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*Innovation, Evolution und Disruption im juristischen
Umfeld*

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PwC Legal

The appropriate response to new technology is not to angrily retreat into the corner hissing and gnashing your teeth.

It's to ask: "Okay, how should we use this?"

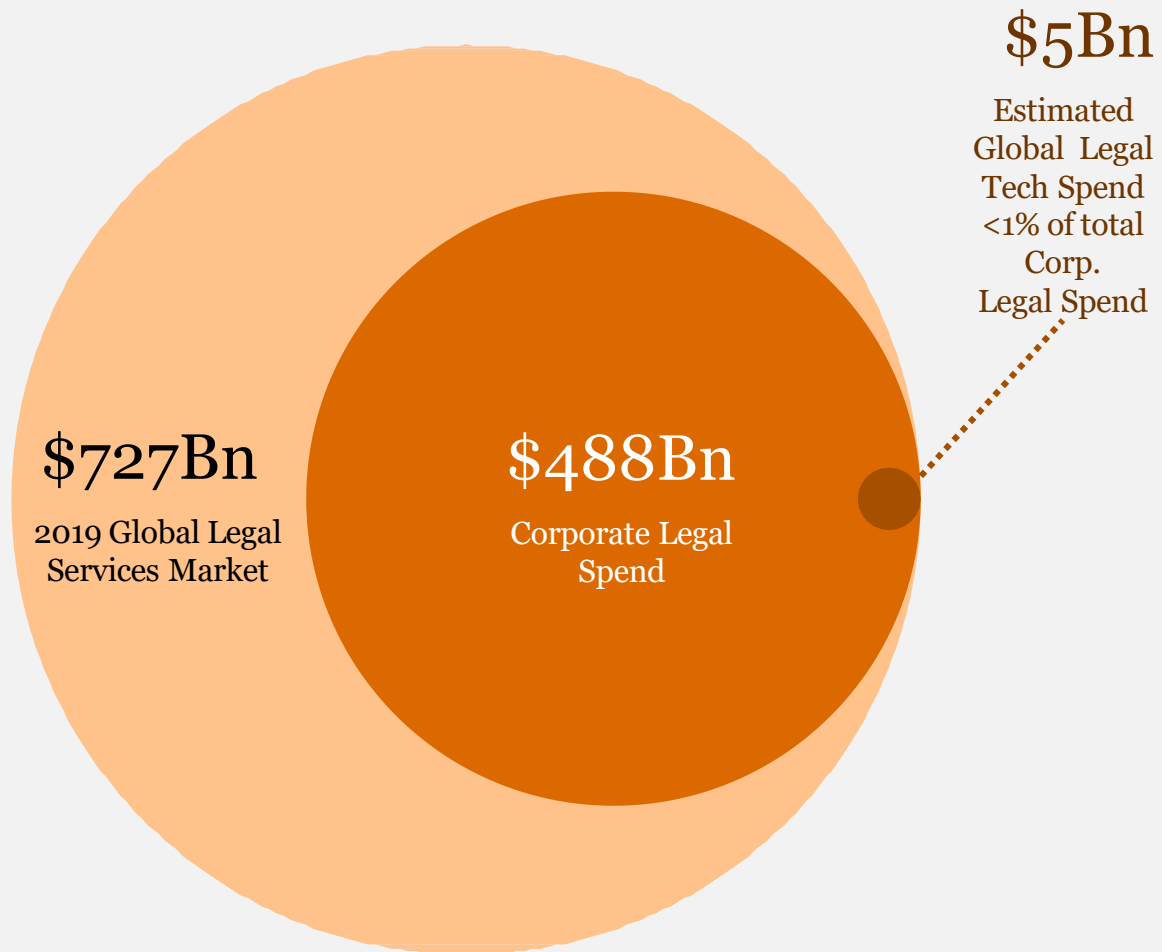
- Burning Man





1. Legal industry – state of play

Legal vs. technology – the state of play

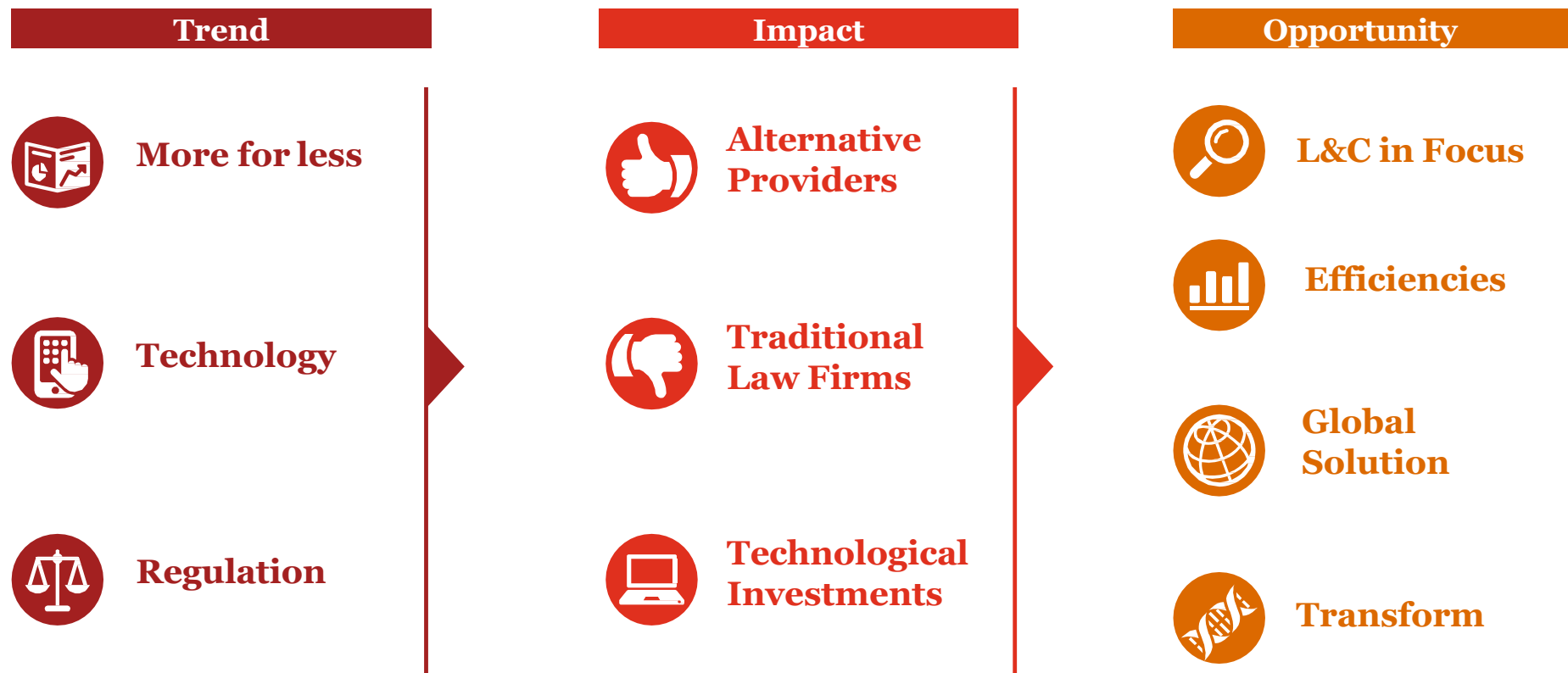


LegalTech New Patents Filed Globally



Trends, impacts & opportunities

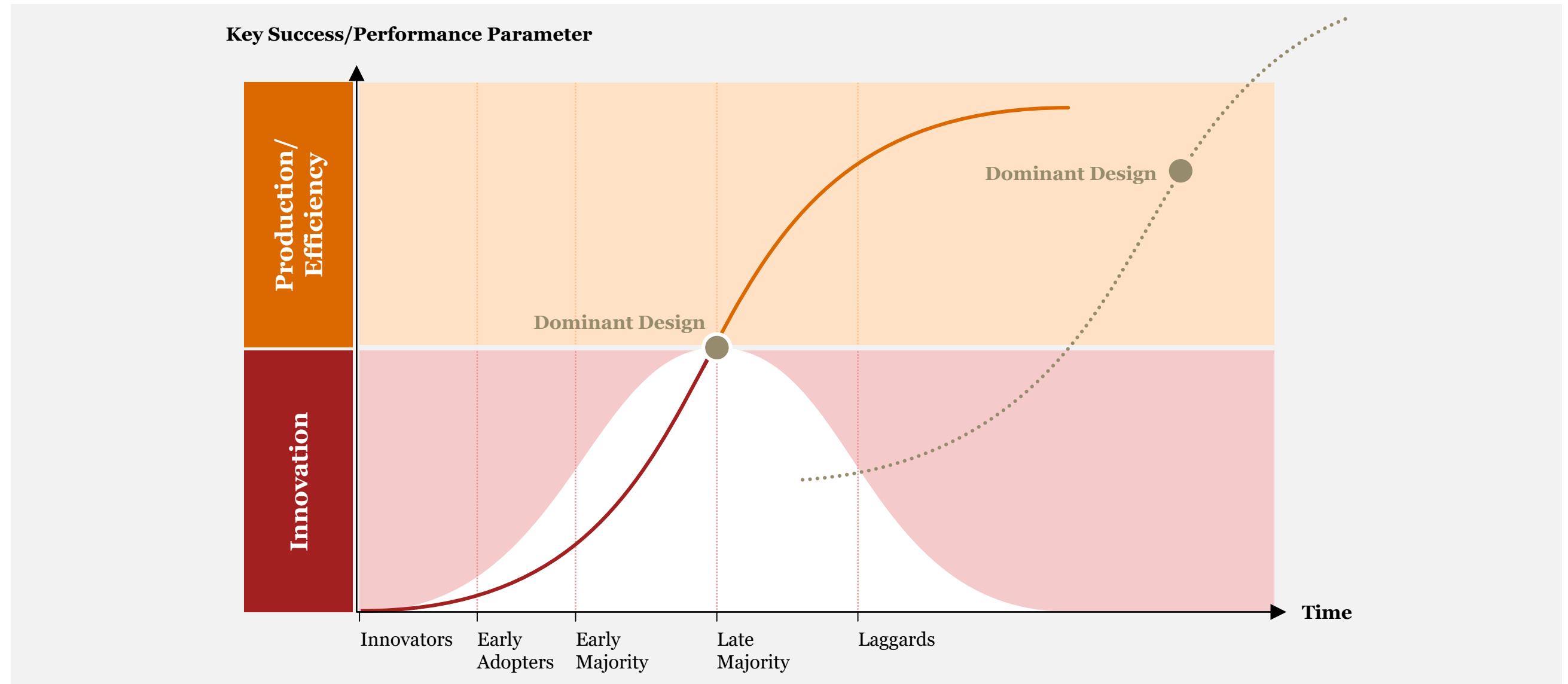
- Firms will need to **embed** best in class **technology into** all of their **legal processes**, and will need to continuously innovate as better software tools are developed.
- Work will still be led by people but they will be augmented by technology, including **Artificial Intelligence**.
- The **full service law firm of the future** will be more **diverse** in terms of **business model** by expanding their offerings to services such as consulting, forensics, or risk mitigation.



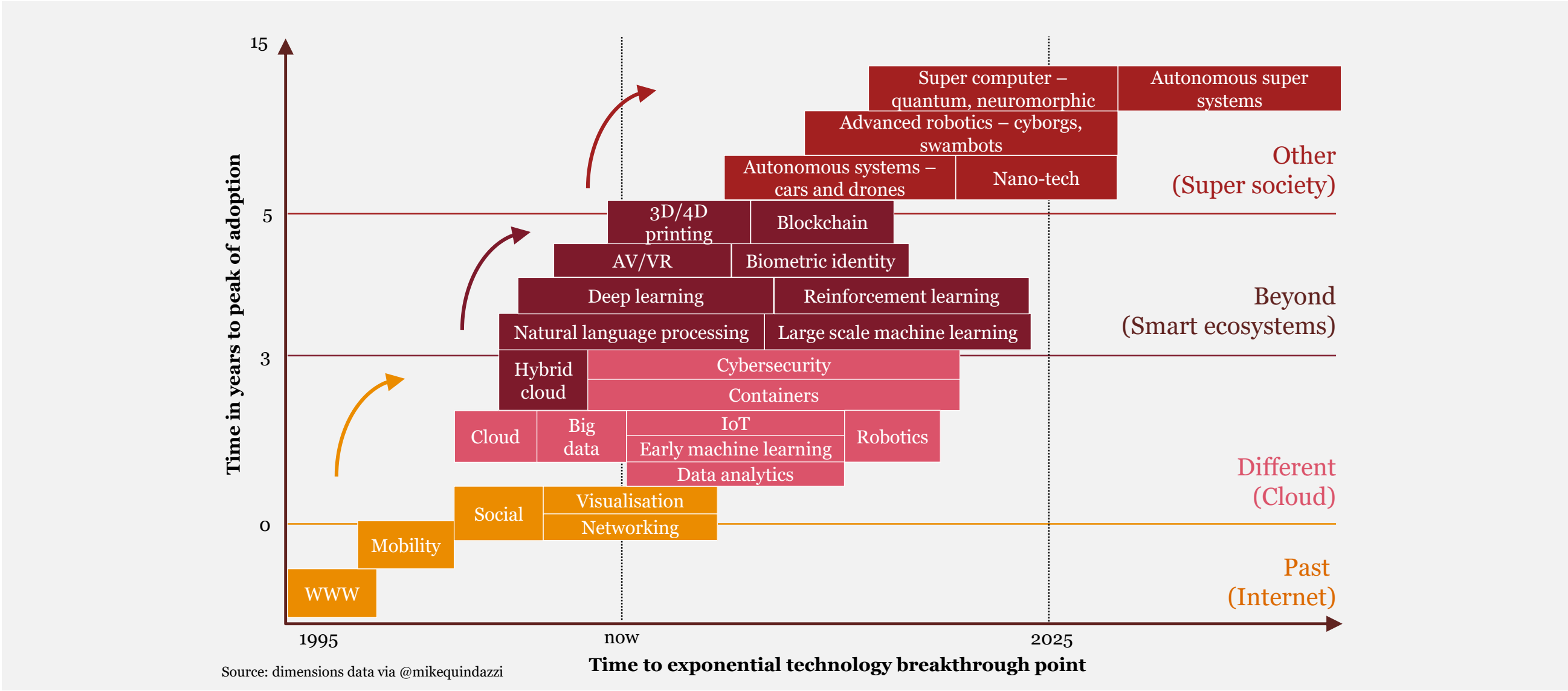


2. Technological disruption and changing demands

The dynamics of innovation



Horizons of technology disruption



FinTech, RegTech & LegalTech

FinTech

- FinTech describes an industry that consists of companies that combine new technologies and innovations with available resources and thus compete with traditional providers.
- FinTech includes both, start-ups and established technology companies that seek to improve / replace the services of financial services providers.

RegTech

- RegTechs uses new technologies to support efficient regulatory management within the entire (IT-) banking architecture from an IT perspective.
- RegTech services enable the required agility and the speed, which is necessary to efficiently manage the flood of new regulations.

LegalTech

- LegalTech refers to software and online services, which are supporting or automating legal working processes.
- Such IT products have so far been developed primarily by start-ups, which aim to create efficient alternatives to specific sub-processes or entire legal services.

Similarities

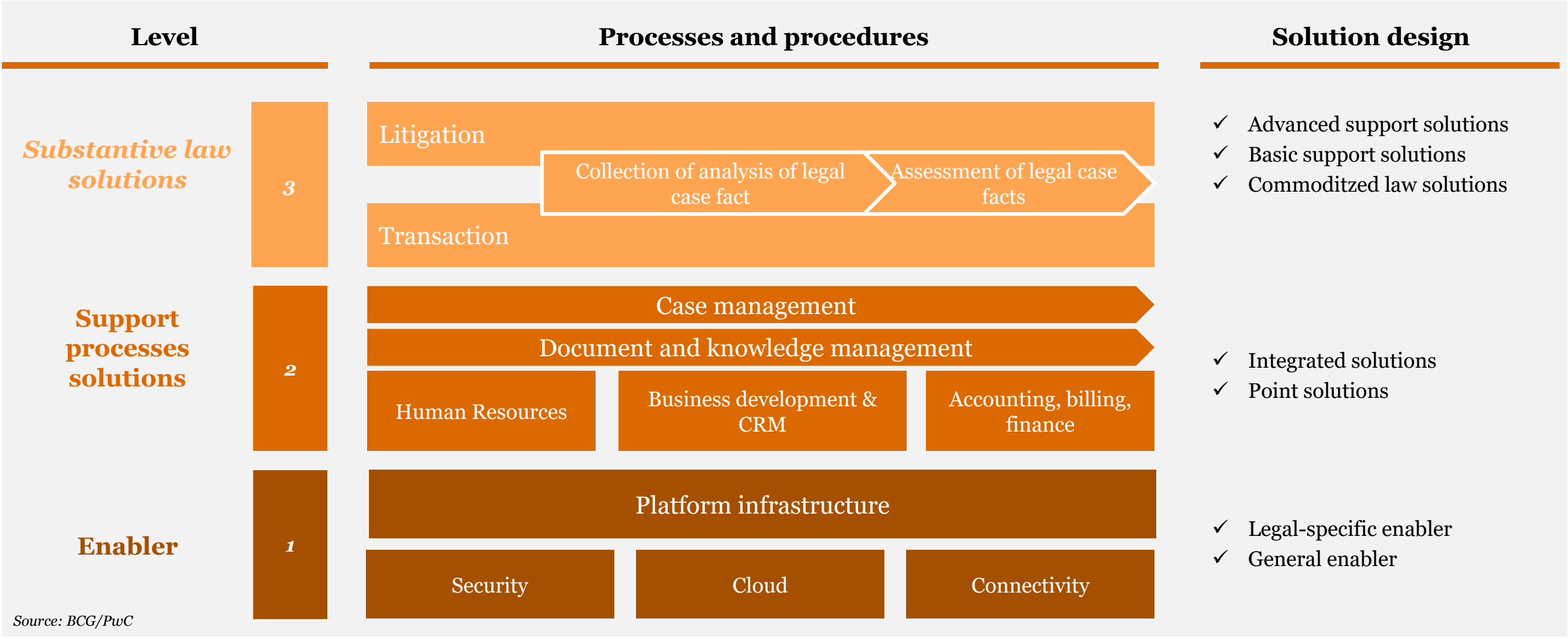
- All three types are based in the ever-increasing **financial market regulation** (transparency, reporting obligation, information exchange)

Differences

- FinTechs are partly perceived as a “threat” to the traditional financial institutions
- Whereas RegTechs & LegalTechs are seen as a digital assistants

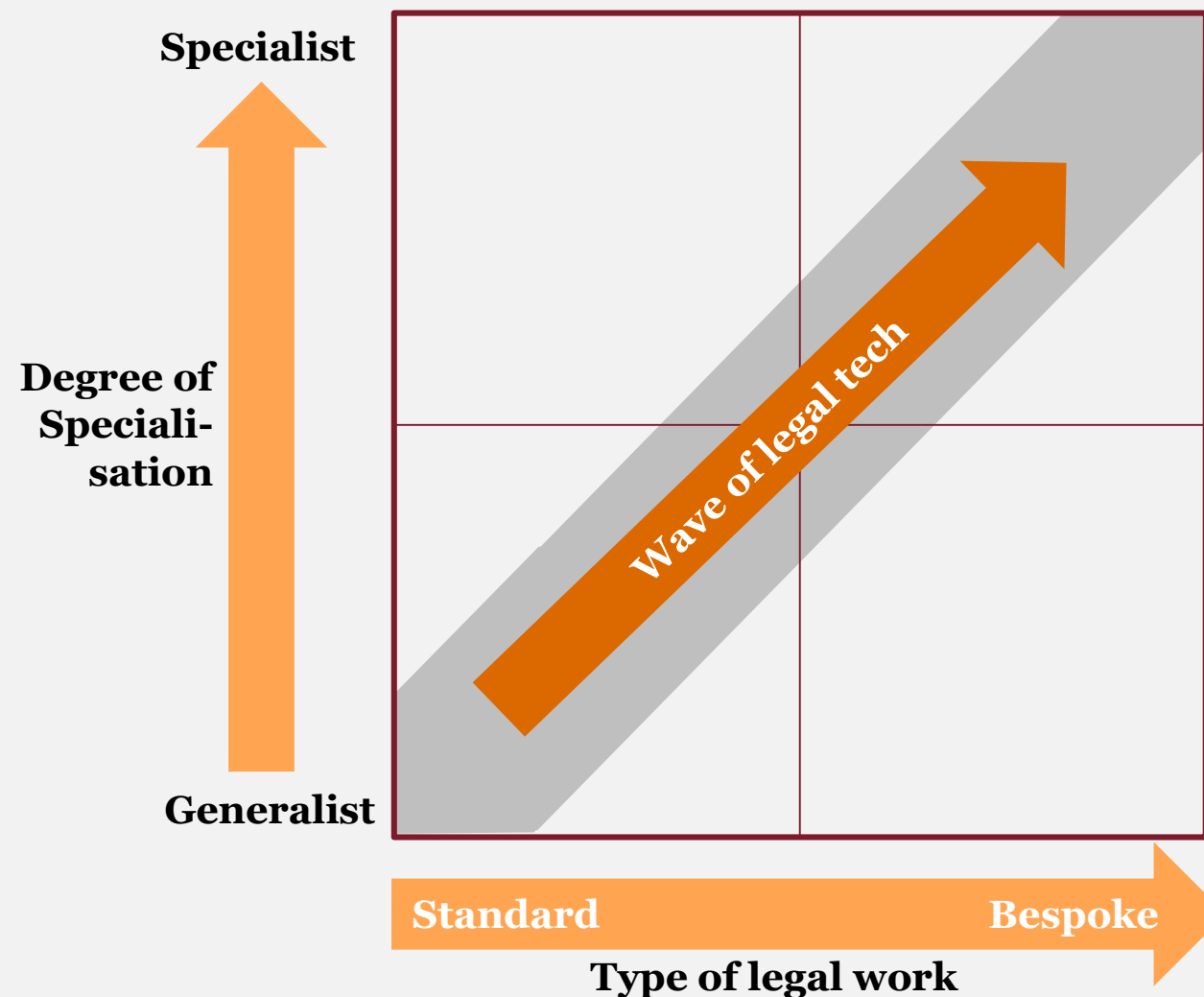
Legal & technology framework

Legal tasks, support processes, and technological infrastructure impacted by legal technology



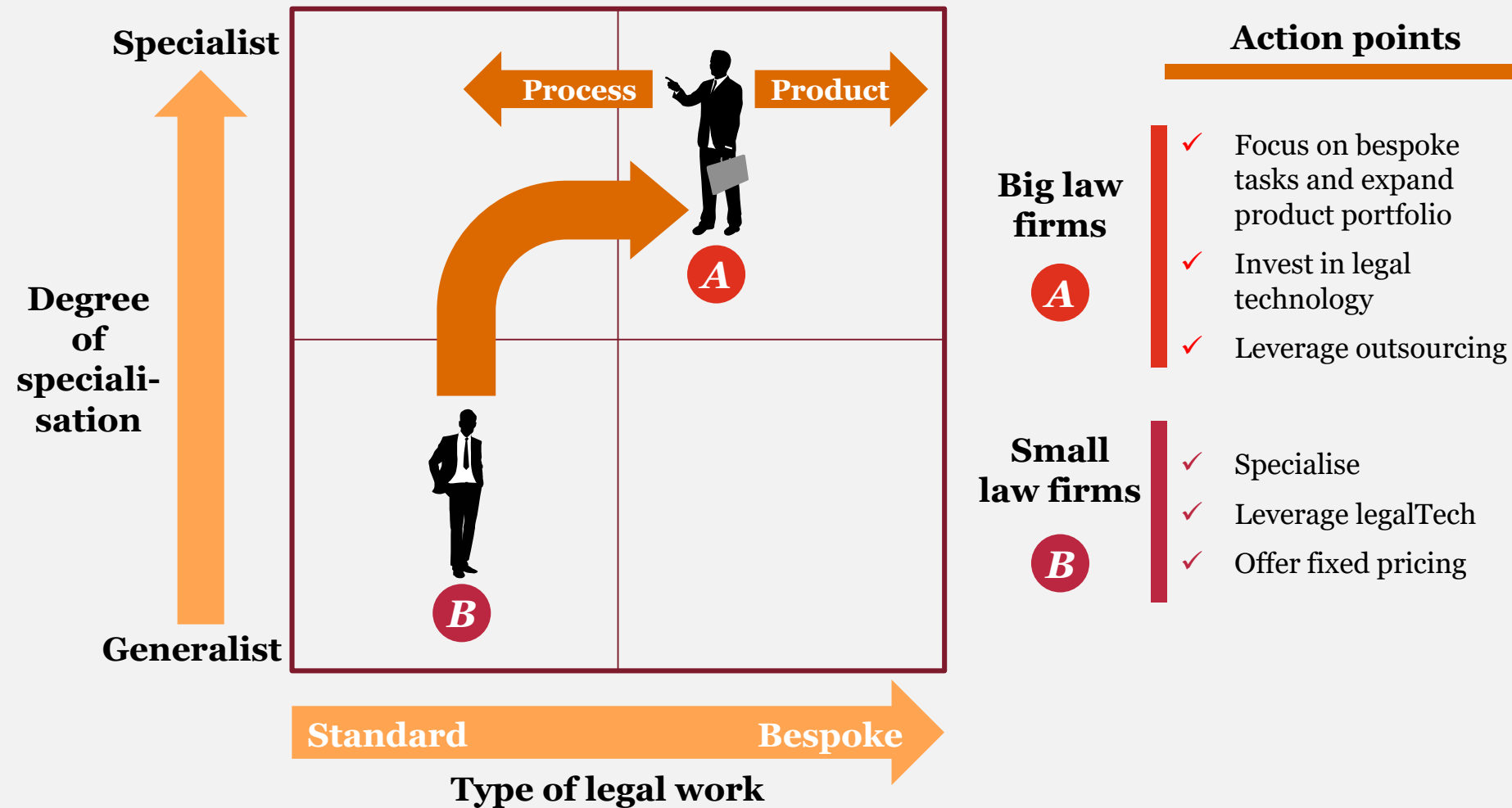
Source: BCG/PwC

Legal Tech is automating standard legal tasks – But it will not stop there



Source: BCG/PwC

Big law firms need to invest in tech readiness – Small law firms need to specialize



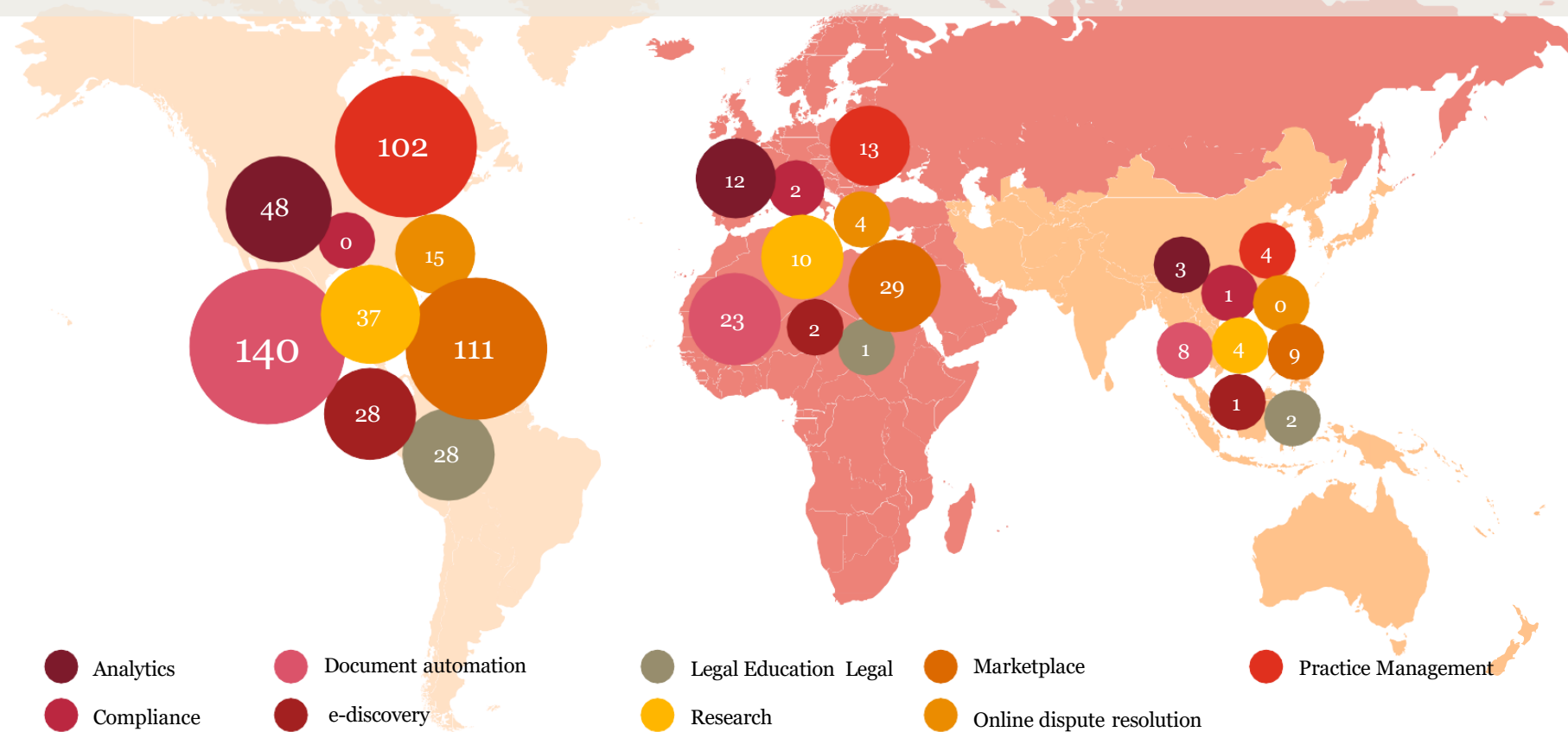
Source: BCG/PwC

Impact areas of LegalTech

1	Analytics	• Companies that use artificial intelligence to summarize legal documents .
2	Compliance	• Enables compliance professionals to understand their organisation's legal obligations .
3	Document automation	• Gives legal professionals an easy to use and powerful document discovery platform .
4	e-discovery	• Any process in where electronic data is searched and obtained for use as evidence in a civil or criminal case .
5	Legal Education	• These programs are used by attorneys to help prepare their clients to testify in depositions.
6	Legal Research	• A variety of online research companies catered to the legal industry .
7	Marketplace	• Startups that provide a range of online legal services to consumers and businesses.
8	Online dispute resolution	• Tool and interface for two parties who are entangled in a dispute or some other type of conflict.
9	Practice Management	• Companies here provide billing, time, and contract-management tools to law firms.

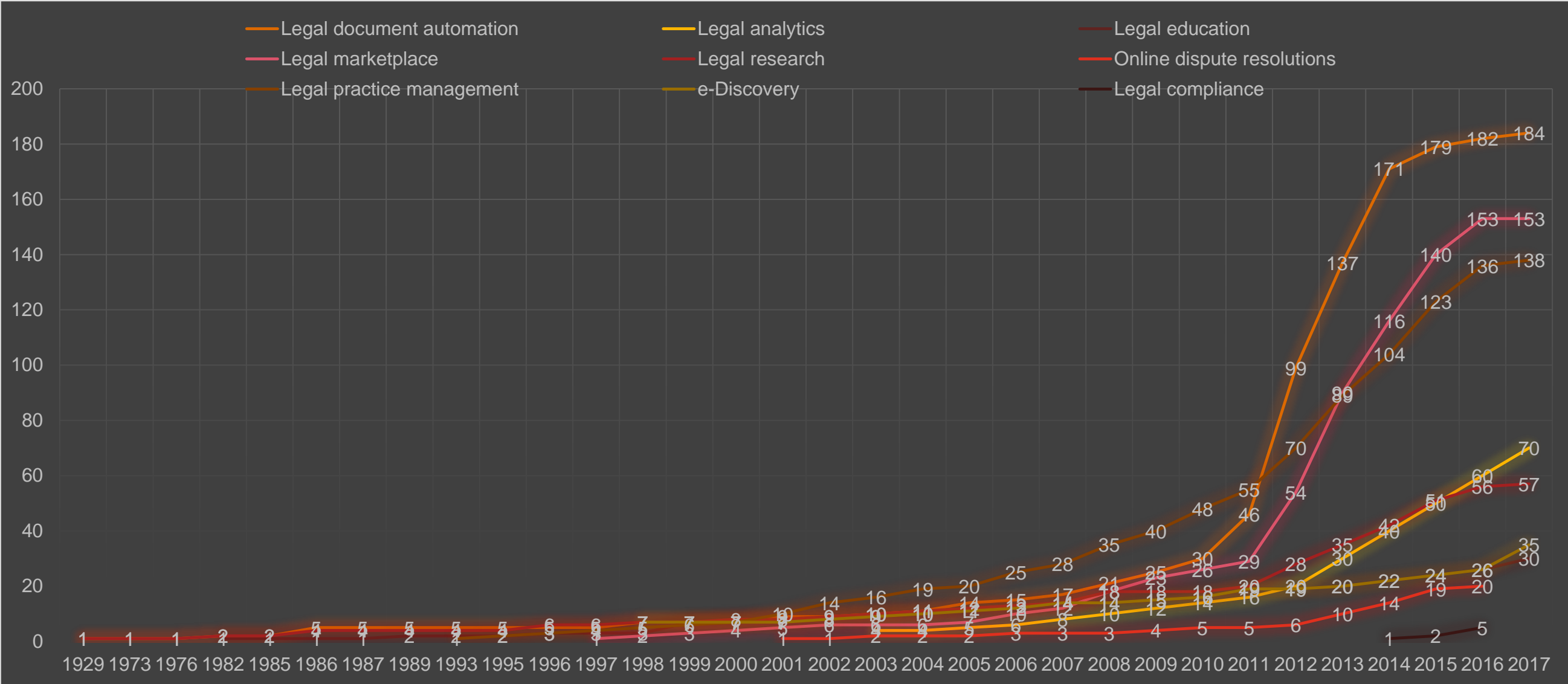
Mapping the LegalTech Landscape

- There are about **800 larger LegalTech** companies in the world, where **40%** were founded in the **last 3 years**.
- **Document automation** and **practice management** are currently the **most competitive** sub-sectors.
- There has been a **484% increase** in the number of patents filed covering new legal services technology globally in the last 5 years. Top three countries by percentage of total patents filed are the US (38%), China (34%) and South Korea (15%).



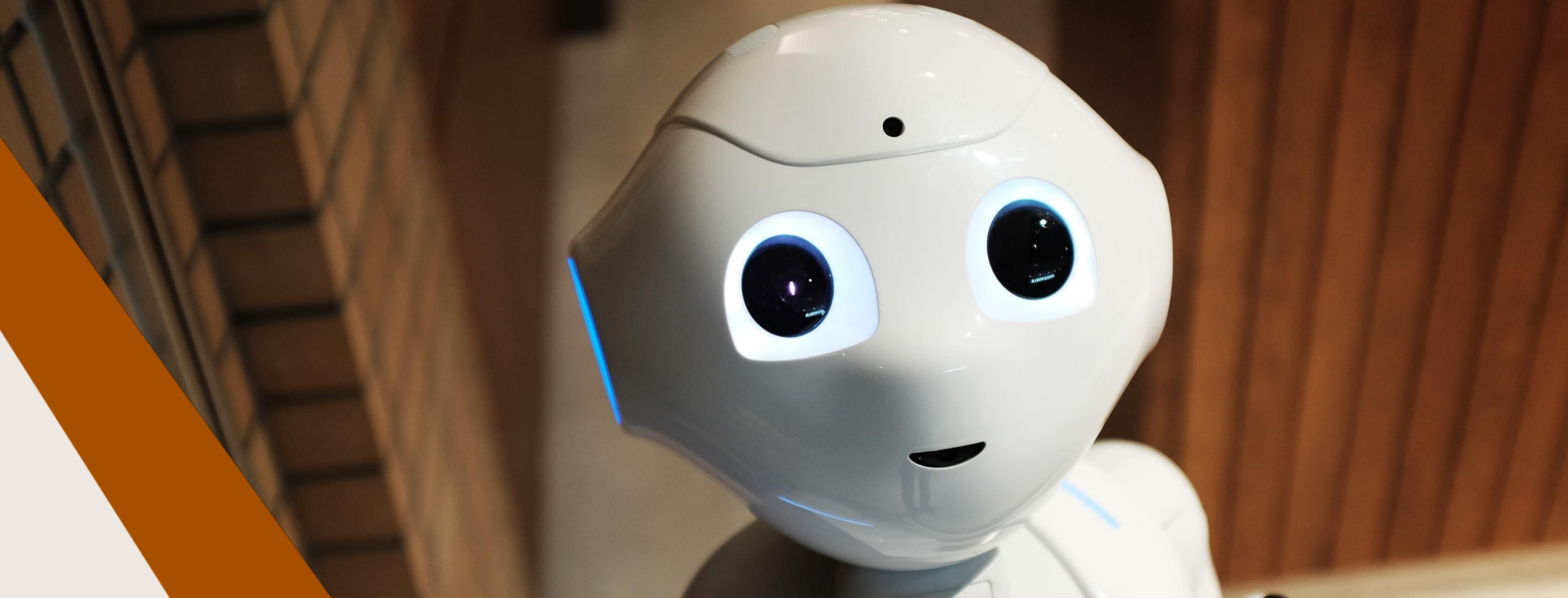
The fast growth of LegalTech

Source: Evert Nölv



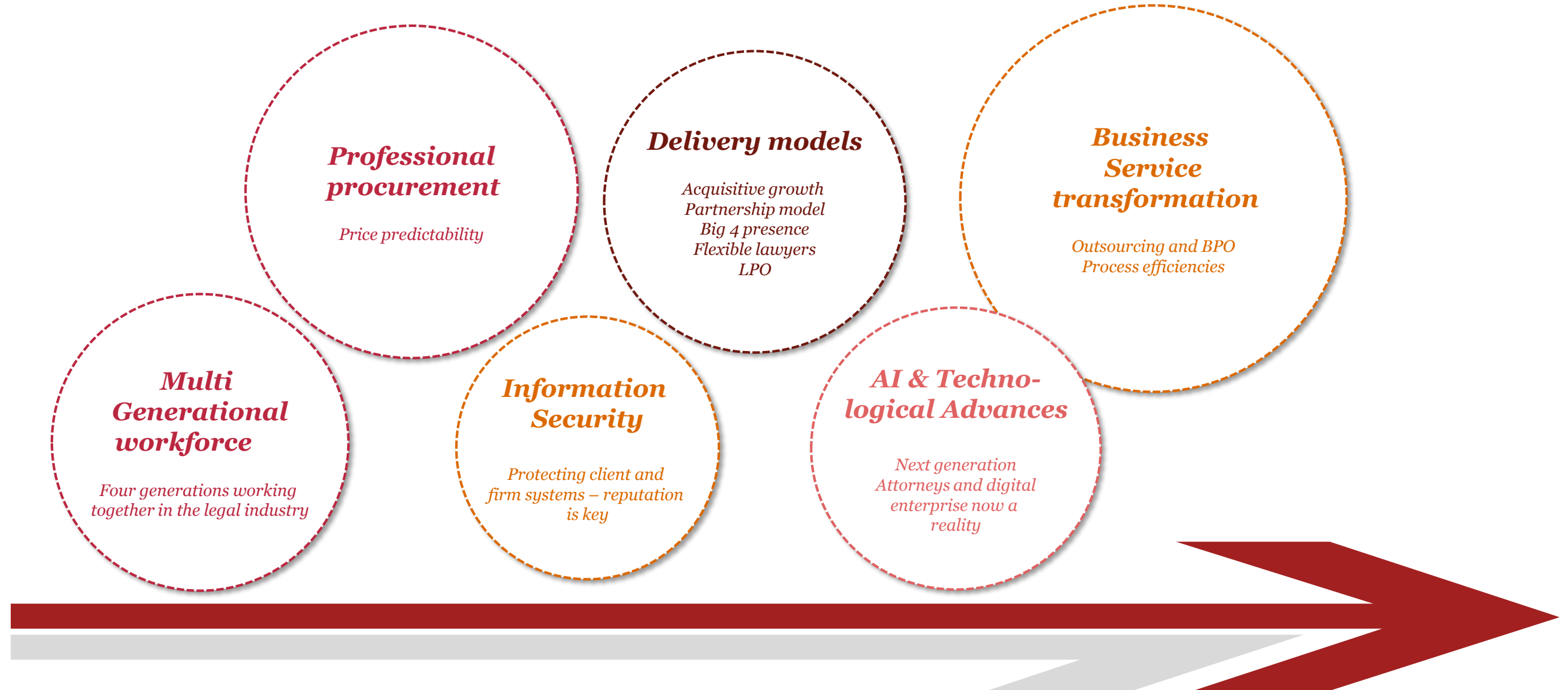
LegalTech market map





3. The law firm of the future

Six vectors of legal innovation

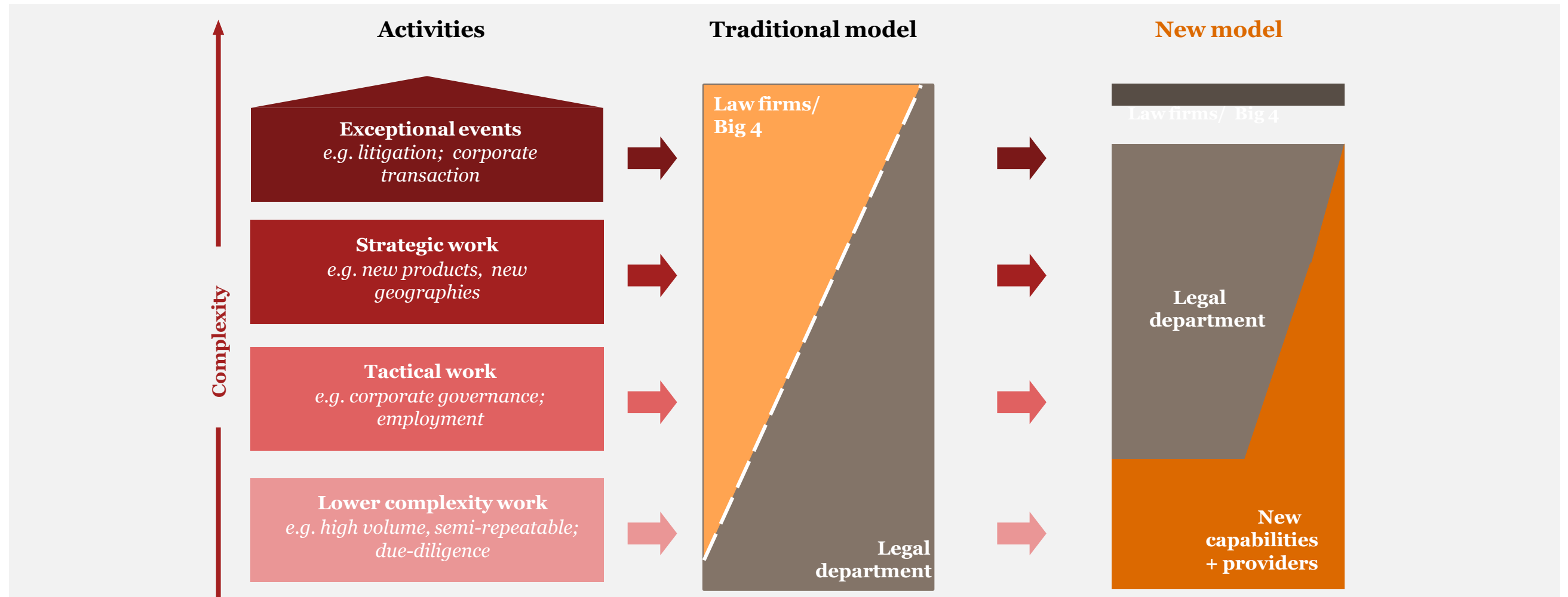


Market shifts in the legal industry

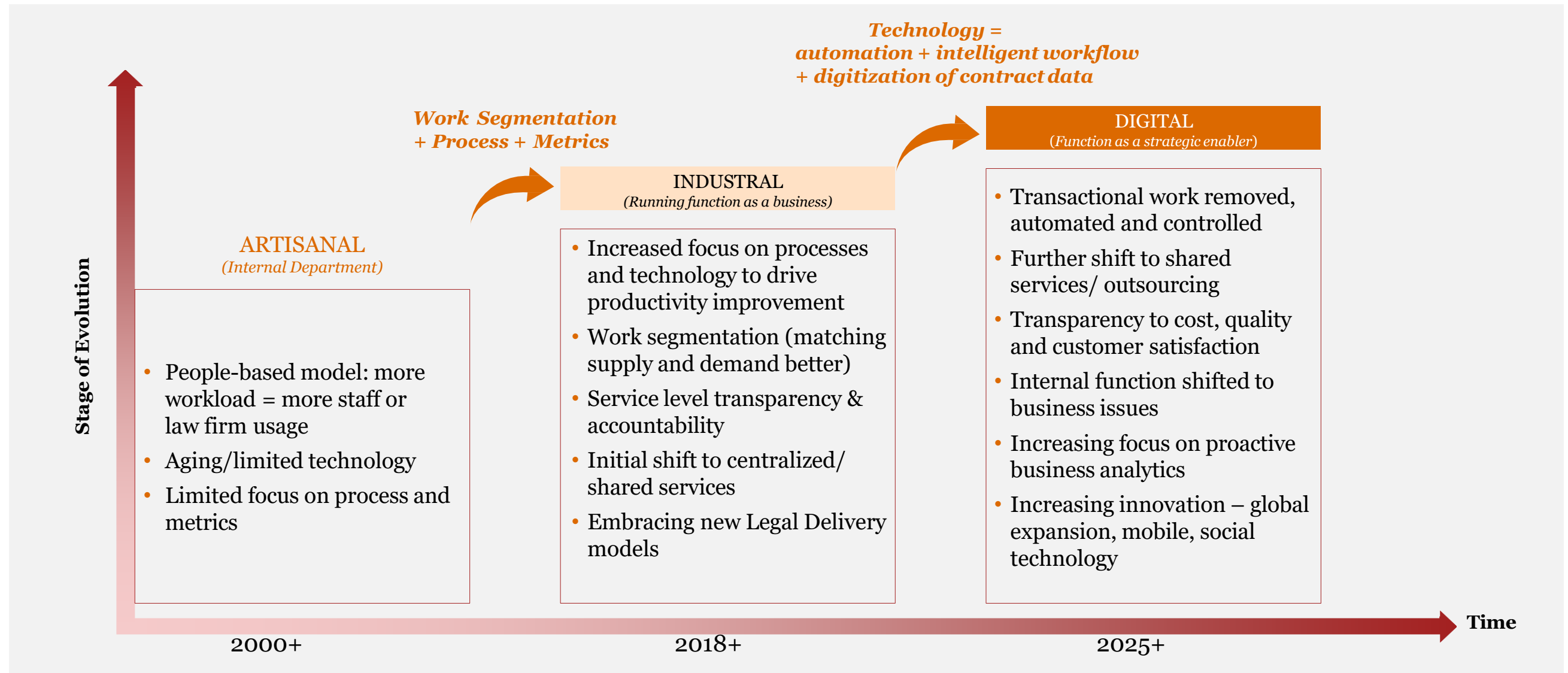
The nature of the offering					
		Service	Hybrid (Product + Service)	Product	
The market(s) in law	Fortune 1000	<div>axiom</div> <div>elevate</div>	<div>EY</div> <div>pwc</div> <div>Deloitte.</div>	<div>Lex Machina</div> <div>Relativity</div> <div>kira</div> <div>DILIGENCE ENGINE</div>	
	Mid Cap Companies	<div>Mid market law firms</div>			
	Type of client (prototypical)	Retail	<div>Small / Solo</div>		<div>legalzoom</div> <div>ROCKETLAWYER.</div> <div>wevorce</div>
	A2J	<div>NLADA</div> <div>National Legal Aid & Defender Association</div>			<div>LegalServer</div> <div>LawHelp</div> <div>INTERACTIVE</div>

The industrialization of the artisan

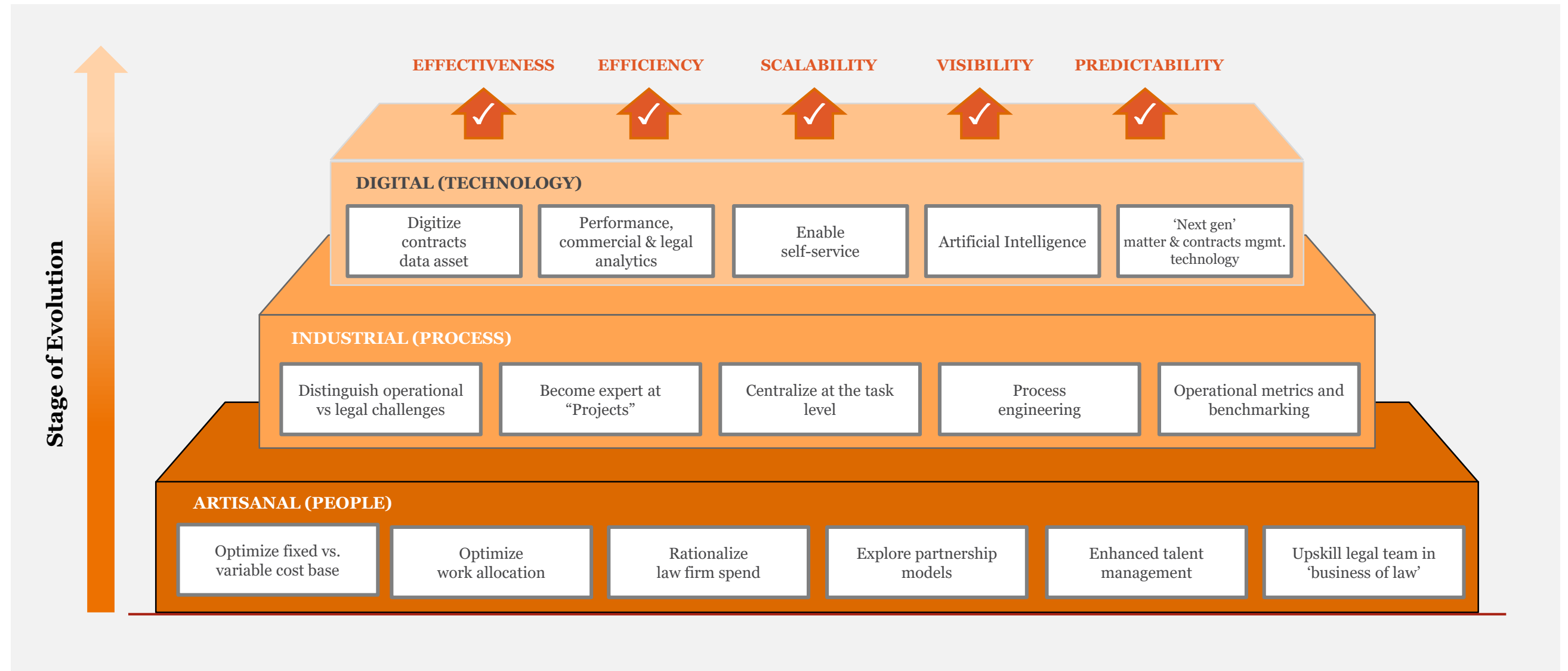
Across the economy there are many efforts to convert an artisanal process into an industrial one. This trend does not leave out the legal industry.



The legal industry's stages of evolution

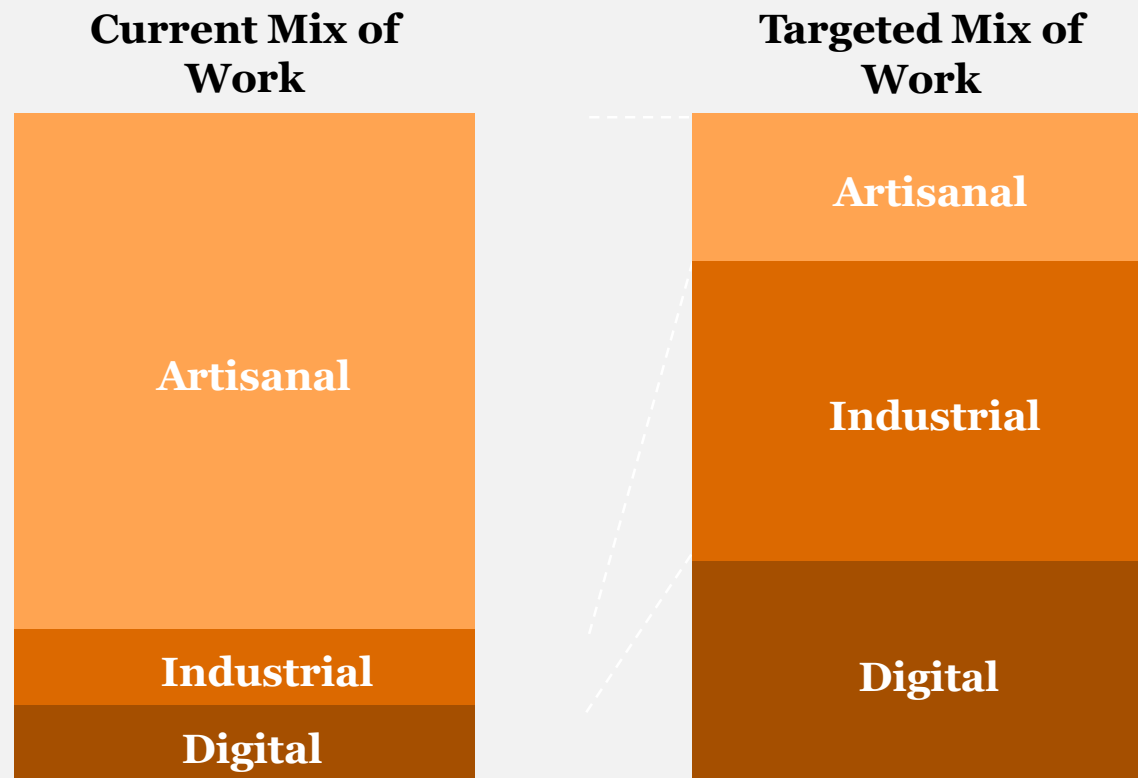


The building blocks of legal innovation



The rise of GC production-system thinking

Matching the production-system with the work while fundamentally improving outcomes.



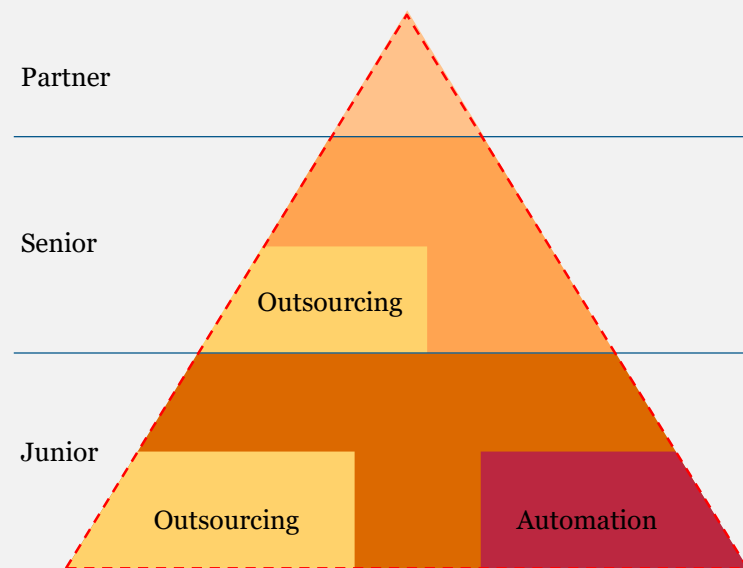
Future Target Operating Model (TOM):

- Align resourcing models with nature of the work
- Multiple ways to execute (“how”)
- Tech follows, not leads, process industrialization

From pyramids to rockets

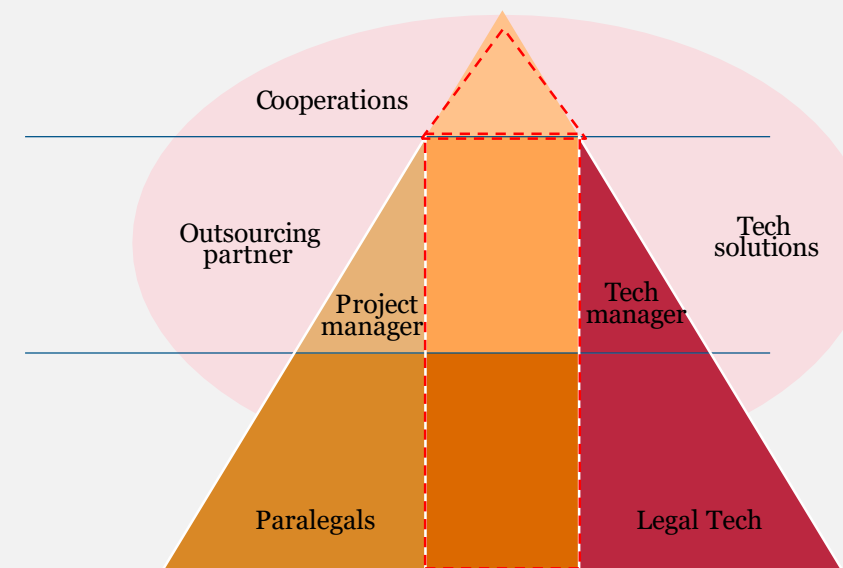
- The traditional pyramid model applied in many law firms will vanish in future
- A “rocket-like” structure will develop over time with tech managers and legal tech companies supporting the law firm

Today – Pyramid Structure



- High ratio of junior lawyers per partner
- Junior lawyer level most impacted by outsourcing and automation

Tomorrow – Rocket Structure & non-Lawyer



- Low ratio of junior lawyers per partner
- Especially entry-level jobs will vanish

■ Non-lawyer staff ■ Lawyers ■ Tech positions

Source: BCG/PwC

Key action points (1/2)

1

Disruptive forces are currently reshaping the legal-advice market. These forces include **alternative legal service providers** and **LegalTech companies**

2

Law firms must redesign their **business model**, which includes:

- Value Proposition (service offering and revenue model)
- Operating Model (cost structure and organization structure)

3

Impact on individual roles

- Decline of general support staff, junior lawyers and generalists
- Increase of legal technicians and project manager

Key action points (2/2)

	Area	Current Model	Future Model
Value Proposition	Clients	Need of legal advice	<ul style="list-style-type: none"> • Legal advice • Project management • Efficiency
	Offering	Transaction or litigation advice	Product portfolio: legal advice, project mgmt., legal tech consulting
	Revenue Model	Billable hours	<ul style="list-style-type: none"> • Fixed price • Billable hours
Operating Model	Value Chain	Integrated (Do it yourself)	<ul style="list-style-type: none"> • Disintegrated • Outsourced/Automated
	Cost Structure	People (low EOS)	People and technology (high EOS)
	Organization	Traditional pyramid	Rocket





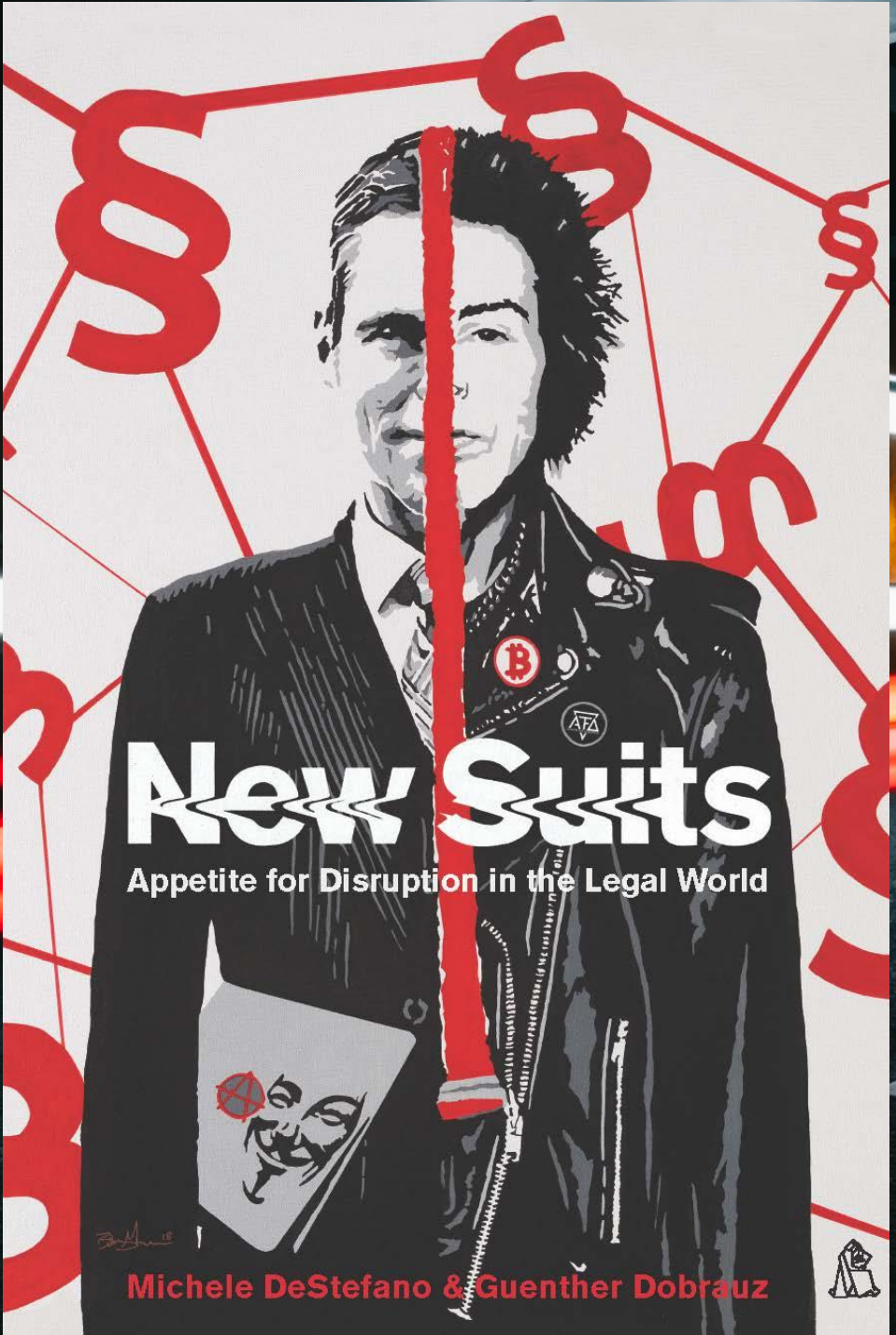
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...and now let's go and do amazing things!



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