

WHY LAW FIRMS NEED AUTOMATION TO ADAPT TO A CHALLENGING LEGAL MARKET



“Law firms have entered a brave new world of greater competition, historically lower profit margins and disruptive new technologies.”

While their corporate clients once rarely pushed back against fees, law firms are now frequently being asked to do more for less. Even as the broader economy has largely recovered from the 2008 crisis, law firms are still compelled to look for strategic ways to rein in costs and improve profitability.

A 2015 White & Case [article](#) published with the American Bar Association summarizes the drivers behind this pressure law firms are experiencing. It cites the effects of increasing globalization; the disruptive force of new technologies; and the emergence of new entrants into the competitive marketplace.

Indeed, new technology has facilitated the creation of a variety of lower-cost third-party solutions as well as the exponential growth in the use of in-house counsel, with many businesses seeking to reduce legal spend by handling more tasks internally. Law firms must redouble efforts to ensure they draw on the benefits offered by service innovation (such as automation and other technological advances) lest they surrender a significant competitive advantage to newcomers and growing corporate legal departments.

THE “NEW NORMAL” FOR THE LAW MARKET

Law firms are well aware of these fundamental shifts in the legal industry. According to Altman Weil’s most recent [Law Firms in Transition](#) survey, 72 percent of law firm leaders believe the rate of market changes to be growing. Law firms that get ahead of the curve by incorporating new technologies and creating greater efficiency will earn the loyalty of corporate clients, and ultimately grow their own revenue and profits.

So why isn’t this occurring on a wider scale? According to the survey, 63 percent of respondents said this is largely due to clients not requesting these changes.

Every Altman Weil report in the last four years has shown that corporate law departments are decreasing spending on outside firms rather than increasing it. Many respondents say that they are losing business to companies that are in-sourcing legal work. Meanwhile, spending on alternative legal service providers has grown significantly, increasing from 3.9 to 6.1 percent of overall law department budgeting from 2012 to 2015.

Instead of merely reacting to client demands or market changes, law firms should take proactive steps to evolve their services. The Altman Weil survey revealed seventy-six percent of firms that improved the efficiency of the delivery of legal services saw increased revenue per equity partner from 2013 to 2014.

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DUE DILIGENCE CHALLENGES

In the realm of due diligence, additional challenges further compound these pressures. Accuracy and speed are paramount. Yet the very nature of the due diligence process sometimes places attorneys at risk of failing to satisfy these criteria. Meanwhile, the need for specialized knowledge of the deal, its workflow, and the complexities of the necessary due diligence all add to the intricacy that must be managed. Access to information that can be readily massaged, summarized and shared with clients or opposing counsel—all while operating under strict closing deadlines—often presents a significant challenge.

As an example, just the physical act of entering all relevant lien data into a summary chart is time-consuming, tedious, and error-prone. Follow that with the subsequent UCC file creation process, with its own redundant keying steps. Each additional step increases the likelihood for inaccuracies, delays or missed content. Here is fertile ground for efficiencies and savings that can help firms reinforce their competitive advantage.

HOW AUTOMATED WORKFLOW TOOLS CAN ASSIST WITH DUE DILIGENCE

Luckily there are automation tools available to law firms that reduce the manual, time-consuming tasks associated with due diligence. The best of these tools are designed to fit neatly within the law firm deal workflow and require little to no training, making adoption painless. These tools deliver to firms great efficiencies, reducing some of the less value-add tasks and the costs associated with them. With these reductions, firms are able to meet the external pressure to deliver more

with less, to better showcase their own value proposition and to stay ahead of non-traditional competitors.

Increasingly available to firms are solutions that streamline charting activities, UCC filing creation, and the storage, retrieval, and sharing of due diligence documentation.

CONCLUSION

Law firms have entered a brave new world of greater competition, historically lower profit margins and disruptive new technologies. Firms that are able to nimbly adopt new models and increase efficiencies are best positioned for future success. Moving low value-add work to an automated solution is one such model to emulate. By making the due diligence process more efficient and less prone to error, automated solutions can help law firms manage costs while meeting evolving client expectations.



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