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Digitalization of the Legal Field and the Future of Large Law Firms

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Received: 13 May 2020; Accepted: 16 June 2020; Published: 21 June 2020



Abstract: This paper discusses how large law firms should re-organize themselves to maintain a competitive edge in the increasingly digitalized legal field. While providing a brief historical introduction to the rise of large law firms and the challenges posed by the rise of digital capitalism and the gig economy, the paper proposes an original and radical approach to reforming large law firms in the light of the digitalization. Among other things, the paper discusses (I) the partnership as organizational tool for large law firms in an increasingly digital and agile legal field; (II) the importance of multidisciplinary practices and of the relationship between lawyers and non-lawyers within firms; and (III) the centrality of outsourcing strategies to legal tech companies and other actors in order to deliver legal services more effectively and in a more client-oriented manner.

Keywords: digitalization; large law firms; sociology of law

1. Introduction

Digitalization has become a buzzword in the legal world, stirring significant interest in the future of the legal profession. A host of innovative legal-tech companies have entered the market of legal service providers, presently challenging the lawyers' monopoly over the practice of the law and, ultimately, altering the mode of production in the legal field.¹ We have already witnessed a significant digitalization in due diligence, contract review, legal research, e-discovery, prediction technology, and document automation, while tools such as client portals and intranet-based collaborative platforms are becoming more sophisticated every day.² These developments did not go unnoticed by the giants of the tech industry. Recently, the online retailer Amazon has made its first step into the legal services industry, launching a curated network of IP law firms that provide trademark registration services at pre-negotiated rates.³ There is no doubt that Google, Microsoft, and the like will soon follow suit, thus contributing to the already ongoing de-professionalization, corporatization, and, ultimately, commodification of legal practice. In the light of the above, commentators have predicted the disruption of the legal field,⁴ the future replacement of lawyers by robots,⁵ and a radical restructuring of the modalities of delivering legal services.⁶ Others have argued that lawyers should change their way of

¹ See, Valentin Pivovarov (2018). 713% Growth: Legal Tech Set an Investment Record in 2018. Forbes. Available online: <https://www.forbes.com/sites/valentinpivovarov/2019/01/15/legaltechinvestment2018/#d2b100b7c2ba>, claiming that only in 2018, USD 1663 million has been invested in legal tech.

² For an overview of these dynamics, see (Caserta and Madsen 2019; Thornton 2019).

³ See, Robert Ambrogi (2019). With IP Accelerator, Amazon Edges Into The Legal Services Arena. Above The Law. Available online: <https://abovethelaw.com/2019/10/with-ip-accelerator-amazon-edges-into-the-legal-services-arena/>. For some, this constitutes the beginning of a long-term strategy to gain control of large sectors of the legal market for service providers. Interview with CEO of English large law firm, 1 May 2020.

⁴ (McGinnis and Pearce 2014).

⁵ (Rostain 2017).

⁶ (Susskind 2008, 2013; Susskind and Susskind 2017).

working and become T-shaped lawyers,⁷ get a business education,⁸ and/or act more as transaction engineers than as classic advocates.⁹

In response to this increased digitalization of the legal field, especially large law firms¹⁰ across the globe have begun to massively invest in legal-tech solutions in an attempt to maintain a competitive edge.¹¹ Some firms even developed incubators directed at creating and developing technology.¹² Yet, at least for now, these initial movements have not been coupled with substantial changes in the internal organizational structure of large law firms. The result is that such firms are not fully exploiting the potential that new technologies offer to legal practice, and they thus risk losing the dominant position in the market of legal service providers which they enjoyed since the early 20th century.

This paper discusses the organizational changes that large law firms should endeavor in order to maintain a competitive edge in the increasingly digitalized present legal field. To this purpose, the paper begins by recapitulating the dynamics that allowed large law firms to become the contemporary leading business model for legal service providers. The focus is on what has come to be widely known as the “tournament of lawyers”, which has arguably been the main driver of the growth of large law firms in the last decades.¹³ In the second section, I discuss some of the dynamics that led the business model of large law firms to crack during the 1970s and 1980s, namely, the excessive commodification of the practice of the law and its internal bureaucratization. In the third section, I argue that the entrance of new technologies in the legal field has exacerbated the ongoing crisis of large law firms by continuing to erode the classic politics of professionalism¹⁴ in favor of the dynamics of digital capitalism and the gig-economy.¹⁵ The fourth section presents and analyzes a host of recent proposals for reforming large law firms, such as, among others, the one of the Boston Consulting Group and the Bucerius Law School¹⁶ as well as the one provided by the Cambridge Strategy Group.¹⁷ While valuable, it will be argued that these proposals share the shortcoming of trying to make digital developments fit into the present structure of large law firms. For this reason, in my view, they will not allow these firms to fully embrace the potential of new technologies. Accordingly, in the fifth section, I propose an original and more radical approach to reforming large law firms in the light of the digitalization. Among other

⁷ The T-shaped lawyer is the lawyer with a set of interdisciplinary skills developed to face the challenges of technological developments and to deliver legal advice more efficiently. See, (Mak 2017).

⁸ Even more than they do today. See, (Jacob et al. 2017).

⁹ (Fenwick and Vermeulen 2019).

¹⁰ The term “large law firm” is a relative and, somehow, elusive concept, especially in the light of the fact that there are a number of indicators by means of which one can measure and assess law firms (number of lawyers, revenue per partner, partner to associate ratio, and so on). For the purpose of this paper, I adopt an overly inclusive definition characterized by the following features, namely that these firms: (I) provide full-service, as they cover the most important areas of law; (II) are generally considered top-tier (or elite) law firms in their country; (III) employ a significant number of attorneys, usually 200 and often many more; (4) their lawyers have the best salaries in the industry; (IV) their lawyers are often recruited from the top law schools in the country; (V) their lawyers are expected to bill about 2.300 h per year. This, in turn, covers what is often described in the literature as global mega law firms (Flood 1996; Galanter 2014) and BigLaw (Galanter and Palay 1991; Galanter and Henderson 2008).

¹¹ See, for instance, the various tech reposts of the American Bar Association https://www.americanbar.org/groups/law_practice/publications/techreport/abatechreport2019/.

¹² This is the case of Fuse, launched by the United Kingdom firms Allen & Overy, and of Next Law, who established the Dentons law firms. See, How Are Law Firms Investing in Technology to Remain Cutting-Edge? *Alvarez Technology Group*. Available online: <https://www.alvareztg.com/how-are-law-firms-investing-in-technology-to-remain-cutting-edge/>.

¹³ (Galanter and Palay 1990, 1991) But see, (Wilkins and Gulati 1998; Galanter and Henderson 2008). The core institutional characteristic of this organizational structure of large law firms is the “promotion-to-partner tournament”, structured around a simple promise made by senior lawyers (partners), who have excess human capital, to junior lawyers (associates), with little human capital but abundant supply of labor. In return for the associates’ work, the partners promise that at the end of the probationary period, they will promote a fixed percentage of them to partnership (Galanter and Palay 1991, pp. 77–120).

¹⁴ In general terms, professionalism is a relationship among producers, consumers, and the state for the production and distribution of expert services (Abel 2003, p. XV). Thus, the politics of professionalism involves two main aspects: (1) the political confrontation between governments and the professions in relation to the regulation of the production and distribution of expert services and (2) the internal conflict engendered by different segments of the professions taking different views as to how to respond to the opportunities and threats triggered by political, societal, and technological changes.

¹⁵ (Schiller 1999, p. XVI).

¹⁶ (Vieth et al. 2016).

¹⁷ (Cambridge Strategy Group 2018).

things, I will discuss: (I) the partnership as organizational tool for large law firms in an increasingly digital and agile legal field; (II) the importance of multidisciplinary practices and of the relationship between lawyers and non-lawyers within law firms; and (III) the centrality of outsourcing strategies to legal tech companies and other actors in order to deliver legal services in a more client-oriented manner. The final section draws broader conclusions on the sociology of large law firms in the light of the societal changes triggered by the rise of a digital capitalism. In particular, I will argue that large law firms would benefit from an internal process of de-bureaucratization that would rebalance the practice of the law in favor of a renewed ethos of professionalism. This new professionalism, I shall argue, will set the basis for a freer, autonomous, and more creative legal practice and, ultimately, for a return of large law firm lawyers to embody the most respected form of delivery of legal services in both the private and public sphere.

This article is part of a broader project on the digitalization of large law firms in Europe¹⁸ inspired by the seminal work of sociologists such as Luc Boltanski and Richard Sennett on the new culture of capitalism.¹⁹ In terms of methodology, the article builds upon the existing literature on the impact of new technologies on legal work and complement it with seventeen semi-structured interviews with CEOs of legal-tech companies and senior partners as well as heads of innovation of large law firms in Denmark and the United Kingdom.²⁰ The reason for focusing on Denmark and the United Kingdom is two-fold. Firstly, because historically in each of these two countries the legal profession positions itself rather differently vis-à-vis the state. Similar to the United States, the English legal profession developed largely in autonomy from the state and, at least in the early days, it organized itself in response to expanding market opportunities and entrepreneurially led patters of industrialization and urbanization.²¹ Like in other countries of continental Europe (most notably, Germany and France), the Danish legal profession developed in close relationship with the rise of the modern (bureaucratic) state, which provided the base for the growing utilization of legal services, it being the power base of the legal profession and the main purchaser of expert legal knowledge.²² Although in recent times there has been a convergence toward the marketization and commodification of legal practice, this different relationship between the legal profession and the state in the two countries impacted

¹⁸ The project, DigiProf—A Digitalized Legal Profession: Challenge or Opportunity (See the project's webpage <https://jura.ku.dk/icourts/research/digiprof-a-digitalized-legal-profession/>), is financed by the Danish foundation *Dreyers Fond* and is focused on understanding the broader and multiform impact on new technologies in the European landscape of private law firms. The project is set to explore how changes in the capitalist forms of production have cultural, organisational, and ultimately societal implications, not only for the practice of the law, but also the work environment and the legal professionals' daily life.

¹⁹ (Boltanski and Chiapello 1999; Sennett 2006).

²⁰ This article constitutes a preliminary study on the impact that digitalization is having and will have on large law firms; the study involves a relatively limited amount of actors interviewed and the limited focus on the United Kingdom and Denmark. Future studies within the framework of the DigiProf project will deepen the analysis by both testing these preliminary results on a large number of actors and by adding case studies studies from Germany, France, and Italy. Given the preliminary nature of the study, it is important to clarify the role that the interviews have played in the construction of my narrative. In broader terms, the DigiProf project is aimed at constructing original research based on extensive field work on large law firms in the above mentioned countries. It will do so by relying on a Bourdieusian approach with the goal of exploring the construction of a digitalized legal field and the underlying power battles that the rise of digital capitalism will bring about in the organizational structure of the profession (Bourdieu et al. 1991). For the more limited purpose of this paper, the interviews occupy a more marginal role as they have been used to complement existing visions of the impact of new technologies on legal work and on the legal profession. The data collected during field work were also particularly important to construct the more constructive part of this paper in which I propose to reform several aspects of the existing model of the large law firm. While my proposal is not entirely based on the interview, my conversation with my interviewees played an important role in shaping and refining my views. A word on the ethical guidelines followed during the field work is in place. At the beginning of each interview, the interviewees were provided with a brief but comprehensive explanation of the project and with an informal statement that the interviews would be recorded, but that the informant would remain anonymous when and if some of the statements released in the interviews were to be cited. All the interviewees accepted these ethical guidelines without problems.

²¹ (Rueschemeyer 1986). The autonomy of the profession in the Anglosaxon/common law world, however, should not be overblown, as in this context also there were instances of state-sponsored professionalization. But, in general, the claim still stands.

²² (Hammerslev 2003). See in general, (Weber 1978).

significantly on the organizational structure, ideology of professionalism, and working culture of legal professionals in Denmark and the United Kingdom. This, in turn, has caused digital developments to have a different impact on large law firms and the legal profession more generally. Secondly, the reason to focus on Denmark and the United Kingdom is given by their different level of liberalization of legal services in the two countries. The English market has been substantially liberalized, starting from the 1970s and culminating with the Legal Service Act of 2007.²³ The same cannot be said for the Danish market in which, for instance, restrictions for law firms ownership still apply. Presently, law firms in Denmark can only be owned by people who work in the firm, and lawyers must own at least 90 percent.²⁴ In turn, this different level of liberalization will also influence how new technologies are to make their way into large law firms, and, in the legal field more generally.

2. The Origins of the Current Business Model: A Commercially Oriented Professionalism

The emergence of large law firms is perhaps the most significant development of the legal world in the last century, as it caused a radical shift in the nature of the work of (elite) lawyers from courtroom advocates to business advisers.²⁵ Most law practice before the emergence of large law firms was conducted either by solo practitioners or by larger law offices where lawyers shared space and overhead costs, but often conducted their own separate practices. The developments in society occurring at the beginning of the 20th century in terms of technological innovations, rising complexity in the law, and early emergence of a globalized society, however, made it almost impossible for individual lawyers to perform their job in a competitive and effective way.²⁶ To cope with such developments, lawyers began to associate in larger firms, where the experience of older partners was mixed with the work force of junior lawyers. While the former were the actual owners of the firms, the latter were (well-paid) employees moved by a powerful incentive, the race to win “the promotion-to-partner tournament.”²⁷ This model has become widely known as the “Cravath system”, from the name of the lawyer, Paul D. Cravath, who was the first to organize his firm (Cravath, Swaine & Moore) along these lines.²⁸ The model was straightforward. The firm committed to hire only outstanding new graduates from top law schools on the promise that they might progress to partnership after an extended probationary period. In exchange, the firm would pay junior lawyers salaries, provide them with extensive training, and increase their responsibility over time.²⁹ Internally, the firm was arranged in a strict hierarchical system with command and supervision in the hands of the partners.³⁰

Starting from the early decades of the 20th Century, this new organizational form radically changed the way of performing legal work and the very nature of the legal profession. To begin with, the so-called Cravathism transformed the classic work of advocates into professionally driven corporate counseling. Perhaps the most important sociological consequence of these developments was the occurrence of a generational shift in legal elites worldwide. While in the old days, elite lawyers relied on family capital to legitimize themselves,³¹ the younger generation of Cravath lawyers, for the most part at least, lacked the symbolic capital embodied in and accumulated by families and, for this

²³ (Boon 2011).

²⁴ In 2014, however, an inter-ministerial committee set up by the Danish government as part of the Growth Package 2014 has been working toward analyzing the situation concerning the liberalization of the legal profession. (Okholm 2015).

²⁵ (Stevens 1987).

²⁶ In the hundred years from 1850 to 1950, the world witnessed major technological developments, such as the discovery of electricity and the replacement of old means of transportation with cars, airplanes, and space rockets, as well as of communication with telephones and computers. For an overview of this, see (Cambridge Strategy Group 2018, p. 12).

²⁷ (Galanter and Palay 1991).

²⁸ (Swaine 1946) Other lawyers such as Walter S. Carter and Louis D Brandeis have developed similar arrangements contextually to Cravath. See, for instance, (Hobson 1986).

²⁹ (Galanter and Palay 1991, p. 9).

³⁰ Ibid. p. 28.

³¹ (Dahrendorf 1969).

reason, they needed to find other ways to accumulate capital.³² Accordingly, they invested substantial resources in legal education, while at the same time, turned their attention toward the world of business. This combination of merit, social class, elite school ties, and a commercial approach to the profession allowed them to become the new and powerful legal elite and to gain immense power in the state and economy. Some of the partners of these large law firms ended up even becoming part of the American and European ruling class.³³

When read through the lens of Weberian sociology, the high level status achieved by the early Cravath lawyers is a consequence of the fact that their professional trajectory substantially overlapped with the broader process of rationalization of law and the rise of legal specialists in advanced capitalist societies.³⁴ Throughout the first half of 20th century, large law firms and their lawyers projected an ideal of traditional (although revolutionary for the time) professionalism, which predicated strict adherence to the profession's code of ethical conduct and a private practice at the service of both private clients and the public interest. As put by Robert Nelson: "Occupying the most prestigious segment of the profession, free from economic dependence on any given client, the large firm seemed to be a bastion of professional autonomy. In private practice the large-firm lawyer was deemed to be in a position to exert a positive moral influence on the powerful corporate actors he represented. In public affairs he was motivated not by narrow self-interest but by a commitment to enhancing the fairness and rationality of the law as an instrument of ordering society."³⁵ In other words, while slowly transforming the practice of the law into a commodity to be bought on the marketplace at a very high price, early large law firms lawyers portrayed an image of themselves as politically committed individuals, who identify with noble political ideals, such as the nation-state, democracy, human rights, and civil society. As put by Yves Dezalay and Bryant Garth: "As Kantorowicz noted some time ago, the king's notaries on the European Continent had to distance themselves from their master in order to serve him better. Similarly, we can suggest that Wall Street lawyers serving the robber barons of the nineteenth century gained a distance from their clients in part through the emerging antitrust law and the Progressive Era regulation more generally, and that the distance and investment in the law made them both more valuable and more legitimate."³⁶ In particular, this capacity of manipulating the law in favor of powerful clients, while at the same time, maintaining an aura of moral entrepreneurs promoting ideals of pure law, professionalism, and justice granted these lawyers a high status in American and European societies.³⁷ The reproduction of this power elite was then supported by the high economic, social, and cultural barriers of entry in the profession, which served as a filter to restrict access of a very limited number of newcomers. Particularly relevant in this regard were the high cost of the studies and the long years of apprenticeship required to become a part of the elite which obviously favored those in possession of the most social and economic capital.³⁸

³² (Dezalay and Garth 2004, p. 621) In this paper, the two authors discuss the different situations in Europe and in the United States.

³³ Ibid. p. 624. See also, (Smigel 1969). By elite lawyers or lawyers belonging to the ruling class, I mean members of the legal profession who have a strong influence both on the production of professional ideology and more generally on public life. As to the first, elite lawyers are those that produce a language that is ratified by the state and then used to justify and legitimate what lawyers do. As to the second, elite lawyers are those that enjoy a close connection with national fields of state power. As shown by much sociological research on the legal profession, lawyers often play multiple roles in society in addition to exercising private practice. Lawyers act as founding fathers, interpreters of constitutional norms, advisors to holders of state power, brokers, politicians, agents of colonialism and imperialism and so on. See, among others, (Dezalay and Garth 2011).

³⁴ See, in general, (Weber 1978).

³⁵ (Nelson 1988, p. 271).

³⁶ (Dezalay and Garth 2004, p. 618).

³⁷ Some scholars have shown how this idealistic representation of professionals as guardians of public interest and common good was not entirely in synch with the reality of the profession also in the early days. In particular, Magali Sarfatti Larson analyzed how the construction of this narrative was part of the broader process of professionalization of the lawyers as a corporatist strategy of gaining power and constructing a monopoly (Sarfatti Larson 1977). However, for the purpose of the brief historical reconstruction of the role of elite lawyers in society, the generalization that early large firms lawyers presented themselves as private and public engaged professionals still stands.

³⁸ (Bourdieu 1998).

3. The First Cracks: Commodification and Bureaucratization

While the Cravath system enjoyed a golden age during the 1950s and 1960s, it soon showed some weaknesses. As large law firms achieved economic success, they moved away from the more traditional values of the profession such as collegiality, autonomy, and public commitment. Market forces increased competition among firms and between these and corporate counsels, leading to uncertainty in economic terms.³⁹ Moreover, from the 1980s, the mode of production of legal expertise was transformed by a series of corporate reorganizations, the opening of new markets (for instance, the European Single Market), the internationalization of deregulated financial markets, and horizontal competition from large accounting firms.⁴⁰ At the same time, the underlying logic of the “promotion to partner”, together with an unprecedented surge in demand for corporate legal services that followed businesses facing increased government regulation in various areas, led these firms to grow exponentially in size.⁴¹ These developments were coupled with the growth of in-house counseling, which transformed the nature of the business of law as well as of the law firm’s clients, who were now increasingly constituted by well-informed consumers of legal services.⁴² In particular, the influential general counsels of large companies started shifting more work in house, using the competition between large firms to negotiate better rates for their companies.⁴³ All of the above led large law firms to start losing revenue, a fact that pushed them to enlarge even more in order to maintain the incredibly high profits of the partners. The means of this expansion were often mergers with and acquisitions of other firms;⁴⁴ a trend that continues to this day following a presumed client demand for “one shopping”.⁴⁵ The history of the well-known contemporary mega-firm DLA-Piper best represents these developments. This firm came into being in the early 2000s, when two little-known regional law firms initially merged. This initial movement was then followed by additional mergers with three smaller firms and by an additional international merger with an English firm, resulting in the creation of a firm that at the time was behind only to Clifford Chance and Baker & McKenzie in number of attorneys. Aggressive expansion continued thereafter, as in 2005 the new firm of DLA Piper Rudnick Gray Cary acquired a seventy-seven lawyers from Ernst & Young’s Russia, instantly giving it the largest law office in Moscow. Subsequently, the firm acquired forty-two lawyers from the disbanded Coudert Brothers to open a Beijing office at the end of 2005. By mid-2006, it was the world’s second largest law firm with 3,100 lawyers in twenty-two countries and fifty-nine offices. Today, it counts about 3600 lawyers.⁴⁶ Same dynamics occurred in the United States, Germany, Denmark, and other European countries, as well as in Japan. On an international level, nine out of ten law firms in Germany entered into international mergers or alliances in the year 2000; the same could be said for the five biggest firms in Denmark, which are all the result of mergers between smaller firms.⁴⁷

With this came the need to specialize, which in turn pushed these firms to stop training their associates (at least in part), but to acquire them from other firms.⁴⁸ Same dynamics occurred at the level of partners, as often lawyers able to attract business (the so-called rainmaking partners) were lured into shifting firms after receiving important economic offers.⁴⁹ In this changing environment,

³⁹ See, for instance, (Heineman 2016).

⁴⁰ (Dezalay and Garth 2004).

⁴¹ (Galanter and Palay 1991, p. 52; Bruck and Canter 2008).

⁴² (Regan 2004, p. 33).

⁴³ (Bruck and Canter 2008) Others have also convincingly argued that the rise of the in-house counsels led to a “decline of relationship lawyering” as these grow less attached to their law firms, and are more likely to shop for cheaper or more effective solutions. See, for instance, (Baker and Parkin 2006, p. 1637).

⁴⁴ (Harper 2013).

⁴⁵ (Aronson 2007). A viewpoint confirmed by many informants in the interviews, in particular by senior partners of large law firms in both Denmark and the United Kingdom.

⁴⁶ A timeline of the DLA-Piper expansion is available here: <https://www.dlapiper.com/history/#year2005>.

⁴⁷ (Madsen 2008).

⁴⁸ (Regan 2004, p. 35).

⁴⁹ (Fergus 1995).

profits were also maximized by increasing the ratio of non-partners lawyers to partners through the creation of a variety of non-partner permanent positions within the firm (permanent associates) or by hiring contract and temporary lawyers.⁵⁰ Some firms also began to differentiate among classes of partners, creating categories such as non-equity partners and partners without voting rights.⁵¹ In this regard, it is important to mention that the lockstep compensation system based on seniority was largely abandoned in favor of a compensation system reflecting productivity of each lawyer, the so-called “eat what you kill” approach, at least in the United States.⁵² These dynamics have been made even more evident by the more recent developments related to globalization, which triggered the transformation of many large law firms into mega firms, with thousands of partners in different geographical locations and armies of more or less young associates, non-equity partners, and the like among their ranks.⁵³

Thus, large law firm lawyers were led to abandon the corporatist and elitist logic that had characterized the early Cravath system and to orient the professional project toward marketization and commodification. In short, the professional project was now almost entirely turned toward the relentless pursuit of growth and profit at the expense of the public commitments of the new legal elite.⁵⁴ Moreover, the immense growth in numbers pushed these firms toward internal bureaucratization, resulting in the adoption of forms of central direction and rationalized management presided by full-time professionals; development of high levels of specialization, with firms divided in departments and organized to coordinate the work of the various specialists on the problem of the client; and high level of stratification and hierarchy, with the number of partners that fell dramatically in proportion to all other lawyers.⁵⁵ The ethos of professionalism was, thus, replaced by the ethos of bureaucratization and rationalization. In other words, while in the early decades of the 20th century large law firms lawyers were associated with patrician airs and professional nobility, they were now businesslike organizational men devoted to the interests of clients. Among other things, this had the side effect of creating a growing dissatisfaction among lawyers and clients. The latter started complaining of the exceptionally high prices for legal services that this system had created and started shopping around for legal services, becoming used to shifting from one provider to another when obtaining competitive and pricing advantages.⁵⁶ For their part, lawyers, especially associates, started complaining about long hours spent on mundane matters, such as reviewing documents and/or tweaking version after version the same deal documents, without client contact or a say so in the legal strategy.⁵⁷ In the post-2008 financial crisis legal world, the complaints among young lawyers are perhaps even stronger. Whereas previously the associates would at least receive high salaries and substantial prestige for performing

⁵⁰ (Galanter and Henderson 2008). Non-equity partners are attorneys who are treated as partners in terms of outward appearance (i.e., in relations with clients and other outside parties) but do not share in a percentage of the firm’s profits and are therefore not owners of the firm. A majority of large law firms now have non-equity partners, and their numbers are increasing. According to the AmLaw 100, 2020, non equity partners are, on average, 44%, and only 15 firms have only equity partners.

⁵¹ According to Steven Harper, the creation of a large cadre of permanent non-equity partners can result in big problems for a firm. This is because it can create second-class lawyers but also may result in depriving young lawyers of many opportunities (Harper 2013, p. 82).

⁵² (Regan 2004). As put by Aronson: “Under the traditional lockstep system, younger partners were generally underpaid for their efforts, while older partners tended to be overcompensated relative to their contribution to the firm. This system worked in a well-capitalized firm in a stable setting where young partners were confident that the system would still be in place and work to their benefit when they became senior partners. However, as firms grew and it became common for partners to move among firms, it became increasingly difficult to pay partners on any basis other than current performance. Young partners will generally not agree to delay receiving compensation and invest in a firm’s future when other firms will pay them more in accordance with their current market value (Aronson 2007, p.771).

⁵³ (Flood 1996).

⁵⁴ This led scholars to call into question the professional ideal of public service. See, for instance, (Kronman 1993). See also, (Halliday et al. 2008).

⁵⁵ This is similar to the path previously followed by other large professional service organizations, such as accounting firms, and includes, in many cases, a change to a limited liability partnership when that corporate form became available in the mid-1990s.

⁵⁶ (Guttenberg 2012). A viewpoint expressed by all my informants in the interviews.

⁵⁷ (Wilkins and Gulati 1998).

mundane tasks as associates at top law firms, these now hire fewer associates and rely instead upon “staff attorney” or “temporary” positions, which do not provide the same prestige, security, or salary as the traditional law firm associate job.⁵⁸ Today, even the partners of these large firms score relatively high in terms of job dissatisfaction. In a world in which clients no longer remain loyal and law firms compete intensely for business, law firm partners find themselves spending more time on business development and management and less time practicing law.⁵⁹ This growing dissatisfaction among large law firms lawyers was also confirmed by many of my informants in the interviews. Particularly relevant here are the statements of a number of former large law firms partners, now CEOs of legal tech companies, who have deliberately chosen to leave their very remunerative practice to build independent companies not only to unleash their entrepreneurial mentality frustrated by the nature of the work in large law firms, but also to pursue a better work life balance.⁶⁰ The statement of the Managing Partner of a Danish large law firm summarizes the issues at stake:

A: During the last two or three years we said goodbye to very skilled and talented people; even people that we put on our partner track. The first couple of times this happened we were a little bit amazed, because we thought we gave these people the very best offer available. You can become a partner in one of Denmark’s largest law firm with, at least in our opinion, the most spectacular cases you may get. You can appear before the Court of Justice of the EU if you like, you can go litigate in Greenland, and so on. We have the work. So, when they left to go fund their own company, often a two men company, then we were quite amazed and said: “Hey, what happened there, why would they do that?” But instead of saying, they must be idiots, we sat down and thought: “maybe we are not as attractive as we thought we were.” And why is that? Well, I think that, as firms grow bigger, even though you do become a partner, you will become one out of 60 or more partners. It is not as prestigious as it was before and if you really do have an entrepreneurial side inside yourself, then what does it mean to be one out of 60? It means that you still have to follow orders—unless you have my job of course.⁶¹

The consequences of these trends have been varied. Some commentators have documented the demise of the full-service law firm. Others have underlined that these developments may bring about significant changes in firm work culture and life, especially in terms of increased flexibility. Today, many lawyers are already changing their work rhythms and locations, some preferring to work remotely from home rather than from the office. My guess is that this trend will continue, ultimately resulting in a change in the law firm business model and associated culture, and possibly its traditional use of imposing office buildings in down-town settings.⁶² What is sure is that less office space will be needed.⁶³ Others emphasized the perpetual instability in relation to clients and lawyers hired in a firm and the consequent need for large law firms to continuously move into new markets, pursue new alliances, and expand operations, at times even globally.⁶⁴ For one thing, while historically corporate lawyers belong to a relatively small and socially homogenous group of “old boys groomed and trained in elite institutions”,⁶⁵ at the turn of the century, they found themselves inhabiting “a universe whose governing laws are those of the market.”⁶⁶ In other words, large law firms lawyers ended up being

⁵⁸ (Molot 2014, p. 17).

⁵⁹ (Baker and Parkin 2006, p. 1638).

⁶⁰ Interview with CEO of Danish legal tech company. Interview with CEO of new-tech based law firm in the United Kingdom.

⁶¹ Interview with Managing Partner of Danish large law firm, 20 September 2019.

⁶² See, among others, (Caserta and Madsen 2019).

⁶³ (Baker and Parkin 2006).

⁶⁴ This instability is also reflected in that, in the past decades, many major firms with more than 1000 partners have collapsed entirely. The surviving lawyers live in fear of suffering a similar fate, driving them to ever-more humiliating lengths to edge out rivals for business. See, (Scheiber 2013).

⁶⁵ (Dezalay and Garth 2004, p. 625).

⁶⁶ (Regan 2004, p. 42).

associated with the businesses and the business tactics they assisted, and not with a legal elite anymore. This ultimately resulted in firms significantly losing autonomy from the clients; that autonomy in part had allowed the early Cravath lawyers to present themselves as the moral entrepreneurs of the new capitalistic society and, ultimately, in actively participating in the construction of the state and economy. According to Dezalay and Garth, at the turn of the century, large law firm lawyers “appeared much more like multinational conglomerates of professional mercenaries in the service of big financial interests than guardians of the public interest.”⁶⁷

4. The New Challenges Posed by the Rise of Digital Capitalism and the Gig Economy

From the discussion conducted above, it emerges that the rise and fall of large law firms is inherently linked to the development of both the contemporary nation states and financial capitalism. These links are the most evident when analyzing the rise of the Wall Street law firms, which operated in symbiosis with the financial drift of capitalism. The model, with some twists and turns, was then exported to other geographical locations, contributing to a global marketization and commodification of the practice of the law. If anything, the developments described above have been accentuated by the recent entrance of new technologies in the legal field and by the consequent adoption by lawyers of the dynamics of digital capitalism and the gig-economy.

Broadly defined, digital capitalism is the latest transformation of the capitalist system of production in which digital technologies constitute “the central production and control apparatus of an increasingly supranational market system.”⁶⁸ In other words, capitalism becomes digital when the production process of certain commodities is performed by and through privately owned digital technologies.⁶⁹ In this light, digital capitalism constitutes the collection of processes through which digital technology mediates the structural tendencies of capitalism. In this, I follow the dialectic approach of Johnathan Pace in defining how digital processes actualize capitalism. Firstly, digital capitalism is a property type, as digital networks are increasingly becoming an important part of capital assets worldwide (i.e., meta-data collected through internet platform; digital currencies such as Bitcoin, and so on).⁷⁰ Secondly, digital capitalism provides for the opening and creation of new market types, as digital technologies have become circulation infrastructure for the exchange of goods, service, and money (i.e., online exchange platforms such as Amazon and Alibaba). Thirdly, digital capitalism entails new work types, as digital technologies serve as labor tools and infrastructure (i.e., smart-working, work oriented around information technology, and/or the possibility for storing records and worker performance online). Fourthly, digital capitalism plays an increasingly central role in certain production styles, as digital media are today both productive technologies and methods. Fifthly, and finally, digital capitalism produces new managerial styles, as digital technologies are often developed as managerial tool within firms.

All of the above has important consequences for the legal field. For the purpose of this paper, I emphasize two aspects of digital capitalism that are particularly relevant for large law firms. To begin with, the rise of digital capitalism allows for a different organization of labor (through, for instance, remote access), which allows for transnational production chains, also known as post-Fordism.⁷¹ Perhaps the most significant recent development in this regard, especially in the period that followed

⁶⁷ (Dezalay and Garth 2011, p. 40).

⁶⁸ (Schiller 1999, p. XIV). The other historical manifestations of capitalism are: agricultural capitalism (Aston and Philpin 1985), merchant capitalism (Braudel 1982), industrial capitalism (Hobsbawm 1999), and financial capitalism (Lapavistas 2014). The author is aware that there are numerous, and at times conflicting, theories of capitalism. These include, among others, classical political economists (Smith, Ricardo, Mills, Marshall), 20th-century economists (Keynes, von Mises, Friedman, Stigler, Hayek), Marxist economists (Mandel, Kalecki, Baran, Sweezy), and heterodox economic thinkers (Schumpeter, Polanyi, Wallerstein).

⁶⁹ (Pace 2018).

⁷⁰ (Pace 2018, p. 263).

⁷¹ (Pace 2018, p. 255) See also, (Fuchs 2013).

the 2008 financial crisis, is the coupling of digital capitalism with the rise of the so-called “gig economy”. The latter is part of a shifting cultural and business environment, in which traditional employment relationships are fragmented into “short term, intermittent work for multiple engagers (“gigs”).”⁷² The relationship between digital capitalism and the gig economy is that digital platforms often play a central role in allowing individuals to organize themselves as independent contractors, and work remotely as freelancers or through temporary jobs and projects, while employers select the individuals that best fit their need from a larger pool than that available in a given area. While this phenomenon was often considered to be almost entirely the province of low-skilled and low-paid workers, other professionals have increasingly organized their work along these lines.⁷³ In relation to the legal field, the coupling of digital capitalism and gig economy has allowed for the rise of a number of legal platforms connecting lawyers and clients online. These platforms are, not only challenging lawyers’ monopoly over legal practice of the law, but also constituting new players that legal actors must interact with. Well-known examples of such platforms are Legal Zoom⁷⁴ and Rocket Lawyer⁷⁵ in the Anglo-American world. In Denmark, the legal-tech start-up Legal Hero fits within this model.⁷⁶ Related to this is also the notion of virtual law offices, which are law firms delivering legal services exclusively online, such as DirectLaw⁷⁷ and Synchlaw.⁷⁸

The second relevant consequence of the rise of digital capitalism for the legal field is linked with the property regime and a management style that characterizes the former. In terms of property regime, digital capitalism is characterized by private ownership of digital networks, while for management styles it entails the employment of digital networks for expanding intra-firm activities.⁷⁹ Applied to the legal field, these dynamics signify the introduction of private owned, market oriented, companies in the legal field, and, thus, of profit-driven processes of outsourcing, automatization, dispersion, and commodification in the practice of law.⁸⁰ These processes take various forms, such as the above noted creation of a platform of lawyers in different geographical locations,⁸¹ computer programs able to assist and even substitute lawyers in their work,⁸² and the deployment of artificial intelligence, machine learning, natural language processing, and big data to perform legal tasks.⁸³ Although the technology behind many of the presently available tools is still underdeveloped, this will inevitably cause important changes in the structure of the legal profession. First, as software and programs refine their technology, the more routinized forms of legal practice are increasingly automatized. Thus, those today performing repetitive tasks in the legal world, such as journeymen lawyers, and paralegals are likely to face large challenges. Others sectors of the profession, however, are expected to gain from these innovations. Among some top-tier law firms and elite lawyers, new technologies are increasing their potential market share, allowing them to reach far more clients with a smaller work force. The essential service they provide in terms of advice and argumentation on behalf of clients based on high-level legal understanding is, in fact, not easily replaced. Finally, new technologies are challenging the traditional control (and monopoly) of jurists on the production of law in the legal field. In particular, as the production and application of law becomes increasingly intertwined with digital

⁷² (Adams et al. 2018, p. 475).

⁷³ (Thornton 2019).

⁷⁴ <https://www.legalzoom.com/>.

⁷⁵ <https://www.rocketlawyer.com/>.

⁷⁶ <https://legalhero.dk/>.

⁷⁷ <https://www.directlaw.com/>.

⁷⁸ <https://synchlaw.se/da/>.

⁷⁹ (Schiller 1999).

⁸⁰ These are often triggered by an increased push from clients to lower the costs of legal services (Bruck and Canter 2008). In this work, the authors listed the escalating billable hours requirements, a lack of diversity, and high associate attrition rates as the main issues of criticism raised by clients.

⁸¹ (Noronha et al. 2016; Ribstein 2012).

⁸² (Granat and Lauritsen 2004).

⁸³ (Ashley 2017).

media, privately owned non-legal companies are making their way into the market of legal service providers. This may hold significant consequences for the legal field's own socio-political dynamics and power relations, especially in terms of cultural, organizational, and societal implications for the practice of the law and the work environment.⁸⁴

At the moment of writing, three categories of legal tech start-ups can be distinguished. The first category includes those companies that offer a number of online legal services, while the second involves online "matching" platforms that connect lawyers with clients. Examples of these two kinds of new technology based companies are provided above in this section. In general terms, these platforms basically replicate the business model of companies such as Uber and Airbnb. They provide lawyers with online visibility and access to clients that they would not have been able to reach otherwise. Like Uber and Airbnb, they also allow the clients to share their views on the lawyers and their performance. The third category, which is arguably the more disruptive, entails start-ups that use AI tools to perform time consuming and expensive legal research activities such as reviewing, understanding, evaluating, and reapplying contracts. In relation to this, we can differentiate among three kinds of technologies: (I) those that store and distribute knowledge; (II) those that extend the human mind; and (III) those that perform autonomous work.⁸⁵ Tools that store and distribute knowledge are the so-called Document Information Systems and Work Flow Management Systems. These databases either locate documents within an organization or support processes within an organization or administers deadlines.⁸⁶ For instance, *CaseShare*⁸⁷ and *LextraNet*⁸⁸ offer online repositories of pleadings, decisions, exhibits, transcripts, and other materials in pending cases. *Intelligent Legal Searches* instead are systems that review and categorize large bodies of documents, thereby allowing lawyers to retrieve information in a very efficient way. This technology has implications for legal practice as it is claimed to clearly outperform paralegals and junior lawyers.⁸⁹ For instance, the online platform *Justis* offers legal analytical services, such as identifying leading authorities, discovering relationships between cases, searching between more than a hundred legal databases, exploring and categorizing precedents and citations, just to name a few.⁹⁰ By drawing on large extensive online databases of judicial decisions, this technology helps lawyers to make informed judgements about risks, costs, and litigation strategies in their cases.⁹¹ Finally, among the tools that potentially can perform tasks autonomously we have *IBM's Watson*; a system able to answer (legal and other) questions. A similar technology is developed by the Toronto-based *Blue J Legal*, a start-up developing an AI-powered legal prediction engine with an initial focus on tax law,⁹² and by *Luminance*, which is capable of rapidly analyzing and forming an understanding of documents, combining a number of disciplines within the field of machine learning, natural language processing, and pattern recognition.⁹³

In relation to this, the digitalization of the legal field is accelerating already on-going processes of change with regard to the legal profession. This includes the above noted economization and commodification of the practice of law, whereby lawyers are decreasingly disinterested brokers in society and defenders of the public good, but increasingly service firms at the cutting edge of the capitalist economy.⁹⁴ This has also resulted in an important shift in the power dynamics at the top

⁸⁴ Similar to what is generally claimed in, (Boltanski and Chiapello 1999; Sennett 2006).

⁸⁵ (Lauritsen 2006).

⁸⁶ (Lodder 2006, p. 5).

⁸⁷ www.caseshare.com.

⁸⁸ www.lextranet.com.

⁸⁹ (Susskind 2013).

⁹⁰ <https://www.justis.com>.

⁹¹ (Gerami 2017).

⁹² <https://www.bluejlegal.com/>.

⁹³ <https://www.luminance.com/>.

⁹⁴ See, (Caserta and Madsen 2019) It must be mentioned that the entrance of economic and commercial rationalities in the practice of the law has also important positive aspects. For instance, as argued by Bruck and Canter: "If mobilized properly, the consumers of corporate legal services can use their new market power to address some of the most critical problems facing

of elite law practice, with clients and other legal service providers placing a lot of pressure on large firms to modify their way of providing legal services. Hence, the developments discussed thus far pose important challenges to the present organizational structure of the large law firms. In particular, they put a particular strain on the core dynamic of the tournament of lawyers, most notably on the implicit social and professional contract between the partners and the, now varied categories, of junior lawyers in such firms. While the tournament of lawyers was already put into discussion by the increased deployment by large firms of staff attorneys, contract hires, and foreign lawyers that occurred in the last decades,⁹⁵ this process has only been reinforced by the development of legal software, which can perform independent legal tasks, such as writing of standard contract, discovery of documents, prediction of outcomes of future cases, and similar. This, in turn, will alter the dynamics of competition which today allow junior lawyers to climb up the ladder to become partners. For this reason, it is crucial that large law firms must rethink their organizational structure in order to face these challenges. It is to this topic that the paper now turns.

5. Existing Proposals for Reforming Large Law Firms: The Rocket Firm, and Beyond

As noted above, what used to be the bread-and-butter of the junior associates in large law firms—and, consequently, their ticket to be trained and become partners—is now being (or will be) automated or outsourced. This calls for a reformation of the organizational structure of large firms, which, to a certain extent, is already taking place. In relation to this, several proposals for reforming these firms have been recently published. One suggestion came from a combined study conducted by the Boston Consulting Group and the Bucerius Law School.⁹⁶ This report argued that large law firms must change their value proposition and offer diversified services to remain competitive in the present market. This chiefly means that, in addition to the more classic legal services, these firms should provide their clients with other services, such as legal project management, outsourcing management, and advanced legal analytics. More specific to new technologies, the report argues that large law firms should turn into “master legal-tech vendors” and/or “legal-tech consultants”. The first role entails that law firms would take upon themselves the role of guiding clients to the right legal outsourcing partners for handling standardized and low-skill tasks. In this way, law firms would retain control over entire mandates and thus strengthen their business ties.⁹⁷ In the second role, law firms would become intermediaries between their clients and the tech providers, guiding the former to the right legal-outsourcing partnerships.⁹⁸

Most importantly, the report maintains that the new technological developments are pushing large law to modify elements of their organizational model. In particular, it is argued that the traditional pyramid model (with few partners at the top and many junior lawyers and associates at the bottom) will likely be replaced by an organization shaped more like a rocket.⁹⁹ In this new configuration, each law firm would be able to reduce the ratio of junior lawyers to partners by up to three quarters of the ratio seen in the current pyramid model. Another consequence will be that other types of employees who are not lawyers, such as project managers and legal technicians, would join the ranks of the firms.¹⁰⁰

the elite firms, especially the lack of diversity within firm leadership, rising associate attrition rates, and an over-reliance on the billable hour. The “professionalism” that dominated elite firms in the middle of the twentieth century undoubtedly encouraged civility and trust between lawyers. But it also operated as a mechanism for shielding the narrow financial interests of big-firm partners and for marginalizing lawyers based on religion, race, and gender”. (Bruck and Canter 2008, p. 2088.).

⁹⁵ See, among others, (Theis 2010).

⁹⁶ (Vieth et al. 2016, p. 7).

⁹⁷ Ibid. p. 9.

⁹⁸ Ibid.

⁹⁹ Ibid. p. 11.

¹⁰⁰ Ibid.

The rocket law firm is not the only possible approach to reforming large law firms. Others have argued that, instead of a rocket, the present pyramid of large law firms is increasingly turning into a diamond.¹⁰¹ More than a proposal, this is an interpretation of the existing drift of American large law firms in the last decade. Backed up by statistics on the numbers of junior and associate lawyers hired, George Baker and Rachel Parkin argue that the pyramid that for more than a century characterized the organizational structure of large law firms is unraveling into a diamond (and not into a rocket as argued by the other report discussed above in this section). This is characterized by a relatively small number of entry-level associates, a growing amount of non-equity ranks, an important group of permanent staff attorneys and a smaller number of equity partners who control client relationships. This is, however, likely less a product of a careful strategy of law firms, but rather a the consequence of a series of short-term decisions to navigate a harsh and unfamiliar market, characterized by legal and tech savvy clients increasingly asking for more efficient and cheaper services and an increased complexity of legal work.¹⁰²

These approaches provide a sensitive first stab to analyze the situation concerning large law firms in the present market of legal service providers. Yet, understanding these new developments as a mere passive or even coincidental reshaping of large law firms from pyramids into rockets or diamonds is, however, in my view not taking the developments and innovations that law firms these days face far enough. To see the true potential of the emergence of these new technologies for law, one has to look beyond a mere description of organizational structure toward the question: how may law firms deliberately reshape their organizational structure and business models in order to maintain and develop their competitive edge? In what follows I shall make an attempt to answer this question

6. The New Law Firm

In this section, I outline three core features of my proposal for reforming large law firms in the light of digitalization. These are: (I) the traditional form of the partnership should give way to a more corporate organizational form; (II) the importance of multidisciplinary practices; and (III) the centrality of outsourcing strategies to legal tech companies and other actors.

6.1. A Corporate Law Firm

Even though large law firms have experienced important structural changes in the surrounding environment, they presently maintain their traditional organizational form, the partnership. Scholars have largely discussed the virtues of this form and the reason of its stickiness despite a number of societal forces pushing firms in different directions.¹⁰³ Starting from the late 1980s, however, sociologists such as Robert Nelson begun to underline the inherent tensions confronting the large law firm in the light of the increased bureaucratization of the profession.¹⁰⁴ In particular, Nelson found that the structural changes marking the bureaucratization of firms—specialization, departmentalization, and increasing stratification in the earnings and authority of partners—run counter to more traditional conceptions of the professional partnership in which all partners are, in some sense, peers.¹⁰⁵

In my view, the recent advances in technological developments, together with changing social trends at the level of cultural, educational, and aspirational capitals of younger professionals, exacerbate the tension inherent within this organizational arrangement. The need of large investments in new technologies in order to maintain a competitive advantage becomes greater and greater, putting

¹⁰¹ (Henderson and Evan 2017) See also, (Baker and Parkin 2006).

¹⁰² Ibid.

¹⁰³ For a good review of this literature and an informed discussion on the values of the partnership, see: (Empson 2007) discussing the ethos of partnership and its capacity of balancing the competing claims of three sets of stakeholders: professionals, owners, and clients.

¹⁰⁴ (Nelson 1988).

¹⁰⁵ Ibid. p 4. For a more recent critique, see (Molot 2014).

pressure on the traditional business model of large law firms. A number of my interviewees confessed that the classic business model of the partnership is proving itself unsuited for handling these new developments in an effective way. This is because the classic partnership model is characterized by an inherent “short-termism”, which derives from its structural features. Law firm partners, in fact, view their annual draws for their productive working years as a large part of their interest in the firm.¹⁰⁶ While this was perhaps always the case, the recent developments in terms of lateral mobility of partners and associates have made this issue more evident, as today partners with power and remunerative clients would likely leave the firm if asked to give up their yearly income to invest in future, and uncertain, earnings.¹⁰⁷ Finally, more often than not, partners with power are those with a number of years of seniority and thus closer to retirement, with the result that their interest in long-term investments is even thinner and their familiarity with legal-tech rather limited.¹⁰⁸ This was expressed quite clearly by a senior partner in a large Danish law firm when questioned about the receptiveness of his fellow partners to the proposals of investing in new technologies.

A: the main problem is the conservatism in our area. People say, well, doesn't it work out pretty fine as it is? Well, they might be right, but my concern is that the level of awareness in our firm is pretty low. I have been talking to partners in our area about this. We are about 40 partners here. I think only three or four of whom I met have [the enforcement of new technologies] as main priority. People, you know, are pretty occupied, they have their cases, the business is going pretty well, but my concern is that, suddenly, one of our competitors has a breakthrough in using these systems and it becomes suddenly a trend in the market that you need to offer this and we are not ready. So you can actually be quite rapidly out of business if you are not able to prepare. My main message to the organization is, even though you are very busy, you need to spend time on this.

Q: And, how is the organization responding to your concerns?

A: Well, you know, of course people are thinking about it, but in the end they say, *mañana*. That will happen when I will have retired.¹⁰⁹

Similar concerns were expressed by a former lawyer of an English large law firm, who transitioned to a smaller but tech-based and innovative law firm. In describing his personal and professional trajectory, this statement was given:

A: Well, I came in in the firm [one of the biggest corporate law firm at the time] as an external recruit to create something different. They needed to leverage my knowledge, experience, and expertise in other areas of the law and start shaping it for the very large corporate global clients they had. And I quickly realized that what I had already been doing in my career, namely, mapping trends, patterns, and core processes against human behavior and against different kinds of business structures and processes, was equally valuable for large corporate firms. So, I started to use technology more and more to help and assist clients. I started training those clients and show them they should not need to use me as a lawyer in certain particular areas of operation of their business [implying that the technology would do that for them]. I told them that I would just require a training fee and as case law would change, as rules would change, a new best practice would be issued by a regulator, I would update

¹⁰⁶ A view confirmed by all my informants in the interviews.

¹⁰⁷ Although not specifically tailored to the issue of new technologies, this view is expressed, among others, in (Harper 2013) (see also, (Westcott 2018)). According to this author: “In these days of much movement of partners from firm to firm, it can be argued that many partners place little long-term value in [investment in the future]”. p. 55.

¹⁰⁸ Arguably this problem could be minimized by adding retirement benefits for partners or by making partners permanent equity members. This means that they will maintain an economic interest in the firm also after retirement with the result that may be incentivized to approve long term investments. See, for instance, (Molot 2014). See also, (Westcott 2018).

¹⁰⁹ Interview with Senior Partner of Danish large law firm, 16 August 2019.

and maintain their system and train them on the developments. I also told them that they should not pay hourly rates and should not waste a lot of money on large law firms for that particular area of business. As the technology developed, I realized that I could do this more and more, not only in my area of law, but in any area of law. And to be brutally honest, the partners in my firm started to be more and more concerned about what I was doing and I found myself arguing with my own partners. [. . .] They believe I was threatening how they run their practice, which they run in the traditional model, by showing to clients how they could do things by themselves through technology by using fix prices and subscriptions. In their view, I was undermining the firm, as I was building a different kind of law firm in the law firm. And so, I resigned and left to build my own law firm.¹¹⁰

The difficulties of incorporating new technologies in the present structure of large law firms can also be found in the comments of one the Head of Innovation of an English large law firm.

Q: How were the technological innovations you introduced received in the firms?

A: There were people that were ready, the one I call “the coalition of the willing”. It is not always where you expect it, but they exist. Often it is said that partners are the most resistant. Generally, the most successful partners are those that often want to change. They have already changed and adapted in their career to become what they are. Then there are those that do not understand but are not against it and, finally, there are the most difficult ones, the one that do not want to do it. When I was young, I wanted to convince those that did not want to do endorse technology to do it. It is a waste of energy. You are not going to convince them and loose time and energies. Now, I go for the coalition of the willing, and then take my case to the next group. Those resisting will eventually come on board. If not, they will be out in the long-run. [. . .] My best allies tend to be the successful partners in their 50s. They are ready; they get it; and they want to do it. They still got 10 years left and they understand that in order to remain competitive and relevant they need to keep on adapting and perhaps they listen to their clients.”¹¹¹

The above testimonies reveal how the organizational form of the partnership makes it extremely difficult to build a consensus in favor of reducing current draws in the hope of larger future earnings. The problem is that even if large law firms identify a long-term value in massively investing in digital technologies, their current ownership structure deprives them of the means to navigate that path as partners are most likely to choose short-term benchmarks. Accordingly, I propose an alternative organizational structure for large law firms to cope with the digitalization of the legal field in a more effective manner. Firstly, I argue that the organizational structure of the partnership should give way to a more corporate form, which I identify in the shareholder limited liability company.¹¹² Secondly, the hierarchical management structure should turn into a flat organization with a decentralized management system.

As for the shareholder limited liability corporate model, this organizational form has the great value of differentiating ownership from the right to manage the firm directly. Unlike the present partners of large law firms, corporate shareholders must elect a board of directors, which then hires corporate officers who manage the firm in its best interest. In turn, this means that the firm would be able to take effective and fast decisions, without having to rely on the collegial vote of a high number of

¹¹⁰ Interview with CEO of English large law firm, 1 May 2020.

¹¹¹ Interview with Head of Innovation of large law firm, 3 December 2019.

¹¹² It is worth noticing that, especially in the United States, there are other non-corporate forms of law firms, namely the Limited Liability Company (LLC) and Limited Liability Partnership (LLP). Yet, these different forms are mainly oriented to set up different forms of liability for the lawyers working in the firm and are less concerned with the internal organizational structure of the firm itself.

partners with different interests and roles in the firm.¹¹³ Importantly, this would also allow detaching the long-term investments of the firm from partners' decisions, thus, in principles at least, making room for the entrance of new technologies in law firms. For the time being, this part of my proposal would be, however, limited to those countries (like the United Kingdom) where this organizational structure is allowed. In many other countries, a corporate structure for law firms is formally not allowed. In these instances, my proposal would be then to internally organize the partnership following a more business oriented (and slim) model, by, for instance, creating sub-divisions of partners with full decision powers and by delegating increasing powers to managers.

As to the flat and decentralized management system, this organizational form will allow the people employed in the firm to work more freely according to their skills and preferences as they will not be entrenched in a patriarchal and hierarchical organization with a neat division of roles and competences between partners and associates and among the partners themselves. Moreover, for how the structure of the partnership is structured today, although with various degrees and exceptions from firm to firm, a good partner must be able to perform a number of often disparate roles, such as getting and/or winning work, training juniors, taking leadership role in the team, relating to clients, and so on.¹¹⁴ This is because, in the present system, lawyers are evaluated according to a more or less universal scorecard, which wants them to perform a number of rather different roles as dictated by the history of the profession and its moral, ethical, and professional underpinnings.¹¹⁵ As the technology assisting lawyers improves, however, this basic and generalist way of assessing and guiding the performance of lawyers is rapidly losing its logic and purpose, and large law firms would benefit from adopting a more decentralized form of management with self-organizing teams constructed around roles and projects. This flatter structure would allow those working in the firm (young and senior) to dedicate themselves to the tasks they actually like to perform and be evaluated accordingly, resulting in increased efficiency and, probably, improved job satisfaction within the firms. Moreover, this flat structure would facilitate the usage and deployment of new technical tools to facilitate effectiveness and creative solutions from this self-organized teams of lawyers working together with the duration of a project (or longer).

Finally, a non-negligible implication of adopting these new organizational forms is that law firms will be able to re-organize their billing practices in a way that would make legal work more effective (and to a certain extent more healthy) and client centric. In other words, moving away from the traditional form of the partnership will inevitably create incentives to abandon the highly criticized and ineffective billable hour and embrace fix pricing and subscriptions, resulting in cheaper, more client oriented, and more tech-savvy legal services.

6.2. A Multidisciplinary Law Firm

Today the vast majority of people working in large law firms are lawyers, assisted by a growing number of support personnel. This personnel, however, has often a limited role in shaping the strategy and the practice of the partners and often sit in different locations to symbolically show their subordinate role in the firm. This well-defined division of roles reveals the bias that lawyers often share about allowing non-lawyers within law firms. This difficult relationship is confirmed by the problems often arising between, on the one hand, the partners of the firm and, on the other hand, the executive

¹¹³ Or without having to rely on a complex and often informal division of responsibility between managing partners and other partners, which often leads to internal conflicts.

¹¹⁴ In a more or less informal way, many large law firms differentiate between categories and roles of partners. See, for instance, the well-known differentiation between the grinders, the minders, and the finders. See, among others, (Nelson 1988).

¹¹⁵ This generalist way of evaluating lawyers has been said to derive from the so-called partnership ethos. According to this, in their practice, partners must strike a balance between their individual interest and the interest of the firm in which they work and are socialized into acquiring all the requisite technical and moral skills needed to be part of the partnership though long years of apprenticeship, (Empson 2007). This approach was also the building block of the hierarchical way of structuring large firms, where young associates were trained by the more senior partners.

directors, professional administrators, heads of innovation and the like, with the latter often tied to former's approval when it comes to annual budget, decisions of opening new offices, and large investments in technology.¹¹⁶ More generally, in many countries (i.e., the United States and Denmark) it is still prohibited for lawyers to share legal fees or the ownership of law firms with non-lawyers. Such a prohibition reflects profound concerns about the control non-lawyers may have over the legal profession and the detrimental effect this control could have on lawyers' professional responsibility obligations.¹¹⁷ Yet, there are also many benefits that cannot be ignored. In particular, non-lawyer partnership may increase firm profitability by allowing outsiders to contribute to the capitalization of the firm which, at least in theory, would allow the firm to generate more income. At the same time, it may increase efficiency as it allows firms to provide business and legal services from one provider.

This is not the place to enter into a deep analysis of the legal and non-legal aspects of the relationship between lawyers and non-lawyers in the practice of the law and, for those contexts in which it is not allowed, it will be necessary to await legislative developments in that direction. However, the new law firm I envision will be characterized by a multidisciplinary environment, in which lawyers coexist and work together with other professional figures, such as accountants, financial advisors, engineers, designers, architects, data analysts, psychologists, teachers, and so on. The importance of this is confirmed by the statement of the managing partner of one Danish large law firm, when asked to describe how business is run in the firm:

A: Today, your practice and specialization must be part of something bigger. Today, when we work, we work in teams that can be up to 50 people at the time in order to actually accommodate the clients' needs. And they (the clients) are OK with that, in fact, they want that. [...] This is because for certain projects we need to draw in special competences within different fields of law and put them together and we also actually employ project leaders and other non-lawyers, because when we are 50 or more people working together on large projects, we need, for instance to make reports on how the project is progressing, how is the money spent in that time, and so on. We really need to work in multidisciplinary teams.¹¹⁸

While each firm will structure the relationship according to preferences and legal requirements, two solutions seems to be the more plausible, depending on whether the lawyers in point prefer a more entrepreneurial and/or managerial role (those that in the classic jargon of the profession are the finders and/or minders) or a more operational role on the ground (the grinders). Entrepreneurial and management oriented lawyers could choose to assume the role of "project managers" of goal-oriented executive teams, thus setting the basic organizational framework and structure the activities of the other actors in the teams. More practice oriented lawyers, instead, could decide to focus on one or more specific legal areas and become the firm's leading specialist of the product that is being offered, namely, legal services.¹¹⁹ In relation to this, it is worth underlining that the CEO and the member of the board of this multidisciplinary firm will not have to be necessarily lawyers, but it may be constituted by individuals with different backgrounds, ranging from business economics, marketing, technology, and the like (obviously, where this is allowed).

This move from a lawyer-centric to a multidisciplinary environment constitutes a crucial aspect of the necessary re-organization of large law firms in the light of the digitalization of the legal field. Today, and even more so in the future, the legal solutions that large law firms are asked to provide will be based on the present state of the art of the technology available and will also require a number of

¹¹⁶ This difficult relationship is the by-product of the historical developments of the profession. In many instances, in fact, not only was it prohibited for non-lawyers to practice law, but it was also (and in certain jurisdictions still is) prohibited non-lawyers from combining with lawyers to offer legal services for profit. (Andrews 1989).

¹¹⁷ (Carson 1994).

¹¹⁸ Interview with Managing Partner of Danish Large Law Firm, 20 September 2019.

¹¹⁹ This new roles somewhat resemble the ones adopted by engineers in engineering companies or of scientist in large pharmaceutical companies such as Novo Nordisk, Bayer or Novartis, just name a few.

competences that go far beyond pure legal knowledge. From here, the need of building tech-savvy multidisciplinary teams able to both assist clients in understanding the technology and the complexity of the issues at stake and support them in their increasingly tech-oriented needs. Some of the most progressive law firms have already made movements in this direction. Exemplary is the English law firm Rradar, which counts among its ranks a high number of non-lawyers ranging from engineers, project managers, business analysis, and so on.¹²⁰ In Denmark, at the forefront of this development, we find a number of large law firms, which have started to include non-lawyers in key roles within the firm (although with still limited operational power), such as Plesner, Bech-Bruun, Kammeradvokaten/Poul Schnith, and Kromann Reumert.

6.3. A Diffuse Law Firm

Finally, the new large law firm will be a diffuse law firm. Up until the 2008 financial crisis, the trend among large law firms was to expand their ranks often through mergers with and acquisition of smaller or medium size firms and/or by opening new offices in strategic locations.¹²¹ The logic behind these developments was that profitable legal projects could only be handled by large firms.¹²² The financial crisis, however, showed some of the flaws of this model in terms of profitability and capacity to manage giant firms. The increasing process of digitalization of legal services is furthering these developments and showing that the strategy of having a large, but centralized, law firm may not necessarily be the best one in terms of both maximizing profits and providing effective and client-oriented legal services. In my view, the centralized law firm that was developed in the last few decades should give way to what I label “the diffuse law firm”. This will be smaller in size (perhaps reaching one hundred employees), while at the same time making a smart use of outsourcing strategies and technology to lower costs, increase effectiveness, and keep competitors at bay. In a way this is where legal practice meets the dynamics of the gig economy as interestingly put by the Managing Partner of a Danish large law firm:

A: Our organization needs to be extremely adaptable for continuing moving around the resources we have. And this also means that the lawyers we employ must be very, very adaptable themselves ... which I think, to my surprise, they are, as I would not be so adaptable. But then again, I am 47, and many of our lawyers are 30 years old. It is a different game for them. But the reason I think the future will look different is the fact that ... well, the Danish Bar Association has recently made a report on legal tech, in which they use the expression gig economy, which is defined as being: you get a job for a client and you need maybe five different competencies to solve the case, you maybe have two of them in house, so you need to obtain the three remaining. So, you go and get them, but it is not necessarily competences that you need in stock all the time, so you hire them for a particular job. For me this means that, in the future, I will not have 700 lawyers on the payroll all the time. I think we are looking to a future where we will be just as well off by hiring in the competencies that we need to solve particular tasks on a case by case basis.¹²³ Of particular interest in this regard is the, now already “old”, organizational technology known as Legal Process Outsourcing (LPO) and its newest incarnation Legal-Tech Process Outsourcing (LTPO). As expressed by Mark Ross “if law firms wish to remain the first port of call for corporate legal departments and the primary conduit for the delivery of legal services, this is predicated on their acceptance of the LPO operating model”.¹²⁴ LPO essentially consists of subcontracting legal work from

¹²⁰ A first mover in this direction is the UK law firms Rradar. See, <https://www.rradar.com/>.

¹²¹ To date, the largest law firm in the world is Dentons, with more than 8500 lawyers in its ranks, followed by a relatively large number of firms with more than 2000 lawyers.

¹²² (Westcott 2018) See also, (Bosman and Hakanson 2017).

¹²³ Interview with Managing Partner of Danish large law firm, 20 September 2019.

¹²⁴ (Ross 2017, p. 77).

high-cost locations to sites where the same work can be executed at a significantly lower price. This often can be done by subcontracting the work to developing countries. Thus far, India, Chile, Hong Kong, Australia, the Philippines, and Sri Lanka have been the most frequent locations for outsourcing legal work, at least from the United States and the United Kingdom. Nearshoring to cheaper locations and providers that are geographically closer, including locations inside the home countries of law firms, is increasingly becoming an option.¹²⁵ A more recent version of the LPO is when legal services are offered via a model that departs from the traditional law firm, for example, by using contract lawyers, process mapping, or web-based technology.¹²⁶

As revealed by several informants in the interviews, several large law firms based in the United Kingdom have recently opened alternative delivery solutions teams or offices in less costly locations, such as Hull, Birmingham, Leeds, cheaper locations in the United States, and even South Africa. Notably, Clifford Chance opened its support services and knowledge management center in Delhi in 2007.¹²⁷ These centers are staffed with contract attorneys, paralegals, and IT experts and their role is to execute repetitive tasks in an effective and less-costly way. More often than not, these centers make an extensive use of technology to optimize their performances.¹²⁸ This means that, today, LPO has become a the standard global operating model, which combines a best-practices framework with process efficiency, quality control, consultative expertise, and enabling technology at its core. Among the areas in which LPO providers have proven to be effective and tech-savvy one can find e-discovery and document review processes, contract lifecycle management, contract review and data extraction, and legal analytics, just to name a few. This allows law firms to expand the range of services offered and deliver efficiently the appropriate level of legal services required for each type of work product.¹²⁹ From the suppliers' side, an early mover for what concerns in-country outsourcing in the United States was the Dallas-based *Atlas Legal Research*.¹³⁰ The company was founded in the early 2000s by an Indian-born attorney, Abhai Dhir, immediately becoming a success, increasing its revenue by 20 percent annually since 2001. Since then, *Atlas* has hired and trained legal professionals in India to write legal briefs for American law firms at a very competitive price. Another early mover was *Pangea3*, which is now part of *Thomson Reuters Legal Managed Services*. This firm provides services such as document review and analysis, trial preparation, regulatory change management, financial trade documentation, and contract management.¹³¹ Similar services are also provided by: *Mindcrest*, founded by two former McGuire Woods partners in 2001; the Indian-based *SmithDehn* (former SDD Global Solutions Pvt. Ltd., Indian), which lists among its clients large corporations such as HBO, Calvin Klein, Sony Pictures, and BBC Worldwide;¹³² and *Quislex*, with offices—by them defined as “execution centers”—in Chicago, New York City, and Hyderabad, India. Notably, the office in Hyderabad, which has about 1000 full-time employees, is responsible for executing the majority of tasks, and it is divided into several multidisciplinary teams, which include data analysts, statisticians, process experts, software developers, linguists, and technologists.

In addition to this, the diffuse law firm will also outsource the technology used to agile and tech-savvy legal tech companies that will then develop tailored products for the firms. Until now,

¹²⁵ (Caserta and Madsen 2019).

¹²⁶ See the 2017 report of Thomson Reuters, Georgetown Law Center for the Study of the Legal Profession, and University of Oxford Said Business School entitled ‘Alternative Legal Service Providers: Understanding the Growth and Benefits of These New Legal Providers’ (Alternative Legal Service Providers Report 2017).

¹²⁷ See, https://cliffordchance-businessservices.com/legal_support_centre.html.

¹²⁸ Interview with Head of Innovation of large law firm, 3 December 2019.

¹²⁹ See also, (Ross 2017; Beaton and Kaschner 2016). This constellation would obviously require a proper service legal agreement between the firms and the providers in order for the former to maintain control over the LPO providers.

¹³⁰ <http://www.atlaslegal.com/>.

¹³¹ <http://legalsolutions.thomsonreuters.com/law-products/solutions/legal-outsourcing-services/Pangea3>.

¹³² <http://www.smithdehndia.com/>.

the large majority of large law firms have been trying to develop their own products, in a way trying to become themselves legal-tech companies; the more savvy have signed contracts with external providers like IBM-Watson, Luminance, Kira, Elevate and others to have their own products developed in house by these external companies.¹³³ In the long run, however, this strategy may not work entirely. As known, new technologies, especially artificial intelligence, need a large amount of data to work properly and, no matter how large, each single law firm may not be able to provide the right amount of data for achieving groundbreaking results. Thus, I argue that large law firms should outsource their technology to a number of legal-tech companies and outside consultants. This will be a win-win situation as the firms would get the tailored technology they need, and the tech-company will be able to develop large scale well-functioning products to make available for the general market. As, however, many of the technologies discussed above in this paper are at an embryonic stage and law firms have proven rather prudent in their approaches, it is difficult to substantiate more concretely the manner in which this IT-outsourcing could take place.

This model comes with some challenges. First, outsourcing raises a host of legal questions with regard to client confidentiality. The challenge is that, by storing data on third parties' servers or communicating with clients via email, lawyers give up a certain amount of control over the documents and information, yet remain obligated to safeguard their clients' information to preserve the attorney–client privilege. Second, outsourcing raises concerns related to the nature of legal work, as these services tend to treat legal services less as expert services and more as commodities. This pushes the legal profession to be more driven by the maximization of profits, rather than by the more traditional notions of justice, public good, rule of law, and fairness. This, outsourcing is likely to cause increased inequality among classes of lawyers and, perhaps, even contribute to the proletarianization of part of the legal profession. Here I refer in particular to these new forms of legal, para-legal, and IT legal worker who will operate from the periphery and will be somehow excluded from pursuing more meaningful and remunerative careers. These will likely represent the poor segment of the new capitalism described by Richard Sennett in his seminal book on the new culture of capitalism.¹³⁴

7. Conclusions

Thus, as it is already a reality, it is inarguable that digital technologies will significantly change the practice of law. The question that remains is how the profession will respond to this. Under the blows of digitalization, professional monopolies are breaking down and non-legal competitors are increasingly performing new roles on the market. For this reason, this paper has argued that the large law firm must change their business model in three main directions in order to remain competitive. First, they need to move away from the classic hierarchical and patriarchal organizational structure of the partnership to become shareholder limited liability corporate companies with a flat and decentralized management structure. Second, they need to develop multidisciplinary practices and teams within the firm that would allow non-lawyers to perform key roles. Third, they need to make a smart use of LPO and LTPO to cut costs and make use of cutting edge technological developments.

This article provides just a first attempt at redefining the business model of large law firms and future research will necessarily delineate the organizational details of the new large law firm more thoroughly. Yet, a move in the direction indicated in this paper will provide large law firms with a thinner, more dynamic, and effective organizational structure that would allow them to respond to the current social developments that are jeopardizing their position as leading organizations in the private sector for legal services. This is to say that the increased digitalization of the legal field is bringing large law firms to the point of crucial intervention; a point in which the elites that set the premises must

¹³³ Interview with Head of Innovation of large law firm, 3 December 2019; interview with CEO of English large law firm, 1 May 2020; and interview with Senior Partner of large law firm, 16 August 2019.

¹³⁴ (Sennett 2006).

redefine the appropriate models of organizational structure and policy that have gone unquestioned for a long time before in order to remain afloat. The proposal for reforming large firms provided above in this paper is just a first stab at setting up new forms of inter-sectoral and organizational coordination that will encourage diversification, creativity rather than hastening homogenization. Further research in this area will necessarily have to grapple with developing a new sociology of the profession and of legal work that would take into account the impact of these broader societal changes, not only on large law firms, but also on lawyering in general. As to large law firms, their de-bureaucratization is the first big task that the current digitalization of the legal field is posing upon them. Although lawyers have developed into, or perhaps have always been, a conservative profession regarded as resistant to change, the current developments associated with the digitalization of the legal field are providing them with the unique possibility to abandon their iron (for many golden though) cage of organizational men in which the bureaucratization of large law firms has pushed them. This, however, will necessarily involve a rebalancing of the practice of the law in favor of a renewed ethos of professionalism able to be the basis for a freer, more autonomous, and creative legal practice and, perhaps, for the return of large law firm lawyers to embody the most respected form of delivery of legal services in both the private and public sphere.

Funding: This research was funded by the *Dreyers Fond*.

Conflicts of Interest: The author declares no conflict of interest.

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