



# LAW FIRM INNOVATION— ERASING BOUNDARIES

Reimagining the way legal services are provided at BakerHostetler.

BY KATHERINE M. LOWRY

If necessity is the mother of invention, then technology is a clear call to action for law firms to innovate. Innovation can take many forms. Here, let's compare the distinction between optimizing processes inside of law firms and the rise of captive (in-house) alternative legal services providers (ALSPs)—often dubbed New Law. The latter is defined as the building of new legal service delivery models that provide a high degree of client value through process redesign, leveraged technology, and better use of data.

## **BakerHostetler's Formation of IncuBaker™**

My captive ALSP experience stems from co-founding IncuBaker as a legal tech research and development (R&D) team in 2015. By 2018, it evolved into a thriving legal tech consulting team—a captive ALSP. In the early stages, years before forming the team, we gathered data across a variety of industries and identified the tangible impact of emerging technology as an impending tidal wave of change headed straight for the legal industry. As we sought opportunities to engage with and evaluate technology vendors, we quickly identified a common theme: the importance of machine learning and using algorithms to predict outcomes across areas like research, contracts, client churn, and business development initiatives. Exploring solutions built on machine learning and building tactical expertise was key to us. We wanted to provide substantive and factual evidence on how technology was shaping the legal landscape. We aimed to be the voice of reason in the market—not simply another publicity-seeking company.

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An early goal focused on creating a research framework for evaluating vendors and their offerings. It included a methodology to determine the efficacy of the solutions being presented as compared to others already in the marketplace. Through this journey we leveraged the expertise of individuals from across the firm, including our technologists, attorneys, and law librarians. Every initiative was met with data issues—lack of data capture, the need for normalization, poor data quality, and the like. Solving legal issues required foundational legal knowledge that our technologists didn't possess, but which our law librarians did. Not only were they content experts with a thorough understanding of coverage and reliability, but they could also connect the dots to join information across multiple platforms. Tactical objectives were met with purpose-driven teams that could harvest data, build practical approaches to solving problems, leverage advanced technology, and finalize an outcome on how this would impact the firm. I couldn't be prouder of shining a light on the talent that existed at our firm and orchestrating a new model of service delivery.

As we were building our IncuBaker strategy within the firm, we quickly identified that our clients had the same needs. We could utilize our expertise for them too—navigating the intersection of digital business, emerging technology, and the law. As a result, IncuBaker's legal tech consulting arm was officially formed. Today, our services help lead substantive change in corporate legal departments through process optimization, leveraging

the use of technology when needed, and embracing data analytics. Most of all, IncuBaker deepens our relationships with clients by helping them create operational efficiencies, and it enhances the legal services provided by our attorneys.

### Law Firm Innovation Is Reaching a New Tipping Point

Innovation is reaching a new tipping point in law firms. It is moving beyond an essential “firm function” to a critical component in how law firms envision reshaping client relationships. New service offerings are gaining enough momentum to have significant impact on the legal industry. Today, we are at the crest of the wave of erasing boundaries and approaching service delivery in unique ways that require us to see things differently and not succumb to limitations of the status quo. It is the practice of generating, molding, and giving new life to ideas surrounding how to best serve clients.

Why now? Perhaps it was John Alber's writings that suggested innovation is a mortal proposition: change or die. Could it be a defensive strategy to compete with the Big Four? Change comes for many reasons. Law firms are creating captive ALSPs at a fast rate—increasingly filling the role of Legal Process Engineers and Technology Consultants. Here are (just a few!) firms offering new innovative services:

■ **BAKERHOSTETLER'S INCUBAKER™** - Originally launched in 2015 as a Legal Tech R&D team that expanded to an innovative Legal Tech Solutions team in 2018, IncuBaker provides a robust suite of consulting services for corporate law departments.

- **PAUL HASTINGS' LEGAL INNOVATION AND DESIGN (LID)** - A team with two main goals: supporting people who drive innovation and providing education around legal innovation methodologies.
- **KEESAL, YOUNG & LOGAN'S KEESAL PROPULSION LABS (KPLABS)** - A subsidiary company that assists Fortune 500 law departments in automating their business and legal processes.
- **REED SMITH'S GRAVITY STACK** - A tech development and managed services subsidiary that recently launched a new Business Advisory Solutions group.
- **GREENBURG TRAURIG'S RECURVE** - A global shared services platform that offers non-legal services to clients.
- **TROUTMAN PEPPER'S EMERGE** - A fully owned eDiscovery subsidiary that offers clients integrated technology and legal solutions to address complex data-driven problems.
- **ROBINS KAPLAN'S ACUMEN** - A litigation-focused professional services team focused on e-discovery, financial analysis, and patent analytics.
- **BRYAN CAVE LEIGHTON PAISNER'S CANTILEVER** - A group that combined their legal operations consultancy division to support in-house legal teams.
- **SHEARMAN & STERLING'S LEGAL OPERATIONS BY SHEARMAN** - A new offering designed to meet the people, process, and technology needs of law departments.
- **WILSON SONSINI'S SIXFIFTY** - A technology company that is dedicated to making the law more accessible.

The examples above illustrate the breadth and depth of law firm innovation. By all accounts, this is just the tip of the iceberg. Firms are still experimenting and deciding how to

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weave innovation permanently into the fabric of their organizations. Let’s examine the process that is fueling change to embrace innovation.

### Fueling Change – Common Characteristics of Process and People

Overall, law firms are increasing their investment in people dedicated to innovation. The highest investments are being made in BigLaw. The spectrum of innovation spans back-office optimization, integration of machine learning into practice services, and dedicated client teams.

Innovation often revolves around clients and deepening relationships with them. Engaging in more frequent client interactions to explore the art of what is possible is generating new ideas, optimizing current processes, and leading to complete legal department-wide transformations. Developing new services and technology solutions requires a process that is removed from the normal constraints. The most successful innovation teams have the freedom to explore and think outside of the box. Decades of problems won’t be solved without more creative and less constrained action.

However, creativity alone is insufficient to sustain innovation. A genuine approach and continuous commitment increases integrity as a firm goes through this process. The building of expertise, the investment in time dedicated to exploration, and being able to execute by translating the vision across an increasing number of teams, channels, and platforms are cornerstones to innovation.

Fundamentally, this change is fueled by talent—people and

teams make it happen. Reflecting on the types of personalities across innovation roles in law firms, there appear to be some common traits: eagerness to erase boundaries, embracing change, and a willingness to “just go for it.” Individuals feel empowered to ask, “why not?” Consultants, technologists, law librarians, and lawyers are among the mixed profiles seen in law firm innovation teams.

Leaders must be strong visionaries and explorers of the art of what is possible. They must possess strong resiliency to deal with cascading business problems (e.g., how to scale, develop talent, continuously ignite curiosity, secure investment funding, etc.). Innovative leaders are often impossibly stretched. It is a challenge to balance between promoting modern approaches and navigating a conservative industry filled with traditional values. The key here is persistence. Taking on a dynamic and chaotic pioneering spirit will test everyone’s character—especially when trying to fit within a firm’s strategic imperatives. Leaders must possess persistence to keep moving forward, execute, and stick with their vision.

### Were You Paying Attention? Your Future Depends on It

Law firms that haven’t heeded the warning signs and haven’t embraced innovation in some form over the last five to 10 years will struggle. Clients will grow more attracted to service offerings targeted at truly understanding their operational limitations and helping to overcome them. Moreover, firms that don’t keep pace will lack the skills that struggling through

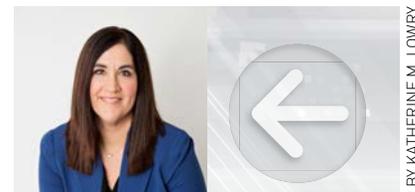
innovation provides, such as knowing how to overcome tech fatigue in an organization when people are working for technology and not the other way around, developing self-reliance qualities to never give-up when faced with challenging situations, and removing fear from the equation so that the solutions are not restrained by the way things have been done in the past.

For those who at least took a surface-level approach, they are on thin ice and should take immediate steps to embrace true innovation in their culture. For those who took the plunge, brace for impact—even longer days are ahead. The frontier is still forming and being shaped by all the influences of emerging technology, increases in client sophistication, and change in competition. Don’t get lost on day-to-day operations—continue to scan the horizon for new opportunities. Seek to evolve with clients and leverage the wide range of talent that exists in your firm by forming cross-functional teams of technologists, attorneys, law librarians, and other experts from your administrative team. Relationships with clients will flourish and so too will your people and your business. Continue to accelerate law firm innovation through the constant weaving of new ideas that align with the overall strategic imperatives of the firm to reach ultimate success. ■

IM Information Management

M+B Management + Business Acumen

M+O Marketing + Outreach



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