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Clients Still Find Law Firms' Innovation Efforts Lacking

By Dan Packel

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What You Need to Know

- Thompson Hine managing partner Deborah Read concludes many law firms struggle to talk directly to clients about the innovation work they're doing.
- The report reveals substantial gaps between clients' desired innovations and their law firms' ability to deliver upon these needs.
- Alternative billing structures is a rare area where firms' capabilities and clients' expectations are in line.

Law firms are increasingly eager to trumpet their innovation efforts. But many clients aren't necessarily getting the message.

In Am Law 200 firm Thompson Hine's latest survey of how in-house counsel perceive innovation in the legal industry, 65% of respondents say they have seen either "a lot" or "some" innovation from law firms. That's not much more than the 60% figure from the firm's 2020 survey, against a backdrop of both broad social change thanks to the COVID-19 pandemic and sustained rhetoric about new technology.

Thompson Hine managing partner Deborah Read said the fact that this figure only increased by 5% was "somewhat shocking," given the amount of hype in the marketplace.

"It's tough to reconcile with all the people who say they're doing something," she added.



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Read's explanation is that many law firms struggle to talk directly to clients about the innovation work they're doing. According to the survey, 42% of respondents say their primary outside law firms have not provided information about their use of innovation, while 53% said they do on an ad hoc basis. Only 5% said they receive these updates on an annual or semi-annual basis.

"Law firms aren't very good at telling people what they're able to do," she concluded.

Read also speculated that some of the advances made by law firms in how they operate and deploy technology aren't necessarily being done for the benefit of the client. According to the survey, only 12% of respondents believe

they've saved money as a result of their primary law firm's use of innovative technology. Perhaps even more tellingly, only 22% more expect this will lead to cost savings over time.

"Some law firms and businesses that are using technology may be using it to improve their own processes and their own profitability, as opposed to using it to improve cost savings and enhance speed and efficiency for clients," Read offered as an explanation for the findings.

The report also reveals substantial gaps between clients' desired innovations and their law firms' ability to deliver upon these needs. Identifying one area of alignment, Read noted that since previous iterations of the survey, law firms have grown more successful in implementing alternative billing structures.

Now, 69% of clients deem it important for their firms to deliver alternative billing, and 63% say their firms have done so. But for other innovations, there's still a yawning divide.

Take budgeting, where 71% of respondents want their outside counsel to implement budgets, but they say that only 29% of their firms have done so.



Deborah Read,
Thompson Hine's
managing partner.

Courtesy photo

"I'd think that would be further along," Read said, acknowledging that this structure isn't easy to implement.

"You have to train lawyers and shift behaviors to deliver on the budget, both as to time and task," she continued. "Writing a budget on an Excel spreadsheet is easy to do in the overall scheme of things, but preparing a budget based on the data that lawyers have readily available and delivering on the budget is hard. That is the sea change that clients are looking for."

Predictive tools also manifested a significant gap in the findings. Even with much of the survey work completed before the recent surge of interest in artificial intelligence and large language models, 60% of respondents sought this technology from their firms, while only 7% said that their outside firms used it.

Read herself acknowledged that generative AI is undoubtedly a way of delivering innovation to clients, but she cautioned that significant uncertainties stood in front of widespread usage by lawyers, focusing on large language models that can answer queries and create text.

"There are a lot of people who are interested in how generative AI can produce better results, but I think there are a lot of warning flags," she said. "The ability to use it effectively without tripping over the various caveats is still an unknown."