



BY HBR CONSULTING

EXECUTIVE SUMMARY

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INTRODUCTION

The legal industry has continued its journey over the past several years to reinvent the delivery of legal services and operations. This market evolution continues to be driven by corporate clients, who made notable changes over the past several years in the allocation of their spending on legal services by increasing their internal law department size and scale, spend on alternative legal service providers (ALSPs) and use of technology. Simultaneously, they have been decreasing law firm spend and reducing the number of firms they use. With these changes, law firms are under greater pressure to examine their service delivery models to remain competitive and best serve their clients.

The shift in market dynamics and resulting challenges were some of the important topics debated at HBR Consulting's 2018 Legal Lab, the fourth annual gathering of law firm executives and corporate law department leaders. The three pillars of this year's discussions focused on the ways law departments and law firms can innovate and differentiate themselves to address those challenges:

SERVICE DELIVERY

TECHNOLOGY

DIVERSITY OF TALENT

Law departments continue to evolve their service delivery models not only to improve cost and efficiency, but also to better serve their internal clients. And the good news for law firms is that there is significant opportunity for innovation and differentiation for those willing to do the necessary work to re-evaluate and redesign their business and operating models in response to these changing market dynamics.

These transformations are most effective when they are the result of collaboration between law departments and law firms. To that end, Legal Lab participants leveraged the concept of "design thinking," through a collaborative workshop to examine the pathway by which legal services are delivered to customers.

Law departments and law firms, preferably in collaboration, can apply the design thinking paradigm to address their own key transformation questions, such as:

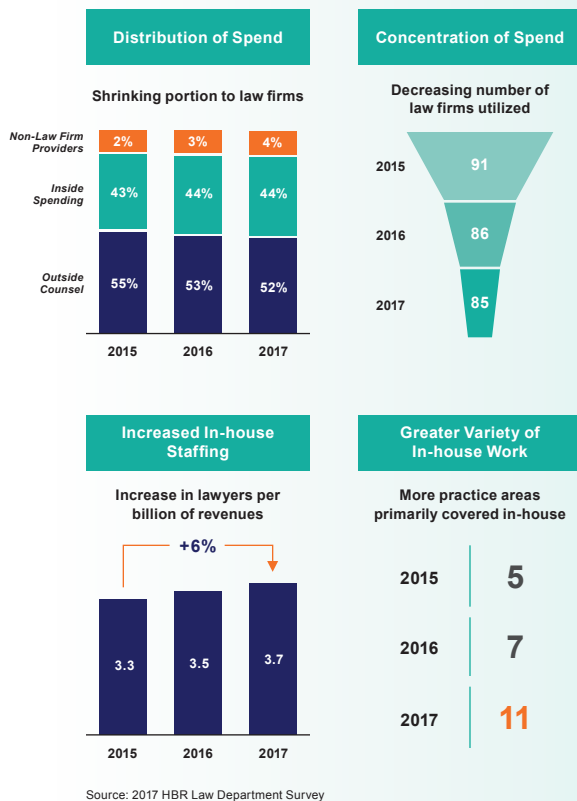
- How might we deliver legal services that are customized to our clients' unique business needs?
- How might we provide a more consistent client experience across practice groups and teams?
- How might we create a more inclusive workplace in our industry?
- How might we provide greater transparency and communicate more effectively with respect to fees and compensation?

Our hope is that some of the ideas summarized in this report will prove useful in navigating the challenges and opportunities in the year ahead. The pace of change in our industry continues to accelerate. Those leaders who are equipped to adapt to these changes will be best positioned to thrive in the legal services marketplace of tomorrow.

KEY TAKEAWAYS INFOGRAPHIC

The Transformation Journey: In Support of the Law Firm + Corporate Client Relationship

1 Market dynamics are shifting.



2 Requiring organizations to innovate + differentiate in service delivery, technology + talent.



SERVICE DELIVERY in non-traditional forms

- Must address **foundational elements** of business model – i.e., compensation, pricing models, retained earnings + leverage model
- **Predictability** is top priority for GCs
- **Alternative pricing models** are a key differentiator
 - **Data + analytics** critical for **predictability + AFAs**
- Need for **resource optimization + alternative staffing models**
- **Collaboration opportunities** = co-innovation with law firms + law departments



TECHNOLOGY as an enabler for change

- **Convergence** of tech solutions → need **integrated platforms**
- **Culture + process = barriers + opportunities**
- **Foundational operations + data hygiene** must come first, then explore enabling tech
 - Challenges rarely tied to technology tools
- **Focus on small changes to big problems** vs. big changes to small problems



TALENT models must prioritize diversity + inclusion

- **Act with intention**
- **Deeper engagement with law schools**
- **Address root causes:** 1. Business + matter origination, 2. Allocation of work, 3. Staffing rotations for existing matters
- **Ongoing focus:** recruitment (diversity) + retention (inclusion)

3 Investments in innovation + differentiation today will support transformation and long-term success.



- Legal services delivery in non-traditional forms
- Design and implementation of alternative pricing models and fee arrangements

- Partnership with members of the legal ecosystem
- Customer-centric approach
- Building the value proposition

- Making the changes sustainable
- Driving continuous improvement

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THE TRANSFORMATION JOURNEY

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Market Trends Briefing

Legal Lab 2018 kicked off with a briefing on market trends. Recognizing that transformation in the legal industry is being driven by the corporate clients who are the purchasers of legal services, the session presenters noted that innovation in the coming years will require a fundamental shift in the corporate legal service delivery model.

The following six areas were identified as having the greatest opportunities to make this shift:

1 ENHANCED INTERNAL LEVERAGE



- Centers of excellence
- Increasing role of non-lawyers + legal operations

4 ALTERNATIVE SERVICE PROVIDERS



- Unbundling of both internal + outside counsel work

2 VALUE-BASED OC RELATIONSHIPS



- Paradigm shift in pricing + role

5 DATA ANALYTICS



- Mining data to drive decision-making

3 KNOWLEDGE MANAGEMENT



- Harnessing knowledge

6 TECHNOLOGY ENABLEMENT



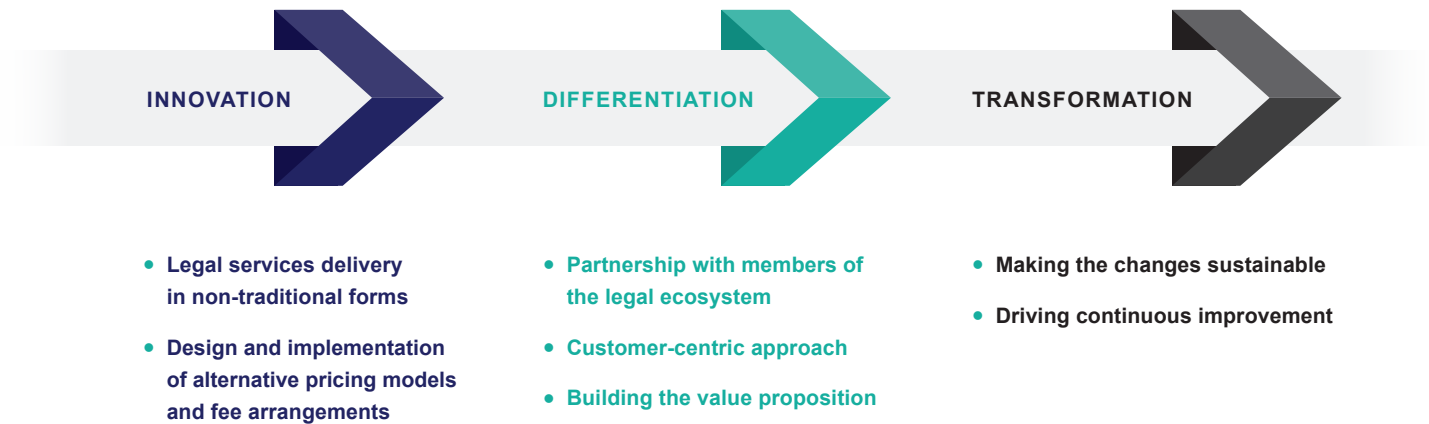
- Workflow automation
- Artificial intelligence

Legal organizations need to take a fresh look at many foundational elements of their business model, such as the pricing of legal services and resource leverage models.

The speakers noted that those organizations navigating this challenge most successfully are undertaking a strategic transformation journey. They start with a commitment to innovation, such as contemplating the delivery of legal services in non-traditional forms and channels. They proceed to a focus on differentiation, building their value proposition by maintaining a customer-centric approach to client service and exploring partnerships with other players in the legal ecosystem. Finally, they remain disciplined to achieve transformation by driving continuous improvements that make their changes last.

The transformation journey is a steep climb for both in-house legal teams and law firms, especially in the context of an industry that has functioned largely in the same way for generations. However, given the dramatic shift in market dynamics, nothing short of transformation will allow them to be competitive in the future.

THE TRANSFORMATION JOURNEY



SERVICE DELIVERY

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The Convergence of the Legal Ecosystem and the Impact on Service Delivery

Across the legal vertical, lines are blurring and constituents are intersecting in new and unexpected ways that challenge traditional service delivery models. The first session at Legal Lab explored how law departments and law firms can become more flexible as the shift in the business model occurs.

The “Crossover” of Work from Law Firms to Law Departments

Without a doubt, legal service delivery is changing. Law departments continue to build their internal capacities for practicing law, in contrast to their historical role of primarily managing outside counsel. This “crossover,” as one law department panelist termed it, actually caused that department’s internal legal spend to exceed its spending on outside counsel in one recent year. Data from the [2017 HBR Law Department Survey](#) supports this trend, indicating a progressive decline over recent years in the percentage of their budgets that law departments spend on outside counsel.

There are several drivers of this shift. At first, the reason was financial: significant downward pressure on budgets forced a culture of extreme fiscal discipline in some law departments. Because the expense line items of legal work handled in-house are more predictable, law departments can be more precise in budgeting and spend management when they bring work in-house. Nevertheless, unpredictable outside counsel costs remain a major concern.

While budget management may have been the original impetus for the crossover, law departments are now also focusing on its strategic aspects, insourcing certain types of work and outsourcing others. “It is not our intention to bring all work in-house — in fact, we feel like we have a pretty good distribution right now — but we

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It is important to understand that these decisions are not about price sensitivity. We are trying to work **smarter, more efficiently and more strategically** by building the best bench of expert resources.

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no longer simply turn over cases to outside counsel. We work with them in a collaborative fashion on all of our matters,” said one panelist. “It is important to understand that these decisions are not about price sensitivity. We are trying to work smarter, more efficiently and more strategically by building the best bench of expert resources.” For some law departments, this means developing their bench organically — progressively developing the skills of first-year lawyers, who begin with low-risk work and gradually collaborate with outside counsel on higher risk matters.

Using Operations as a Differentiator

On the other side of the relationship, the crossover in the delivery of legal services is causing law firms to shift their business models and to strive to differentiate themselves from their competitors. One emerging differentiator is law firm operations, as illustrated by David Cambria’s recent career move. The so-called “godfather” of legal operations recently moved from a long and successful career directing law department operations to global law firm Baker McKenzie, [where he plans to bring the client mindset to private practice](#).

Firms sometimes begin streamlining their operations in response to business necessity, such as merging with another firm, but soon find that operational improvements can create substantial cost savings and service delivery enhancements. For example, reexamining functions, such as finance, IT, marketing, HR, and other business areas, to improve efficiency can generate savings, which in turn can increase firm profitability or be passed on to the firm’s clients. Strategic investment in technology can also differentiate law firms as, for example, when a comprehensive matter management program allows a firm not only to better manage workflow but also improve client service and justify decisions based on concrete data. As one panelist commented, “the lesson is that data plus experience is a tremendous asset that law firms can mine to drive greater differentiation and profitability.”

Unpredictable Pricing: A Continuing Pain Point

It comes as no surprise that unpredictable law firm fees continue to be a pain point for law departments. Reflecting back to [Legal Lab 2016](#), participants discussed how the lack of predictability and transparency contributed to the seeming disconnect between what law departments want and what inside counsel think they are delivering. Building on this theme, at [Legal Lab 2017](#) participants discussed how the client experience is driving change to service delivery models, including the demand for more predictability and value-based billing, as well as law firms’ corresponding challenge of demonstrating the value clients receive with fixed-fee billing without resorting to shadow billing. This year, Legal Lab participants

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engaged in a provocative discussion about how to move law firms toward alternative pricing, ranging from suggestions that clients tell firms exactly how they want work to be done to tying a percentage of a law department's outside spend to fixed-fee arrangements.

Doing the Unsexy Work Tees Up the Transformational Work

The persistent pain of unpredictability emphasizes that, while improving operations — both in law departments and law firms — is a foundational step in transforming the legal service delivery model, there is more ground to cover. As one panelist observed, “the truth is that, although there is still some work to be done, we have pretty much squeezed the inefficiencies and cost excesses out of the legacy service delivery model of the straight billable hour. I think the question we really need to ask ourselves is this: What is the next delivery system for legal services? It seems to me that the law firms that design the next customer-centric operating model for the industry will be the winners.” This transformation will require rethinking on many levels. Collaboration between law departments and law firms can help both accelerate their innovation. Law firms have already begun recasting their roles to be more proactive: evolving from handling legal problems to helping address business problems. Now they must rethink their pricing models. That requires a deeper reassessment of the current business model, whose lack of retained earnings makes it difficult for firms to make the capital investments needed for transformation, and an evaluation of what is really encompassed by lawyers' ethical duty to put their clients' interests first.

Fortunately, transformation is within reach for both law departments and law firms if they have the will and access to the right tools. These tools include the right people who can serve as change agents to push their organizations forward, as discussed at Legal Lab 2017, and better data that can be used to shape new pricing systems and guide the construction of new business models. In the words of one speaker, “Doing the unsexy work tees up the transformational work.”

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”

TECHNOLOGY

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AI + Blockchain: Both Enablers and Disruptors

Blockchain and artificial intelligence (AI) are technology disruptors that have people talking, often with little real understanding about their actual potential use cases. Within the legal landscape, there is a growing interest in leveraging new technology — including blockchain and AI — but few organizations understand the applicability, benefits and risks.

In this session, the panel sought to dispel some of the mystery surrounding AI and blockchain, sharing insights on how to identify the right opportunities for their use and how to generate buy-in, within the broader context of how to effectively drive change in the current environment.

The Importance of Data Science as a Foundation

Virtually every sector of the economy now has access to more data than was imaginable just a decade ago. Organizations are accumulating new data at a rate that exceeds their capacity to extract value from it. Therefore, before an organization can evaluate whether any new data-related technology is appropriate for its business, it must first understand the “science” behind the underlying data and the new technology.

By now, many legal professionals have a general idea of AI. Simply put, it is a technology that “learns” from data, language processing, rules, algorithms, etc., and applies this intelligence to solve problems and make decisions. And while many law department and law firm leaders have a basic understanding of what AI is, most have yet to identify the best use cases for it in their environments, although [they are optimistic about its potential value](#), according to an HBR survey of corporate law departments, law firms and legal service providers.

Blockchain is a newer concept, with which fewer legal professionals are familiar. “To put it in the simplest terms, blockchain has the potential to be the next evolution of the internet, with a similarly dramatic impact as we experienced with the explosion of the World Wide Web,” said one panelist. “Whereas the Web was the internet of information, blockchain will be the internet of value. It is essentially a decentralized ledger that removes intermediaries and allows each individual to track who owns a particular asset. This ledger moves us away from central repositories of data on the internet and toward a decentralized network of individual data points.”

These are simplistic explanations of complex subjects. To unlock the true value of the technology, organizations need to have access to the right people (data scientists) who can use the technology to organize the data to extract meaning. Depending on the organization’s size and structure, that may mean internal resources, or it may mean partnering with outside experts.

Technology: An Enabler for Transformation

AI is already used by many corporate functions and is beginning to gain traction in legal applications. In our [Law Department Artificial Intelligence Survey Report](#) we noted that, while most respondents to our 2017 Law Department Survey were at least aware of AI possibilities, only six percent had already implemented or piloted an AI application. Corporate law departments are embracing AI tools that can reorient unstructured data into a structured template that facilitates user access, thereby generating efficiencies — for example, the creation of repetitive contracts such as non-disclosure agreements. Law firms are adopting AI tools for applications such as “expert” systems that can provide faster answers to clients’ frequently asked questions. “The best uses of AI are in making small changes to big problems, not big changes to small problems,” said one panelist. Over time, these incremental changes can have a tremendous impact and can help transform an organization.

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Legal professionals’ understanding of blockchain is considerably murkier. Unfortunately, many have been distracted by marketplace noise about digital currencies running on blockchain technology — many of which are highly speculative — and by suggestions that blockchain will revolutionize the way lawyers will practice law. The speakers urged lawyers to understand that blockchain represents a tremendous opportunity rather than something to fear.

“Blockchain is not an IT concern and it is not going to change the way we practice law; it is a new online world that will open up a new legal field,” suggested one panelist. “I think blockchain will represent a net increase in work for lawyers.”

Work is likely to increase because of the legal issues blockchain will raise in a variety of practice areas, including:

- Anti-money laundering
- Consumer protection
- Cybersecurity
- Employment
- Intellectual property
- Litigation
- Real estate
- Securities
- Tax

Another speaker pointed out that the use cases for blockchain are extremely narrow right now and was doubtful that would change dramatically any time soon. “Blockchain is not a macro solution,” he said, “it is really just another tool.” His view was that there will be applications of blockchain that will eventually deliver great value, but that it will not be part of most lawyers’ day-to-day work.

Incremental Changes Can Lead to Innovation

Law departments’ and law firms’ struggles with AI, blockchain and other emerging technologies are examples of the broader technology issues they face. There is a range of converging tech solutions available, which law departments and law

firms must reconcile, demonstrating the growing need for integrated platforms. Law departments and law firms feel pressure to evolve and adopt new technology quickly, but their internal culture or void of processes can be barriers to change. So despite the pressure, change should not be expected to happen overnight.

One panelist described the impetus for law firms to change more rapidly than they have done historically as a “legal nexus of forces” and believes it is the result of the following factors:

- **CLIENT SOPHISTICATION** — corporate legal teams, emboldened by the fast-growing Corporate Legal Operations Consortium (CLOC), are using new spend assessment models in their management of outside counsel.
- **INNOVATION** — law firms have been forced to embrace the application of data analytics and experiment with new tools to change the way legal services are delivered to clients.
- **COMPETITION** — the growth of alternative legal service providers, as illustrated by their increase in market share last year, represents a potential threat to law firms of all sizes.
- **TECHNOLOGY** — emerging technology-enabled solutions have become so fragmented that there are multiple applications law firms must offer their lawyers in virtually every area of legal practice.



Source: Thomson Reuters, Legal Tech Startup Landscape

“Our window for responding to [this nexus] of forces and the waves of innovation in the legal services industry is getting smaller every day,” he said. “We just cannot wait too long to react to these waves.”

Given this pressure, how can law departments and law firms determine whether emerging technologies, such as AI and blockchain, will benefit their organizations and, if so, how can they make those changes? At Legal Lab 2016, keynote speaker Matthew Syed, author of *Black Box Thinking* and *Bounce*, described how a series of incremental changes — rather than attempting one significant, almost “magical” event — can lead to significant success and support innovation. That same approach is applicable when evaluating and implementing emerging technologies: law departments and law firms should focus on incremental changes.

That means first ensuring that the foundation is in place — things like streamlined operations and data hygiene. Then evaluate new technology tools to see what can best serve the organization’s needs. The panelists at this year’s program offered these suggestions in that regard:

- 1 **UNDERSTANDING** the changing world and how this new technology fits;
- 2 **TRAINING** lawyers on how to use emerging technologies, where applicable, to improve productivity; and
- 3 **IDENTIFYING** new business opportunities created by the emergence of the technology.

As one panelist commented, “lawyers experienced a dramatic shift from the use of typing pools as a way to create documents to the emergence of word processing, and from the use of couriers as a way to share those documents with clients to the emergence of email. Likewise, blockchain and AI are disrupters, but they are also enablers, and the profession will adapt once again as the world shifts.”

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TALENT

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The Opportunity and Impact of Gender and Diversity Initiatives

The legal industry has been talking about challenges related to gender and diversity for the last two decades, yet most would agree that the industry has been slow to improve. At Legal Lab 2017, law department leaders identified diversity, inclusion and retention as top priorities and suggested that law firms that meet diversity objectives can differentiate themselves in the market. At this year's event, however, attendees noted "we are just not moving the needle as fast as we thought we would." One speaker reiterated this point by stating, "we are striving for a little less talk and a lot more action. We all have good intentions, but we need to take concrete actions to make a difference."

While acknowledging the need for continued improvement, panelists in this session shared how their organizations have driven successful gender and diversity initiatives. There were several common themes for their progress, whether in law departments or law firms. One law firm panelist described it as a simple strategy to yield measurable progress: reach lawyers when they are young, educate lawyers and professional staff about the value of diversity, partner with clients to identify how to make diversity work, track results and iterate the plan.

Identify the Root Cause to Develop Targeted Initiatives

At Legal Lab 2016, keynote speaker Matthew Syed quoted Albert Einstein's principle that "we can't solve problems by using the same kind of thinking we used when we created them."

In other words, to develop diversity initiatives that will work, it is important to identify the root causes of the challenge in order to design solutions to address the problem. One panelist described her organization's efforts to understand the root of its diversity challenge by asking the following questions:

- Is it a problem of either conscious or unconscious bias?
- Is it a problem of an underdeveloped pipeline for identifying and developing diverse employees?
- Or is it a problem of an insufficient talent pool from which to recruit?

Another speaker emphasized the two-fold nature of these challenges: (1) diversity — the composition of talent force; and (2) inclusion — the organization's environment. To achieve any meaningful impact, organizations must be mindful of both considerations.

Asking these three questions and considering them in the context of both diversity and inclusion will help any legal organization “get intentional” (as one panelist put it) with its diversity initiatives. Organizations can identify their challenges, develop a targeted strategy and implement specific initiatives to address the identified issues.

According to the panelists, common reflections of root causes include (1) business and matter origination; (2) allocation of work; and (3) staffing rotation for existing matters. Initiatives can be designed to address all of these.

Begin Diversity Efforts at or Before Entry-Level Recruiting

The panelists agreed that diversity efforts must begin at the initial recruitment stage. One law firm panelist suggested that entry-level recruiting is “the sea where you will find the most diversity” in the talent pool. That firm intentionally recruits diverse candidates at that stage and focuses on specific law schools. Another firm begins its diversity initiatives even earlier in the process, while its potential lawyers are still in law school. The firm hosts a “summit,” to which it invites law school and business school leaders to discuss diversity challenges and opportunities in the legal profession, with the idea of instilling an appreciation of workforce diversity before students even enter the full-time workforce.

On the corporate side, one law department leader discussed how the organization requires every member of the hiring team to interview every candidate and collaborate on a decision, forcing them “to be more aware of unconscious bias by exposing them to a more diverse group of candidates and to hear reactions from their colleagues to the pool of candidates.”

Foster an Atmosphere of Inclusion

Once new hires are on board, both law departments and law firms can position their new hires for success and foster an atmosphere of inclusion within the organization. For example, a law department leader described the department’s commitment to a dedicated career development plan for each new diverse employee rather than “leaving them on their own” to succeed or fail. Both law departments and law firms can foster success by aligning diverse mentors with diverse new employees to help them see the career path opportunities for people who “look like them.” Law firms also attempt to ingrain diversity and inclusion issues in the firms’ ongoing culture. Representative initiatives include work / life balance policies and other programs geared toward a flexible workplace; affinity groups and women’s initiative or diversity committees to help associates feel connected to others across the firm and raise the visibility of firm’s diversity challenges; mentor programs; and speaker series. All these changes help diverse employees feel included in the organization and promote an appreciation of diversity among all employees.

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We are striving for a little less talk and a lot more action. We all have good intentions, but we need to take concrete actions to make a difference.”

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Promote Diversity at Leadership Level

Both law departments and law firms are working to increase the diversity of their leadership. One law department, for example, applies a version of the “Mansfield Rule,” named after Arabella Mansfield — the first woman admitted to the practice of law in the United States, which calls on employers to affirmatively consider women and lawyers of color as at least 30 percent of the candidate pool for leadership roles, equity partner promotions and lateral hires.

A law firm shared that it has instituted a nominating process, as opposed to conventional elections, so that more diverse partners can be considered for membership on the leadership team.

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They will either embrace this commitment or we will find other firms that will.

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Collaborate to Solve Challenges Across the Industry

Law departments and law firms are finding success by collaborating in their efforts to improve diversity and inclusion. Sometimes these efforts are initially driven by law departments, who may require that firms also demonstrate efforts to improve gender equity and diversity. “They will either embrace this commitment or we will find other firms that will,” stated one in-house panelist. But law firms are equally aware of the challenge, even if many have not seen the same degree of progress as their clients. Recognizing their clients’ commitment and the benefit of collaboration, law firms are finding ways to work with clients as they improve their firms’ diversity — for example, committing to staff those clients’ matters with an agreed percent of diverse team members.

Measure + Report on Progress

All the panelists agreed on the importance of measuring the effectiveness of diversity initiatives. For example, law firm panelists described maintaining detailed data from entry-level recruiting on and analyzing it regularly to chart progress.

“Having been involved in these efforts at two firms over the past several years, I have learned that diversity and inclusion programs will only work if you have passionate leaders, a committed team of talent developers in the firm, and partners who will come on board as allies, sponsors and mentors,” concluded one panelist. “I feel like we have made important progress on each of these things, but the next big challenge we have as an industry is bringing along the rest of our partners until we really see the kind of change we hope to achieve.”

In summary, today’s talent models must prioritize diversity and inclusion. Organizations are most successful in advancing diversity when they act with intention; address the root causes of the challenge; begin their efforts early in the process — as early as law school; and maintain an ongoing focus on both diversity at the recruitment stage and retention through fostering an atmosphere of inclusion.

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ABOUT IDEO

IDEO is a global design company based in Palo Alto, California and consists of a community of designers, entrepreneurs, engineers, teachers, researchers and more. From designing the first manufacturable mouse for Apple to advancing the practice of human-centered design, IDEO has long been at the forefront of creating change through design. Drawing upon decades of collective experience in human-centered design, IDEO now applies human-centered methodologies to the world's most complex systemic challenges, from healthcare to government to legal and more.

Redesigning the Client + Firm Relationship

Legal Lab 2018 concluded with a true “laboratory” experience as participants engaged in a wide-ranging discussion about the future of the corporate client and law firm relationship, followed by an interactive design challenge with the objective of identifying specific ideas for driving change in the industry.

The premise of the session was that the relationship between client and law firm should be a true partnership, with shared goals and objectives. The reality, however, is that for years there have been business obstacles that have created a misalignment of interests — such as pricing and compensation structures.

The good news is that at Legal Lab leaders are no longer debating about whether there is a need for change in this relationship; they are now collaborating on how to embrace change in new and different ways. With the voice of the client serving as a driving force toward change, Legal Lab participants discussed the importance of more diverse and creative matter staffing, value-based billing, hybrid service models and realignment of reporting and metrics.

The session opened with an introduction to the concept of “design thinking” from the leading design company, IDEO, who challenged the room to consider the notion that “design is the medium by which we shape the world we create.” Design is about more than product development and artistic ambition: it extends to the pathway by which services are delivered to customers, the shape and workflow of organizational systems, and even the creation of social movements.

Within the legal industry, some of the most prominent challenges that may be addressed with design thinking include the following:

- How might we deliver legal services that are customized to our clients’ unique business needs?
- How might we provide a consistent client experience across practice groups and teams?
- How might we create a more inclusive workplace in our industry?
- How might we provide greater transparency and communicate more effectively with respect to fees and compensation?

To provide some real-world insights into how some legal industry leaders are reimagining the client-firm relationship, a law department leader and law firm leader each discussed their recent experiences with design-focused thinking. The law

department leader discussed how his department has reimagined its company role as allied business partners. The law firm leader described a similar rethinking, with the firm repositioning itself more as “a provider of business services to solve complex business problems” than as a law firm. This reimagined role resulted in a reorganization into six “businesses” based on the primary vertical industries the firm serves, regardless of the area of law or types of service provided.

Finally, all Legal Lab participants engaged in a creative design challenge. Small working groups were formed and each was assigned a general challenge area faced by corporate law departments and law firms. They were given the opportunity to start with a blank slate in designing a mutually agreed solution. All teams were encouraged to use the three-step process for applying design thinking to complex problems:

- **Step One: Inspiration.** What is going on here? How do I get out of what I know and get inspired to act in new ways?
- **Step Two: Ideation.** Now that I am inspired, what ideas can I imagine solving the problem? How many ideas can I brainstorm to toss onto my blank slate?
- **Step Three: Implementation.** How can I winnow down these creative ideas to identify a workable solution? How can I test, refine and deliver that solution?

“Once we have a solution to implement, then we can do the work of designing something that sits at the intersection of what is desirable to the people involved, what is feasible with technology and other necessities, and what is viable to the business from a financial standpoint,” said the design lead from IDEO. “When we find that sweet spot, we find true innovation. But it all starts with rethinking design because we cannot solve a problem with the same mindset that created it.”

At the end of the session, seven specific ideas emerged for how to move the industry forward in the next year within the three thematic areas of focus of Legal Lab 2018:

SERVICE DELIVERY

- 1 **Allocate non-commissioned time for lawyers to participate in sessions that focus on creative responses to business problems and crises. Give lawyers the freedom to try some things that might fail and celebrate those who recover fastest from the failures.**
- 2 **Provide corporate clients total real-time access to their law firms’ timekeeping records for all lawyers working on their matters at any given time. Engage in regular conversations about how things are going, increasing transparency between client and firm and improving trust in relationships.**

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TECHNOLOGY

- 1 Remove a ubiquitous piece of technology from all lawyers for a short period of time (e.g., no email for four hours, etc.) to force their recollection of a time in the past when they did not have access to the power of that technology. Study what they missed during that window of time and then challenge them on how to do things differently, so technology adoption is more seamless in the future.**
- 2 Develop an app that runs in the background while lawyers are working and tracks their use of the various technology offerings provided by the company or law firm. Offer cash rewards to the lawyers with the highest level of technology usage, creating incentives to increase the adoption of technology solutions.**

DIVERSITY

- 1 Create more inclusive work teams by taking staffing decisions out of the hands of law firm partners and into the hands of a dedicated staffing manager. Train the staffing manager to make assignments based not only on legal skills, but also recognizing the importance of having a diverse team.**
- 2 In consultation with clients, develop “tag teams” of partners when a lead attorney on a matter is an expectant mother or new parent. This ensures there is a partner waiting in the wings to take over the matter when the attorney goes on maternity leave. The goal is to reduce fears and anxieties related to attorneys stepping away due to a medical or personal leave and create a more welcoming environment for their return when ready.**
- 3 Law firms and corporate clients should collaborate to add one diverse team member to each project team and select that person based on a diversity goal. The intent is to expose team members to a more diverse range of ideas and solutions than they might have considered otherwise.**

Legal Lab participants left the workshop feeling energized by the exercise and experienced first-hand how much progress can be made in a short window of time when you have the right, collaborative leaders in the room.

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CONCLUSION

Reflecting back to Legal Lab 2017, there were two primary takeaways:

1. The legal ecosystem is changing, fueled by new and emerging change agents; and
2. Client experience is driving the change to legal service delivery models.

The overarching theme was how the growing pressure from clients can be leveraged to create an impetus for change.

Legal Lab 2018 expanded on that theme, with a focus on specific ways to better align resources and services to achieve this transformation in the industry. First, legal organizations must invest time and resources in innovating the way that they deliver legal services and the way those services are priced, leveraging technology and diverse talent to make those changes. By partnering with others in the legal ecosystem and taking a customer-centric approach focusing on the value proposition, legal organizations can differentiate themselves from their competitors. Innovation combined with differentiation will lead to lasting and sustainable transformation and drive continuous improvement in law departments and law firms.

Legal Lab 2019 will provide a forum to assess progress and consider the next chapter in the industry's dynamic transformation. We look forward to collaborating with leaders across the legal ecosystem as we continue to build on the understanding gained from each year's Legal Lab.



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