

# The Legal Innovator's Dilemma

**Law firms are beginning to spin off parallel businesses to pursue innovative tactics within growing client markets.**

***By Jordan Furlong***

Law firm leaders, listen to the words of Harvard's Clayton Christensen in his groundbreaking 1997 book *The Innovator's Dilemma*: he's speaking to you.

Christensen noted that market incumbents frequently see upstart competitors emerge with effective new technologies or ways of doing business. Recognizing the threats posed by these new methods, the market leaders attempt to adapt and replicate those methods themselves -- but, with astonishing frequency, fail in the attempt. The problem, he concludes, is trying to maintain both the old ways and the new ways in the same organization:

*It seems to be very difficult to manage the peaceful, unambiguous coexistence of two cost structures and two models for how to make money within a single company. ... [A] single organization might simply be incapable of competently pursuing disruptive technology while remaining competitive in mainstream markets. ...*

*[M]ost managers try to ... maintain their competitive intensity in the mainstream, while simultaneously trying to pursue disruptive technology. The evidence is strong that such efforts rarely succeed; position in one market will suffer unless two separate organizations, embedded within the appropriate value networks, pursue their separate customers.*

By "separate customers," Christensen is referring to groups of customers that seek and reward different values in the market. Managing partners are familiar with that dichotomy: clients who insist on innovations like alternative fee arrangements and outsourced lawyers versus clients who are happy to continue with the *status quo*. Many managing partners believe, correctly in my view, that this latter group is growing.

Managing partners themselves might well favor these innovations and try to implement them, but time and again, they come up against the brick wall of partner intransigence and financial infrastructure. According to Christensen, these obstacles are not merely bad luck; they are the natural and inevitable result of a business that has been successful for decades and simply will not be able to absorb fundamental changes to its model.

You can't grow two plants in the same plot of land, says Christensen: you need to find a new patch of soil in which the new plant can take root. He cites several successful examples of companies that harnessed new technologies by creating new, parallel businesses that employed innovative methods and keeping them away from the main company serving the mainstream market.

That same trend has now arrived in the law. Last year, UK firm Berwin Leighton Paisner created, then eventually spun off, a new service called Lawyers On Demand that employs 80 BLP-endorsed freelance lawyers who work with clients on a contract basis at client offices or remotely.

More recently, the consulting wing of UK firm Eversheds announced the creation of Evesheds Agile, a similar on-demand service that also doubles as a business development tool for the firm's consultancy services. Both LOD and Agile have already signed up several major global clients.

BLP and Eversheds have glimpsed the future of legal talent and workflow and have acted accordingly. But more importantly, they've applied the lessons of The Innovator's Dilemma and have created separate parallel businesses that use new technologies, business methods and approaches. They are among the very first movers in this area. Will your firm join them?

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