

INNOVATION AND ENTREPRENEURSHIP: FACTORS THAT COUNT, CONTEXTS THAT STIMULATE

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I&E is crucial if firms want to compete in today's market and achieve their objectives, says Carlos Valls

Under the current economic climate, clients are demanding more for less and law firms are looking to retain existing clients while seeking more, eroding the competitors' market share. Intuition tells us that to achieve these objectives, they need to incorporate an important dose of innovation and entrepreneurship (I&E).

By 'innovation', I mean the incorporation of new services and different ways of providing or improving these services. By 'entrepreneurship', the attitude that leads to investing resources in getting new clients or more work from, or to better service, existing ones.

This means departing from the traditional approach of an immediate return of our efforts – billing every hour spent working.

This debate has long been held in the larger firms, with usually more developed resources and attention to their management. However, there are certain structures that are particularly apt at fostering I&E (in particular, offering a relevant degree of flexibility), where clients get more interesting offers of services, and there are lessons to be learnt from them as well.

While more common in firms with smaller structures, big firms with an 'eat what you kill' Partner remuneration system, particularly common in the US, can also have these features. It is a good exercise, then, to explore these factors and understand how to replicate them.

Branding

Smaller firms, due to size and being less of a 'branded' firm, may be characterised by the fact that clients and matters follow the professional, or the Partner, rather than the brand. This can clearly be evidenced when a Partner leaves a 'big brand' firm to a non-branded firm, and the clients follow. Less branded firms have, as a general rule, a smaller profit per partner (PPP) – precisely what gives them the powerful flexibility to innovate as necessary. They need not be so strict in the analysis of their professionals' time and the corporate image, and quality control guidelines may prove to be less stringent. However, it is dangerous to over generalise, as smaller specialised or boutique firms can boast real brand presence within their own sector, compared to the 'big brand' firms.

Flexibility

It is important to note, however, that while some smaller firms, usually the ones doing commodity work with low rates, may have lower management constraints, they also have a smaller margin. Their partners have to work really hard to earn a living, putting them at risk of losing precisely the flexibility that is important for I&E.

One major advantage of extra flexibility is that more senior lawyers' time can be invested in their clients or sectors without expecting immediate reward. Often they charge less than their going rate, do not charge at all or offer very flexible payment terms, as akin to 'unpublicised probono work' (a sort of hidden social contribution without recognition).

Another advantage is easier senior involvement in the files, which also stimulates their participation in the decision-making process of the clients, an issue that is not so easy to deal with in 'branded' firms. They can even go as far as to extend their services beyond the boundaries of strict legal advice, helping create deals, find counterparts to the transactions, or manage the client in areas such as finance or even strategic decisions.

Vocation

There is one great value that is easier to develop at particularly flexible firms – vocation: the intrinsic motivation to be a 'good lawyer', beyond remuneration, power or status. It is obvious that vocation

can be stimulated and found at any firm, but it seems more difficult in those that have Partner Agreements specifying Partners should be up to a certain age, or those whose strategy is to keep PPP as a priority and choose to invite the lesser performing Partners to leave.

Solid foundations

Flexibility, senior lawyer involvement and vocation are, in my view, the solid foundations that firms can offer to embrace I&E, be they big, small, branded, less branded, lockstep or with 'eat what you kill' remuneration. Ultimately, I&E may be in the genes of some professionals, while in others, it will need to be stimulated.

Beyond the rigid isolated characteristics of size, speciality, leverage or branding, firms that incorporate flexibility, seniority and vocation (and perhaps a very good selection process of their lawyers) will have a strong basis upon which I&E can flourish – to the benefit of both the market and the clients.

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