



## **Operational GC: Lessons from the Legal Tech Trenches**

**Law Department Management**

**Technology, Privacy, and eCommerce**



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natural reaction when creating legal tech might be to seek out lawyers as customers. Think twice before doing so!

In a corporate setting, for example, only a small minority of employees are lawyers. If you focus only on lawyers as your users, your customer base will be limited.

Consider that legal tech may also be quite useful to those who are customers of lawyers, ranging from business development teams to financial officers. Often the departments outside legal have a larger budget and would love technology that would help streamline the relationship with the legal team.

## **Good lawyers make bad product managers**

In Silicon Valley we talk about agile product development, where we try to build an offering that will satisfy a small subset of the market initially and launch it commercially as quickly as possible.

While early generations of agile products may only solve selected problems for a particular niche of customers, the experience of putting a commercial product in front of actual clients provides an amazing opportunity to gather real-world feedback that leads to rapid product iteration and improvement. The person who oversees this product management process and determines which features to prioritize is called the product manager.

As a lawyer, you are trained to sweat every single detail, from the footnotes and shepherding to the formatting and paper size. You revise draft after draft locked away in your office, with scant feedback beyond that of your immediate peers and supervisor.

Most lawyers are afraid to show partial drafts to clients, particularly if the draft is still missing some of the planned arguments. This work style is distinctly anti-agile: Your product is hidden away until it has been polished 18 times and is prepared for any contingency, regardless of how remote.

In my experience, it is extremely difficult for great attorneys to transition into product managers because attorneys are incapable of letting certain details slide in order to ship the product quicker. A great product manager might declare: "Wow, this new widget will really solve a problem facing five percent of our customer base. Let's ship it!" By contrast, a lawyer would toil for years longer before shipping and then announce: "Our widget now addresses the problems that 95 percent of customers face. We just need to solve the remaining five percent before we can ship!"

## **Investors watch different movies**

You've been helping clients for years either in-house or at a law firm and seen the same problems arise over and over again. The giant market opportunity is so obvious to you! All you need are some great software engineers... and the funds to pay for them.

What you will discover when seeking those funds is that very few early-stage investors have a clue about how law and legal processes work. Many of them may have worked in investing their entire life, with little or no experience in any type of corporate or firm setting. To them, lawyers and the legal team are a black box to whom papers are sent before they are magically returned with lots of redlines on them. Often, they do not even see the legal bill.

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In order to overcome this lack of perspective, you need to be able to step back from your bird's eye view of the problem and be prepared to explain to investors how often the problem arises, what is the dollar impact of solving it, and share third-party testimonials about how inefficient the world is today. Better yet, have those third parties talk about how much they would pay for solution. While investors might not understand legal processes, they certainly understand the pursuit of money.

## **Humans versus statistics**

There are many legal processes that could be greatly benefited by the application of technology. Unlike humans, technology does not get tired after a long night on the town nor does it become "hangry" before lunchtime. And computers have a fantastic memory about the third sentence of the second paragraph on page six of your document, even when you are now focused on page 72.

You can readily demonstrate these technological strengths, however when faced with the question of whether to utilize technology for humans to solve a particular legal problem, many attorneys would still prefer a human.

The reason that the human is most commonly preferred is based on the often correct belief that computers and software are not perfect. That is the standard to which technology is often held. The thinking is that if tech is not perfect, then surely humans must be better. The great flaw in this analysis is that it fails to accurately compare the effectiveness of the technology to humans, who are assumed to either never make mistakes or be on an eventual path to perfection.

If you want to convince lawyers to adopt legal technology, you need to stop talking about technology and instead focus on human frailty and blind spots. Gather data about how often humans err and elicit feedback from them about times when they have seen costly mistakes by attorneys and paralegals.

These discussions about humans will help set a more realistic base rate in the minds of your prospective clients which they can then use to judge the possible efficacy of your technology.

## **It's time or money, not time = money**

When offering legal technology, it is crucial to understand the motivations of your audience. Law firm attorneys are compensated based on the number of hours that they bill while in-house counsel may receive the same salary if they can complete their work in five hours instead of 20 hours. In fact, an in-house attorney might even receive a bonus for completing work faster!

While your amazing legal technology might be a tremendous timesaver, that message may repel as many law firm attorneys as it attracts in-house attorneys. Know your audience and do not try to use the same messaging for law firms and in-house counsel.

In-house counsel might truly get excited about saving time and money for their company, particularly if they cannot procure the budget to augment to their staff. By contrast, if you want to sell the same technology to a law firm attorney, you need to focus on how it will help them win more clients and get more business from clients, rather than time savings.

## **The most difficult part about technology is the humans**

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Shipping a product that is used by thousands is incredibly rewarding, with a far more visible day-to-day impact on real people than you will ever experience negotiating a merger agreement or revising a master services agreement. On the other hand, you can negotiate those deals and draft the documents all by yourself!

Creating legal technology requires many resources that may be beyond your control: technologists, funders, marketers, designers, recruiters, and operations staff. It's an amazing experience to find great people in each of those categories, persuade them to join you, and devise processes for them to work effectively together to create something truly scalable.

While you might imagine that you will spend your days designing and using cool new tech, the reality is that you will spend most of your time hiring and managing those pesky humans. Legal tech may not be the escape you dreamed of after all...

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Neil Peretz has served as general counsel of multiple companies, particularly in the financial services and technology industries, as well as a corporate CEO, CFO, and COO.

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