

Innovation in the New Legal Market Ecosystem

New roles and rules for inspiring the future of legal

The time when the legal market could be defined as having two major players – law firms and corporate legal departments – is a distant memory. Now, as Liam Brown, Founder and Chairman of Elevate Services, Inc. says, the legal sector is an ecosystem that includes a range of coexisting entities – each having an important role.

This brave new legal ecosystem is inspiring a range of different roles, products and approaches to client service. There is a “lot of passion about this space,” Brown says, “and many different people playing in a rapidly evolving arena.” As law firms adapt to the ever-changing technology landscape and the roles that evolve within it, they are finding a greater need for a third player (an innovator) in this crowded field. This snapshot of some of the innovators and innovations reveals the direction many law firms are heading to stay ahead (or in line) with their competition.



PAULA TSURUTANI
Marketing Communications Writer

LOOKING TO THE OUTSIDE FOR VALUE

Elevate Services, Inc. is one such player. The firm aggregates “a whole portfolio of capabilities that firms can access,” focusing on creating efficiencies, including legal project management software and services, streamlining processes in key departments and facilitating legal process outsourcing (LPO). With a workforce split between the United States and India, Elevate focuses on devising practical ways to improve efficiency, quality and outcomes. It has developed its own legal project management software (Cael) and works collaboratively with firms and corporate legal departments in providing advice, but, unlike traditional consulting firms, also can provide the staffing resources to execute programs when necessary.

[The 3 Geeks and a Law Blog](#) cited a study titled “Legal Process Outsourcing: LPO Provider Landscape” that provided a profile of the LPO market. Among the most interesting findings, the study noted that LPO providers were estimated to be worth \$2.4 billion in 2012, with an estimated annual growth of 28 percent. It also pointed out that India-based providers are the leaders in the offshore LPO space, with more than 1 million lawyers and 128 LPO providers exporting legal services worth million in 2010. The study also reported that U.S. legal services are highly fragmented, with 50 of the largest firms generating only 15 percent of the revenue. With the pushback from clients on rapidly rising legal costs, the growth of LPO is not surprising, especially among general counsels who are aggressively seeking ways to cut costs.

Thomson Reuters made news when it acquired LPO leader Pangea3 and positioned the company as a key LPO provider. While its business model initially focused on providing services to corporate legal

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ANDREW BAKER
Director of Legal
Technology Innovation
Office, Seyfarth Shaw LLP



departments, Pangea3 reportedly has made significant inroads in the law firm market. Joseph Borstein, Director, Legal Solutions at Pangea3, acknowledges the initial tension and competition between law firms and LPO providers. But now, he says, firms are realizing “there’s enough work to keep everyone busy. There’s also recognition that quality can be much higher from LPO providers, and its role and place in the value chain is steadily moving higher.” Law firms even are using attorneys at LPO providers for long-term secondments – an indication of growing confidence and acceptance.



Innovation is not entirely foreign in a law firm. After all, clients pay attorneys to be innovative and find solutions to legal problems.

INSIDERS CREATING VALUE

More law firms are creating discrete roles that are designed to respond directly to client expectations and needs. At Orrick, David Fries serves as the firm’s Senior Advisor, Pricing and Practice Management. In this role, Fries focuses his work on structuring profitable fee arrangements, developing better budgets, tracking and management systems. With a background in real estate, Fries brings a familiarity about complex project management and cost controls. “One thing law firms can learn from business – when it comes to predictability,” says Fries, “it’s not that different. Predicting costs is something every business struggles with.” The key element – the starting point – is to have an “open conversation about pricing. It rarely happens, but needs to happen.”

Reed Smith LLP appointed Vincent J. Cordo, Jr., as its Global Director of Client Value in late 2013. In this role, Cordo has responsibilities for the firm’s strategy regarding value pricing, alternative fee arrangements and legal project management. He coordinates a team of professionals in financial analysis, reporting, legal project management and strategic pricing. The team prepares and analyzes pricing alternatives and assists with matter management. Leading a new global initiative such as this underscores the need for firms to have a go-to source for consistent and reliable data about matters, billing and project scope. It is essential to build an arsenal of testimony and pricing success stories to win over both attorneys and clients who are looking for enhanced value and budget predictability. It is also crucial to present this information in an easy-to-understand and persuasive way that really pops – something Cordo believes firms should not underestimate, and which also relies on defining the governance and authorship of firm-wide data.

Firms that have a designated client value role also have new opportunities to educate clients, perform on-site client rate reviews and consult with clients about flexible pricing models. New hybrid roles, with client-facing responsibilities, also are likely, such as associates (including those on a partner path) who become point persons for legal project management and pricing. Cordo even sees some companies looking to and learning from law firms regarding best practices for pricing and project management – not the other way around.

Delivering innovative client service led Seyfarth Shaw LLP to build a distinctive client service model

GORDON VALA-WEBB
National Director,
Innovation and Information,
McMillan LLP



called SeyfarthLean, which blends Lean Six Sigma performance improvement methodology principles with technology, knowledge management, process management techniques, alternative fee structures and other practical tools. While the firm applies this holistic approach to their client engagements, the model's success has led to a Seyfarth Shaw spinoff subsidiary – SeyfarthLean Consulting – that provides services to corporate law departments. The firm's efforts have garnered two top awards for excellence in innovation and technology by the International Legal Technology Association (ILTA) – the *Innovative Law Firm of the Year* and *Innovative Project of the Year* awards.

Working within the SeyfarthLean approach, Andrew M. Baker, Seyfarth Shaw's Director of Legal Technology Innovation Office, joined the firm in 2012, leading a team of legal solutions architects, which has grown from two to six. Significantly, although the team's work focuses on technology, Baker reports to an executive committee member, not to information technology (IT). His mandate is to parachute into client engagements and look at the way services are delivered, engage with clients, and develop approaches and apply technology that will provide enhanced value.

Technology, including legal project management, is just one aspect used to provide value to Seyfarth Shaw's clients. Their project management approach is unique because it is viewed, "not as a set of tools or templates, but as a fully realized strategic approach and cultural discipline." It also is a client-facing function and project managers are key members of the client service team, collaborating closely to identify improvements. The required skill set is broad. "You need to be a consultant, developer and have experience in the business of law," Baker says. "You can't just take technology and throw it at a problem. Solutions have to be developed in a thoughtful and artful way."

The firm's focus on client value has been a cultural revolution that has launched a multidisciplinary committee of key firm leaders – including several executive committee members, practice group leaders, marketing, finance and practice management staff, among others – focused on ways to improve client service, provide enhanced value and coordinate efforts. The committee has fantastic monthly innovation meetings that have included outside speakers discussing big data, social media and cutting-edge topics.



[Innovation] is harder. And it's more fun. Harder because people are busy. Making the commitment and taking the time to think about new client products

VARYING ROLES FOR INNOVATION OFFICERS

Taking a cue from many Fortune 500 companies, including some of their clients, a number of law firms have created chief innovation officer positions. As Gordon Vala-Webb, National Director, Innovation and Information at McMillan LLP, says, "Innovation is not entirely foreign in a law firm. After all, clients pay attorneys to be innovative and find solutions to legal problems." Tapping someone, specifically, to lead that charge – in a law firm – however, is not so common.

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HERBERT F. STEVENS
Chief Innovation Officer,
Nixon Peabody LLP



Although McMillan had a process improvement program in place for years, its innovation position never existed at the firm before Vala-Webb moved into his office in August 2013. Wanting to accelerate and take its innovation efforts to the next level, the 370-attorney Canadian firm recruited Vala-Webb. Vala-Webb's team, which includes professionals in knowledge management, competitive intelligence, records management, e-discovery and online content, is responsible for developing and implementing firm-wide strategies that will shape best-in-class processes, new tools and technologies.

McMillan was looking for an outside perspective from a non-lawyer to help bolster its innovation efforts and coordinate a unified strategy. Leadership backing is the key. "Firm management must want to be innovative," Vala-Webb says. "Many firms believe they have been successful doing what they've always done, so why change?"

Carving out a place for innovation within the law firm culture takes time. First, identify who is doing innovative work, and what makes that work extraordinary. Adopting a positive deviance approach, Vala-Webb is working to identify the McMillan attorneys or groups whose innovative work or unique approaches – including client-facing and internal efforts – are yielding extraordinary results. The next step is to replicate their success, or model it for other firm initiatives.

And it's important to have an overall approach and ability to reinforce a one-firm mentality to carry out initiatives. Using social networking tools is one pilot initiative that may be a source for new ideas, conversation and innovative approaches. "Not only is information open and shared, but it's also discoverable," Vala-Webb says. "You have the ability to find people, pinpoint topics and converse."

Nixon Peabody LLP took a different approach by appointing an insider, corporate partner Herbert F. Stevens, as its Chief Innovation Officer in 2011. The impetus for his role grew out of his corporate finance work, and a search for new value-added products that would expand the practice and deepen relationships with existing clients. Developing new client-facing products and services "is a way to grow professionally. And you can have deeper and more fun connections with clients," Stevens says.

One such innovative product is a micro-loan financing program to help local businesses, which includes a component marrying them to a jobs program to benefit community residents. Creating new products is "a way of keeping life in our careers," Stevens says. "It helps lawyers get out and stay out of a rut."



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INNOVATION AS AN EVALUATION COMPONENT

Innovation is a part of the partner evaluation and compensation review process at Nixon Peabody. Partners are asked to discuss the new products and innovations they have developed in the last year,

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LIAM BROWN

Founder and Chairman,
Elevate Services, Inc.



and their responses are factored into the evaluation review.

As the firm's first Chief Innovation Officer, Stevens had learned that "it's harder. And it's more fun. Harder because people are busy. Making the commitment and taking the time to think about new client products is tough. But the fun factor is really high. Attorneys get charged up and excited." Stevens works with attorneys to determine the potential of new products and programs, and helps create a business plan. He also references Steven Johnson's book, *Where Good Ideas Come From*, which points out the need to engage with others — great ideas rarely happen in isolation.

MISTAKES ARE GOOD

What helps create a law firm environment that fosters innovation? "Innovation hinges on leadership and a clear articulation of strategy," Brown says. "Those are the essential building blocks." Cordo agreed: "All lawyers in the firm need to be on-board. There needs to be a high level of trust within the culture, along with a willingness to support the effort, do the math and invest in it."

Beyond that, "firm management needs to be willing to tolerate and even encourage mistakes. Innovation requires risk-taking," Fries says. Above all, firms wanting to be innovative need to, according to Brown, "Get comfortable with the concept of failing, get used to the blending of career tracks, and see that there are ways — beyond providing legal advice — to deliver value and client service."

ABOUT THE AUTHOR

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