The State of Innovation in Professional Services Firms

September 2020

A report compiled by Spiranti, Meridian West and Earlsferry Advisory, and presented with support from The Professional Law Institute at King's College London

Contents

Authors

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Simon has held numerous positions within the professional services sector over the last 25 years, at a FTSE 100 legal information solution provider; a legal technology consultancy; a law firm; an accounting firm; and a legal membership organisation. He has qualifications in law and tax, and deep experience in commercial product strategy. Simon has board level experience of both executive and non-executive roles, and as CEO of a technology start-up. He has a strong track record in creating innovative product strategies resulting in multiple new multi-million-pound high growth lines of business.

Simon led the new investments product strategy area at LexisNexis, and created and launched many of the next generation content and workflow product offerings for lawyers. At the Law Society Simon ran the commercial arm of the organisation and restructured a set of commercial investments through taking board seats. He also implemented a new commercial strategy including a significant shift in focus to legal technology innovation including the launch of a legal tech-focused Barclays EagleLab accelerator.

Simon has also held senior knowledge management roles in both law and accounting firms. He established Earlsferry advisory towards the end of 2018 to help people with their product strategies, whether they are technology businesses, professional services firms or investors into these spaces.

Ben Kent, founder of Spiranti and Meridian West

Ben started his career as a corporate lawyer at Freshfields. He set up Meridian West in 2001 and has spent the last two decades advising professional services firms on how to design and implement client focused strategies. His clients include the Financial Times, Kemp Little, Linklaters, Farrer & Co., Hogan Lovells, Allen & Overy, DLA Piper and Addleshaw Goddard.

Ben publishes widely and is regularly asked to present at seminars and at conferences on various aspects of the client-focused firm, innovation within the professional services sector, and the changing needs of buyers of professional services.

Ben is also a contributing author to Professional Services Marketing Handbook, and co-author of Professional Services Leadership Handbook alongside Alastair Beddow, Adrian Furner and Nigel Clark. Ben co-founded Spiranti with Gail Jaffa.

Organisations

Spiranti

Spiranti is a community of partners, clients, innovators, technologists, business developers, university professors, disruptors and experts from outside the professional services sector. We share practical insights and ideas on how to innovate. We discuss issues honestly and openly in a safe and exciting environment to discover new ways of shaping the way we all do business. Spiranti shares knowledge, challenges perceptions and creates ideas.

Earlsferry Advisory

Helping organisations to create winning product strategies that drive commercial growth in the rapidly evolving professional services sector. Working with technology businesses at varying stages of their evolution from start-ups to established technology providers. Helping professional services firms as they engage more in providing productised services for their clients. Helping those investing in technology businesses to make the right investment choices. Working across these areas in an advisory capacity drawing on wide-ranging experience in the legal and accounting sectors.

Meridian West

Meridian West helps professional firms develop and implement client-focused strategies. We work with firms to collect robust evidence and insight through to making strategic decisions and delivering tangible results. We combine three capabilities – insight, strategy, change – into an integrated programme of work, providing targeted support where it is needed most.

- Insight: Gathering insight about your firm's clients, markets and industry issues. We compile client experience and feedback, client journey mapping, competitor analysis and thought leadership.
- Strategy: Developing client-focused strategies to help your firm to innovate and grow. This involves business development strategy, brand positioning, innovation strategy and new proposition development.

- Change: Implementing changes that make client-focus a reality in your firm. This involves coaching, key client management, process mapping, skills development and more.

The Professional Law Institute at King's College London

The Professional Law Institute (PLI) at King's College London provides a focal point for practice-based education, research and civic engagement, as well as strengthening connections to practitioners and stakeholder institutions in the heart of legal London. The PLI team leads The Dickson Poon School of Law's strategy on the development of new professional education courses and brings together a host of connected activities including: the King's Legal Clinic; Professional Skills modules; industry events; and future professional education programmes. It also supports mooting, the work of the Careers & Employability team, and practice-based research.

Professional Services Marketing Group

The Professional Services Marketing Group (PSMG) is an international membership organisation for marketers in the professional services. Founded in 1989, they are an independent and forward-thinking partnership focused on educating, training, and empowering all those in a marketing and business development role within our sector. Their underlying objective is to provide a dynamic environment where knowledge and expertise are developed and shared to ensure the highest standard of marketing is maintained throughout the industry.

Foreword

We benchmarked over 80 firms to understand the approach to innovation across professional services.

The findings cover areas such as the technologies people are using, the innovation approaches being adopted, the barriers encountered, budget levels, and the outcomes that firms are achieving. The findings have since been shared with the leadership teams of numerous law and accountancy firms, to gain additional insight into what our findings mean in practice.

Our data model identified six essential elements necessary for driving successful innovation. The six elements can now be used as a tool to provide firms with the ability to review their performance against each key area: leadership, investment, innovation process, technology, collaboration and people.

We hope the insights from our leading experts presented in this report, alongside the data compiled for our respondents, will provide a valuable insight into the innovation landscape within the professional services.

Our hope is that readers will see patterns and practices that resonate with their own experiences and will be inspired utilise the tools presented in this report to measure innovative practices within their own organisations.

> *"From my experience firms that have really embraced innovation have achieved impressive revenue growth. Technology can remove a lot of mundane tasks and provide exciting ways to analyse information and add value to clients."*
>
> - Ben Kent

> *I think the innovation disconnect between goals and actions could manifest in an 'authenticity' challenge if firms don't act quickly. Clients and employees are increasingly seeing an incongruence between rhetoric and outcomes."*
>
> - Simon Drane

Executive Summary

The innovation benchmark report seeks to understand whether firms are building the culture and infrastructure for sustained innovation. It explores areas such as the technologies people are using, the innovation approaches being adopted, the barriers encountered, budget levels and the outcomes that firms are achieving.

> *The net result of not having the right processes, investment and culture means that most firms are focusing on incremental innovation at a time when clients are expecting more*

In this report we review the six essential elements needed to drive innovation successfully and identify the highlights for each area from the survey. Our data model from the survey means that individual firms will be able to review their performance against each of the essential areas of leadership, investment, innovation process, technology, collaboration and people.

The most positive outcome has been over half of respondents saying that innovation has made employees' lives easier, which ties to the overall trend that much of the innovation within firms has tended to be more around an internal focus. However, the overall picture is that many firms are

> *Although in many areas firms are getting results, only 16% have seen significant revenue increases.*

still feeling their way and do not have a structured approach to driving innovation focused around the client. Although around two thirds of firms feel that their leaders provide a mandate for change, in around half (47%) of firms there is no structured process to drive innovation. This is perhaps in contrast to the changing demands from clients.

> *"43% of professional services buyers would now prefer a technology-led solution, even if this would mean less face-time with advisers." Source Business Buyers Barometer*

Despite the fact that consumption patterns are changing in professional services, with a drive towards greater productisation, firms are not yet spending at a level to deliver this change. The benchmark revealed that on average firms are currently spending only 2% of turnover on innovation, despite 39% of firms stating that the reason they are innovating is to improve the quality of the service they offer.

At a roundtable where we launched the report, firms present discussed the reasons for the low levels of investment, which often centre on the challenges of the partnership structure when it comes to long-term capital investment. It can often be hard to persuade partners to have their near-term profits impacted to benefit the partnership 10 years down the line when they may not still be a partner. Almost a third of firms

"Firms are often unwilling to invest because in effect they have a 100 percent dividend policy. You are asking the leaders of the firm to take a hit on their own money for the benefit of the firm after they have left." Survey respondent

surveyed felt that their short-term view of investment decisions held back their innovation efforts.

Firms are also being held back by the innovation techniques that they are using, with 62% of firms relying primarily on idea generation from staff, with far smaller percentages using techniques such as agile/lean, design thinking and incubators. In addition, owing to the lack of formal processes in the majority of firms, another key barrier cited is poor implementation and change management capabilities.

79% of firms have a culture that encourages the sharing of ideas … but 86% say that staff are too busy to spend time on innovation

In addition to the challenges of time constraints, another area the group discussed over breakfast was the statistic showing that only 20% of firms have a culture of taking risks, failing fast and trying again. There is a clear gap currently between inviting busy staff to submit ideas and with a cultural perception that failure will not be accepted.

In discussion around what is really holding back the firms' innovation agenda it is interesting that 33% of people surveyed felt that it was due to the perception that there was no burning platform yet. It is highly likely that this perception, coupled with the lack of process, lack of investment, cultural challenges of people being "too busy" and a "not prepared to fail" attitude, is leading to the low percentage that are seeing revenue benefits from their innovation efforts.

"The question to any firm is how much of your revenues each year are you prepared to put at risk for innovation?" Survey respondent

Firms are however making real progress in adopting a more collaborative mindset. When asked about collaboration techniques, 64% said that they have collaborated

"It is best to start with a blank sheet of paper on what I'm trying to achieve rather than trying to retrofit my current processes into something that the client might buy."

with clients to co-develop new approaches, 54% have collaborated with technology companies and 31% with universities.

On the use of technology to drive innovation, there were varying perspectives, with the most common being areas like data visualisation or dashboard software, self-service portals and tools for clients, and document automation. The least used currently were chat bots for self-service advice, and predictive analytics tools to identify risks and outcomes.

> *"The question is whether you have the structure or mechanisms to leverage the investment in technology? Or is it just another tool?" Survey respondent*

However, much of what we set out in this report is dependent on where firms are on the innovation maturity curve we have created. The majority of firms are sitting in a trend-following position at a time when client demands are changing rapidly. This should give many a reason to consider their innovation approach.

We conclude the report with examples of what successful innovators are doing and what should be avoided. They are avoiding innovating in silos, taking a perfectionist approach, just buying the latest technology, and ignoring incentives.

Those seeing success are:

1. **Creating a long-term vision for transformation, providing relentless and enthusiastic leadership, adopting a culture of perseverance and embracing failure;**

2. **Starting with the pain points not the technology, using design thinking and other innovation techniques, and collaborating with clients;**

3. **Creating sufficient budget to drive innovation but applying it through a proper innovation process.**

Section 1: The Methodology

The benchmarking survey was undertaken to understand perspectives on innovation across a mixed range of professional services (Chart 1) and from different job roles (Chart 2). Among the 113 respondents, a variety of core professional service areas were represented with a weighting towards law firms.

61% Law	25% Accountancy	6% Consultancy	2% Real Estate	2% Technology
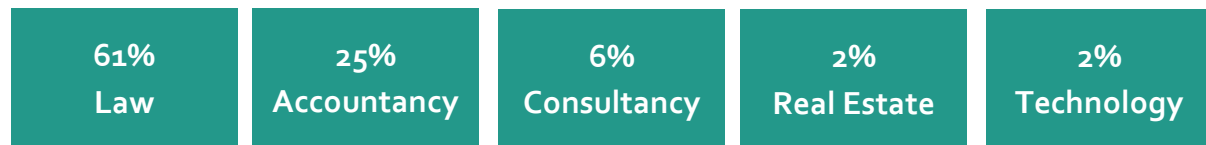
Across organisational size, we captured a comprehensive distribution of organisations with turnover ranging from less than £10 million to over £1 billion. In regards to job roles, respondents were predominately working in marketing/business development, innovation and information technology or held senior leadership, partner / director roles.

Research Design and Sampling

Spiranti used tried and tested research methods in collaboration with Meridian West to create the benchmarking survey approach. The quantitative research was conducted online and over 100 respondents from 80 organisations filled out the questionnaire. In addition, 24 in-depth interviews were conducted with GCs, technologists, managing partners and heads of innovation at professional services firms. These in-depth interviews give the necessary individual perspectives on the practicalities of implementing innovation strategies and provided candid feedback on common pitfalls.

Chart 1.

Chart 2.

Sectors represented in the Benchmarking process

Other	3%
Technology	2%
Real Estate	2%
Consultancy/Advisory	6%
Accountancy	25%
Law	61%

Job roles represented in the Benchmarking process

Business Support	4%
Other	5%
IT	5%
Innovation	13%
Partner/Director	22%
Senior Leadership	20%
Marketing/Business Development	25%
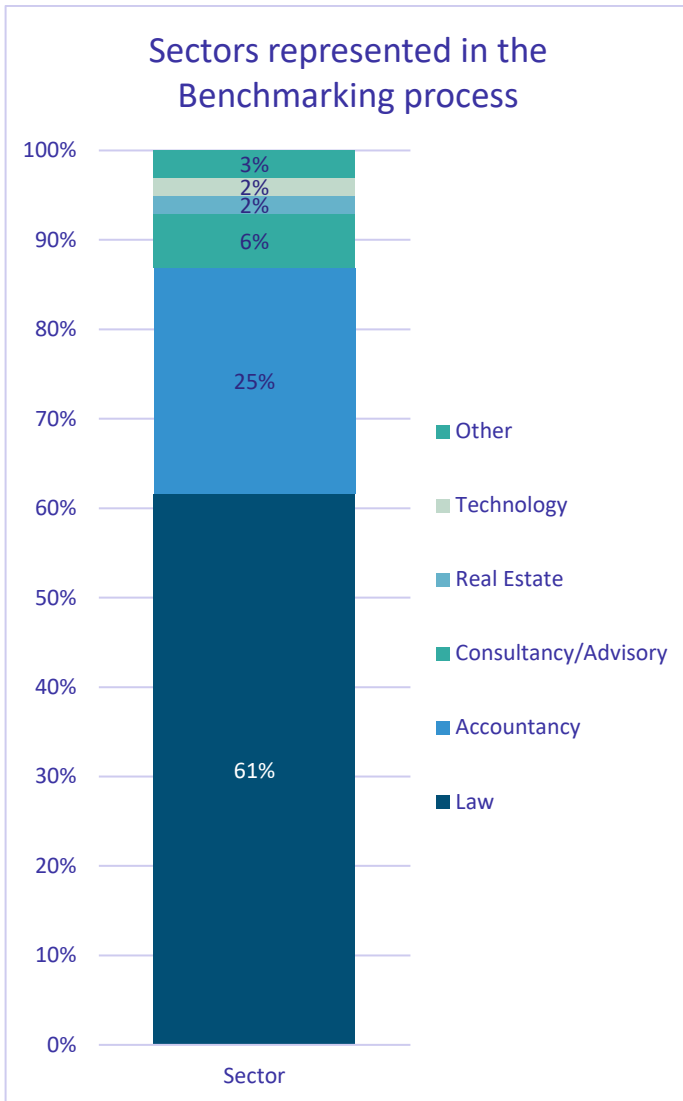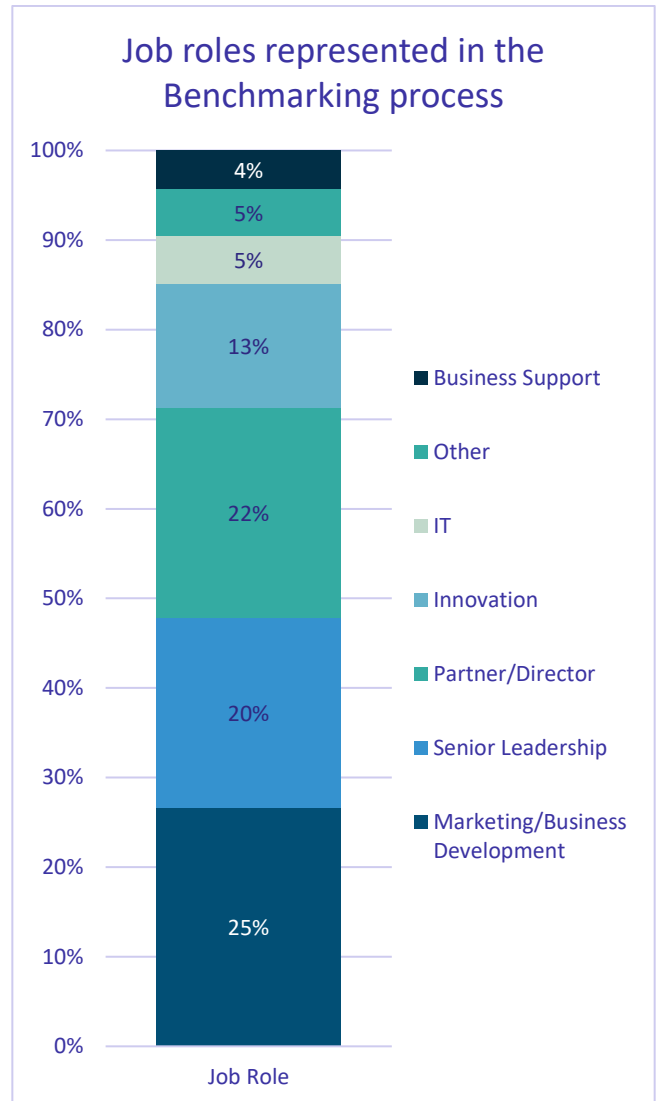
The Six Pillar Model

From the results of the research, several essential elements of innovation became clear, leading us to create an innovation model based on six pillars (Figure 1.). These six pillars are the foundation of building a sustainable innovation strategy within an organisation.

The first component that came out of the research, was forward-thinking leadership. Without this pillar the following will not be effective. Forward-thinking leadership must be supported by meaningful investment levels as well as innovation processes and technology to enable delivery. It is also fundamental that delivery is achieved through effective collaboration both internally and with clients. Finally, none of these will achieve successful outcomes if the firm does not have the right people in place.

Figure 1.
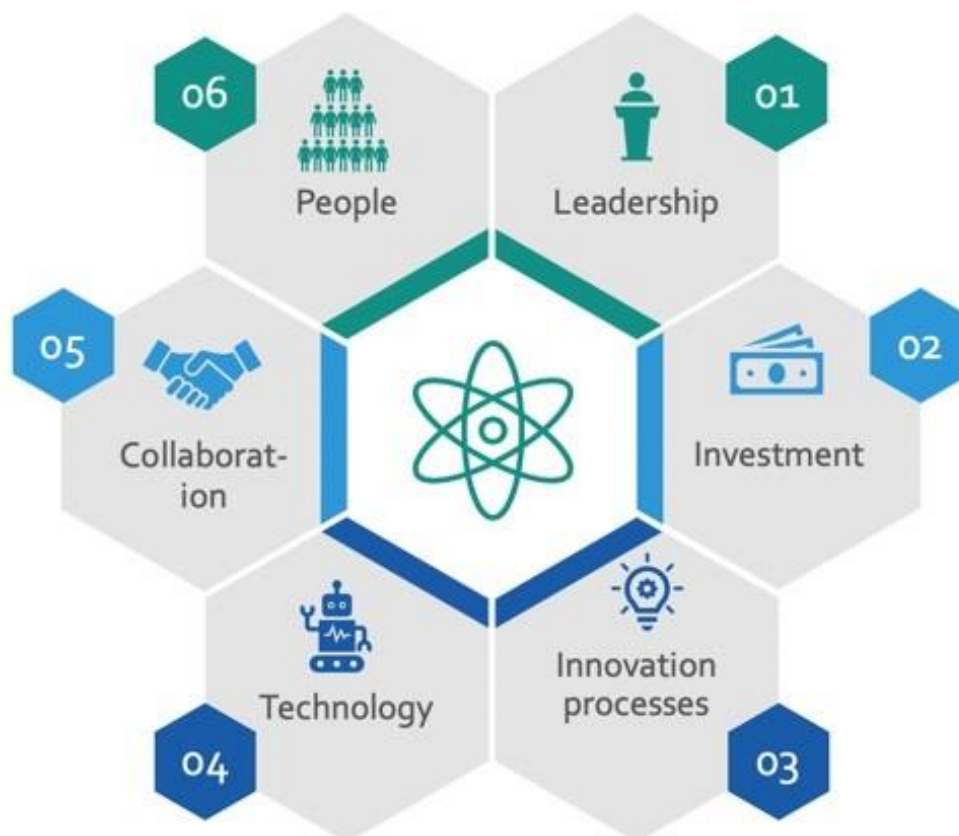
The Maturity Curve

We assessed each firm in our survey in each area of the Six Pillar Model. Using aggregated respondents scores in each of the six pillars, we were able to segment firms into five groups (Figure 2) reflective of their innovation maturity. The groups range from the high scoring Digital Pioneers to the lower scoring Sceptics, who do not yet have an innovation strategy.

Interestingly, very few (6%) firms were deemed to be Sceptics, and only very few (7%) came out as Digital Pioneers. The majority of firms landed in the middle of the scale, although there was a skew towards firms being at the start of their innovation journeys – the Trend Followers.

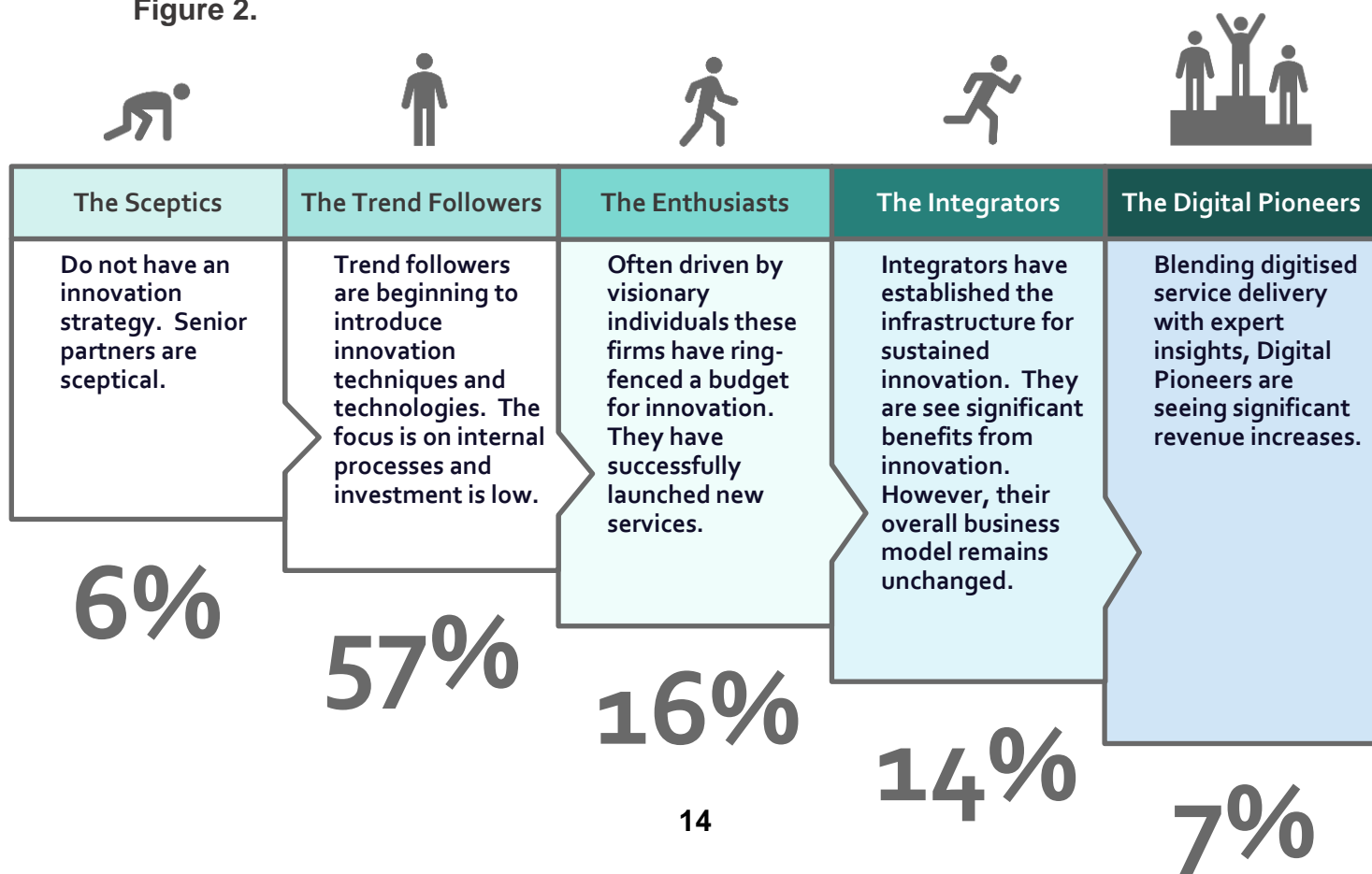We noted the Digital Pioneers tended to be larger firms, particularly those who specialise in the insurance and banking sectors. These firms are generally big players in the market and are in industries that are undergoing modernisation and transformation – which also have the ability to put pressure on their panel firms to innovate.

We were able to provide respondents with their comparative overall score indicating the status of their innovation journey against the maturity segments. This framework provides organisations with the impetus and know-how to enable them to move successfully along the maturity curve.

Figure 2.

The Sceptics	The Trend Followers	The Enthusiasts	The Integrators	The Digital Pioneers
Do not have an innovation strategy. Senior partners are sceptical.	Trend followers are beginning to introduce innovation techniques and technologies. The focus is on internal processes and investment is low.	Often driven by visionary individuals these firms have ring-fenced a budget for innovation. They have successfully launched new services.	Integrators have established the infrastructure for sustained innovation. They are see significant benefits from innovation. However, their overall business model remains unchanged.	Blending digitised service delivery with expert insights, Digital Pioneers are seeing significant revenue increases.

6%   **57%**   **16%**   **14%**   **7%**

Section 2. Leadership

The first essential element we identified from the findings was leadership. Leadership is a vital component of any innovation strategy and underpins the Six Pillar Model, without it the following components are less effective.

The majority of firms surveyed felt that their leaders provided a mandate for innovation and change, with only 14% believing they did not. Perhaps surprisingly, 46% stated that they had either a head of innovation at partner level or equivalent, with the slightly lower figure of 39% having documented their innovation strategy. The majority surveyed (62%) also stated that their innovation efforts were centrally driven but around a fifth of people stated that this was not the case. Further details are set out in Charts 3. & 4. below.

When asked "Which of the following steps has your firm taken as part of its innovation?"

- *46 % said that there was an assigned Head of Innovation at Partner level or equivalent.*

- *39% said that their firm has a documented innovation strategy.*

When asked what the primary barriers to innovation are in their firm:

- *26% said that there is resistance from senior staff or partners.*

- *33% said that there is no burning platform – the business is doing fine.*

Chart 3.

Your leaders provide a mandate for innovation and change

18%
44%
24%
11%
3%
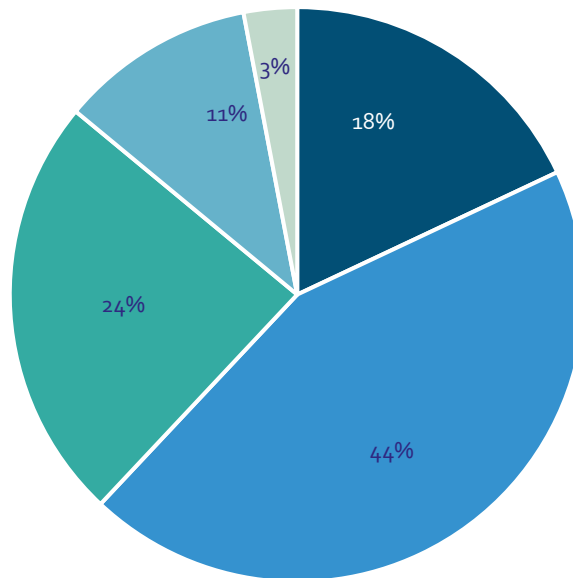
■ Strongly agree   ■ Agree   ■ Neither agree nor disagree   ■ Disagree   ■ Strongly disagree

Chart 4.

Innovation efforts are centrally driven

2%
9%
19%
43%
27%

■ Strongly agree   ■ Agree   ■ Neither agree nor disagree   ■ Disagree   ■ Strongly disagree

Our analysis

These findings raise the question; why might some firms make room for innovation activities while others do not and what are the factors that affect the adoption of innovative practices? We can look to the survey results for some first-hand perspectives on these matters.

About a third of the respondents to the benchmarking survey felt that there was a perception in their workplace that there is no burning platform present, meaning there is a lack of 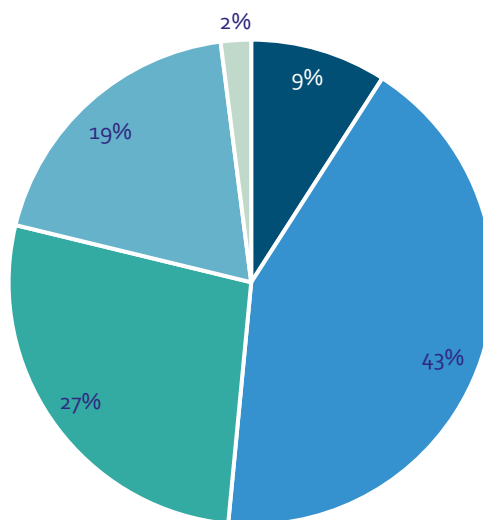urgency and drive to evolve practices. In relation to this, a quarter of respondents cited resistance from senior staff/partners as a barrier to implementing innovation. We know that if innovation is to occur, leadership needs to be an active part of the drive forward. There should be a top-down approach where the innovation agenda permeates down through the organisation, so staff feel a sense of urgency and are inspired towards the firm's objectives.

Below are some direct quotes from survey respondents to help illustrate that change needs to be driven by strong leadership.

> *"Enabling culture change must be credibly led from the top."*
>
> *"Make [innovation goals] front and centre."*
>
> *"Get senior leader endorsement by showing that clients expect and want innovation."*
>
> *"Measure and reward innovation, while accepting that some things will work and others won't – an unfamiliar point of view for lawyers."*
>
> *"Lead from SP [senior partners] and MP [managing partners]; fund development without fear of failure; promote successes."*

This means that having the right leadership is essential. However, the next most critical aspect is for leadership to make the right decisions on where to focus their innovation efforts.

Section 3. Investment

We found that firms' innovation efforts are often constrained by lack of budget and have limited effective KPIs to measure success. Below are quotes for respondents that reflect these findings.

> *"Firms are often unwilling to invest because in effect they have a 100% dividend policy. You are asking leaders of the firm to take a hit on their own money for the benefit of the firm after they have left."*
>
> *"The question to any firm is how much of your revenues each year are you prepared to put at risk for innovation?"*

Investment of money

We found many firms do not have a budget carved out for innovation projects, and those that do tend to have only a very small budget earmarked. The research revealed that currently firms are spending only 2% of turnover on innovation, despite 39% of firms stating their desire to improve the quality of their service through innovation.

The evidence shows that firms should at least be prioritising funds for experimentation. Many innovation efforts are killed off in the early stages as these budgets are insufficient.

There is however the perception that creating a budget for innovation means re-distributing other departments budgets such as technology budgets. Since Information Technology (IT) can be seen as closely related to innovation, firms may think that innovative practices are already being funded through IT budgets. However, IT services/support and innovation are fundamentally different in their objectives, and firm leadership must understand this to see the benefit of investment in innovation.

Innovation budgets must be clearly defined, designated and ring-fenced to avoid spend being used elsewhere within the business. Importantly, as innovation is inherently experimental, the firm needs to be comfortable with funds being used for ideas and projects that may not bring about immediate benefits.

We identified that low levels of investment can also be a result of a firm's partnership structure, as there is a difficult balance between partners sacrificing near-term profits vs investing in longer term partnership benefits. Many benefits of innovation are only

evident after long term investment, and therefore buy-in from leadership or partners who are focused on short-term returns can be a challenge. Almost a third of firms surveyed felt that their short-term view of investment decisions held back their longer-term innovation objectives.

It is worth noting that as technology advances over time, the cost of newer tech often decreases. This can lead to firms having the options to innovate at lower costs than ever before.

Investment of time

We know Innovation requires the investment of time as well as of money. For example, lawyers need to be heavily involved in design themselves. Evidence shows that success is more likely when lawyers are allotted a certain percentage of time in their week toward innovation projects although these hours are unlikely be billable.

Additionally, most innovation (for example document automation or training on AI powered document review) requires quite significant up-front investment of professionals' time to configure, implement and then to train the system.

There will also be time needed to train staff on new processes and how to use new systems. So, whilst innovations can deliver significant time savings there is a significant time cost needed initial which can be a barrier.

KPIs

"You should always have a measurable outcome. You've got to be out to measure so you know what success looks like."

It is also important to consider "how do you measure success"? Our results showed that only 28% were using KPIs to measure innovation (Chart 5.), far below what is needed for a successful innovation strategy. We would recommend the following KPIs in relation to:

- cost savings (i.e. less hours taken to complete tasks);
- improved client satisfaction;
- speed at which you can deliver outputs;
- Some technologies can also improve risk management, for example contract automation allows relatively junior staff to draft quite complex contracts with fewer chances of error.

Chart 5.

Which of the following steps has your firm taken as a part of its innovation?

(87 responses)

Category	Percentage
USING KPIS TO MEASURE INNOVATION	28%
STAFF HAVE NON-BILLABLE TIME SET ASIDE FOR INNOVATION PROJECTS	38%
DEDICATED INNOVATION BUDGET	51%
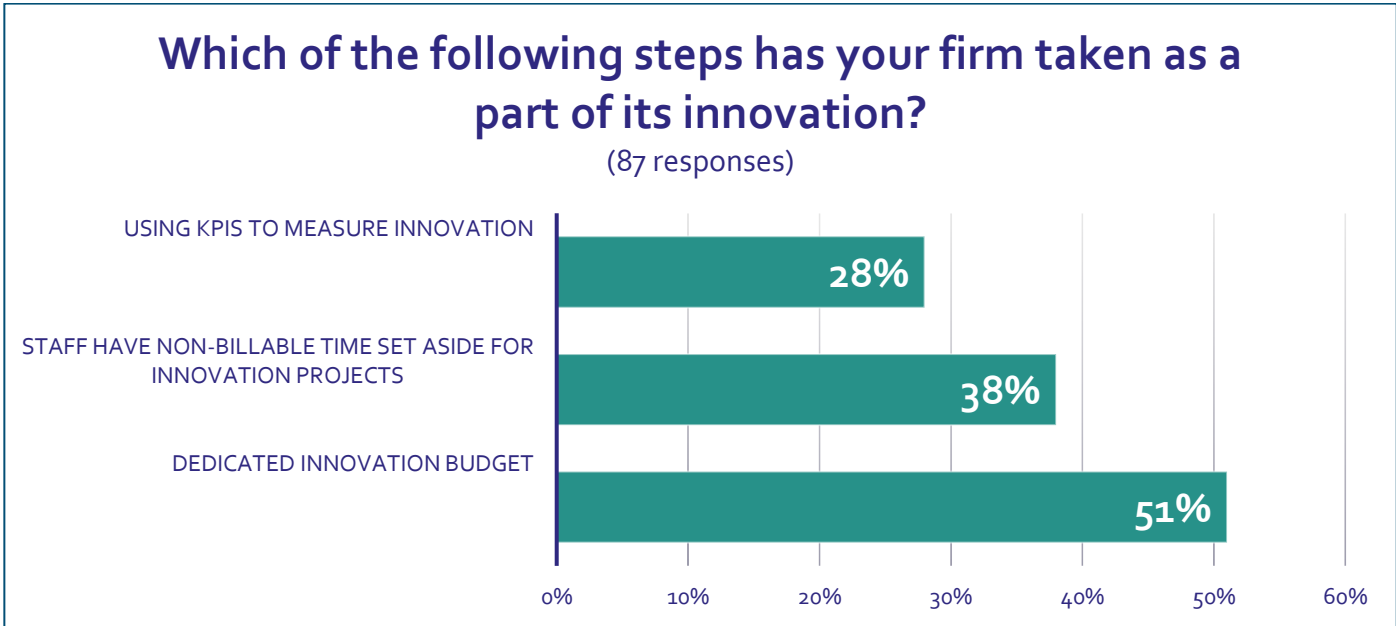
Section 4. Innovation Process

Until 10 years ago only a handful of professional service firms had an "innovation process" as opposed to sectors such as life sciences, IT or even financial services. Historically, professional service firms lacked an understanding of the techniques needed to generate ideas, identify the best and take them to market successfully. Whilst those working in professional service firms are highly intelligent problem solvers, they lacked the tools to grow and implement new idea quickly and effectively.

This is changing. We can see that firms are beginning to adopt innovation techniques with 6 out of 10 now using ideas initiated with clients. There is also a significant proportion (32%) using design sprints, a technique some would usually associate with West Coast tech companies.

However, firms should think further about the innovation techniques that they are using, as 62% of firms rely primarily on idea generation from staff, with far smaller percentages using techniques such as agile/lean, design thinking (32%) and allotting dedicated space (18%).

Chart 6.

Which of the following techniques is your firm using today?
(99 responses)

Technique	Percentage
IDEAS INITIATIVES TO GATHER INSPIRATION FROM STAFF	62%
DESIGN THINKING/DESIGN SPRINTS	32%
A ROOM OR SPACE IN YOUR BUILDING DEDICATED TO INNOVATION	18%
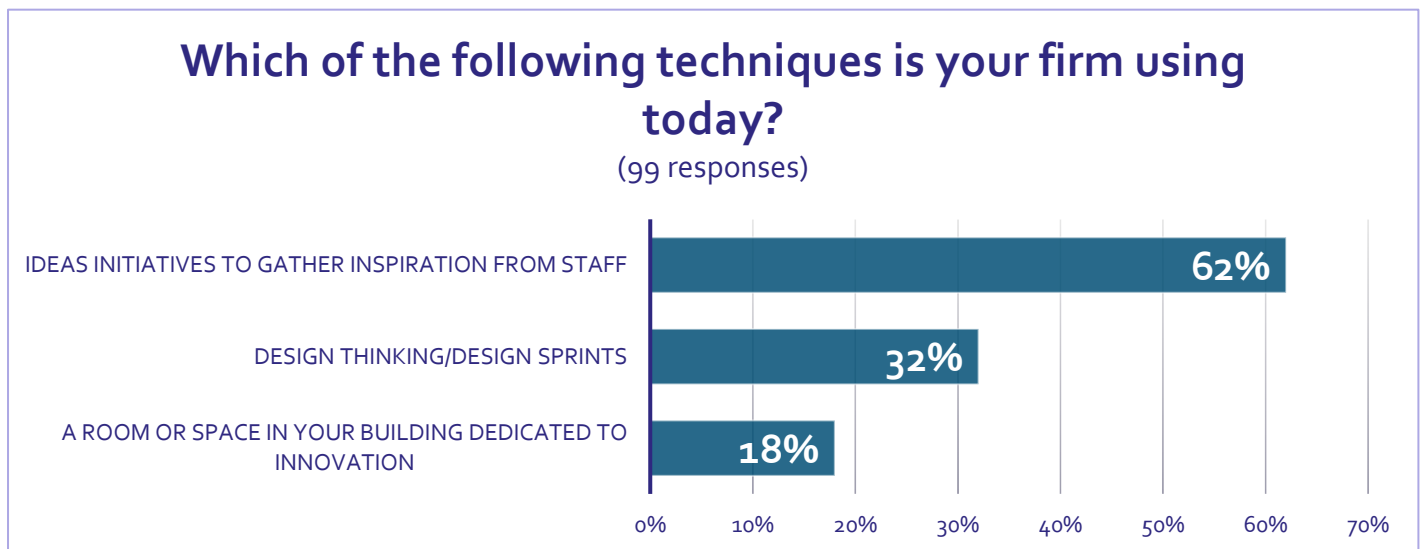
A phased approach to innovation is needed. See Appendix 2 for an outlined approach.

Section 5. Technology

There may be a perception that professional firms are more advanced in their AI technology journey than they actually are. The reality is that these more advanced tools (for example automation or predictive analytics) are only used by a minority of firms. Where technology is being used it is often in pockets. It is surprising that some technologies, such as document automation (for example Contract Express and Clarilis) have been around for years yet have limited uptake.

We have identified a number of potential reasons for this:

- The professional services tech eco-system is still relatively fragmented and immature. There are lots of small players making it hard for firms to pick the right solution for their needs. Additionally, solutions can be directed at individual pain points but may not integrate well into existing systems / processes.

- Professionals have limited time to spend getting up to speed on how to use new technologies.

- Professionals do not fully appreciate the need for change - there is no burning platform. Many firms have performed well in the last few years and margins are good, so they perceive little need for change.

Based on our findings, we predict that there will be much more rapid tech adoption from 2021 onwards. In particular, circumstances created by the COVID-19 pandemic may now provide the impetus needed for real change. This is driven by the following factors:

- Firms will use technology as a differentiator to win work;

- Technology enables firms to cut staff but still handle volumes of work;

- Homeworking has familiarised the professionals with new technologies.

"Don't just buy the latest amazing tech. More benefit will be achieved by sorting out your processes and investing in "foundation" technology such as practice and contract management systems."

Chart 7.

Is your firm using or piloting any of the following technologies?
(98 responses)

Technology	Using extensively	In pilot	Not using	Don't know
AI BASED DATA OR DOCUMENT REVIEW TOOLS	23%	31%	38%	8%
SELF-SERVICE PORTALS AND TOOLS FOR CLIENTS	39%	31%	23%	7%
TOOLS WHICH AUTOMATED PROJECT MANAGEMENT	19%	34%	38%	9%
DATA VISUALISATION OR DASHBOARD SOFTWARE	47%	28%	17%	8%
PREDICTIVE ANALYTICS TO IDENTIFY RISKS AND OUTCOMES	11%	17%	52%	19%
CHAT-BOTS FOR SELF-SERVICE ADVICE	9%	17%	60%	13%
AUTOMATED DOCUMENT PRODUCTION OR CONTRACT MANAGEMENT	31%	36%	26%	8%
OTHER	19%	25%	19%	38%

Section 6. Collaboration

Good ideas come from collaboration. More recently professional service firms have embraced this concept and are now collaborating with tech companies (54%) and universities (31%). Some have even set up incubators, for example, Slaughter & May, Allen & Overy and Mishcon de Reya. These incubators are proving to be successful, and add value to both the start-ups and the sponsoring firm.
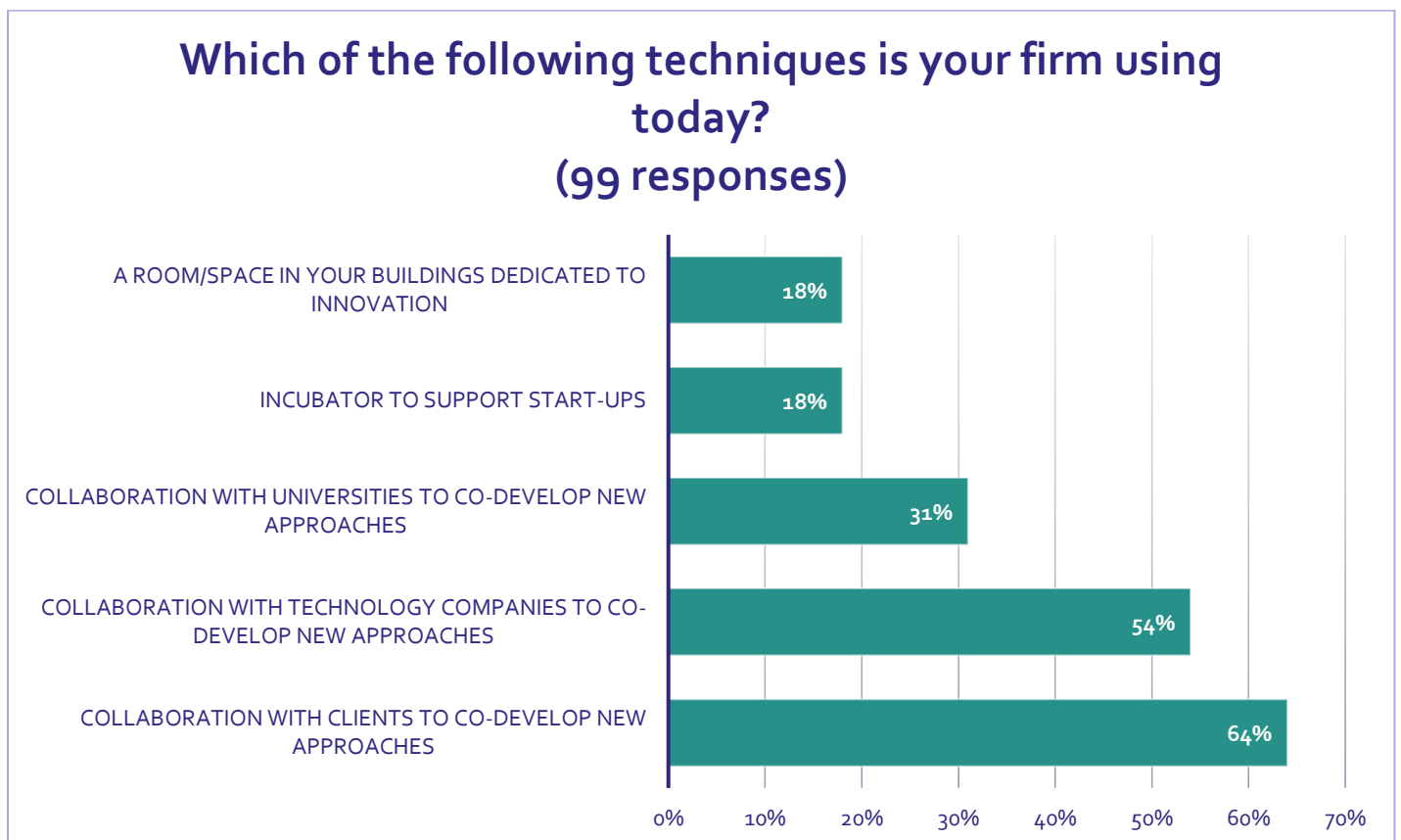
In terms of collaboration with clients, we found professional service firms are doing this (64%) to co-develop new approaches. However these results should be taken within context. While interviewing client organisations there was a common complaint that professional service firms were not offering the level of collaboration and idea sharing that is expected. We expect this to change. For example, we noted that big banks are trying to ensure their professional advisers share ideas with them by mandating it as part of the requirement of being on their panel.

Chart 8.

Which of the following techniques is your firm using today?
(99 responses)

Technique	Percentage
A ROOM/SPACE IN YOUR BUILDINGS DEDICATED TO INNOVATION	18%
INCUBATOR TO SUPPORT START-UPS	18%
COLLABORATION WITH UNIVERSITIES TO CO-DEVELOP NEW APPROACHES	31%
COLLABORATION WITH TECHNOLOGY COMPANIES TO CO-DEVELOP NEW APPROACHES	54%
COLLABORATION WITH CLIENTS TO CO-DEVELOP NEW APPROACHES	64%

Section 7. People

As noted previously the people in an organisation are the key drivers for change, however they can also be the biggest barrier to change. We found that the biggest barrier to innovation is that professionals feel they are too busy (63%). Other people-related barriers included skills gaps (47%) and risk averse culture (34%).

> *79% of firms have a culture that encourages the sharing of ideas … but 63% say that staff are too busy to spend time on innovation*

There is a noticeable skills gap – professionals such as accountants and lawyers generally do not have expertise in tech. On the other hand, it is very hard to hire technologists who also understand the intricacies of professional services. There is high demand for hybrid specialists who have the technical abilities across different specialisms. We will continue to see emergence of professionals who not only have deep technical skills but also a broad range of business and technology capabilities.

Skills development must be done in conjunction with a culture change. Organisations must value innovation and this should be reflected in their hiring practices, reward culture and appetite for risk. This is by no means a quick fix, but it is essential.

Our research showed us that only 23% of firms have a culture of taking risks, failing fast and trying again. It is common for firms to invite staff to submit ideas, but for a firm's culture to discourage failure in new projects.

The consensus from survey participants is that it is important to start with the culture not the technology.

> *"Involve everyone in the company"*
>
> *"Develop the culture and the ideas will follow"*

Chart 9.

Your peers - Barriers to innovation
(97 responses)

Barrier	
Staff are too busy to spend time on innovation	~63%
Budget constraints	~56%
Skill gaps	~47%
No formal innovation processes	~37%
Poor implementation and change management	~36%
Risk averse culture	~34%
Short-term view of investment decisions	~34%
Not knowing which technology/approach to use	~33%
No burning platform, the business is doing fine	~33%
Resistance from senior staff/partners	~26%
Restricted by regulation	~14%
Lack of ideas	~11%
Resistance from clients	~4%

■ Your peers - Barriers to innovation

Chart 10.

You have a culture which encourages the sharing of ideas
(106 responses)

- 23% Strongly agree
- 49% Agree
- 21% Neither agree nor disagree
- 5% Disagree
- 2% Strongly disagree

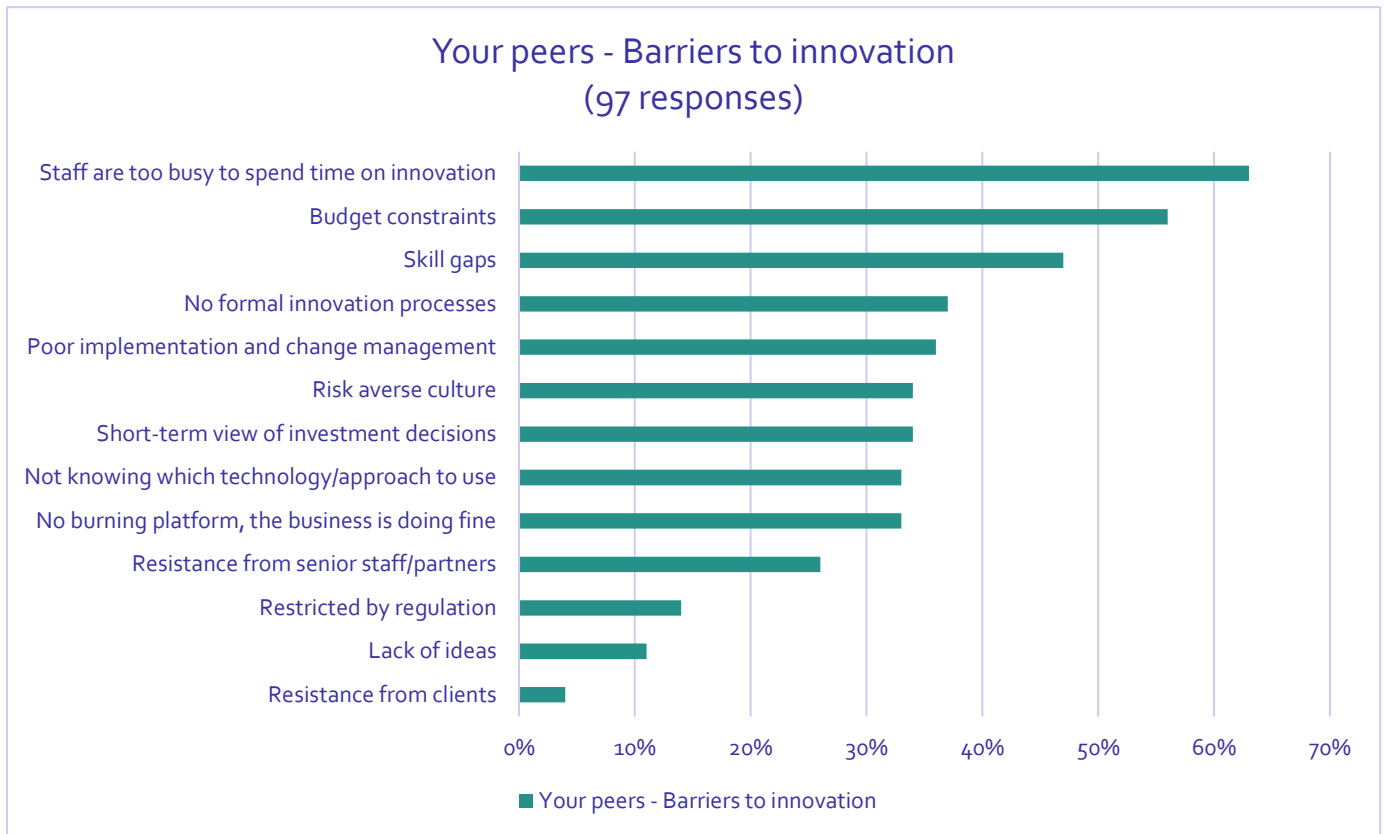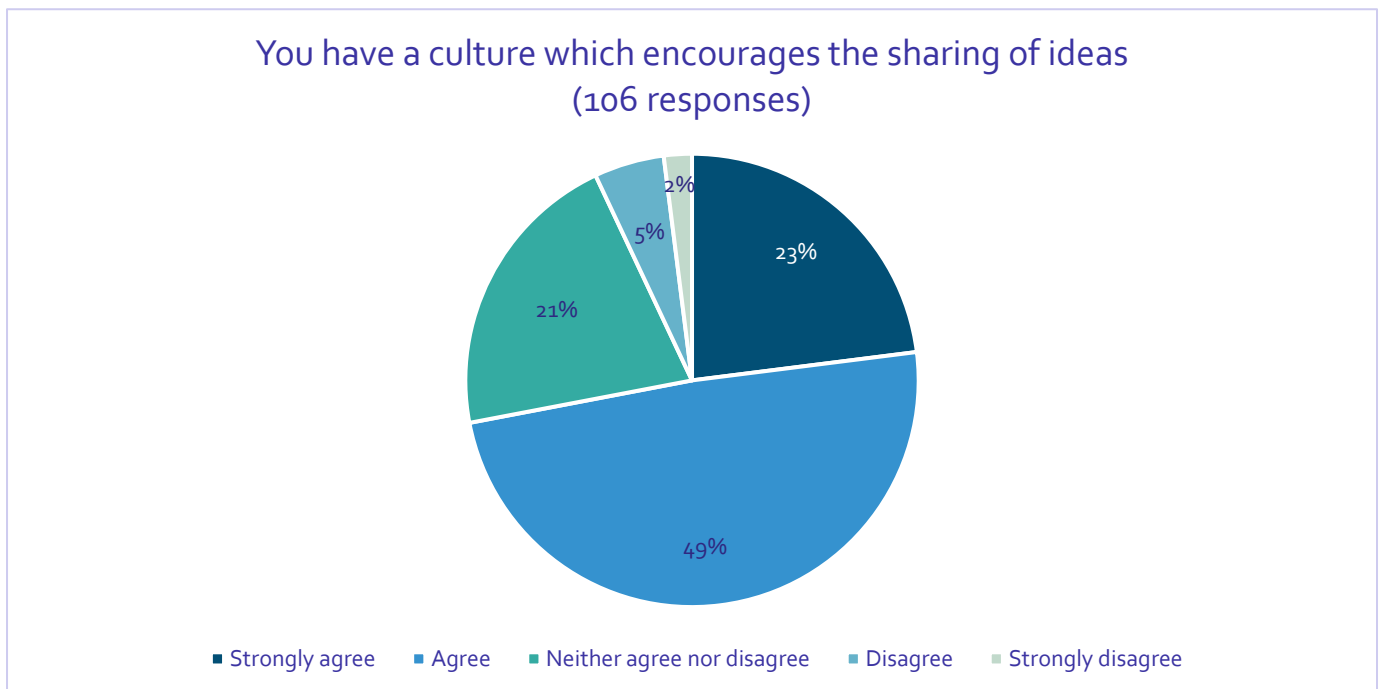■ Strongly agree ■ Agree ■ Neither agree nor disagree ■ Disagree ■ Strongly disagree

Section 8. The Conclusion of the Benchmarking Process

Overall, we can see that many firms are still in the early stages of their innovation journeys (although very few are sceptics) and often lack a structured approach to driving innovation. This is reflected by the fact that although many firms feel that their leaders provide a mandate for change, a significant proportion still have no structured process to deliver innovation.

When asked what is really holding back the firms' innovation agenda, many respondents noted the lack of a 'burning platform'. However, this is just one component impeding change. The lack of clarity around process, limited investment and lack of short-term returns are all leading barriers to successful innovation. Additionally, many firms often lack a culture of innovation.

However, firms are making progress and have built the foundations for more innovation. In particular, there has been a real uptake in collaboration.

Chart 11. indicates the extent of the current success. They are launching new products, making employees lives easier and enhancing brand. When asked about initiatives they are most proud of, respondents gave numerous examples of work that has been done toward innovation (see below).
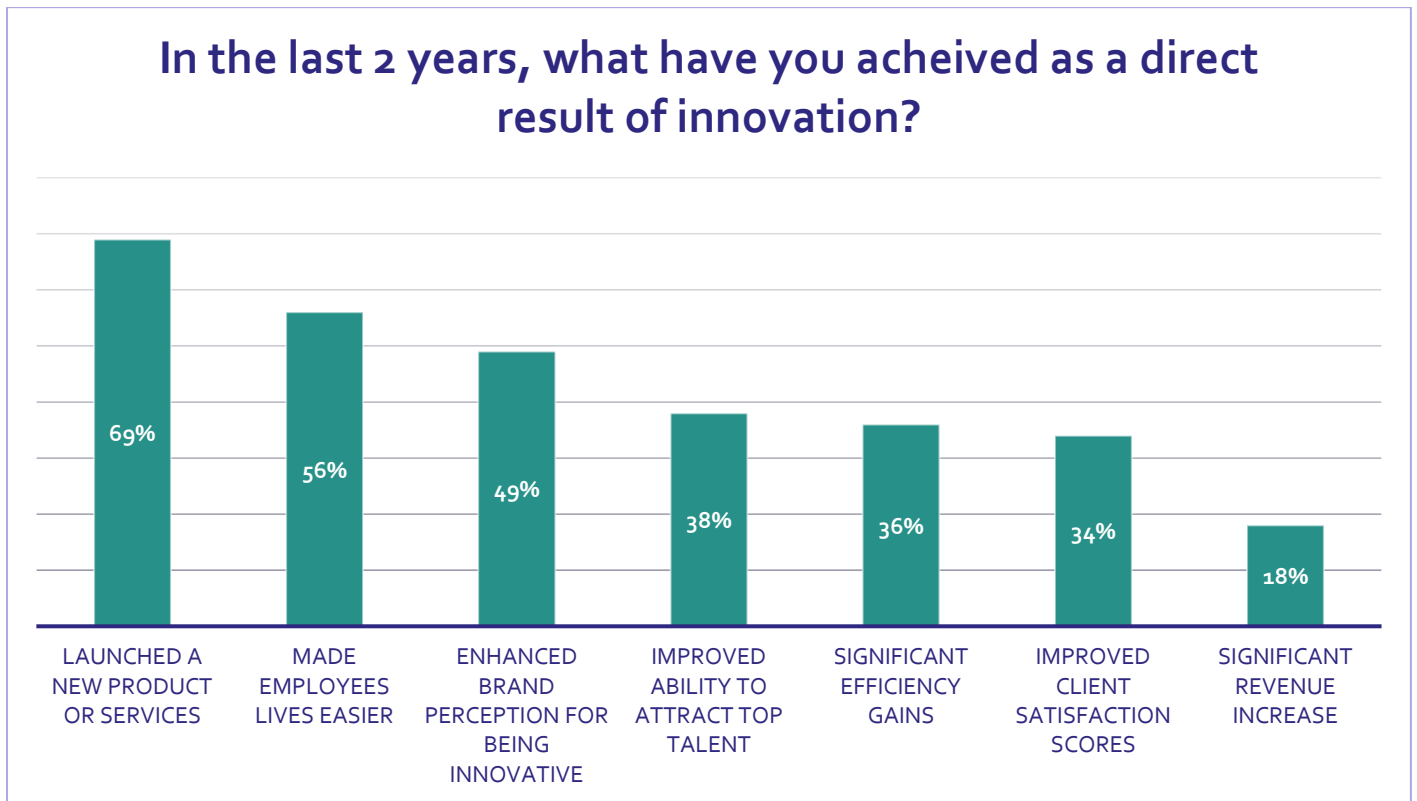
> *"It is best start with a blank sheet of paper on what I'm trying to achieve rather than trying to retrofit my current processes into something that the client might buy."*
> *– Survey respondent*
>
> *"The question is whether you have the structure or mechanisms to leverage the investment in technology? Or is it just another tool?"*
> *– Survey respondent*

Chart 11.

In the last 2 years, what have you acheived as a direct result of innovation?

LAUNCHED A NEW PRODUCT OR SERVICES	69%
MADE EMPLOYEES LIVES EASIER	56%
ENHANCED BRAND PERCEPTION FOR BEING INNOVATIVE	49%
IMPROVED ABILITY TO ATTRACT TOP TALENT	38%
SIGNIFICANT EFFICIENCY GAINS	36%
IMPROVED CLIENT SATISFACTION SCORES	34%
SIGNIFICANT REVENUE INCREASE	18%

When asked "What innovation are you most proud of?" respondents provided a number of examples of exciting ways in which their firms are innovating:

"Utilising technology to optimise pricing."

"Online collaboration space."

"support / partnerships with start-ups for client benefit e.g. new products."

"An internally developed data analytics tool."

"The development of a management consultancy arm as a complementary service alongside our core legal service offering."

"Opportunities management system, case management system offering workflows and client portal."

"Mobile data collection."

"Working with Liverpool Uni to create abstract dialectic frameworks"

Successful Innovators and What They Do

After receiving the valuable input from leading experts and through our benchmarking process, we have summarised our findings into a list of essential measures that firms looking to make changes through innovation should enact:

Create a long-term vision for transformation

Provide relentless, enthusiastic leadership

Develop a culture where it is okay to try and then fail
"Measure and reward innovation, while accepting that some things will

Start with the pain points not the technology
"Start with developing a culture of innovation (human level) before turning to technology."

Create a budget for incremental innovation
"Small increments are as important if not more important than transformational change."

Use design thinking and innovation techniques

Involve your clients

Persevere
"Involve everyone, at all levels, in the journey and remember that it's a marathon not a sprint."

Appendix 1 - Further Reading

- Professional Services Leadership Handbook - www.meridianwest.co.uk/books
- Spiranti www.spiranti.com
- Kemp IT law - www.kempitlaw.com/hot_topic/digital-transformation
- Allen & Overy - How to lead innovation in the in-house legal function- www.allenovery.com/en-gb/global/news-and-insights/legal-innovation
- Legal Geek website - www.legalgeek.co/read
- Artificial Lawyer website - www.artificiallawyer.com/about

Appendix 2 - Extract taken from the Professional Services Leadership Handbook

Phase 0 - Innovation Strategy Formulation

Before starting any innovation project, it is crucial to plan your approach. You need to think through how your approach to innovation links with your overall strategic vision as articulated in the previous chapter. This means getting the right balance of incremental and radical innovation, and putting in place the appropriate financial and people resources to sustain any innovation project.

Phase 1 - Ideation

Once your innovation strategy has been set and your team put in place the next task is to create a pipeline of ideas. This is commonly referred to as the 'ideation phase'. Innovations don't arise from lucky accidents. Innovative people and businesses make lots of mistakes and go down many blind alleys. In reality their success comes from having the discipline to take ideas, screen the good from the bad, and commercialise them quickly and profitably. This disciplined approach vastly increases the chances of success.

Phase 2 - Prioritise

Once innovation ideas have been generated the next step is to prioritise the good from the bad and the indifferent. Typically ideas should be pitched by an innovation team to a panel of senior managers who will evaluate them and choose which ones to take forward to the next stage of development. Here, professional services firms have a lot to learn from other industries which typically take more disciplined approaches to evaluating innovation potential, including formal decision-gate moments when innovation ideas are evaluated and risk-profiled by the business.

Phase 3 – Prototype

Once the business case has been formulated the next phase is to mock-up the service offering as a prototype. People tend to think of prototypes as only applicable to physical products, but the principles can also be applied to new services, and this is particularly appropriate for professional services firms where clients tend to buy on track record, relationships and proven successes.

Phase 4 - Test

Before any idea is launched you need to force your team to externalise and test their ideas to provide an honest appraisal of its likely success. Just testing innovative ideas with warm contacts is insufficient; they will often give you overly positive feedback.

In our experience client interviews or focus groups represent an efficient way of testing new services prior to launch. Contrary to what some in your firm may think, clients are often honoured to be asked to be involved in such important initiatives, especially if they feel that their ideas will have a direct impact on how the firm will deliver services to them in future.

Sarah Ducker of Irwin Mitchell is a fan of this kind of client research: "We recognise it is sensible to invest some money up front by doing quantitative and qualitative research to make sure our innovation ideas have legs before we spend more money scaling and launching them. We would always go to potential clients to ask to pilot an idea with them."

Phase 5 - Scale
Many innovations die from lack of interest and sustained investment - we call this the 'valley of death'. New ideas are exciting at the beginning. People flock to offer ideas, brainstorm and make plans, but quite soon interest lags as the hard work of rollout continues. Many firms suffer from too many initiatives that don't quite take off.

Sustained investment is required to take good ideas and scale them up successfully. But leaders also need to know when to pull the plug.

Phase 0
Innovation
Strategy
Formation

- Strategic alignment
- Purpose
- Portfolio balance
- Radical vs. incremental
- Investment & resources
- Existing vs. new projects
- Open Innovation
- Internal vs. external

Phase 1
Ideation

- Insights
- Client journeys
- Sandbox
- Co-create

Phase 2
Prioritise

- Honest appraisal
- Test
- Develop
- Decision Grid
- Business case

Phase 3
Prototype

- Build a mock-up
- Iterate & improve
- Co-create

Phase 4
Test

- Market test
- Customer test
- Iterate & improve
- Co-create

Phase 5
Scale

- 1st client
- Valley of death
- Building a fan base

- Spin-in vs. spin-out
- Resource matching & allocation

- Sponsorship
- Cheerleading
- Challenging

- Portfolio management
  - Balance
  - Cross portfolio linkage

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