

Law Firm Innovation Takes More than Talk

Innovation can be the result of a number of different recipes, but all recipes have some common components. The recipe Ogletree Deakins took can provide an example.

By **Ron Friedmann, Fireman and Company** | September 07, 2018 at 08:00 AM

The legal market remains abuzz with innovation talk and articles. Absent from that discussion, however, is assessing the impact of innovation. I explain here the innovation buzz and assess its current state and impact. Assessing it turns out to be hard, so I include a case study of Ogletree Deakins to illustrate one innovation approach.

Three reasons explain the innovation focus. First, clients demand value and use innovation as a proxy for it. Second, as consumers we experience innovation and disruption daily (think ride sharing) and so expect it everywhere. And third, the rise of legal AI—and AI hype—has changed expectations.

To assess innovation impact, we need to quantify it. But we lack metrics. Instead, we must rely on proxies. [Angel List](#) shows that the number of legal tech start-ups is way up. The 2017 [Legal Services Innovation Index](#) by [Prof. Dan Linna, Jr.](#), tries to measure innovation, but acknowledges it's only a start. And finally, I track *announced* large law firm R&D and innovation initiatives, but I know my [list](#) is both under- and over-inclusive. These proxies show only a higher level of interest in innovation than in the past.

Without a solid innovation metric, we must rely on “anecdata” (anecdotal data). I list here steps that large law firms have taken to enhance client value, though some will argue not all are innovative:

- *Digital Legal Service*: Many large law firms now offer client-facing digital services with self-service access to content, advice, or customized documents. (I maintain a list [here](#).)
- *Pricing and Legal Project Management (LPM)*: Until recently, few firms had pricing or LPM professionals. Today, over 500 attend the leading conference, [P3](#).
- *Process Improvement*: Some firms now pursue process improvement to streamline *how* lawyers practice. It's not widespread, but a decade ago, few lawyers had even heard of it.
- *Incubators*: Several firms have incubators to support innovation, including legal start-ups. And some have partnered with academic institutions with similar goals.
- *Staff Attorneys*: Less glitzy than tech or AI—and less publicized—are the many firms that hire non-partner track lawyers who bill at lower rates than associates.
- *Artificial Intelligence*: Legal AI is overhyped but significant nonetheless. One provider stated in August 2017 that it had over 200 law firm licensees.

The challenge of quantifying the *amount* of innovation pales in comparison to assessing its *impact*. Unlike most economic sectors, lawyers can neither measure quality nor output per hour. Writing this, I struggled to come up with a way but could not.

My eureka moment was realizing that even the best innovation might have less impact than we imagine. If true, then quantification is even harder: measuring small changes is always harder than big ones.

Let's conduct a thought experiment... a large firm that offered all services at a fixed fee would want to practice as efficiently as possible. If it deployed all available innovations, just how differently would its lawyers practice?

I suspect that only a limited portion of high-end law practice can be automated or routinized. Even before this innovation era, large firm practice regularly evolved. As know-how spread, as margins fell, and as work routinized, some practices moved from large firms to smaller or lower margin ones. Examples include immigration, trusts & estates, and smaller financing deals. The Am Law 100 stay focused largely on work that requires much thinking and creativity.

My guess is that for this work, boosting productivity more than 15 percent to 30 percent would be hard. If savings were higher, the work would likely shift to other players. Large firms would move upstream to new practice areas (*e.g.*, blockchain or autonomous vehicles). In practices on the cutting edge of economic change, efficiency would be harder to achieve *and* clients would care less about cost.

Even if I'm wrong and bigger gains are possible, consider the practical constraints. The corporate law market moves slowly; clients want better value, not a revolution.

All this means we must think about innovation differently. It's like cooking: many possible dishes, recipes, and outcomes. Recipes vary but I believe all require three key ingredients:

1. Voice of the client.
2. Management support.
3. Resources to try out ideas.

To illustrate, I focus on the recipe my client Ogletree Deakins chose (discussed with permission).

Ogletree has long been innovative but its first formal step was in 2011: appointing shareholder Chuck Baldwin to the board of directors with the remit to lead innovation. Based on his recommendation, the firm hired Patrick DiDomenico in 2011 to build both knowledge management and innovation capabilities. Now chief knowledge officer (CKO), DiDomenico has a team of 30 people and a budget for new ideas and building tech-based, internal- and client-facing services.

By 2014, the firm had built a good foundation and was ready to do more. Along the way, Ogletree regularly engaged with clients to hear their views. To formalize the voice of the client, the firm held its first Innovation Summit in 2015. I helped organize and then facilitated it. Ogletree invited 15 in-house counsel to a half-day meeting to discuss client views on, and requests for, innovation. That summit generated valuable feedback and ideas.

It led to two follow-ups. First, the firm made the Summit an annual event. To keep fresh ideas coming, unlike many advisory boards, this Summit invites different participants each year. And second, to prioritize internal and client ideas, the firm started a Research & Development (R&D)

Council that consists of senior shareholder and staff leadership. It meets regularly to review and prioritize innovation ideas and, for initiatives selected, supports them across the firm.

To illustrate how this works, I start with some client comments at the 2017 Summit:

- “Our compensation depends on sticking to budget.”
- “I’d like an online Q&A session. Ideally, it would answer my questions. If it can’t, it should provide an accelerated intake. That way, after I type key information, outside counsel can review it, and she can then more quickly and efficiently provide me with a targeted answer.”
- “Deploy AI for and automate higher volumes of lower-end work.”

Budgeting: The R&D Council had already agreed to further investment in legal project management and budgeting. Recently, Chuck Baldwin, Patrick DiDomenico, and I met for a full day to plan how to take LPM to the next level. Other responses to client requests concerning budgets are in the works.

Self-Service (Q&A): Ogletree has a well-established suite of online services, for example, O-D Comply and the Clientlink Collaboration Platform (extranet). DiDomenico and his team continue to build-out these and similar services. For example, this year, the firm released its DIY Arbitration Agreements tool, which was a product of the R&D Council.

Artificial Intelligence: The firm announced a partnership with **LegalMation**. It automates initial drafts of pleadings and discovery papers, and saves about 80 percent of the time required to reply to complaints in employment actions.

We may not be able to measure but we know both clients and law firms are innovating more. And we can agree that’s good. The continued roll-out of innovation initiatives, with attendant PR, suggests firms and clients see the value.

The voice of the client is key in any business. Especially here, where measurement is hard, client input on new initiatives is critical. Listening, of course, matters only if it leads to action. As the Ogletree case study shows, management and resources must support pursuing new ideas.

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