

Life in the slow lane

In-house lawyers should be keeping up with their private practice counterparts on legal technology. But as **Lucie Tripon** reports, despite evidence that today's IT solutions can radically improve a legal department's efficiency, they are still slow on the uptake

THE GLOBALISATION OF BUSINESS AND the ever-growing burden of regulation have had a significant impact on the amount of work being pushed towards the legal department. These days, in-house lawyers are dealing with a greater number of highly complex issues than ever before. At the same time, many legal departments are coming under pressure to cut costs and operate more efficiently.

'In-house legal departments are being asked to reduce headcount and rationalise the amount of money spent on external law firms. At the same time they have to do more compliance work,' says legal IT expert Richard Susskind, whose best-selling book *The Future of Law* warned that ignoring IT could mean commercial suicide for lawyers.

But there is evidence to suggest that in-house lawyers may not be doing all they can to help themselves. Many still exhibit an attachment to paper and a reluctance to join the digital age, which arguably makes the working day longer and more complex than it needs to be.

A raft of IT suppliers specialising in solutions for the legal market say that technology can make an in-house lawyer's life easier. They offer a vision of a dynamic and modern working environment where information is always at your fingertips and seamless co-operation with colleagues around the world is a day-to-day reality.

The 'virtual lawyer' is yet to be invented, but technology does have the potential to transform the way that legal departments operate. By embracing the tools that are available to them today, in-house lawyers can drastically reduce their workload and make key efficiency gains. This is not always a simple task, >



HODGE: inefficient departments face real threat

Five steps to a 21st century department

- 1) Give up the paper addiction: adopt technology to become more efficient.
- 2) Secure an IT budget: make a business case for dedicated funds.
- 3) Design a strategy: identify present and future IT needs.
- 4) Liaise with law firms on IT: develop similar systems that will improve collaboration.
- 5) Compare products and IT suppliers: find the right product and a solution provider that offers the right level of support.

> however, and for many in-house lawyers the technology revolution has been 'lost in translation'.

ADDED VALUE

Susskind argues that in-house lawyers need to embrace IT and change the way they work in order to survive in the modern corporate environment. Indeed, there are lessons to be learnt from the past. In the early 1990s, many US corporations outsourced legal work as in-house costs spiralled out of control. In some cases, legal departments were shut down altogether. Things may be different now, but according to Jeff Hodge, senior director EMEA at IT solutions provider DataCert Europe, in-house lawyers still have a duty to rein in costs and deliver value for the business. He says: 'In my opinion, it is incumbent upon the corporate legal department to be more efficient so it can take on more work and deal with more complex issues in an increasingly global economy.'

'These days, corporate legal

departments are seen as a component of shareholder value. If they don't use technology like any other part of the business to bring shareholder value, they will be shut down. The company will have no choice but to find better sources to perform the legal function.'

But despite the severity of the threat they face, technology specialists say that in-house lawyers are lagging behind their fee-earning counterparts in adopting new technologies. Susskind believes law firms have been keener to embrace technology because they see it as a way of distinguishing themselves from competitors.

Nick Garlick, managing director of IT supplier Nebulas Security, agrees with that analysis. He says law firms have invested heavily in dedicated IT systems because they see technology as an 'enabler' that can help them 'meet business demands and facilitate growth'.

The overriding consensus is that many in-house legal departments are currently operating with a major technology deficit. One of the key issues here is cost. While IT investment is seen as a revenue-generating opportunity by law firms, corporations tend to view in-house legal departments as cost centres. This often means that they are rarely allocated enough money in the annual budget to fund much-needed technology investments.

According to Roy Russell, director of in-house solutions provider Ascertus, failing to secure adequate funding can be a major problem. He says: 'A new system can cost around £1,000 per user for the software licence and installation. It's a big project, and you need to allocate money in advance as part of the annual budget to >

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Nick Garlick, Nebulas Security

> cover the costs of something like that,' he explains.

In-house legal departments need to learn how to make a business case to win proper funding, though Hodge says that IT vendors also have a role to play: 'This is a developing area, so technology providers have to educate in-house lawyers about the value of IT. Once legal departments understand the arguments, they will be able to make a better case for a dedicated budget. Only then will we see greater adoption of technology within in-house legal departments.'

The corporate legal department at Barclays is thought to be one of the most technologically advanced in Europe. The bank's technology-savvy general counsel, Mark Harding, helped to secure a dedicated IT budget for the department some years ago, but Richard Daniel, chief operating officer at Barclays Legal and Compliance, says he still needs to build a business case for every new investment. 'We need to justify every purchase or upgrade in terms of cost/benefit or risk management. I would say the main arguments for additional spend revolve around reducing risk and improving efficiency,' he says.

NEW MINDSET

However, some observers say the main obstacle is culture, not cost. 'Sometimes cost is an issue, sometimes it's an excuse,' Susskind says. 'There's a huge amount you can do without spending much money. The big problem is that in-house lawyers, particularly in Europe, often don't take the

time to think about how they can use technology.'

He adds: 'In the US, a lot of in-house legal departments are using technology far more efficiently, and a lot of that is down to culture and a willingness to adopt new solutions and ways of working.'

Shaheen Javadizadeh, vice-president of strategic marketing at US-based solutions provider Mitrastech, takes a similar view. He says that in-house lawyers have been very slow to adopt technology compared with other professions. 'The failure to implement technology is down to psychological resistance rather than any technological deficiency,' he comments. 'For example, many lawyers worry about attorney-client privilege and the need to keep information secure. From a technology perspective we have been able to protect and keep that information secure for many years, but the psychological hurdles have been harder to overcome.'

That is not to say that things will stay that way. Javadizadeh says: 'This is changing, as a new generation of lawyers enters in-house legal departments. The past five years have seen a real acceleration in terms of the adoption of new technology, and I believe that will gain further momentum going forward.'

Even where legal departments can find the budget and motivation to invest in new technology, they still have one last hurdle to overcome in the shape of the internal IT department. According to Russell, these departments can put up major barriers and complicate access to IT solutions specifically designed for lawyers.



JAVADIZADEH: technology is gaining momentum

He suggests: 'They may offer to develop something in-house, or argue in favour of implementing a general piece of software that has been deployed in another part of the business. In my experience, when IT departments get involved, they often have a different agenda that can complicate matters for the legal department.'

Andrew Dey, head of operations at Barclays Legal and Compliance, has first-hand experience of this. 'The legal department is a very small part of Barclays' global operations,' he says. 'When we ask the IT department to introduce a new system or make changes to our existing architecture, we are unlikely to be their top priority.'

REACHING OUT

Securing the budget and getting the support of the IT department is one thing, but it will come to nothing unless the money is spent constructively. In-house lawyers need to think carefully about their existing and future needs before purchasing any software.


An essential starting point is devising an IT strategy that identifies present and future demands. Hodge says: 'The object of an IT strategy is to anticipate the problems that may arise as the company grows and pushes more complex tasks to the legal department. The worst thing that can happen is that you wake up one day and find that you have a complex issue to address and the budget is completely out of control.'

Attack and defence: addressing security risks

As in-house lawyers increase their reliance on technology they must guard against security loopholes that could have damaging consequences for their business. According to Nick Garlick, managing director of IT solutions provider Nebulas Security, the risks are evolving: 'Databases are potentially vulnerable unless they are protected. The use of web applications is also one of the biggest security issues. They need to be secured from not only virus and spyware attacks but also the new breed of targeted attacks by applications which are geared to steal information.'

Nebulas Security recently worked with UK firm Berwin Leighton Paisner on improving the reliability of its network. Garlick tells *IHL*: 'We helped BLP achieve resilience in terms of their internet connectivity by giving them access to the web via multiple internet service providers (ISPs) – being reliant on one ISP means that if it fails that will jeopardise productivity across the business.'

The company also tightened up BLP's database. Garlick says: 'From a database perspective, we implemented multiple data centres and removed any single point of failure within their infrastructure. We increased security for those systems and the data centre as well. The objective was to ensure that they could maintain a level of consistency and security throughout the business as it grows.'



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It is also important to take a global approach when acquiring new technology solutions. Legal departments must make sure that new products work in harmony with the existing systems in the department and the company as a whole. Javadizadeh says: 'Even if you are looking to solve a specific problem, you must make sure the application you are purchasing will integrate with your existing infrastructure. You do not want to create a silo of information inside the legal department. Instead, it must be possible to share information and make it part of the overall process. You need to look at the legal department holistically,' he says.

In-house lawyers should also collaborate with their external advisers on the subject of IT. Daniel says: 'One of the things we value very highly in a relationship with a law firm is the extent to which they are prepared to work with us and share advice and good practice.'

He continues: 'IT is one area in which we expect to see this. We actually get really good support from our external advisers in terms of sharing their experiences of systems. We should be able to collaborate better with them if we are using similar systems.'

Susskind agrees, saying that collaborating with external law firms

should be an important component of a legal department's IT strategy. He notes: 'Law firms spend a certain percentage of their fee income on technology, but only a tiny amount of that is actually directed towards the clients. I think in-house lawyers should be more demanding of their external advisers. They should encourage law firms to develop systems that can be used by both the clients and the law firms in a collaborative way.'

ON THE MARKET

Although IT suppliers have developed a wide range of solutions specifically tailored to the needs of in-house lawyers, there are three main types of software tools that legal departments should initially consider.

Legal spend management and e-billing software can help in-house lawyers to manage the financial side of the business and reduce costs. Hodge says that many in-house legal departments have already invested in these kinds of solutions - six Fortune 10 firms use the DataCert Advanced Invoice Management System, for example.

The demand for this type of software is hardly surprising, as it can produce >

> immediate and substantial cost savings. Hodge explains: 'A recent analysis by Microsoft found that it costs \$20 to process paper bills compared with less than \$1 to process invoices electronically.'

Document management is another area of interest. Most corporate legal departments use Microsoft Office and an e-mail management system. Now there is an emerging demand for document and e-mail management systems such as Microsoft SharePoint and Interwoven WorkSite, which allow in-house lawyers to share information and collaborate with colleagues.

Russell says this type of software can help in-house lawyers fight off one of the most common threats they face - 'death by e-mail'. He argues: 'Without a proper document management system you are relying on the discipline of the individual to name and store files in a logical way. But often lawyers can end up creating islands of information that their colleagues cannot access. Information is stored in different locations across the network and no one can monitor the work that is being done.'

Reliable document and e-mail management systems can organise all the information being generated by the department and store it in an electronic metafile. This creates a collaborative environment where everything will be kept in one place.

Case management systems can also improve the efficiency of the legal department, by automating case tasks and administration. For instance, the Ontrack

Firstview system, from forensic services provider Kroll Ontrack, helps in-house counsel appraise the scope, volume and potential significance of e-mail communications. Martin Baldock, the company's UK director of operations for legal technologies, says: 'The Firstview system enables in-house lawyers to take a first view of the data and protect evidence which could be used in court.' Baldock explains that this will help in-house lawyers to provide less, but more relevant, evidence to external advisers, and, crucially, to reduce their legal spend.

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Javadizadeh says case management systems also have a number of other benefits: 'Technology can help new lawyers who do not have much experience of managing litigation risk. It also introduces some knowledge management to an in-house lawyer's practice.' For instance, he explains, when a company experiences a unique trend in litigation, the corporate legal department will be able to pinpoint risks very quickly, 'and make the necessary changes in practice to stop litigation risk and its costs'.

Other technology developments include blogs and wikis specifically tailored

Information at your fingertips: LexisNexis – a case study

The internet offers the promise of immediate access to an infinite pool of legal resources, but, ironically, the sheer quantity of data posted on the web also means that getting hold of the right information is sometimes like looking for a needle in a haystack.

While internet search engines have not succeeded in simplifying the research process, companies like LexisNexis and the Practical Law Company have developed online services that organise legal information and make it easy to find.

LexisNexis's KnowHow system is a practical online guide written and updated by lawyers, with information organised by topics. According to Jonathan Brewer, director of practitioner solutions at LexisNexis, the system is designed to provide lawyers with clear and succinct information.

'The system focuses on the real issues that most lawyers need to deal with on a daily basis,' he says. 'It provides the first layer of information sought. Generally, in-house lawyers do not want long pieces of advice – they simply want to know what the legal position is so that they can then deliver the best advice.'

The system has received a lot of attention from in-house lawyers since it was launched in 2006. Brewer says the system's ability to simplify the research process has allowed legal departments to take on more work in-house and reduce costs.

'KnowHow enables in-house counsel to do more of the work themselves. They do not necessarily need to go to outside counsel to ask all of the questions as the system itself can help them answer a number of these,' he explains.

Being able to find the right information at the click of a button can drastically reduce research time and costs. In that regard, services such as those offered by LexisNexis clearly have an important role to play within legal departments that are engaged in the race to reach ever greater levels of efficiency.

for the legal market. Blogs are shared online diaries that anyone can post comments on, while wikis are collaborative websites that internet users can directly modify. The use of these tools by the legal profession is quite a recent development, but they are slowly gaining informal popularity among lawyers.

Last but not least, Dey points out that checking the credentials of IT suppliers is crucial. 'When selecting a product,' he says, 'it is worth checking whether the supplier knows about the UK market. Are they familiar with VAT regulations and invoicing procedures? Can you get support capabilities in the UK?'

KEEPING UP

Once the initial obstacles are overcome, IT can be a major step forward for in-house lawyers. The right IT solution can help

in-house lawyers to be more productive, while cutting costs and giving them more control over their projects. IT can also improve a legal department's 'knowledge management' - essentially allowing in-house lawyers to repeat successes and avoid making the same mistake twice. Indeed, without proper case and document management systems legal departments will find it increasingly difficult to keep up with the growing demands of modern multinationals.

Making specific IT tools available to the legal team also has advantages for the company itself. IT helps to drive consistency between different departments and also keeps the knowledge in the company when people leave. Not finding the budget for IT or avoiding technology is certainly a fast train missed. IHL

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BREWER: right solution saves time and money

Legal IT menu: what's on offer?

ASCERTUS - WWW.ASCERTUS.COM

Ascertus is one of the only UK-based companies to focus entirely on providing consultancy and software solutions to in-house legal departments.

CT TYMETRIX - WWW.CTTYMETRIX.COM

CT TyMetrix produces popular e-billing, matter management and performance metrics solutions.

DATACERT - WWW.DATACERT.COM

Datacert is a global IT company, well known for its solutions in the area of electronic invoicing and legal spend. The company recently broadened its range of solutions by acquiring Corprasoft, a specialist in matter management products.

EKTRON - WWW.EKTRON.COM

Ektron provides companies with web content management tools and solutions. Its products can be integrated into a client's own custom-built content management systems, e-learning software, web e-mail and other web-based applications.

EMC DOCUMENTUM - WWW.DOCUMENTUM.COM

EMC Documentum offers a range of products for managing, delivering and archiving material, including text documents, spreadsheets, HTML text and e-mails. The system is popular with corporates and their in-house legal teams because it is easily integrated right across the company.

GUIDANCE SOFTWARE - WWW.GUIDANCESOFTWARE.COM

Guidance Software, a global IT supplier, provides solutions for digital investigations and e-discovery requests.

INTERWOVEN - WWW.INTERWOVEN.COM

Global vendor Interwoven is popular for document management and records management solutions.

KROLL ONTRACK - WWW.KROLLONTRACK.CO.UK

Kroll Ontrack offers consultancy and IT solutions for the collection, processing, investigation, production and presentation of electronic and paper-based evidence.

LEXISNEXIS - WWW.LEXISNEXIS.CO.UK

Well known for a range of books and online hard law products, LexisNexis is increasingly being used by in-house departments for electronic matter management and e-billing solutions.

MITRATECH - WWW.MITRATECH.COM

Mitratech is a US-based IT provider. It offers an integrated platform encompassing matter management, compliance and security solutions.

NEBULAS SECURITY - WWW.NEBULASSECURITY.COM

UK-based Nebulas Security provides IT security, data privacy and compliance solutions.

PRACTICAL LAW COMPANY - WWW.PRACTICALLAW.COM

This company offers software products for due diligence and transaction automation. The online due diligence software improves the process and risk management of due diligence and produces a database of target documents.

TRICOSTAR LEGAL - WWW.TRICOSTAR.COM

Tricostar Legal is a complete case management system, combining time and work recording, e-billing, document management and flexible workflow tools.