Greetings from the Year 2020. Mysterious forces have granted us the opportunity to reveal some insight from the future about the state of law firm risk management and compliance in 2020. The future is a marvelous place. For law firms, much has changed and many organizations are thriving. But there are also new dangers and challenges for firms. To help you prepare your firm for the future, we have three important messages to share, based on our experience managing risk and IT organizations at our firm: a warning, a lesson and a suggestion.

THE WARNING:
Compliance Will Only Grow More Complicated and Become More Important

The trend started growing in your day. In 2010, new laws and regulatory rules took effect which explicitly applied to law firms. For example, the HITECH Act extended HIPAA mandates for personal health information to non-healthcare providers. And various states, such as Massachusetts, enacted strict data privacy laws. These rules, with their confidentiality and breach notification and disclosure requirements, were just the start of what was to come.

You probably also noted the ongoing ABA and FTC fight over whether Red Flag confidentiality rules applied to law firms. This was not the last time law firms and regulators clashed. Indeed, you were just at the start of a trend that continued for the next decade. For example, the ABA Commission on Ethics 20/20 published new and updated rules in the ensuing years, as part of its efforts to review and revise professional standards.

Because many of the laws and rules created in your time (and several others created since) place ultimate responsibility, and liability, on the primary creators and caretakers of sensitive information, clients in 2020 take much greater interest in internal firm practices and controls. You probably see that increasing already, with stricter outside counsel guidelines and more detailed RFP criteria on confidentiality.

In your day, experts began advising corporate clients to commission third-party audits of their business associates and law firms to verify that adequate protections were in place. Today, firms live under much closer client observation. Our compliance team must frequently produce reports, respond to a variety of external calls for information and face regular practice reviews. This is especially true when we work across international borders and regulatory frameworks.

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To meet these challenges, we conduct our own regular internal audits and work with expert external consultants to benchmark our practices and capabilities against peer firms. In a highly competitive legal marketplace, where firms are eager to capitalize on any advantage or peer misstep, our firm’s management has made it a strategic priority to invest in preparedness and avoid surprises.

**THE LESSON:**

**Smart Use of Technology Will Help You Win**

As you might expect, technology remains integral to the practice of law. Software has always played a role in compliance, but today that role is much more central to law firms. As a compliance officer or IT stakeholder with risk responsibilities, you should get ready for a more prominent role in the future.

Driven by external rules, client demands and the need to better protect the firm, technology has stepped up. What started as records and conflicts, and grew to confidentiality and data leakage prevention, has evolved into a more sophisticated, holistic approach to law firm compliance management. While internal reviews, education and training are integral to our risk management strategy, our firm Compliance Control Center is the technological heart of our efforts.

**THE FUTURE OF COMPLIANCE TECHNOLOGY**

Do you remember the sci-fi thriller “Minority Report,” where the police officer played by Tom Cruise stands in front of a projected, 3-D computer dashboard which he controls via a gesture-based interface using his hands? It provides him with instant analytics, alerts, trends and projections which enable him to hunt down and catch suspects. Our Compliance Control Center isn’t quite at that level of Hollywood sophistication yet (that’s our vision for 2030). But it does give us real-time, integrated information, combined with centralized policy, confidentiality and process management. The net result is that today we have unprecedented visibility and control over our environment.

Our control center includes a Governance, Risk and Compliance (GRC) dashboard that helps us identify, prioritize and manage responses to a variety of business issues. It also provides a unified view and oversight of client intake processes. But the key capability it delivers is unified, firmwide policy management and compliance tracking. This includes making sure that policies are communicated, outside counsel guidelines are understood and followed, confidential information is managed and tracked appropriately, and that time is billed accurately (yes, some lawyers still bill by the hour). It also centralizes internal notifications and alerts, along with compliance reporting that we need to undertake for management, internal audits or external audiences.

**HOW WE CREATED THIS FUTURE**

Our Compliance Control Center was a labor of technological love that continues to evolve. One thing that’s as true in 2020 as it was in 2010 is that many vendors promise a “single solution” for broadly defined problems. But the reality is that even in our future, firms rely on many different vendors that provide “best of breed” tools best suited for handling specific tasks. Today, some of those are remotely hosted “cloud” applications, some are more traditional on-site software applications, and some are hybrids of the two.

Successful firms have always found the right software to meet their specific needs and have then integrated those tools into their environments and business processes. I’m happy to report that this is much easier to do in 2020. You can understand why if you consider the 2010 industry trend towards master data management. This important architectural innovation in data management provided law firms with a single, “best and blessed” standard repository of key information consumed by people and applications throughout the firm.

Our compliance and risk management processes touch many firm systems and business processes. So today, our firm leverages a Master Data Directory which provides a single source of authoritative information that’s shared and updated across all of our individual applications in real time. This data includes client, matter, user and group information. Our master data repository communicates bi-directionally with our Compliance Control Center, providing us with instant updates. This data architecture also provides broader benefits across the firm, enabling our IT team to streamline key business processes, improve lawyer productivity and provide better management reporting.

**OUR MOTTO:**

**Free Data Everywhere**

In order to build that Master Data Directory, we needed the right underlying technology and industry-wide support from vendors. Thankfully, in 2020, the vast majority of legal software providers have now embraced open data standards and provide open APIs that allow law firms to plug their software into any environment and share information.
This wasn’t always the case. A decade ago, a few companies tried to lock down our firm’s own business information by adding application-level encryption and even removing API functionality when they “upgraded,” our systems. They then attempted to charge us exorbitant fees for “new” APIs to regain access to the information which they held hostage. Those particular relationships (and companies) didn’t survive the decade; vendors that work against the interests of their clients rarely prosper in the long term.

Coming out of that experience, our firm’s IT organization worked with its peers across the industry to educate client-focused vendors to set clear expectations regarding open access and standards.

THE SUGGESTION:
Start Preparing for the Future Today
Which brings us to the final message: 2020 may seem like a long way off, but you can and should be taking steps now to prepare yourself and your firm for what’s to come. The future that awaits you brings greater risks and stricter compliance requirements. Your organization will face tough, and often unexpected, challenges. Yet the technology, integration and information management capabilities available to firms are also evolving to meet these challenges.

In our time, the year 2020, the organizations that are thriving are those that started taking steps in 2010 to foster a risk-aware culture, allocate resources strategically and put the right IT building blocks and processes in place. With the benefit of our 20/20 hindsight, your firm now has the opportunity to position itself for success in the decade to come. To get there, your firm will need to educate internal stakeholders, invest wisely and pay attention to existing and emerging trends.

The future is not a black box, nor is it predestined. Your IT team can help shape it by joining peers who are already building master data standards for the industry. And your risk organization can collaborate with peers through organizations like ILTA and RiskRoundtable.com. Your firm can also look to geographies where law firms are already more heavily regulated, such as the U.K., and to corporate risk management practices for additional insights and examples.

The future is yours to build. We hope this sneak peek has provided you with insight that will help you make your firm a prosperous one — now and in 2020. ILTA