

INNOVATION IN THE LEGAL PROFESSION

Q&A WITH REENA SENGUPTA,
RSG CONSULTING AND
FOUNDER OF FINANCIAL
TIMES GLOBAL INNOVATIVE
LAWYERS REPORTS &
AWARDS



As the leading recruitment firm specialising in business development, sales and marketing talent for law firms in the Asia Pacific region, Seldon Rosser is committed to staying at the forefront of trends in the profession. There has never been a more interesting time to work with law firms, as many change the way they do business, developing innovative services and products to their clients, resulting in more diverse and commercially critical recruitment strategies.

In June, 2018, we hosted a Q&A session for our Australian law firm clients to get an update on innovation in the legal profession and to hear from arguably the world's expert in this field, Reena SenGupta, founder of the Financial Times Innovative Lawyers reports and awards and RSG Consulting, the global think tank on innovation in the legal profession.

In this engaging and highly informative interview we hear :

- Where in the world is the best innovation happening
- How technology is transforming how lawyers think and work
- The role Firm leadership plays in setting a culture of innovation
- How BD professionals can drive innovation
- The rise of the legal engineer

Graham Seldon Are law firms in any particular region leading the innovation pack?

Reena Sengupta In this region (Asia Pac) you have a number of really progressive firms like Gilbert and Tobin, Corrs and Minters. In Europe, our five-time winner over the last 13 years is Allen and Overy, who persistently push the envelope.

In the US, individual lawyers are very innovative, but institutionally law firms are far less innovative. Some of it depends on what you mean by innovation, because obviously the top firms, say the top US firms, like the Cravath's and the Sullivan & Cromwell's are doing amazing legal work, but in terms of the business of law they're not as innovative; But they are innovative as individuals.

Similarly, in the UK, you'll have firms like Freshfields and Slaughter & May, who are still fantastic law firms, they're just not that innovative in the business of law. When you have firms that are both innovative in the business of law and in their legal expertise, it stands out.

GS Global firms have won innovation awards many times, do you see firms like that being innovative all over the world or are there pockets of firms that might be really innovative in Europe, but not so innovative in Asia Pac, for instance?

RS They are fairly innovative all over the world. A firm like Herbert Smith Freehills is actually probably more innovative in the Asia Pacific region than they are in Europe; for example they have successfully exported their ALT services model out to the Asia Pacific region. They can do work from Melbourne and Shanghai and support the business out here, and that's very interesting but in general it's hard to divvy it up now, because these global firms are integrated as international businesses.

GS In the context of innovation broadly, being either incremental or transformational, where is the majority of innovation from law firms seen, and how does that contrast with the expectations of clients?

RS Generally, innovation by its very nature is incremental. You don't tend to see transformative innovation in the legal sector. One of the problems with innovation is that people can confuse it with invention, particularly in law firms. But it's not about invention. It is about the step change improvements that together can add up to something that becomes transformational.

You can do lots of little things, and then they add up. There's a really good example, actually of a corporate law department, Telstra, who won our innovative in-house team award about three or four

years ago. They used the Design Thinking process, to tackle a service perception problem. They did research, and they realized that making tiny little adjustments could make them into a much better team. Things like just making sure the phone is answered after two rings etc. People often also confuse innovation with technology, but it's not. It's just about what is the customer experience, and how can I do that better?

GS So what you're saying is that in order for a firm to be truly innovative, it needs to start to get the building blocks right, and start to get some of those customer service things right, to improve process and procedures?

RS Yes. There was a real example that we had a few years ago. We had a submission from Allen and Overy who said they were going to get all of their lawyers in their London office proficient with HighQ; which in itself is not an innovation. Then about three or four years later they come up with this innovation, which they call Margin Matrix, which is probably one of the most innovative things we've ever seen from a law firm. It felt like a breakthrough and was transformative. It was a product and a service, that helped banks deal with this big rule change that was coming down the line on their derivatives contracts, which meant all the big investment banks had to rewrite thousands and thousands of derivatives contracts. Allen & Overy developed a programme that could automatically populate information and

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could rewrite the contracts. They did that all on HighQ. What was really interesting was that they didn't create it in their IT department. It was created by the lawyers. They managed to do that because they were all proficient in it. They were immersed in their topic, they were proficient in HighQ, and they could do it.

GS Which is quite encouraging because I think a lot of people think that there's an urgency to innovation and there seems to be a lot of conversations around how can we be more innovative now, but what you're saying is that you can actually be incredibly innovative but you might not be innovative next year in terms of ranking in your submission process, but in three years time you might just have that breakthrough because you've taken the time now to start thinking about your processes.

RS Yes, It's that whole cliché, you can't run before you can walk.

GS We know a lot of big, global firms dominate innovation rankings, but if you're in a boutique law firm being small and nimble can mean that you can rollout new initiatives quite quickly, but the downside is that you don't often have the cash that the large firms have to invest. What are your thoughts on how smaller firms can overcome those challenges?

RS Well, the advantage smaller firms have is that they can be incredibly nimble and you can be innovative without necessarily having huge amounts of cash. Sometimes huge amounts of cash do not allow for true creativity! The best innovations are borne out of necessity. They're borne out of constrained resources where you have to think differently and do something differently, or get to market differently. It makes you more interesting. One of the reasons we started ranking law firms by innovation was because judging firms by their innovation produces a level playing field. We wanted a ranking that looked at the value that different law firms provide within their own context. One of the problems in law firms is that they don't centre themselves around their client's issues, they centre themselves around their practice areas. Innovation by its nature is client centric.



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GS What is the strongest indicator of whether a law firm will have an innovation approach? Is it leadership, culture; is it they can invest in technology; is it having incentivized partners; is it having more millennials working for them?

RS Leadership. Leadership sets the culture. We see firms that have been incredibly innovative almost transform overnight when they get a change of managing partner with a different set of priorities. In law firms leaders play a disproportionate role than in corporations, in terms of how the business functions and setting strategy. Law firm leaders have to lead by example. They lead by influence. The power struggles within law firms are complex.

GS Do you think in the future when it comes to the leadership of law firms, when choosing successors, business innovation will play a part in selection; rather than in the past when lawyers have been appointed head of firms because they were their biggest billers?

RS Yes, and their capacity to act as change agents. I think what's really interesting now is that we're seeing a lot of managing partners in their early 40s. They used to be always older. If you're in your early 40s now you are going to be more inclined to innovate, and be tech enabled. I think that's part of the reason also why we're seeing such a change in law firms is that change in leadership, generational change. It's exciting.

GS It's very exciting. Here's a long question for you. There is critical difference between creativity and innovation. Creativity is ideation, the process of generating ideas without consideration of practical implementation. There is no shortage of creativity in law firms. Innovation, on the other hand, encompasses a practical plan for implementing an idea in a particular firm or market environment in a way that will produce change and measurable benefits. Creativity ideation is important but it's only the beginning of the innovation process. What tips do you have on how to turn ideation into genuine innovation for typically consensual risk averse law firms operating in a fast moving, highly competitive environment?

RS That's a really good question. It's about implementation because what we're saying is that an idea is one thing but if you can't implement it it's nothing more than an idea. The methodology we use in the FT reports is very simple. It's based on originality, leadership, and impact. Innovation has to have had some impact. It has to be implemented and it needs to be replicable. Replicability is quite difficult, particularly on the legal expertise side for

law firms as generally what happens is lawyers' work for clients on one-off solutions. The whole thing about how do you implement, that's the \$50 million question and that's why it's a really good question because that's what firms find difficult. Not just law firms, any business finds this really, really difficult. It's easy to have ideas but actually to make them happen and bring them off is the hard bit. We used to run an operational innovation award to recognize people who have implemented something because often you need to be innovative to even implement it.

In terms of process, Design Thinking has been around for years but it hit the legal world about three years ago. It's one of those things that we saw in one or two submissions and then the following year it was on about 50 submissions. Everybody jumped on the bandwagon. It was almost like "if we mention design thinking enough in our submission that must mean we're innovative". But as a process it has become somewhat ubiquitous and it is because it's not about technology. It's something that the lawyers can really relate to because it puts the human into the centre of the process. It puts the human experience in the middle of it, and they can get that. It is a very clear process; you diagnose the problem, then you have your ideation phase which is generally quite short, and then you go into how are you going to take the solution to market. You embrace experimentation, which is very unusual for law firms, and the concept of failing quickly.

There has been a mindset change within the profession. Now lawyers use using terms like Design Thinking and minimum viable product and people are saying "we're experimenting fast and failing quickly". They are showing a kind of resilience, for which the legal profession is not known. That's how you have to innovate, you have to try something out. Lawyers are perfectionists, they normally will spend hours and hours on getting something right, even a brochure or something, or a website and check everything before they launch. It's crazy how much time goes into producing anything before even thinking is it worth it? Let's see if the clients actually want it?

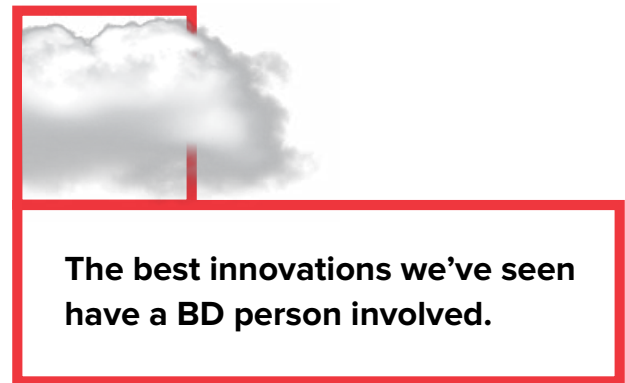
GS Since you've been conducting this research how prominent, or not, are marketing professionals in the process of innovation?

RS The best innovations we've seen have a BD person involved. Firms have been traditionally poor in terms of utilizing the talents of their business professionals; be they BD / marketing or HR, CIOs, or the CTOs. They've not been great at doing it for all the reasons that we know well, but they

are getting better. Now they're empowering their business development people properly, we're seeing a step change in the way firms are innovating and how they're taking their services and products to market, how they're thinking about clients.

GS Do you think there's a skills gap, in marketing BD professionals in law firms?

RS Possibly. Some of the most exciting innovations that we're seeing are from BD professionals that have come from other industries and that have been hired into law firms. We know one guy who came from advertising has had a huge impact on his UK law firm and is now a partner there. He got the firm to do quite edgy campaigns, edgy marketing, advertising, radio programs etc; He was a very empowered business development professional



who impacted their bottom line by what he was doing for them. We also see lots of people do well from the Big Four. But, I also think that some legal BD professionals are reinventing themselves and their firms are willing to invest in them. There are firms that are willing to experiment and create different kinds of roles and send their BD people on courses and conferences and bring learnings back into the firm.

And it's not just BD & Marketing. One firm's Head of HR created innovation profiles for all of the staff. Law is such a people business; if every single person in a firm thought, how can I do this better, you'd have an innovative firm. You'd have a firm that was constantly moving and improving.

Some of these individuals we've ranked in our top 10 in the FT. One of the things that we saw quite early on, probably within about three years of doing the project, is that our top 10 innovative individuals shouldn't be just lawyers. So we often have HR or BD people in the rankings.

GS I get a sense that law firms are really ready now to take risks on creating new types of positions.

RS Absolutely. Firms have to invest in new roles, different roles. The idea of the legal engineer is taking hold. It is either a lawyer that's good at technology or a technologist that's conversant with the law; the legal engineer marries both skills. You see more client-facing tech teams that go out on pitches and are purely focused on client work. They're as important in the pitches as the lawyers. They will look at every major project a law firm does and say, "Okay how can we do that better? What tech do we need to use?"

Business development and marketing is a key role within the whole innovation process. It's quite interesting how I think business development professionals have got so much more creative. They often understand innovation and the accompanying processes far better than the lawyers. They lead the partners and the partners are more receptive.

GS Have you seen innovation change law firm revenue and examples of where innovation has actually impacted on the bottom line and made more profit?

RS Yes. RSG plotted the top 50 global firms by their revenues and profitability against the FT innovation scores.

GS Thinking ahead, what does the future look like for the global legal profession?

RS I think it's a really interesting one. Traditionally law firms have hired graduates from the humanities and we're seeing a real move from lots of big firms saying let's hire more STEM graduates into the law. Let's grow our own legal engineers.

If you've got suddenly a partnership where you've got lots of STEM graduates or you've got people that have a different kind of mindset, and they're younger, and they're tech enabled you're going to get a very different type of partnership. The profile that we just all accept of the risk averse, detail conscious, cautious, and slightly socially conservative person that becomes a good partner, well maybe that person won't be the partner anymore.

Instead it will be somebody who's entrepreneurial, who can understand data, and can code, can do things differently, and their skills of doing business development are more highly pronounced. I think the law will be a much more interesting place to be in 10 years time.

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Seldon Rosser and RSG Consulting are available to have more detailed conversations with your firms about how to drive innovation strategies and how to resource your business with the best talent in the market.

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