Challenges In And Strategies For Law Firms To Adopt Legal Technology In India

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1.1. Introduction

As we sit in the midst of a lot of chatter around the robotic lawyer, automation and multiple whispers of ChatGPT taking over a lawyer's job, it is important to look back at what is at the heart of all this change. The legal profession is evolving, and technology is a clear driver of it. It is making every lawyer (or their clients, and by consequence, the lawyer) relook at how legal advise and legal work is built and delivered.

The change is, however, not uniform across the world. In this article, we will look at what digital transformation and adoption of legal technology look like, particularly in the context of Indian law firms.

1.2. Current State of Legal Technology in India

Before we dive in, it's important to understand the state of the Indian Legal Market.

The Indian Legal Market is expected to grow at 4.3% (Projected CAGR) from 2022 to 2032. However, it is important to note that it is still much smaller than the US, UK and other evolved markets. (For reference, the Indian legal market is only 0.3% of the USA legal market size). [1]

LegalTech in India is evolving but is still in very nascent stages. Even though it has over 650 startups as per a 2022 report, the legaltech market size of India is only about 2.71% of the US market (USD 380

million against USD 14 billion). In fact, the number of startups is attributable to the expected consolidation in the market. [2]

Contrary to the belief that technology will replace lawyers, it mainly enhances efficiency by automating routine tasks, allowing focus on more complex issues.

	USA	India	UK	Canada
Number of Startups	2686	676	583	321
% Startups Funded	21.2%	8.4%	18.5%	19.9%
Total Funding Raised (USD Million)	4385.9	68.4	584.5	855
Legal Services Market Size (USD)	437 Billion	1.3 Billion	37 Billion	16 Billion
Legal Tech Market Size (USD)	14 Billion	380 Million	11.4 Billion	–

Even though the legaltech market in India is relatively small, the need for law firms and legal service providers to continue to adopt technology in the delivery of legal services continues to grow. Now, more than ever, the "more for less" challenge, i.e., clients expecting more value for money. In fact, with the speed of acceleration of technology, how and what legal services are delivered is constantly changing. However, despite this, there are very limited law firms in India that are actively looking at their digital transformation strategies or even investing in legal technology.

1.3. Challenges Faced by Law Firms in Adopting Legal Technology

1.3.1. Limited Awareness and Understanding
Most lawyers tend to be very unaware of the technology that impacts how legal work is delivered – ranging from AI-assisted research to cloud-based case management. Further, misconceptions about legal tech's impact on practices further inhibit adoption.

This problem is amplified by the educational gap in India's legal curriculum. Most law schools in the country lack formal instruction on the business of law or the impact of technology on the legal industry.

This leaves aspiring lawyers ill-equipped to navigate the digital transformation reshaping the sector. This gap underscores the urgent need for integrating legal tech education into law school curriculums, preparing the next generation of lawyers for a digitally advanced legal landscape.

1.3.2. Starting with Technology and not the People and Process
At the other polar end of the spectrum, is the ideology that technology is a magic bullet that can fix everything. People involved in making decisions around technology and its implementation often start with technology – rather than fixing the underlying people's expectations/behaviours and the process.

Technology, when applied to a bad process, only allows you to do that bad process faster.

1.3.3. Atypical Constraints in India

1.3.3.1. Lack of fundamental technology infrastructure

India's legal services sector faces substantial infrastructure deficiencies hindering full technology transformation, particularly in the disputes sector. The focus of digitisation in courts has been on individual cases, without system-level oversight, with key data often not machine-readable and dispersed across various platforms . This lack of digitised data, coupled with insufficient software capabilities to automate legal processes, hampers the effective deployment of AI technologies, despite their potential for data abstraction and case analysis.

This is important to understand since most Indian law firms (even those providing services even across transactions) likely have a sizeable team and a chunk of their revenue comes from their disputes and litigation practice.

1.3.3.2. Limited LegalTech Ecosystem

Despite the potential product-market fit, a vibrant startup ecosystem, and ample talent, the legal tech sector in India remains largely unexplored by venture capital (VC) and private equity (PE) firms. This is primarily due to law firms' low technology adoption and investment, resulting in a constrained Total Addressable Market (TAM) for legal tech startups. Consequently, there has yet to be an IPO from any Indian legal tech venture, and acquisitions are notably absent. The total investment in the Indian LegalTech market is less than USD 70 million (compare this to investments of USD ~4400 million in the USA, USD 855 in Canada, and USD ~600 in the UK). [3]

1.3.3.3. Financial considerations associated with investing in legal technology

A key roadblock in India's legal tech adoption is the scarcity of products tailored to our local market. This results in inflated costs, aggravating the challenge. The issue is further compounded by the support, or the lack thereof, that barely aligns with our time zone. The irony isn't lost on us when we realize that even though the tech brains behind these tools might be our neighbours, we're navigating time zones to tap into their expertise. It's like embarking on a global expedition to access what lies across the road.

1.4. Strategies for Successful Adoption of Legal Technology

1.4.1. Empowered Leadership with a Dedicated Team

Empowered leadership is integral to fostering technology adoption in law firms. Leaders who prioritize technological advancements and understand their transformative potential can drive a culture of innovation. Building a dedicated team focused on technology can be a game-changer. This team, ideally a blend of legal and technical expertise, can help bridge the gap between technology and traditional legal practices.

1.4.2. Assess the Firm's Needs and Objectives

It is frequently observed that digital adoption initiatives fail to scale or achieve their intended

objectives due to a short-term perspective of the requirements.

Additionally, it is all too common to witness these initiatives lose momentum midway through the project. The primary causes for these shortcomings tend to be a short-term outlook on the issue at hand and firms' attraction to new technologies for their 'novelty' rather than their long-term alignment with the firm's objectives and goals.

1.4.3. Develop a Technology Roadmap and Digital Transformation Strategy

Cultivating a culture of innovation and technology necessitates adopting a long-term roadmap and digital transformation strategy. This strategy must scrutinize the firm's historical growth, and the challenges encountered – then formulate the plan based on these objectives. Undeniably, in this rapidly evolving world, businesses cannot afford to wait years to witness results. Therefore, it becomes increasingly crucial to devise a comprehensive strategy interspersed with short-term deliverables to continually assess the return on investments. In a country like India, where receptivity towards technology adoption is relatively low, these short-term deliverables can serve as a means to foster interest among lawyers.

Another additional challenge arises when the firm's digital teams, if present, frequently find themselves engrossed in the demands and requests of their immediate functional areas, namely lawyers and business functions within the firm. The digital transformation strategy must always keep clients at the centre of everything.

1.4.4. Foster a Culture of Innovation and Technology Adoption

While the acceptance of technology adoption in Indian firms may not parallel that of Western counterparts, there exists a cohort of young, tech-aware lawyers within these firms. Such individuals could be instrumental in fostering a culture of innovation and technology. Firms, such as Khaitan & Co., have instituted dedicated innovation functions, composed of lawyers and closely aligned with the technology department. This arrangement facilitates cross-learning and cultivates a culture of innovation that aligns with the specific needs of the lawyers.

1.4.5. Embrace Agile Implementation Methodology and continuously monitor progress

An Agile methodology, characterized by flexibility and iterative progress, is conducive to the monitoring and realization of digital transformation objectives. Continuous monitoring is a sine qua non for ensuring that the transformation journey remains aligned with the firm's vision and adapts as per the evolving requirements.

1.4.6. Invest in Training and Change Management Programs

In implementing a digital transformation initiative, people are the most critical and central component. It is paramount to have an ongoing training program that underscores the long-term objectives, changes in work methods, and the benefits derived from these changes. Since it is unrealistic to anticipate acceptance of these changes from the talent pool without their buy-in and a concerted

effort towards training and change management initiatives.

1.4.7. *Promote Cross-functional Team Collaboration*

Digital transformation initiatives have an enterprise-wide scope, making it imperative to include all functions and establish cross-functional teams for these initiatives. In a mid to large-sized firm, almost any project will interact with numerous people, systems, and processes. Consequently, instituting a mechanism enabling systematic collaboration among cross-functional teams is crucial (such as cross-functional team meetings, project management tools, proper communication platforms, defined roles and responsibilities, etc.). Such collaboration should be buttressed by well-documented processes and workflows, supported by systems designed to handle edge cases and interactions.

1.4.8. *Collaborate with Legal Tech Startups and Providers*

Although India is a hotbed for technological innovation and startup ecosystems, progress in the legal tech arena remains significantly limited. This situation partly stems from the tepid interest of venture capitalists. However, a major factor is the low adoption rates by firms, as products do not meet the firms' 'exact' requirements. This challenge can be effectively addressed if law firms collaborate with startups to co-develop solutions or assist startups in tailoring their products to the firms' needs. Armed with the assurance of the firm being their first customer, startups would have both guidance and confidence to invest their resources in developing a product that meets the 'Product Market Fit' criteria right from the outset.

1.4.9. *Target Quick Wins*

Securing quick wins is a strategic approach in any digital transformation journey. By identifying and targeting initiatives that can deliver tangible results in the short term, law firms can build momentum and foster a positive attitude towards change. These 'quick wins' might be as simple as automating a routine process, adopting a new collaboration tool, or improving the client onboarding experience through digital channels. These initial successes not only demonstrate the value of digital transformation but also help to create a culture of adaptability and innovation. Moreover, they can serve as a catalyst for more complex transformation efforts in the future, providing a strong foundation for continued digital evolution.

1.5. Conclusion

Law firms stand to gain significantly from establishing a well-defined digital strategy and making judicious investments in technology. By embracing digital transformation, they can enhance their efficiency, streamline operations, and deliver more value to their clients. It is, however, critical for these firms to view technology not as an end, but as a means to achieve broader business objectives. As the legal landscape continues to evolve, those firms that adeptly navigate the digital frontier will be the ones poised to thrive in the future.

Notes
[1] *See* Beyond the Bench – Promise of Indian Legal Tech Startups, CIIE.CO Available at: https://www.insights.ciie.co/posts/beyond-the-bench-promise-of-indian-legal-tech-startups (Accessed: 7 June 2023).
[2] Ibid.

[3] Data as of 2022. *See* Beyond the Bench – Promise of Indian Legal Tech Startups, CI-IE.CO Available at: https://www.insights.ci-ie.co/posts/beyond-the-bench-promise-of-indian-legal-tech-startups (Accessed: 7 June 2023).

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