rates, and the ability to take on more work.

But views are mixed. Despite technology such as client portals and deal rooms being "all the rage at the moment," Abrahams at Harold Benjamin cautions against using them just for the sake of it.

"Someone sent me 16 documents recently on HighQ. They could easily have been sent by email."

He expresses similar reservations about client portals. "Whose systems do you use? It can be divisive. Most of my clients don't want to log on in the middle of the night and see what we're doing. They expect to be able to call and talk to someone."

However, firms can also use their automated systems in creative ways in order to generate income. An exciting possibility, Abrahams says, is that fully automated systems can alert you to what you need to deal with next. With key date management, his firm aims to provide a post-transaction service to clients.

"We can tell our client that their lease needs attention in the next year and, depending on the outcome of the negotiation with the landlord, we let them know which of our different skillsets they will need."

With options swimming around the market, from client portals, to better risk management, generation of more income and more, is there a growing 'innovation gap' between SMEs who are able to realise these benefits and those that can't even get a system implemented?

Abrahams says that there's definitely a gap. "I see too many people who can't get past the investment point."

Will small firms heed his advice to bring in outside help? Perhaps they will soon have no choice if they want to remain competitive. **LPM**

# AUTOMATION LAGGING?

Kirsten Maslen, head of small law and academic at Thomson Reuters Legal Professionals, Europe, offers some advice for firms that love the idea of that jazzy new automation tool, but simply don't know where or how to start, or whether they even should

Most SME firms are eager to automate – the commercial benefits are clear. Yet only 36% of firms have actually managed to do so, according to the LPM Legal IT Landscapes 2019 report. Any informed decision around whether or not to automate requires dispelling the myths surrounding automation.

Kirsten Maslen, head of small law and academic at Thomson Reuters, works with SME firms to help them with Thomson Reuters' legal products, including Contract Express. She says: "There are a lot of misunderstandings that automation is about replacing lawyers or taking away their ability to exercise judgement."

The reality is that automation mostly threatens the humdrum work, she adds. "It's a tool to help speed up processes. To get through the administration-heavy side of the law. It's also a risk-management tool for lawyers to make sure that they haven't missed anything."

Some firms might not even realise that they already use automation. "I speak to people who say that automation is not for them, yet they are using Fast Draft from Practical Law to create documents quickly. The next step is to automate their own documents and embed their own knowledge in the drafting process more easily."

## THE LOOKING GLASS

The first thing to do before deciding on an automation solution is to be clear about the expected benefits. This means analysing which processes and documents would benefit from efficiency – an exercise which takes a significant investment of time and, for the firms Maslen speaks with, constitutes one of the biggest barriers to adoption.

She offers some guidance: "Typically, it's document-heavy repeatable work that can be automated first. Perhaps work that you're not able to charge a particularly high margin on.

"More specifically, the biggest ROI has been from customers automating property documents, such as agreements for sale. Share purchase agreements also tend to be quite an investment in time given all

the complexities, as are general commercial agreements, and franchise agreements. But to start with, it can be easier to automate shorter documents."

Smaller firms could do a pilot in just one practice area, Maslen says. "Large firms often have innovation teams driving the automation project. But smaller firms often have a lawyer evangelist who has seen the benefits and wants to try it in their practice area. You can even start with one document and see how that goes."

Still, it can be tricky. Small firms lack the ongoing support structures of Thomson Reuters' larger customers, whose tech and innovation teams might, for example, hone the precedents and learn how to construct the questionnaires – or at least have the time and resources to do so.

But, she says, support and training can be simple matters. "Ideally, the firm should have the lawyer evangelist, plus someone who understands how the automation works. The firms that make the best use of their automation are those that invest the time and effort to really train their staff to be able to use it."

As part of this, Thomson Reuters builds self-reliance into its document automation products. "We want our customers to take this product and run with it, so they can easily make changes to the documents themselves – for example, if there is a change in the law. You don't need to learn how to code. That's a big difference between this product and others."

Another time drain that firms can run into involves ensuring the quality of the precedent to be automated. Maslen says Thomson Reuters supports customers with making sure that the questions used in document automation are able to draw out all the nuances that can apply to a transaction.

## AUTO-MATES

When it comes to getting buy-in for automation – from the board, partners or other stakeholders – Maslen says that it's about demonstrating ROI.

"Show that automation empowers people to be able to do more. A junior lawyer doing a lease

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*The firms that make the best use of their automation are those that invest the time and effort to really train their staff to be able to use it*

containing loads of square brackets would normally go through it with a senior lawyer to work out the transaction-specific variables that apply. An automated system builds in much of that guidance and explains the variables. Users can produce an accurate and advanced draft quickly, saving supervision time for the really tricky points.”

She points to another benefit of automation – the ability to create a package of documents from a single questionnaire. The user answers the questions once, and the answers can be applied across multiple documents.

“The time-savings are not insignificant. One customer reduced the time it took her to create a loan agreement package from 1.5 hours to 15 minutes.”

In terms of measurement, it’s relatively easy to track the success of automation using time, says Maslen.

“Most lawyers determine prices based on their hourly rate. Even a fixed fee is often calculated based on how long it takes the fee earner to produce the work.”

Other metrics can be used, such as converting leads to work when using automation as a matter-intake or business development tool. “Client satisfaction is another one. If a client can self-serve, you’re meeting one of their requirements for responsiveness.”

## **VOLCANIC DISRUPTION**

At the moment, document automation involves answering a questionnaire and producing a document. Maslen sees that the future involves going one step back by guiding the user to identify the correct template and process by first asking them what they are

trying to achieve or what problem they are trying to solve.

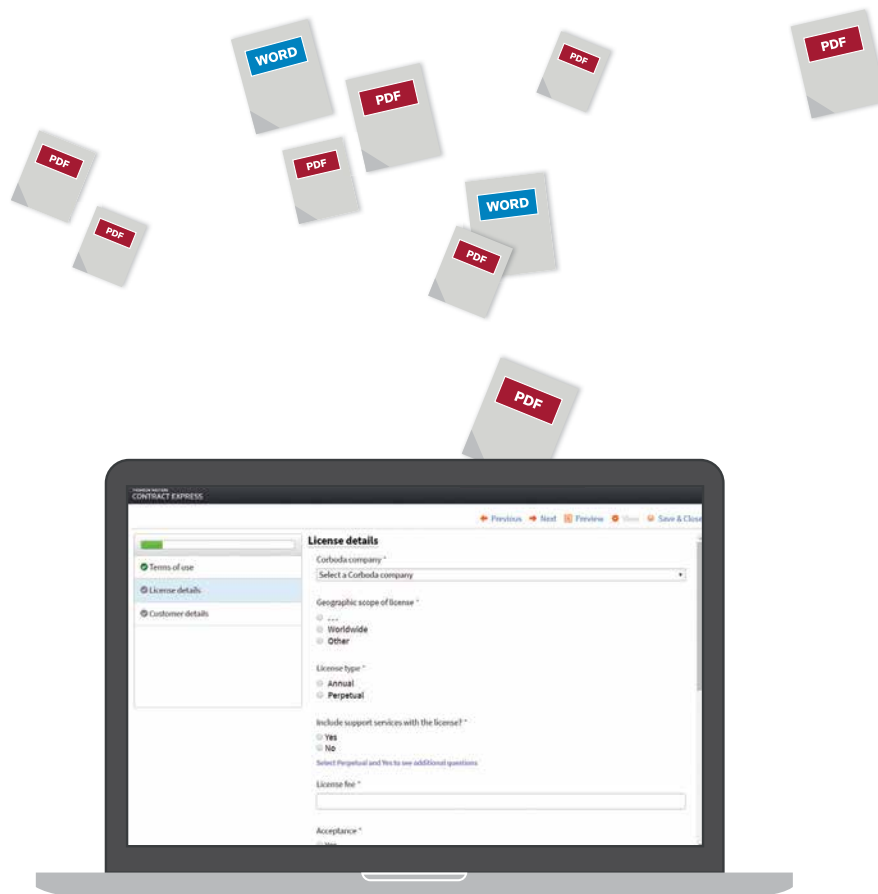
Many firms also use document automation for business development. “It could provide basic documents or information through questionnaires and then highlight to the client when they then need to consult a lawyer,” says Maslen.

There are other ways in which automation is going beyond just faster business-as-usual, such as enabling clients to self-serve with service-into-product type offerings, she adds.

“Clients on retainer can log into a portal and fill in a questionnaire to create a document. For documents which require checking, such as wills, the lawyer can email a questionnaire link to the client and then review the resulting draft.”

She emphasises that this isn’t about removing work from law firms, which often offer that crucial personal relationship. However, non-traditional law firms or alternative legal service providers are offering alternatives to small law firm clients, relying on tools such as automation to differentiate themselves. Lawyers should own that disruption. Be ahead of the curve.

Her view is that certain revenue sources will be targeted. “If a small firm wants to retain the breadth of services they offer, then embracing these technologies could ensure that they do so profitably and in a way that satisfies customers who are used to buying services online, but who also want access to the personal support of an expert adviser.” **LPM**



# Thomson Reuters Contract Express

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