

# **Rethinking the Nature of Legal Services: Opportunities and Challenges**

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**VERICOMPLY**

*The long anticipated paradigm shift in the nature of legal service has arrived. The financial crisis has created an overriding imperative “to do more for less” and created a relentless focus on efficiency for both general counsels and the law firms that serve them. A recent industry publication from Hilderbrandt Baker Robbins and CitiPrivate Bank, describes the new imperative for law firms as “the necessity of focusing on efficiency in the delivery of legal services.” In The End of Lawyers?, Richard Susskind, a leading consultant on law and technology, makes the same point from the General Counsel’s view. The GC faces relentless pressure to cut internal staff, reduce spending on external counsel and find ways to comply with ever increasing regulatory and legal demands. While information technology and business process improvement are the logical solution, attorneys are not often ready to implement systemic changes.*

According to Susskind, innovative business models and “disruptive technologies” point the way out of the dilemma, “more for less,” a path most likely charted by entrepreneurs.<sup>1</sup> This paper first explores Susskind’s major themes about the nature of legal services and their transformation. Part two reviews how one entrepreneurial firm has developed a technology platform and a business model that facilitates the paradigm shift envisioned by Susskind.

## **PART I: SUSSKIND’S MODEL**

Susskind’s model answers three key questions about the paradigm shift in legal services: (1) What will legal services be like in the new paradigm? (2) What technology will deliver these new legal services? (3) Who will lead the paradigm shift?

**1. The nature of legal services in the new paradigm.** Susskind sees legal services shifting from the traditional method of customized face-to-face hourly advice on which law firms have built their business model to “packaged” legal services. These new services or “*legal products*” combine an attorney’s intellectual property of forms, legal research, and expertise with a web-enabled technology platform. Once legal services are packaged, however, Susskind anticipates that law firms will face commodity pricing pressures unless the firm can differentiate its legal product offerings through added value services, including resellers who can bring other benefits and a strong brand.

Susskind sees “decomposing and multi-sourcing” as critical in the packaging of legal services to reduce cost and increase efficiency. (Hildebrandt uses the term “disaggregate” to describe the concept.)<sup>2</sup> Susskind argues that “by

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<sup>1</sup> Richard Susskind, *The End of Lawyers* (Oxford 2008).

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<sup>2</sup> Hildebrandt Baker Robbins and Citi Private Bank, *2010 Client Advisory*.

decomposing legal work and viewing it with the eye of a systems analyst, rather than a lawyer” it will be possible to re-engineer the processes. After the tasks are decomposed and the optimal way of conducting each task is identified, the market will demand the proper sourcing of each task. Clients will be able to access the entire global market, including outsourcing to Legal Process Outsourcing (“LPO”) firms located in low cost markets who use best practices processes and technology tools. In “co-sourcing,” separate law firms collaborate to deliver a joint service to a shared client. Other tasks are suited to “home-sourcing” where work is delegated to stay at home lawyers. In sum, Susskind sees legal services being delivered on a technology platform which delivers packaged legal products and matches the correct labor source to each task to cost effectively deliver an integrated solution to the client. Traditional law firms are part of the new paradigm, but primarily to perform the high value work where their billing rates are commensurate with their value add. Hilderbrandt echoes this view and argues that law firms need to combine their services with “lower cost service providers” to remain competitive.

**2. Technology that delivers these legal services.** Susskind believes that disruptive technologies which “challenge the old ways and, in so doing, bring great cost savings and imaginative ways of managing risk” will be instrumental in the paradigm shift. Susskind notes that many of the current Web 2.0 technology trends affect the

delivery of legal services, including open sourcing, E-learning, relentless connectivity, and Wikipedias. The starting point for this transformation will be workflow and project management, the creation of closed legal communities, and data and knowledge repositories.

***Workflow and project management.*** According to Susskind, there is immense potential for the deployment of project management techniques to the law in order to “impose order on chaos.” To facilitate decomposing and multi-sourcing, IT solutions must enable a “just-in-time global supply chain” where many multi-sourcing suppliers contribute their expertise to a workflow system which is supervised by a project management company.

***Closed legal communities.*** In response to the relentless pressure to cut costs, in house counsel will seek to share compliance services built into online communities. Further, Susskind sees the use of technology to meld multiple outside law firms so they “collaborate and cooperate as though they were one virtual firm.” In fact, the DuPont Legal Department deployed this model to effectively reduce its legal expenses.

***Data and knowledge repositories.*** Technology will be used to share legal records (data) and the legal knowledge needed to resolve legal matters among law firms, in house counsel, and the business units of the corporate client. Susskind sees a model that requires external counsel to transfer legal records and relevant knowledge and to

access resources in the repository in order to create a “virtual law firm.”

Further, these repositories will evolve beyond the current model, focused on helping lawyers share data on complex deals, and instead will focus on routine legal work with an eye to cutting costs. Hildebrandt likewise notes that law firms must reconsider how to cost effectively perform “commodity” legal work to remain competitive.

### **3. Leaders of the paradigm shift.**

The General Counsel is the logical candidate to lead this fundamental change in the method for delivering legal services. However, GCs are busy people preoccupied with solving legal problems. Technology planning and implementation is seldom their core competency. Likewise, law firms generally lack the competency to lead the changes needed to increase the efficiency of legal services.

New legal services providers will most lead the paradigm shift, according to Susskind: entrepreneurs or business people backed by external financing who challenge “the very sustainability of the business model underlying traditional in-house departments and conventional law firms.” Likewise, Hildebrandt notes that law firms will need to “partner with other service providers to improve efficiency in service delivery.”

## **PART II**

### ***SmartDigitalVault: Platform for a New Paradigm in Legal Services***

Based on the review of Susskind’s model and the insights offered by Hildebrandt, entrepreneurial firms have an opportunity to bring to market an innovative technology platform that can: (1) support the development and deployment of legal products; (2) serve as the global workflow platform for deconstructing (or disaggregating) and multi-sourcing tasks; (3) support collaboration of closed legal communities; and (4) serve as a data and knowledge repository for enterprise legal content.

In response to this need in the market, VeriComply, an entrepreneurial firm devoted to innovative technology solutions for the legal and compliance market, has developed and commercially released the *SmartDigitalVault*. The *SmartDigitalVault* is the “next generation” legal content and process management platform that addresses each of the four needs described above.

**1. Development and deployment of legal products.** VeriComply has developed a process for rapidly creating a portfolio of branded legal products (*SmartApplications*) that operate on the *SmartDigitalVault*. The process consists of a Legal Process Improvement Consultant (or Legal Knowledge Engineer, to use Susskind’s term) working with legal specialists to integrate the legal expertise of the

attorneys into the *SmartApplication*. Each *SmartApplication* consists of: (i) Filing Maps, naming conventions, automated extraction rules and taxonomies which are best practice structures for organizing records; (ii) knowledge management tools including summaries, and other procedure manuals; (iii) resource center with interactive legal forms; (iv) forms of compliance and business intelligence reports; and (v) pre-defined workflows for legally intensive business processes. These *SmartApplications* can be quickly customized to meet each department's particular needs. This enables each business unit to increase productivity with a customized solution while the C Suite, General Counsel and compliance officers have a single platform creating transparency into every departmental record for enterprise risk management.

VeriComply is developing portfolios of *SmartApplications* and enhancing their value by creating a process to integrate the services of LPO labor trained in the particular law and record type. Further, legal experts can be connected to the appropriate "cabinet" in the *SmartDigitalVault* which provides them real time access to the information needed for accurate advice.

**2. Global workflow platform for deconstructing and multi-sourcing.** The *SmartDigitalVault* functions as the "just in time global supply chain" for deconstructing and multi-sourcing the labor needed to match a task to the correct labor source. For instance, a loan file can be input, the loan documents sorted with an automated

extraction engine, and the documents routed to specialized knowledge workers based on jurisdiction and law type, such as real estate documents governed by California law or corporate records governed by Delaware law. The task can be matched to the correct labor source to ensure the lowest overall cost for the process. For instance, the parties, date, and document title are automatically extracted. Then, each document can be audited by low cost labor for missing pages, exhibits and signatures. The increasingly complex tasks of summarizing legal provisions can be allocated to the appropriate legal expert. The client's traditional law firm then accesses the database of indexed legal records and summaries to prepare documents and handle the more complex legal tasks. Meanwhile, the *SmartDigitalVault* monitors the productivity and accuracy of tasks performed by each labor source and provides reports to the client or supervising attorney.

**3. Support collaboration of local counsel and client.** The *SmartDigitalVault* can serve as the central repository for a client's network of local counsel, specialized attorneys, and legal support service providers. For instance, as local firms are engaged to solve local legal issues concerning a loan workout, they upload documents into the secure *SmartDigitalVault* to share with other local counsel and the client. This benefits clients who can capture the value of the work product generated by their network of local

counsel and share it among all the other counsel. In essence, the client controls the process and has access to all the content created by its attorneys and other service providers.

#### **4. Data and knowledge repository.**

The *SmartDigitalVault* serves as both a legal data and knowledge repository. First, from each legal record input, the *SmartDigitalVault* creates a secure, locked-down PDF image for compliance purposes, an OCR file for full text search retrieval, multiple views of the record with function-specific sets of index fields for rapid sorting, a data file that can export “legally validated” data to other operating systems, and reports that can be sent to supervisors or outside counsel. On the knowledge side, the *SmartApplications* contain “Resource Centers” into which clients can organize forms, templates, manuals, and other

relevant legal knowledge with multiple classifications such as by state, document type or work unit. . These Resource Centers provide a single authoritative place to find the correct standard forms for access by the entire community of users.

#### **CONCLUSION**

The financial crisis has forced a long overdue restructuring of the paradigm for the delivery of legal services in order to provide “more for less.” It is clear that the *SmartDigitalVault* can perform the key functions needed to radically enhance the efficiency of legal services. Further, VeriComply is the type of entrepreneurial firm that Susskind envisioned as leading the paradigm shift.

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