

# Managing Digital Workflow and Digital Transformation for Lawyers and Legal Firms

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The Cyprus Best Legal Conference was started by Natala Kardash in 2015 in an effort to bring together leading legal firms and service providers to discuss current trends and issues in the legal profession as well as the wider status of Cyprus as an international business centre. In 2022, the Best Legal Conference focussed on the impact of EU Sanctions against Russia as well as issues related to energy prices, the high inflation environment and general political uncertainty.

In this milieu, a key issue affecting many legal firms is higher productivity in terms of work organisation and task management, as well as higher productivity in marketing. These constituted the subjects of two presentations made by Philip Ammerman, founder and managing partner of Navigator Consulting Group.

The first presentation was entitled “Managing Digital Workflow”, and addressed the issues of how legal offices could work more productively through a process of digital transformation. Digital transformation is defined as:

*Digital transformation refers to converting work processes, activities and business models to meet digital economy requirements until the company is a **fully networked digital organisation**.*

Navigator Consulting believes that this should be a strategic process. In other words, any legal firm or lawyer embarking on a digital transformation journey should first understand its value chain, which it should use to implement a business logic analysis and workflow analysis in full. Only once this analysis is completed should the legal firm begin a technology-driven digital transformation journey.

Michael Porter (1985) defines a value chain as:

*The idea of a value chain is based on the process view of organisations, the idea of seeing a manufacturing (or service) organization as a system, made up of subsystems each with inputs, transformation processes and outputs. Inputs, transformation processes and outputs involve the acquisition and consumption of resources—money, labour, materials, equipment, buildings, land, administration and management. How value chain activities are carried out determines costs and affects profits.*

At Navigator Consulting, we organize our value chain around the successful, rapid and accurate provision of consulting services, which we call project management. We know that by managing projects successfully, we can measure our success as an organization as well as the viability of our current and future strategy.

**Figure 1: The Consultancy Value Chain at Navigator Consulting**

**PRIMARY ACTIVITIES**



**SUPPORT ACTIVITIES**

Legal organisations are much the same. While many legal professions might term project management as “case management”, the ultimate goals and outcomes are much the same. Both consulting organisations and legal firms are organized around the application of knowledge in a specific work context, bound by specific precedents in terms of performance according to established standards.

Navigator’s Primary Activities, as defined by Michael Porter, include:

- Project Management: Managing assignments and contracts rapidly and accurately;
- Practise Management: Building communities of knowledge and expertise based on common projects and assignments;
- Client Management: Ensuring appropriate management of primary and secondary clients as well as other stakeholders necessary for success.

Navigator's Secondary Activities are defined in Figure 2, below.

- Managing Digital Assets and Infrastructure;
- Finance and Accounting;
- Knowledge and Data Management;
- Marketing and Sales / Innovation Management;
- Talent Identification and Management.

Each lawyer and each legal firm must understand the specific components of its own value chain, including issues such as:

- Project and task management;
- Case management;
- Accountability;
- Communications and transparency standards;
- Data security and accessibility;
- Client access to data and working product;
- Workflow and staff availability;
- File and record management.

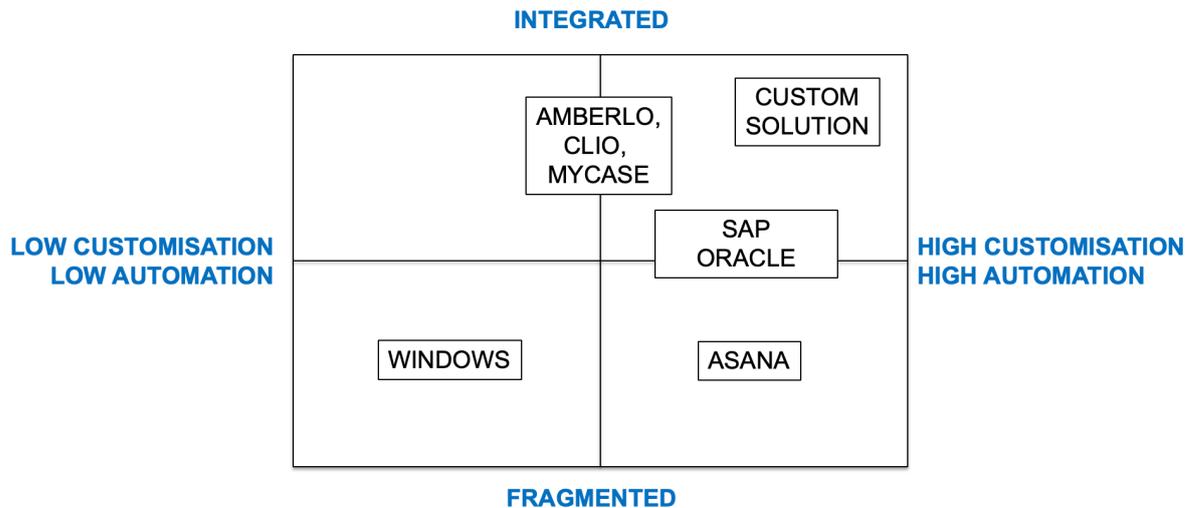
While larger and well-established legal partnerships often have these procedures well-documented and safeguarded, many smaller legal firms do not. (This applies to consultancies, accounting firms, and a wide range of other service firms as well).

It is only once these core issues of workplace and work organisation have been determined that legal firms should embark on a digital transformation journey.

At stage, one of the key issues faced by many legal firms is the selection of digital tools and platforms they will use in this journey. The decisions that need to be made typically stem from two key areas of uncertainty:

- To choose an integrated versus a fragmented system;
- To choose an approach with low customization and automation, versus high customization and automation.

The decision matrix is seen in Figure 2 below.

**Figure 2: The Digital Transformation Decision Matrix for Legal Firms**

Each of these quadrants represents a viable strategy, but one which is increasingly influenced by exogenous factors. For example, a legal firm could agree to continue its operations in a traditional way, using MS Windows and related applications. Such a solution offers low customization and is fragmented, with data requiring re-input between many different applications. Such an approach is nearly risk-free. But for how much longer will customers accept this as a solution? For how much longer will regulators?

A partial system involves using off-the-shelf systems for specific solutions. For example, a legal firm could use Asana for team management; Google Calendar for scheduling; Slack for client communication; and Zoho Books for timesheet management. This would involve selecting a “best in class” application to manage a specific internal workflow, but obviously then results in low customization and high fragmentation: even though task and team management could be implemented with document management on Asana, critical issues like scheduling or time sheet management would need to be hosted in other applications, and re-uploaded to Asana.

One step up from that would be to implement a standard ERP solution such as Oracle or SAP. These are incredibly powerful platforms, but experience from a number of clients shows that the front end interface is complex and not user-friendly in many respects, while generating reports can be difficult unless a third-party reporting platform is also used. The greatest difficulty of the ERP approach, however, is the dependence on the legal firm / client on finding a qualified software integrator who can set up a legal ERP competently and quickly. This is not always the case.

A solution for legal firms that is more integrated is to use a software suite that is custom-made for the legal profession. In Cyprus, the Zygos ERP application is such an example. In North America, Amberlo, MyCase and Clio are a few examples of integrated ERPs for the legal profession. While these platforms do have a high degree of integration, it can be difficult to develop custom-made changes or reporting to the applications.

The apex of digital transformation for legal firms would be a custom-built solution. Such a solution would handle all internal value chain operations, but also provide hierarchical, protected assets for customers and extended legal case teams. All logins would be monitored, and if possible, a dual protection system, comprising encrypted files with a primary login and secondary encryption key should be considered. Such a system is expensive to develop, but as legal firms scale up, it is often cheaper to manage internally than to rely on user fees for hundreds of users.

One thing is certain: as we enter a more digitally-connected world, legal firms are going to see rapid changes in their workflow and overall positioning within legal markets. Some of the key impacts of digital transformation in the legal sector include:

- A flattening of hierarchies as knowledge workers develop their expertise more rapidly;
- A transparency in terms of information, as court decisions become computerized and artificial intelligence makes it easier to implement basic research;
- A growing complexity, as the economy and society transform, leading to new legal requirements, precedents and cases.

Indeed, given the rapid rise of artificial intelligence, big data and machine learning, we should not be surprised to see a growing share of future legal services being turned over to AI-powered legal intermediation. For example:

- Simple contracts, such as prenuptial agreements, divorce agreements or property purchases, could easily become automated through AI prompts and linked to a distributed ledger utilizing a “smart contract” approach. Any reported breach of contract could then automatically trigger sanctions or penalties.
- Arbitration agreements will rapidly be passed over to AI, at least for more standardized resolution cases.
- In the future, I imagine that entire trials in certain areas might be handed over to AI, with a resolution granted in a matter of minutes. An appeal to this process might then escalate to a judicial review or to a full trial.

It is important to think of AI and big data as complementing human legal counsel, not replacing it. We see this same process at work on the factory floor, where robots and automation now complement human labour, leading to the rise of the term “cobot”: a co-worker robot.

Whatever the future may hold, lawyers and legal firms need to start the process of digital transformation today. This has become essential in an age of higher client transparency and involvement, and greater disruption to productive workflow due to complexity.

Please contact us for consultancy support in digital transformation for lawyers and legal firms, as well as wider professional services.

### **Contact Info & Bio**

Philip Ammerman is a consultant in the fields of investment advisory and digital transformation. He studies and supports the impact of technology-led and investment-led growth in “real economy” firms as well as tech start-ups. He is the founder of Navigator Consulting Group and several other firms. Philip started his consulting career in 1992, and since then has implemented over 400 projects with a total investment amount of € 6.5 billion.

Philip studied at Princeton University, Cornell University School of Industry and Labour Relations, Oxford University and the University of Barcelona. He is a consultant to the European Institute of Innovation and Technology (EIT), the European Innovation Council (EIC), the European Commission, the European Bank for Reconstruction and Development (EBRD) as well as a wide range of investment funds, venture capital firms, large corporates and others. Philip is based in Limassol, Cyprus.

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