Back to the future

Legal technology trends in the Middle East: 2016

Middle East legal sector faces race to fill technology gap

Law firms and legal departments in the Middle East are beginning to recognise the importance of technology to streamline processes and boost workflow efficiencies — now the race is on to adopt new legal tech and play catch-up with global law firms.

"The way I put it to them is that they have first-world ambitions with third-world [technology] systems," says John Paravalos, managing director at insight UAE, a business management consultancy. "A lot of local law firms operate around a decade behind firms in the US or Europe or Australia. What some are starting to realise is that they're falling behind and they're losing business to international law firms, so they're trying to slowly change the mentality of the firm to accept that they need to adopt technology."

A Legal Week Intelligence and Thomson Reuters survey of legal professionals based in the Middle East found that more than half of respondents said their firm's adoption of legal technology was 'fair', 'poor' or 'very poor'. Slightly more than a third said the uptake was 'good'. Only 12% of respondents said it was 'very good'.

"It is not as technologically advanced as other regions in Europe or the US but many international firms that have a presence in the Middle East have adopted legal solutions to their local office such as matter management and knowledge management software," says Suhayl Hendricks, senior legal solutions consultant for Middle East and North Africa at Thomson Reuters. "It will take a few years before it becomes the norm for all firms."

A growing technological interest in the region

Even so, it is clear that legal professionals in the region recognise that automating routine processes can free up time to spend on more important tasks. Almost 60% of respondents to the survey said that introducing software or other tools would help to improve the day-to-day running of their departments.

60% of respondents believe day-to-day operations would benefit greatly from technology solutions

Methodology

Legal Week Intelligence, in association with Thomson Reuters, canvassed the views of 74 general counsel, senior in-house lawyers, private practice partners, associates and compliance personnel on legal technology trends in the Middle East. All respondents were based in the UAE, Saudi Arabia, Qatar and Kuwait, and the fieldwork was conducted via email between late March and mid-April 2016.

"There are a large number of general counsel and in-house counsel in the Middle East who are thinking about how technology is going to impact how they provide services internally and what they need to do in order to adopt those technologies," says Paul Allen, head of intellectual property and technology for the Middle East at DLA Piper.

To that end, one of the most important areas law firms and legal departments are focusing on is matter management software, which can help keep tabs on processes more efficiently and collaboratively, and keep staff and clients better informed, says Hendricks.

"There is steeper competition, less money in the marketplace, and higher demand from clients for more communication and transparency," he says. "There is no room for siloed information, inefficient processes, misfiled or incorrect documents, or inconsistent work product."

Given that the paperwork for a large merger transaction could typically run into thousands of pages, the advantages of being able to access and manage that information quickly and without fuss is clear. This is echoed by a leading M&A lawyer in region, who says: "The main document on any M&A deal is the purchase agreement which, depending on the nature of the deal can be 20 pages to 300 pages...then there is all the ancillary documentation which on a straightforward large cap deal might total 500 pages...but could easily and regularly stretch to upward of 10,000 pages when you factor in financing, management equity, structuring etc."

Other types of software solutions are helping firms make better business decisions. Customer relationship management (CRM) tools, for instance, allow for more detailed data analysis on the performance of their fee-earners and the viability of different business sectors, meaning executives can clearly identify loss-making practice areas and act accordingly rather than relying on assumptions.

"This is going to drive significant changes and force decisions around things that aren't profitable," says Borys Dackiw, managing partner at Baker & McKenzie for the Gulf region. "That kind of business intelligence is irreplaceable and you can't make sensible decisions without it, so it has kind of opened a new world for us and is allowing us to be more informed about our business."

Michael Earley, a senior associate at Sultan Al-Abdulla & Partners in Qatar, says his firm has recently introduced practice management and electronic timekeeping software in part to

80%
of respondents say the impact of technology today in the legal sector is largely positive

Key findings

» Almost **60%** of respondents confirm that day-to-day operations would benefit greatly from technology solutions, elevating service standards and ultimately winning firms new clients.

» **80%** of respondents say the impact of technology today in the legal sector is largely positive.

» E-billing, conflict checking and scheduling/calendaring help lawyers do their jobs more efficiently.

» **53%** of respondents say their organisation's adoption of legal workflow technology is fair, poor or very poor.

» Budget, time and internal attitudes are the biggest constraints to technology innovation.

» Matter management, document assembly and virtual law firms are the technologies that respondents expect to have the greatest effect on the legal industry in the next five years.
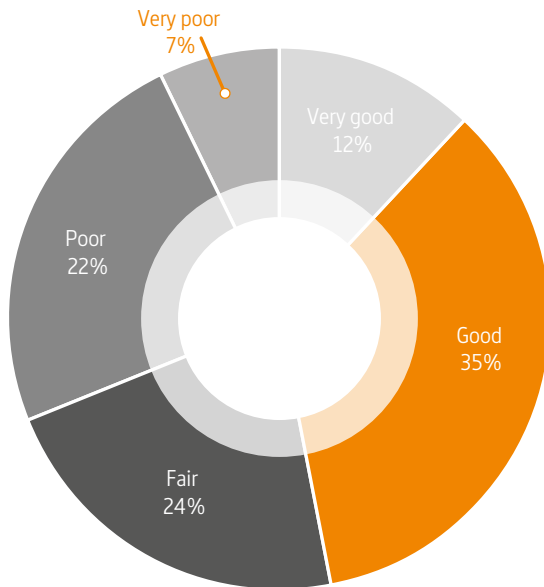
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How would you rate your organisation's adoption of legal workflow technology?

Very poor
7%

Very good
12%

Poor
22%

Good
35%

Fair
24%

47% of respondents say their organisation's adoption of legal workflow technology is good or very good

What is the impact of technology currently in the legal sector?
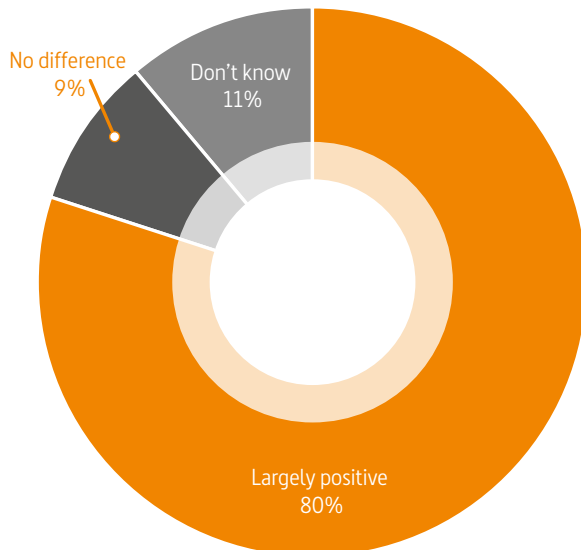
No difference
9%

Don't know
11%

Largely positive
80%

LegalWeek
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keep pace with the firm's rapid expansion, which was making it difficult to coordinate resources and maintain precedents: "It's gotten to a point now where it is almost crucial to the functioning of the firm," he says. "It didn't happen overnight, but it was introduced fairly quickly with the recognition that in order to function efficiently we really needed to do this."

Client-driven technology

While the quality of legal advice, relationships and brand continue to be of paramount importance to clients choosing a law firm, technological advancement and the type of technology used are increasingly becoming part of the selection process. In others words, technology is not just about improving workflow efficiency; it can also give firms a competitive edge.

"Technology continues to win new clients for law firms," says Francois De La Rhonde, executive director at Afridi & Angell Legal Consultants in Dubai. "Technology gives you the ability to make faster, smarter decisions and to deliver the flexibility and security that firms need to respond to evolving client needs and market demands."

De La Rhonde says his firm started embracing technology around three years ago by looking at how it could integrate its existing systems such as its financial platform and document production capabilities against a constantly shifting business backdrop.

"The market is changing in terms of what our clients want," he says. "Our business has changed from billable hours to fixed fees and caps and we recognise that we need to get that pricing information quickly and be able to deliver that back to the client. We wanted something that gives you dynamic management reporting and the ability to quickly and accurately generate more comprehensive data that you can analyse for your clients and mobilise internal resources accordingly."

Knowledge management is also a key area where firms are seeking technology solutions, says Hendricks. Thomson Reuters Westlaw Middle East, for instance, gives users access to local legal experts and a database of commercially applicable laws, making it quicker and easier to carry out legal research.

"We know how fast [the legal] industry moves and the difference it makes to have the information you need at your fingertips," he says. "Having local knowledge with local language is vital. How that is managed is very important."

43%
of respondents who commission legal services say saving on external legal spend/ staying within fee caps is their top efficiency driver

Which optimisation processes reduce your workload the most?

1 = Record keeping
2 = Tools for mobile/out of office use
3 = Work allocation
4 = Email filing/management
5 = Automated contract management/drafting

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It's not just law firms that are taking steps to roll out new technology solutions. Some in-house legal departments are also seeking ways to automate processes that are unique to them. One general counsel at an Abu Dhabi-based investment house says his firm has engaged a consultant to explore ways to make its approval processes more efficient. They are currently done on paper and can be time consuming if people are out of the office.

"I envisage a software solution that will enable people to approve documents and decisions virtually," he says.

Not all legal departments are looking at advanced technology solutions to boost efficiency. Andrew Cooke, general counsel at Flash Entertainment in Abu Dhabi, says his department is small and therefore does not need any specialised or complex tech tools to manage its workflow or to save money on outsourcing costs—simply because the department outsources very little work.

"Shared email and document filing, a contract database, e-signing and smarter precedents can result in significant efficiencies and can be implemented today by any legal department using existing IT infrastructure at little to no cost," he says.

Finding the right solution

The survey found that firms and legal departments that are yet to adopt new technologies for managing day-to-day processes often rely on more traditional workarounds. The majority use a shared computer drive, almost a third are storing documents in a warehouse facility, a quarter are sending out invoices manually and just under a fifth are using a spreadsheet to track time spent on individual matters.

While the survey also found that in some instances new technologies had actually increased workloads rather than reducing them—particularly in areas such as billing and time recording, and email filing and management—80% of respondents said technology's impact on the legal sector is largely positive. The rest were either unsure or said it made no difference.

A number of challenges remain, however. For starters, implementing new technology can be costly, particularly for

What are your priority areas for improving efficiency?*

Bar	Value
1	43%
2	39%
3	39%
4	34%
5	11%
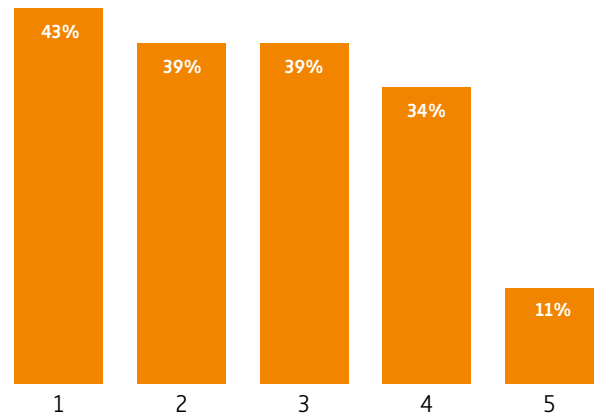
1 = Saving on external legal spend / staying within fee caps

2 = Gaining clarity on the status of individual matters

3 = Improving clarity on spend / fees accrued against budget

4 = Prioritising which matters stay in-house / within your office / practice area and which are outsourced

5 = Other

*Respondents were commissioners of legal services and could choose more than one priority

"**Technology gives you the ability to make faster, smarter decisions and to deliver the flexibility and security that firms need to respond to evolving client needs and market demands**"

Francois De La Rhonde, executive director
Afridi & Angell Legal Consultants, Dubai

smaller firms. Budget issues are the biggest constraint holding firms back from adopting technology, according to the survey.

"Cost is a problem," says Earley. "[Smaller firms] just don't see the necessity of introducing large-scale practice management software. Ultimately it depends on the amount of work these firms are generating; there has to be a benefit to introducing something like this. It's great to be efficient, but you can be efficient with paper copies."

That can give larger firms an advantage because they can benefit from economies of scale and are more likely to be able to afford expensive software licence fees.

"I would be interested to see more value-based pricing for technology products so that developers are more invested in supporting adoption and development of their solutions in smaller firms," says Antonia Lewry, head of marketing and client relations at Hadef & Partners in Dubai.

Regardless, new technologies with adaptable pricing models can help firms of all sizes address the problems they face both regularly and sporadically. An example of this is e-billing, which according to Hendricks, gives legal departments "the ability to require a status report before a law firm invoice can be submitted, and reports will red flag which firms have inconsistent status reports and invoices".

This is important for legal departments because it allows for better budget planning and provides greater visibility of future legal costs. It also makes it easier to track and compare law firm performance—incentivising service providers to improve results.

Challenging the tech status quo

For corporate legal departments, budget approvals can be even more challenging, says Nadine Nassar, head of legal at NCB Capital in Saudi Arabia.

"Technology has been extensively adopted in our firm for all compliance reporting and know your customer and anti-money laundering-related work [but] not for legal and corporate matters," she says. "Legal isn't seen as a key area in our business."

Another challenge—and one that survey respondents listed as the second-biggest constraint to adopting new technology—is risk around security, particularly cloud-based IT services, says Allen.

"We're subject to stringent security requirements so we've decided not to use certain technologies as a consequence of them not being up to scratch," he says.

Language barriers can also deter the region's firms from embracing new technologies where off-the-shelf products tend to be more geared towards English speakers.

39% of respondents say improving clarity on spend/fees accrued against budget is their top efficiency driver

Three least effective solutions for helping lawyers do their jobs more efficiently

Contract automation, analysis and management

Case/client expense management

Collaboration software

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"Many of our associates are native Arabic speakers and a lot of the new technology is primarily in English and there isn't a lot of native Arabic support, so there is a bit of a learning curve for a lot of our associates who primarily draft in Arabic," says Earley.

Internal attitudes towards technology among senior staff who are reluctant to change their working practices is another stumbling block that can also impede progress.

"A lot of the people working at our law firm are very old school, they're very used to physical copies, so they would rather have it in hard copy than soft copy," says Lama Bakroun, a trainee associate at Qatar-based Sultan Al-Abdulla & Partners. "Getting the rest of the team on board with these new systems that help us deal with matters or storing information in a more efficient way is definitely a hurdle we have to overcome."

Cultural traditions in the Middle East can also have an impact on attitudes towards technology.

"Everything is done on a very personal level here; the relationships are built on just spending time with each other and building trust and, in some cases, it is less about the firm than it is about the individual relationships," says Dackiw.

But while the interactions might be different when dealing with a client in the Gulf than, say, a bank in London, technology still plays an important role in delivering efficiencies, he says.

"Gulf clients are very cost-conscious and they negotiate very hard, so anything you can do to streamline that and bring down costs is obviously very helpful."

Other legal professionals believe the Middle East is lagging on technology simply because there is a lack of awareness as to what tools are available.

Outlook

There is a clear sense of optimism that technology will continue to improve how legal professionals do their jobs. Matter management software, document assembly, reporting tools and virtual law firms are expected to have the greatest impact, the survey found.

De La Rhonde says that as firms seek to ease cost pressures, technology will be central to efforts to achieve greater efficiency

Top three solutions for helping lawyers do their jobs more efficiently

"It is not as technologically advanced as other regions in Europe or the US but many international firms that have a presence in the Middle East have adopted legal solutions to their local office"

Suhayl Hendricks, senior legal solutions consultant for Middle East and North Africa
Thomson Reuters

and flexibility, and that will likely shape how they do business with clients in the future.

"What a law firm looks like in five to ten years' time will be driven by the systems and the IT that it has in place," he says. "The next generation of practice management software will be much stronger and there will be a focus on developing tools that will make individuals more productive, efficient and mobile."

CRM systems that are integrated with other tools will also become increasingly important as the legal industry in the Middle East evolves, says Lewry.

"Clients expect pertinent information about their business to be shared within the firm and for lawyers working on their matters to understand the issues they are facing in a wider context," she says. "In a climate of ever-increasing information the only way you can be sure of achieving this is by having integration software in the background, designed to operate in a way that doesn't invade the day-to-day working behaviours of lawyers but pushes relevant information to them, and ideally in real time."

While the potential for artificial intelligence software is likely to hog the headlines, Dackiw believes that developments in knowledge-sharing capabilities are going to be more relevant over the next five years.

"It may not be huge quantum leaps in new innovations and technology but it's the pooling of technology that we have more broadly across the firm that it is likely to have the biggest impact," he says.

Ultimately the speed of technological change in the Middle East is going to come down to how quickly legal departments in the region recognise how these technologies can improve productivity and profitability, and then whether or not they can convince executives and board members to make the investments needed, says Allen.

"There are probably higher priorities for most organisations than [technology] ones, so it's those general counsel who see the opportunity and advocate for change who will actually be able to implement things and make a difference," he says.

That part remains the biggest challenge for the wider adoption of legal technology, but some see the shift as inevitable as the region's legal sector grows.

"As firms get larger they will increasingly rely on technology," says Earley. "They have to, it's almost impossible not to."

39%
of respondents say gaining clarity on the status of individual matters is their top efficiency driver

Which of the following technologies do you expect to have the greatest effect on the legal industry in the next 5 years?

1 = Matter management software tools
2 = Document assembly
3 = Virtual law firms
4 = Reporting tools
5 = eBilling software
6 = Artificial intelligence

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