De-Risking Innovation for Law Firms:

Engaging Attorneys, Building Momentum, and Delivering Results

How Opportunistic & Data-Driven Innovation Tactics Can Save Law Firms Millions

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White paper

ORGANIZING 4 INNOVATION

ABOUT THE AUTHOR

Floor Blindenbach-Driessen has a Ph.D. in management from Erasmus University in the Netherlands. She has 25+ years of experience delivering innovative solutions and publishing articles about innovation management in highly regarded academic journals and handbooks.

She founded Organizing4Innovation because she saw many smart professionals struggling with bringing their ideas to fruition and saw that innovation managers lacked the tools to do their job well. The Steering Wheel platform was developed to address these challenges and came about, among others, due to two commercialization grants from the Commonwealth of Virginia.

Dr. Blindenbach has guided hundreds of innovators in creating innovative solutions, leading to millions of dollars in new revenues. In 2008 she started working with law firms on their innovation challenges, engagements that accelerated during the Covid-19 pandemic.

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Introduction

Does your law firm possess the metrics and processes to track its legal tech investments and returns? When your firm is flourishing, you may get away with not tracking this information. However, in challenging times, you must be able to rely on your innovation capabilities. This becomes impossible when the automatic response in times of difficulty is to cut funding for these activities due to the perceived cost and unknown return on investment.

This white paper aims to redefine the perception of innovation and legal tech from a cost to an investment. We will guide you in establishing an innovation process and function that contributes significantly to your firm's bottom line. A process that will enable you to keep up with the ever-faster technology changes that impact the legal industry. And that can serve as your firm's beacon in flourishing and challenging times.

We will focus on tactics that improve, facilitate, or expand the work of your firm's attorneys in ways that contribute to the bottom line. We will dig into each element a structured innovation process should entail, offering you a pathway from your current status to a contributing innovation process. We don’t aim to create independent revenue-generating operations like an alternative legal service provider.

Given that all innovation activities aim to enhance your attorneys' current roles, their engagement in the innovation process is critical. As innovation experts, such as Patrick McKenna, have underscored, without their engagement, the likelihood of successful outcomes diminishes considerably. The questions arise—where to find the time, and how to justify the associated costs? After all, an attorney's time is expensive. Chapter 3 will explain why and how to engage attorneys in the innovation process.

The billable hour model often gets blamed for the lack of innovation in law firms. Since many firms have managed to innovate regardless, we will take it as a given. We expect that even with all the ongoing industry changes, the billable hour model is unlikely to disappear soon.

We will provide tips on ensuring that the scarce time of attorneys and staff is spent on the most valuable and promising projects, enhancing your firm's overall efficiency and effectiveness. Implementing the proposed innovation tactics can save your firm millions of dollars by streamlining actions and fostering efficiencies.

Enjoy reading,

Floor Blindenbach, Ph.D.
Founder, Organizing4Innovation

Understanding the Costs of Ineffective Innovation

Have you ever wondered why companies like Google and Amazon constantly push the boundaries of innovation, spending 15-30%[1] of their revenue on new projects and technologies? This isn't merely an act of corporate bravado. These companies recognize that their commitment to innovation is a key driver of their profitability. New offerings and cost savings generated through these efforts ensure these firms remain at the forefront of their industries.

Contrast this with the legal industry, where the average law firm allocates around 1% of its revenues[2] to innovation and legal tech. To be clear, we are not suggesting that law firms should suddenly divert 20% of their revenues to innovation and legal tech. That would be a very imprudent idea for a host of reasons.

To help us illustrate why this is a bad idea, we will use a hypothetical example to illustrate our points in this chapter and throughout this white paper. Meet **Vic Titious LLC**, a law firm composed of 100 attorneys and 100 staff. We will use this firm as an example to simplify the cost calculations and make them more digestible.

One of the reasons why firms like Vic Titous hesitate to spend on legal tech is because most law firms treat innovation as a cost center rather than a profit driver.

MANY LAW FIRMS TREAT INNOVATION AS A COST RATHER THAN A PROFIT DRIVER.

Let's start by investigating why innovation is often considered a cost. Unclear focus, misguided metrics, misaligned tactics, or a mix of these factors are among the reasons why innovation fails to contribute to the bottom line in a law firm like Vic Titious.

Unclear Focus

When budgeting for innovation, Vic Titious used to consider the expenditures and investments they could afford in the upcoming year, based on how well the firm did in the year before. When things were stable, this tactic made sense. However, nowadays, with technology changing rapidly, Vic Titous realized that it worked better to focus on the cost of inaction — the cost of inefficiencies and missed opportunities — when determining the investment budget for the forthcoming year.

Consider an inefficient Document Management System (DMS). If every individual at Vic Titious spends 5 minutes daily searching for documents, the annual cost to the firm, calculated using an average cost of $50/h for staff and $100/h*[3] for attorneys, amounts to $300,000.*[4]

Recognizing this "cost of inaction," Vic Titious's leadership can decide whether taking action is worth it and how much to invest in the following year to address the problem or challenge.

Further underscoring the challenge of having the wrong focus is a revealing statistic: according to the 2017 PwC Innovation Benchmark[5], 54% of innovating organizations have trouble bridging the gap between innovation strategy and the larger business strategy.

Misguided Metrics

Addressing inefficiencies and opportunities is not cost-free. While upfront costs of legal tech implementations, such as software purchases

1 MacroTrends. Amazon Research and Development Expenses 2010-2023. 2023
2 The Artificial Lawyer. The Legal Sector R&D Gap: 1% vs 5% Average. July 2021
3 Note: $100 is the number Vic Titious is using. The average wage for their attorneys is $47/hour. Their average billing rate is $313/hour. Using their billing rate would account for lost opportunity costs, but overestimate efficiency gains. Vic Titious settled on using $100 as a conservative estimate. The order of magnitude matters, not the exact number.

and consultancy fees are typically considered during budgeting. They only scratch the surface of the actual expenditure.

Addressing inefficiencies and opportunities does not come for free. When it comes to budgeting for legal tech, most firms focus on the cost of software and implementation, like consultant fees. The distortion poses challenges in accurately predicting what an innovation project costs.

Let's dive into the cost dynamics, using the example of Vic Titious implementing a portal to improve a workflow of a practice group.

Here, we break down the typical innovation journey into six activities, each with unique costs:

1. **Initial Discussions**: Initiating planning meetings and discussing the project.
2. **Staff Engagement**: Gathering detailed information to create an action plan.
3. **Team Formation**: Assembling a team, possibly including a consultancy, to develop and implement the solution.
4. **Solution Acquisition**: Purchasing or developing the solution.
5. **Staff Training**: Training the practice group to use the solution.
6. **System Deployment**: Rolling out the solution across the organization (if applicable).

Now, what could be the most expensive part of this journey? What could cost Vic Titious the most when adopting and implementing a new workflow?

Let's take a look at this innovation journey in Table 1.1. on the next page.

After assessing each stage, the 'free' internal hours carry significant costs, potentially rising to around $57,450. The commonly considered external costs, like the consultant and the solution, total for about $35,000.

Therefore, the business case should consider both these internal and external costs.

Vic Titious will need to diligently track all costs throughout the project lifecycle—before, during, and after the solution's deployment. This diligence is vital for accurately assessing the project's contribution to the bottom line and will help the firm to make better time and resource estimates over time.

Misaligned tactics

In organizations like Google and Amazon, innovation activities are part of a well-defined growth strategy. The portfolio of projects is a careful balance of short and long-term investments designed to maintain and capture new market share. In this strategic approach to innovation, the innovation function is an integral part of the company's business processes and is set up to execute the innovation agenda independently. As such, having control over the innovation process is given in this model.

But from our research and client experience, we learned that law firms often evaluate opportunities one at a time and rely on practice groups to help develop and implement solutions – a much more opportunistic way of innovating.[7]

For example, Vic Titious has just one shot at getting this workflow project right and creating a return on investment. They cannot offset the risks and rewards of this project against a portfolio of other legal tech or efficiency improvement investments.

What's more, even if Vic Titious is super successful in its rollout of this workflow, it will unlikely deliver millions of dollars in cost savings.

4 Note: How We Got to $300,000. Using the number of 200 (100 staff and 100 attorneys) people at Vic Titious at 5 minutes per day over 50 work weeks throughout the year equates to 1250 minutes per person, or a total of 20 hours per year, per person. We assumed costs are $50/h for staff and $100/h for attorneys. Using these numbers would lead to a total of $300,000 of hidden costs for the inefficient document management system.
5 PwC. 2017 PwC Innovation Benchmark. 2017

Table 1.1

Innovation Journey: Workflow Portal example

Innovation stage	Description	Cost
Initial discussion	The practice group has been talking about a portal and workflow automation for nearly 2 years. That means that 5 attorneys and 5 staff have spent between 5-60 minutes each week discussing the topic – in small settings or larger team meetings. In total that amounts to 100 weeks of 15 minutes/week, or 25 hours for the 5 attorneys and staff each. In costs, equal to $12,500 for the attorneys and $6,250 for the staff, for a total of $18,750.	In total, $18,750 to explore if the practice group should act
Staff engagement	Leadership decides to take action and asks the staff to help with creating a plan. This team consists of 4 people: 3 staff and one attorney. It takes them 12 weeks to gather the necessary information. In costs, equal to $9600 for the staff and $1,200 for the attorney, for a total of $10,800	That is $10,800 for this team of four to research and create the business case.
Team formation	The plan got approved and the team is expanded. An external IT consultant is hired to help with the implementation. $25k is spent on this consultant. The team of four is expanded with one more senior attorney and an associate to help with the testing and implementation. This team of 6 will work on this project for 6 months, for on average 2 hours per week. In costs, these 52 hours equal to $2600 for the staff and $5,200 for each attorney. Adding another $23,400 in costs for the Vic Titious team.	Making the total of this step *$25,000* + $23,400 = $48,400.
Solution acquisition	A solution is created using existing software. The development work is estimated to cost another $10k	*$10,000*
Staff training	As part of the implementation plan, everyone in the practice group will get on 4-hour training and is expected to lose about 2 hours of productivity getting used to the new way of working.	$3000 for the 5 attorneys and $1500 for the staff. Total $4500
Solution deployment	Since the workflow portal will be client-facing, the implementation is going to be paid for by clients.	Here we assume no costs.
Total		**$92,450** [6]

6 * Note: Clearly, many assumptions were made to derive this number.

More realistically, it will provide the firm with about $100k - $200k per year in efficiency gains.

In other words, Vic Titious will never have the opportunity to offset the losses from failed projects with successful ones. This "one shot" approach puts the firm under pressure to always pick low-risk projects, which can stifle innovation.

Although the opportunistic approach has its benefits, it comes with complications. With different "heads" involved in decision-making, funding, and execution, controlling the innovation process becomes less straightforward.

For Vic Titious's Workflow project, several staff members and attorneys did the work, IT funded the project, and the practice group leadership decided to proceed.

Altogether, Vic Titious needs innovation tactics that work for projects like these. This practice group will never have the opportunity to make up for the losses of this one bet with another big gain.

As such, their innovation tactics must be geared toward placing one bet in a game with relatively modest prize money. In addition, Vic Titious must take derisking very seriously to ensure it does not waste money on a workflow portal project that it cannot afford to lose. And last but not least, all of this takes place in an environment where different stakeholders are involved when it comes to who decides, who pays, and who does the work.

Engaging Attorneys in the Innovation Process

Our research has consistently underscored that the active engagement of attorneys in the innovation process is the prime factor in success. As the core of legal practices, attorneys' participation in innovation activities is vital. It directly influences their law practice.

Attorneys have a deep knowledge of legal practices, so they understand how innovations could affect their work. This is nothing new and something that all good lawyers do daily for their clients. However, what's changed, and what the pandemic hastened, is the drive for many of these changes now stemming from technology, workflow optimization, and cost reductions.

So when it comes to who does the work, attorneys need to drive innovation projects, which takes time. They can and should be supported in this task– we will elaborate on that in Chapter 3.

OVERCOMING THE BILLABLE HOURS DILEMMA

Vic Titious grappled with balancing billable hours and innovation projects despite the undeniable value of attorney engagement in innovation. As discussed in Chapter 1, attorneys' time carries significant costs, and the opportunity costs tied to unbillable hours are considerable. Jessica Blaemire's report to Bloomberg revealed that attorneys accrued between 150 and 280 unbillable hours over 6 months, particularly pronounced among attorneys aged 45-54.[8] These hours are often devoted to management, business development, and marketing.

7 Floor Blindenbach-Driessen, Jan Van den Ende. The PDMA Handbook of Innovation and New Product Development, 4th Edition. 2023
8 Jessica R. Blaemire. ANALYSIS: Do More Years in Practice Mean More Non-Billables. Sept 2022.

At Vic Titious, that was no different.

While these hours were used for critical non-billable activities like leadership and business development, the structure was often lacking. When putting structure in place around their innovation activities, the firm decided to allocate 10% of unbillable hours to innovation. This number equated to the 1% of revenue that Vic Titious used to invest in innovation and legal tech each year.

Framing innovation as an investment in future billable hours helped to offset its attorneys' dilemma of balancing immediate client demands with longer-term innovation. It required implementing a structured process focusing on project advancement to ensure these time investments spurred innovation.

To be clear, not all Vic Titious attorneys are spending 10% of their non-billable time on innovation activities. This time is a precious resource and can only be devoted to the most promising innovation initiatives. Investing non-billable time and spending it on an innovation project has become a privilege, not a given.

RECOGNIZING THE VALUE OF ATTORNEY INVOLVEMENT

Embracing innovation and engaging in innovation activities turned out to be a uniquely rewarding experience for Vic Titious attorneys on both personal and professional levels.

Some key intangible benefits they experienced:

Feeling the Thrill of Breaking New Ground

Innovation activities allow attorneys to think innovatively and pioneer fresh solutions. The exhilaration of exploring the unknown is unparalleled.

Relishing the Mental Challenge

Innovation requires agile and critical thinking, challenging attorneys to view problems from fresh perspectives. This intellectual stimulation keeps their minds active and engaged.

Seizing the Reins

Associates can helm innovation initiatives, acquiring the autonomy to realize their ideas. This sense of authority and ownership is empowering.

Building Bonds through Teamwork

Few things foster a sense of camaraderie, like a common innovative purpose. Collaboration is nurturing relationships across the firm.

Learning about the Business of Law

Innovation initiatives expose attorneys to new technologies, methodologies, and skills. In addition, innovation projects provide deep insights into the business of law.

Innovation offers Vic Titious attorneys a chance for personal growth and revitalization. While traversing uncharted waters can be challenging, embracing the discomfort has opened the door to game-changing rewards for a few and faster career advancement for several others.

LEVERAGING LEGAL EXPERTISE TO ASSESS RISK

While innovation is about bold new ideas, it also requires thoughtful risk assessment.

First, there is the risk to the individual. What is in it for me? That is a question each innovator will have to answer for him or herself.

Second, there are four types of risks, for which Vic Titious attorneys play an indispensable role in identifying and addressing the potential pitfalls:

1. **Market Risk:** The attorneys have the deepest client knowledge to evaluate market needs.
2. **Organizational Risk:** While the partnership decides on alignment with strategy and operational goals, as firm leaders, the attorneys are ideally suited to demonstrate congruence in goals.
3. **Solution Risk:** The attorneys provide insights on the proposed solution's viability and usability.
4. **Project Risk:** The attorneys oversee the transition from current to future state within their practice.

While staff provides essential support, Vic Titious attorneys are uniquely positioned to pinpoint risks tied to the market, organization, proposed solution, and project plan. Their hands-on leadership perspectives make attorneys' input invaluable for mitigating risk across all fronts.

Building Momentum for Succcessful Innovation

Momentum is the force that propels innovation forward. Projects need it to progress. Maintaining momentum, while crucial, is often easier said than done, especially when many stakeholders are involved and when venturing into uncharted territory.

Why does Momentum Matter?

Innovation projects demand substantial time and resources. Vic Titious's leadership quickly learned that prolonged projects inflated costs. Momentum, on the other hand, abbreviated project length. Furthermore, competing priorities often undermines focus, while consistent forward movement counteracted distraction. Progress breeds progress. Everyone wants to be part of a winning team.

But maintaining momentum amidst uncertainty did not come easy at Vic Titious. They drew inspiration from the historical 1911 race to the South Pole. Two rivals, Robert Falcon Scott and Roald Amundsen, took contrasting approaches. While Scott's team rested during stormy weather and marched up to 60 miles on favorable days, Amundsen's team unyieldingly marched 20 miles daily, irrespective of the conditions. As it turned out, Amundsen's consistent 20-mile "innovation sprints" outmatched Scott's flexibility, resulting in Amundsen reaching the pole first.

Just like Amundsen, Vic Titious realized that their innovation teams needed to set regular progress goals to maintain momentum, despite uncertainties. This could involve testing a set number of assumptions or conducting a specified number of experiments weekly. Such a systematic approach built predictable momentum, even on the most daunting journeys into the unknown.

Innovation Roadmaps and Performance Dashboards

Modern expeditions leverage GPS and personal trackers for real-time location and pace monitoring. Vic Titious Innovation teams needed similar tools to have visibility into their progress. As such, their innovation teams required progress roadmaps and performance dashboards highlighting the milestones achieved, assumptions proved, and learnings gained.

Table 3.1

Four Steps of the Innovation Journey

Phase	Key Actions
Scout	• Act on an opportunity and become the idea's innovation champion. • Discuss with others to mature the idea. • Centralize projects for firm-wide transparency.
Validate	• Determine if the idea is worth pursuing. • Secure approval, funding, and resources to test the concept in practice.
Transform	• Develop the solution. • Conduct experiments further to validate the value and feasibility of the concept. • Implement the first application. • Celebrate the successful first application.
Scale & Adoption	• Identify aspects of the first application that can be reused and recycled in other projects and for other clients. • Train others on adopting and implementing the concept. • Scale to achieve at least 3x - 10x the revenue of the investment.

Momentum compounds when teams maintain consistent pacing, uphold transparency, and celebrate 'micro wins.' These Innovators resembled great explorers, advancing steadily into the unknown, conquering new peaks of progress every day. Momentum morphed the impossible into the possible.

However, maintaining momentum required that Vic Titious adopt different strategies tailored to each phase of innovation. As projects evolved from early ideation to validation, transformation, and widespread adoption, teams needed to adjust their momentum strategies accordingly.

TAILWINDS: CRAFTING MOMENTUM FOR EACH LEG OF THE JOURNEY

The innovation process unfolds in four key steps: scouting, validating, transforming, and scaling. Each phase has specific actions and milestones that guide Vic Titious' teams towards successful innovation outcomes.

A successful outcome requires the successful execution of each phase, from defining a new opportunity, examining its feasibility, and developing a viable solution to implementing it as widely as possible. By the way, a successful outcome can also mean the decision to terminate the project when it becomes clear that pursuing the project is no longer worthwhile.

CHARTING THE EXPEDITION: SCOUTING THE INNOVATION HORIZON

Scouting starts with identifying opportunities from different directions and fields. Conferences, vendors, and suppliers are great sources of ideas. A repository that tracks who has been, or is currently exploring, has helped Vic Titious to avoid duplication in efforts.

Due to the substantial workload associated with scouting, the Global Law Firm Network that

Vic Titious is a member of, provides technology scouting services to its member firms. This network's innovation team scouts and tests technology with interested member firms. Once the technology proves useful, the pioneer member firms are requested to share their experiences, providing a way to reduce the risks of the scouting phase.

VALIDATION VISTA: CONFIRMING THE INNOVATION COURSE

After the Scouting phase, Vic Titious uses the Validation phase to evaluate and validate the opportunity in more detail. Is it worthwhile to give the project a go? While conventional selection criteria like problem size, potential revenue, and strategic fit seemed sensible. It turned out that these did not correlate with future success.[9]

Instead, the most successful initiatives shared the following attributes:

- They addressed an urgent unmet need or problem of a new or existing client group.
- They were championed by a partner or senior lawyer actively involved in the initiative.

Vic Titious, therefore, started looking at these attributes when making investment decisions. In addition, before determining if a project is worthy of investment, teams are now asked to test key assumptions while building the business case meticulously. So data-driven-decisions can be used to determine if a project is worthy of investment.

The Imperative of Evidence-based decision-making

It was paramount for senior management to consider the evidence gathered by project teams and make data-driven decisions instead of deciding based on their gut feelings. Nobel laureate Kahneman[10] found that gut feelings often falter in cases of innovation, where familiar paths are disrupted by new technology, revenue models, and customer expectations. It took some effort for leadership to heed the evidence collected by project teams when validating and derisking projects

The Role of Senior Partners and Lawyers in Validation

A team's dedication during the early stages predicts their commitment to success. As Ed Catmull articulates in Creativity Inc,[11] "If you give a good idea to a mediocre team, they will screw it up. If you give a mediocre idea to a brilliant team, they will either fix it or throw it away and come up with something better." Approving projects based on a team's effort, teamwork, and learning capacity has proven to be a very sound investment tactic at Vic Titious.

NAVIGATING UPHILL CLIMBS: OVERCOMING TRANSFORMATION OBSTACLES

Once approved, staff develops and helps implement the solution. At first, Vic Titious left teams on their own devices after the project received the inital green light. However, that approach proved to be short-sighted. The firm quickly learned that derisking isn't a one-time event but an ongoing process that spans the entire innovation journey.

Monitoring progress became essential. At each established milestone mark, projects are reviewed to determine whether the team should proceed based on the data they've collected. Progress evaluation isn't limited to solution development. It also assesses further market, organization, and project risk mitigation.

9 Harvard Business Review. Innovation Killers: How Financial Tools Destroy Your Capacity to Do New Thing. 2008
10 Daniel Kahneman. Conditions for Intuitive Expertise A Failure to Disagree. 2008
11 Ed Catmull, Creativity, Inc.

GUIDE TO THE SUMMIT: SCALING FOR WIDESPREAD IMPACT

The final stage is scaling after a successful pilot. Vic Titious, just like most law firms, excels at sharing their success stories with external parties, using them in client pitches, and celebrating them in the media. Conferences such as ILTACON, KM World, and Legaltech Week allow the firm to show its latest innovation efforts. Interestingly, the firm has had less success internally sharing best practices and new technologies.

One of the biggest challenges for any innovation function is “how to ensure adoption.” That was no different at Vic Titious. Addressing adoption challenges goes beyond the scope of this white paper. That being said, most adoption challenges are symptoms of ill-defined business drivers and, for the most part, preventable. To maintain momentum during this final phase, Vic Titious has learned to focus on impact and scaling, as that turned out to be more important than to focus on speed.

Motivating Team Members to Stay Engaged After Adoption

Engaging team members after the first pilot is often a tough task. If the pilot solves the problems of the team members, there are no incentives to invest more time and effort in promoting the new technology elsewhere in the firm.

While scaling generally serves the broader organization's interests, it rarely benefits the individuals who initially embraced the opportunity. Consequently, Vic Titious needed to establish incentives to drive the scaling process and create a sense of accountability among project teams to recoup the investment and support they received. This situation called for more involvement from the leadership. Their weight helped to ensure that solutions were adopted and utilized firm-wide.

X Marks the Spot: Charting Returns on Innovation

Calculating Return on Investment (ROI) on any activity in a law firm is difficult. Vic Titious makes a profit and loss calculations firm-wide and per practice group. Cost allocations are rarely made per matter or service offering*.[12] As such, the firm needed a simpler approach to calculate the return on investment from its innovation activities.

The most effective method to measure ROI was through **periodic impact assessments** after project completion. Vic Titious categorizes projects as red, yellow, or green at 6-month intervals for 3 years post-launch. These colors reflect the project's status against its business case. Red signifies that the team still needs to recoup investments. Yellow indicates breakeven, and green symbolizes a positive ROI. At Vic Titious, publicizing these "traffic light" scores motivated partner pride and accountability, driving the adoption of new solutions.

Actively monitoring solution performance over time ensured teams followed through on the promises made in the business case and were more committed to scale for impact. Ongoing assessments incentivized the involved team members to promote utilization while identifying areas for improvement. This approach fueled adoption momentum, amplified ROI, and brought innovation success stories to light at Vic Titious. Providing the firm with the innovation culture it sought.

12 * Note: Calculating true ROI can be challenging, in part because law firms often do not ascertain the precise costs of billable hours. This topic is complex and extends beyond the scope of this white paper.

Delivering Results: Saving Money and Optimizing Innovation

Structuring the innovation process at Vic Titious brought substantial gains by addressing existing inefficiencies and creating new opportunities. A diligent approach to each investment delivered the second push in terms of gains. It started with requiring a data-driven business case for each project, articulating the problem, the costs of inaction, and the cost of action.

Creating efficiencies in the innovation process delivered the third biggest gain. Earlier, we estimated that about $200k went into the working hours to launch and implement a project. Using the right tactics, maintaining momentum throughout the innovation journey, and holding teams accountable for adoption and scaling led to more gains and enabled Vic Titious to create an innovation process that positively contributed to the firm's bottom line.

INVESTING STRATEGICALLY

Introducing structure into the innovation process can lead to a surge in idea exploration within the firm. However, unregulated exploration will be costly. If all 200 employees of Vic Titious spent 10 hours each year exploring ideas, the cost could reach $150,000 with little return. Thus, a structured innovation process became essential to ensure time and resources were used effectively.

FUNDING INNOVATION

Vic Titious makes funding and investment decisions on a project-by-project basis.

With more projects in their pipeline, they have started to allocate budgets for support functions like IT and knowledge management to back up approved initiatives during the early development stages. The partnership has not yet approved a non-billable hour program in which the firm would set aside 50 hours for associates to work on ideas, similar to the evaluation of pro bono work.

The practice of assigning individual budgets to each project can work. However, once Vic Titious started tracking all hours spent on innovation activities, it became clear that there was room for optimization.

Vic Titious grouped the innovation costs into four categories:

1. **Prototype and Software Costs**: Costs associated with purchasing software, building prototypes, and creating pilot versions. They typically account for 20-50% of the overall innovation budget.
2. **Staffing Costs**: The most significant part of the budget, including attorneys and staff costs. These hours, part of the non-billable hours category, are worth tracking as they typically constitute 50%-80% of a project's cost.
3. **Process Orchestration Costs:** Costs associated with hiring an innovation manager and procuring innovation software. While the software cost is negligible compared to the others, it's essential for coordinating innovation efforts.
4. **Innovation Team Training Costs:** Costs related to organizing and providing support programs for innovation teams, including the hours participants spend on these programs.

GUIDING INNOVATION

The Workflow example in Chapter 2 illustrated that staffing costs are by far the biggest of all the cost categories.

Vic Titious realized it needed to invest in training and orchestrating its innovation activities to better control and utilize staffing costs.

Only a few law schools have started legal tech tracks, so many lawyers haven't learned how to innovate in law school. Closing this skill gap is a challenging task. Like learning to ride a bike, innovation requires practice—learning by doing. You don't want to waste your lawyers' time on innovation courses. Instead, supporting and guiding each team through their innovation journey proves more beneficial. Tailored, experiential, and just-in-time learning methods are the most effective and 'sticky.'

This approach has another advantage. Creating a new solution is like writing a book. The project team knows all the details, plots, challenges, characters, and storylines. An outsider, however, can more easily identify the assumptions a team is making that need testing. In that sense, the innovation function is similar to an editor – ensuring the team tells a coherent and comprehensive story, crossing all t's and dotting all i's.

REALIZING RETURNS

By putting structure, guidance, and metrics in place, Vic Titious gained more than just an innovation process. It created a data-driven and cost-focused culture for innovation, making innovation activities sustainable and downturn-resistant. In other words, it ensures that the firm won't dismantle these innovation capabilities when cost-cutting measures come into play.

Scaling Innovation: A Path to Maturity

Structuring, guiding, and placing metrics around innovation for it to contribute to the bottom line was a gradual process at Vic Titious. The firm evolved through four maturity stages: Ad Hoc, Individual Projects, Centralized Process, and Innovation Management. These stages differed in terms of process implementation, activities undertaken, decision-making protocols, and funding methods.

Maturity Stages Overview:

- **Ad Hoc**: Innovation activities are unstructured.
- **Individual Projects**: Basic processes are in place to transform ideas into reality.
- **Centralized Process**: Innovation activities are coordinated across the firm.
- **Innovation Management:** Strategy and innovation activities are aligned across various groups and staff functions.

MOVING BEYOND AD-HOC

At the Ad Hoc stage, Vic Titious lacked structured processes or metrics for executing innovation, legal technology, and other improvement projects.

The firm wanted to move beyond this stage, as the lack of structure and metrics led to a wastage of time and resources.

FROM INDIVIDUAL TO CENTRALIZED

The next stage was Individual Projects, where talented attorneys recognized and acted on opportunities. The primary challenge then was that the burden of innovation was placed on a few individuals, leading to burnout and the exit of two high-potentials from the firm.

Transitioning to a Centralized Process was the next step after completing a few successful innovation initiatives. At this level, support functions like Knowledge Management, IT, and Business Development started working together to provide a more centralized overview of the activities.

Once matured to this phase, one individual was assigned to manage innovation activities. For Vic Titious, the logical choice was the leader of their IT team. Despite the administrative nature of the role, the newly assigned Innovation Manager facilitated and aided teams while ensuring increased awareness of innovative activities within the firm.

ACHIEVING INNOVATION MANAGEMENT

Innovation Management, the final maturity level, was used to ensure Vic Titious optimized and coordinated project prioritization and resource allocations across the firm. At this stage, Vic Titious implemented metrics discussed in previous chapters, allowing the comparison of various project teams' efforts. A data-driven approach coupled with investment discipline provides transparency, allowing the firm to assess its investments against returns.

Table 5.1

Innovation Management Characteristics

	Volume	Process	Commitment	Budget	Coordination	Key Challenge
AD HOC	1-5 projects per year	None	Low	None	None	Every project starts from scratch, causing a waste of time and effort
INDIVIDUAL	1-10 projects per year	High-level outline of the phases	Low	On a project per project basis	None	The burden makes it unattractive for young talent to engage in innovation activities
CENTRALIZED	1-25 projects per year	Centralized intake of tech and other innovation projects	Medium	Recommendations by the Innovation Committee; approval by existing budget holders	Support groups coordinate the innovation efforts	Gaining support and budget for larger initiatives that extend beyond one practice group is challenging
INNOVATION MANAGEMENT	15-200 projects per year	Orchestrated Innovation Process	High	The Innovation Committee supports early-stage development	Firm-wide effort to optimize resources and prioritize projects	Innovation costs become clear, and without clear expectations, there can be an excessive focus on short-term gains.

CONCLUSION

While Vic Titious LLC is a fictitious law firm, unlocking the full potential of the innovation process has saved our clients millions. We're not just talking about cost savings but also about smarter investments and streamlining the innovation journey itself.

Law firms often approach innovation on an ad-hoc basis, making decisions on a project-to-project level and leaving each innovation initiative to scrounge for its own budget. With the ever-increasing pace of change in legal tech, this isn't the way forward.

The more opportunistic innovation tactics proposed in this white paper do not equate or compensate for a lack of strategy or planning. Instead, it suggests a different approach to managing the innovation activities. We suggest replacing having a dedicated team within the organization with its own budget, staff, and decision-making authority, solely focused on driving innovation, with structure, guidance and metrics that are more befitting to law firms, where innovation is deeply entwined with operational activities.

As illustrated with the case of Vic Titious, innovation under an opportunistic approach calls for structure, process, support, and measurable outcomes. Without these, you will be risking wasting precious time and resources, and the likelihood of success takes a nosedive.

Given this approach's nature and the limited scalability of solutions, it's time to change expectations and have attorneys lead innovation projects. Innovation isn't an abstract concept—it's about enhancing your law firm's operations. It's about taking advantage of opportunities and streamlining attorneys' workflows.

Staff can and should help with the execution of innovation projects, especially in the Transform phase. However, defining and implementing the opportunities isn't something that can be handed off to staff—it's a job for the attorneys themselves. Engaging attorneys in the process is not a cost—it's an investment. When putting structure to some of the current nonbillable time, most of our clients have been able to find ways to have attorneys participate in innovation activities in a cost-effective and efficient manner. With a laser-sharp focus on costs and disciplined execution, engaging attorneys can become a win-win, benefiting both the individuals and the organization at large.

Despite the inherent challenges of managing innovation projects, every project is unique and often explores uncharted territories. Yet, it's not impossible to monitor progress and performance. Track the effort each project team dedicates to de-risking their project is one example of how you can track and compare the progress and performance of projects.

As the innovation function matures to a level of innovation management, there emerges an opportunity to streamline the innovation process further, identifying and addressing common roadblocks. For example, too many law firms put their innovation teams through a gauntlet of hoops before interacting with clients. These unnecessary restrictions, often arising from fear, can hinder progress. Using methods and processes like Customer Discovery will address such challenges and help overcome the fear.

This is the path forward—an innovation process and function that significantly contributes to the firm's bottom line, acting as a beacon for your firm through the best and worst times, and saving your firm millions of dollars. Embrace the future. Strategize, innovate and lead.

ABOUT ORGANIZING4INNOVATION

Organizing4Innovation provides structure, guidance, and metrics that empower law firms to de-risk their innovation projects and consistently deliver success.

Consider our Steering Wheel platform as your compass on the innovation journey, offering real-time insights into project performance and granting unprecedented control over the entire innovation process. The result? Not only do you save time and money, but you also achieve better results in a shorter time frame.

For law firms ready to venture into the realm of innovation, or those seeking additional information, Organizing4Innovation is poised to assist. Visit our website, https://www.organizing4innovation.com, to unlock a wealth of resources and insights and explore the full potential of our offerings.

About The Steering Wheel programs

The Steering Wheel platform, developed by Organizing4Innovation, is engineered to de-risk innovation projects in law firms. Participating project teams deliver tangible results within a mere six-month timeframe. By participating in one of the Steering Wheel programs, law firms unlock a data-driven approach and gain expert guidance for their innovation project or function.

A Unique Offer: Non-billable to Profitability Playbook

We extend an exclusive offer to you—our Non-billable to Profitability Playbook, absolutely free. It's designed to help you transform your non-billable time into a catalyst for cost savings and future revenue.

This playbook is tailor-made for law firm managers eager to focus on the right objectives, apply the best tactics, and use the most effective metrics.

Our Non-billable to Profitability Playbook will offer firm-specific advice on the best course of action to optimally utilize non-billable time for innovation activities as described in this white paper.

It presents an action plan to control the innovation process, enabling you to address inefficiencies, prioritize projects, maximize resource utility, prevent projects from fizzling out, avoid escalation of commitment, halt pet projects, and tackle adoption challenges.

This playbook equips you with the knowledge and strategies you need to transform your non-billable time into profitable outcomes, using an innovation process that contributes positively to your firm’s bottom line.

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Organizing4Innovation provides **structure**, **guidance**, and **metrics**. Our Steering Wheel platform lets you derisk innovation projects and control the innovation process with 24/7 insights into project performance, so you can easily engage employees, drive momentum, and deliver results.

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