

The small-firm advantage

Legal Innovation Now

Lawyers at smaller firms are often better able to innovate than they think.

I came across a placard recently that I have started inserting in my PowerPoint presentations. It simply states: *“I’m not always right, but I’m never in doubt.”*

Let me make the case why I have no doubts about the opportunity that Canadian law firms (small to mid-size) seem to be deliberating foregoing.



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My points are simple.

There is a real market with a pent-up legal spend that is predisposed toward small and mid-size firms if they apply themselves. A recent survey in January entitled **“Global Trends in Hiring Outside Counsel”** found respondents were dissatisfied with larger law firms 19 per cent of the time. For smaller firms, the dissatisfaction rate was only six per cent.

According to the survey, companies that prefer using smaller firms primarily do so because they believe they’re more innovative. And two-thirds of companies use smaller firms because they receive better customer service.

Size doesn’t matter, but rather a willingness to collaborate and partner with the legal technology community is the determining factor. Dan Mulholland, senior partner at Harty Springer & Mattern LLP, a law firm in Pittsburgh that employs 17 lawyers, recently announced that it was in talks with LegalSifter. The firm focuses on the health-care industry in all 50 states. Mulholland said the first project for which he used LegalSifter’s contract-scanning product was a cluster of contracts for a company in Wyoming. “It was nice because [the product] said ‘it needs this clause or that clause’ and we could then provide the legal advice,” he said.

Toronto is gaining recognition as a centre for the application of artificial intelligence to the legal industry. ROSS Intelligence, although it is located in California, has launched its AI R&D headquarters in Toronto, as it sees the AI world capital there.

“Our goal is to continue to bring the power of artificial intelligence to the legal industry, allowing lawyers to enhance and scale their abilities and do more than ever before humanly possible,” says Andrew Arruda, CEO of ROSS Intelligence.

So let there be no doubt, there are firms already leveraging both inherent superior client service and legal apps not only to extend but to enhance their profitability.

But this is the exception and not the rule.

The use of legal technology by both clients and law firms is only going to increase and law firms – even if they are too stubborn (aka short-sighted) to embrace this truth – need to be aware of what they are facing to survive.

There is a popular belief that embracing new applications doesn’t make sense because of the lost revenue from being more efficient. There is another perspective that

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embraces the idea that part of a loaf is better than none. In other words, someone will have the vision to embrace the technology, and when they do, it won't be a case of reduced but rather eliminated revenue.

If you are motivated by growth in both the top and bottom lines, then think about the large legal market that is currently going untapped because law firms have priced it out of reach and so the potential source of fees goes unaddressed. This market is and will be accessible to law firms that leverage applications to perform the tasks efficiently and with less costly lawyer intervention.

The following question, asked in the past, takes on even greater relevance in light of the ongoing developments in legal applications:

“A fair question that private law firms need to answer honestly [is] is it reasonable to expect to be paid more money every year for the delivery of the same legal services in the same manner?”

The only important answer, your clients', cannot be clearer – no!

Law firms interested in at least beginning to explore what legal applications might be currently under development should visit a true legal technology incubator such as the Legal Innovation Zone at Ryerson University.

According to LIZ, it is “a co-working space and the first legal tech incubator with a focus on building better legal solutions for the consumers of legal services. The LIZ helps support, foster and develop solutions and techniques to improve legal services and the justice system.”

I had the opportunity to visit its location this past fall and meet not only with Hersh Perlis and members of his team but also with some of the developers participating in the program. Currently, there are 19 projects focused on the legal industry being undertaken at LIZ, including at least six involving the use of artificial intelligence in the applications under development.

The developers I spoke with are always looking for law firms to collaborate with on their applications. There are a number of obvious benefits to such collaboration including guiding solutions that work in a real firm environment, focus on practising law without incurring the cost of adding an application development team and likely preferential pricing when it goes live.

LIZ is active in promoting the efforts of its participants through various monthly events.

Hersch and his team are very approachable, and I would encourage firms that have members travelling to Toronto to add a side trip to their office to get a hands-on tour of LIZ.

It is your right to do an “ostrich” should you choose, but, from my perspective, you either innovate or abdicate!

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Comments or Questions?

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