

# TAX TALKS

Australia's Tax News Podcast - The Podcast for Australian Tax Professionals

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## 46 | Innovation in Australian Law Firms

Innovation in Australian law firms is not a topic you would expect in a tax news podcast. But think about how similar the work in tax, accounting and legal practices really is. We all provide professional services and deal with clients, documents, billings and margin squeeze. So it is worth looking over the fence to see what is happening next door. Maybe they thought of something we didn't.

### Innovation in Australian Law Firms

On the 1 March 2018 the Australian Financial Review published an [article](#) about technical innovation in Australian law firms. It listed 38 of the 50 law firms who had responded to the AFR Law Partnership Survey. The question had been, "Is your firm investing in automation or AI technology?" And the answer was a loud Yes. But most respondents are focusing on the automation of processes, staying clear of cognitive computing and machine learning.

The AFR article focused on three firms in particular: Meridian Lawyers, IBM and Baker McKenzie.

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#### Meridian Lawyers

Over the past two years, Meridian Lawyers has spent \$2 million on automation and improving internal systems to reduce the cost to output ratio. And the plan is to spend another \$1 million over the next three years on an automated online documentation system for wills, employment and commercial contracts.

Meridian Lawyers is relatively small – 16 partner-equivalents – with its core business in insurance and health law. It has two external shareholders, insurance broker Steadfast Holdings and Guild Group Holdings, which owns GuildSuper. So this gives Meridian a financial capacity and risk appetite to invest less likely to be found in smaller firms. Having corporate shareholders allows Meridian to raise capital rather than having to finance its technology infrastructure out of profit.

#### Quote: Paul Baker

Here is more from the managing principal of Meridian Lawyers, Paul Baker, Previously a lawyer at Blake Dawson which is now part of the global firm Ashurst, Paul founded Meridian Lawyers in 2004.

"The ability to increase hourly rates and the appetite of the consumer to look at an increase in payment of legal fees is not there. So you have a situation where revenue base per head is flat-lining, expenses are increasing. Therefore you need to find a way to provide the output more efficiently. Hence, if you can have technology working for you and generating revenue 365 days of the year, 24 hours a day, that's got to be a good thing.

We want to use technology to its fullest potential. We're trying to think laterally, to help investors with their customer base. It is fundamentally important to embrace technology in order to survive. So we are having a red hot go.

I see this online documentation offering as almost separate to Meridian. We are even looking at a separate business name. This is something we're doing to not only raise revenue, but also leverage the opportunity given to us by shareholders."

To learn more we met with Paul Baker and Meridian's Head of Technology Yile Yu in May 2018. Please listen to our interview for more behind the scene details.

## **IBM Australia**

IBM Australia has worked with various legal firms since its 2016 development of its natural language processing research assistant, called "Ross". Ross is also dubbed the "AI lawyer."

IBM is making global efforts to move more aggressively into the legal zone, particularly with self-help style tools.

### **Quote: Jason Leonard**

IBM Australia's head of cognitive computing and analytics is Jason Leonard. Jason expects transformation in the legal industry to "start to really accelerate over the next 12 to 18 months.

The Law world is probably a little bit behind, but it's going to catch on pretty quickly. For those worried it is just hype, they simply need to look across to the next building – to the insurance company or bank – and see what they're doing."

## **Baker McKenzie**

Baker McKenzie invests extensively in contract automation and AI enabled eDiscovery. The firm has launched what it calls its Whitespace Collab in Toronto, which has become a hotspot for machine learning.

The firm nominates the "challenge to adapt and innovate in the face of disruption as the greatest threat to the profession. The technologies currently in the market are largely efficiency plays. Candidly, we are more interested in what will be possible in three to five years time as AI-enabled judgment becomes a reality."

## **Others**

AFR mentions four other firms pursuing innovation. Almost 2 years ago **Colin Biggers & Paisley** launched its e-conveyancing system to take retail sales and commercial leases digital. It is pumping \$20m into this transformation. **Gadens and Dentons** has digitised in the conveyancing space. **Gilbert + Tobin** has automated its IPO prospectus verification prospect. And **Norton Rose Fulbright** has launched a chatbot on privacy law to help businesses deal with privacy law changes under the new mandatory data breach notification regime.

## **AFR Law Partnership Survey**

The AFR survey asked, "Is your firm investing in automation or AI technology?" 50 firms answered this question. And all of the 38 firms quoted in the [AFR article](#) outline plans for innovation, ranging from minor initiatives to million dollar projects. The only thing is that most of the initiatives outlined don't involve much AI. We don't blame them though. There isn't much AI happening in the tax world either yet.

Please join us talking to Paul Baker and Zile Yu of Meridian Lawyers as we dive deeper into innovation in Australian law firms.

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