



International ILab Conference – London 8<sup>th</sup> July 2011

# Making law firms more innovative

Friday 8<sup>th</sup> July 2011

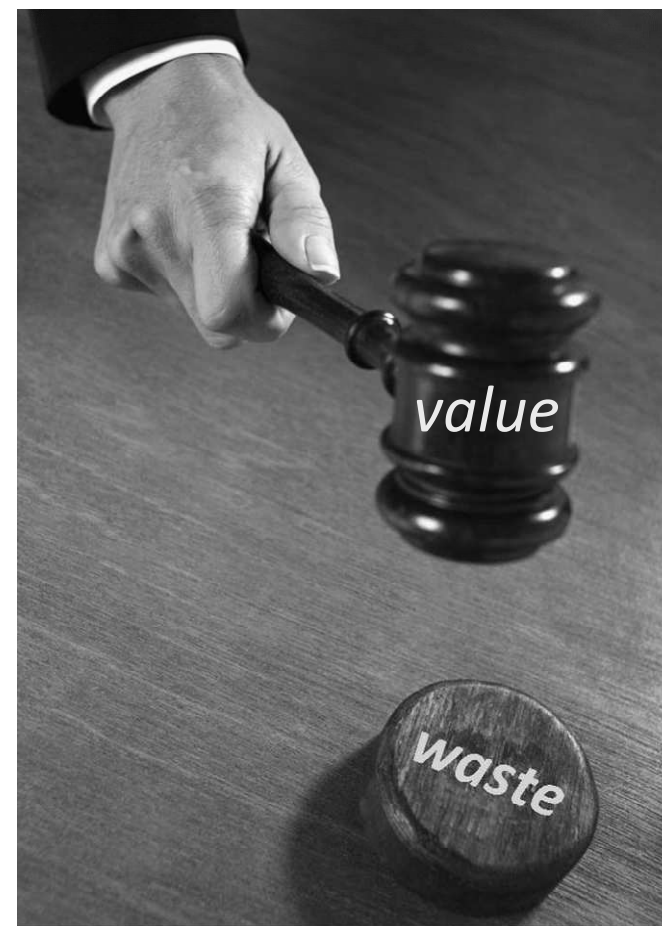
**Alastair Ross**

**Director  
Codexx Associates Ltd**

3-4 Eastwood Court  
Broadwater Road  
Romsey, SO51 8JJ  
United Kingdom

Company Registration No. 04481932

Tel +44-(0)1794-324167  
[www.codexx.com](http://www.codexx.com)



## Objectives of presentation

Show how innovation management methods have been applied to professional services, specifically in UK law firms, in consulting projects from 2005-2011 and share the lessons learned.

# AGENDA

1. Introduction
2. Why do UK law firms need to be more innovative?
3. What are the innovation capabilities of UK law firms?
4. How can law firms improve their innovativeness?
5. Lessons learned

# AGENDA

1. Introduction
2. Why do UK law firms need to be more innovative?
3. What are the innovation capabilities of UK law firms?
4. How can law firms improve their innovativeness?
5. Lessons learned

Since 2005 we have been helping UK law firms improve their competitiveness through innovation, by applying and adapting proven innovation and re-engineering methods

## Requirements

Law Firms have a need to improve their competitiveness through innovation.

## Challenges

Service innovation is not well researched and there are limited amounts of proven methods. 'Service Design' is still in its infancy. We have adapted proven methods in product innovation and in re-engineering for law firm requirements.

## Law firm experience

We have studied 16 major UK law firms for their innovation and worked with a further 6 to develop their competitiveness through innovation projects.

## Examples of projects performed

- Establishing innovation processes and supporting organisation
- Implementing a balanced scorecard to measure innovation
- Developing a yearly 'Firm Jam' online brainstorming event
- Innovation workshops in multiple departments and sectors
- Vision and Strategy development using strategic road-mapping
- Development and re-engineering of legal services  
e.g. Due Diligence, Probate, Employment, Insurance, Inquests, Property



# AGENDA

1. Introduction
2. Why do UK law firms need to be more innovative?
3. What are the innovation capabilities of UK law firms?
4. How can law firms improve their innovativeness?
5. Lessons learned

# Law is big business and yields high profits for UK firms

## UK 200 REVENUE TABLE 2010: FIRMS 1-100

10 largest law firms in the world measured by 2010 revenues<sup>[6]</sup>

Rank	Firm	Revenues	Location of headquarters
1	Baker & McKenzie	\$2,104,000,000	United States
2	Skadden, Arps, Slate, Meagher & Flom	\$2,100,000,000	United States
3	Clifford Chance	\$1,874,500,000	United Kingdom
4	Linklaters	\$1,852,500,000	United Kingdom
5	Latham & Watkins	\$1,821,000,000	United States
6	Freshfields Bruckhaus Deringer	\$1,787,000,000	United Kingdom
7	Allen & Overy	\$1,644,500,000	United Kingdom
8	Jones Day	\$1,520,000,000	United States
9	Kirkland & Ellis	\$1,428,000,000	United States
10	Sidley Austin	\$1,357,000,000	United States

Source: Law.com

Our work has been with Top 50 UK law firms  
(as measured by revenue)

RANK	FIRM	REVENUE (£M)	PEP (£K)
1	Clifford Chance	1,197	933
2	Linklaters	1,183	1,214
3	Freshfields Bruckhaus Deringer	1,141	1,406
4	Allen & Overy	1,050	1,100
5	DLA Piper	581	527
6	Lovells	542	663
7	Herbert Smith	449.9	862
8	Slaughter and May	439.5	1,840
9	Eversheds	355.2	517
10	Norton Rose	307	486
11	Ashurst	293	689
12	Simmons & Simmons	251	461
13	CMS Cameron McKenna	214.4	453
14	Pinsent Masons	206	410
15	Bird & Bird	201.8	466
16	Clyde & Co	192	605
17	Berwin Leighton Paisner	191	455
18	Taylor Wessing	177.9	385
19	SJ Berwin	171	447
=20	Addleshaw Goddard	167.5	426
=20	Denton Wilde Sapte	167.5	360
22	Irwin Mitchell	157	540
23	Beachcroft	131	314
24	Hammonds	118	364
25	Nabarro	113.8	320
26	Holman Fenwick Willan	99.6	527
27	Wragge & Co	96.2	276
28	Withers	92.7	359
29	Macfarlanes	92.4	710
30	Field Fisher Waterhouse	92	476
31	Stephenson Harwood	91.9	561
32	Olswang	91	420
33	Shoosmiths	90	256
34	Trowers & Hamlins	89.4	553
35	Kennedys	88.2	380
36	Hill Dickinson	87.1	248
37	Ince & Co	86.3	568
38	Osborne Clarke	83.7	393
39	Barlow Lyde & Gilbert	81.5	350
40	Watson Farley & Williams	80.2	448
41	Travers Smith	72	705
42	DWF	71.5	333
43	Berrymans Lace Mawer	69.4	222
44	McGrigors	69	263
45	Mills & Reeve	67.3	307
46	Halliwells	67	0
47	LG	64.9	460
48	Charles Russell	63.2	259
49	Dundas & Wilson	61	317
50	Burges Salmon	60.7	414

Source: The Lawyer

However, Law firms face increasing business challenges

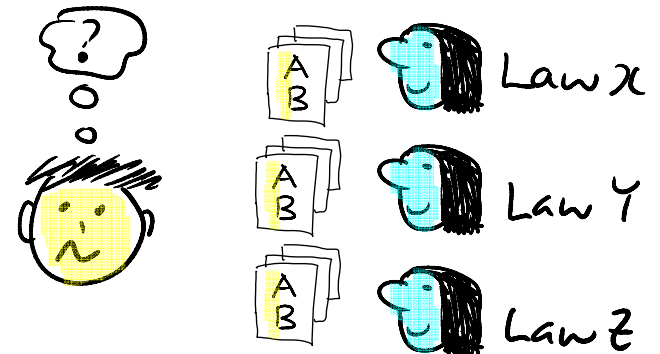
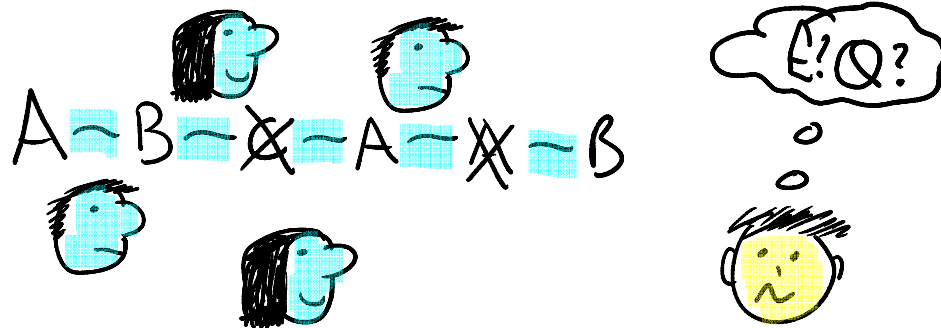
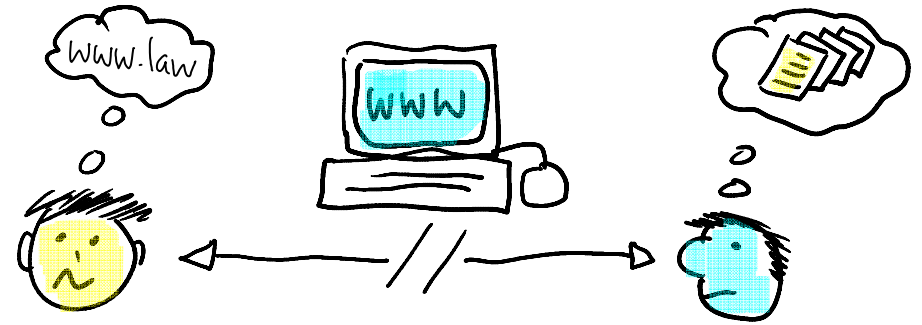
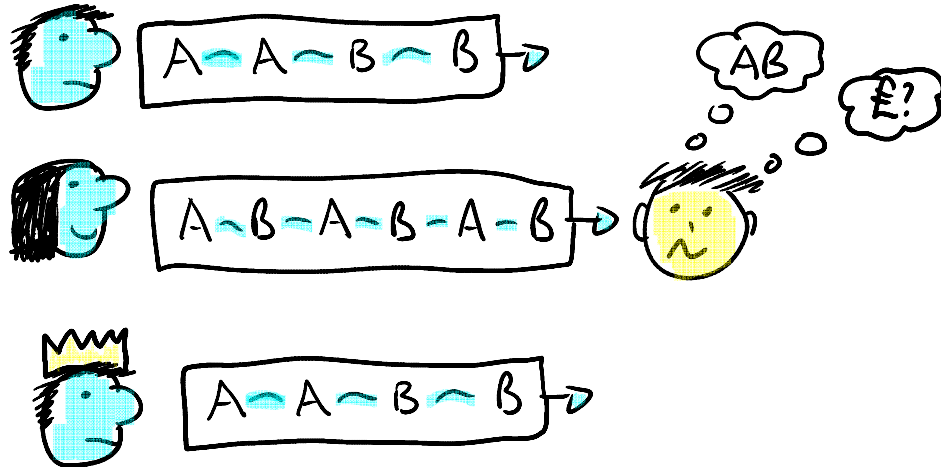
### **Long Term**

- Clients are increasingly looking for defined price arrangements
- Legal areas are being increasingly commoditised – driving price down
- Clients are becoming more sophisticated in their purchasing
- Clients are building their in-house legal capabilities
- In the UK deregulation will enable new entrants and new business models
- It is becoming more difficult to recruit and retain key talent

### **Short-Medium Term**

- The business environment is increasing price pressure on firms
- Firms need to improve their service value/cost due to client budget reductions

# Law firms have increasing challenges in providing quality differentiated services

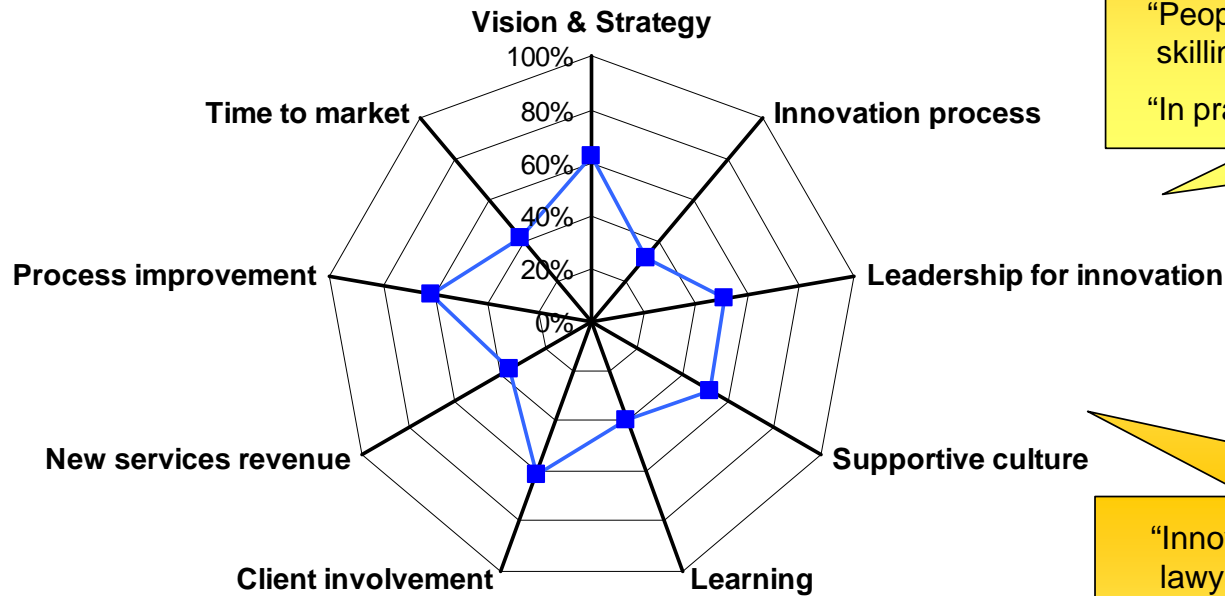


# AGENDA

1. Introduction
2. Why do UK law firms need to be more innovative?
3. **What are the innovation capabilities of UK law firms?**
4. How can law firms improve their innovativeness?
5. Lessons learned

# UK law firms typically have very limited innovation capabilities and lack a systematic approach

## UK Law Firm Innovation - Overall Scoring

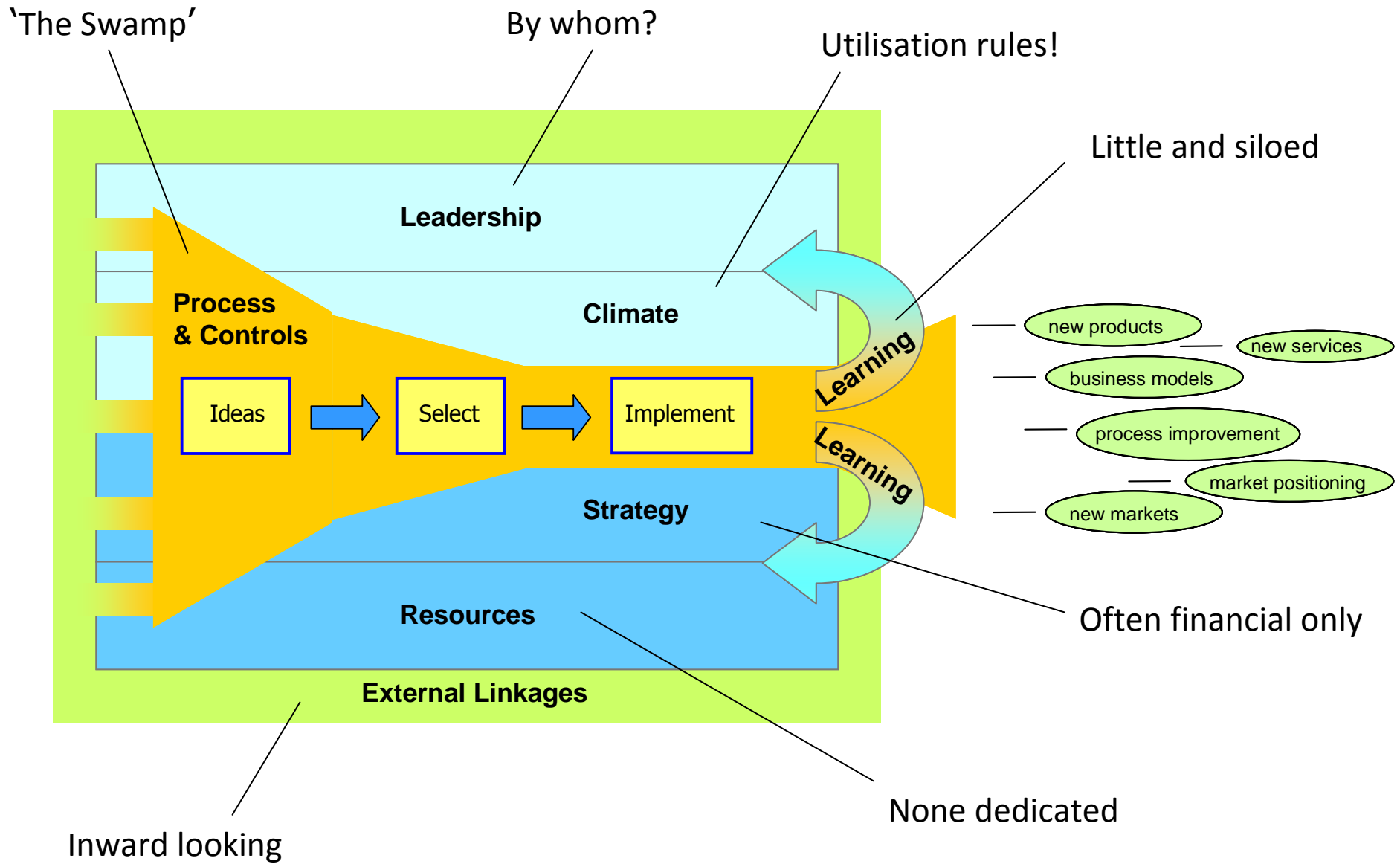


“All ideas have to go through the executive committee.”  
“The challenge is to get partners to champion.”  
“People want to practice their legal skills. It’s seen as de-skilling them to ask them to be a project manager.”  
“In practice we can have a lot of ‘crappy’ projects going on.”

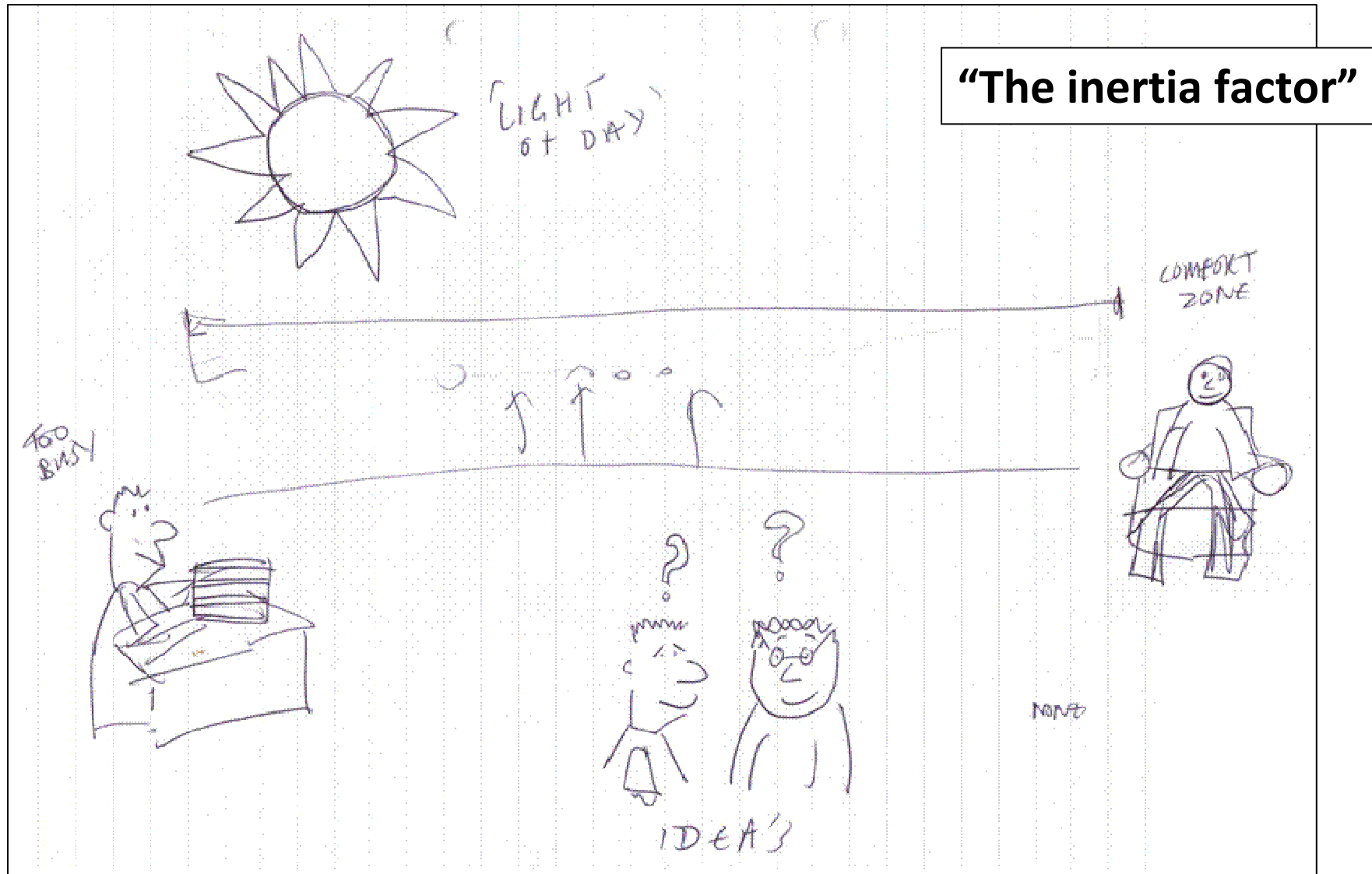
“Innovation does not come naturally to most risk-averse lawyers.”  
“We have no understanding of business processes.”  
“They are keen, but have limited time for blue-sky thinking given their chargeable hour targets.”

Source:  
‘Study of Innovation in 16 leading UK law firms, 2006-7’  
Codexx with Imperial College Business School

The underlying system for innovation in Law firms is often very poor



# Innovation in law firms – a typical picture



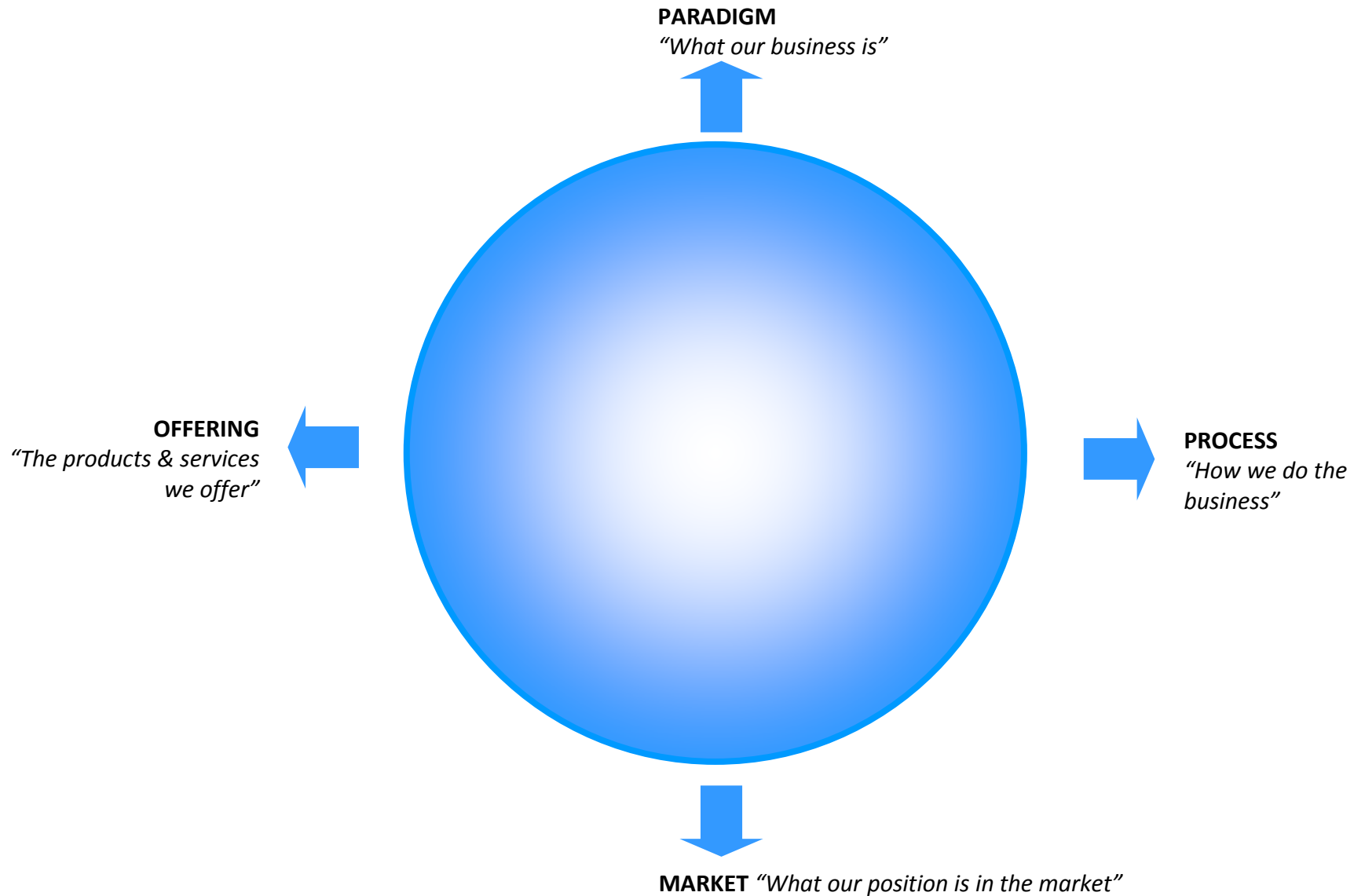
**“The inertia factor”**

Source: Drawings by Codexx innovation workshop attendees

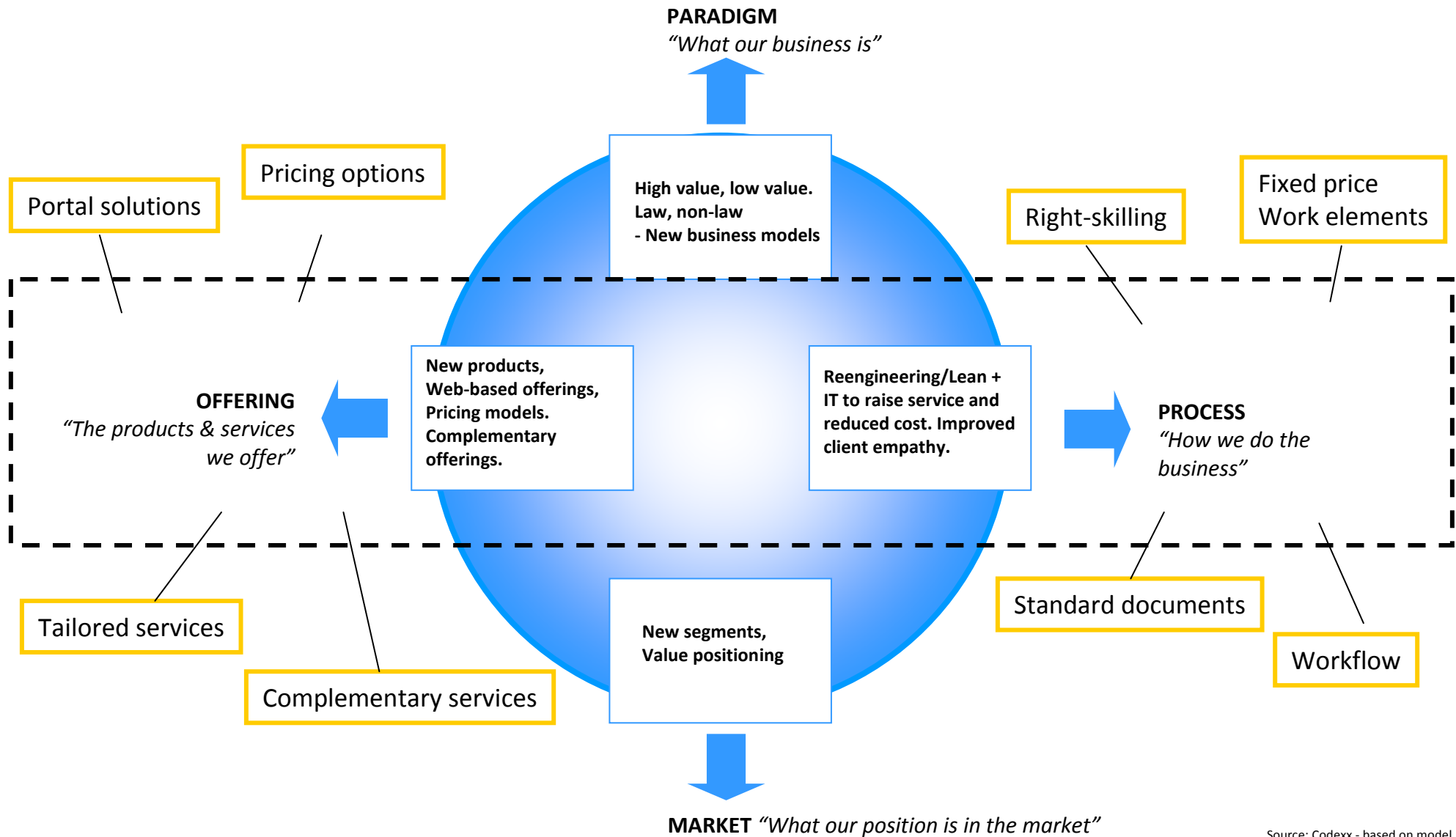
# AGENDA

1. Introduction
2. Why do UK law firms need to be more innovative?
3. What are the innovation capabilities of UK law firms?
- 4. How can law firms improve their innovativeness?**
5. Lessons learned

We have found the 'Innovation Dimensions' model to be useful in managing innovation with law firms

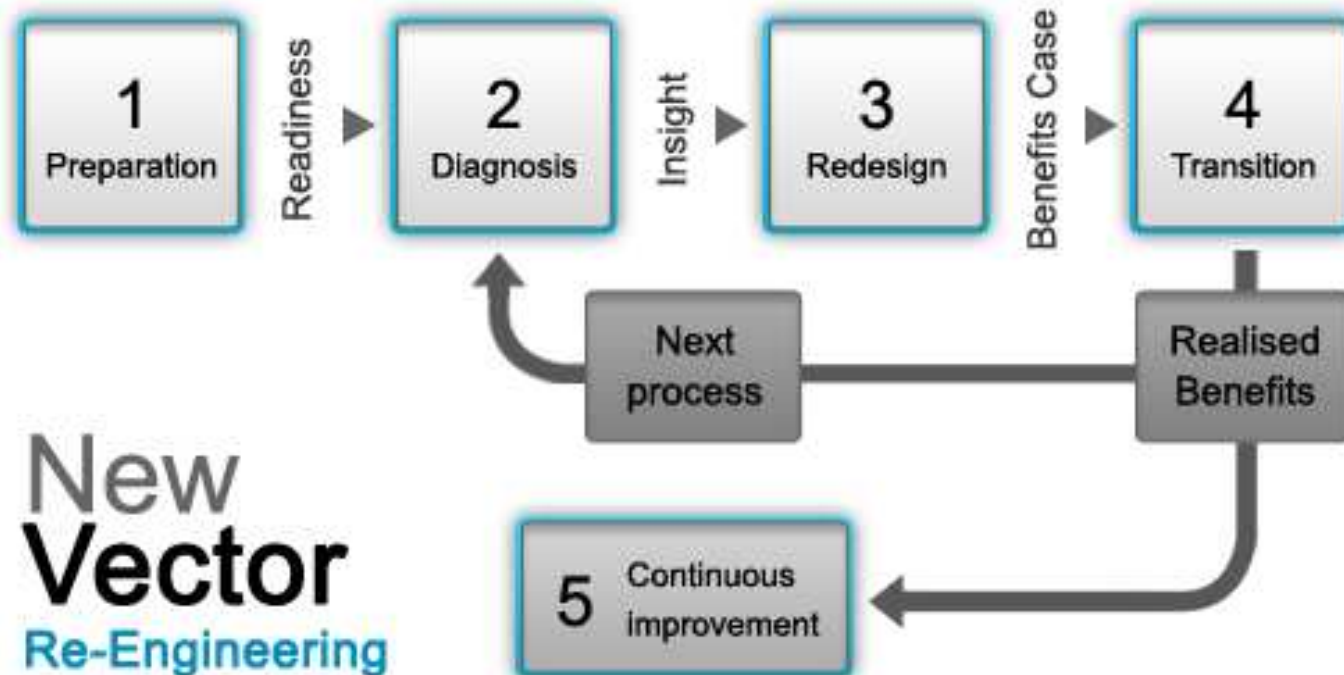


Most law firm innovation is within processes and offerings  
 – through re-engineering of services



Source: Codexx - based on model  
 by John Bessant and Dave Francis

We find that a proven re-engineering approach works effectively in law firms – indeed the discipline it provides is key to getting sustainable improvement



Our re-engineering approach for law firms has evolved into 'Smarter Working' – focusing on 6 key areas that we explore in the re-engineering programme

### 1. Client-centred value

From firm-centric to *client-centric* value

### 2. Disaggregate and de-waste

Break up work into key parts, eliminate non value-adding activities using Lean thinking

### 3. Standardise & right-skill

Define and deploy the 'one best way' for performing repetitive tasks at the right skill

### 4. e-working

Improve speed, collaboration, cost and consistency by electronic working

### 5. Systematic innovation

Establish a system, culture and resources for ongoing innovation

### 6. New metrics

Develop and monitor KPIs that reflect the new business focus and methods

**smarter**  
working

Providing a new value proposition....

The advertisement features the VALOREM LAW GROUP logo at the top left. To its right are four navigation tabs: 'WHO ARE WE', 'WHAT IS SO REVOLUTIONARY', 'WHY HIRE US', and 'WHERE CAN YOU REACH US AND OTHER COOL STUFF'. The main content area is a dark green rectangle with the text 'How many lawyers does it take to screw a client?' in white. Below the text is a photograph of four people in business attire, with one person pointing upwards. At the bottom right of the image, it says 'ON A BILLABLE HOUR BASIS, ONLY ONE »'.

In seeking to develop new services that bring more value to clients and are differentiated from rival firms we have found the following techniques work well:

- Service process mapping
- Client experience mapping
- Value profiling
- Ideas generation & selection workshops
- Living Walls

However – it is a major challenge to get lawyers to fully engage with their clients!

We have seen significant benefits from law firm innovation

## Outcomes

- Cost reduction – 15-40%
- New or improved service offering
- ‘Right-skilling’
- Standardised procedures & documents for repetitive work
- Development of IT-enabled working (internal & external)
- In-house re-engineering/innovation skills development
- Increased innovation focus



# AGENDA

1. Introduction
2. Why do UK law firms need to be more innovative?
3. What are the innovation capabilities of UK law firms?
4. How can law firms improve their innovativeness?
5. **Lessons learned**

# So what have we learned over the past 6 years?

## The 'Top 10'

1. Many innovation methods developed for product innovation can be successfully applied to law firm innovation
2. There are major cost and performance improvements through law firm re-engineering
3. There are significant opportunities for law firms to differentiate their services through innovation
4. Law firms typically lack formal resources and staffing for innovation – we have to help build this through skills transfer in projects
5. Law firms have a poor understanding of their clients' business and this limits their ability to innovate
6. The partner-led governance model in law firms slows change
7. Lawyers innate conservatism is a challenge - *"Lawyers don't do radical"*
8. Approaching innovation in a structured and long term way is key to sustainable success
9. Getting partner & fee earner involvement is key, but is challenged by utilisation culture
10. Lawyers can innovate – when they are enabled