

## Strong case for new thinking

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The head of legal at a FTSE 250 company went silent for a few minutes when we asked him to mention an innovative lawyer he had used. Then he said he did not think it was possible for lawyers to be innovative.

During the course of the research for this FT Report, we interviewed several major purchasers of legal services and found that even some private practice lawyers shared this sentiment. One leading employment lawyer said: "Innovation in the legal profession? That's a misnomer. Lawyers are as dull as dishwater."

The Financial Times ranking of Innovative Lawyers is the profession's opportunity to answer back. Gone are the days, lawyers would say, when they could emerge from law school, get a training contract, practise technical law and relax for the rest of their career on their status as "professionals".

Lawyers would argue that the legal market is much more competitive than those who see it as a lucrative and cosy club acknowledge. London alone has more than 100 quality commercial law firms and has in recent years been invaded by ambitious regional practices and US law firms, vying for City work.

Many law firms reckon that maintaining competitive advantage in this market requires a different approach to their businesses. Allen & Overy, one of the so-called "magic circle" of large law firms in the City, dedicated a whole day to innovation at its partners' retreat at the end of last year.

One of its conclusions was that lawyers needed to be innovative if they wanted to be competitive internationally. David Jabbari, global head of know-how at the firm, says: "Innovation is critical for law firms because it is a tangible way we can demonstrate our thought leadership to clients."

Thought leadership is one of those over-used and often ill-defined phrases seen in the professional services industries. Pinning down what it means can be difficult. In the legal sector, it means more than interpreting the latest House of Lords judgment and sending a note out to clients about it. It is, says Mr Jabbari, about "suffusing the law with a sense of where the market is going. It's using legal thinking to predict how a regulatory framework will evolve, for example, and then sharing that with your clients."

As this report shows, Allen & Overy is not the only firm that claims to take innovation seriously.

Nearly all the UK's top commercial law firms submitted entries into the FT's ranking. Smaller regional practices also accounted for noteworthy entries.

Predictably, the most oversubscribed category by far was legal expertise and the least subscribed was billing. Lawyers are still more comfortable about showing their legal knowledge than talking about their fees.

The triggers of innovation in the legal sector are more complex than a desire to gain competitive advantage. In some instances, innovation is necessary simply to stay in the market.

Some firms reckon the way to avoid the commoditisation of their legal services is to try to emulate the wide ranging work done by consultancy firms such as McKinsey.

There is little scope for lawyers to be innovative when they deliver a routine service. It is no accident that Slaughter and May, a magic circle firm specialising in corporate law and well known for its bespoke legal work, submitted the most entries in the legal expertise category.

However, other law firms such as Newcastle-based Dickinson Dees have seen the commoditisation of legal services as an opportunity. Its entry in the IT section is its way of introducing efficiency into the home buying process via an online service that delivers home information packs and basic but essential legal information for potential buyers.

Another trigger of innovation has been the high demand for lawyers' services and their increasing willingness to shift between firms or even move into other sectors such as banking.

This trend has influenced law firms' approach to IT, management and human resources. Law firms' personnel strategies are

intrinsic to their success as a busi-

ness in ways that are more fundamental than, for example, might be the case in a manufacturing business. A law firm's product is its lawyers.

Therefore, it is logical that the third most subscribed category was use of human resources. Two prominent City law firms, Freshfields Bruckhaus Deringer and Allen & Overy, merited a "stand-out" ranking in this category.

Law firms can be innovative in the way in which they deliver their services, the actual advice they offer and the way in which they run themselves. In terms of this Report, the highly-ranked entries are the ones in which lawyers have broken out of the straitjacket of their legal training or the confines of what is traditionally expected of a law firm.

Some 33 innovations were given a "stand-out" ranking. These passed all the research tests and show that lawyers can excel at more than "black letter" law – legal principles seen as beyond doubt. In some cases, they reflect efforts by lawyers to persuade often sceptical outsiders that they are interested not solely in raking in fees, but in helping their clients, employees and wider society.

The Tulip service pioneered by Mishcon de Reya is an example of a law firm creating opportunities for its clients through combining its legal expertise in financial fraud and intellectual property with a commercial understanding of the brand owner's dilemma over whether or not it makes commercial sense to pursue claims. A stand-out entry in the Legal Expertise section, it also makes the Judge's Choice of top ten entries overall.

Mishcon, a mid-market commercial firm in London, came up with a scheme to help brand owners in their fight against counterfeiting. Tulip is a programme which tries to "turn losses into profits" by focusing on the ill-gotten gains of counterfeiters and returning that money to the brand owners. The result has been that clients which have adopted the approach have managed to save money while pursuing their claims.

Five out of the nine categories of the report are "client-facing". Law firms which merited a "stand-out" ranking for client service, legal expertise, value for money, billing and IT claim they have shown that their innovations have had real and lasting impact on their clients – and sometimes on a whole industry sector or community.

For example, Norton Rose's work in Takaful insurance products could potentially allow the 20 per cent of the world's population who are Muslims access to insurance which complies with Sharia law, which derives from the teachings of the Koran.

Currently, very few law firms are systematic in their approaches to innovation. "It's hard to convince a room of millionaires that their business model is wrong," says Richard Susskind, author of *The Future of Law* and a leading law firm consultant. "They like the idea of innovation but want it on a plate."

Unlike other industries, such as pharmaceuticals or electronics which spend almost 20 per cent of their income on research and development, there is no R&D culture in law firms. Most innovation in law firms and those that feature in this report tends to originate in the dynamism of particular individuals.

For example, Wragge's stand-out entry in the IT section – and one of the Judge's Choices – is the result of the initiative of one man, Derek Southall, who convinced his partners that he should offer free, unbiased strategic IT advice to company legal departments in order to add value and deepen relationships between the firm and top FTSE companies.

The report also features 17 individual lawyers whose names emerged from the research process. While they are certainly not all mavericks, they were strongly recommended by clients for their innovation.

Lawyers such as Brian Capstick have broken the mould of traditional lawyering. Now the senior partner of Capsticks, one of the top healthcare law firms in the UK, he has helped reduce the number of clinical negligence cases relating to babies suffering from perinatal brain damage.

Mr Capstick was one of the first to design and implement legal matter management software in 1982 and set up a university credited diploma for hospital managers which is based on his firm's research into clinical negligence.

The question we try to answer is how much substance lies beneath the eclectic and imaginative internal firm naming sessions that have yielded projects such as Tulip, Anchovy, Arachne and Mexican waves. Read on to make up your own minds about whether the idea of innovative lawyers deserves more than to be dismissed as an oxymoron.

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