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YOUR

SERVICE

*Stubbornly high inflation
and a spate of interest rate
rises are putting pressure
on law firms to get more
efficient – and empathetic –
on service delivery.*

SAM MCKEITH

As high inflation and interest rate hikes impact legal budgets across the country, Katie Richards remains unfazed. Richards, founder and CEO of Virtual Legal, says trade has stayed robust as clients seek out the online legal firm's range of affordable services. As she puts it, in the current economic climate, "lots of people are being more savvy with spending on professional services and questioning value".

How do I teach you how to fish?

Richards, who left an in-house legal role in 2016 to go solo, says being as efficient as possible has always been at the firm's core, and is "definitely" paying off right now.

It is little surprise. With a cost-of-living crisis under way nationwide, clients are likely to gravitate towards law firms that demonstrate efficiency in service delivery and pricing. Refining practice management processes, especially to make the most of automation, for instance by using clause libraries or time recording, are some commonly cited methods.

"That efficiency piece is what Virtual Legal has always been about," Richards says, pointing, as a key tip, to a "huge" overhaul of traditional practice management done in the early days.

"I broke down absolutely every task that has to happen in a transactional matter and what skill level is required for that, and I actually have that allocated – the average number of minutes that would be required for that certain skill level to do that type of work.

"That gave me a really good idea of what's the real profitability, and the right skill level."

On a conveyancing matter, for instance, the firm takes an innovative approach. It often has a virtual assistant, rather than a paralegal, do the initial data entry and file setup, with paralegal expertise saved for looking over the work.

Once that's done, if there's anything "intricate" involved in the matter, a lawyer is brought in for input and review. "So instead of having a lawyer spending a whole hour doing something that could be done by someone at an \$8 dollar an hour rate, we're actually getting the right people doing the right tasks," Richards explains.

Another, more low-tech, way the firm delivers maximum productivity with minimum effort is by giving clients – irrespective of the legal matter involved – a document outlining the "steps that happen" in the process so "they don't have any questions along the way".

These practice-management hacks may seem common-sense, but in Richards' view they are not practices that are commonplace in the industry.

"I reckon the reason people don't do that is lawyers like to be needed," she says. "When you're needed, especially if you're time-charging, you can charge a lot more, [and] you want clients to call you all the time. Whereas for us, the whole ethos of what I was doing was 'how can I help you to help yourself, how do I teach you how to fish?'"

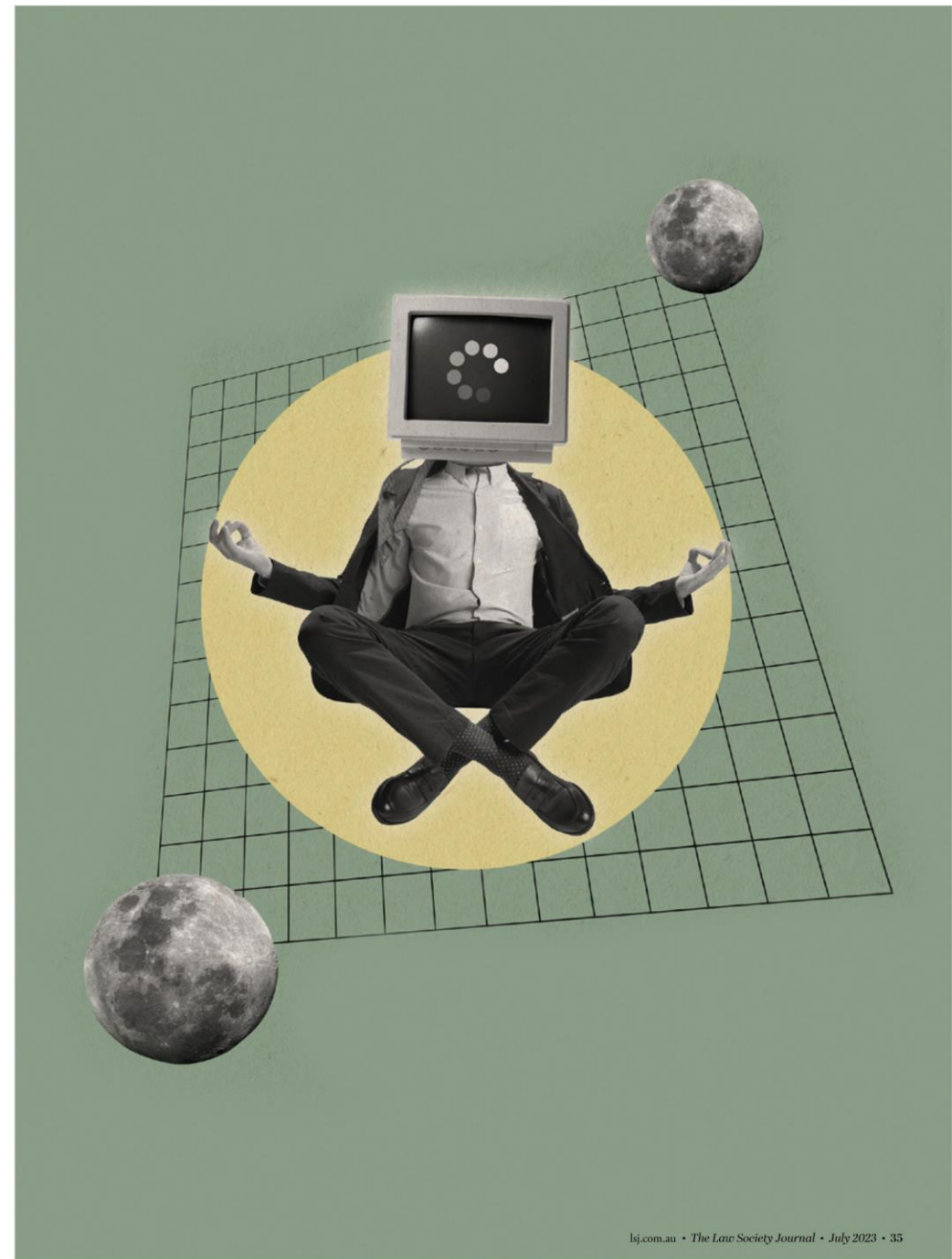
Licking a lot of toads – the search for successful software
Sydney-based Progressive Legal is also revamping practice management for greater efficiency. Founder and principal Ian Aldridge is a big advocate of digitising parts of legal practice, especially on "automation, workflows and process".

Aldridge says the firm, which offers fixed-priced legal services, trialled many types of technologies to refine practice-management processes before settling on solutions.

"We 'licked a lot of toads,'" he says. "But in the end we've found some great software that helps us track leads and nurture them through the pipeline, provide quotations and follow up nurture sequences, CRM and database management. We even built a bot to build out a privacy policy, based on yes or no answers."

As Aldridge points out, for firms big and small, one of the biggest take-ups in recent times has been legal practice-management software. Generally speaking, this refers to digital systems helping law firms to manage day-to-day workflows and business operations.

The global size, and expected growth, of the practice management software industry over the next few years puts the tools' surging popularity in perspective. The industry, as per market research firm ReportLinker, is forecast to be worth around \$19.5 billion by 2027, up from about \$9.7 billion in 2022.



Perhaps the ballooning market size should be expected, given the time savings such software produces. According to Australian software company Smokeball, in a survey of 154 local firms, almost 23 per cent reported that practice management software saves them up to an hour every day, while 20 per cent said it saves them 30 minutes, and 13 per cent said it saves more than two hours. Much of the savings, the report says, comes from automating timesheets and client communication.

Law firms' search for more efficient ways of doing business aligns with a broader trend in other industries, according to global consulting firm McKinsey and Company, which has listed efficiency as one of the top ten shifts transforming organisations in 2023. In a survey of 2,500 business leaders globally, McKinsey found more than one-third of respondents listed efficiency among their organisational priorities.

"Boosting efficiency is about more than managing immediate crises or getting the same work done with fewer resources; it means more effectively deploying resources to where they matter the most," the US-based consultants suggest, highlighting complex structures inside companies and unclear job roles as key drivers of inefficient business practices.

Over-communicating: the customer service approach

Part of improving on this front, Aldridge says, is about getting better on communication, and putting a renewed focus on customer service.

"The modern fast-paced business environment requires efficient and effective service. Clients want lots of communication, they want updates," he says. "Over-communicate. If you're getting an email from a client about where their documents are, that means you're not meeting expectations, or you haven't managed them properly."

"Lawyers traditionally haven't done [communication] well," Aldridge says, which makes communication an area ripe for refinement, and he advises lawyers to "under-promise and over-deliver: clients are never going to complain about getting a document or piece of advice earlier than you told them it would be ready."

Transparency in pricing, in a landscape where clients are chasing value for money, is also key, says Aldridge, pointing to the way the firm publishes many of its prices online. This, he says, sets the so-called 'New Law' firm, which bills itself as completely different to the "old-school" approach to legal services, apart from many other legal players. As Aldridge explains: "We feel that if people are going to make a decision based on price alone, then why not just tell them and save everyone the hassle of trying to convince them that it's worth it. We also feel that if you say you're open and honest and transparent, then you need to walk that walk as well."



The dip in legal demand

Australian law firms are yet to escape the current economic downturn's consequences, with demand for legal services down 5% through the 2023 financial year so far.

Hardest hit areas include construction (-0.1%), dispute resolution (-4.4%), real estate (-6.1%), banking and finance (-8.4%), and M&A (-15.3%). Corporate general remains the most resilient, logging 4.5% demand growth.

Source: Thomson Reuters
Australian Legal Market
Midyear Update

However, he circles back to tech as the way to make big inroads in efficiency gains. Like many industry pundits, he tips artificial intelligence in particular as a game-changer set to "totally transform this space" in coming years. "Just wait," he says.

Being smart with software

Leading the way, in this cutting-edge area, is ChatGPT, the social media sensation for its ability to do things like explain complex topics, write essays and even come up with jokes.

It has been touted as a tool that can help lawyers to work more efficiently, especially in the wake of its latest iteration, GPT-4, developed this year by Microsoft-backed OpenAI.

That is because GPT-4 builds its text-generating models by using machine-learning algorithms to process massive loads of information, not just from basic web sources like news articles, books, Wikipedia pages and websites, but also from specialist legal sources.

It is not hard to see why some lawyers,

especially those just starting out, see a prominent future ahead for next-gen automation, and for tools like ChatGPT, given recent results in the legal area.

For instance, since its release in November 2022, the new software has shown it can pass law school exams, with law professors at the University of Minnesota in the US deploying it to sit law exams, then grading these blind alongside actual students' tests.

For lawyers chasing more efficient ways of doing business, incorporating the latest tech is a simple way to save time and cut costs, says Karen Finch, president of the Australian Legal Technology Association (ALTA) and founder of legal marketplace Legally Yours.

Whether it is process automation, cyber and data security, document automation or dispute resolution, the process starts, Finch says, with altering how lawyers think about business.

"Once lawyers are actually thinking about the value they're providing to their clients beyond selling time, which is what a traditional hourly model does,



"Once lawyers are actually thinking about the value they're providing to their clients, then the next thing that the lawyers ask themselves is how we can ourselves be more efficient, and that's when automation and technology really come into play."

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"If you're in a traditional model, there's actually no motivation to make yourself more efficient really, because you're just billing on time, whereas when you're adapting your model to say, 'I'm providing value that's not based on time – it's based on expertise, output and experience,' you then start looking at technology."

When it comes to the most popular tech right now, Finch says many lawyers with whom ALTA works are infusing a variety of software through firms, especially to assist with client intake.

This type of software automates and organises the client-intake process and can cover activities like collecting information on potential new clients, making sure they are a good fit for the firm, and scheduling consultations and other initial meetings. "(It's) so that when you have those initial consultations, it's actually

about the matter, not about taking down the minutiae about 'what's your name, how long have you been married for', all that kind of stuff," Finch explains.

She also points to "lots of automation" of contract templates, and emerging AI "to triage people through their legal processes and create their documents".

However, she concedes that effectively integrating tech into legal practice can be tricky. That has particularly been the case after the pandemic, which prompted greater digitisation in areas like videoconferencing and cloud computing. "They've got a little bit of tech fatigue," she says.

Another hurdle is adopting new tech too fast, without doing the necessary initial homework. Avoiding this trap, according to Finch, means a mindset shift away from "rushing in and getting the shiniest new tool" to consideration of "the purpose and reason behind it".

"The challenge we then find is that a lot of law firms will intake a piece of technology, it won't work because they



"Mediation itself requires understanding all motivations of the parties, (so) you need a high degree of emotional intelligence. You need to be reading people to know what questions to ask, so that you understand an interest-based approach to problem solving, rather than taking a position and prosecuting that position."

Kate Galloway, Associate Professor at Griffith University's Law School

haven't done the preparation, and then they just give up using any technology at all," she says.

Another tip on the tech side, the peak body chief says, is to ensure that pieces of legal software from different providers are able to communicate with each other.

In programmer speak – as ALTA's website points out – this is often about getting the right Application Programming Interface, so different kinds of software can "communicate with one another, using applications that use and exchange data sources with the purpose of enhancing productivity, enabling digital innovation, and driving revenue".

Finch explains: "There needs to be more education around more integrations between platforms. We're encouraging our members to integrate their tech so that it's not these standalone platforms, but a seamless usage. I think lawyers, when they're doing that implementation, are not asking those questions or evaluating on that basis."

'Taking the ego out of lawyering'

While more efficient legal practices can help with riding out the tougher economic times, so can taking a more empathetic approach to the job, say the experts. From a practice-management perspective, an empathetic approach can, for instance, mean giving clients clarity on how much they will be billed and getting their buy-in ahead of any costly legal work. It may also involve explaining a potential solution not just in legal terms, but also in more practical, emotionally sensitive language.

For firms dealing with cash-strapped clients, taking such an approach can be a useful, and cost-effective, way to win trust and forge relationships. Indeed, as recent University of Melbourne research reveals, displaying empathy can have a considerable upside, lifting sales, enhancing customer satisfaction, improving consumer compliance and boosting innovation.

This stems, the University suggests, from empathetic staff being more attuned to subtle social signals, enabling them to respond to customer needs in more sensitive ways.

Empathy can also – as Kate Galloway, Associate Professor at Griffith University's Law School outlines – lead to more successful client outcomes, often in the form of alternative dispute resolution pathways.

"There's a whole body of work that's been done over time, it does suggest that," Galloway says. "It's a movement in favour of alternative dispute resolution and mediated outcomes (and) encompasses some of those values-oriented approaches."

"Mediation itself," she continues, "requires understanding all motivations of the parties, (so) you need a high degree of

emotional intelligence. You need to be reading people to know what questions to ask, so that you understand an interest-based approach to problem solving, rather than taking a position and prosecuting that position.

"It's not always about rights – sometimes there are other interests that are at stake, and that's where empathy, as part of a suite of emotional intelligences, can really assist the client."

Rebecca Dominguez, Principal Solicitor with the University of Western Sydney's Justice Clinic, agrees a more empathetic approach to legal work – "taking the ego out of lawyering" – can have positive results for clients.

In her view, a driver for this is that "when we empathise, we are listening to the whole person and the whole story, which helps to draw out all the issues being faced by the client."

"Having this collaborative, inter-disciplinary and therapeutic approach," Dominguez says, "means that the client feels heard, is being practically assisted, and is taken off the referral merry-go-round, and [this] can reduce the retraumatising effect of being bounced from one siloed service to the other. It helps to do what I think all lawyers are trying to do, and that is to provide access to justice for their client."

These comments accord with recent industry research from global professional services firm EY, which shows the positive business outcomes of empathy. The study, of more than 1000 US workers, found 86 per cent of employees believe empathetic leadership boosts morale, while 87 per cent say empathy is essential to fostering an inclusive environment.

It also found that more empathy between company leaders and employees leads to increased creativity, job satisfaction, idea sharing, innovation, and even company revenue.

Empathy: the wholehearted approach

Still, having "a wholehearted and person- or client-centred approach to legal work" takes a serious mindset shift, according to Dominguez.

"It means putting the client at the centre of their own legal problem and their own life, and giving them agency to make their own informed decisions," she explains.

"If we're empathetic, we're trying to deeply understand what the legal and non-legal needs of the person are and to respond to the whole person, human being to human being."

"As lawyers, we have knowledge and training we can share, and I think we should be sharing it generously and in a way that tries to reduce any vulnerability or uncertainty or trauma that a person feels when they seek help." It also means developing new skills. Dominguez points to the work of US law academic Susan



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Ballooning expenses

Expenses remain a threat to firms' balance sheets. Compared to the start of the pandemic era in the third quarter of the 2020 financial year, law firms have seen direct expenses grow 21.1%. Indirect expenses, while falling in the early days of the pandemic due to work from home initiatives, have surged back above their pre-pandemic levels.

Source: Thomson Reuters Australian Legal Market Midyear Update

Brooks and her "wholehearted lawyering" model that brings into legal practice so-called heart-centred practices – traits and values that include empathy as well as compassion, cross-cultural awareness and deep listening skills.

"It is like a value-add to the rules and ethical framework of the legal profession," says Dominguez, who is also the director of clinical legal education at the University of Western Sydney.

"Crucial to this is developing reflective practice where we critically reflect on our own personal filters and unconscious biases and experiences so that we can understand and improve our relationships with others, including clients, and continue to develop personally and professionally."

There is also growing evidence that empathy can help lawyers in the workplace. In law firms, traditionally, competition, industriousness and productivity have been dominant workplace characteristics, taking precedence over less quantifiable qualities such as kindness.

However, this status quo is being re-examined in light of recent research, including a study in the journal *Emotion* indicating that kindness has a ripple effect in the workplace. The study – a four-week trial where employees were targeted with acts of kindness – resulted in lowering of depressive symptoms, and more job and life satisfaction.

On the same lines, a 2021 article in the *American Journal of Lifestyle Medicine* reported on epidemiological and clinical observations of kindness and connection, noting that these two factors measurably improve health and longevity, and counter the negative biological markers of stress.

Perhaps it is little wonder then that, according to the College of Law, firms

are already billing themselves as empathetic, and using this as a way to attract and retain talent.

Galloway says that in the legal workplace an "ethic of care" – an approach adopted from the healthcare sector – "really requires you to think about relationships".

By this she means relationships with the client that will enable you to understand them.

"The client themselves are the expert in authoring their own life, which is a more contemporary approach," Galloway says.

It's a big change from the traditional model of legal behaviour, which, the academic says, revolves around "the model of the lawyer as the adversarial advocate".

"That model of lawyer is that they take charge, they're out front, they can be aggressive. A lot of this is represented in the media, TV shows et cetera, that there's this culture of being quite aggressive.

"The one qualifier is that sometimes you need to draw on those (adversarial) skills to stand firm and stand up to people and that sort of thing, so it's not suggested that through an ethic of care you are just going to be a pushover."

For Morris Misel, a business futurist and strategist, the importance of empathy and soft skills will increase in the years ahead as automation takes over more technical legal work.

As this happens, he says, the business case for high-empathy lawyers will prove even clearer.

"When we move into this new landscape we will make choices on the phone call that we make, the human connection we make, that will make the difference," he says. "What we're looking for is the best for humans now." ❶



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