



VQ Forum 2016 on reinvention and disruptive innovation

This issue of VQ Newsletter is dedicated to the seventh VQ Knowledge and Strategy Forum, held on 18 October 2016 in Stockholm. More than 180 law firm managers, general counsels and other legal market professionals attended the forum for discussions on the changing legal market and the future of legal service.



This year's main theme was reinvention and disruptive innovation. During the day, the speakers explored the impact of the current technological advances and the need for innovation and business development to prepare for the potential disruption of the legal market from different perspectives. Special focus was also given to the new blockchain technology and how it will drive the development further with smart contracts and support for automated processes. Furthermore, the risks involved with the developments was address as regards quality, ethics, client relationship and more.

In addition to providing insights on the changing legal market, the forum also aimed to create a platform for inspiring meetings and exchange of ideas between law firms and clients on how to adapt to the new legal market in a constructive way and how to further develop successful client-law firm relationships.



Articles and photos from VQ Forum

[VQ-konferens på Grand Hotel](#) - InfoTorg Juridik (*in Swedish*)

[Förändring, ja - men disruption?](#) - [legaltech.se](#) (*in Swedish*)

[Photos from VQ Forum 2016](#) - by Björn Leijon



Summary of the sessions

VQ founder **Ann Björk** and moderator **Patricia Shaughnessy**, Director of the Master of International Commercial Arbitration Law Program, Stockholm University, opened the forum with an introduction to the main theme of the day, which **Dr. Christian Sandström**, Associate Professor at Chalmers and the Ratio Institute, continued in the first session on digitalization and where it is taking us.



Christian Sandström's research concerns technological change, discontinuous innovations and the challenges they present. Based on his own research, he analysed how digitalization and automation, free access to information, technology developments and new kinds of competition will affect the legal market. His answer to the question if law firms will experience a disruption similar to the one that Kodak, Nokia and the music industry has suffered, was the all so familiar response in the legal profession "it depends".

More precisely, a legal disruption depends on the following four main factors:

- Incentives and attention
- Whether competencies and assets retain their value
- If the business model is distorted
- What happens to the industry structure



Starting with incentives and attentions, a profitable market can be said to be in control, indirectly, of a company and its strategies. It is extremely difficult for an established company to change its strategy and shift focus from an existing profitable market to prioritize new, risky and not yet profitable, development projects.

Secondly, established competencies might be rendered obsolete due to new technology, which of course implies a challenge. Third, firms might have developed a business model that is by and large incompatible with the new technology. Polaroid and Kodak made their money on selling film, this revenue model was destroyed in the transition to digital photography. Fourth, industry structures can be altered by new technology, new actors may emerge as the barriers to entry are lowered. Whether digitalization will disrupt law firms or not therefore depends on how technology will affect these four factors.

But how can you instill a sense of urgency in something that has not yet happened? How can you make sure to avoid the fate of Kodak, Facit and Nokia? Christian Sandström's advice was to apply Moore's law two to four years ahead and assume that the digital power will permanently be

increasing. (Moore's law is the prediction that advancements in digital electronics, like chip performance, memory capacity etc., doubles approximately every two years.). More so, Moore's law describes a driving force of technological and social change, productivity, and economic growth.

While digitalization has given us access to vast amounts of information, information and knowledge is not the same thing. Knowledge will still be valuable in a digital world. Thus, it is becoming more and more important to focus on what you are truly good at and ensure that a shift towards digitalization will not be competence-destroying.

Christian Sandström concluded that many firms do not have a strategy for technological disruption. He has not been able to find a clear decision point in any company for not going for the digital market, it is almost always a non-decision to continue status quo that leads to paralysis and, eventually, the downfall of a company. So mind the non-decisions - that is where it all goes wrong.

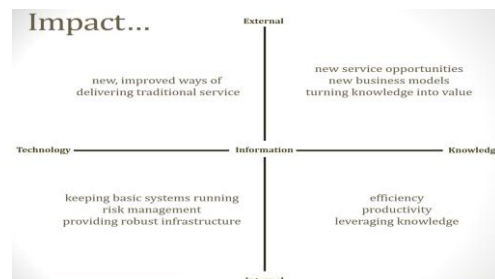


Håkan Broman, General Counsel and Executive Vice President, NCC Group, gave an in-house perspective on law firm services based on his experience from 23 years of purchasing legal services in 28 countries. As a general counsel, a genuine business interest and value creation mindset is of outmost importance.

Håkan Broman shared his own focus at NCC to create value within five large areas with new proactive approaches to avoid so called red zones. In these zones, typically when the delivery is late, customer's incentive to pay is drastically decreased and the number of disputes are likely to increase. This new approach with *inter alia* proactivity in contract management has resulted in stabilized margins and improved cash flow in large projects, less investment in litigation and arbitration, less focus on the past, more on the moment and the future, less friction in business relations and more repetitive business opportunities as customers are more likely to come back.

Based on his own approach, Håkan Broman emphasized the advantages for clients and law firms to climb the value ladder together. Law firms have a lot of valuable expertise to offer, but sales and marketing is a rare concept and a genuine business interest and a value creation mindset it almost non-existing today. Håkan Broman therefore called on law firms to create solutions that clients actually need and to repeat with multiple clients. Even though general counsel's main focus is on creating value for the company's business, most law firms still remain unaware of their clients' business needs.

Max Hübner, General Counsel, PGGM N.V, continued the in-house perspective by talking about transformational change. In the 2013 FT Innovative Lawyers Report he and his legal team were ranked as most innovative in operational change in-house. Some of the factors behind his successful innovation has been to organize and manage his department according to the grid by Professor Richard Susskind.



Using this grid is a good way to check where you are in the maturity of your organization and technology. Max Hübner's advice is to think big, but act small by moving up the ladder step by step. He has also increased the in-house team to strengthen it, since you need a certain power and continuity in order to change.



Peter Danowsky, Partner, Danowsky & Partners, then gave an overview of tendencies changing the legal profession, such as technology, multigenerational work force (three or even four), globalization, flexibility on how and when you work. The legal profession has by tradition been based on personal relations and trust, but this is now changing due to the new ways of procuring and structuring legal services.

Peter Danowsky pointed out though that ethical behaviour in the legal field is becoming more and more essential. Technology will never substitute the need for empathy and emotions in the legal profession, but it can facilitate the legal work. Legal practitioners must find innovative ways to meet the challenges of the quickly changing and highly demanding legal and business marketplace, while also ensuring allegiance to the ethical considerations and core values of the legal profession.



We asked our friends at the IBA about AI

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| <ul style="list-style-type: none"> > Legal haute couture firms do not do commodity work such as dd > No, we provide sophisticated services > AI? Do you mean a paperless office? > We are not first movers > We are Neanderthals | <ul style="list-style-type: none"> > In five years we will probably give dd away for free > It is market standard – clients require it > Yes, dd is now 30% more efficient and more reliable > AI gives back the life to associates... > although it could be a life outside the firm |
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Paula Röttorp, Managing Partner at the Stockholm office of Hannes Snellman, introduced the following panel discussion by addressing different perspectives of the changing legal market. She also reported on the views on Artificial Intelligence amongst law firm peers at the recent IBA conference in Washington. The answers to the use of AI ranged from a broad spectra; from the “Neanderthal” approach to the view of AI as standard practice.



Christian Sandström then continued the discussion how the technology developments will change the legal profession as moderator for the panel including **Håkan Broman**, **Max Hübner**, **Peter Danowsky** and **Paula Röttorp**. All panellists agreed that it is important to look at your client's need, and not to compare the Nordic law firms to the big global firms.

Law firms must decide what kind of business and how sophisticated services to provide, when parts of the work performed by junior associates today will be replaced by automation. Since Nordic law firms are small compared to the global ones, they can't invest heavily in new technology, but on the other hand, they can be early movers and curious to try something new. Even though all panellists agreed to put the client's need in focus, Max Hübner advised law firms never to ask a client about a good idea, instead it is better to “just do it”.

Paula Röttorp pointed out that technology is giving different kind of competences and that you could use both AI and humans as two complementary ways of solving the same problem. Also, AI could be used for basic due diligence reviews, but then certain issues

should be discussed with experienced advisors.



The panellists also discussed two interesting reports – the Allen & Overy report [“Unbundling a market - the appetite for new legal services models”](#) and the KPMG survey [“Through the looking glass - how corporate leaders view the General Counsel of today and tomorrow”](#). Even though the total increase of legal spend was 39% last year, only 5% of that increase emanated to law firm services.



Zarina Virsholm, Partner and Co-founder, Sharp Recruitment, shared her insights on how to take control over your recruitment needs, costs and other resources to win the war for talent. What a talent is today, may not be enough tomorrow. The apprentice system in most law firms today rewards conformity, not diversion.

But for innovation and development you need diversity in all aspects: knowledge, personalities, experience, gender, ethnicity, etc. The key is to know yourself and your recruitment needs and to take control of your talents' development.



After lunch, three sessions focused on blockchain. First, **Gerard Neiditsch**, Research Associate, St. Gallen University, gave an introduction to blockchain and smart contracts and explained how it enables a third kind of party to transactions. Then **Henrik Hjelte**, CEO, ChromaWay, presented practical examples on blockchain and how it is constructed and could be used in real estate transactions, which was followed by a panel discussion on blockchain and the legal market by panellists Gerard Neiditsch, Henrik Hjelte and **Jonas Jeppsson**, Chief Legal Officer, Widespace.



The blockchain has the potential to be to banking, law and accountancy as the Internet was to media, commerce and advertising. Today, trust is put into institution. We trust banks, authorities etc. But blockchain enables a new alternative that makes it possible to create an immutable, digital ledger of transactions and share it among a distributed network of computers. Blockchain used for smart contracts is already being explored and legal doctrine will soon have to keep up with codified contracts. For example, the Swedish Land Registry has initiated a project to use smart contracts and blockchain technology to automate the process of selling a house. Thereby blockchain can soon replace closing transactions, escrow agreements etc. and will most likely lead to less use of real estate agents.

For the afternoon the program then comprised a block with three practical examples of successful innovation initiatives.



Annette Magnusson, Secretary General, the Arbitration Institute of the Stockholm Chamber of Commerce (SCC), talked about procedural innovation in a complex legal environment. Continuous development is essential as SCC's business reflects the international business practice and what is going on in the world with the increasing complexity and more and more multi-party, multi-contract deals.

As an example of innovation, the Emergency Arbitrator tool was mentioned. At the launch, it was said to be the end of arbitration, but now a few years later it can be established to have been a huge success.

Ylva Lindquist, Vice President & General Counsel EMEA, Xylem Inc., shared her experience from Xylem's legal strategy work and how the in-house legal department has changed its way of working in practice by implementing systematized processes, prioritizing legal strategies in the context of business outcomes and using digital tools.



They have for example divided the department's tasks to get the senior lawyers working on the complex legal matters and broadened the employee force, by finding the most suitable competence for each task - not necessarily a lawyer. The department had also implemented technology to support this division and increase efficiency as well as cost effectiveness. One example is the implementation of contract generators for self-service throughout the organization, but with certain parts locked to ensure the correct handling of the contracts. Thereby they have decreased risks, decreased costs, and freed the legal team to work on more important and urgent matters.



Rachel Manser, Global Head of Knowledge & Learning, Linklaters, provided a case study in innovation, where she explained the framework for sparking innovation and how to unleash the imagination of the lawyers in a global organization such as Linklaters. Similar to Zarina Virsholm, Rachel Manser pointed to the importance of diversity. The key to innovation is to embrace diversity. You also have to be brave to initiate innovation in an organization like a law firm. As Max Hübner also emphasized, you cannot always ask for permission. Just do it and then ask for forgiveness instead. If you never fail you're not trying hard enough, not pushing yourself to be innovative enough.

On the other hand, we sometimes have a misconceived image of what innovation is and most of us are probably being more innovative than we think. You don't have to invent the iPhone to be innovative. Lawyers are always looking for innovation in their daily legal work, without realizing that they are being innovative. Hence, innovation is nothing new at a law firm. What is different is that the legal industry is changing now more than ever. And faster than ever before. Staying still is therefore no longer an option.

Rachel Manser emphasized that innovation is hard work, it's not magic. And it is not only about technical advances, more important is to change the culture. Therefore, at Linklaters, innovation means doing things differently. To inspire the firm to think differently and to challenge how to deliver value to clients today and to feel empowered to shape the future. In order to support innovation and to actually get things done, Rachel Manser shared ten practical tips.

Linklaters

My practical tips

1. Don't be afraid to ask
2. Ask for forgiveness not permission
3. Get creative
4. Nothing is more powerful than the client
5. Go outside
6. Go where the energy is – fire up the skunkworks
7. Reverse brainstorm
8. Make sure you fail
9. Language matters
10. Know the future is in your hands

As a summary of lessons learned from VQ Forum 2016, action is important. "Don't listen, just do it." and "Staying still is not an option." were some of the most frequent phrases used during the day. And also that innovation requires diversity and the permission to fail. It is important to mind the non-decisions and to inflict a sense of urgency in business development even though the exact changes ahead are hard to predict. But on the same time, you cannot solely focus on being innovative, instead you need to focus on doing your job better and more efficient and in hindsight you might see that you've actually been innovative. As quoted by Steve Jobs:

"You cannot connect the dots looking forward, you can only connect them looking backwards."

Change is never easy, nor is predicting the future, but if the challenges of the future are approached in a spirit of innovation we will hopefully be able to look back as successful legal practitioners that have adapted to the new digitalization in a prosperous way. The most important thing is not to continue status quo, as stated by Bill Gates in the quote we used as tenor of VQ Forum 2016:

"We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten. Don't let yourself be lulled into inaction."

Cocktail Reception

As a pleasant closure of the day, a cocktail reception with live music was held, where the discussions continued in a high-spirited way.



[More photos from the day are available here »](#)

Save the date for VQ Forum 2017

Next VQ Forum will be held on Thursday 19 October 2017. Please note the date in your calendar and stay tuned for more information early next year.

Contact

You are most welcome to contact us should you like to know more about VQ and our services. Please see our contact details below.

Kind regards,

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