

Conference on the Future of Legal Services (CONVO4)

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1. Introduction

A) First innovation wave

The first wave of innovations (2017-2020) was dominated by services that could examine and evaluate or automate a large number of documents or data. This short analysis follows on from my analysis for CONVO3 and describes the second wave of innovations in more detail.

B) Second innovation wave

I expect a second wave of innovations (2020-2023), which represents a great opportunity for agile small and medium-sized law firms and might weaken sluggish BigLaw. The second wave has gained momentum and could develop even faster than expected as a result of the pandemic situation. These are the most important triggers of the second wave:

2. Second innovation wave

i) Post-pandemic reality

The COVID 19 pandemic has given a powerful boost to digitalisation in the legal market. Modern communication and collaboration software was rolled out and put into use across the country within weeks. This has also relativised the geographical proximity to the lawyer, which was previously considered important. There is a consensus that the back-office functions of a law firm are to be fully digitalised. At the same time, this will also have an impact on how documents are prepared, signed and exchanged with clients in the future. Matter management platforms will replace email communication in this area. Cloud computing will replace centralised data centres and expensive IT maintenance. This indirectly leads to the availability of vast amounts of structured data that can be analysed and evaluated with the help of algorithms, which is food for AI applications.

ii) Legal departments

The operations of legal departments are on the rise and increase the price and efficiency pressure on law firms and lawyers. In addition to insourcing, alternative legal advice providers are increasingly being mandated. This is a toxic mix for non-innovative law firms. In a second phase of the second wave, this pressure will also be exerted by SMEs and, at the same time, personal legal advice for private individuals is likely to shift to online platforms. KPIs are in-house used to measure

product and service flows and improve the efficiency, allocation, effectiveness of the legal department in favour of the business functions.

iii) *Alternative Legal Service Providers (ALSP)*

ALSPs are able to maintain a legal team at much lower cost structures. ALSPs are designed from the ground up to handle onboarding, matter management, team building and collaboration better than law firms. In addition, most leading ALSPs have legal technology in daily use and their processes are set up in an entrepreneurial and efficient manner. Growth, reputation and sophistication are steadily increasing, pushing stagnant law firms out of the market.

iv) *NextGen*

This is the strongest and most sustainable factor of disruption. According to studies, 50% of traditional jobs will no longer exist in 2025. By 2026, 62% of the workforce will consist of the NextGen generation. The different needs and expectations of NextGen compared to previous generations will turn entire industries upside down. The increasing flexibility of the workforce will lead to massive overcapacity of expensive locations and workspaces. The taken-for-granted sharing economy will commoditise legal service provision and distribution. Processes will become standardised and automated. Legal services and products will have a price tag that is no longer related to the time it takes to produce them. Legal education will have to pay more attention to the service aspect and technologies. Reluctance in this area could have serious consequences for law graduates.

v) *LegalTech vendor consolidation*

As technologies become more professional and investment in legal technology continues to increase, the legal technology market will become more consolidated. The applications will be more comprehensible, easier to use and more effective and will interact better with the digital desktop that already exists today. Cooperations with and takeovers by dominant IT enterprises will shape the next 2 years. I am considering it as very likely that Apple, Microsoft, Google, Amazon etc. will enter the legal market, be it as a legal tech provider, platform operator or ALSP. The next big wave of new technology start-ups (and, so to speak, the next disruption) will only come from applications and innovations in the field of virtual reality.