



## **LAW FIRM INNOVATION: FROM IDEA TO IMPLEMENTATION IN FIVE INCREASINGLY DIFFICULT STEPS**

Jordan Furlong

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TheRemsenGroup

727 Kirkwood Avenue - Atlanta, GA - 30316  
404.885.9100 - [www.TheRemsenGroup.com](http://www.TheRemsenGroup.com)

## Law Firm Innovation: From Idea to Implementation in 5 Increasingly Difficult Steps

By Jordan Furlong

*The great actor lay on his deathbed, and his friends gathered close to him. His best friend, holding his hand, leaned in and murmured, "You poor man. Dying is so hard."*

*The actor's eyes shot open and he glared at his friend. "Dying is easy," he snorted. "Comedy is hard."*

In much the same vein, we can freely admit that the idea of innovation is easy — it's the work of a moment to imagine any number of ways in which law firm operations could be improved. Implementation — the successful, sustainable execution of the innovation — that's what's hard. And the law firm landscape is littered with the remains of many failed innovations that couldn't cross the bridge from idea to implementation.

So how can it be managed? To my mind, there are five steps in this process — and I'm sorry to report that each step is more difficult and challenging than the previous one. But it seems to me that the successful implementation of a legal innovation requires most if not all of these elements, in roughly this order.

This is no small challenge — in fact, as we'll see at the conclusion of this article, it's literally an existential challenge for law firms today. But it can be done. And right now, in this environment, it *has* to get done.

**1. Facts.** Start with data. Evidence. Verifiable information. Business intelligence. We have a truckload of myths about lawyers and the legal profession, and we have no shortage of opinions and assertions masquerading as law firm strategies. What we need are facts.

Specifically, you need facts about your law firm, data about your business. Most law firms know astonishingly little about themselves beyond what they spent, what they billed, and what they made last year. We need to know our firms inside out financially and structurally, both retrospectively and prospectively.

Here's an easy example: "What's your cost of doing business?" What do you spend, what resources do you consume, to run your business and deliver your services? What did it cost you to serve this particular client or provide this particular service last year? What will it cost next year? We are barreling towards a legal services market where fixed prices for products and services will dominate. But without precise knowledge of your costs, and without a workflow process that ensures those costs are sustainable and predictable, you cannot name a fixed price that will generate a profit.

Here's a harder one: "What do you actually sell?" I don't mean that in the abstract sense of "value to clients" and so forth. I mean: what, precisely, is your inventory? What do your clients actually give you money to accomplish? What are your deliverables? Not just: "Conducted a merger: \$500,000." What were the specific elements? Who or what did

them? How long did they take? How much did they cost? Break down everything you do. No other business with the annual turnover of a law firm is so ignorant of its own inventory.

You need facts in order to choose the right activities and make the right decisions for the future of your firm. But more importantly, you need them to get the attention of your partners. Show them that you have evidence for what you're saying and doing. We've had more than enough faith-based decision-making in law firms. It's past time to start making reality-based decisions instead.

**2. A Catalyst.** You need some sort of outside intervention, something to introduce a sense of urgent change. Law firms are not, shall we say, naturally given to proactive self-improvement. Most are what you might call "steady state": self-contained environments, sealed off from outside influences. It takes a lot of pressure to break that steady state. Fortunately for us, you can have your pick of high-pressure catalysts right now. Falling revenue. Declining profits. Loss of a key client, partner, or practice group — choose one or more.

And if you can't find a catalyst, make one: Invite senior representatives of your five biggest clients, and the relationship partner in charge of each one, to a discussion panel in your office. Ask the clients to talk about the pressures they're under, or the three things your firm could do that would make them break off the relationship, or three things they would handsomely reward your firm for doing. Bring the crisis home to the partners with the most to lose.

**3. A Process:** If you hope to actually accomplish something big and disruptive in a law firm, you need to have a clear, detailed process in place. How to do this? I say, start with a basic legal project management (LPM) template.

Fire up those Gantt charts and lay out the following: This is the goal. These are the steps. These are the milestones. This is the timeframe. This is the budget. These are the people. These are the performance expectations. These are when the expectations will be tested. This is the nature of the commitment we're all making to this project.

And then follow up, all the way through to the end. You don't launch an innovative change process in a law firm the same way you launch a ship. You don't smash the champagne bottle on the hull, call out "Bon Voyage," and look forward to its arrival on the other side of the ocean. You walk it through, every step of the way, and see it safely through the storms. And that brings us to the next tough step:

**4. Leadership.** I don't necessarily mean leadership from the top, the managing partner or CEO, although you certainly do need that. In my experience, though, these are usually the most forward-thinking, change-amenable people in the firm. I'm talking more about the practice group and industry group chairs. In many firms, those people occupy those positions in title but not in action: they're often rainmakers or heavyweights, rather than

actual managers with leadership skills, and they have the most vested interests in the *status quo*.

What do you do in that situation? I think you get those people out of leadership positions as fast as you can, and you replace them with people who possess actual leadership skills and/or are on board with the change process. Move the incumbents out any way you can: buy them off with a bonus for retiring the leadership position, or give them a fancy title, “Strategic Counsel” or “Chair Emeritus” or some such. Lawyers love titles.

There’s a larger issue here, however. Projects that ask lawyers to do something new, that require non-billable effort, and that will change the way they do their jobs, have a very high mortality rate in law firms. The reason is simple: non-performance by lawyers of requested or assigned duties is common, and few if any consequences flow from that non-performance. True law firm leadership is evidenced by both a willingness to place oneself at the collision course between what the firm needs and what its individual partners want, and an ability to survive that collision. And that brings us to our final ingredient:

**5. Courage.** Here’s the crucible. If you seriously want to get an innovation from idea to implementation in your law firm — no matter the size of the innovation, no matter the size of the firm — you must have courage. You must be ready and willing to absorb criticism, complaints, threats, and tantrums, and you need to be ready and equipped to deal with them swiftly.

If you want to lead a law firm innovation, I recommend this thought experiment: fast-forward to the day, several months down the road, when the process is starting to really dig in and true change is imminent. One of your key rainmakers walks into your office, closes the door, and says, “Let me make myself clear. You can have all the fun and games you want. You can introduce as many little innovations as you like. But not in my department. Not in my practice. Try to push me on this, and tomorrow I’ll walk right across the street to our biggest rival, and I’ll take my top five clients with me, and the first you’ll hear about it is when you get the press release announcing the move.”

What do you do? If you’re serious about innovation, and if you have the leadership and the courage on hand, I think you have to reply: “Thank you for all your service to this firm and its clients. It has been highly valuable and deeply appreciated. But if that is your position, then you don’t need to wait until tomorrow. You can leave right now. We’re a team, and we want you on our team; but if that’s not what you want, then it’s best that we part ways immediately.”

The other partners will scream, of course. “You can’t let him go. He’ll take X clients, deprive us of Y money. You’ve got to keep him here.” And you need to respond, “He’s never really *been* here. If he’s ready to walk out over this today, then he’ll walk out next week over something else, or when he gets a better offer; or he’ll retire, having developed no one to take over his practice. Our firm needs this innovation, and it needs partners who want the firm to come through this process and be stronger on the other side. That’s what’s at stake here.”

That's a highly dramatic example, obviously. But it serves this purpose: if you have an idea for an innovation in your firm and you really want to see it happen, fast-forward several months after the launch, to the moment when that partner is in your office, issuing his ultimatum. If you don't think you can stand up to that lawyer — if you or your partners lack the courage and leadership to draw that line — then I would recommend postponing any innovative efforts until you have what it takes.

But this is exactly why you need to start with facts, to make clear just what's at stake; why you need a catalyst to demonstrate that the time is now; why you need a process to get the wheels moving and generate just this sort of crisis. This is how you gain the commitment of leadership to put the interests of the firm ahead of the interests of its individual partners.

Because really, at this stage of the game, this isn't just about innovation anymore. This is really about explicitly deciding a long-simmering, implicit debate over whether you're running a farmer's market of sole practices under one roof, or whether you're running an actual law firm. That's the question of the moment for virtually every law firm of every size out there. Firms have put off dealing with this painful question for as long as they could, but the pain has only gotten worse the longer they've waited. The time has now come to finally deal with it.

Marshall your facts; identify your catalyst; lay out your process; call on your leadership; and summon your courage. That's how innovations get done. It's also how law firms survive, or don't, in this environment.

***Jordan Furlong*** is a lawyer, consultant, and legal industry analyst who forecasts the impact of the changing legal market on lawyers, clients, and legal organizations. Over the past five years, he has addressed dozens of audiences (including law firms, state bars, law societies, bar executives, law schools, judges, and many others) throughout the United States and Canada on the evolution of the legal services market. In 2012, he was named by Canadian Lawyer magazine as one of Canada's 25 Most Influential Lawyers.

A partner with global consulting firm [Edge International](#) and a Senior Consultant with [Stem Legal Web Enterprises](#), Jordan is a Fellow of the [College of Law Practice Management](#) and Advisory Board Co-Chair of the Institute for Law Practice Management and Innovation at [Suffolk University Law School](#) in Boston. His blog, [Law21](#), has been named five straight years as one of the top 100 legal blogs in North America by the ABA Journal. He is the author of [Evolutionary Road: A Strategic Guide to Your Law Firm's Future](#) and co-author of [Content Marketing and Publishing Strategies for Law Firms](#). He lives in Ottawa, Canada.