

# The Art of Innovation ... in Law Firms

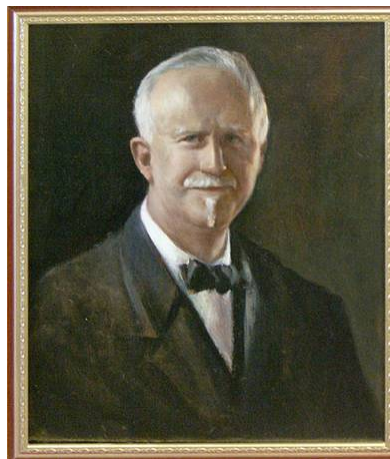
Eric Mankin, PhD  
Executive Director  
Research Center on Innovation and Corporate Entrepreneurship  
Babson Executive Education

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## Babson Background

- **Founded 1917 by Roger Babson**
- **Ranked #1 globally in Entrepreneurship studies for 10 years in a row by *US News and World Report***



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## About Me



- Consultant
- Researcher
- Innovator



- New Englander
- Father
- Yekka / Korean

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## About you

- **When you go out to eat, do you like to go to new places or places you've been before?**
- **Do you try new menu items or stick to your favorites?**
- **In the last year, have you done an activity that you've never done before?**
  - **Gone to a place you'd never been?**

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## Law firms and innovation

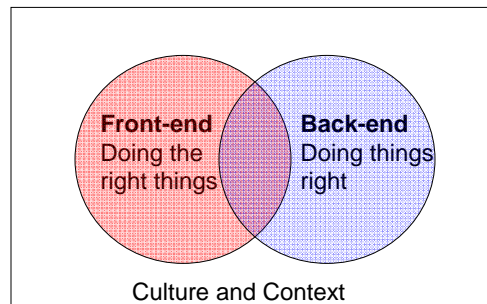


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## Innovation Defined

Innovation: "implementing new ideas that create value"

Linder, Jarvenpaa, and Davenport 2003



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## Recent Law Firm Innovations: 1. Orrick Harrington Admin Consolidation

**“This was bold. It was a big move”**

**- Law firm administrator**

**“Orrick’s move has revolutionized conceptions about  
normal law-firm structures ...”**

**- California Lawyer, 2003**

First Professional Services Admin Consolidation: 1980?

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## 2. Shook, Hardy, and Bacon – practice development

**“5 partners and 5 associates working together  
... a standing meeting every 6-8 weeks.”**

**- Legal Services Consultant**

**“The Associate who started this left the firm ... it kind of  
faded out.”**

**- Legal Services Consultant**

**“ ... They’ll try little things that are new and they usually  
don’t succeed because they don’t have the infrastructure  
or support.”**

**Law Firm Operating Officer**

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### 3. 1977 Bates vs. State Bar of Arizona

**“It then took ten or more years, and a lot of attrition, for other professionals to grasp its true meaning, and then to wear down the numerous state bar and legislative prohibitions against marketing for all professions. .”**

**- Bruce Marcus, The Marcus Letter**

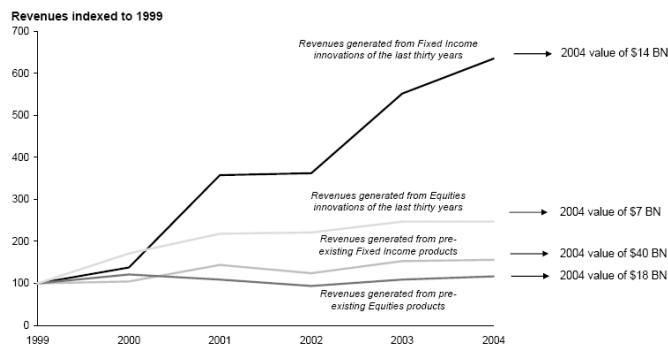
**“First ever professional services marketing association was called NELSMA. It was formed after Bates decision, in 1985.**

**- Law firm marketing professional**

### Financial Services Innovation

**Products introduced in the last thirty years have driven recent growth in Capital Markets – and generate >\$20 BN in revenues**

**Growth in innovative and pre-existing segments of F.I. and Equities<sup>1</sup>**



Source: Mercer Oliver Wyman proprietary data and analysis  
1 Includes issuance, client sales and trading, and proprietary sell-side U.S. revenues

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## Who is this man?

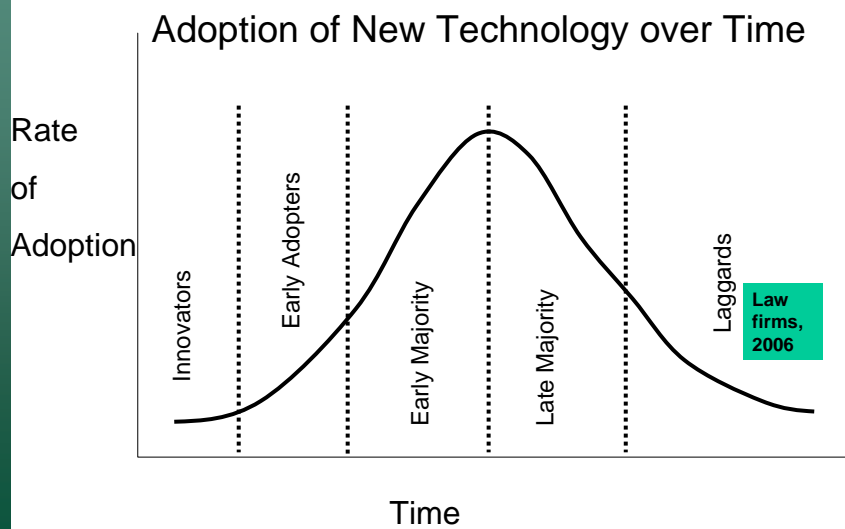


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## Adoption of Innovations

EDM1



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## Slide 12

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**EDM1** Also put the different innovations I talked about just before on this slide.  
-- Orric's consolidation  
Family friendly policies  
Marketing (way out there).  
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## Law firms and innovation

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## Why is this the case?

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## Three Root Causes of this situation

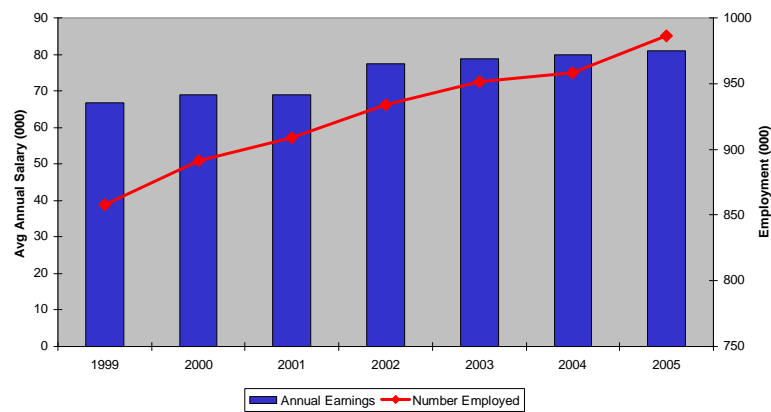
- Nature of the law itself
- Way in which law firms conduct their business (the billable hour)
- Current performance of law firms

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## A healthy sector?

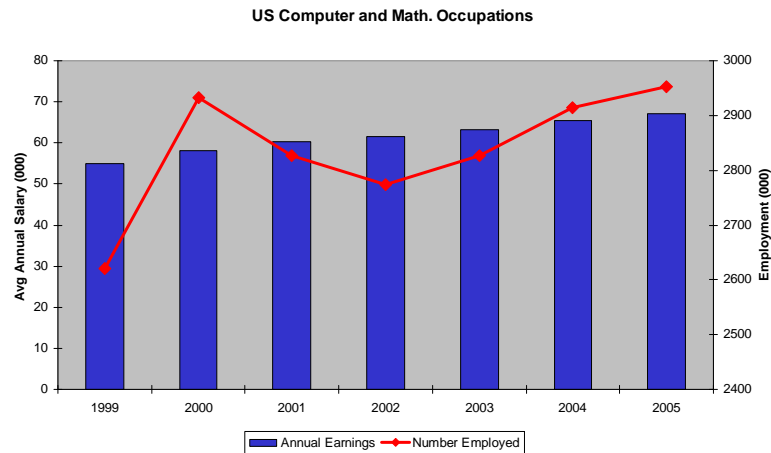
US Legal Occupations - Earnings and Employment



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## Compared to Computers ...



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## One possible conclusion – Past is Future

- **“Law is a great profession; lawyers do many wonderful things. Change isn’t one of them”**
  - Marilyn Minot, CEO, Disbursement Management Associates
- **Law Firms will *always* be innovation laggards**
  - A firm based on precedent, resistant to change.
- **There is no competitively viable innovation.**

“Maybe there are no economically valuable innovations for law firms.”

Jane Linder, Research Director, Accenture

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## Law firms and innovation



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## Innovative Lawyers



**Brian Capstick, most innovative lawyer in the UK, FT 2006**

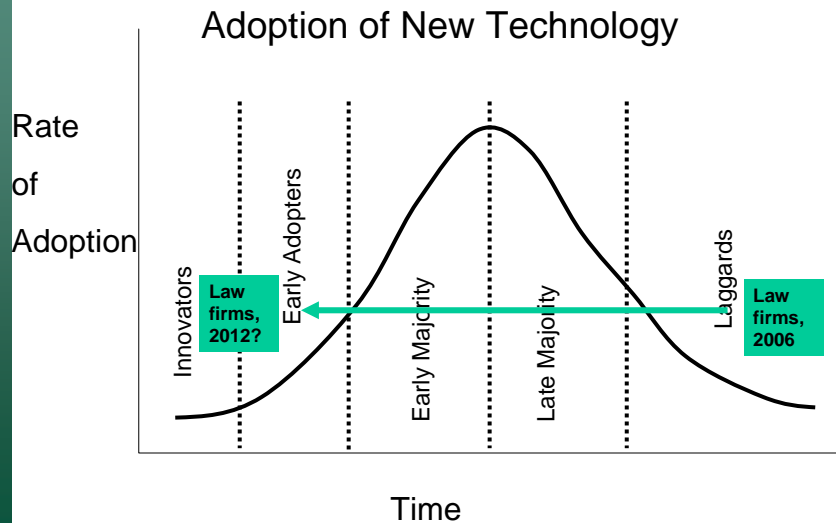


**Chris Marston of Exemplar Partners LLC**

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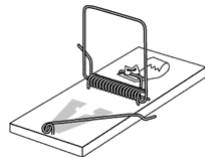
## Law firms and Innovations – the future?



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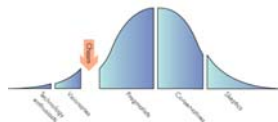
## Three kinds of Innovations

### Better Mousetrap



- Incremental improvement
- Better meets an identified need
- Customer **wants** to change

### Chasm



- Product is new to the world
- Application is risky and evolving
- Customer **doesn't want** to change

### Supply Shock

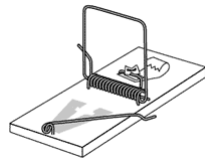


- External events drive agenda
- "Brave new world"
- Customer **forced** to change – no option

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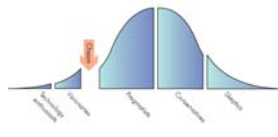
## Historical Law Firm Innovations

### Better Mousetrap



- Training programs
- Lead sharing / generation
- Improved management of receivables

### Chasm



- Hourly Billing
- Knowledge management systems
- Flexible work structures

### Supply Shock



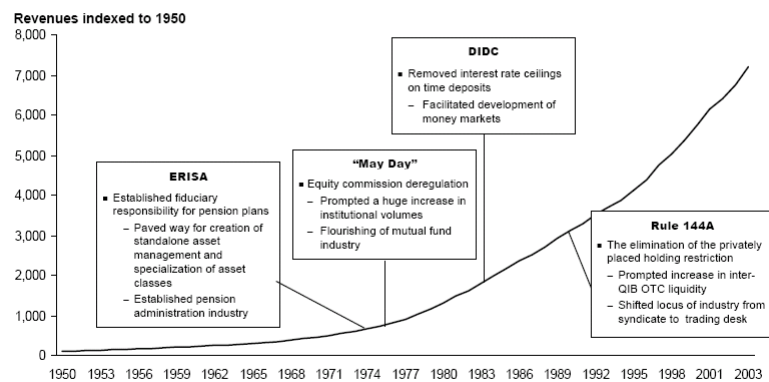
- Lawyer Advertising (1977)
- Legal Services Outsourcing

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## Regulatory "Supply Shocks" Drove Financial Services Innovation ...

**External catalysts helped spur a thirty-year wave of innovation in the United States**

**United States Financial Services revenues, indexed to 1950**



Source: U.S. Bureau of Economic Analysis  
Src: Mercer Oliver Wyman

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## Prospects for Legal Innovation

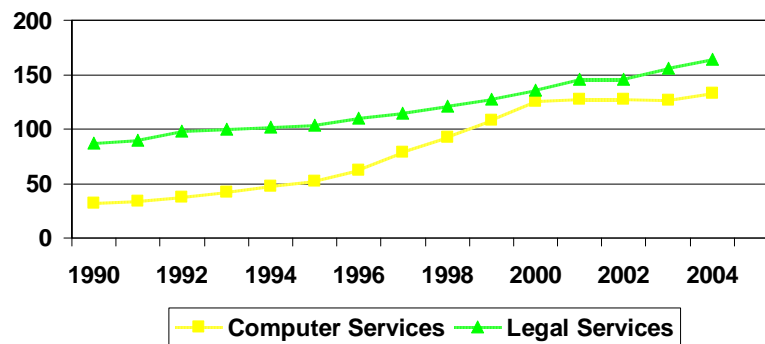
- What are upcoming innovations in the industry?
- What might drive change in the legal industry?

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## Steady growth in US Legal Services Industry

Total Value Added - Legal Services and  
Computer Systems Design



Src: Bureau of Economic Analysis - GDP by industry

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