



Creating a Culture of Innovation

This is the second Insight in our series on innovation.

In our [June Insight](#), we laid out the business case for innovation. We cited increasing client pressure to rethink operating models, a rise in substitutes for more traditional delivery of legal services, and a strategic opportunity to differentiate. But while intellectually there are many law firm leaders who agree with the need to be more open to new approaches, actually creating an innovative law firm is much more difficult. As many leaders can attest, just wishing your firm were more innovative does not produce a change in attitudes and behaviors. Firms need to look fundamentally at their culture and ask how and whether their current culture supports innovation and if not, what can be done to create an environment more open to change and experimentation.

There are multiple dimensions of culture in a law firm and in many senses, the culture in firms is very deep-seated and inert. But while outside observers may not view law firms as being very innovative organizations, high quality lawyering in fact requires thinking outside the proverbial box. Approaching client problems creatively is an essential part of being a good lawyer. The trick for firms is to harness that innovation at an individual level and encourage a similar approach when it comes to more institutional firm needs. In doing so, firms should not consider becoming innovative as a need for fundamental transformation. It is, instead perhaps, a shift in mindset. And it is this shift in mindset that can pave the way to cultural change.

However, there are several dynamics that stand in the way at many firms and we'll address three of the biggest challenges here. The first the fear of change, the second is the communication of values and the third is a lack of diversity.

Challenge #1: Overcoming Fear of Change

One of the reasons why the cultures of many law firms are somewhat resistant to innovation relates to some fundamental fears that arise when alternative approaches are introduced or even considered. As we wrote in [October 2013](#), changes in the delivery of legal services introduce several challenges to law firms.

The first issue is the fear of cannibalization, where lawyers worry that an alternative (and less expensive) approach may make their existing, more profitable services less attractive to clients. This fear is particularly relevant when innovation is framed as a way to become more efficient, leading lawyers to fear that their practices are becoming commoditized. It may be further compounded by the taken-for-granted notion in many firms that services commanding higher rates are inherently more attractive than services with lower margins.

The second reason why innovation can create a fear of change is the innate conservatism of lawyers. The law is rooted, even more than most professions, in history and tradition. Innovation can thus be seen as threatening to the profession, particularly when historical approaches have been quite successful.

Third, implementing and sustaining innovative approaches threatens the innate autonomy of lawyers, a feature of legal practice that attracted many of them to the profession in the first place. Ironically, while the process of innovating might seem empowering and independent, following through on those ideas requires a certain level of coordination and consistency, which can cause lawyers to push back.

To create a culture of innovation, leaders need to be cognizant of the forces against change in their organizations. In particular, leaders need to ensure that the firm's systems are aligned with the ultimate goal of sustainability and profitability. Hiring practices, rewards (compensation), and promotion criteria should be broadly reflective of an objective to serve the evolving needs of clients, not simply the short-term needs of the partnership. By consciously rewarding and recognizing actions that are consistent with change, experimentation and new approaches, leaders can create an environment where the

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departure from business as usual is less threatening.

Challenge #2: Communication of Values

Compounding the challenges in overcoming the fear of change, in many firms there is an unfortunate disconnect between the firm's stated values and the behavior of leaders and influential partners. The words we will be more innovative are not always followed up with action, causing innovative efforts to falter. Firms that have successfully aligned their words about the importance of thinking in new ways with action are able to move the firm's culture to be more innovative. We see several ways that firms can align words with action.

First is the consistency of leader's messaging. If leaders only talk about being innovative when they get to the innovation-related bullet point in a partners meeting speech or memo to the firm, then the words can ring hollow. Innovation becomes the flavor of the month or as one writer once said, "management by in-flight magazine," reflecting the article the leader had read on his latest business trip. Firm leaders need to constantly infuse their messages to the firm with innovation, demonstrating that they are true believers.

Second, leaders and influential partners need to model the behavior that they are attempting to encourage. Are these leaders saying they want to be innovative but in their own practices relying on their tried and true ways of doing things? If so, others in the firm will pay more attention to their actions than their words. For example, encouraging innovation means being tolerant of mistakes. Trying something new invariably leads to suboptimal performance, at least at first. How leadership addresses these initial 'failures' sends crucial messages about whether the firm truly values new approaches.

Finally, there is the issue of incentives. The basis for partner compensation speaks volumes about what the firm truly cares about and it is here where the disconnect between stated values and firm actions is sometimes the widest. For example, coming up with and trying new solutions to problems takes time, but many firms value productivity (in the form of billable client work) above all else. Clients are demanding more creative and efficient solutions to their issues yet many firms do not take profitability into account when rewarding partners. Until firms send signals through compensation that they value innovation efforts, they are unlikely to effectively move the needle culturally.

Challenge #3: Diversity

Innovation requires people to think differently about a particular problem and research on innovation demonstrates that having a variety of perspectives can be an important catalyst to producing innovative solutions. Law firms, however, tend to be very homogenous workplaces. And while many people talk about diversity in terms of women and minorities, we would argue that the lack of diversity is even broader and more fundamental. In short, law firms are dominated by people who have been trained and groomed to think in similar ways.

It starts with the education of young lawyers. Law schools are very good at training students to think like lawyers. Although it is starting to change, traditionally, law schools have taught students in similar methods for many decades. This uniformity is important for the profession because it helps ensure a level of consistency among practitioners. But it also means that lawyers are limited in their exposure to ideas that derive from outside of the traditional law school context. They then enter law firms that are filled with others who were similarly educated and socialized, which provides a uniformity of perspectives that is unusual for organizations outside the legal profession.

There is some variability within firms, particularly at the practice level. Litigators and transactional attorneys have very different jobs and interact very differently with their clients. However, law firms are still fairly siloed organizations, a fact made more difficult by the fact that different jurisdictions require different bar admissions. So the benefit of a diversity of practice approaches tends not to be realized because it is often challenging to bridge those siloes.

The final level of homogeneity that is an obstacle to innovation is the internal hierarchy of law firms. The tradition of self-management in firms has created a sort of caste-system where lawyers are first class and the professional staff are considered to be support or overhead. This caste system has been reinforced over the years by prohibitions on non-lawyer ownership, making it even harder for anyone who is not a lawyer to get a real seat at the table. In many firms, the opinions and suggestions of staff tend not to be given the same weight as those by lawyers. And while this dynamic is understandable, particularly given that the firm is owned by lawyers, it can hurt innovation efforts. The professional managers in firms bring in a diversity of perspectives because they have been educated in a different way and often have spent time in organizations outside of the legal profession. In fact, in our experience, the firms who are the most innovative take seriously the input of their professional staff. These firms are putting business professionals in front of clients and asking them to contribute to multi-faceted solutions to client problems. They are also leveraging the experience of these professionals to impact the

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management of legal talent and provide new insights into the effective leadership of law firms. However, if the real power in the firm resides solely in the practicing lawyers, then firms waste the opportunities afforded by the diversity right under their noses.

American composer John Cage once remarked, "I can't understand why people are frightened of new ideas. I'm frightened of the old ones." We may be finally reaching a point in the legal profession where firms are open to exploring new approaches. Yet, until leaders can do the hard work of creating a culture to support innovation, the inertia of old ideas is likely to persist. And in a time where technology and attitudes are changing as quickly as they are now, that is truly a frightening thought indeed.

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