



Jersey Finance

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Lawtech:

Taking Jersey Law Firms to the Next Level

As legal technology continues to take major leaps forward, Jersey and its highly regarded law firms have an opportunity to position themselves at the cutting-edge of these advances.



Law firms play a critical role in Jersey's financial services sector and the Island's economic strength. Advances in legal technology (lawtech) are giving firms the opportunity to bolster their importance even further. While this tech has taken some time to gain traction, its transformative impact is increasingly being felt in legal services around the world.

Lawtech is a catch-all phrase that has more recently been used to include solutions, including artificial intelligence (AI) – technology that enables 'machines' to reach decisions autonomously from human beings. Lawtech is defined here as any relatively new technology that is used for legal practice purposes, including AI among others.

If Jersey law firms want to build on their strengths, they will need to harness lawtech effectively. The services provided by lawyers are personal by nature, so the tech must be seen as enhancing, rather than eroding, lawyer-client relationships. It also has the power to help reduce friction and create efficiencies.

While lawtech itself may provide boundless opportunities, Jersey's robust regulatory regime and supportive infrastructure has a vital role to play in sustaining any future success.

The current use of lawtech in legal practice

Lawtech can support lawyers' work in a number of different ways, including:

- **Document reviews (including contract reviews and analysis)** – These systems usually work by identifying and/or matching keywords, phrases and patterns. They speed up the review process, reduce human errors and free up lawyers to undertake higher value work.
- **Expertise, analysis, predictions and strategy development** – Sophisticated tools are available that allow for contextualised review and prediction of the likelihood of a range of outcomes, whether in negotiations, mediation or litigation.
- **Legal research** – Most lawyers will make extensive use of digital legal research tools – these are perfectly suited for automation.
- **Tools that support legal work and legal practice management** – There are a wide variety of other systems and products, such as augmented case management systems, which combine storage, retrieval, scheduling, document formatting and court filing.

Adoption of lawtech varies widely; many international law firms, including so-called BigLaw, are investing heavily, including in AI-enabled systems. Some have their own tech start-up hubs, while others are collaborating with technology houses. Boutique practices are also making niche investments to support specific areas of focus.

Many small to medium-sized law firms in multiple jurisdictions remain relatively untouched by lawtech. This is predicted to change within the next five years and provides these firms with real opportunities for growth.



The benefits of using lawtech

Lawtech has already shown that it can bring clear benefits across the legal sector – to individual firms and chambers, the profession as a whole, or for a jurisdiction.

If firms can use technology to reduce the amount of routine, low-value work that their employees get tied up in, it frees up time for client interaction and undertaking more complex legal work. In return, this high-quality work helps attract and retain top-calibre staff.

Mitigation of risk is also important. Technology can help introduce standardised processes, meaning data has to be entered less often, so reducing the number of potential errors. Clients also benefit from this, as their experience of the firm involves less friction. The service becomes more professional and client-centred, and it's also easier to transact business remotely.

Time and cost reduction remain a major incentive for embracing technology. Many firms consider technology essential for being able to offer value for money, while some approach technology to drive cost efficiencies, and others view it as a way to increase profits. An increased use of technology provides a great opportunity for firms to achieve some or all of these objectives.

It's not surprising then, that in a 2019 lawtech report by HSBC UK and The Lawyer magazine, 81% of UK respondents identified technology as the item that is the most strategically important to their firm.

A new way of thinking

Traditionally, law firms employed very few technology officers, or business and operations managers. When they did, these roles often supported the partnership, rather than being the driving force behind change. This picture is changing quite rapidly.

Firms at the forefront of technological innovation tend to have senior-level chief technology officers or roles with similar responsibilities. These individuals are able to leverage their expertise, secure funding from the firm and often make profound change happen, not just in back-office systems but also in lawyers' working practices.

Many lawtech innovations have been developed through partnerships between lawyers and technologists. At the same time, those outside the legal profession have brought technology and service innovation and expertise from other sectors to expand lawtech solutions.

Overcoming lawtech hurdles

The increased use of AI in legal services raises fundamental questions about the nature of legal practice, the identity and practice of being a lawyer, and the nature of professionalism itself. So it's not surprising that there may be some resistance within law firms.

What's more, technological developments are only as good as people's ability to get the most out of them. Law firms at the technological frontier are investing heavily in change management and digital skills, as well as tech adoption.

Some firms are keen to invest in technology but need support with identifying where best to spend their money, and what business benefits can be expected from their investment, before being willing to commit to expenditure. This expertise is becoming increasingly available.

There are a number of other obstacles that firms are addressing when looking at their current situation and how lawtech could help drive them forward.

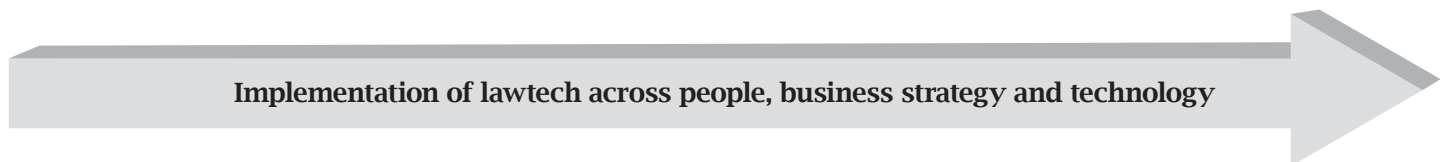
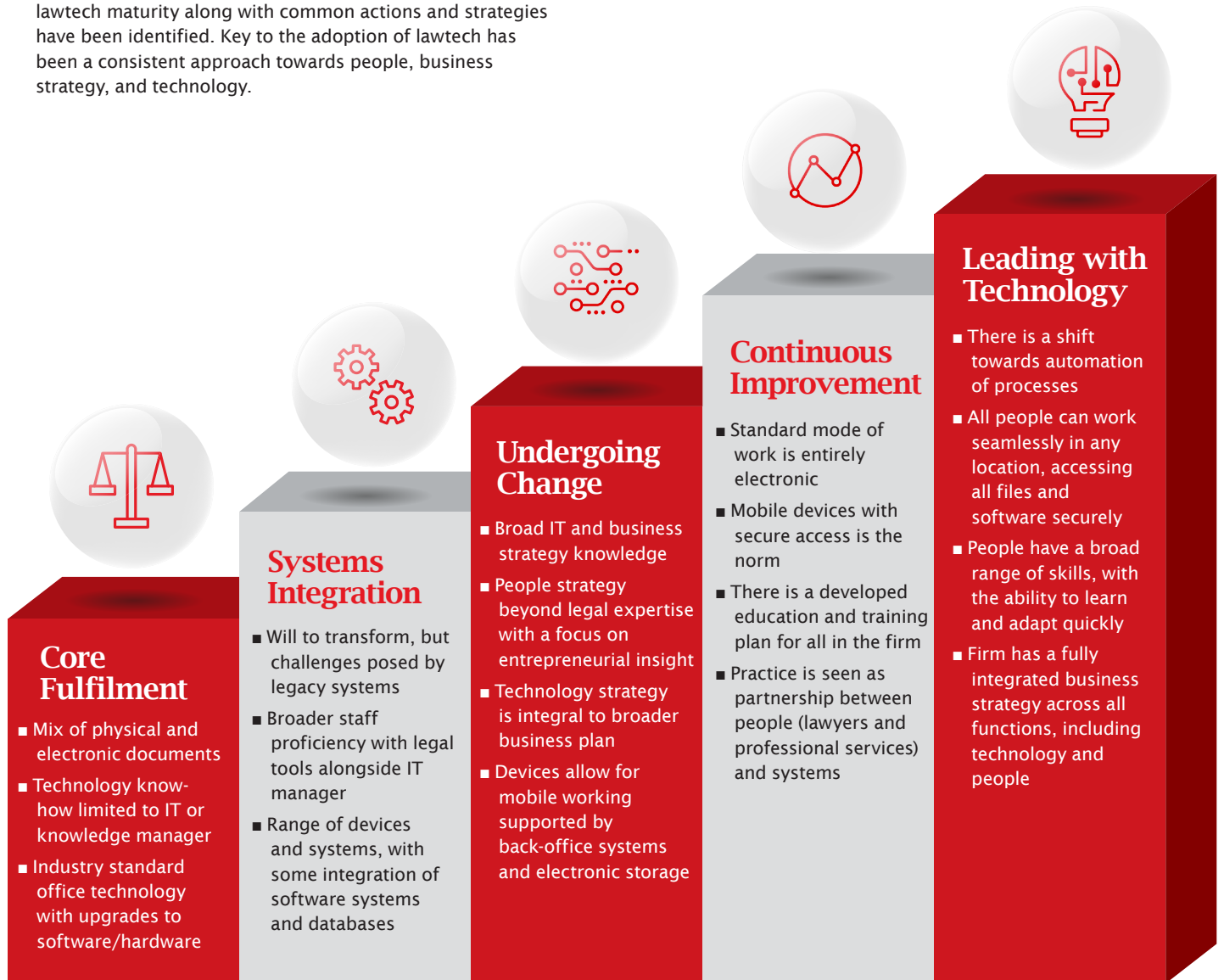
- **Technology expertise** – The need to attract or buy in technical help to support wider lawtech adoption, including help with software development, maintenance, data analytics, data security, and data cleansing and migration.
- **Legacy systems** – Dealing with a complex web of ageing systems that don't interact with each other can be both difficult and costly. Very few new systems are compatible with legacy systems and none offer a full-service package – law firms need to purchase multiple systems to service all their technological needs.
- **Technology costs** – The cost of investing in a whole new suite of back-office systems presents a challenge, especially when it needs to be tailored to the specific needs of a Jersey-based firm, or one which operates across multiple borders and jurisdictions.
- **Concerns about data** – With cyber security and privacy at the front of corporates and individuals' minds, there are bound to be challenges. Data security, data migration from old systems to new ones, and quality of data sitting in firms' repositories all need to be considered. As does whether this data could actually be used as the basis for analytics or the training of algorithms. Digitising large volumes of paper may well be necessary before lawtech can be brought in.



A maturity ladder for lawtech adoption in Jersey

There is no one size fits all approach to the adoption of lawtech within Jersey-based law firms. Firms are adopting the most appropriate solutions that meet the needs of their business and clients.

However, through our lawtech research, five stages of lawtech maturity along with common actions and strategies have been identified. Key to the adoption of lawtech has been a consistent approach towards people, business strategy, and technology.



Jersey as a proving ground for lawtech

There are often external factors that pose challenges for law firms when it comes to embracing lawtech, such as regulatory or ethical issues that need to be addressed. There may also be considerations around infrastructure and the availability of staff with the right skills and experience.

These factors are less of a consideration for Jersey and there are a number of reasons why it is an ideal jurisdiction for using lawtech and developing the associated expertise.

With its robust regulatory regime, advanced digital infrastructure and longstanding financial services expertise, Jersey has the enabling factors in place for innovation.

That said, it's important to play to the jurisdiction's strengths. As an international finance centre, Jersey is renowned for the high quality of its bespoke legal services, and its law firms handle complex cases that may be lawtech-enabled, but not routinised and automated. This means that some of the power of AI may not always be relevant or the most appropriate solution.

Why Jersey for lawtech?



Jersey can be agile and take up opportunities swiftly.



Law firms are well placed to partner with fintech leaders given Jersey's financial services strength and its fintech excellence.



Regulation can prove to be a catalyst for innovation, and the ability of law firms in the Island to easily engage with the regulator regarding protocols is a distinct advantage.



There already is client demand for greater use of lawtech and that will drive practice improvement and opportunities.

Taking lawtech forward

Gaining lawtech buy-in from senior management is key and it can be difficult to sell the importance of innovation to leaders in law firms. Knowledge gaps within firms are often seen as a challenge and there remains a relative lack of investment in digital transformation.

It's evident, however, that clients can be better served through lawtech and firms can benefit from all of the factors highlighted above, as well as from first-mover or early-adopter advantage.

Firms that have the right people in place, and have an ability to move at speed by being less hierarchical, can benefit from being in jurisdictions, such as Jersey, that can be more flexible and nimble in responding to industry opportunities.

In a recent Jersey Finance report, *The Opportunities and Threats Posed by Lawtech to the Legal Industry in Jersey*, produced in collaboration with the University of Birmingham, participants that were at the forefront of technology adoption stressed the importance of focusing on the cultural change work as the key to innovation, with technology being the enabler rather than the driver.

In the absence of an innovation culture – and the right people with the right skills, knowledge, capabilities and attributes – the technology is unlikely to yield real benefits for the firm or its clients. With all the appropriate processes and support in place, however, the opportunities for those Jersey law firms that adopt lawtech are considerable.

Disclaimer: This factsheet is only intended to provide a general overview of the subject matter. It does not constitute, and should not be treated as, legal advice.

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