

News release

Law firm innovation increasing, but funding and scalability issues hindering new game-changing developments

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A major independent study into innovation in the legal sector has revealed that while the majority of law firms were making increasing use of day-to-day technology, the development of bespoke legal technology was largely focused on advances which would benefit larger corporate clients.

The research [<https://www.sra.org.uk/sra/how-we-work/archive/reports/technology-innovation-in-legal-services/>] carried out on our behalf by the University of Oxford found that the use of some existing technology has soared over the last 18 months, with 87% of firms now using video conferencing to meet clients and two-thirds (66%) storing data in the cloud. The vast majority of firms (90%), regardless of size or sector, reported that changes made to help them deliver services during the Covid pandemic were now here to stay.

Generally, use of technology was found to be highest among younger firms, those operating through alternative business structures and those working in areas where technology was already established, such as conveyancing. When it came to more advanced technology - such as automated documents, interactive websites and artificial intelligence – a little more than a third (37%) of law firms said they were currently using these.

The research found that issues relating to funding and scalability meant that most bespoke development among technology companies was focused on products for the corporate sector. For firms working with individuals and small businesses, the most commonly-cited barriers to accessing more advanced or targeted technological solutions were affordability, a lack of inhouse technology skills, or uncertainty over the business benefits from making an investment.

Analysis of thousands of legal job adverts published over the past six years found that while less than 2% of advertisements for solicitors mentioned lawtech skill requirements, up to 15% of jobs in other legal settings did. This, combined with the fact that three times as many roles are advertised each year in the unregulated sector, seems to be contributing to a widening lawtech skills gap between regulated and non-regulated providers.

Anna Bradley, Chair of the SRA, said: 'Supporting innovation and the adoption of legal technology is a key priority, as we set out in our Corporate Strategy. It can help increase access to justice for the public and small

businesses, as well as supporting firms to be more efficient, benefitting everyone and the economy as a whole.

'These findings drive home the fact that when we talk about technology, we need to remember just how broad that term is and how far there is for some to travel. This is not just about artificial intelligence, virtual reality or future technologies. Some of the innovation which has the greatest potential to improve access to justice at pace is already available. Such technology can be applied widely and be used on a day-to-day basis to benefit both consumers and law firms. The challenge now is how we all work together to enable this to happen.'

Mari Sako, Professor of Management Studies at the University of Oxford and project leader for this research, added: 'Technology and innovation have already changed, and will continue to change, the face of the legal services sector. Our research provides robust evidence of this.'

'But we also found that benefits from legal technology are not evenly distributed across different market segments. Regulators, including the SRA, collaborating with other stakeholders could play a major role, not only to lower regulatory uncertainty but also to level the playing field across the market segments.'

Based on their report, researchers identified three key areas to be addressed in order to allow for greater development of innovation and technology in legal services to take place. These were:

- Greater support and co-ordination among government, regulators and tech developers – especially in terms of encouraging innovation and identifying funding paths
- Increasing public and law firm trust in new approaches and technologies
- Increasing the technological and innovation skills and knowledge bases within the legal sector.

In compiling their Innovation and Technology in Legal Services report, the University of Oxford collated information supplied through nearly 900 detailed survey responses from SRA-regulated law firms, in-depth interviews with more than 50 stakeholders from across the legal, technological, investment and government sectors, and wider analysis of information from leading online recruitment and investment databases.

Supporting information for the research, including podcasts from the University of Oxford, can be found on our website.