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Legal Tech's Predictions for Business of Law and ALSPs in 2021

Many attorneys, technologists and legal experts expect continued change in the legal ecosystem in 2021. But it's not just alternative legal service providers—it's how law firms and corporate legal departments fundamentally interact with their data, their people, and even each other.

By Zach Warren | January 07, 2021



Law.com's Breaking Tradition (<https://www.law.com/special-reports/breaking-tradition/>) series launched in August 2020, and we wanted to start it then because we felt the practice of law was at an inflection point: where traditional law firms still held the upper hand, but the influence of alternative legal service providers (ALSPs) and non-traditional law firms could no longer be ignored as a driving force in the industry. Given the changing rules surrounding ownership of law firms, increased legal hiring from the Big 4, and more, that inflection point has only become more stark.

Many attorneys, technologists and legal experts think change in the legal ecosystem will only continue to accelerate in 2021. But it's not just ALSPs on their mind—it's how law firms and corporate legal departments fundamentally interact with their data, their people, and even each other. Here's what they believe will be new for the business of law in the coming year.

This is the final part in a seven-part series of 2021 predictions from Legaltech News. Last week saw our 2021 predictions for e-discovery (<https://www.law.com/legaltechnews/2020/12/28/legal-techs-predictions-for-e-discovery-in-2021/>), cybersecurity (<https://www.law.com/legaltechnews/2020/12/29/legal-techs-predictions-for-cybersecurity-in-2021/>) and privacy (<https://www.law.com/legaltechnews/2020/12/30/legal-techs-predictions-for-privacy-in-2021/>), and earlier this week our predictions for legal technology innovation (<https://www.law.com/legaltechnews/2021/01/04/legal-techs-predictions-for-legal-technology-innovation-in-2021/>), tech regulation (<https://www.law.com/legaltechnews/2021/01/05/legal-techs-predictions-for-tech-regulation-in-2021/>) and remote working/COVID-19 (<https://www.law.com/legaltechnews/2021/01/06/legal-techs-predictions-for-remote-working-and-covid-19-in-2021/>). The quotes below are in alphabetical order by name, and some have been edited for length.

Jason Brennan, acting CEO, Luminance: “There’s no denying that alternative legal service providers (ALSPs) are making their mark on the legal sector, and I think 2021 will be the year that we really start to see these firms become heavyweight players that rival even the most successful global law firms. Deloitte UK’s recent acquisition of Kemp Little, which doubled the size of its UK legal practice overnight, is a perfect example of this shift. PwC and Deloitte now employ more lawyers than most law firms and 23% of large firms in the UK and U.S. say they have lost business to the Big Four, so it’s clear that ALSPs are proving disruptive.”

Michael Callier, VP & head of solutions consulting, Factor: “In the wake of COVID, the realities of how legal services are delivered and retained must contemplate some permanent changes. The ALSP strategy focuses on unlocking the potential of talent (lawyers and allied professionals) in the legal ecosystem. Our hope is that 2021 will bring more emphasis on organizational health and relationships. Oversold, poorly implemented technology has led to exhaustion, and we expect a shift back to existing tools, with more resistance to third-party platforms. ‘Winners’ will be those organizations that bring together the best of all worlds: legal tech, legal expertise, business objectives, and process efficiency, which will lead to cross-category consolidation.”

Adrian Camara, CEO, Athennian: “Demand for paralegals will continue to greatly exceed demand for lawyers, as more legal work is industrialized, and the lawyer monopoly is eroded by regulatory innovation. Paralegals are better positioned to leverage technology and operate processes. Both consumer and business legal markets want outcomes to be cheaper, faster, and easier. Paralegals are better positioned to operate systems that deliver those results.”

Oliver Campbell, head of practice operations, Hogan Lovells: “The narrative will pivot from ‘doing more with less’ to ‘doing more with what you already have’ as people focus more on the adoption of existing tools and return on investment. This will begin to close the perceived ‘innovation gap’ as clients see increasing benefits from the wider adoption of the solutions law firms have invested in. Savvy law firms will go further and look to help clients embrace the enterprise solutions already available to them internally—which may not be the specialist legal tech tools on which we normally focus—to create efficiencies for the legal team.”

Nathan Cemenska, director, legal operations/industry insights, Wolters Kluwer ELM Solutions: “Much has been made of COVID accelerating the trend toward ALSPs, but it isn’t clear how much of that acceleration was really caused by COVID vs. going to happen regardless. We do expect ALSPs to continue growing, but the reality is that most of the activity in this space, by dollar volume, still falls into a handful of ‘process-oriented’ categories like e-discovery, document review, IP and contract management. In the near term, a much bigger threat to law firms is insourcing: Law firms losing business and talent to their own

clients. In-house attorneys have tripled over the last 20 years, where law firm attorney headcount has only grown by 27%. Headcount might not grow much in 2021 because not all organizations can afford it, but we expect CLDs that do have the funds to pursue more insourcing.”

Barry Dark, CEO, Legality: “New Law’ as a category is here to stay. The term ‘ALSP,’ while still relevant, doesn’t fully encompass everything today’s New Law companies can offer. New Law providers will continue to differentiate from cost-arbitrating ALSPs by focusing on underlying processes that deliver strategic benefits to clients.”

Michael Ellenhorn, founder and CEO, Decipher Competitive Intelligence: “Expect the 2021 legal talent market to be chaotic. With non-performing partners exiting high-performing firms and high-performing partners exiting non-performing firms, the trick for law firms hiring will be figuring out which is which. Market leading firms will look to extend their competitive advantage, post-pandemic, by continuing to hire aggressively. At the same time, as the dust settles on 2020 financial results, partners will begin to examine their career options—some involuntarily. For acquiring firms, the task of sorting through these lateral candidates will be more challenging than ever.”

Chris Farmakis, shareholder, Babst Calland and president, Solvaire: “Captive ALSPs run by Big Law will begin to lose ground to independent ALSPs and captive ALSPs operated by mid-sized firms. The latter will offer a more compelling value proposition based on price structure, efficient processes and a more complete understanding and usage of legal technology. In the end, the Big Law financial model and its captive ALSPs financial model are in conflict with one another. This conflict will start to erode Big Law’s captive ALSPs competitiveness and market share.”

Scott Forman, shareholder, Littler Mendelson and founder, Littler CaseSmart and Littler onDemand: “In an increasingly virtual environment, it won’t be enough to offer clients one-off technology and data analytics solutions. In 2021, law firms will need to increase their inventory of technology-based services and move toward an integrated ecosystem of such solutions—one ingrained into the fabric of their operations and which acts as an extension of their clients’ legal operations. By accumulating and analyzing high volumes of data, firms can provide clients with actionable insights to shape litigation strategy, spot trends and make business decisions. It also benefits a firm’s internal operations, strengthening such areas as pricing analyses, profitability and staffing.”

Russ Haskin, senior director, business of law consulting, Wilson Allen: “The baby boomer generation is rapidly retiring—leaving a large void in the leadership of law firms that did not plan ahead. In a business environment where we speak endlessly about pricing, alternative fees, and new ways of doing business to drive revenue, there are literally billions of dollars in legal work at risk of coming to an end as partners retire. Given the potential business impact of losing clients when an attorney retires, in 2021, firms that use relationship intelligence and data management effectively to inform succession planning will have a leg up on those who don’t.”

Danielle Haugland, global alliance director, Agiloft: “The competition between law firms and ALSPs will only get hotter. Next year the regulatory landscape around unauthorized practice of law and the ownership of law practice will continue to evolve and gain momentum. Meaning law firms will hasten their decisions around how they can compete. Choosing whether to expand their service offering to include more ALSP-like services or focus in on sophisticated legal work. Exploring the value of teaming up with best of breed legal tech companies or building their own proprietary solutions. The competitive landscape will not be settled in 2021, but we will see more firms ‘choose sides’ and invest in their respective choices.”

Lori Lorenzo, research and insights leader, Chief Legal Officer program, Deloitte: “The legal department’s investment in and use of technology has accelerated considerably this year as businesses hurtle through massive digital transformations amidst ongoing disruption. In 2021, I expect to see a

continued focus on legal department transformation as legal departments continue to navigate increased workloads and rebound from forced headcount reduction actions, in some instances looking more intently at alternative legal service providers and the potential value these relationships can bring.”

Ari Kaplan, principal, Ari Kaplan Advisors: “Many of the perspectives in my research over the past few years indicate that we are entering a golden age of legal. The interconnection between existing and emerging technology is seamlessly aligning with new ways of approaching the profession’s most critical challenges. Distributed teams are collaborating more effectively and productively than ever before, across disciplines, time zones, and organizations. Hierarchies, historical barriers, and unnecessary inefficiencies are being replaced by a broad commitment to equity, investment, and reinvention. I see an era of recovery and renewal on the horizon.”

Yvonne Nath, CEO, ALSP Advisor: “Consolidation and a blurring of lines among different types of legal service providers: mergers of law firms with law firms, ALSPs with ALSPs, and law firms acquiring ALSPs, with a focus on improving operational efficiencies and profitability. Longer-term: more law firms will be run under corporate models, and law firms and ALSPs will both be called ‘legal service providers.’ The B2B legal service providers of the future will compete on how well they can provide demonstrably valuable solutions to business problems with legal elements.”

Jon O’Connell, partner, Crowell & Moring: “We expect to see continued growth in the legal operations profession in clients’ in-house legal departments—and not just clients that have large, several dozen member in-house legal teams. We are seeing clients consider legal operations roles as one of the first few hires when building out an in-house team. Legal operations professionals serve a valuable role in catalyzing change within in-house legal departments, often championing technology and process improvements that promote greater efficiency and collaboration, both internally and with outside counsel.”

Bryan Parker, CEO, Legal Innovators: “In 2021 we expect that ALSPs will continue to play an expanded role in the industry, partnering with law firms and corporate legal departments, assisting them in rationalizing their costs, as efficiency and margin expansion will be at a premium. Additionally, ALSPs should also aid these entities in reaching their stated goals in the areas of diversity, equity and inclusion. The later point, specifically diversity, will remain a central focus in the legal industry in light of the social unrest we saw around the killings of unarmed black Americans by the police in the summer of 2020.”

Jef Rovner, managing director for information, firmwide administration, O’Melveny & Myers: “I predict 2021 will mark a turning point in the adoption of data analytics across the legal industry. Until now, a small percentage of firms have created tools to analyze their own data. And all firms have long relied on the data analytics tools provided by the big legal research vendors. But a third option is gaining traction, in which law firms and legal departments combine their proprietary internal data with Big Data from external vendors. This hybrid approach is already generating valuable insights in legal research, document drafting, pricing, and business development, to name only a few applications.”

Alex Smith, global product management lead, iManage RAVN: “The future of legal education is changing. Where does technology fit? Honing legal tech qualifications is one way today’s lawyers can stay competitive and engage more successfully in an increasingly digital world. Learning to interact with data and tech can turn a good lawyer into a great one, and universities and law programs are catching on. We’ll continue to see growth in legal practice course providers and law departments offering initiatives to build innovation skills that future lawyers will be expected to have—like AI, intelligent search, data analytics—to cultivate a system of ‘work-ready’ graduates.”

M.C. Sungaila, leader, Appellate practice group, Buchalter: “Video appellate arguments will remain in 2021, particularly in the federal courts of appeal so long as lockdowns continue to make cross country travel uncertain. There are some collateral effects from this increased use of remote proceedings: (1) attorneys, courts, and rule making bodies may need to revisit what constitutes the official record on appeal, and

attorneys will need to adapt their record preservation methods; and (2) the courts' resulting increased familiarity with technology may make it easier to pass proposed rule changes in California, Arizona, and other states to allow technology platforms and nonlawyers to do the job of lawyers—which would change the profession forever.”

Dan Tacone, president and chief client officer, Intapp: “Deborah Farone’s book *Best Practices* cites many of the on-coming changes facing legal services—one of them is the demise of agency of record; clients now curate their legal services and providers. Many firms may touch parts of a matter means there will be more data. Connected data management; the ability to surface insights from that data and suggest actions based on those insights is the future. The business of law already relies on a client engagement lifecycle for end-to-end matter engagement. It will come to require connected data management as the changes Deborah discusses take root.”

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