THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING
DIGITAL TRANSFORMATION

Law Firm Resilience and Innovation in Changing Times

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About us & topics

Topics:

Introduction
Market Insights
Digital Strategy
Getting Started
Q&A

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Universal truths of law firms

What’s (allegedly) happening in the market?

• Bigger firms are getting bigger
• The billable hour model will never change
• Associates become partners – that’s all that matters
• Lawyers run firms – non-lawyers aren’t at the big table
• Legal services are protected from new entrants
• Innovation in legal services has been talked about for a long time, but has not delivered
A differing perspective

Why is this important now?

• New Law and Legal Tech is rapidly picking up pace
• Cloud technology is becoming easily accessible and inexpensive
• Liberation and deregulation
• Big Four Law
• Pricing sensitivity, rate pressure, and contingent fee-based models are normal
• Digital expectations of new associates are increasing
• Smaller/regional firms have huge potential for increased agility and adoption of innovation
• Law firms are innovating (incremental vs. disruptive)

• COVID-19 has forced law firms to really focus on technology and resilience, and will continue to disrupt the market in the future
Impact of COVID-19

Never before has it been so important to be agile. As illuminated by the ongoing COVID-19 pandemic, technology and digital transformation are no longer optional:

- 75% of organizations were unprepared from a business continuity perspective.
- <50% of organizations have a digital strategy, though the majority are increasing digital spending.
- 70% of customer interaction will be led by technology by 2022, as consumer expectations change.
Common technology issues and risks

RSM has commonly seen insufficient investment in, or ineffective deployment of, technology resulting in the following:

- Security Risk
- Financial Risk
- Technical Obsolescence

In our recent experience, organizations with a historic lack of investment in technology have been disproportionately affected by COVID-19.
Digital trends (Prior to COVID)

72% of organizations will increase digital transformation spending over the next three years.

However, the same survey has shown that many companies are pursuing digital efforts without a fully developed strategy.

Over the next three years 84% of companies expect the amount of investment in customer experience technology to increase.

MOST LIKELY ACTION ITEM FOR DIGITAL TRANSFORMATION

- 55% Increasing spend on digital solutions
- 48% Investing in education programs on digital for employees

94% of companies have a digital road map.

Only 48% have a fully developed digital strategy.
Disruption in our own sectors

The extent to which digital technologies are disrupting industries varies across segments, and the associated risk from digital and technology is summarized below.

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<th>Consulting</th>
<th>Audit &amp; Tax</th>
<th>Human Capital</th>
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- **Impacted by digital / technology**
- **Partially impacted by digital / technology**
Disruption in the legal sector – simple view (??)
So, how can a law firm begin to approach digital transformation and innovation to build resilience?

1. Ask questions and have conversations
2. Understand the technology landscape and the solutions that work for the legal industry
3. Understand the potential benefits, and the risks, of doing something
4. Enable an innovative environment where digital transformation can begin organically
5. Execute the digital strategy
1. **Ask questions and have conversations:**
   - Is technology meeting the needs of the firm?
   - Do executives see that technology is meeting customer needs?
   - Do you have the right tools and resources to be successful?
   - What opportunities have already been identified that could lead to cost reduction?
2. Understand your internal technology landscape and the solutions that work for the legal industry
Emerging cloud-based technologies

Robotic Process Automation
• Cost of robot a fraction of FTE, work up to 5x faster 24/7
• Reduction of human error rates → enhanced compliance and security
• Robots can easily replicate and scale activities to meet peak or atypical workloads

Finance Automation
• Automated account reconciliation & task management → 75% reduction in close cycle time, 50% in time spent
• Strong audit trail & ease of information exchange with auditors

Artificial Intelligence
• Advanced process automation
• Strengthened analytical capabilities
• Learns, adjusts, and improves

Insights & Analytics
• Analysis of business transactions and data for actionable insights
• Forecasting capability of key metrics to increase efficiency
Approach to innovation

3. Understand the potential benefits, and the risks of doing nothing.

Commitment to increasing digital maturity can drive major organizational efficiencies via technology-enabled business transformation.

**Legacy systems lead to:**
- Staff being tied up with manual, repetitive tasks
- Frustrations from long hours working against technology
- Less effective workforce output – which affects the top line
- Potential security concerns and unquantified risks

**Immediate benefits of increased technology maturity include:**
- Cost reduction and positioning for success in the market
- Future scalability, resilience, and agility
- Talent attraction and retention as modern work practices are engendered
- Enhanced customer experience through increasing expectations for online services
4. Enable an innovative environment where digital transformation can begin organically.
A true culture of innovation can be supported by:
• Actively engaging with employees
• Personalizing experiences, and
• Using technology as an enabler to develop and retain employees

The impacts of embracing technology and modern workplace practices are substantial. For example, considering that 2/3 of people would be satisfied going to a full-remote working arrangement:

50% less turnover can result from an organization offering the ability to work from home

80% of employees reported a greater sense of loyalty to their employer if they were able to work from home
5. It’s important to just get started
This involves understanding and evaluating technology in the context of your firm:

Discovery
During the initial phase, spend the time to learn about and understand your firm and technology.

Analysis
The second phase is to aggregate and assess the information to determine viable opportunities and solutions to meet specific needs.

Strategy
The third stage of process is to review the list of viable opportunities and build the future-state of the organization based on the results.

Roadmap
The final stage of the process is focused on building an actionable roadmap and execution plan to guide your efforts into realizing the defined strategy.
Approach to innovation – Critical success factors

**Keys to success:**
- Be agile; assess and readjust
- Focus on foundational concepts; start with low-complexity cost-reducing initiatives
- Seek help when necessary and obtain buy-in from leaders
- Empower teams to evaluate new technologies and approaches
- Continuously revisit application strategies

**Additional considerations:**
- Do you know who is accountable for innovation at your firm?
- Is someone already looking at how your industry is being disrupted by technology?
- Are you concerned?
- Who is doing horizon planning, and is technology a foundational element?
- Have you taken full advantage of funding, grants, and incentives?
Summary

Why do this now?

• **Increased agility, resilience, and risk mitigation**
• Remain relevant
• Enhance productivity and agility
• Cost containment
  • Increased integration
  • Less complexity
• Resource availability may be greater than normal

Who led the digital transformation of your firm?

A) Managing Partner
B) CFO/COO
C) COVID-19
Questions?

Use WebEx’s Q&A box

For questions later, please do feel free to contact:

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THANK YOU FOR YOUR TIME AND ATTENTION