

From Now to Next in Legal Services: Innovation and Operations

Law Department Management





"Inside Voice" is a column featuring articles authored by the leaders of ACC's legal services. Here, they share insights on the pressing trends affecting in-house legal practice and corporate legal departments across the globe.

Innovation in legal services is a team sport in an ever-growing league, with a terrific roster of players, coaches, owners, scouts, and commentators. Yet we don't compete; we share and collaborate. The Cowen Group's Summit on Legal Innovation and Disruption (SOLID) has become an energetic gathering for counsel to stay at the top of their game. At SOLID New York event on September 13, corporate legal departments, law firms, legal service providers, and academics convened to share both perspective and practical experience. Below are some of the highlights from the summit.

Setting the context

Stephen Poor, chairman emeritus of Seyfarth Shaw, started the summit with a stern warning: "The changing legal landscape and the elephant in the room — denial is not a strategy." Essentially, law firms no longer have the field to themselves. "By lawyer headcount alone, PWC is already the world's 6th largest legal services provider." Poor also noted that the Big Four have spent years building multidisciplinary practices, becoming exactly the kind of partner that in-house counsel want. The Big Four have a deep understanding of their clients' businesses and markets and invest aggressively in technology. As Poor put it, "investment powers strategy."

Bobbi Basile took us through HBR data on market drivers, which is consistent with data from the ACC CLO Survey. Legal demand is increasing and budgets are flat. More for less is a constant now. To respond, legal departments are re-balancing resources — in-sourcing and optimizing internally while shifting external spend. The share to alternative legal service providers is climbing and outside counsel spend is trending downward.

And on the law firm side, what does the data show? Law firms are resistant to change (not new news, regrettably) and having trouble attracting and retaining the right talent (a surprise to some). Basile's point about talent was underscored later in the day by a law firm presentation on data-driven hiring.

Walking the walk

It's real: Corporate legal departments are bent on innovation. Savvy lawyers and their legal operations partners have taken that old Apple slogan to heart: Think Different.

Not only is the retail giant Walmart experimenting with bots, but so is the smaller retailer Columbia Apparel, which has just six lawyers. Jen Warner, vice president of legal at Columbia, discussed her sourcing model that includes Big Law refugees working as solo practitioners. (Learn more about Warner's reflections on Incubating Failure on the Path to Success). She acknowledged that "labor arbitrage is the thin edge of the wedge" and plans to use the next two to three years to determine where to invest in internal headcount. I wonder: Are the Big Four the wider edge of that wedge?

SOLID days are not just talking heads. Small group breakout discussions are half the day and more than half the fun. Across the tables, we heard many in law firms sound skeptical of the threat from the Big Four, enjoying, as they do in the United States, guild-like protection. Perhaps hearing similar comments from where he sat, DHL General Counsel Mark Smolik stood up and cautioned, "The barriers *will* fall, and they are investing to be ready." He continued, "The CFO is going to push me [to engage the Big Four]; there's a comfort level there."

The Big Four, however, is positioning for attack. In a private conversation (firm names omitted), Malvina Iannone, executive counsel of global legal shared services at GE, told this tale. GE accepted a top global law firm's offer to take the project management role in a cross-border transaction with

significant impact on the company. After only six weeks, the client shifted that responsibility to a Big Four firm ("the law firm thought project management amounted to running conference calls," Iannone quipped).

The law firm kept the significant legal work — structuring drafting, negotiating, and closing — while the accounting firm managed the work streams. When local counsel were needed in non-US markets where the law firm did not have on the ground practice, the Big Four firm was in a position to supply lawyers in those jurisdictions, and so it did. That's how incursions proceed — from a place where the challenger is already embedded, starting with the lower-tier work and moving up the ladder.

Predictive analytics and AI are useful (though not magic), but the prerequisite is having good data. Many of the recent ACC Value Champions invested significant time and effort in consolidating and rationalizing data from disparate sources. Good data then helped the Champs to understand the drivers of value and informed their initiatives to cut costs and improve outcomes. As Poor pointed out, harnessing data also requires changes in human behavior. In many law firms, data hoarding is a significant leadership challenge.

Moving forward

What should corporate legal leaders be doing to leverage these disruptive forces?

The buzzword of the day was "co-creation." Legal service providers are eager to incubate client services that better leverage their data and expertise. They want to connect with clients who are willing to help them develop and refine new products. As Warner called it, "free to me R&D."

She did acknowledge that in-house counsel need to improve their ability to define their needs, which should rest on the business strategy. That can be a role for legal ops professionals — guiding lawyers through a formal requirements definition process, then matching needs to opportunities.

Several legal department leaders exhorted their brethren to gain comfort with experimentation. Jeff Marple, director of innovation for Liberty Mutual's legal department, talked about "putting a monkey in space," referring to the early days of aeronautics when NASA sent six monkeys into space before one came back alive and well. (For legal departments, I recommend human rather than animal experiments.)

Both Marple and Amy Sellars, associate general counsel of legal operations and the innovation group at Walmart, stressed the importance of telling colleagues to expect failure — not all experiments succeed. In my experience, lawyers don't like to admit or plan for failure, so this won't be an easy culture shift. Always explain why you failed and, importantly, what you learned. Only then will your organization continue to march along the innovation road.

With so many opportunities to leverage disruptive innovation from Big Four firms, emerging technology, and alternative legal service providers, there is a steady growth of internal innovation, as the ACC Value Champions have also demonstrated. As such, I've seen even more law department leaders exercising their power as the legal services buyers and adding more value to the corporations where they enable competitive advantage.

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