



INNOVATION

Nishith Desai Associates: Building a firm on a foundation of right-sized tech culture

Published on 26 Sep 2016

For Nishith Desai, head of the research-focused Indian legal and tax law firm he established almost three decades ago, businesses can be built atop a foundation of a few solid pillars of wisdom. For example, size has consequences.

“The legal industry is becoming more like the commodity business,” Desai says. “Those who are involved in innovation, creativity and value addition will thrive.” Many of the rest may vanish or be absorbed in mergers, with up to 30% of current practicing lawyers becoming redundant in five to seven years’ time, he predicts. “It’s not about competition, location or even about the large law firms themselves. It’s more about the impact of technology.”

In the current environment, law firm leaders should be addressing robotics, automation and artificial intelligence rather than real estate, practice groups and head count, he adds. “There’s been much talk, but little preparedness for all that.”

Instead, law firms continue substituting size for nimbleness, and quantity of legal talent for niche specialization. Desai estimates the “right size” for an organization is about 150 to 200 members – beyond that, “it becomes a machine.”

When a firm becomes too large it forces an emphasis on process, to handle all the diverse pieces of the firm – and that is a mistake, Desai explains, because process begets more process, and increases the related compliance and risk management to oversee it. Soon the machine is replicating itself. “Processes are very

important, but when there's too much focus on processes and less on people, it tends to drive a firm's behavior," he notes. "And that makes it harder to pay attention to innovation, creativity and value creation."

Of course, Nishith Desai Associates (NDA) is not completely opposed to growth – the firm has native offices in Mumbai, Bangalore and Delhi, and branch offices in Singapore, Munich, Silicon Valley and most recently, New York City. Throughout those offices – which, the firm notes, span almost all time zones – NDA lawyers can almost continually work on client matter, collaborating with the aid of technology.

Mansi Seth, who heads the firm's practice in the US (out of New York), says the firm keeps a close eye on growth, and keeps true to its core culture. "Our culture is very important to us," Seth says, "even our growth is organic." To that end, the New York office and the other international branches are not staffed up with a lot of new hires, but instead are run by a few longtime NDA members. Indeed, the firm has just 75 professionals – a number many would consider small for an organization garnering such accolades around the world. (Apart from receiving the *Financial Times'* Asia-Pacific Most Innovative Law Firm Award, NDA ranks in Tier-1 in almost all the areas in which it specializes.)

And that brings up another foundational pillar: It's about brain count, not head count.

"The value creation happens when you train people to think and act innovatively," says Desai, adding that another great benefit of the firm's addiction to technological innovation is that an individual's work experience of five to seven years can be compressed into one or two years. "Today, the rules for knowledge transfer have become stronger."

NDA members spend a portion of their workday – no matter their experience or role at the firm – on continuing education. In fact, NDA members start their day at 8:10 a.m. with training sessions on management followed by interactive presentations from experts within the firm who share particular skills or knowledge during the morning session.

Such cross-pollination of knowledge necessitates collaboration throughout the firm and pays further dividends when multiple groups in several offices are working on a single project. "We realize we have to be more collaborative," says Seth. "We know we'll all do better if we help, and we do. This is a distinct cultural aspect of being at this firm."

Another pillar: Focus on *next* practices instead of best practices.

In today's legal marketplace, there is a lot of distorted behavior, Desai says. More time is spent and more people are staffed on client matters; even longer memos are written when shorter ones would suffice – all so that more hours can be billed. The profession has become a business and a model that in general is flawed, he explains.

"I started thinking about how I could do more work in less time," Desai says. This led him to do what his firm has come to do best. Typically, he adds, law firms have remained more reactive than proactive, and they learn at the cost of clients and invest the least in research, academics and thought leadership.

"Many firms have more than 100 years of history, and can look back with pride and legitimately so," he observed. "But we were a start-up with no history. So what do we do? I thought if they can look 100 years back, I can possibly look 100 years into the future or at least 10 to 15 years." From there, a philosophy

emerged holding that every new technology, business model, political or social development gives rise to a new legal or tax issue.

To that end, the firm developed a method for approaching problems that Desai calls, “Anticipate, Prepare and Deliver,” which has allowed the firm to look into the future as much as 30 years to predict and prepare for future legal areas. And fortunately for NDA, the old adage has remained true: Every innovation brings with it legal and tax issues.

Take, for example, NDA’s experience with bitcoin. A few years ago, the bitcoin industry, which was growing in usage in India’s bustling urban mercantile industry, became paralyzed with fears that the virtual currency would be declared illegal by India’s exchange regulators. NDA addressed the panic by tapping into the research they had already done several years ago on the issue, which then had determined that bitcoins are not illegal under Indian law. The firm then pushed all their research into the public domain.

“We went from the entire industry coming to a standstill one day, to all of them showing up at our offices the next!” Desai describes. He and his colleagues then met with regulators and India’s Central Bank, making presentations showing the legal ramifications of bitcoin, and urging leaders to declare the currency legal, which would allow the marketplaces to reopen.

Those who are involved in innovation, creativity and value addition will thrive.

“We were able to reopen the industry in four days’ time, with little cost to the industry,” he notes, adding that the experience with bitcoin validated NDA’s law firm model. Today, the firm has practice groups on driverless and flying cars, drones, medical devices, virtual reality, privatization of space, the Internet of Things, and others.

“I believe the future may be uncertain, but it is not unthinkable,” he says. “If you can anticipate certain things and prepare yourself, then when the time comes, you can deliver at the speed of thought. That’s how in less time and with fewer people, you still can deliver more. That’s the firm of the future.”