

The iWord.

Everything you think you know about law firm
innovation is wrong

We can work it out.

Another week, another **article** about law firm innovation. This time an interview in Legal Week with leading figures from Ashurst, Baker & McKenzie, Bird & Bird, Gowling WLG, Fieldfisher, Herbert Smith Freehills, Hogan Lovells, Linklaters, Macfarlanes, Pinsent Masons and Travers Smith. So far so usual.

But this one really got me thinking.

For a start, it was refreshing to read exactly what these partners think constitutes innovation (though disappointing no business services leaders were interviewed). They were honest about how innovative they think their firms really are. It was also timely, since there's been plenty of client comment recently about law firm innovation. How do the perspectives compare?

I've long been critical of what most law firms say about innovation. Reading this article made me consider my views though. Have I been unfair? Are my expectations too high? Maybe I should cut firms some slack and see their efforts in the wider, evolutionary context of the legal world.

Or maybe not.

The word.

Let's go back to basics. The dictionary definition of innovation is simply *"a new idea, device, or method."* That seems simple enough. It also seems quite generous. Basically, anything that's new - even an idea - is innovative. But here's the rub; the minute someone's had the idea, even if it's not you, the idea's no longer innovative. It's just copying.

So against this definition, law firms have innovated plenty over the years. The first to open a second office. The first to open an office overseas. The first merger or acquisition. The first secondment, training seminar or newsletter. The first fixed fee used in place of hourly rates. The first client feedback review. The first to employ a marketing, finance or HR director.

All examples of innovation. But that was then and this is now.

Wikipedia says that *"innovation is often also viewed as the application of better solutions that meet new requirements, unarticulated needs, or existing market needs."* This sits more comfortably with me. Innovation should have purpose. Innovation without value is pointless. And that value should be defined by the client or customer, not the provider.

So how good have firms been over the last few years (since when talk of innovation has been everywhere) at applying better solutions that meet new client requirements, unarticulated client needs or existing client needs?

Help!

The Legal Week article shows, unwittingly, how few of the interviewees understand what innovation is. Document automation? Web portals? Project managers? Low cost service centres? Flexible working? Open plan offices? New pricing models? Changes to business structure? They've all been done before (in some cases a long time ago), so they aren't innovative. Few pass the Wikipedia test.

UK firms are even in danger of losing the innovation race in the field of AI. In the US, BakerHostetler has just employed IBM's AI lawyer, Ross, to handle their bankruptcy practice, potentially replacing 50 lawyers.

Part of the problem is that (with a couple of exceptions) Legal Week are speaking to the wrong firms. The biggest global firms simply aren't going to be the most innovative. This isn't because they're bad firms. They're not. They're great firms, with great lawyers doing great work.

However, until now they've operated in a relatively uncompetitive market. They haven't had to challenge the way they do things. Because of the work they've targeted (typically "*complex cross-border transactions and disputes in highly regulated markets*" in their own words) they've been able to compete simply on size, scale and having lots of offices in lots of countries.

I wouldn't suggest anyone look at the largest firms (the Magic Circle, Global Elite, or whatever we're calling them today) for inspiration in any of the areas above. Plenty of other firms have been doing far more exciting things for far longer.

How many of the firms from the Legal Week article actually won anything at the Legal Week Innovation Awards? Just one. Pinsent Masons.

The long and winding road.

According to the Legal Week article, "*there are a number of law firms where innovation is becoming embedded in what we do, every day*". No there aren't. Law firms aren't generating new ideas every day. They certainly aren't coming up with better products and services to address existing or new client needs every day. Nor should they. It isn't possible.

Let's stop talking about innovation in legal services. Like being commercial, understanding the client's business, being strategic, breadth & depth and building deep personal relationships, innovation has become a lazy word that's misunderstood and needs to be consigned to the legal jargon graveyard.

Instead, let's talk about either incremental improvements or great leaps forward.

Incremental improvements should focus on the things firms already do. When it comes to client services, how can firms deliver better results more quickly and consistently? What changes can they

make to the workplace environment to help improve the wellbeing and productiveness of their people?

As for great leaps forward, what new things could firms do that they're aren't doing now?

For example, what new products and services do they need to develop? How can they incentivise and reward their staff better to align remuneration with what clients value most? Why aren't more firms working together with alternative providers to approach clients and investigate how to resource the client's legal work more efficiently?

And be realistic. Pick a few things and concentrate on doing those really well. Ideally, focus on things that support your brand proposition (if you have one - but that's a different story).

Got to get you into my life.

The biggest indictment on law firm innovation is still the perception gap that exists between how well the firm and the client think the firm's doing.

Maaïke de Bie, General Counsel at Royal Mail was particularly damning in a **60-second interview** with *The Lawyer*, saying *"I wish they would think more about innovation rather than finding cheaper ways of delivering the same product"*.

One of the problems is that clients generally ask bad questions about innovation (or incremental improvements and great leaps forward, to practice what I preach). They typically ask what firms have done in the past. Who cares? What's important is what firms are doing now and will do in the future.

Imagine reading a tender question like *"what will you do over the next 12 months to deliver your services more quickly, more consistently and at a lower cost to us, without impairing results?"*

Or what about being asked *"looking ahead three years, what are the most severe market risks and developments you think we should be worried about? What new products and services are you developing to help us protect ourselves?"*

Part of me thinks that clients should do more to push their advisers. Then again, if I was a client paying my law firm £200, £500 or £800 an hour (like some of the firms in the Legal Week article), perhaps I'd think that was incentive enough to expect the odd incremental improvement or great leap forward in how they do things.

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