



# Shining Lights in the Dark

This year's FT Innovative Lawyers report marks a decade of researching and writing about innovation in the legal profession in Europe. The first report, in 2006, came at a time when law firms were enjoying double-digit growth and there was a feeling the bumper years would never end. As one firm in Portugal put it, developing the business meant standing by the fax machine. Sure, the market was competitive and there was a need for firms to differentiate themselves, but being successful had never been so easy.

Skip forward to 2015 and there is a new mentality in the European legal profession. Previously held totems have disappeared. For example, back in 2006, few law firm leaders ever thought that significant parts of their legal services would be standardised and that they would have to offer low-value, high-volume services. Outsourcing was not seen as a premium law firm activity.

Today, nearly all of the top 20 UK-originated law firms have a low-cost delivery centre, including more traditional names such as Freshfields Bruckhaus Deringer, which opened its Manchester facility this January.

Innovation is now a value to which law firms and in-house lawyers aspire, but some lawyers still equate it to providing services more cheaply. As this FT report shows, it is as much about innovations in technical legal expertise as it is about innovation in operations or the business of law.

[...] There is, however, an important distinction between inventiveness and mere novelty. António Cardoso, a partner at Portuguese law firm Vieira de Almeida & Associados (VdA) and one of the FT's top 10 innovators in 2013, says: "They are not the same thing. Inventiveness is when the solution is not obvious. This is important when we deal with innovation. What is considered inventive is when you discover a new problem, even if it is not finding the solution. When you are innovative, you have to know what the problem really is."

Mr Cardoso's comment is a reflection of what it means to be an innovative lawyer today. It is no longer enough to be a great problem solver. Now, premium lawyers have to create their own instructions and be "problem finders". The standout legal expertise rankings in the 2015 FT report show lawyers who have done just that but who have also, in some instances, displaced other professional advisers to

## TOP 10 GAME CHANGERS OF THE PAST 10 YEARS

Firm	Score	
DLA Piper	43	Pioneer of the Swiss <i>verein</i> structure, under which affiliates remain separate entities, the firm led in showing the profession how to achieve ambitious internationalisation without the pain of a full merger. DLA tied up with US law firm Piper Rudnick in 2005 and has since expanded its number of offices from 49 to 88, covering 30 countries. It also led in listening to clients and positioning itself as a business-led law firm.
Latham & Watkins	43	The firm has built practices in New York and London to rival incumbent leaders. Its growth strategy, commitment to innovation and effectiveness in lateral hiring have seen it ruffle feathers in key markets, particularly in finance. It has shown that elite firms can build market-leading practices in competitive jurisdictions from scratch.
Axiom	42	The contracts management business is revolutionising the way big corporations create and manage commercial contracts. Axiom employs lawyers, project managers and process engineers who, together with its own technology, provide clients with an alternative to traditional law firms that raises standards for the profession.
Slater and Gordon	42	The first law firm in the world to float, Slater & Gordon originated in Australia but has gone on to build a significant UK business with the acquisition of nine firms over the past three years. It is changing the way in which consumer law is practised and how lawyers are perceived in the consumer market.
Allen & Overy	40	The winner of FT overall law firm innovation awards in four of the past 10 years, Allen & Overy leads the way in showing elite law firms a route to combine premier legal practices with alternative service models such as its online legal services business, <i>aosphere</i> . It bucked the market trend to downsize in the wake of the financial crisis and has increased its number of offices by 92 per cent and partner headcount by 100.
Berwin Leighton Paisner	40	The LOD (Lawyers On Demand) service showed the way for law firms to offer flexible staffing. The scheme has now been copied by 30 per cent of the top 20 UK law firms. LOD has grown 700 per cent over the past five years. BLP has integrated LOD into a service delivery model.

come up with the overall commercial solution.

Besides needing these creative, commercial and leadership skills, lawyers also have to be conscious about the appropriateness of their legal service delivery model. No longer do their clients pay for young lawyers to learn their trade on their deals. Despite a return to growth in several European jurisdictions and increasing demand for legal services, the client-lawyer relationship has not returned to pre-crisis conditions where the law firm had the upper hand.

In fact, one of the biggest changes of the past 10 years has been in the corporate legal department. As legal service purchasers, they now have teeth. General Counsel have more of a role in the boardroom and supply advice to top executives that used to be the preserve of private practice. Their departments have become strategic functions, closely working with business colleagues to balance risk and revenues. The result of this is that their purchasing patterns have changed. They are willing to buy from alternative legal suppliers such as Axiom that are disrupting established practice.

Organisations such as these are changing the landscape in Europe, particularly in work on commercial contracts, often seen as the bedrock of legal work in any big business. Mark

Harris, Axiom's Chief Executive and the FT's Special Achievement Award winner in 2013, said in his acceptance speech: "The business of law is the most exciting part of the profession to be operating in right now."

Axiom has achieved 1,216 per cent growth in revenues over the past 10 years and gains one of the top three slots in a special FT ranking for this year, the Top 10 game changers of the past 10 years.

In this ranking, which illustrates how the profession has evolved, no single law firm has fundamentally changed the way in which the profession operates, but all the firms listed have led the legal market in some way. Many reflect the impact of globalisation on the profession. Outside the financial crisis, the story of the past 10 years is one of how law firms have changed their domestic products into international ones. DLA Piper and Latham & Watkins, while operating in different market segments, have shown how to internationalise quickly and successfully. King & Wood Mallesons, the first leading international law firm to be headquartered in the Asia-Pacific region, reflects how the global centre of gravity has shifted towards that part of the world. [...]

**Reena SenGupta**

# A Full Suite

Some of the most creative efficiency improvements have produced substantial savings for firms and their clients, writes **Lindsay Fortado**

In the run-up to July 2014, when a sprawling set of regulations took effect to make Europe's hedge funds and private equity funds more transparent, thousands of asset managers needed legal advice.

They wanted to know not only what to do to comply with the new laws — known as the Alternative Investment Fund Managers Directive (AIFMD) — but also how individual EU member states would implement the rules, and when. While some answers had to be tailored to specific funds, many of the questions were universal.

Simmons & Simmons, a UK law firm whose clients include many asset managers and hedge funds, saw an opportunity with a product it had created several years before, during the onset of the financial crisis in 2007.

Its Navigator suite of online subscription services was aimed at just that scenario — when hundreds of clients from the same industry asked the same questions. The fund managers needed to know the basics, such as when the rules would take effect and how to comply, but they also needed regular updates from each European country on how that jurisdiction was interpreting the new rules.

“It was a case of us trying to respond to a huge amount of uncertainty,” says Sarah Chambers, a financial regulatory lawyer at the firm. “There was supposed to be harmonisation on various issues, but there have been a lot of variations.”

Despite the usual slow pace of change in the legal industry, how firms creatively and more efficiently deliver legal work has evolved as they seek competitive advantage.

In the past few years, leading UK firms have begun using contract lawyers, and have opened lower-cost service centres in cities such as Belfast, Manchester, Glasgow and Birmingham, shifting work out of costly London. Lawyers are also collaborating with thirdparty providers, adding on consulting or other services and using document automation technologies. The rise in the use of project managers is indicative of the efficiency drive.

Linklaters has tackled the issue through its business improvement, knowledge and learning and technology teams, which identified eight areas for improvement, including new uses of technology, paralegals and lower-cost resources, and document standardisation. It has produced savings of up to 35 per cent. The business improvement team, created two years ago, brought in non-

## STRATEGIC RESOURCING

Law firm		Originality	Rationale	Impact	Total
Axiom	Axiom has struck a five-year, \$73m deal with a leading investment bank to handle its derivatives agreements, including secondments of specialist lawyers and regulatory support teams. It improves how the bank handles risk through better control of large documents and information.	9	10	9	28
Berwin Leighton Paisner	The integration of different approaches to delivering legal services reflects a growing trend. A low-cost centre in Manchester, contract lawyers through its LOD (Lawyers On Demand) business, a process improvement service and access to specialist third-parties combine to allow customised, transparent and value-for-money services.	8	9	9	26
Linklaters	Efficient and integrated resourcing throughout the firm includes a team of project managers who are an essential part of pitches and now handle almost half of big projects. Specialist teams focus on streamlining processes for clients, making efficiency savings of up to 35 per cent.	8	9	9	26
Eversheds	Resourcing for global clients has evolved into an offering called Eversheds Connect. This co-ordinates the work of business professionals and lawyers across the firm to give clients access to better management information.	8	9	8	25
Halebury	The firm, which provides in-house legal expertise, combines three business lines for small and medium-sized enterprises: resourcing, advisory and consulting. Pricing options include fixed fees, daily and weekly rates, and bulk hour purchases.	8	9	8	25

legal expertise, including project managers, to increase the efficiency of its projects.

Axiom, a legal services company that provides teams of lawyers to work on projects inhouse with clients, is resourcing a project at a global bank to draft and negotiate its derivatives and master trading agreements. The deal, worth \$73m, is being staffed mostly at centres in Belfast and Poland, with senior lawyers, derivatives specialists, business and data analysts, technologists and project managers working together.

Since Allen & Overy and Herbert Smith Freehills opened service centres in Belfast in 2011, several other firms, including Baker & McKenzie, have followed suit. At the time, A&O global managing partner Wim Dejonghe says the move was about the firm asking itself: “Are we operating in the most efficient and cost-effective way possible?”

Berwin Leighton Paisner set up a legal services delivery team in Manchester. The firm has created an “integrated client service model” to offer alternative resourcing for projects. That includes using its Manchester staff, third-party providers and LOD (Lawyers On Demand), its contract lawyer agency. Clients include Deutsche Bank, Tesco, Barclays, National Grid and Aviva.

Simmons & Simmons’ Navigator system was created by partner Charlotte Stalin after her team was approached by

a big hedge fund client that wanted a way to access information on regulations in different jurisdictions.

With laws in the financial services industry constantly changing, the fund wanted to be sure it was targeting the most appropriate investors.

“We thought, let’s see how we can commoditise this,” Ms Chambers says. “It was so much part and parcel of what we were doing on a daily basis, it just made sense to streamline it.”

Navigator gave the firm’s asset management clients access to regularly updated advice on how to comply with AIFMD and other fund regulations in more than 90 jurisdictions, at a fraction of the price of bespoke advice from counsel in each jurisdiction.

More than 300 organisations subscribe to the service, encompassing more than 6,000 individual users. Navigator has grown to include channels with advice on securities, share disclosure and derivatives. Tax, corporate finance and lending services are being developed.

“It’s been a very organic process, listening to clients and seeing what’s going on in the market,” Ms Chambers says.

“The feedback has surpassed our expectations in terms of how it’s been performing. It’s been a huge opportunity to assist our clients and attract new ones.”

# Digital Drivers

The search for efficient gains that can give firms a competitive advantage has been the prime focus of their investment strategy writes **Murad Ahmed**

As the heart of a bureaucracy that sets rules for 28 EU states, Brussels is a good place to observe the complexities of completing a big international deal.

Fiona Carlin and Gavin Bushell, partners at Baker & McKenzie in the Belgian capital, saw how large mergers and acquisitions for international companies required the clearance of antitrust authorities in multiple countries. This adds a layer of regulatory difficulty to big deals; the prolonged reviews of multiple jurisdictions are costly and time-consuming.

Ms Carlin and Mr Bushell proposed a solution: a digital tool that could identify the antitrust issues for any deal. Since being launched in September 2014 the Global Merger Analysis Platform (GMAP) has been rolled out to 300 of the firm's antitrust and competition lawyers worldwide, enabling them to provide a detailed analysis of the key risk in M&A deals within hours rather than what previously may have taken many expensive days.

The tool is an example of how law firms are using high-tech services to aid their work. According to groups such as Axiom, Pinsent Masons and Foot Anstey, the reasons to adopt such new technologies are obvious: as clients look for value for money, lawyers are increasingly aware that digital tools can also create efficiencies in their own work, speeding up previously laborious and repetitive tasks, while also serving to spotlight errors.

In the search for marginal competitive gains, firms are embracing practices and techniques that have transformed other industries, whether it is big data — finding better ways to deal with the enormous mass of information their organisations collect — or cloud computing, which allows employees to share and store documents over the internet, or even artificial intelligence, with smart computers able to “think” like humans to complete tasks.

In the case of Baker & McKenzie, GMAP has collected data related to merger controls in 135 countries. Clients can be given a tailored report within a couple of days that analyses the risks attached to an international merger.

The Cerico platform allows employees to undergo compliance checks in a fast and auditable manner

“GMAP has transformed the way we handle the M&A process for our clients,”

## TECHNOLOGY

Standout

Law firm		Originality	Rationale	Impact	Total
Axiom	The Iris By Axiom (TM) technology helps leading global companies to create and manage commercial contracts faster and more efficiently, with reduced risk. It now forms a critical part of Axiom's managed services business.	10	9	9	28
Pinsent Masons	Pinsent Masons and information technology consultancy Campbell Nash launched Complete Electronic Risk Compliance (Cerico), a technology business that helps clients comply with regulations. Regular audit checks of employees and suppliers embed a culture of compliance.	9	10	9	28
Baker & McKenzie	The Global Merger Analysis Platform is a tool to identify potential anti-trust issues for clients considering a merger or acquisition. It provides access to real-time data and a bespoke analysis across 135 jurisdictions.	9	9	9	27
Foot Anstey	Responding to demand from politicians for more homes, the firm built on software tools from Thomson Reuters to improve the efficiency of its conveyancing team. The time taken to create a legal letter has been cut from 90 to two seconds.	8	9	10	27
A&L Goodbody	The firm developed two information management portals. Bids Centre facilitates the production of complex, highly tailored bid documents using document automation and standardised processes. Partner Connect gives partners all the management information required to run practices.	8	9	8	25
Tools4Legal	A new legal project management provider whose products enable in-house legal departments and law firms to track the progress of their work from start to finish.	9	9	7	25
Allen & Overy	The firm is using the isheets module of software provider HighQ's cloud-based product Collaborate to create client-facing resources. With more than 500 lawyers using it, the firm is turning legal and commercial information collected into data and management information.	7	9	8	24
Addleshaw Goddard	Customising modules from HighQ, the firm is enabling closer collaboration between its transaction services team, lawyers and clients.	7	8	8	23

says Sam Mobley, Baker & McKenzie's head of global antitrust and competition. “What would ordinarily have been a highly complicated, arduous process requiring a significant amount of due diligence has been streamlined to deliver clarity, simplicity and, crucially, cost and time efficiency.”

Nick Koberstein, division counsel at Abbott Laboratories, the global healthcare company advised by Baker & McKenzie, says: “These tools are critical for my position. I need to quickly analyse a transaction and advise my management on the potential risk associated with the deal. Anything that can help me get the job done easier and faster [is invaluable].”

[...] Such innovations are not the preserve of global firms. Foot Anstey, a regional firm in southwest England, has used software by Thomson Reuters, the business information provider, to create a digital conveyancing tool. One benefit of the system is automatic generation of

conveyancing letters. The time taken for each has been cut from 90 seconds to two seconds — a difference that adds up, given the firm produces more than 80,000 letters a year.

But despite these individual advances, persuading law firms to adopt new technologies can be an uphill struggle. The FT's rankings are dominated by tools that improve efficiency and can be adopted quickly by lawyers who immediately understand the need for them.

A survey of chief information officers at European legal firms by RSG Consulting, the legal consultancy that is the FT's research partner for the Innovative Lawyers series, found the vast majority did not believe their firms used available technology enough, the reasons being a lack of investment in IT talent and — almost inevitably for a centuries-old profession — a resistance to change.