



WHITE PAPER

HOW TECHNOLOGY LEVELS THE PLAYING FIELD FOR MIDSIZE LAW FIRMS

Forward-Looking Firms Can Compete for
Biglaw Business



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“Everyone has great lawyers. Firms have to find a way to differentiate themselves, and innovation is critical to doing that.”

– Meredith Williams-Range, Chief Knowledge and Client Value Officer at Shearman & Sterling

General counsels are opening up their legal work to firms of all sizes in pursuit of the best result for the best value—creating an unprecedented opportunity for midsize firms to get in the doors of clients once thought to be forever out of reach. Technology has leveled the playing field, and midsize firms are staking their claims.

THE LEGAL INDUSTRY HAS CHANGED

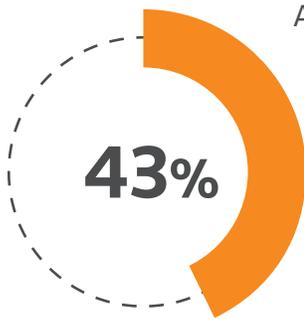
Following the Great Recession, the legal industry—along with many others—underwent extraordinary changes. Many of those changes are still in force today. One of the most enduring changes that is perhaps more unique to the legal industry is the shift of control from law firms to clients—particularly when it comes to controlling legal fees.

Today’s clients demand more for less and scrutinize every line of every invoice. They simply want the best result at the best rate, and this level of attention and savvy has evolved to the point where the procurement of outside legal services is handled in much the same way as the procurement of office equipment. Long-standing relationships and firm prestige no longer keep clients from seeking new counsel. Corporate purchasing departments are becoming increasingly involved, and the decision on which law firm to hire is more frequently coming down to quality *and* cost.

NEW OPPORTUNITIES

In pursuit of the perfect legal partner, major corporate clients are beginning to open up their business to firms of all sizes that have the right expertise—business that was previously the exclusive territory of Biglaw firms. Where major

corporations previously hired one firm to handle all aspects of a given matter, they are unbundling the work that goes into a matter and spreading it among multiple firms or other providers.



And, this is no small trend. According to the Thomson Reuters Legal Executive Institute and Peer Monitor 2019 Report on the [State of the Legal Market: A View from the Midsize Firms](#), 43 percent of legal departments are increasing the number of outside counsel firms on their rosters.

This trend has created an unprecedented opportunity for well-prepared midsize firms to win business they would never have considered competing for 10 years ago. The opportunity to win—and deliver on—even a small portion of a larger matter can position a firm to receive increasingly profitable portions of the client’s business on future matters.

This white paper will examine the benefits clients receive from working with midsize law firms and how technology can help prepare firms to compete for any client’s business—regardless of the size or complexity of the matter.

THE MIDSIZE ADVANTAGE

There are numerous advantages to working with midsize law firms, and corporate clients are beginning to take notice. One of the biggest things they appreciate is the personal attention midsize firms are known to provide their clients. Just as important, however, is the firms’ commitment to

innovation and all the benefits that come with it. For example:

Agility

Midsize law firms are considered—in the most complimentary way—to operate more like small businesses. Attorneys at midsize firms pride themselves on being accessible to their clients and quickly responding to inquiries. The size of the law firms in this segment is frequently believed to allow for increased internal communication and collaboration in pursuit of top-quality results in the least amount of time.

Specialized expertise

Many firms in the midsize segment tend to specialize in a single—often niche—area of law. This dedicated focus allows them to handle even the most complex matters within their specialties in a much timelier manner.

Technology investment

According to the Legal Executive Institute Report, midsize law firms tend to invest in technology much more readily and aggressively compared with their Biglaw counterparts. Underscoring this finding, the Thomson Reuters Peer Monitor [2018 Dynamic Law Firms Survey](#) indicates that the midsize segment constitutes one-third of “dynamic” firms—defined as those in the top 25 percent for three-year growth in revenue per lawyer, overall profit and profit margin from 2015 to 2017—and those dynamic firms invested in technology at a rate five times that of “static” firms.

Technology adoption

The structure of midsize law firms—pointing once again to their agility—allows them to implement new technology more seamlessly and begin to realize the full potential of the solutions more

quickly. With generally smaller and more closely connected teams, the installation, troubleshooting and rollout of new technology tends to go much more smoothly.

Efficiency

Midsize firms' innovative cultures and proactive adoption of new technology typically makes them more efficient. Their focus on technology helps them to streamline tasks and provide top-quality work in less time—making them a much more attractive potential partner for cost-conscious corporate clients.

Cost-effectiveness

Even as midsize firms have continued to grow their billed rates at a similar pace to those of larger law firms, midsize firms continue to be viewed as a more cost-effective option for many clients.

As [Forbes Magazine](#) sees it, midsize firms are currently well-positioned for growth. Their relatively smaller size gives them “the ability to maximize client relationships and generate remarkable new revenues.”

WELL-PREPARED FIRMS ARE POSITIONED TO WIN

In 2018, Thomson Reuters conducted a survey of 106 corporate general counsels and assistant general counsels in an attempt to understand the reasons for shifting litigation and related work from a current outside counsel firm to a new one. Though the survey focused specifically on litigation work, its key findings have application to all types of legal work.

Given that assumption, the clear majority of responses regarding the reason for moving work to

a new firm fell into the three main categories: poor value/inefficiency, poor quality of work and costs higher than expected.

Each of these issues can be addressed—if not completely resolved—with the right technology solution. From matter management and pricing tools that help to streamline routine tasks and accurately estimate costs, to tools designed to quickly deliver accurate answers, the technology exists to address many of the most common and troublesome issues facing today's law firms.

Midsize firms that want to compete for larger clients' business can build—or may have already built—their legal tech stacks to accommodate client needs. Clients have already told us the lengths they are willing to go to if their current firms fail to deliver. By taking the right steps now, a firm of any size can solidly position itself as the business partner major corporate clients seek in their outside counsel.

TECHNOLOGY DEFINED

The term “technology” can be interpreted in many different ways depending on the context in which it is being discussed. For the purposes of this white paper, technology is defined as any digital solution specifically designed to streamline common law firm activities, including, but not limited to, legal research, matter management, time and billing, client intake and law firm marketing.

PRIORITIZING TECH INVESTMENTS

As a general rule, by investing in the right technology, law firms can work faster, provide

a better work product and stay on budget for the client's matter, thus allowing them to be more price-competitive. But, where should firms invest their technology budgets? In most cases, successful firms are increasing their technology investments in two primary categories:

Efficiency, predictability and transparency

Clients appreciate business partners that operate efficiently, predictably and with maximum transparency. Firms that invest in technology that accommodates these client needs will be much more viable candidates as clients evaluate their options for new outside counsel.

Many firms focus on solutions that streamline as many routine tasks as possible. There are multiple solutions on the market designed to at least partially automate tasks that many firms currently perform manually, including scheduling, time and billing, accounting and document prep, among others.



Another important area to consider is intelligent pricing and expense estimating systems. As mentioned previously, one of the top three reasons clients moved work away from their outside counsel firms was over-budget expenses. Firms can help mitigate this issue by investing in matter pricing solutions that provide an accurate cost estimate. Many of these solutions also include features that lay out the components of the matter so that non-routine tasks are sure to be included. Such solutions have proven to be invaluable for accurate expectation-setting with clients. Billing insight solutions can also help firms get a clearer picture of how competing firms are staffing and charging for similar matters. These types of insights can provide valuable guidance in the RFP process.

Process and practice management systems can also be extremely beneficial. For many firms, the lack of an efficient workflow can be one of the most difficult barriers to overcome. Investing in the right process and practice management solution can simplify matter management across the firm and allow everyone supporting the matter to remain on task and seamlessly respond to requests for information from colleagues and clients alike.

There has also been an increase in the implementation of client portals and communication tools. Client portals serve multiple purposes for many firms. Not only do they provide a secure mode of communication and document sharing with clients, they can also help to track matter status and outstanding to-dos for internal contributors as well as clients. Today's corporate law departments want complete transparency into their entire matters and expect their outside counsel firms to provide that information seamlessly.

Higher quality work and more visibility

The other key areas of tech investment that have provided strong returns for law firms involve solutions that support higher quality work and greater visibility for the firm. Corporate clients are eager to hire firms that provide top-quality work, but it's hard to get hired if prospects can't find you. Making the right tech investments in these areas can only help your firm reach its goals.

The first item on this list is investing in solutions that allow attorneys to master their practice areas. When firms in the midsize segment make the decision to compete with Biglaw firms, they must ensure that they are able to meet or exceed the level of service to which the client is accustomed. Some of the matters will likely be unique, complex, or not supported with any precedent, and midsize firms need to be certain they arm themselves with

the entirety of the relevant law and are aware of any edge they can leverage to best serve their clients. Investing in comprehensive legal research and investigatory solutions that cover the firm's key practice areas will help to ensure the firm has the tools necessary to master any matter.

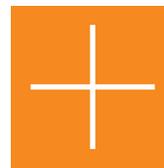
Research has repeatedly shown that clients want more than legal representation from their outside counsel firms. They want a business partner who knows their industry and can provide proactive advice on potential issues before they evolve to the point where they negatively impact the company's business operations. It is important for firms to think ahead and invest in solutions that keep them up to date on changes to the law. Doing so will help firms identify trends and allow them to provide the proactive counsel demanding clients require. As the volume of work grows, firms must be diligent about sharing their expert knowledge with new associates. Investing in comprehensive legal know-how solutions allows any knowledge gaps to be quickly and seamlessly filled, and it provides the partners confidence that their team is prepared to handle any service the client may require.

Marketing solutions that showcase the firm's knowledge, experience and prior success can provide important differentiators when prospects are seeking new counsel. Websites, blogs and social media are becoming an increasingly important part of most law firms' marketing and business development plans. The ability to create customized content about the firm, its expertise and its culture—and to be able to target their prospects' decision makers with appropriate messaging—gives them a unique advantage over competing firms. Not only does it help to solidify the firm's brand, it also helps to create a sense of familiarity with prospects when they initiate a search for new outside counsel.

A technology needs analysis can also provide strategic direction. The process of evaluating the firm's current tech stack and deciding what type of legal tech to invest in can actually deliver multiple positive outcomes. Building a technology investment plan forces the firm to think about what they want to accomplish. So, thinking about legal tech can lead to goal-setting, business development plans and other key initiatives that can help define the firm's direction for the future.

THE POSITIVE SIDE EFFECTS

Even if midsize firms only intend to make a conservative play for larger clients' business, there is no limit to the upside of investing in the most current technology:



Setting the bar among the firm's immediate peers: Beyond the ability to compete for larger clients and more sophisticated matters, using cutting-edge technology

places firms among the elite in their immediate peer group of similarly sized firms. Regardless of the type of matter involved, these elite firms tend to excel in the level of service they provide and the quality of the results they deliver for their clients.

Increased capacity / expansion of service

offerings: For firms that may not be looking to completely convert their books of business to major client representation, the impact of the increased speed and quality will position them to take on even more clients in the midsize market segment.

Business growth: By delivering higher quality work in less time, client satisfaction is sure to rise. Clients will be more likely to refer friends and colleagues

for their legal needs, and the business growth will occur almost organically. Here again, providing timely, top-quality work can place the firm in line for referrals to larger, more profitable clients.

THERE HAS NEVER BEEN A BETTER TIME TO COMPETE

As previously stated, today's clients want the best results for the best value, and many are seeking firms with the right expertise rather than a prestigious name on the door. They want innovative business partners who share their visions and will fight beside them to bring those visions to life. Well-prepared midsize firms are poised to seize this opportunity and thrive at all levels of today's demanding legal market.

Technology has leveled the playing field regarding the size and complexity of the matters midsize firms are prepared to accept. "If you're using old legal technology tools or no tools, you're not going to play on the same level as the big guys," says William Donovan, an associate at the Los Angeles-based law firm of Girardi|Keese. "You need to have the best tools."

By making the right technology investments, firms can confidently compete for business that they might never have considered previously. No matter what a firm's aspirations may be, there is no doubt about technology's ability to assist in the process.

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