

**Deloitte.**  
Insights



# Russian legal services market

Coaxing progress from uncertainty





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# Executive summary

**B**USINESSES WORLDWIDE ARE facing such pressing issues as economic uncertainty; geopolitical risks; the growing importance of digital engagement, sustainable development and inclusivity; and regulatory changes in key segments of the economy. Against this backdrop, the global legal services market is increasingly facing complex demands and new problems, presenting a particular challenge for this typically somewhat conservative market.

How is the Russian legal services market faring? Is it ready for these challenges, from the perspective of supply and demand? What are the obstacles and opportunities? As described in this report, Deloitte attempted to answer these questions in a study based on interviews and surveys of legal firms and departments of major Russian companies.

Despite its relative youth and somewhat atypical structure (manifested by the peculiarities of Russian law), the Russian legal services market is quite mature in terms of competition, representation in the region and stability of demand. But we found contradictions between legal entities and their clients, which should be resolved if the market is to remain resilient and continue developing. Development also requires individualisation of solutions, to address – and even embrace – the challenges of globalisation and digitisation.

## State of the market

The Russian market is served by three main providers: large Russian legal firms, global law firms and the legal departments of major companies. Large firms are most likely to be engaged when complex or sophisticated problems need resolving.

This is especially true typically of global legal firms that deal with corporate law matters and provide support for mergers and acquisitions (M&As), as well as international commercial arbitration.

The key clients of global legal firms with local offices in Russia are greatly affected by today's geopolitical, multinational risks, but their established reputations, their corporate branding and the personal standing of individual partners can give these companies a competitive edge. The partners are often local, which helps build trust with conservative Russian companies. Russian legal firms, for their part, are keeping a firm hold on the financially medium-sized segment of M&As and judicial direction.

## Barriers to new solutions

Tax advisory seems a promising area of the market: Even though it is one of the most in-demand services, tax advisory is only on offer at half of the legal firms Deloitte surveyed, indicating an obvious area of potential development. What else is keeping the market from moving forward, especially in the face of globalisation and digitisation?

One obstacle lies in the varying perceptions of how firms can work effectively in tandem with legal departments. Legal firms surveyed say difficulties in collaboration often stem from the peculiarities of the Russian legal system, but clients – and employees of the legal departments of major companies – instead tend to take issue with the discrepancy between quality and cost of services.

Another barrier preventing growth is the slowness with which many legal departments and firms are welcoming technology. Traditional

organisational processes dominate the Russian legal services market, as evident by the low demand for automation specialists, as well as the kind of software currently in use – mainly legal reference systems. Companies are aware that specific solutions are being developed to boost efficiency by automating processes. But when it comes to implementing such solutions in their own processes, neither respondents of legal departments nor firms have near-term plans to employ these technologies, as they do not see any prospects for improving efficiency through automation.

Their reluctance seems based on several beliefs. Firstly, automation projects often entail large, immediate outlays for infrastructure, and many market players are postponing such projects while revenue stagnates. Secondly, introducing advanced IT solutions is more fundamental to them. Companies surveyed say that specific features of Russian law, such as the subjectivity of the judicial system when issuing rulings, not only negates the use of complex forecasting systems, but also that of more basic systems (such as for preparing documents).

In such cases, an individual approach is needed, and the current level of legal technology (Legal Tech) cannot yet provide it. The relatively low salaries of lawyers are another hindrance; it is often cheaper to hire a new employee than purchase a subscription to an automation service.

## Eyes on the prize

Regardless of these attitudes, the market should be prepared should these barriers to digital transformation weaken. For example, market players understand that the social implications of automation are not as acute as in other sectors: The development of Legal Tech would create more jobs by widening the range of specialists required in the legal industry. In addition, an array of state initiatives is aimed at developing the legal system and supporting Legal Tech (primarily via specialised associations). Also promising is the remarkable interest of legal entities in conferences and forums, evident in the sheer number of events and attendees. The seeds have been planted and the market appears poised for new growth, when the conditions are right.

### ABOUT THIS STUDY

Deloitte used a combined methodology to conduct our analysis of the legal services market. We held 30 in-depth interviews with representatives of legal firms and the legal departments of Russian companies, from February to March 2019, known as the Legal Services Market in Russia Research Survey (qualitative data). We also used data collected from 80 survey respondents from Russian companies as part of our CFO Survey in October 2018 (quantitative data). The Legal Tech market was analysed during secondary (desk) research.

The data obtained has been brought together in this report and validated by internal Deloitte Legal professionals and representatives of legal firms and departments.

#### Key:

Legal department



Legal firm



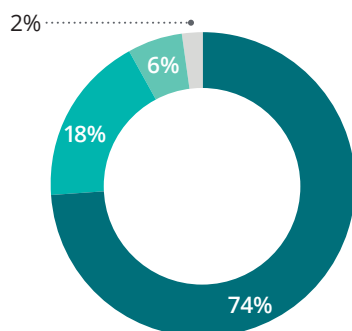
# Overview of the legal function

**T**HE GROWING DEMAND for the Russian legal services market is mainly driven by major companies that use external consultants or in-house legal departments. Most companies we polled in our CFO Survey (74 per cent)<sup>1</sup> have a dedicated legal department (or company lawyers) responsible for handling legal matters. Every fifth company (18 per cent) outsources legal matters to third-party legal consultants. Another six per cent assigns legal matters to a dedicated employee who works in a different department.

FIGURE 1

## Party responsible for handling legal matters in the company

- Legal division/department
- Outsourcing (third-party legal consultants)
- Dedicated employee working in a different department
- Other



Source: Deloitte CFO Survey of the leading companies in Russia, 2H 2018.



# In focus: Legal departments

**D**ELOITTE SET OUT to define the characteristics of the legal departments of companies in Russia, and found that they seem to be resilient divisions adept at handling mainly contract services.

## Main service areas

According to Deloitte's Legal Services Market in Russia Research Survey, the main service provided by in-house legal departments to their internal clients is legal advice when closing contracts with clients or contractors. These internal specialists that were surveyed are never asked to deal with public-private partnerships, criminal law or intellectual property.

FIGURE 2

### Top three internal requests for the legal department



Source: Deloitte's Legal Services Market in Russia Research Survey, 2019.

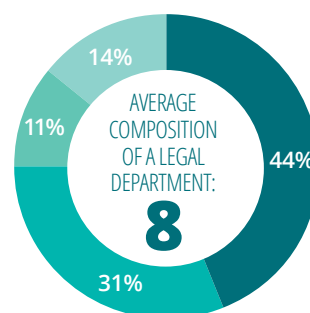
## Size and strength

A typical legal department is a small division of a company, which has been around for about ten years and has low staff turnover. Of the department heads, one in five is also a member of the company's management board or board of directors.<sup>2</sup> The legal department has relatively few employees – usually ten people and, for almost half of companies (44 per cent) surveyed, fewer than five people. Companies employing 11 to 20 people in their legal department number about the same as those employing more than 20: 11 per cent and 14 per cent, respectively.

FIGURE 3

### Size of staff in a company's legal department

■ Less than 5 employees    ■ 5–10 employees  
■ 11–20 employees    ■ More than 20 employees



### THE MAJORITY OF COMPANIES SURVEYED (93%)

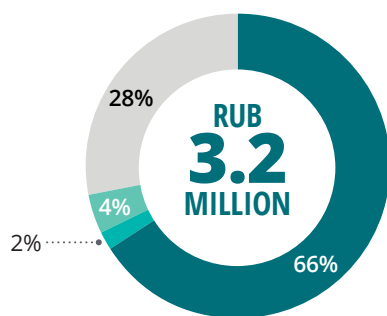
do not plan to hire employees for their legal departments over the coming year\*

Source: Deloitte's Legal Services Market in Russia Research Survey, 2019.

FIGURE 4

## Internal cost structure of a typical legal department

- Payroll
- Other staff expenses (training, benefits package)
- Process automation
- Other



Annual internal costs of a legal department  
**RUB 3.2 MILLION (EUR 43,835)**

**MOST COMPANIES  
 DO NOT USE LAWYERS  
 WITH A HOURLY RATE OF PAY**

**Four out of five in-house specialists** consider hourly payment an **inconvenient** pricing method

Source: Deloitte's Legal Services Market in Russia Research Survey, 2019.

## Cost considerations and the Shared Services Center

The legal department is integrated with the Shared Services Centre (SSC) in eight out of ten surveyed companies. The SSC is located in the Volga Federal District for more than half of the surveyed companies (58 per cent).

## Looking forward

Legal department employees seem cautious in their forecasts for their companies. In Deloitte's CFO Survey 2018 data,<sup>4</sup> Russian company managers' expectations showed pessimism (37 per cent) regarding financial growth; their expectations could be described as significantly lower than the previous year.

This is especially true regarding staff numbers, for which seven out of every ten respondents said they expect no significant change. There is a more optimistic outlook regarding profit: Half of legal department respondents expect growth.

FIGURE 5

## Location of Shared Service Centres



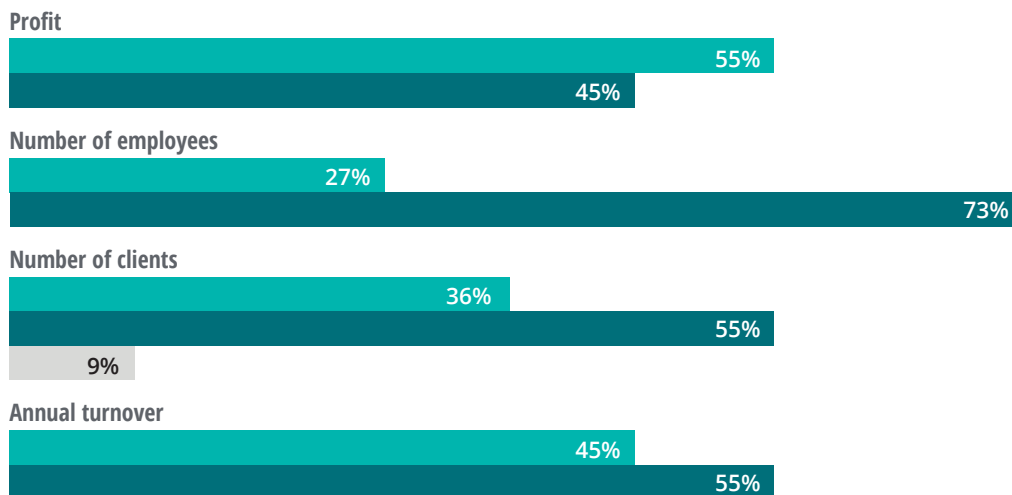
Source: Deloitte's Legal Services Market in Russia Research Survey, 2019.



FIGURE 6

## Legal departments surveyed do not expect significant changes in the circumstances of their companies in the coming year

■ Growth ■ No change ■ Decrease



Source: Deloitte's Legal Services Market in Russia Research Survey, 2019.

"We are currently seeing a decline in entrepreneurial confidence, investment and economic growth rates, as well as financial instability in emerging markets. Amid this economic slowdown and increasing instability, targeted planning and accurate forecasting are the key tasks for the legal industry.

The majority of companies are focusing on resolving existing problems and simply keeping the firm afloat. The industry is contracting, meaning that very few companies are looking to enter other markets or expand their range of services. Clients are also tightening their belts and are trying to resolve their problems in house, without engaging legal firms.

Due to the overall decline in purchasing power and falling business incomes, legal costs have come to be seen as an 'unnecessary expenditure', especially given the changeability of legislative practice, as solutions cannot be bought once 'for life'; clients need something more personalised – even 'tailor-made' – rather than turnkey solutions."

**Irina Silantjeva**

*Head of the legal department*

golama

# In focus: Legal firms/practices

**T**HE LEGAL FIRMS and practices working in the Russian market are able to cover the needs of companies that don't have their own legal teams, and pick up the slack for departments that lack resources or specialisation. They depend on their established reputations, corporate brands and individual partners' personal standing to remain competitive in the market.

**The legal firms and practices working in the Russian market are able to cover the needs of companies that don't have their own legal teams.**

## Provider breakdown

Three groups of legal firms supply outsourcing services for the Russian legal services market:<sup>5</sup>

- First and foremost are international legal firms with offices in Russia. These companies tend to have large staffs and sizeable revenues. They have a presence in regional capitals, and primarily provide services to major Russian and international companies.
- The second group is made up of Russian legal firms.
- The final group comprises Russian legal practices, which take the form of associations of lawyers. According to the law, they can be established as a legal office, a bar association, a law bureau or a legal consulting body.



FIGURE 7

## Structural overview of most legal firms/practices in the Russian market

	Branch of international legal firm	Russian legal firm	Russian legal practice
<b>Revenue</b>	Over RUB 100 million (EUR 1.4 million)	Over RUB 100 million (EUR 1.4 million)	Less than RUB 100 million (EUR 1.4 million)
<b>Staff</b>	1,500 employees, on average	50 employees, on average	25 employees, on average
<b>Region</b>	Mainly Central Russia	Russia-wide, major cities	Russia-wide
<b>Services</b>	International commercial arbitration Real estate and construction Insolvency and bankruptcy Labour law Corporate law and M&A support Intellectual property Banking and capital markets	Dispute resolution Public-private partnerships Tax advisory and disputes Criminal law Intellectual property	Insolvency and bankruptcy Tax advisory and disputes Criminal law Banking and capital markets
<b>Clients</b>	Major Russian companies Major foreign companies	Major Russian companies Major foreign companies Branches and representative offices of Russian companies Medium-sized Russian businesses Small Russian businesses and Russian microbusinesses Private individuals	Medium-sized Russian businesses Private individuals Major Russian companies Major foreign companies

Source: Deloitte's Legal Services Market in Russia Research Survey, 2019.

## Service offerings

According to Deloitte's Legal Services Market in Russia Research Survey, although specialised legal firms and practices supply the market with a full spectrum of services, the most common is dispute resolution. Branches of international

legal firms tend to offer international commercial arbitration along with legal matters related to banking and capital markets, corporate law and M&A support services. Only half of the companies in the market provide public-private partnership, tax advisory or criminal law services. Legal practices are most likely to work in criminal law.

FIGURE 8

## Prevalence of legal services, as perceived by companies surveyed that use legal firms

Wide availability	Moderate availability	Low availability
Dispute resolution	International commercial arbitration	Public-private partnership
Real estate and construction	Intellectual property	Tax advisory and disputes
Anti-monopoly regulations	Banking and capital markets	Criminal law
Corporate law and M&A support	Insolvency and bankruptcy	
	Labour law	

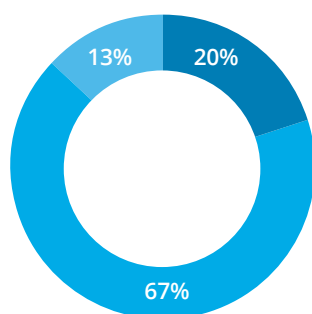
Source: Deloitte's Legal Services Market in Russia Research Survey, 2019.

## Billing behaviour

FIGURE 9

### Billing for legal services at an hourly rate

■ Always ■ Sometimes ■ Never



Source: Deloitte's Legal Services Market in Russia Research Survey, 2019.

“There is significant pressure from the market in terms of fees, and most clients would like to order legal services using a fee cap mechanism, rather than chargeable rates. Russian customers of legal services, in the broader sense, are investigating various saving options. In addition, big consumers of legal services in the Russian market are represented by statutory owned corporations or big Russian multinational players; both categories of clients have pretty strict budgetary approaches, so they need to include a precise amount of legal fees/costs in their budget in advance and a subsequent increase of this amount is unlikely possible.

There is a minor portion of cases where legal firms are using chargeable rates (20 per cent), and this may relate to foreign law firms engaged in specific types of projects.”

**Yulia Orlova**

*Tax & legal partner*  
Deloitte CIS



## Looking forward

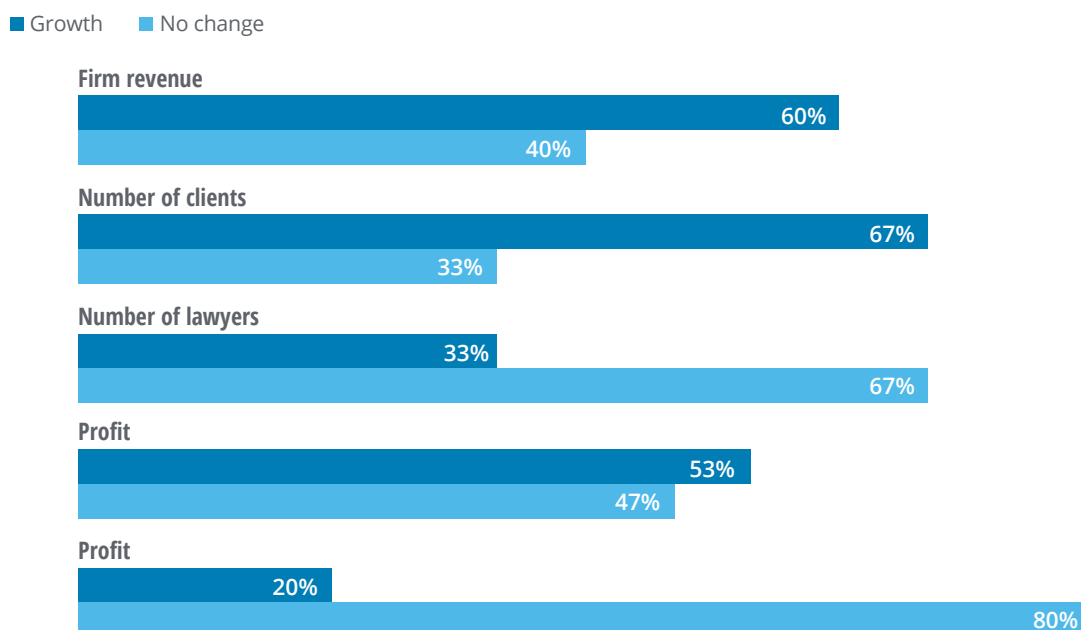
Survey responses showed that the legal services market is reflecting cautious optimism. Although ongoing geopolitical risks continue to greatly affect the Russian divisions of international companies, which often important clients for international legal firms, legal firm and practice survey respondents envisage a slight increase in client numbers, as well

as revenue and profit. That revenue is anticipated to be boosted by more clients, rather than more costly services; eight in ten companies said the average cost of services will not rise in the next year.

Survey respondents do not expect the number of lawyers in firms to increase. The employees of legal practices were most likely (67 per cent) to say this.

FIGURE 10

### The majority of respondents from legal firms in Russia expect to see a slight rise in revenue and client numbers in the coming year



Source: Deloitte's Legal Services Market in Russia Research Survey, 2019.

"Macroeconomic factors are primarily affecting the scale of demand on the legal services market, which usually falls during an economic crisis and a slowdown of the biggest economies. At the same time, sanctions and Russia's import substitution policy is currently feeding into growth in some sectors of the economy, which is, in turn, driving increased demand on the legal services market. Nonetheless, political tension in Russia, and worldwide, is the main factor undermining the market."

**Elena Goremykina**

*Managing partner*

Goremykina, Tsokol and Partners

# Crossing lines: Department-firm collaboration

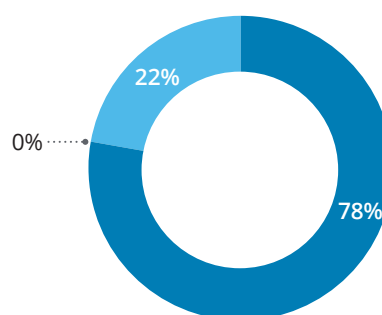
**A**LMOST EIGHT OUT of ten companies polled in the Deloitte Legal Services Market in Russia Research Survey (78 per cent) that have an in-house legal department also use third-party legal services – mainly for international commercial arbitration, insolvency and bankruptcy of contractors, and tax advisory and disputes. The surveyed companies also plan to extend their internal-external collaboration to the area of anti-monopoly regulations.

Out of the surveyed companies that do not outsource, none intend to outsource in the near future. This means that any potential growth in the number of new customers for firms is quite low; law firms should pay special attention to retaining loyalty in their current clients.

FIGURE 11

## Use of third-party legal services (outsourcing)

■ Used   ■ No, but planning to do so  
■ No, and not planning to do so



Source: Deloitte CFO Survey of the leading companies in Russia, 2H 2018.

FIGURE 12

## Areas of collaboration between internal and external specialists

### AREAS OF COLLABORATION



International commercial arbitration



Insolvency and bankruptcy of contractors



Tax advisory and disputes

### PROSPECTIVE AREAS FOR COLLABORATION

Tax advisory and disputes

Anti-monopoly regulations

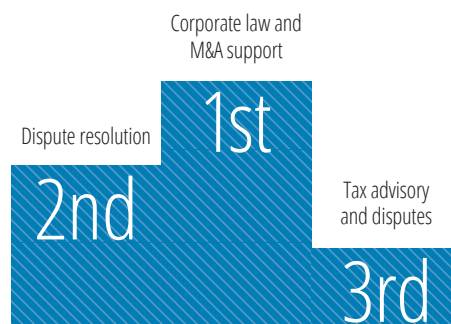
International commercial arbitration

Source: Deloitte's Legal Services Market in Russia Research Survey, 2019.

Surveyed professionals from legal firms said the two service areas most in demand are corporate law and M&A support and dispute resolution. A third of firms said their clients require tax advisory services – echoing the statements of legal departments surveyed, which cited dispute resolution and tax advisory as two of their own most common requests. Although tax advisory and dispute services are among the most sought-after areas, they are only offered by half of legal firms, as shown in the survey (see figure 13).

FIGURE 13

### Top three services requested of firms (based on annual revenue)



Weighted balance of respondents (-1 to 1)

Source: Deloitte's Legal Services Market in Russia Research Survey, 2019.

"Analysis of the legal services market in Russia over the past five years shows a growing demand for legal services in intellectual property (primarily in IT), bankruptcy, taxation and litigation. At the same time, demand for corporate law, real estate and construction continues to fall. The market has recently seen an increase in demand for highly skilled legal services, leading to the consolidation of the legal industry. This said, there is still, unfortunately, a considerable supply of low-skilled services (especially on the internet), giving rise to price dumping on the market."

#### **Elena Goremykina**

*Managing partner*

Goremykina, Tsokol and Partners

"Due to the government's active support of the tech industry, we are seeing Russian IT companies branch out onto the global stage. Changes to IT-related legislation necessitates thorough legal consideration, and here the expertise of in-house lawyers is sometimes lacking for decision-making.

The dynamic growth of this sector is generating supply from legal firms that are deepening their knowledge in this field, developing cases and turnkey solutions.

The IT sector will continue to grow in the mid-term, alongside demand for quality consulting, as clients have already obtained their own knowledge and experience, and require nonstandard approaches and business solutions to develop further.

Given the legal changes to controlled foreign corporations (CFCs), a second relevant topic for the next few years will be everything related to basing businesses in foreign jurisdictions and the selection of the best possible tax regimes. Moving business and profits to foreign jurisdictions will remain pertinent as the current distrust of the state, changes in legislation, the tax burden and uncertainty are only set to increase."

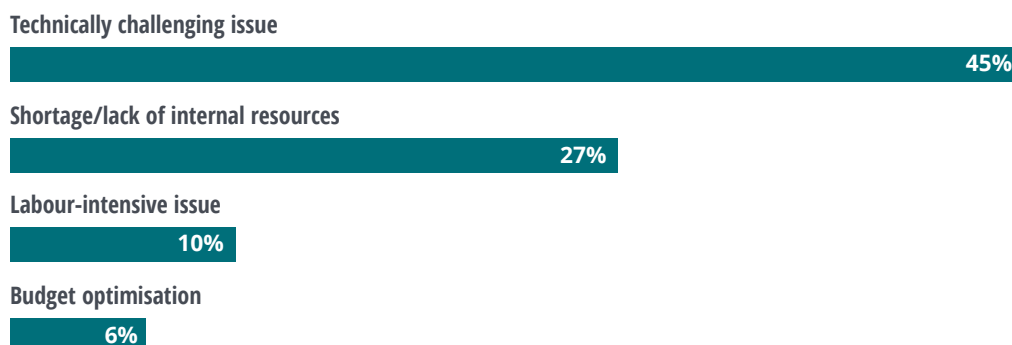
#### **Irina Silantyeva**

*Head of the legal department*

golama

FIGURE 14

## In almost half of cases, third-party organisations are engaged due to the technical complexity of an issue



Source: Deloitte's Legal Services Market in Russia Research Survey, 2019.



Legal department employees surveyed said that in almost half of cases companies outsource services for specific tasks that are technically challenging (45 per cent). Another important motivator is a shortage or lack of internal resources within the company (27 per cent).



Approximately seven out of ten legal firms polled said that companies primarily employ them when there is a need for specific services and high-quality results. The second most-important reason they cited was a shortage of resources within the company itself.

When providing international commercial arbitration, 55 per cent of legal firms said the main reason they are engaged is a need for foreign lawyers (or Russian lawyers with foreign legal qualifications).

**Although tax advisory and dispute services are among the most sought-after areas, they are only offered by half of legal firms.**



# Collaboration roadblocks

**A**LTHOUGH THERE IS frequent collaboration among legal departments and legal firms, there appear to be differences in the attitudes of both parties regarding what makes a smooth working relationship.

Largely, the key challenges legal departments surveyed say they face when working with third-party providers are the everyday problems of business relationships. In a quarter of cases, according to the Legal Services Market in Russia Research Survey, the main problem for these companies has been substandard quality of services. One in five mentioned the high cost of firms' services,

and one in ten has encountered failures to meet deadlines or deliver the full scope of work.

Legal firms, however, come up against more fundamental problems. Survey respondents cited the ineffectiveness of rights protection, which arises in half of law firms' cases in Russia. They also frequently mentioned their reluctance to get involved in disputes with state authorities, preventing collaboration with Russian companies, as well as a lack of trust in the country's judicial system. This suggests that legal firms are primarily obstructed by a lack of precise legislative regulation and legal guarantees of activities.

FIGURE 15

## Top problems in collaborating: Firms vs contractors

	When working with contractors	When working with businesses
 1	Substandard quality of services	Ineffectiveness of rights protection mechanism in Russia
 2	High cost of services	Reluctance to get involved in disputes with state authorities
 3	Failure to deliver agreed scope of work	Lack of trust in judicial system
 4	Insufficiently qualified employees	Lack of precise legal regulation of clients' assignments and operations
 5	Failure to meet agreed deadlines	Disparity between client expectations and real cost of services

Source: Deloitte's Legal Services Market in Russia Research Survey, 2019.

“Law firms often fail to understand or do not research the particulars of a business, and give advice detached from the company’s realities, or conduct a very superficial analysis and give a ‘universal’ conclusion. In conclusions, you often come across a set of quotes from the legislative framework without any specific solutions.

Less common are cases when the law firm employee misunderstood the client’s workflow and gave advice/opinions that are completely incompatible with the company’s activities. As a result, the client does not receive quality services and the in-house lawyer is additionally burdened with finding a solution.

There are also currently a lot of self-styled legal firms with low prices and extremely low quality of service; if the budget cannot cover the engagement of high-level professionals (whose services are often overpriced), the in-house lawyer must solve the problem himself/herself.”

**Irina Silantyeva**

*Head of the legal department*  
golama

“From our professional experience, we would say that the most acute aspect of the relationship between a company and a law firm is insufficient communication. For example, if a company provides incomplete information to a law firm when requesting legal services, the law firm does not make any effort to obtain the missing information, only responding when it is asked direct questions, without trying to ‘fill in the blanks’ for the company, which is actually essential for the company that is trying to resolve the situation. The result is usually that the company receiving advice is left unsatisfied and the legal firm may lose a client.”

**Elena Goremykina**

*Managing partner*  
Goremykina, Tsokol and Partners

# Slow automation uptake

**A**UTOMATION IS A quite complex opportunity that is also stalling the growth of some legal firms and departments. These companies see that there are big changes in the market, and that comprehensive automation solutions are appearing and can facilitate work. They even recognise that those solutions could be game-changers for legal companies with many repetitive, paper-based operations. What's standing in the way of progress is a lack of understandable, accessible solutions in the IT market, which cannot always offer an individualised approach.

## Status quo

All the legal department representatives Deloitte surveyed confirmed that their departments use legal reference systems and the majority testified to high, or above average, satisfaction with them. Such systems are the most popular automation solution among the departments – nine out of every ten companies that responded to the Legal Services Market in Russia Research Survey use them.

Use of other automation is relatively sparse. Not one legal department surveyed uses management systems or automated legal solutions (such as contract building software). A third of survey respondents use services that help in tracking of court cases and checking of counteragents. Large firms also use software developed in house. The

often exclusive implementation of legal reference systems at legal firms tells us that internal process automation seems in its initial stages.

In figures 16 and 17, automation is defined as the use of specialised digital information systems. Standardisation is defined as a set of processes, methods and resources that ensure development, commissioning and monitoring.

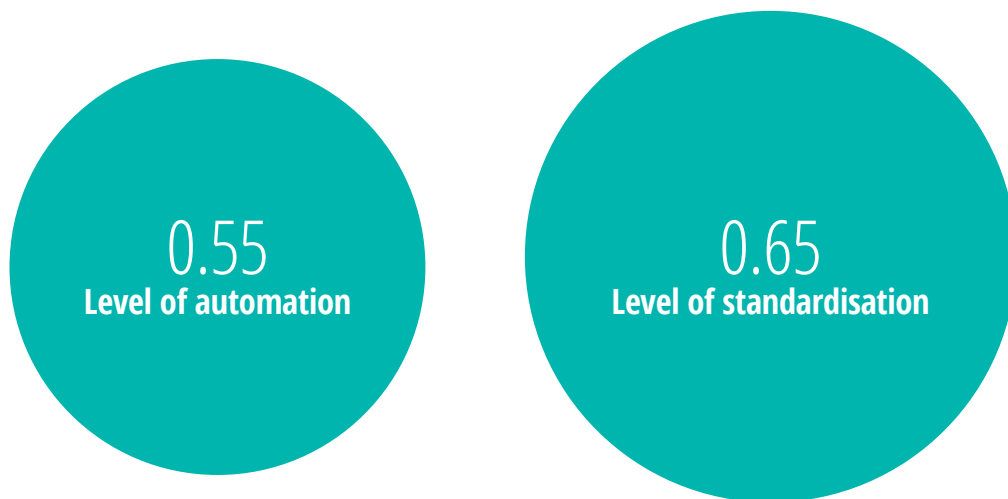
### AUTOMATION SOLUTIONS IMPLEMENTED AT THE COMPANIES

- Legal reference systems
- Legal dictionaries
- Records of contracts, records of claim work (progress, stages of work), automation of the work of secretaries, judges, archivists, court registry employees or the state registration of rights to real estate

Legal firms polled perceived their clients' automation uptake as about equal to their own, but this estimation seems slightly more optimistic than the clients' own estimation.

FIGURE 16

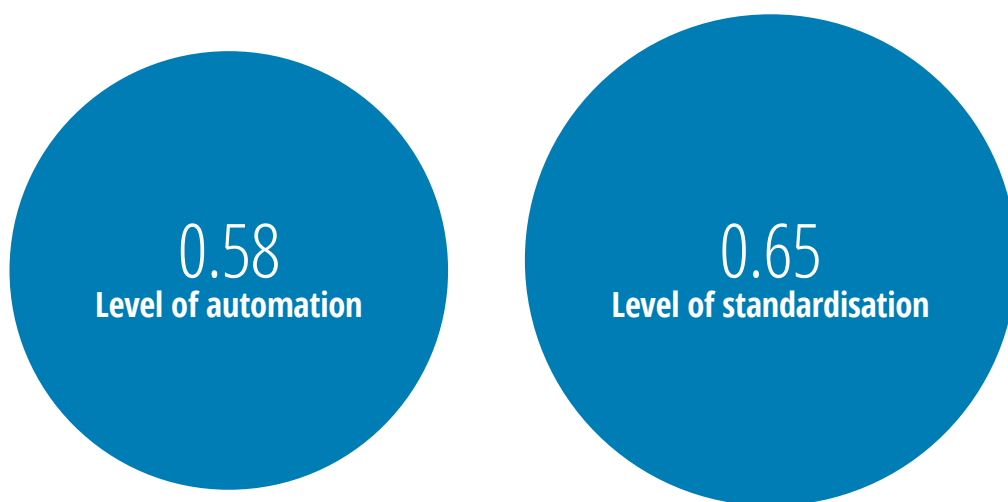
**Automation level of legal department processes, as perceived by departments themselves, ranging from -1 (no automation) to 1 (highest possible automation)**



Source: Deloitte's Legal Services Market in Russia Research Survey, 2019.

FIGURE 17

**Automation level of legal departments' processes, as perceived by legal firms, ranging from -1 (no automation) to 1 (highest possible automation)**



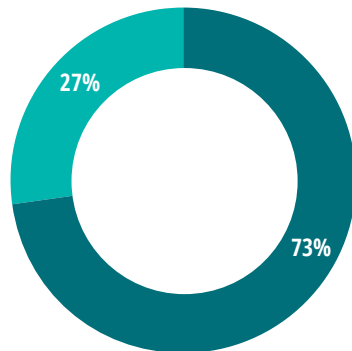
Source: Deloitte's Legal Services Market in Russia Research Survey, 2019.



FIGURE 18

### Departments' responses to whether they have legal process automation specialists

■ Yes ■ No, and not planning to hire any



Source: Deloitte's Legal Services Market in Russia Research Survey, 2019.

Despite companies' legal departments being relatively confident of their own automation and standardisation, only a quarter (27 per cent) of those surveyed have legal process automation specialists, according to survey respondents. The average number of employees engaged in automation is small: between one and two people. The majority of companies are not planning to hire such specialists. The necessity for a dedicated specialist is probably seen as low because most of the surveyed companies have integrated their legal departments with the SSC (80 per cent).

### FROM 1 TO 2 EMPLOYEES

AVERAGE NUMBER OF AUTOMATION SPECIALISTS IN LEGAL DEPARTMENTS OF COMPANIES

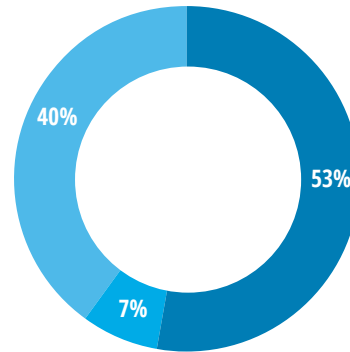


The low demand for automation specialists is also reflected in the responses of legal firms, and indicates that the firms are not paying close attention to the challenge of automating internal processes. According to survey respondents, more than half of all legal firms have staff specialising in automating legal processes (53 per cent). Fewer than one in ten firms without automation specialists are planning to hire them.

FIGURE 19

### Firm's responses to whether they have legal process automation specialists

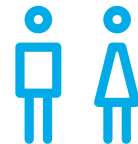
■ Yes ■ No, but planning to hire ■ No, and not planning to hire any



Source: Deloitte's Legal Services Market in Russia Research Survey, 2019.

### FROM 1 TO 2 EMPLOYEES

AVERAGE NUMBER OF AUTOMATION SPECIALISTS IN LEGAL FIRMS



Survey respondents said that the main process in need of automation in their companies is contract management. Legal firms cited more processes needing automation than legal departments did: In addition to contract management, they listed invoicing, work communication systems and CRM systems.

The legal departments of large companies are primarily automated due to economies of scale, according to the Legal Services Market in Russia Research Survey. Large companies generally already have turnkey automation solutions, as well as a budget for their implementation. The general trend toward automation, which is expected to lead to the emergence of new, accessible solutions, could encourage the penetration of automated processes into small legal firms and practices.

FIGURE 21

### Processes respondents believe needing automation most

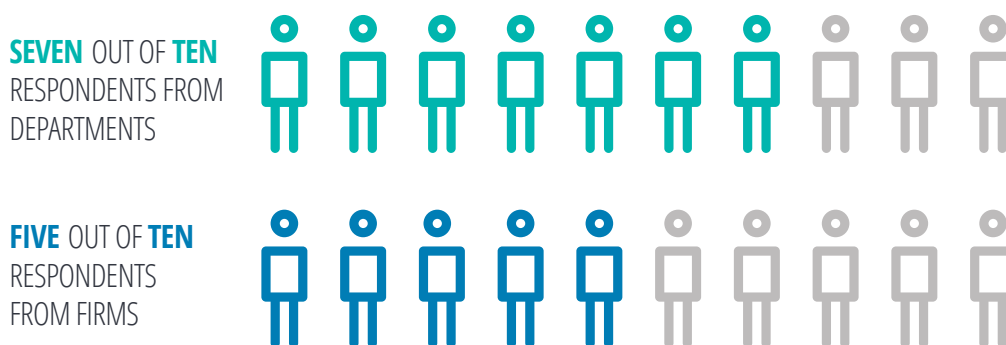


**The legal departments of large companies are primarily automated due to economies of scale, according to the Legal Services Market in Russia Research Survey.**

Source: Deloitte's Legal Services Market in Russia Research Survey, 2019.

FIGURE 20

### Satisfied with the current level of automation



Source: Deloitte's Legal Services Market in Russia Research Survey, 2019.

## Obstacles to automate

Regardless of what is on the horizon, it is important to consider that just over half of survey respondents are not interested in automating their business processes at the moment. Legal firms frequently do not see the need to automate, and are satisfied mainly with legal reference systems and analytical systems. This seems particularly true for small firms and legal practices that are discouraged by the price and complexity of implementing automation solutions.

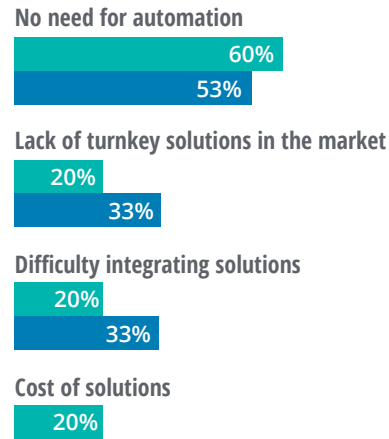
Legal firms and departments surveyed indicated nearly identical obstacles to achieving the required level of automation; the exception is that one in five employees from legal departments cited cost as an obstacle, and this was not seen as a problem for most firms.

Factors such as the lack of turnkey solutions on the market and integration difficulties show that firms and legal departments are generally interested in automation and that some processes have possibly been automated already, but only at an initial stage. A tailored solution for all business processes – one that will meet all a company's needs – is lacking, and could prevent further advances in automation.

FIGURE 22

### Perceptions preventing business process automation

■ Legal department ■ Legal firm



Source: Deloitte's Legal Services Market in Russia Research Survey, 2019.

**Legal firms frequently do not see the need to automate, and are satisfied mainly with legal reference systems and analytical systems.**

“For many people, automation represents a threat to their jobs, rather than an efficiency improvement. People also think that knowledge cannot be accumulated and systematised because it is tied to a specific person.

Also, there is no certainty that these solutions are immune to malfunctions and errors. If such an event occurred, all the information would have to be re-processed by people. This not only concerns the company's responsibility to the client, but also to the business, as every mistake can be costly.

Automation is a fairly new phenomenon in the legal industry and not all companies have the technical foundation required for it. The benefits and savings from automation are not obvious at first glance, while the costs of implementation are quite intimidating; as a result, many managers are deciding that they are surplus to requirement, as they have lawyers capable of doing this work.

The joint automation of law firms and company departments would be a risky undertaking, due to possible malfunctions or the leaking or theft of databases, confidential information, etc.”

**Irina Silantyeva**

*Head of the legal department*  
golama

“If legal departments conduct repetitive operations, the application of various automation technologies will help raise the departments' efficiency.

So, for example, the introduction of an automated system to support the activities of the board of directors means that a company's lawyers will no longer need to send out numerous meeting materials, as it is now possible to add comments and record decisions within the system.

For legal firms, as consultants for external companies, it is often impossible to apply various automation tools for these examples, as legal firms generally deal with individual situations that are not always easily categorised. In the same vein, when the use of technical improvements to operations is possible and useful, law firms use them.”

**Elena Goremykina**

*Managing partner*  
Goremykina, Tsokol and Partners



# Growing potential with Legal Tech

**T**HE DEVELOPMENT OF the legal function in Russia is not occurring in isolation from the technological progress sweeping the world, as demonstrated by the introduction of new (sometimes groundbreaking) technologies to legal practice. Based on our market observation and soundings, we have summarised the following stages.

## Development model for Legal Tech in Russia

### LEGAL 1.0 – MECHANISATION

Technological progress in the legal function started when professional lawyers introduced standard office software to their work. This enabled them to convert all types of documents, as well as the current collection of laws,<sup>6</sup> into electronic form.

### LEGAL 2.0 – COLLECTION, ORGANISATION OF INFORMATION

In the second stage of technological development, companies gained access to large volumes of information. The first legal reference systems appeared on the Russian market. These services went on to develop and become more sophisticated.

The Russian industry made a major leap in the early 2010s with systems that allow a user to quickly obtain information about counteragents, and can be used to generate basic statistical data.

Companies had to organise and find ways of storing this enormous volume of information more efficiently. So, in addition to these directo-

ries, companies started implementing electronic document flow systems, streamlining the storage and transfer of information within the company.

### LEGAL 3.0 – AUTOMATION, SIMPLIFYING DATA PROCESSING

The third stage was defined by the desire of companies to simplify routine processes. After information was organised, it could be automated. This development went in two directions: Companies had the opportunity to automate the firm's internal tasks, saving them time for more important work, but they could also streamline collaboration with clients.<sup>7</sup> Remote communications services with lawyers developed rapidly starting in the 2010s, linking clients with lawyers over the telephone or via the internet.

### LEGAL 4.0 – ADVANCED ANALYTICS

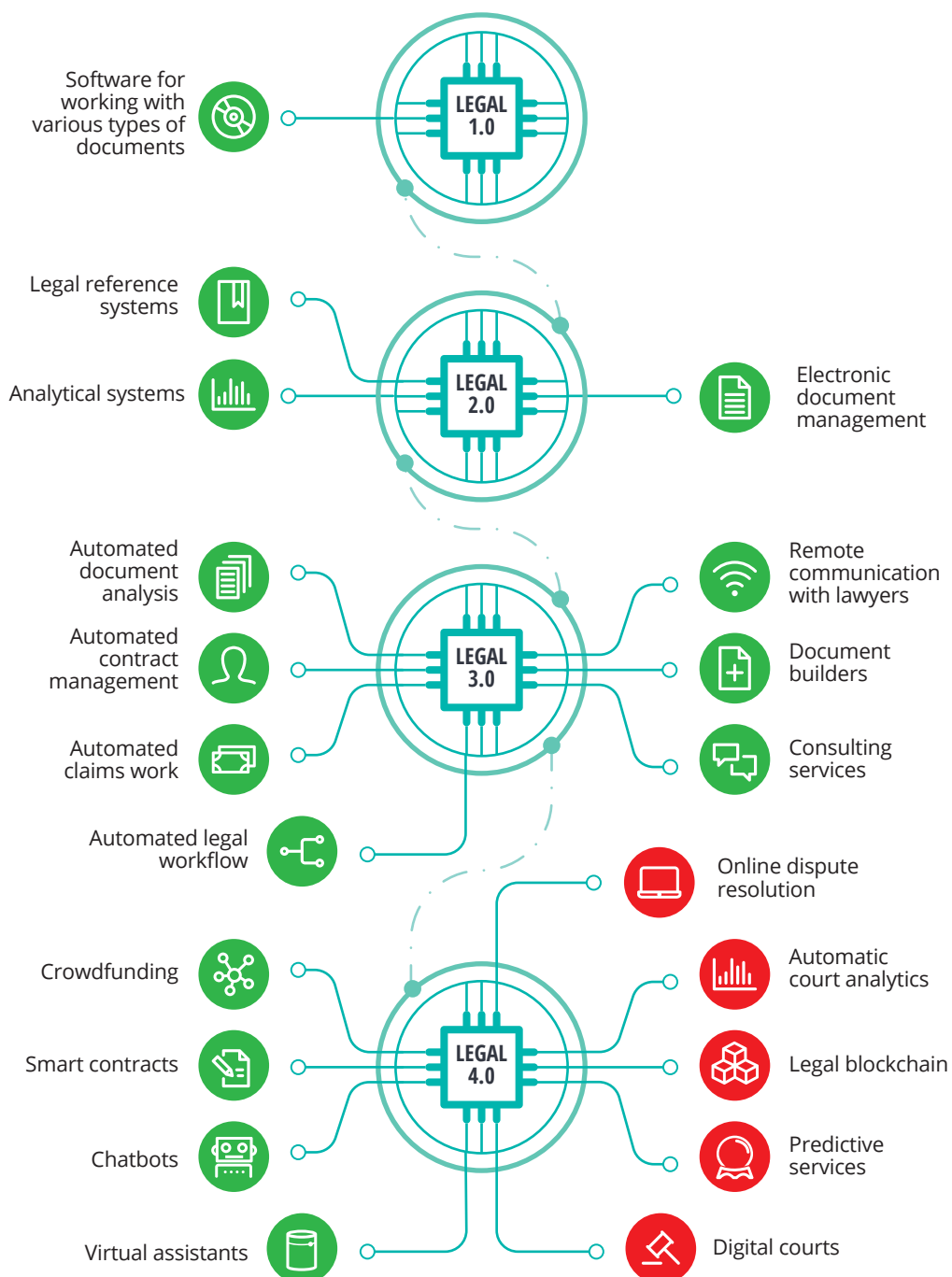
The fourth, final stage of technological development is where the industry is now, and it is focused on making information work. Services that allow us to predict the outcome of a case, detect the factors that might affect a particular judge's rulings and help a lawyer make decisions are appearing. These advanced analytics are based on the latest technologies, such as machine learning and artificial intelligence. The legal industry is also developing virtual and augmented reality systems to view a crime scene or simulate being in a courtroom.<sup>8</sup>

For client collaboration, a system can handle prestored requests without needing a lawyer. Clients can communicate directly with chatbots, which use big data obtained via their interactions to continuously learn and update themselves.

FIGURE 23

## Stages of development of Legal Tech in Russia

Availability of products in market: ■ Yes ■ No



Source: Deloitte's Legal Services Market in Russia Research Survey, 2019.

“The development of Legal Tech could meet more client needs, reduce the cost of services and increase the speed of issue resolution.

There is currently a shortage of analytical systems, while there is a sufficient number of information systems. The development and introduction of these systems on the market will affect the speed and quality of lawyers’ work. Lawyers will have the opportunity to process more requests and reduce the risk of human error.”

**Irina Silantyeva**

*Head of the legal department*

golama

“I believe that Legal Tech is not having a fundamental impact on the changes in the legal market today, as all projects in this area are focused on supporting and ‘simplifying’ lawyers’ work, and not on replacing the lawyer. For now, human lawyers are more economical than robots, and the fact that a partner from Pepeliaev Group, Roman Bevzenko, fought a legal battle with bot LegalApe 2.8 at the St. Petersburg forum, and won, is a clear illustration of this.

However, it is extremely difficult to assess the impact of Legal Tech on doing business, profitability and the possible downsizing of legal departments and companies, and it’s entirely possible that law firms and departments are on the verge of major changes; however, implementing these changes requires significant resources.

I think that Legal Tech will be most actively developed in legal practices serving digital industries: telecommunications, insurance, banking, logistics or conventional disputes.

Technology is unlikely to completely replace lawyers, although lawyers will be able to work remotely more often; it will improve the efficiency of lawyers, while reducing costs. This will lead to a reduction in prices for legal services, which will, in turn, drive up demand for them.”

**Elena Goremykina**

*Managing partner*

Goremykina, Tsokol and Partners

## Present tense

The current stage of Legal Tech development in Russia appears more focused on automating existing processes than implementing Legal 4.0 technologies. The introduction of the latter depends on a company's level of data organisation.<sup>9</sup> There is an unequal level of technological development in the Russian Legal Tech market.

On the one hand, big firms are actively going down the automation path, implementing practice management and automated CRM systems.<sup>10</sup> And new companies that are creating advanced software have emerged, alongside an array of forums and conferences where companies can share their Legal Tech solutions. On the other hand, there remain small firms – especially in the regions of

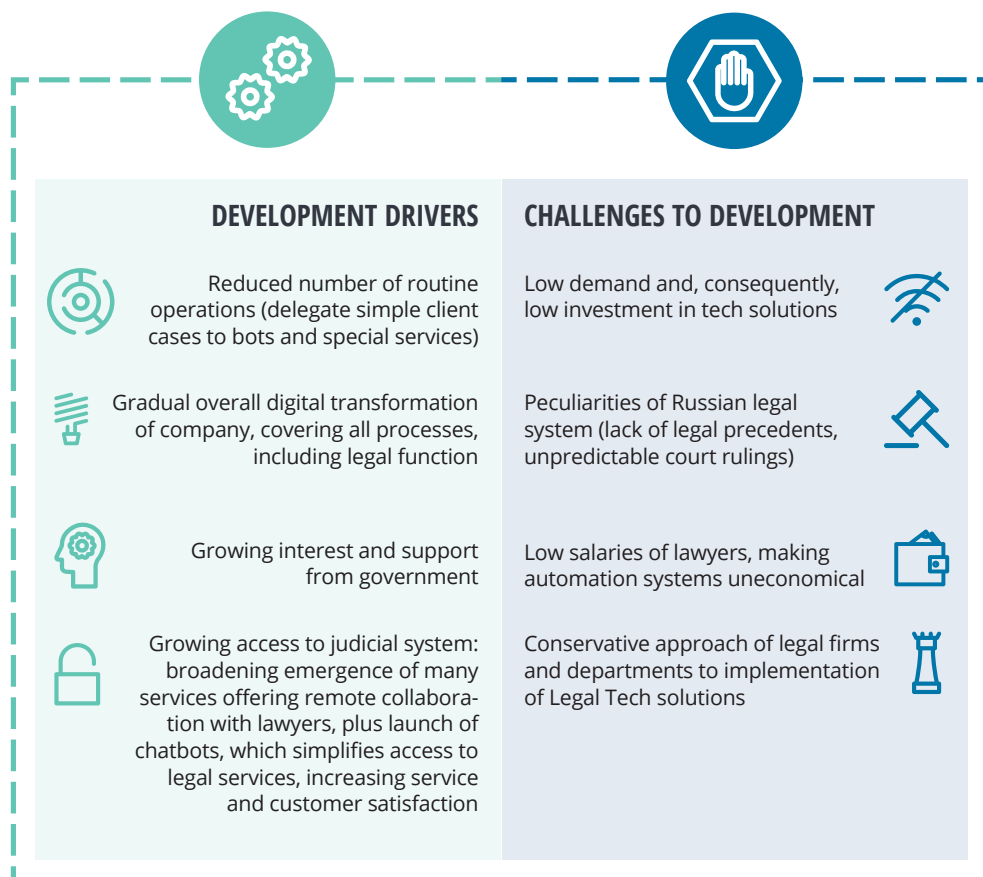
Russia – where the level of technological development remains stuck at legal reference systems.<sup>11</sup>

Also holding back Legal Tech in Russia is a narrow product range. Technologies developed in the market are high quality but there are only a few available in Russia, despite there sometimes being myriad similar solutions on offer abroad. Although there are more drivers of Legal Tech development than there are challenges like these, the challenges are often stronger and limit development in Russia.

The social risk associated with process automation in many business functions – that of staff reduction – does not apply to the legal function, where the result could instead be an expansion of the profession and the engagement of new human capital.

FIGURE 24

### Legal Tech development in Russia: Drivers and challenges



Source: Deloitte's Legal Services Market in Russia Research Survey, 2019.

# Conclusion

**M**UCH UNCERTAINTY HAS characterised the Russian business climate for the past four years. The legal services market is increasingly facing new challenges, in a time of high demand for professional legal support in Russia. Two of the main challenges are: reconciling the discrepancy among perceptions of the market, and pushing development by finding individualised solutions for automation.

Legal firms surveyed believe that the peculiarities of the Russian legal system present the main barrier to doing business, but their clients say the mismatch between quality and cost of services is blocking the path. Each of these stakeholder perceptions of the market presents a somewhat unique situation that should ideally be resolved; if firms can secure more loyal clients, and their clients can experience better quality of service, effective collaboration and mutual benefits could help both sides and become drivers to the development of the Russian legal system.

The legal services market in Russia could be described as mature in certain respects, such as the growing offering of specialised, custom services, a moderate level of automation and good preparedness for changing the environment in case of digital transformation. However, despite the digitisation trend likely leading to significant changes in legal tools, traditional organisational processes still dominate in the market.

The market may appear to be ready for transformation and increasingly interested in automation, but the growth of Legal Tech is being held back by several factors: a lack of willingness to hire more capable employees (especially for automation processes), a lack of turnkey IT solutions in the market, difficulty integrating solutions and cost of solutions. The legal market was able to grow even in these conditions of economic uncertainty, and the Russian market seems proof that even in challenging conditions of a young economy in general, Legal Tech has reached a certain maturity with potential to grow.



## Endnotes

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