

You Should Know What You Don't Know: Do You Really Understand Your Competition?

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"World trade means competition from anywhere; advancing technology encourages cross-industry competition. Consequently, strategic planning must consider who our future competitors will be, not only who is here today." — Eric Allison, Uber Elevate

Assessing your law firm's current and potential competition is an important part of the strategic planning process. For example, foreseeable influences and competitive factors (potential or real) include, but are not limited to:

- Non-attorney ownership of law firms – In North America, some [states](#) (and now [Canada](#)) are gradually toying with non-attorney ownership by creating sandboxes ("testing grounds for new business models that are not protected by current regulation")[\[i\]](#). This emerging trend will both change basic business models and open doors for the Big 4 and other competitors to expand further.
- Legaltech – New legaltech companies are emerging all the time (you can find directories of legaltech on [LegalInnovationAggregator.com](#)) and are receiving billions of dollars of private equity investment. "Having secured U.S. \$6.6B across over 900 companies globally, legal tech is one of the fastest-growing sectors for investors. Funding has grown exponentially over the last few years, with total investments skyrocketing from U.S. \$1B to US \$2.2B between 2018 and 2019," according to a press release from Clio.[\[ii\]](#) Moreover, recently, [several legaltech companies have gone public](#).
- Alternative Legal Service Providers (ALSPs) – According to the third biennial Thomson Reuters report on ALSPs published this year[\[iii\]](#), the ALSP market is estimated to have grown to about \$14 billion by the end of 2019 with a six-year CAGR of 15% and with continued growth expected. Clients and law firms are increasingly bringing ALSPs into appropriate workflows or tasks.

For the remainder of this article, I will focus on ALSPs because I have accumulated a good deal of knowledge about them and because they incorporate legaltech in their offerings.

"The ability to learn faster than your competitors may be the only sustainable competitive advantage." — Arie de Geus

Interestingly, many law firm Partners have little to no interest in exploring the potential applications of ALSPs right now. Why? Several reasons, including:

1. Change-averse partners;
2. A revenue-focused business model;
3. A revenue-focused compensation system;
4. Little interest – yet – in looking at matters from a profitability perspective;
5. Individual Partners who are getting credit for, and are being paid for, commodity work that could be replaced and,

as a result, will fight any change tooth and nail;

6. These same Partners will say that their quality is far better than anything those “second-rate” lawyers in an ALSP could produce;
7. Little visible pressure from competitors who are thinking along these lines. (“**The competitor to be feared is one who never bothers about you at all, but goes on making his own business better all the time.**” — Henry Ford); and
8. Law firm leaders who, given all of the preceding points, don’t want to take on the internal blow-backs associated with this topic.

More interestingly, none of these reasons is tied to thinking strategically about the firm and the future. Rather, they are linked to precedential thinking and the way the practice/business of law has been successfully done for decades. However, as they say in the financial world, “past performance is not indicative of future results” (words crafted by a lawyer, no doubt). If this is so, then now is exactly the time to start the information gathering process to learn about ALSPs.

You could invite one in for a no obligations conversation. Tell the representatives that you are skeptical and dubious, but you want to expand your thinking. They will respect that position and meet anyways because they tend to be quite sure and confident in their value propositions. Not all ALSPs are created equal. I have uncovered many excellent ALSPs and weeded out which ones not to use. I know of some that will even offer free small introductory projects so you can dip your toes in the water of working with ALSPs.

Billions of dollars are going into the ALSP market. These investments aren’t being made, for the most part, by day traders and wild speculators. This is a lot of good money being spent by law departments, law firms, and investors who expect these investments to produce good value for their clients and a positive ROI for themselves.

If you buy into this logic, then kick-start a learning process within your firm to learn of the many options available to you. I’m aware of hundreds of ALSPs and other outsourced service providers that can support the business and/or practice of law. The worst outcome is that you gain knowledge on the concepts being developed, along with a little market intelligence. The best is that you find one that is aligned with your culture AND that will help you derive more profits from an existing workflow and create new revenue streams.

ALSPs are here and their presence is growing. Some of your competitors may already be using them (and continued, broader future use of ALSPs is likely). You should know what you don’t know. Per the opening quote, don’t be locked into only who is here today. That’s not being strategic.

References

[i] [What is a regulatory sandbox? | BBVA](#)

[ii] [Clio Secures \\$110M Investment, Sees ‘Explosive Demand’ for Cloud-Based Legal Tech | Legaltech News \(law.com\)](#)

[iii] [Growing ALSP market becoming less “alternative”, says new report – Thomson Reuters Institute](#)