



Marked for Disruption, Deep in Denial: Law Firms at a Crossroads

The greatest threat to the survival of law firms isn't technological, but psychological.

Two words – Amazon Law – encapsulate the beginning of a disruption which will have consequences not only on a single industry but also at a societal level. An unconscious threat to the identity of one of the world's oldest professions starts to creep in from different angles.

Though the tech giant has not, yet, entered into direct competition with law firms, Amazon is clearly testing the waters and is a good example for technology driven players entering the legal playground through the backdoor. Initiatives such as Amazon's **IP accelerator** that connects business with trademark registration services are shifting entrepreneurial control away from the traditional legal players. By “vetting the law firms and negotiating prices”, Amazon is building (and controlling) a new legal marketplace in which law firms become pure subcontractors.

Legal scholar Richard Susskind was one of the first to address a possible radical disruption of the profession by technology. He foresaw a future – now rapidly approaching – where technology would fundamentally reshape what law firms look like and how they operate. Terms such as *commoditising*, *outsourcing*, or *de-lawyering* have by now become common language in the legal industry. This is due not just to technology, but also to the quantum leap in client expectations brought about by so-called alternative legal service providers (ALSPs) and the

digital transformation of client businesses in general.

In March, another glimpse of the future appeared in the state of Utah, when the US's first non-lawyer-owned law firm opened for business. For a subscription fee of \$9 a month, **Law on Call** offers advice from licensed lawyers by phone and discounted hourly rates (starting at \$100) for traditional legal services.

Today's early-career lawyers are likely to adapt well to these changes, or even welcome them, as they have been socialised in a world full of subscription services, unlimited flat fees and social media communication. The fact that AI assumes much of the low-level grunt work (that kept associates slaving away at their desks past midnight in the past) will be as normal to them as ordering an Uber via Siri or Alexa. Also, changes in the type of legal work will play to the strengths of the digital-native generation of lawyers who are more likely to understand and take an interest in such issues as **blockchain** and smart contracts.

Senior law firm partners, in turn, may experience a loss of power and status that strikes at the heart of their sense of self. Lawyers tend to define themselves to an extraordinary extent in terms of the work they do, and the archetypal characteristics ascribed to them. One of the great dangers for law

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firms is, thus, that top leaders will refuse to revise their existing self-image, despite unavoidable evidence of change. This resistance to innovation and reinvention may pose the biggest threat to the relevance and survival of the legal profession as we know it.

Defensive reactions

For his **INSEAD Executive Master in Change** thesis, Alexander looked **below the surface** of the legal profession, surveying more than 100 lawyers, general counsel and scholars around the world on different aspects of their profession and their own future.

When asked how they felt about the current state of the profession, respondents were almost suspiciously sanguine. At the same time, law firm cultures are famously replete with problems ranging from abnormally long hours, stress and competition. We see a psychological splitting process, by which negative feelings and associations are denied and projected elsewhere – such as onto a colleague, a partner or the firm itself. Holding on to the positive is human but blindness to your own defence mechanisms makes change very hard.

When questions shifted to the future, contradictions appeared in the data. Nearly all the lawyers expressed apprehension about what was coming, especially when it came to technology. *“Everything is going to be tougher”, “Quality will decline”, “My thoughts turn to dystopic images”* were representative responses. At the same time, their answers reflected a refusal to contemplate what all this might mean for them personally. *“I do not think things will change much anymore. I believe that the business of lawyers is bullet-proof”*, one equity partner at a large firm said. Another interviewee with a similar role said, *“Much of what we see today is also just a hype, a trend. Bespoke legal work will not ever be covered by technology.”* Over 90 percent of interviewees placed themselves in the bespoke field. The absence of what psychoanalysts call reality testing was striking.

It matched, though, **research** on lawyer personality conducted over the last 30 years which found lawyers to have particularly low resilience and cognitive empathy, facilitating strong change immunity and defensive behaviours. Applying a more psychoanalytic lens, we see a rather vulnerable profession where identity is severely threatened.

As much as individuals resort to psychological flight-freeze defences in a case of immediate danger, organisations and entire industries build up “social defences” against any kind of threats. By fighting every and any non-legal player in and

outside of court, the systemic legal pillars in the form of bar associations exemplify social defences in action. At the same time, the current developments are real and may indeed subconsciously be interpreted as an attack on many of the meanings associated with the lawyer-identity. A change in status and societal role consequently leads to a potential devaluation of self-worth on an individual level.

The cure for identity crisis

These deeply defensive reactions may be understandable, but they contravene the very quality most needed for any industry facing disruptive change and the pressure of reinventing itself: **curiosity**.

British psychoanalyst Wilfred Bion saw curiosity as the ultimate sign of a healthy work group. For Bion, curiosity equated to interest in an unknown environment that falls outside the space and limitations of one’s control. Letting go of control and accepting the importance of “*un-learning*” takes a lot of courage for lawyers and law firms whose primary task appears to lie in having all the answers. Curiosity, however, also builds upon one of the major strengths of lawyers – the art of asking questions. Legal leaders should actively embrace the strategy of genuine curiosity. Taking curiosity one step further and integrating it throughout the firm will lead to a radical cultural transformation.

For decades, retail banking institutions believed they were in competition with other banks whereas the true competitors were outside their field. Legal leaders should now be asking questions such as: *Will our future competitors be the Googles and Amazons of this world or other tech players backed by private equity firms? Or even our own clients who will simply start their own law firms or expand their in-house departments?*

So, where does this leave us?

Questions law firms should ask themselves

Would people characterise your firm as open and curious? How do you secure non-conformity in brainstorming meetings at the partner level? How often do partners conduct real open-ended brainstorming? How does your firm support an active state of inquiry on all career levels and if it does not, why? How often do your managing partners discuss and look into other industries? And if they do, how often have they had an open exchange with leaders from other industries about the challenges in the legal field?

And finally, consider the last time you said this to someone at your firm, “I am stuck with this. I am

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curious how you see this. Can we look at this together?"

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Job one for law firm management should be to make curiosity a strategic goal. Make the level of organisational curiosity measurable by shifting importance from knowing to exploring. Curiosity needs to become part of the firm's cultural DNA, supported on all levels and integrated into daily routines of employees. Why not introduce the habit of starting off meetings with a required round of questions? Management should spend less time working on strategy as a stand-alone subject and more time on understanding the very preconditions for strategic innovation. Enabling future-oriented strategies requires new voices, new conversations, new perspectives and the courage to see experiments fail. It was Peter Drucker who characterised the leader of the future as the person who knows how to ask versus the one to tell.

In a **classic article of strategic management**, Ikujiro Nonaka and Hirotaka Takeuchi emphasise the importance of "tacit knowledge" versus "explicit knowledge". Lawyers have been socialised for almost two centuries to rely on codified knowledge whereas the only way of forming a learning organisation is through dialogue, discussion, experience sharing and observation. All of which are based in individual and organisational curiosity.

If we ask who would be considered more adventurous and curious – Google, Amazon, Netflix, Tesla or any of the players in the legal industry – the answer should be clear, even obvious. We believe, though, that this does not necessarily have to be this way. Society needs a strong legal pillar to safeguard the foundations of democracy and the rule of law, representing societal principles in ways that shall not depend on market and power dynamics. However, the future of the legal profession – in particular of law firms – cannot separate itself from market realities and freeze in the hope of thereby preserving the status-quo. The level of organisational curiosity will demarcate which firms will radically reinvent themselves and ultimately stay relevant in a world that desperately needs these new types of future legal professionals – whatever their new identity will be.

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