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Innovation in legal services: annexes

A report for the Solicitors Regulation Authority and the Legal Services Board

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Annex 1: Innovation in legal services – insights from prior research

A1.1 Introduction

This Annex details the academic literature underlying the conceptualisation of innovation in legal services outlined in Section 2 of the main report.

Innovation in legal services has, to date, attracted relatively little attention from researchers. There is, however, relatively extensive literature on innovation in other business and professional services sectors, particularly in less strongly regulated sectors such as IT services and consultancy. Indeed, it has been suggested that such sectors may not just be innovative in their own right but that they may act as important 'bridges' linking innovation in different sectors and countries[1].

A1.2 The meaning of innovation

Organisations innovate by implementing innovative practices – the practical steps required to gather knowledge, transform it into a marketable innovation and then commercialise that innovation. Innovative practices can take place at different stages of the innovation process and be aimed at generating different types of innovation. In this section we define a two-dimensional framework within which individual innovative practices can be situated relating to these two aspects of innovative activity, i.e. stage in the innovation process and type of innovation.

The term 'innovation' itself can have many different meanings with different individuals either including or excluding particular activities. In our survey work on this theme we never talk about 'innovation' but always about other more specific and descriptive terms such as 'process change', 'new services' etc. This provides a workable methodology which involves (a) identifying a range of concrete actions which may be regarded as innovative; (b) exploring organisations' engagement with this set of practices, the drivers of this engagement and any barriers to involvement; and, (c) exploring the consequences of engagement with innovative practices.

A broad range view of knowledge is necessary for successful innovation including technical, commercial and market data, both codified and tacit[2]. The profile of knowledge needed, however, will depend significantly on the nature of the innovation and the stage of development of any innovation. Radical innovations are likely to require more new

[1] Bessant, J. and H. Rush. 1995. Building Bridges For Innovation - The Role Of Consultants In Technology-Transfer. *Research Policy* **24:97-114**. Gassman, O.; M. Daiber; and E. Enkel. 2011. The role of intermediaries in cross-industry innovation processes. *R & D Management* **41:457-469**. Prince, R. 2012. Policy transfer, consultants and the geographies of governance. *Progress in Human Geography* **36:188-203**.

[2] Codified knowledge is that which is written down in, for example, a patent, standard or technical manual. Tacit knowledge is unwritten know-how relating for example to working procedures, norms or the structure of social networks. Both may have important implications for innovation.

technological knowledge than more incremental change. Different types of innovation – product, process or service will also require different types of knowledge[3].

A central insight from innovation research in recent years has been its increasing ‘openness’, i.e. the extent to which one organisation’s innovation activity depends on its contacts and links with other organisations[4]. Different types of links or partnerships may help organisations to acquire different types of knowledge and drive different types of innovation. Links - knowledge search – with customers, for example, might impact most strongly on service innovation,[5] while search with suppliers or external consultants might impact most directly on business process development[6].

It is important to recognise too that innovation is a process – either organised or ad hoc. Early, exploratory, stages of an innovation process may involve ‘the pursuit of knowledge, of things that might come to be known,’ while subsequent elements of the innovation process focussed on exploitation may require more market focussed knowledge as part of ‘the use and development of things already known’[7]. Different process stages are likely to involve different activities, different partners and may require very different leadership styles[8].

The variation in forms and types of ‘innovation’, and the use of the single term ‘innovation’ both to describe outcomes and process, can create significant communication difficulties both between business colleagues and in terms of conducting innovation research[9]. To overcome this issue and ensure a more meaningful dialogue instead of talking about ‘innovation’, studies often focus on more specific (and observable) activities or practices which form part of organisations’ overall pattern of innovative activity. An innovation practice might be defined as a *‘strategic, managerial or organisational actions undertaken to stimulate, initiate or implement changes in services or processes’*[10]. For example, the introduction of cross-functional development teams might be an important part of the development of both process and service innovations[11]. Collaboration with customers is more likely to be important for service innovation, however, while links to equipment suppliers feed more directly into process change.

[3] Roper, S.; J. Du; and J.H. Love. 2008. Modelling the Innovation Value Chain. *Research Policy* **37:961-977**.
[4] Chesbrough, H.W. 2003. *Open Innovation*. Harvard University Press. Chesbrough, H.W. 2006. *Open Innovation: a new paradigm for understanding industrial innovation*. Oxford: Oxford University Press.
[5] Su, C.T.; Y.H. Chen; and D.Y.J. Sha. 2007. Managing product and customer knowledge in innovative new product development. *International Journal Of Technology Management* **39:105-130**.
[6] Smith, D.J. and D. Tranfield. 2005. Talented suppliers? Strategic change and innovation in the UK aerospace industry. *R&D Management* **35:37-49**. Horn, P.M., *The Changing Nature of Innovation.* Research Technology Management, 2005. **48**(6): p. 28-33.
[7] Levinthal, D. and J. March. 1993. The myopia of learning. *Strategic Management Journal*: **p. 105.**
[8] Rosing, K.; M. Frese; and A. Bausch. 2011. Explaining the heterogeneity of the leadership innovation relationship: Ambidextrous leadership. *Leadership Quarterly* **22:956-974**.
[9] Song, X.M.; M.M. Montoya-Weiss; and J.B. Schmidt. 1997. Antecedents and consequences of cross functional co-operation: a comparison of R&D, manufacturing and marketing perspectives. *Journal of Product Innovation Management* **14:35-47**.
[10] Spithoven, A.; W. Vanhaverbeke; and N. Roijakkers. 2013. Open innovation practices in SMEs and large enterprises. *Small Business Economics* **41:537-562**.
[11] Song, X.M.; M.M. Montoya-Weiss; and J.B. Schmidt. 1997. Antecedents and consequences of cross functional co-operation: a comparison of R&D, manufacturing and marketing perspectives. *Journal of Product Innovation Management* **14:35-47**.

A1.3 Identifying innovative practices in the Innovation Value Chain

A1.3.1 External linkages and ideas

External linkages – openness – in the innovation process can play a key role in helping organisations to access otherwise inaccessible resources and/or risk sharing in innovation. While these can be of any sort and can arise at any stage of the IVC, the evidence suggests that links to customers and suppliers tend to be most prevalent, especially in the knowledge gathering stage of the IVC.

Linkages with Customers

A key aspect of customer orientation in service organisations is through integrating the customer into the production and innovation process. It is not uncommon for a service organisation's client to initiate and stimulate innovations, and research suggests that customer participation is frequently a necessary condition for success[12]. The close interaction between service provider and customer participation comes in various forms, such as co-production, servuction and service relationship[13]. In fact, some researchers have highlighted how, under some circumstances, the customer could become so closely involved with the innovation process as to be virtually an internal rather than an external resource[14].

Any mission statement of professional service organisations will include an objective of delivering outstanding client service[15]. Law organisations are no different. In addition to their duty to the courts and the public, lawyers have a clear duty to their clients, and are encouraged to be client focused [16]. After all, it is the tacit knowledge possessed by individual lawyers which is sold to clients and generates the law organisations' revenue stream. Indeed, many clients hire individual lawyers based on reputation. Therefore, it is not altogether surprising that clients play an important role in the evolution of law organisations. Previously, law organisations responded to clients' expectations concerning the adoption of certain technologies in order to reduce costs and inefficiencies[17]. In addition, clients more and more expect lawyers to understand their business and adopt a commercially focused approach.

A UK study of business service organisations (including legal services) finds that linkages with customers positively and significantly impacts on the knowledge acquisition stage of the innovation value chain[18]. These empirical results, the nature of the lawyer-client relationship and clients' growing need for lawyers to understand their business and adopt a commercially

[12] Preissl, B., *Service innovation: what makes it different? Empirical evidence from Germany*, in *Innovation Systems in the Service Economy. Measurement and Case Study Analysis*, J.S. Metcalfe and I. Miles, Editors. 2000, Kluwer Academic Publishers: Boston. p. 125-148.

[13] Sundbo, J. and F. Gallouj, *Innovation as a loosely coupled systems in services*, in *Innovation Systems in the Service Economy: Measurement and Case Study Analysis*, J.S. Metcalfe and I. Miles, Editors. 2000, Kluwer Academic Publishers, Boston: Boston. p. 43-68.

[14] Mansury, M.A. and J.H. Love, *Innovation, productivity and growth in US business services: A firm-level analysis.* Technovation, 2008. **28**(1–2): p. 52-62.

[15] Hunter, L., P. Beaumont, and M. Lee, *Knowledge management practice in Scottish law firms.* Human Resource Management Journal, 2002. **12**(2): p. 4-21.

[16] Terrett, A., *Knowledge Management and the Law Firm.* Journal of Knowledge Management, 1998. **2**(1): p. 67-76.

[17] Dublin, M., *Creating an Environment in Law Firms Where Knowledge Management Will Work.* 2005.

[18] Love, J.H., S. Roper, and J.R. Bryson, *Openness, knowledge, innovation and growth in UK business services.* Research Policy, 2011. **40**(10): p. 1438-1452.

focused approach highlight the importance of customers as a source of knowledge with respect to service and process innovation.

Linkages with Suppliers

The benefit of a good working relationship with suppliers is clearly understood with respect to product and process innovation in the manufacturing industry, and the greater value of supplier linkages for process change has been highlighted in an Irish manufacturing study[19]. However, a recent study which examined the impact of backward knowledge (supplier) sourcing on innovation for UK business services reports no impact with respect to any of the three IVC stages[20].

Although linkages to suppliers is not a particularly important source of external knowledge for manufacturing organisations, given the tendency for service organisations to be more outward focussed, linkages with suppliers may be beneficial in terms of acquiring new knowledge. Law organisations are (at least in part) in the business of imparting and selling knowledge to their clients. Therefore, it is likely that knowledge intensive service providers, such as accountants, other legal professionals and Information Technology (IT) consultants, will facilitate the acquisition of new knowledge to aid the development of new and/or improved services in law organisations. Suppliers may also aid process innovation in terms of informing law organisations with respect to marketing strategies or implementing new management approaches.

Market Research /Linkages with Competitors

Vigilance of the market and competitors is an important element of the innovation process[21]. This external scanning can be formalised in the form of market research and competitor analysis, although in practice it can also be quite ad-hoc. Empirical evidence in relation to law organisations is limited and in relation to services is inconclusive. Linkages with competitors positively affects both the probability and extent of innovation within Finnish business service organisations[22], but a Luxembourgish study finds a negative relationship between knowledge sourcing from competitors and the degree of innovation novelty within service organisations[23]. In addition, a UK study of business services organisations finds no positive impact from competitor linkages in relation the knowledge acquisition stage of the IVC[24]. However, linkages with competitors have previously been found to positively influence both product and process innovation in the manufacturing sector[25], and it may form an important element of knowledge sourcing for service and process innovation within law organisations.

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[19] Roper, S., J. Du, and J.H. Love, *Modeling the innovation value chain* Research Policy, 2008. **37**: p. 961-977.
[20] Love et al (2011) op cit.
[21] Trott, P., *Innovation Management and New Product Development*. 2008, England: Pearson Education.
[22] Leiponen, A., *Skills and innovation.* International Journal of Industrial Organisation, 2005. **23**(5-6): p. 303-323.
[23] Mention, A.-L., *Co-operation and co-opetition as open innovation practices in the service sector: Which influence on innovation novelty?* Technovation, 2011. **31**(1): p. 44-53.
[24] Love et al (2011) op cit.
[25] Roper et al (2008) op cit.

Among business services organisations it is links to customers which are most common in the knowledge transformation stage[26]. Links to other types of organisations may also play an important role in knowledge transformation, although again the specific evidence is limited. For example, knowledge sharing within a group of organisations is often rated as the most valuable source of information for organisations[27]. Other studies have suggested the potential importance of linkages to public research organisations and commercial laboratories as part of service organisations' knowledge transformation activities[28]. Perhaps surprisingly, such links matter less in the process of actually translating innovations into growth and profitability. Despite this we see the highest proportion of business services organisations have external linkages to clients as part of their commercialisation activities.

Evidence from studies of business services also suggests that other types of external linkages may be important in terms of the commercialisation of innovation. From early innovation studies, professional societies, along with universities and government laboratories, were considered one of the main sources of new inventions and knowledge that advance innovation[29]. Recent empirical work has also reported that interaction with professional societies positively influences the commercialisation of innovations by UK business services organisations[30]. The authors explain that the exploitative links to professional associations helps organisations maximise the growth benefits of their new innovations. It is likely that such relationships would benefit law organisations in the final stage of the IVC with respect to service and process innovation.

A1.3.2 R&D and Design Investment

The importance of R&D to organisation innovation is well documented[31], although the evidence in relation to business service organisations is less conclusive[32]. Although, R&D departments are not traditionally associated with law organisations, International Legal Technology Association (ILTA) awarded a 'Most Innovative Law Organisation 2014 Award' to Seyfarth Shaw for the creation of an R&D department staffed by lawyers, project managers, technologists, and software developers. The R&D department was set up in 2012, and now comprises 35 staff. Outcomes from this department include: expert systems made directly available to clients, a legal management platform, and the capture of all client data to facilitate the movement from descriptive statistics to predictive data[33]. However, a study of UK business services organisations found no evidence of R&D impacting on new ideas generation for innovation[34]. Interestingly, this study finds that design investment (in-house and intensity) is a significant part of the knowledge sourcing stage for business services organisations. It is important to establish the role R&D and design investment may play in relation to knowledge acquisition in law organisations. It is more likely that they play a role with respect to service rather than process innovation.

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[26] Love, J.H., S. Roper, and J.R. Bryson, 2011, Op. Cit., Table 3.

[27] Mention, A.-L., *Co-operation and co-opetition as open innovation practices in the service sector: Which influence on innovation novelty?* Technovation, 2011. **31**(1): p. 44-53.

[28] Love, J.H., S. Roper, and J.R. Bryson, 2011, Op. Cit., Table 3.

[29] Freeman, C. and L. Soete, *Economics of Industrial Innovation*. 1997, London: Pinter.

[30] Love, J.H., S. Roper, and J.R. Bryson, 2011, Op. Cit., Table 4.

[31] Freel, M.S., *Sectoral Patterns of Small Firm Innovation: Networking and Proximity.* Research Policy, 2003. **32**: p. 751-770.. Roper et al (2008) op cit.

[32] Leiponen, A., *Skills and innovation.* International Journal of Industrial Organisation, 2005. **23**(5-6): p. 303-323.

[33] Hendersen, B., *Ahead of the Curve: Three Big Innovators in Big Law*, in *The Legal Whiteboard*, W. Henderson, J. Lipshaw, M., and M. De Stefano, Editors. 2014.

[34] Love et al (2011) op cit.

A1.3.3 Multifunctional Teams

A multi-functional team or cross-functional team is a group of people with different functional expertise working towards a common goal. The important role of multi-functional teams on organisation innovation is well established[35]. Although much of the empirical evidence relates to the manufacturing sector, it is important to note that there are usually more departments and project teams involved in the innovation process in the services sector than in the manufacturing sector[36].

Larger law organisations typically organise staff within departments specific to one particular legal area, such as property transactions or litigation, and so some lawyers become expert in a particular aspect of the law. Therefore it is likely that there is significant variation in the skills and competencies across departments. Bringing lawyers together to achieve a common goal should lead to communication, information exchange and mutual learning. A recent study examined the role of such teams for a range of UK business services, including legal services. In this study[37] teams prove of greater value for knowledge transformation where they are more multi-functional, i.e. involve more functional groups from within the organisation. Other studies have, however, emphasised the importance of team leadership and the potential difficulties of communication raised by having teams including staff from multiple occupations[38].

A1.3.4 Embeddedness of Team-working

The ability of teams to contribute to successful innovation also depends significantly on the business culture and organisation within which they are operating[39]. This is difficult to capture in empirical terms but the evidence suggests that where teams are valued, independent, embedded and include customers or suppliers' knowledge, knowledge transformation is most effective.

It is important to note that law organisations tend to foster a culture of individual practices, and lawyers are not generally recognised as adopting a team-based approach to legal work[40]. For instance, time spent sharing knowledge and experience is time not spent billing clients[41]. While it is not clear that law organisations favour adopting a team approach to problem solving, within legal services in England and Wales there appears to be some interest in multi-disciplinary practices by the largest law organisations although this is geared

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35 Nakata, C. and S. Im, *Spurring cross-functional integration for higher new product performance: a group effectiveness perspective.* Journal of Product Innovation Management 2010. **27**: p. 554-571.
Gupta, A.K. and D. Wilemon, *Changing patterns in industrial R&D management.* Journal of Product Innovation Management 1996. **13**: p. 497-511.

36 Hipp, C. and H. Grupp, *Innovation in the service sector: The demand for service-specific innovation measurement concepts and typologies.* Research Policy, 2005. **34**(4): p. 517-535.

37 Love, J.H., S. Roper, and J.R. Bryson, *Openness, knowledge, innovation and growth in UK business services.* Research Policy, 2011. **40**(10): p. 1438-1452.

38 Carbonell, P. and A.I. Rodriguez-Escudero. 2009. Relationships among team's organisational context, innovation speed, and technological uncertainty: An empirical analysis. *Journal of Engineering and Technology Management* **26:28-45**.

39 Dackert, I.; L.A. Loov; and M. Martensson. 2004. Leadership and climate for innovation in teams. *Economic and Industrial Democracy* **25:301-318**.

40 Kabene, S.M., P. King, and N. Skaini, *Knowledge Management in Law Firms.* Journal of Information, Law and Technology 2006. **1**.

41 Terrett, A., *Knowledge Management and the Law Firm.* Journal of Knowledge Management, 1998. **2**(1): p. 67-76.

more towards different forms of business practice rather than methods of internal working [42]. We would expect that assigning a task to a team of multifunctional lawyers would stimulate creativity and generate new ideas with respect to new and/or improved legal services and new processes within the law organisation.

A1.3.5 Reputation: advertising and branding

Prior to 1983, the restrictions on the freedom of Solicitors to advertise limited the information available to the public about available services. Solicitors in England began to adopt advertising when it became available: within two years of advertising being permitted, almost half of Solicitors' organisations in England did so[43], although advertising the prices of legal services remained very rare. Now, as law organisations often specialise by type of client, they often advertise different areas of law to the relevant target customers[44]. While this may have implications for pricing, quality and consumer welfare[45], there appears to be little direct evidence to date of the role of advertising in exploiting innovation in law organisations. What is evident from the literature is that advertising for relatively routine legal services such as conveyancing tends to be associated with lower prices and reduced price discrimination, without necessarily impacting on the quality of service[46]. However, there appears to be no specific evidence relating advertising activity to the commercialisation of new products and services within the legal profession.

A1.3.6 Intellectual Property Protection

Intellectual Property (IP) concerns the legal rights associated with creative effort of commercial reputation. There are many types of IP (e.g. patents, copyright, trademarks, registered designs) with some being more relevant to specific industries. The most recent analysis for the UK suggests that overall very few (around 4%) of innovative organisations use the patent system, with most innovative organisations preferring to use more informal or strategic methods for protecting new products and services[47]. There are a number of explanations for this: most organisations are SMEs, which are often reluctant to use formal IP protection because of the perceived cost[48]: many innovations are new to the organisation, but not to the market; and many sectors are not patent active.

A1.4 Overarching Practices

Organisations may engage in overarching practices which positively influence innovation performance. Firstly, in terms of innovation orientation, the significance of innovation strategy to the success of innovation is well understood. Senior management play an important role in shaping a organisations' innovation strategy. Likewise, structures and

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[42] Baker Tilly, *Legal Innovation 2013: New Developments in an Old Profession*. 2013.

[43] Stephen F H, Love J H, and Paterson A A (1994) "Deregulation of conveyancing markets in England and Wales" *Fiscal Studies*, Vol 15(4), 102-118.

[44] Oxera, *A framework to monitor the legal services sector*. 2011: Oxford, UK.

[45] Stephen F H, Love J H and Rickman N (2012) "Regulation of the legal profession", in R J Van Den Bergh and A M Pacces (eds) *Encyclopaedia of Law and Economics*, 2nd ed, Edward Elgar

[46] Stephen F H, Love J H and Rickman N (2012), Op. Cit.

[47] Hall, BH Helmers, C Rogers, M and Sena, V (2013) The importance (or not) of patents to UK firms, *Oxford Economic Papers*, 65, 603-629.

[48] Blackburn, R.A. 2003. *'Intellectual Property and Innovation Management in Small Firms*. London: Routledge.

practices supported by management, such as 'space for creativity' and rewarding and incentivising staff in their innovation efforts, are important to the success of innovation.

A1.4.1 Innovation Strategy

The importance of an 'innovation strategy' to the success of innovation is well established[49]. An organisation's ability to keep up with its competitors and maintain on-going innovation efforts are critical to its survival and growth. It is a organisation's innovation orientation which guides it in adapting, integrating and reconfiguring technological capabilities, managerial capabilities and resources endowment as necessary in order to maintain and enhance continuous innovation[50]. Davila et al. (2006) argue that innovation strategies are unique to the organisation: each company's management team has to craft its own innovation strategy, and the innovation strategy must support the business strategy[51]. They do, however, differentiate between 'play-to-win' strategies which place an emphasis on adjacent and transformational innovation, and 'play-not-to-lose' strategies which emphasise more incremental, core, innovation.

Roper et al (2014) show that that organisations' innovation strategic objectives may also be important in shaping their knowledge acquisition strategies[52]. They identify two main strategic mechanisms through which organisations may access, absorb and use external knowledge, and which may influence their innovation activity. First, organisations may form deliberate, purposive connections with other organisations or organisations as a means of acquiring or accessing new knowledge. These might be partnerships, network linkages or contractually-based agreements entered into on either a formal or informal basis. This type of connection is characterised by strategic intent and mutual engagement of both parties, and may be characterised as a form of interactive learning. Second, organisations might acquire knowledge deliberately but without the direct engagement of another party. Examples of this type of mechanism include imitation, reverse engineering or participation in network or knowledge dissemination events. Here, there is a clear strategic intent on the part of the focal organisation but no mutuality in the learning process, and this may be characterised as non-interactive learning.

In their analysis of data from the UK Innovation Survey, Roper et al (2014)[53] find strong and consistent support for complementarity between non-interactive and interactive connections across organisations in all sectors and sizebands: in other words, organisations that use interactive knowledge sources also tend to use non-interactive sources. In addition the extent of organisations' interactive and non-interactive connections are strongly related to the level of skills available within the organisation.

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[49] Burgelman, R., M.A. Maidique, and S.C. Wheelwright, *Strategic Management of Technology and Innovation*. 2001, New York: McGraw-Hill.

[50] Guan, J.C., et al., *Innovation strategy and performance during economic transition: Evidences in Beijing, China.* Research Policy, 2009. **38**(5): p. 802-812.

[51] Davila et al (2006)

[52] Roper S, Love J H, Bonner K and Zhou Y (2014) 'Firms' innovation objectives and knowledge acquisition strategies', ERC Research Paper.

[53] Roper S, Love J H, Bonner K and Zhou Y (2014) 'Firms' innovation objectives and knowledge acquisition strategies', ERC Research Paper

A1.4.2 Senior Management Team (SMT)

Senior managers make decisions which are a function of their education, functional background, experience, and values[54]. Therefore, SMT composition may directly affect innovation strategy and resulting innovation outcomes[55]. A cross-national study reports that SMT diversity has a strong impact on the strategic choice of organisations to focus on innovation fields. Although specifically examining the manufacturing sector, their findings support the relevance of considering a corporate governance view for explaining innovation outcomes. A recent report highlights that 70 per cent of UK legal practices have non-lawyer management or a non-lawyer non-executive member on the management team even when they are not formally an alternative business structure (ABS)[56]. While non-lawyer involvement in law organisations can create tensions, diversity in SMT can facilitate innovation. Therefore, the extent to which the SMT, lawyers and non-lawyers, are involved in and influence innovation strategy and innovation performance in law organisations has yet to be determined. Interestingly, an FT report on innovation in US law organisations highlights innovations that have been driven by non-legal professionals working in law organisations[57]. However, internal collaboration between partners in the same organisation is not commonplace. Partners often choose to guard, rather than share, their work. This is probably as a result of the way they are compensated and a fear that sharing work may result in losing clients or personal billings. This culture is likely to affect how senior managers and partners influence innovation strategy within the organisation and subsequent innovation outcomes.

A1.4.3 Rewards /Incentives

Successful innovation requires that organisations and managers provide clear and consistent signals to employees about the goals and objectives of the organisation[58]. Clear signals and public recognition of employees' accomplishments serve to motivate other employees to greater effort in meeting the organisations objectives[59]. The practical consequence of rewarding desired behaviours is that other employees repeat and emulate these behaviours. A study of Australian law organisations found that acknowledging and rewarding practices (such as, adoption of new practices and processes, implementation of new services, solving problems in a novel way and bringing new practices to the organisation) positively influenced innovative behaviour and organisation performance[60]. There is considerable evidence of the influence of such human resource management (HRM) practices on organisation innovation and, more so, organisation performance[61]. In

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[54] Smith, K.G., et al., *Top management team demography and process: the role of social integration and communication.* Administrative Science Quarterly 1994. **39**: p. 412–438.
[55] Talke, K., S. Salomo, and K. Rost, *How top management team diversity affects innovativeness and performance via the strategic choice to focus on innovation fields.* Research Policy, 2010. **39**(7): p. 907-918.
[56] Baker Tilly, *Legal Innovation 2013: New Developments in an Old Profession*. 2013. Note, however, that the sample size used in this survey is unclear.
[57] Finanical Times, *FT Innovative Lawyers 2013*. 2013
[58] Barnes, J.W., et al., *The role of culture strength in shaping sales force outcomes* Journal of Personal Selling & Sales Management, 2006. **26**(3): p. 255-270.
[59] Trice, H.M. and J.M. Beyer, *Studying organisational cultures through rites and ceremonials.* Academy of Management Review, 1984. **9**(4): p. 653-669.
[60] Hogan, S.J. and L.V. Coote, *Organisational culture, innovation, and performance: A test of Schein's model.* Journal of Business Research, 2014. **67**(8): p. 1609-1621.
[61] Gold, B., *Human Resource Management: Theory and Practice*. 2012, Hampshire, UK: Palgrave Macmillan.

general, it is accepted that it is important to implement an incentive structure that aligns employees' utility functions with the organisations innovation objectives[62]. Interestingly, a Danish study reports that complementary HRM practices is more effective for organisations in knowledge-intensive industries[63]. In a study on organisational culture within Australian law organisations, it was found that an organisational culture that motivates and fosters innovative behaviours among employees, along with showing an appreciation of and rewarding employees, positively influenced organisation innovation and performance[64]. The extent to which law organisations are developing reward structures to incentivise staff is likely to play an important role in its innovative performance.

A1.4.4 Space for Creativity/ Innovation Department

Providing employees with the space to think, experiment, discuss ideas and be creative is an important organisational characteristic that can facilitate the innovation process. Allowing individuals a certain amount of 'slack' for innovation is a practice sometimes employed by organisations[65]. For instance, in many R&D departments scientists are allowed 10-15 per cent of their time to work on the projects they choose. The type of practices, if any, law organisations adopt to provide creative space to employees is unknown; however, there are some examples, such as the Portuguese law organisation Vieira de Almeida which created a structured programme to promote innovation that includes creativity workshops and ideas campaigns. The organisation commenced such practices to institutionalise the innovation concept and to adopt innovation as one of the organisation's core values. Introduced in 2012, outcomes include the "A Step Ahead" programme, a contract management service that helps clients control and manage their commercial obligations over the life cycle of a contract. The extent to which UK law organisations have 'innovation departments' or creative space practices has yet to be determined.

A1.4.5 Staff Training and building absorptive capacity

The importance of developing employees to develop innovative products, services and processes is appreciated by innovation scholars[66]. The legal services profession is also beginning to place more importance on developing staff[67]. Skilled staff are often said to play a dual role in innovation – assisting organisations with the development of new ideas inside the organisation but also having greater absorptive capacity – i.e. the ability to identify, assess and appropriate knowledge from outside the organisation[68]. R&D and design staff are often said to play a similar role in their specific functions[69].

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[62] Mendelson, H. and R. Pillai, *Information Age organisations, dynamics and performance.* Journal of Economic Behavior & Organisation, 1999. **38**: p. 253-281.

[63] Laursen, K., *The Importance of Sectoral Differences in the Application of Complementary HRM Practices for Innovation Performance.* International Journal of the Economics of Business, 2002. **9**: p. 139-156.

[64] Hogan and Coote (2014) op cit.

[65] Cordey-Hayes, M., P. Trott, and M. Gilbert, *Knowledge Assimilation and Learning Organisations*, in *Knoweldge Technology and Innovative Organisations*, J. Butler and A. Piccaluga, Editors. 1997, Guerini E. Associati: Milan.

[66] Freel, M.S., *Patterns of innovation and skills in small firms.* Technovation, 2005. 25(2): p. 123-134. Leiponen, A. 2005. Skills and innovation. *International Journal of Industrial Organisation* 23:303-323.

[67] Baker Tilly, *Legal Innovation 2013: New Developments in an Old Profession*. 2013.

[68] Cohen, W.M. and D.A. Levinthal. 1990. Absorptive capacity: a new perspective on learning and innovation. *Administrative Science Quarterly* 35:128-152.

[69] Griffith, R.; S. Redding; and J. Van Reenan. 2003. R&D and Absorptive Capacity: Theory and Empirical Evidence. *Scandinavian Journal of Economics* 105:99-118.

There is significant positive evidence on the relationship between workforce quality and innovation. There is less evidence on whether or how staff training and development contributes to knowledge transformation in any sector. Given that the most dominant resource in the provision of services to clients is human capital, however, improvements to this resource are likely to be useful in the transformation of knowledge to new services and business processes.

Annex 2: Benchmark definitions used in the 2009 study of legal services innovation

Four metrics (A1, A2, A4 and A5) relate to organisations' activities in accessing knowledge, five metrics focus on building innovation (B2 to B6), and five metrics relate to organisations commercialisation activities (C1 to C5). The definition of the specific metrics are as follows:

A1 The proportion of externally sourced ideas (%) **–** intended to reflect the openness of organisations' knowledge gathering activities this metric is a commonly used 'openness' measure. This metric is defined as the 'proportion of new products or services typically coming from ideas initially developed outside the organisation'.

A2 R&D intensity (%) – a standard measure of organisations' commitment to technological innovation this is defined as R&D expenditure as a percentage of turnover.

A4 Multi-functionality in accessing knowledge (%) – intended to reflect organisations' use of multi-skill groups in accessing knowledge this metric is defined differently for each sector. For legal services the index measures what proportion of partners and senior fee earners, associates and junior fee earners, para-legal staff, administrative staff and marketing staff are involved in knowledge gathering activities. Organisations using all six skill groups score 100 per cent; organisations using three skill groups score 50 per cent, and so on.

A5 External knowledge sources for accessing knowledge **(%)** – previous studies have emphasized the potential importance of external knowledge sources for innovation. In the survey eight types of external partner were identified: suppliers, clients or customers, competitors, consultants, universities, government or public research institutes, professional and trade associations and commercial labs or R&D centres. Organisations reporting all of these as being either very important or fairly important sources of the ideas and information needed for product/service development score 100 per cent. Organisations citing four of these external knowledge sources score 50 per cent etc.

B2 Percentage of turnover of innovative products (%) – a standard measure of the percentage of organisations' turnover derived from new or improved products or services over the last three years.

B3 Diversity of innovation activity (%) – in the survey six different types of innovation activity relating to product/service, processes, strategy, management systems, organisational change, marketing innovation were identified. This metric is designed to reflect the diversity of organisations' innovation activity and takes value 100 if a organisation engaged in all six types of innovation activity and 50 if the organisation undertook three different forms of innovation.

B4 ***Multi-functionality in building innovation (%)*** – intended to reflect organisations' use of multiple skill groups in building innovation this metric is constructed similarly to A4.

B5 Embeddedness of team-working in building innovation (%) **–** intended to reflect the extent of commitment to team-working as part of organisations' building innovation this metric is based on organisations' agreement with five statements about their organisation:

- Team-working plays a major role in the development of new products/services;
- Development teams are cross-functional and involve people from different parts of the organisation;
- Teams operate very independently and are left to get on with solving the problem;
- Organisation invests in training in team working;
- Teams often involve customers or suppliers.

Organisations agreeing with all five statements score 100 per cent. Organisations agreeing with any two of the five statements score 40 per cent etc.

B6 External knowledge sources for building innovation (%) – as A5.

C1 Range of customer relation modes (%) – this indicator reflects the range of customer interaction which organisations employ. For legal services this related to involving customers in product/services evaluation and development, monitoring customer feedback to shape new products/services, using structured CRM systems or approaches, holding regular customer seminars or workshops on new products/services, develop customer-specific solutions.

C2 Branding, marketing intensity (expenditure per turnover) – a non-standard measure of organisations' commitment to commercialisation through their spending on branding and marketing. This is defined as expenditure on branding, marketing as a percentage of turnover.

C3 Multi-functionality in commercialising innovation (%) – as A4.

C4 External knowledge sources for commercialisation (%) – as A5.

C5 Use of IP protection (%) – reflects the diversity of organisations' use of different forms of legal IP protection. Question F10 defines six forms of legal IP protection (registration of new designs, trademarks, patents, copyrights, confidentiality agreements, NDAs). Organisations using all six forms of IP protection score 100 per cent etc.

Annex 3: Insights from legal services in-depth studies

A3.1 Introduction

This Annex documents the findings from qualitative interviews conducted between December 2014 and March 2015. This qualitative phase of the project aimed to:

- Understand the meaning of innovation within the sector;
- Explore what drives innovation;
- Identify barriers (regulatory or otherwise) to innovation within the sector.

20 telephone in-depth interviews were conducted. Each interview lasted between 45 minutes and 1 hour. We used a discussion guide developed in conjunction with the SRA and LSB to ensure that the interviews addressed the topics of interest. The guide was designed to be used flexibly, in order to ensure that participants were able to describe all the necessary details and nuances of their experiences. Interviews were recorded and the recordings analysed.

The following types of organisations were included in the sample:

- Organisations of Solicitors and sole practitioners, within the following areas of speciality:
  - Welfare rights/legal rights;
  - Commercial;
  - Property;
  - Conveyancing;
  - Wills and tax planning;
  - Family;
  - Immigration;
  - Injury;
- Barristers Chambers;
- Corporate finance/tax organisations;
- Non-solicitor conveyancing services;
- Forensic legal advisors;
- Patent attorneys.

The sample covered organisations of various sizes including 4 sole practitioners 5 organisations with less than 10 employees, 3 organisations with 10-49 employees, and 8 larger organisations of which four had more than 250 employees. The sample included organisations with the following broad types of management structures:

- Sole practising Solicitors;

- Small high street Solicitors: fewer than ten partners, supported by junior Solicitors, paralegals and administrative staff;
- Groups of companies with multiple subsidiaries, covering business services and including legal services;
- Barristers Chambers;
- LLPs;
- Direct Access barristers, working in a dual practice arrangement;
- Professional Services Companies with a legal subsidiary;
- Legal service providers.

The specific roles of interview participants varied according to their organisation's structure and type. All had responsibility for developing and determining strategy for their organisations (or themselves). Specific roles covered were:

- Partner;
- Barrister;
- Clerk;
- Financial Director;
- Managing Director;
- Compliance Director;
- Chief Operating Officer.

A3.2 Innovation Overall

This section describes the overall approaches and attitudes to innovation identified across the qualitative sample. Firstly, we will outline the range of perceptions and definitions of innovation reported by participants. We will then go on to describe the different areas of innovation that organisations reported spontaneously. We will also cover motivations and drivers to innovate as well as describing the range of broad approaches adopted by organisations. It should be noted that while the term 'innovation' was used to explore organisations' spontaneous associations, interviewers subsequently asked about 'new services, products or processes' and their development, rather than innovation specifically.

A3.2.1 Spontaneous descriptions of innovation in legal services

Participants generally described innovation as any activity or resulting service/product which an organisation has not previously undertaken or delivered. They noted that innovation can mean a wide range of different things in the legal services sector. Indeed, different participants went on to describe varied specific meanings and interpretations, usually related to the activities that they themselves had or were undertaking.

Participants generally agreed that the legal services sector is not immediately associated with innovation or the development of new services, products or processes. Law organisations and legal institutions in general were said to have traditionally been resistant to change, often because there was no compelling reason to do so in the past. Therefore, innovation in legal services was described by most as something relatively new.

Participants often made immediate associations with changes in regulation and legislation in recent years when discussing innovation. The opening up of the market to greater competition, introduction of Direct Access and changes to the rules governing the fees charged for services such as personal injury were commonly considered important influencers in changing the market as a whole.

Furthermore, some participants (often smaller organisations or sole practitioners) talked about innovation primarily as something that has been introduced to the legal profession from outside. They agreed that regulatory and legislative changes played a role, and also felt that developments in new technology had transformed how lawyers and other providers operate (and continued to do so). While changes and developments in the legal services sector were often said to have been beneficial to clients and providers, some participants perceived that some of these changes were or had been a threat to providers and others had resulted in clients receiving a lower quality service than in the past.

> *"Now that conveyancing is being delivered by non-lawyers, the quality of the service is not a good as it should be"* (Sole Practitioner)

Some participants (often those operating ABS) described different types of innovation activity, some more 'innovative' than others:

- They explained that some innovation in legal services had primarily involved the development of more efficient and effective ways of doing business or structuring the delivery of business. For example, greater use of computerised case management and/or re-structuring teams to include a higher proportion of non-Solicitors. Some participants felt that this type of activity and change cannot be truly labelled as innovation. They felt that is was more about adapting to survive and prosper, and often involved adopting ideas and processes developed by others.
- They felt that other types of activity could more credibly be described as innovative. These included developing entirely new types of services, covering areas of law not previously offered in the market, providing clients with a completely new way of doing business (e.g. a fully integrated offer) and offering clients entirely new charging structures. These areas of innovation are described in more detail in the next section.

A3.2.2 Main areas of innovation reported

During the qualitative interviews, participants were asked to describe the main areas of innovation that they (or their organisation) had undertaken or were in the process of undertaking. They were asked to detail any new services, products, ways of delivering services or other internal processes that had been introduced.

Four broad types of change and development were described across the sample as follows:

1. Starting a completely new business or subsidiary, or radically re-structuring an existing organisation;
2. Introducing new processes and/or internal systems;
3. Introducing new ways of interacting with clients and delivering services;

4. Introducing new or altered services.

Some organisations described examples of all of the types of innovative activity outlined above. In some cases, organisations reported a combination of different activities, often interrelated or part of a single overarching strategy. Others had 'progressed' from one type of activity to another over time. In some cases, organisations only reported one or two areas of change and development.

We will now describe these different types of innovative activity in more detail:

1. New business or business structure

The sample included a number of newly formed businesses. These businesses were classified as ABS. These organisations generally described their overall approach as new and different, in some cases being set up specifically to 'do something different' and enable a more commercial and strategic approach to delivering legal services.

In some cases, organisations were new entrants to the legal services market, with their core business (i.e. parent company) operating in an adjacent sector such as accountancy or other professional services. Others were formed by individuals with a law organisation background, seeking to find a more sustainable and profitable business model.

Rather than forming entirely new businesses, some organisations had become ABS and had re-invented themselves in the process. They had taken the opportunity to source external investment, bring in new people in senior roles or re-structure their existing business models.

The following types of new structures and approaches were described:

- Integrated professional service provision: offering a client-centred, integrated service which may include HR and other business functions, accountancy and tax assistance, consultancy as well as legal services;
- Working in partnership with other organisations (e.g. public sector organisations) to provide an alternative to in-house legal departments;
- Delivering in-house legal specialists to clients on a temporary basis;
- Corporate business structure with a small board of directors and/or non-executive chair, enabling more flexible and immediate shifts in strategy and direction;
- Direct access barrister businesses involving new approaches to training and developing new talent, new ways of marketing and interacting with clients and new strategic approaches (with a more commercial focus than traditional Chambers).

2. New or different processes and internal systems

Participants described a number of examples of how they had introduced new ways of working to their organisations. In some cases, these new ways of working internally translated to, or resulted in, different ways of interacting with clients. However, this was not always the case, and the primary purpose of these changes was generally to deliver a more efficient service or to improve productivity and profitability overall.

Broadly, two distinct types of new processes or new ways of approaching tasks were described: technology-driven and personnel/procedure driven. Firstly, the following examples of technology-driven changes and developments were described:

- Moving IT systems to Cloud storage:
    - One medium sized organisation had taken a decision to invest heavily in a new IT approach in order to maintain efficiency and an ability to grow in the future. A Cloud-based approach to storage and systems access had been introduced.
- Introduction of new and/or improved case management systems:
    - While some participants (often larger Solicitors, younger sole practitioners/barristers and non-law organisations) felt that the use of IT systems to manage case progression could not really be described as innovative, others felt that this had been an important development and change that had been made in recent years. Some added that not all legal professionals had yet moved to such systems.
- Automation of processes:
    - Through use of new software, tasks which would have taken an individual a considerable amount of time can now be carried out almost immediately.
    - E.g. Some barristers felt that use of faster, automated systems for making Quantum calculations had increased efficiency and the quality of service/value for money they were able to deliver to their clients.
- Use of online research tools and electronic transcripts:
    - Some barristers felt that adopting these technological approaches had increased their efficiency and the efficiency of the Courts system overall.
- Remote working:
    - The ability to work from home or when ‘on the go’ had been facilitated by the introduction of remote access to law organisations’ and Chambers’ systems and files.

Secondly, the following personnel/procedure-driven changes and developments were described:

- Introducing different reporting structures and ways of working:
    - Through the setting up of different structures with direct line management, the potential for promotion and pay/bonus structures which encourage autonomy, some participants explained that they had created a culture in which new ideas were more likely to emerge and develop. They also felt that such alternative structures constituted an innovation in of themselves.
    - Other specific examples of different structures reported among organisations primarily delivering legal services included splitting sales functions from operations and setting up key client multi-functional account teams.
- Re-structuring teams and standardising processes:
    - Changing recruitment strategy to increase the proportion of paralegals compared with Solicitors in order to increase productivity and efficiency.

    - Standard processes (often facilitated by technological solutions), enabling more work to be done by non-lawyers (unless they are needed in complex cases, at which point they are free to give more attention and time to issues).
- Outsourcing and off-shoring:
    - Participants reported the use of off-shore providers for administrative functions such as transcription as well as setting up teams of paralegals in other markets (e.g. South Africa).
- More structured approach to time planning:
    - Barristers explained that they had adopted different approaches to planning cases, such as the use of Gantt charts and other more stringent time-planning policies.

3. New ways of interacting with clients and delivering services

Organisations across the sample often described having introduced new ways of interacting with clients and delivering services. As with internal processes, technology was said to have played an important role in delivering change in this area. Examples of new methods of delivery and interaction were often technological in nature, or made possible in some way by the use of new or improved technology internally. However, other changes and improvements to how organisations interact with clients were based on shifts in policy and approach rather than technology. The following examples of changes to interacting with clients and delivering services were described:

- Direct access:
    - Some barristers had chosen to take advantage of changes to legislation and were now operating a direct access model, marketing themselves to the general public directly.
    - Some organisations providing conveyancing had moved away from working with third parties to deliver a client base and had instead started 'going direct' in an effort to maintain and increase profitability.
- Online access to case progress:
    - Some larger organisations had developed (or were in the process of developing) online portal access for clients to monitor the progress of their case. This was most commonly reported in conveyancing, but also in personal injury.
- Fixed fee charging approaches:
    - A number of participating organisations had removed the traditional 'by the hour' approach to charging clients. They were instead charging fixed fees for particular services. This practice was reported by different types of organisations, from barristers to large legal service providers/law organisations.
- Working more closely with clients:
    - Some law organisations had adopted a partnership approach with corporate clients, embedding staff in their teams. This was evident among both larger organisations and sole practitioners.
    - One participant had set up a service providing freelance lawyers to corporate clients on a temporary basis.

- A long-established sole practitioner solicitor had started offering an at-home service to clients in order to maintain differentiation in the market through a more personal, tailored service.

4. New or altered services

The nature of the legal services sector (i.e. provision of relatively standard, well established services) was said to limit organisations' scope to deliver entirely new services or products. As such, many participants in the qualitative sample struggled to describe what they would call 'truly' innovative products and services. However, a small number of examples of new services were described:

- Offering representation in the claims process for a new opportunity based on changes in legislation:
  - One participating organisation had recently moved into a new area of compensation claims for people whose flights had been cancelled.
- Providing an alternative, lower cost/lower involvement service:
  - A sole practising solicitor provides an advice only telephone service to clients, whereby a client pays upfront for a 20 minute conversation. The service had been created as a result of increasing requests from forums. The solicitor was not prepared to provide advice for free but found that while people did not want to pay for a full consultation, they were happy to pay a smaller fee for telephone only advice.

Participants more commonly described changes to the services that they offered. These changes did not involve delivering services that were new to the market, but represented a shift and development for the organisations or individuals involved. These changes involved:

- Stretching into new areas of law:
  - Some organisations described a need to diversify and spread risk, which had resulted in them starting to provide services in new areas of law, usually related to their core business in some way.
- Specialising:
  - Some organisations had taken a decision to become highly specialised in a particular area. They had structured their teams and expertise around delivering one specialism, which they felt enabled them to provide a highly tailored, unique quality service as well as giving them a greater understanding of the needs of the market.

A3.3 Motivations and objectives for innovation

Participants described a range of relatively complex motivations and triggers for introducing changes, new approaches, new ways of delivering services or launching new ventures. We can consider the motivations of organisations as being broadly aggressive or defensive. Using these headings as a starting point, we can explore the range of motivations in more detail.

A3.3.1 Aggressive motivations

Some organisations explained that they had been motivated to do things differently by a desire to grow, expand and get ahead of the competition. While the final trigger or enabler to do something different may have been external (e.g. changes in regulation), the underlying motivation to take advantage of them was a desire to increase market share and 'get there first'.

A number of participants (especially those setting up new businesses or new subsidiaries to enter the legal market) described an underlying culture within their businesses (or among key staff) to seek out gaps in the market and take advantage of them. Where an ABS had received external investment, the need to deliver returns on that investment often underpinned a desire to continue to do things differently and seek out new ways of increasing profits and revenue.

Ultimately most organisations displayed a basic commercial need and motivation to grow or maintain profits. However, some slightly different motivations to make changes were also described, as follows:

- A feeling that the current approach adopted by traditional organisations was simply not likely to work in the future. Some participants were motivated by a desire to be part of a move to update and modernise the legal services sector as a whole.
- Wanting the satisfaction of knowing that you are providing great service. Some sole practitioners were less interested in increasing profits and more driven by a desire to be the best they could for their clients.

Within the qualitative sample, this more aggressive approach was more commonly described by larger organisations and new entrants. However, some barristers also displayed a more proactive desire to change how they work and deliver services to their client.

> *"We just really want to do things differently, we are looking for a much more commercial and strategic approach to the norm."* (Barrister LLP)

A3.3.2 Defensive motivations

More common in the qualitative sample was a more defensive or reactive approach to change. Participants often described changes in the legal market as presenting something of a threat to how they had been operating. Consequently, it had been necessary to find new ways of operating to remain competitive/in business. Specific descriptions of reactive approaches to delivering change are listed below:

- Responding to increased competition:
  - The changes in regulation designed to increase competition were said to have been important in prompting some existing organisations and sole practitioners to think differently. They explained that they felt threatened by the potential influx of new entrants (and realised that they would need to adapt in order to keep costs down, increase revenue and maintain relevance to clients.
- Responding to specific changes in regulation and legislation:

- Changes to the law in relation to how clients can be billed (e.g. in personal injury cases) had ‘forced’ some providers to re-think their approach.
- Reduction in the provision of Legal Aid had driven some participants to change their client base and diversify their offer.

It is important to note that participants who reported a more aggressive approach were also aware of these threats. Some had also made more defensive changes to address them.

Among organisations that were motivated by changes in the market and regulations, the way in which they responded varied. Some described developing very new ideas, while others had copied or followed particular changes pioneered by others. Furthermore, some changes and new approaches adopted by (often smaller, longer established) organisations and individuals had been made simply to keep up with the competition and to stay in sync with the rest of the market and their clients. These were often technologically driven changes such as the use of case management systems.

A3.4 How do organisations approach innovation overall?

Across the qualitative sample, a relatively wide range of approaches to organising and pushing through change and innovation were described. The main difference observed was the degree to which organisations adopted a formal approach to change. The roles of senior management, staff and external organisations also vary to some extent across the sample, and have an impact on overall approaches to change.

A3.4.1 Formal vs. informal

The degree to which organisations or individuals reported a formal, structured approach to change and innovation varied. Differences were evident between types and sizes of organisation. However, different approaches to change were also reported within the same organisation, depending on the type of change in question.

While this small sample cannot provide robust breakdowns of how behaviour differs by sector and size, indicatively we see that a formal and structured approach to delivering change is more common among larger organisations. Within organisations, changes requiring higher levels of investment (either financially or in terms of staff time) were also more likely to be subject to structured, formal approaches.

For example, where participants reported the setting up of new businesses or subsidiaries, this often involved longer-term, structured approaches to understanding demand, developing business models and planning delivery. In other cases, change had evolved much more gradually, with organisations often describing an organic or natural progression from one approach to another.

While a range of approaches was reported, highly structured and formal approaches to change were considerably less common within the qualitative sample than informal or ‘semi-formal’ approaches. Some reported transformation programmes and others had specific teams or sub-teams in place with responsibility for driving through or monitoring the success of new projects. However, in most cases these formal measures and strategies were not in place.

More commonly, organisations explained that development and new ideas were understood to be part of the overall mission or strategy for a business. Furthermore, in cases where businesses had been set up with a new or innovative structure or approach, on-going change and innovation was not always explicitly part of their strategy (although it was noted that an innovative business structure can often encourage innovative thinking). Some participants felt that formalised departments or groups tasked with developing new ideas could in fact be counter-productive and actually stifle creativity and imaginative thinking.

> *"We don't feel the need for an innovation department or anything like that. We let the ideas develop through an open approach."* (Large law organisation)

Within smaller organisations and among sole practitioners and barristers, a highly informal and unstructured approach to change was often reported. Participants described ideas developing through informal conversations, and new approaches often evolving over time. However, it is important to note that within these small organisations, fundamental changes to ways of doing business were still sometimes reported, and these were often carefully planned over time by those involved.

A3.4.2 The role of senior management

While the sample delivered considerable variation in the specific approaches to change and innovation taken by organisations, the role of senior management was often described as pivotal in driving and shaping change. Organisations outlined a number of different roles and contributions made by senior management:

- Having the initial idea and drive to set up a new business:
    - In cases where the primary innovation was the new business itself, the spark of inspiration for doing so was often said to have come from a key individual or group of individuals.
- Coming up with new ideas:
    - Senior staff are often directly involved with on-going innovation. Participants explained that new ideas for services and processes were often formed at Board level, or came from the CEO or equivalent. Senior staff were also often involved in developing, evaluating and launching new ideas.
- Shaping the overall business (or transformation) strategy:
    - The process of developing and shaping the overall business strategy and goals for an organisation was said to either directly or indirectly influence the degree and type of change taking place. This sometimes involved setting specific targets for moving into new areas, or the setting of commercial targets which inspire others to find new approaches to delivering them.
- Setting the atmosphere and culture within the business:
    - At a less formal level, senior management teams were often described as playing a critical role in enabling and encouraging change and new ideas through the culture they encourage within an organisation. In many cases, organisations who would describe themselves as forward-thinking and innovative placed a great deal of importance on their culture. For example, participants described how they encouraged their staff to try new things and reassured them that this would be rewarded (or crucially not have a negative impact on their career

prospects). Others explained that they encouraged staff to make suggestions and discuss current approaches with senior management as much as possible in order to develop new ideas.

A3.4.3 The role of staff

Participants were generally keen to stress the importance of non-senior management staff in the development and implementation of new ways of working or new services/ways of delivering services. The specific nature of staff involvement varied considerably, depending on the size of organisation and the type of change involved. However, in larger organisations, staff were often said to be involved in either:

- Coming up with new ideas/feeding back on customer requirements;
- Or developing new ideas into specific services or ways of working.

As outlined previously, innovation or new development teams were not commonly reported. However, some organisations described sub-teams of individuals within departments (e.g. IT) who had a role which was specifically targeted at the development of new ideas and processes. Others explained that mid-management staff were incentivised to encourage staff to develop new ideas.

It is important to note that (non-senior management) staff are not always directly involved (or involved at all) in the development of new ideas or change. In a number of medium-sized and smaller organisations in particular, a more overtly ‘top-down’ approach was described. These staff members were less likely to be involved in change other than to implement ideas generated by the senior people within the organisation.

The involvement of staff in the different stages of the innovation value chain is described in subsequent sections of this report.

A3.4.4 The role of external organisations

The role of external organisations in the overall approach to innovation was rarely described as being key. Participants did not describe ‘innovation partners’ in a formal sense. For example, none mentioned working with academics or other institutions in the development of new ideas. However, external organisations do still have a role in both inspiring change and delivering new services and ways of working.

- Clients:
  - Perhaps the most commonly mentioned external organisations influencing innovation were clients. Understanding needs and listening to feedback often play a role in shaping existing services and developing new ways of working
- IT suppliers:
  - Participants from a range of different types and sizes of organisation described IT suppliers as contributing to their innovative activity to some extent.
  - Some larger organisations described close collaborative relationships, while smaller organisations and sole practitioners explained that they were influenced

in how they changed and developed their processes by what IT suppliers could offer.

- Agencies:
    - External research agencies helped some organisations understand their client's needs and hence shape their offer and new approaches accordingly.
    - Some national, international and regional organisations had used advertising agencies to market new services or their brand.

A3.5 Knowledge Gathering

The 'process' of gathering information and knowledge with a view to developing new services, ways of delivering services or internal processes was often not easily isolated and identified. Participants generally discussed changes they had made within their organisations or individually as having taken place through an organic process of idea generation and development. Ideas were often described as coming to the organisation, rather than being actively sought. As such, the concept of actively gathering knowledge can seem somewhat at odds with behaviour.

However, further discussion revealed that organisations had acquired the necessary knowledge to make changes and develop ideas from a range of different sources, both internal and external. In most cases, development of new processes or launching new service delivery ideas (or a whole new business or department) required a wide range of knowledge and information. This was often said to originate from multiple sources.

In other cases (where changes were less significant or complex) a single source of information or knowledge had acted as the seed for an idea to develop. For example, a client requesting a particular type of automation on a document which resulted in the development of a new document, and this was then provided to other clients too.

It is important to note that some changes and innovations reported by participants were direct adjustments and tailoring of existing services to meet specific client needs. These adjustments (e.g. in communication approach, format of information delivered, billing) were often described as on-going. The role of the client as a 'partner' in driving and developing them was often said to be considerable.

While a pre-planned or proactive 'strategy' for gathering knowledge in order to innovate was not reported, some organisations explained that they were constantly 'on the look out' for sources of inspiration, ideas and broader changes in the market which may inspire or enable them to change and improve their own offer or how they operate.

Analysis and consideration of data was sometimes described as an important source of knowledge in relation to the development of new ideas and approaches. Some participants explained that they formed strategies and plans based on either formal or informal analysis of revenue data, customer feedback and operational data (productivity measures etc.). They explained that the knowledge gleaned from such activity helped guide decisions about where and how to develop and change.

Participants described a number of different sources of information and knowledge which had contributed to the development of new ideas and activities. Use of these different sources varied by type and size of organisation. Furthermore, more than one (and often many) of these sources were used by many organisations. The sources are described below.

Clients

Many participants explained that their clients or potential clients provided useful information which influenced changes and new ways of working. In some cases clients were directly involved in making suggestions or shaping the service they received. For example, in larger organisations and those offering integrated professional services, the demand for such integration was a critical driver in setting up such an approach. Direct client feedback was also described as important on an on-going basis. Organisations servicing corporate clients often described a partnership approach, with regular account review meetings or similar.

Clients were also considered an indirect source of knowledge and information. For example, when working closely with clients in a range of different business sectors, their approach to doing business can be observed and where appropriate emulated or adapted to suit the legal sector. One participant explained that working with clients in the broadcast media had informed thinking around ways of working which had contributed to the development of a new structure and approach.

Competitors

The importance and influence of watching the behaviour and approach of competitors varied across the sample. Many larger organisations explained that while they wanted to keep up with or ahead of the competition, they were not really interested in copying. However, others (often smaller organisations or individuals) were more directly influenced by what was going on in the market as a whole. For example, where individuals were seeking to branch out into new ways of working such as taking on clients directly, they sometimes felt it prudent to look for examples of successful competitors and 'borrow' ideas in order to get started themselves.

Staff

Participants described two main ways in which staff were involved in gathering the knowledge used to make changes or do things differently:

- By encouraging ideas and suggestions:
    - The mechanisms in place to generate and encourage ideas from staff differed depending on the size and culture of organisations. Some larger organisations had certain formal structures in place, such as suggestion boxes and regular cross-team meetings to brainstorm new ideas. However, these formal approaches were not common.
    - Participants more commonly described informal or indirect means of gathering ideas and knowledge from staff:
        - Some suggested that their overall approach to management (e.g. being less rigid in terms of time sheets, allowing a greater degree of autonomy, etc.) encouraged more creativity and risk taking, which in turn led to the development of ideas.
        - Others described incentives for idea generation. However, these were not direct incentives, but rather the awarding of bonuses or pay increases in recognition of innovative thinking.

- By recruiting people with experience, skills and knowledge of specific, different areas:
    - Some organisations had recruited staff with specific skills because they were interested in branching into new areas of the law, or expanding their offer.
    - Others discussed the impact of recruiting non-legal minds into (often senior) positions. They explained that this had encouraged new ways of thinking and alternative perspectives. This approach was observed in large organisations of Solicitors and legal service providers as well as among barristers setting up direct access services.

Suppliers and consultants

Some organisations explained that certain changes to how they do business, particularly in relation to IT and technology, had been developed either in conjunction with or in response to suggestions by IT providers. Different 'levels' of relationships with suppliers of this type were described.

Broadly, larger organisations were more likely to report close collaborative working with IT suppliers. Smaller operations and sole practitioners were more likely to have simply taken on new IT products and ideas in an 'off the shelf' manner.

A minority of organisations in the sample reported use of external IT consultants as a source of knowledge and advice in making decisions about the best way to update and improve their internal systems. For example, one legal services provider had used a organisation of consultants to assess their existing IT capabilities and make recommendations about switching to a different approach (Cloud based data storage).

Informal networking

Participants explained that they and (where relevant) other senior staff in their organisations stayed in touch with ex-colleagues, friends and other acquaintances from legal and associated professions. By doing so, they were able to stay up-to-date with new ideas and changes taking place and consider their relevance for their own enterprises.

> *"I just try to keep abreast of what is going on by chatting to friends and other lawyers."* (Barrister)

Media and industry journals

Participants often explained that their underlying knowledge and understanding of the legal services sector, changes in regulations, developments in the competition and potential new practices and solutions to adopt was fed to some extent by reading relevant journals, magazines and other publications. Although not exclusively, smaller organisations and sole practitioners often mentioned these sources of information as important.

A3.6 Service and Process Development

A range of different approaches to developing new services, ways of delivering services and internal processes were described. Variations in approach were observed in terms of the level of formality and structure involved as well as who was involved and the time taken to develop ideas.

In general, larger organisations were more likely to describe formal or 'semi-formal' approaches to developing services and processes than smaller organisations. Sole practitioners and barristers (either working alone or in small LLPs) did not report any formal or structured approaches. They were much more likely to describe the development of any new ways of working as organic or ad hoc.

> *"It is really just me, it's my mission. Things develop and change as I go along, it's not formal at all."* (Barrister)

While size and type of organisation seem to have an influence over how change and the development of new ideas takes place, it is also clear that the type of change or idea being considered or developed is as important an influencing factor (or even more important). In general the more complex, costly and risky the project or idea, the greater care and attention is paid to its development. This is likely to mean more structured/planned stages and a greater degree of formality.

We can consider the different levels of formality and structure adopted in different circumstances, by different types of organisation as follows:

- A structured approach to individual 'one-off' major projects;
- A structured approach to new ideas and processes;
- A semi-structured approach to new ideas or processes;
- An unstructured approach to new ideas or processes.

A3.6.1 A structured approach to individual 'one-off' major projects

A number of organisations in the qualitative sample had set up new businesses, new subsidiaries or new departments within existing businesses. In most of these cases, doing so had involved considerable investment on the part of the individual, organisation and/or investment partners.

In these cases, organisations generally described a formal, structured approach to the development and implementation of their plan. The time taken to move from an idea to launching a company varied, but was not less than 18 months. They described strict adherence to timetables and project plans.

Participants described the drawing up of business plans and a range of activities to explore the likelihood of success. These included conducting market research and competitor intelligence, modelling likely revenue and profit, and consulting with other businesses within the group or departments within the organisation.

In some cases organisations ran pilots or tests of new subsidiaries or departments before launching in full. They described diverting internal resources to a new area on a short term basis, before a Board level decision was taken on whether to proceed.

"I wasn't given any funding, but was given the time to develop the idea and a year to run a pilot. After four months we were able to demonstrate a really strong business case." (Large Solicitors)

A3.6.2 A structured approach to new ideas and processes

While the development of major projects such as the launch of a new business or subsidiary was often said to involve relatively formal structures, this was not necessarily the case for other types of innovation. However, some participants did describe formal structures in place to develop new ideas on an on-going basis. Within the qualitative sample, this approach was unusual, and observed in legal service providers operating standardised approaches to delivering services such as conveyancing and personal injury.

Some organisations had put in place change development teams and/or had written, formal procedures for taking and developing ideas into potential new products or services. For example, one organisation described the use of 'Development Change Requests' as a formal mechanism of collecting ideas for change from staff and assessing the impact, cost and potential benefits of implementation.

"Staff are encouraged to make suggestions in an informal way, but we do also have some formal structures in place to assess the suggestions and decide whether they should be implemented." (Medium Legal Services)

A3.6.3 A semi-structured approach to new ideas and processes

This 'middle-ground' approach to developing new ideas and processes was quite commonly observed across the sample. It is characterised by organisations adopting primarily unstructured or informal approaches to developing ideas, but with some more formal or structured activities or procedures in place.

Organisations were most likely to describe this type of approach in relation to the development of lower investment ideas or changes requiring minor changes in the use of staff. This could include stretching into a new area of law or changing the way a client or group of clients is contacted or provided services in some way.

Participants often explained that ideas would be taken from an initial thought and worked into something more 'tangible' through discussion and debate between relevant people within the organisation. They explained that this might happen on an ad hoc basis, with staff taking on something new in addition to their core role and discussing it with colleagues when the opportunity arises.

However, if the idea grows or develops in a direction which may require some funding or significant additional staff resource, then a formal project may be launched. This could involve individuals or teams being set goals to hit in terms of developing specific aspects of an idea within a particular timeframe, or securing a level of revenue in a new area of law within a certain timeframe.

A3.6.3 An unstructured approach to new ideas and processes

In many cases, participants described an even less formal approach to developing new ideas and processes. As previously mentioned, smaller organisations and sole practitioners were the most likely to describe an informal approach overall. However, larger organisations also described similar approaches under certain circumstances.

An ad hoc or informal approach was usually adopted in relation to developing relatively simple, low (or no) cost changes in processes or client interaction such as offering more face-to-face meetings or targeting new or different types of client (when this did not involve marketing spend).

Informal and ad hoc development was often described as relatively short, often based on quite spontaneous decisions. In these cases, the delay between gathering knowledge and developing ideas was extremely brief (or non-existent). In small organisations and among sole practitioners, decisions to change were often taken in isolation and implemented immediately.

However, informal idea development is not limited to small, short processes. Some participants described how senior management or other staff worked on ideas over time allowing them to develop and evolve naturally. These ideas were not following a pre-planned strategy, nor were they subject to ‘official’ internal scrutiny beyond informal conversations between staff.

> *“Myself and my close colleagues are really involved in driving through change. It is primarily us that deal with everything really.”* (Medium Law Organisation)

A3.6.4 The role of staff and teams

Within the different approaches to developing new ideas and processes outlined above, staff of different levels and grades were involved in different ways. We have considered staff in two broad groups: senior management and 'other staff'. The latter includes all other staff from fee earners through to administrative staff.

Senior management

While variation was observed across the sample, senior management were typically involved to a considerable extent in the development of ideas, services and processes. As was the case with knowledge gathering and the overall approach to innovation, management can play either a direct or indirect role in developing ideas.

- Direct roles of senior management were described as follows:
  - Senior individuals taking an initial idea (often their own) and developing it by themselves, or in collaboration with others. For example, stretching the organisation's offer into other areas of the law.
  - Senior management 'sub teams' in place with an on-going remit to assess and scrutinise new ideas.
  - Board meetings and regular senior management meetings were often described as a key forum for evaluating ideas developed by other members of staff.
- Indirect roles of senior management:
  - Setting the atmosphere and cultural approach of the organisation (allowing people the autonomy to try things and permitting them to 'fail' if necessary).
  - Setting out the overall strategic direction of the organisation, which inspires other staff to think differently and develop their ideas.

Other staff

The mechanisms for involving staff in idea development varied in line with the level of formality and structure outlined above. The specific roles and involvement of staff described by participants are outlined below:

- Working in isolation and/or given autonomy to collaborate freely:
  - Within some organisations (often medium or larger), staff were simply encouraged to think freely and, if relevant, come up with ideas for new approaches to doing business.
  - These ideas were collected in an informal manner, via regular meetings, or simply during the normal working day. One participant explained that a major new business area within their organisation (a move into a newly emerging type of claim work) originated from an ad hoc suggestion made by a member of staff to the business owner.
  - Within small organisations (e.g. fewer than 10 employees), a highly informal approach was reported, involving on-going conversations between staff. In these cases, staff were at relatively equivalent levels of seniority, meaning that new ideas were openly discussed as and when they emerged and not constrained by hierarchy.
- Cross-departmental and regular team meetings:

  - A number of organisations explained that departmental meetings were a forum through which ideas could be shared. Furthermore, a number of organisations had cross-departmental meetings (usually involving mid-level management) which were designed to encourage creative thinking and the development of new ideas through exposure to different parts of the business and their differing needs and circumstances.
- Temporary development teams set up on an ad hoc basis:
  - A small number of medium/large organisations explained that they pulled together temporary 'development' teams to work on a particular idea or project. For example, one large conveyancer had put a group of individuals from the IT department together in a team to work on the development and delivery of a new document management system.
- Permanent development groups or teams in place:
  - In a minority of cases, organisations reported dedicated teams with a focus on new process/service development. Again, these were larger organisations with a strong focus on process standardisation. These teams were located within the technical departments, charged with developing solutions to meet clients' needs or to fulfil ideas originating from other parts of the organisation.

A3.6.5 The role of external organisations

Overall, participants reported only limited use of external organisations in the development of new ideas and services. The most commonly mentioned collaborations involved technology suppliers with whom some organisations worked to develop new IT solutions.

In addition, the preferences and feedback of clients was used by a range of organisations to inform and shape their ideas for service delivery. In a minority of cases (larger organisations) market research companies had been commissioned to elicit more formal feedback. However, most organisations were collecting client feedback through their own channels (either through direct client contact or via mechanisms such as client questionnaires).

Some organisations who had applied to become an ABS had used independent advisors, the SRA or both when preparing the application. Some had attended meetings with the SRA to discuss their intentions before making the application. Others took advice on how to prepare the application to meet the requirements while ensuring that the structure they developed met their own objectives.

A3.7 Marketing New Products and Services

A3.7.1 Approaches to marketing new products and services

Participants described a relatively wide range of approaches to marketing in general, based on the type and size of their organisation. Some larger, consumer-facing businesses were advertising in the press, on the radio and also e-marketing using social media sites such as Twitter.

Large business-facing organisations described online marketing activity as well as face-to-face client engagement through seminars and events. Some also mentioned brochures and mail-outs. The larger organisations in the sample had full time marketing departments in place. These departments were often involved in the development of new service ideas and in how best to communicate them.

Participants describing the launch of new businesses or new divisions/subsidiaries explained that marketing and PR had been carried out at the time of launching, with press and online advertising as well as articles in magazines and on broadcast media.

When developing new approaches to delivering services or branching into new areas of law, some participants described active marketing activity such as direct mail to existing clients (including email and SMS). However, in other cases, particularly when involving smaller scale changes and developments, organisations expressed a desire to keep marketing spend to a minimum. In such cases, participants explained that they relied on word of mouth and recommendation from other clients. This was often the case with organisations operating in the business-to-business market.

A3.7.2 Innovative marketing approaches

The concept of innovative or new approaches to marketing is somewhat subjective. Participants describing their marketing approach as new, outlined a range of different activities, and these varied widely depending on their previous experience of marketing.

Some larger businesses, including new market entrants and those describing themselves as 'non-traditional law organisations', reported increased use of social media and other digital marketing tools such as interactive websites, members' areas on their websites, apps and mobile optimised websites. Some explained that they had invested in teams of experts in-house to deliver this.

> *"If I want to have a relationship with the world I need to have people who just do social media, I need people to update our website, I have people to put my name out there…I need a genuine marketing presence."* (Medium Law Organisation)

Some sole practitioners also described an increased use of digital marketing, often as a means of maintaining their position in the face of increased competition. In these cases, the approach to marketing was considered an innovation or new approach in itself. One sole practitioner described how they market themselves by participating in legal forums online (e.g. Landlordzone.co.uk, Propertyhawk.co.uk, moneysavingexpert.com). They felt that this approach increased their credibility in the eyes of potential clients.

Other smaller organisations and sole practitioners in the sample explained that they were not particularly comfortable or experienced with using the internet as a marketing tool (or indeed as a means of delivering services and engaging with clients in general). In these cases participants explained that they were branching out and innovating by setting up a website and attempting to keep it as up-to-date and modern looking as competitors operating in the local area.

<u>The marketing challenge for barristers</u>

The qualitative sample included a small number of barristers involved with Direct Access work. These participants sometimes explained that marketing in general is a considerable challenge, simply because they have never had to consider it before. Some were succeeding in increasing their volume of enquiries through development of websites (including client testimonials on these sites), as well as relying on a degree of recommendation. However, others were not sure exactly how to approach the task. The Clerk at one Chambers explained that he would be expected to 'deliver' clients to the barristers once the new approach is adopted, but had no experience in marketing.

A3.7.3 The role of external organisations

Some large and medium sized organisations described the use of advertising agencies and digital branding consultancies to help them with the overall marketing of their services and brands. When new services were also advertised, external agencies were sometimes involved too. However, many (especially smaller) organisations felt that the cost involved in using such services was too great to justify, especially for smaller changes and developments to their services.

A3.8 External Environment

Participants generally agreed that the external environment plays an important role in promoting and enabling innovative activities in the legal services sector, but also in limiting these activities. The changing regulatory and legislative landscape has led to an increase in competition which has both provided opportunities and presented challenges to players in the market, and those looking to enter it.

These challenges have prompted organisations and individuals to think and act differently, in an effort to survive. They have also opened the door for new organisations to be set up and for non-law organisations to enter the market with innovative approaches.

A3.8.1 Enablers of innovation

Participants described the following broad factors which could be said to enable, encourage or facilitate innovation. In some cases participants described what had enabled them to innovate, in other cases they outlined what they felt was enabling innovation in the sector as a whole:

- Advances in technology:
  - The increased sophistication of technology as a means of automating and/or increasing the efficiency of processes and the interaction between clients and organisations was often mentioned as an important enabler.
  - All sizes of organisation had experienced some improvements to their working practices as a result of technological advances, or just from taking advantages of technology already available.

- Increased competition in the market:

- New entrants and those looking to change their structures to become more commercially driven and innovative welcomed the changes in legislation and regulation that have made this possible.
- Similarly, some barristers explained that the introduction of Direct Access was a critical factor in enabling them to change how they operate.
- Some welcomed the increased profile of the legal sector as a potential area for investment from other sectors. They felt that this would provide opportunities for organisations to develop more ambitious new approaches and ideas in the future.
- Others added that the regulatory environment and specifically the introduction of ABS players sends a positive message to the market, encouraging more organisations to think differently and consider changing or developing new processes and ideas.
- A number of organisations felt that the impact of increased competition as a result of the Legal Services Act had played a role in forcing them to think differently.

  "Law organisations need to realise that their fast moving competitors are stealing the march." (Sole practitioner)

- Changing expectations of clients and prospective clients:
  - At a simple level, some participants explained that as their clients become more demanding in terms of the speed of service delivery and the level of service they expect, they have been prompted to respond. This has given them the encouragement and motivation to make changes.
  - Some participants felt that as the market is open to more competition, client expectations will continue to grow, encouraging even greater innovation and adaptation across the market as a whole.

- Cutting of the Legal Aid budget:
  - Some participants who had previously conducted high volumes of legal aid work explained that they had been prompted by the cut in the legal aid budget to seek alternative clients and think more creatively.

- Regulatory constraints (encouraging innovative solutions):
  - Although only mentioned by a minority, just as increased competition has forced innovative thinking, the constraints of some aspects of regulation were also said to have had a positive impact on innovation. For example, a barrister explained that they had adopted a fixed fee approach, primarily as a way of avoiding difficulties complying with regulations about holding client funds.

A3.8.3 Barriers and constraints to innovation

When asked about barriers to innovation, participants described both internal and external factors. They also mentioned factors which constrained their own innovative activities (or made them more challenging) and those that they felt constrained or held back other players in the market (usually 'traditional' law organisations or barristers).

It is important to note that the barriers described were not always said to prevent innovative activity from taking place at all. While this may be the case in some instances, the barriers can simply slow down or delay innovative activities. Furthermore, organisations explained that the *size* of a barrier to innovation is often relative to the potential benefits associated with overcoming it.

The broad types of barrier described by participants are set out below.

- Conservative attitude within the profession:
  - Most participants noted that many people within the legal profession have (or at least have had until recently) a lack of incentive to change. It was noted that for a long time law organisations have resisted any kind of change as it might threaten their position in the market.
  - While the situation is now changing, this mind set was said to prevail among some legal professionals, especially in senior positions in larger organisations. Therefore, the appetite to innovate within these organisations may be dampened to some extent.
  - Some participants had experienced resistance to change within law organisations for whom they previously worked. In some cases this had been the trigger for them to leave and set up their own enterprise.

  "The ones that succeed are those who go with their gut and innovate….it needs enlightened management." (Medium Law Organisation)

- Conservative attitude of clients:
  - Some participants explained that while they were keen to continue to deliver services in a new and innovative way (e.g. integrated services with single account teams), they were not always able to convince clients and potential clients to adopt the approach.
  - Long established, traditional businesses that were used to engaging traditional law organisations were said to be the most resistant in this regard.

- Regulatory landscape:
  - While participants often described recent changes in the regulatory landscape as positive and encouraging innovation, some felt that more work was required to assist those who want to innovate further.
    - Some felt that the SRA was not proactive enough in encouraging innovation, but rather playing catch-up with the market as innovating organisations attempt to do more.
    - They felt that the SRA does not have enough suitably experienced staff to handle new ideas and approaches such as integrated service offerings and new business structures. They wanted to see a new approach to evaluating innovative ideas adopted at the regulator.
  - The changes in regulation and legislation affecting barristers were also considered to have some negative implications for those looking to do things differently.
    - Although allowing Direct Access has opened up new possibilities for some barristers and chambers, some felt that the Bar Council is imposing a lot of bureaucracy on Direct Access barristers, making them behave like

businesses. They felt that this may put off potential adopters of Direct Access.

- Achieving compliance takes time and stifles innovation.
  - Some organisations explained that at a general level, the need to check compliance with the wide range of regulations before making changes to services or procedures can slow down innovation and reduce the drive to do so.

    "You need to navigate your way through all the rules and procedures to ensure something can work." (Sole practitioner)
  - Others explained that some specific regulatory requirements (with money laundering and the proceeds of crime act most commonly mentioned) were time consuming and reduced the time available for organisations to develop new approaches.
- Some regulations were said to prevent particular changes and improvements to client service from being implemented.
  - For example, some participants explained that rules regarding client consent and confidentiality in relation to sharing information and the rules about conflicts of interest prevented them from sharing client data between subsidiaries in order to deliver a truly joined up service.

- Lack of available time:
  - Some participants (often smaller organisations) explained that they did not have sufficient time to consider and develop new ideas, services or processes, or to put them into practice. They said that they were too busy with the core tasks required to maintain revenue and profit levels.
  - Others added that the time required to develop ideas was increased due to the administrative burden associated with complying with regulations.

- Cost of implementing new approaches:
  - Some participants from smaller organisations explained that they had not implemented certain ideas (e.g. new case management system) because they could not afford the capital outlay involved.
  - Larger organisations tended to report a more pragmatic attitude towards the costs associated with developing new ideas and services. They tended to carry out cost-benefit analysis on potentially high investment projects and were often willing to sacrifice moderate amounts of staff time to pursue new ideas.

A3.9 Key Findings

Innovation was often said to be slightly at odds with the approach adopted by the legal profession in general, particularly in the past. Participating organisations described a range of innovative activities, including development of new ways of delivering services to clients, expansion into new areas of law and changing how organisations are structured and/or operate. Organisations described some difficulty separating 'true innovation' from development and evolution of services and their delivery to meet the needs of the market/remain competitive.

A range of motivations for developing new services and processes were described, with both proactive (or aggressive) and reactive (defensive) approaches adopted. It was clear that in many organisations the drive and ambition of key individuals can play an important role in driving innovative activity, especially in smaller and/or newer organisations. Formal structures and strategies for innovation do exist, but appear limited to larger organisations (including non-law organisations seeking to diversify). Many organisations described a more organic and informal approach.

When asked about how they go about innovation it was clear that:

- Knowledge gathering can take the form of a range of different activities and approaches across the market.
- It can be challenging for organisations to identify exactly how they gather knowledge as in many cases this is a gradual and informal process. However, in some cases organisations report more deliberate policies and practices such as inter-departmental meetings. Information and intelligence is often 'created' internally through analysis of business performance and other data.
- Knowledge is sometimes acquired through the recruitment of new staff with different skills and experience.
- Seeking specific knowledge and information from external sources and third parties was not commonly described. However, key individuals described an on-going process of learning and knowledge gathering through informal relationships

Senior management teams were commonly described as playing a key role in the development of new services and approaches to doing business. This was often direct (i.e. designing and specifying what will be done) but can also be indirect (i.e. encouraging a culture of open-mindedness)

Team working and collaboration were often described as critical to the development of new services and processes. However, formal development teams or similar appear unusual, with organisations often describing an overall approach to team working and collaboration in general.

Both in terms of knowledge gathering and the development of new services and approaches to doing business both the size and type of organisation plays an important role in determining the degree of formality and structure in place. Larger organisations were generally more likely to report a structured approach than smaller organisations.

Approaches to marketing vary considerably depending on the type of new service being delivered and the target audience. Overt marketing is not universally undertaken, even when new services have been developed. Some organisations will rely on word of mouth and informal communications to spread the word. For some organisations, however, increasing or changing their marketing activity has been an important component of attempts to modernise, grow and develop. When organisations have undertaken change in organisation or approach, communicating this to their (potential) customers can be a priority. Digital marketing approaches appear to be playing an increased role within the sector in recent years, especially in areas of law or among types of organisations seeking to attract new direct clients or promote new ways of delivering services.

Organisations described a range of enablers and barriers to innovation, or innovative thinking within the sector and their own organisations. It appears that organisations often consider the cultural attitudes of other organisations to be a barrier to innovation, both within those organisations and within the sector as a whole:

- A number of positive influences were described, including internal factors such as the attitudes of key individuals, direct external factors such as the demands of clients and indirect external factors such as the regulatory environment.
- A number of negative influences or barriers were described including inertia among clients and staff, restrictions on data sharing, availability of finance and the regulatory environment.

Organisations generally agreed that the regulatory and legal environment had both a positive and negative impact on innovation:

  - The positive impact was generally related to changes in legislation enabling new structures and ownership to be implemented.
  - The negative impacts were often related to the administrative burden of compliance or the slow pace with which regulators adapt to new approaches in the market

Annex 4: Conducting the organisation survey

A4.1 Introduction

This section provides a detailed description of the conduct of the survey of legal services providers in England and Wales. The overall aim of the survey was to provide a representative view of innovation across the whole of the legal services sector including regulated and unregulated activities and with a particular emphasis on ABS. More specifically the survey set out to address the following issues:

- To understand what 'innovation' means in the context of the legal services sector.
- To explore what is driving innovation in this market, including the impact of competition in driving organisations to try new approaches;
- To understand the barriers and enablers of innovation (including, but not limited to, regulation)

The survey covers both regulated and un-regulated legal services activities provided by organisations whose *primary business* relates to the provision of legal services. These organisations would be included within the Standard Industrial Classification (2007) 69.1 'Legal activities'. The definition of this is as follows:

> *'This division includes legal representation of one party's interest against another party, whether or not before courts or other judicial bodies by, or under supervision of, persons who are members of the bar, such as advice and representation in civil cases, advice and representation in criminal actions, advice and representation in connection with labour disputes. It also includes preparation of legal documents such as articles of incorporation, partnership agreements or similar documents in connection with company formation, patents and copyrights, preparation of deeds, wills, trusts, etc. as well as other activities of notaries public, civil law notaries, bailiffs, arbitrators, examiners and referees'.*

This broad category includes the following groups of organisations:

- Barristers: members of the legal profession who have been called to the bar.
- Solicitors qualified to deal with, for example: conveyancing, drawing up of wills, advising clients on legal matters, instructing barristers, etc.
- Other legal service providers (OLSPs) providers in both the regulated and unregulated sectors, including patent and trade mark attorneys, notaries, licensed conveyancers and cost lawyers; bailiffs, arbitrators, examiners and referees etc.

The organisation survey is designed as a telephone survey covering a relatively large number of organisations which aims to provide representative coverage of the legal services sector by activity and sizeband.

A4.2 Sampling frame

As indicated earlier the survey focussed on organisations in SIC 69.1 Legal Activities. This consists of the following sub-sectors:

- 69.101 Barristers at law

- 69.102 Solicitors
- 69.100, 69.109 Other legal activities; activities of patent & copyright agents;

Sampling frame for each of these three categories was sourced separately to maximise response and keep costs to a minimum:

Barristers – here the unit of analysis was the Chamber rather than the individual barrister. Publicly available information which provides a list of Chambers was augmented with information provided by the Legal Services Board.

Solicitors – here sampling frame data was provided by the SRA from their internal database of regulated firms.

Other legal services – here sampling frame data was sourced from a commercial provider (Experian) drawn from publicly available data lodged at Companies House. This means that the sample of OLSPs relates to individual legal entities avoiding potential confusion between separate entities providing legal services and firms with an in-house counsel. Sample was structured by organisation employee sizeband.

In addition to quotas by size and for each broad category in the survey we also aimed to impose additional sub-quotas on the Solicitors (69.102) sample for organisations which have adopted the Alternative Business Structure. Identifiers for these categories are included in the SRA database of Solicitors.

A4.3 Survey Instrument

The questionnaire was developed drawing on the literature review included in Section 2 of the main body of this report and the in-depth interviews reported in Section 3. The structure and wording of the questionnaire were discussed with members of the project Steering Group.

Following the broad structure of the literature review (Section 2) the questionnaire comprised eight main sections:

- Section A collects some basic information on the business to ensure that it was in scope and to identify the person most able to answer questions appropriately.

- Section B provides a profile of the business, its area of activity, and customers.

- Section C focuses on the overall innovation performance of the organisation and its recent business performance.

- Sections D, E and F focus on different elements of the innovation value chain dealing successively with knowledge gathering, the creation of innovations and marketing and commercialisation.

- Section G relates to organisation culture and overall steps the organisation has taken either to encourage, facilitate or manage innovation.

- Section H relates to the external environment and its influence on the incentives for and occurrence of innovation.

Throughout the questionnaire we differentiate clearly between service innovation – the introduction of new or improved services for clients – and business process innovation – changes or improvements in the way in which services are delivered to clients.

A4.4 Survey conduct and response

The questionnaire was piloted using 'live' CATI interviewing over a 2 day period from 23rd to 24th February 2015. The aim was to make improvements to the script to ensure common understanding and/or help to ensure that as many of the individual circumstances of survey respondents were reflected and catered for within the questionnaire. The pilot was also an opportunity to check interview flow and that the interview duration was within acceptable limits. Sixteen pilot interviews were conducted over two days (with 11 Solicitors and 5 with Barristers' Chambers).

Some wording changes were made to the questionnaire as a result of the pilot. The main issue highlighted, however, was one of questionnaire length. As a result some questions were dropped, options amalgamated and open ended questions were included for only a proportion of respondents. Once changes were agreed by the Steering Group it enabled fieldwork to begin on 2nd March 2015. Fieldwork was completed on 16th April 2015.

A4.5 Deriving survey weights

Survey weights are necessary due both to structured sampling (higher target response proportions among larger organisations) and differential survey response rates. Weights are constructed to provide results which are representative of the legal services sector as a whole in England and Wales and the three component sub-sectors defined earlier. For Barristers' Chambers the overall population was taken from data provided by the Bar Standards Board with the size distribution derived from the Business Structures Database (BSD). For Solicitors and OLSPs population data by sector and sizeband is taken from the Business Structures Database (IDBR) for 2014. This suggests the number of enterprises in each sizeband (Table A4.1). Survey response and the derived sampling weights are included in Table A4.2.

Table A4.1: Population of organisations in the legal services sector: by employment sizeband

	Number of employees			
	1-9	10-49	50 plus	Total
Barristers' Chambers (69101)	646	150		796
Solicitors (69102)	11,358	2,317	596	14271
Other legal services (69109)	6,463	590	204	7257

Source: Barristers' Chambers is derived from a control total (796) provided by the Bar Standards Board combined with size distribution data for the 10 plus category from the BSD. The number of Chambers in the 1-9 category is defined as a residual. Solicitors, Others: BSD accessed via the Secure Data Service.

Table A4.2: Derivation of sampling weights

	Employee sizeband			
	1-9	10-49	50+	Total
A. Target population				
Barristers (69101)	646	150		796
Solicitors (69102)	11,358	2,317	596	14271
Other legal services (69109)	6,463	590	204	7257
B. Survey response				
Barristers (69101)	63		93	156
Solicitors (69102)	454	348	141	943
Other legal services (69109)	264	95	42	401
C. Weights				
Barristers (69101)	10.25		1.61	5.10
Solicitors (69102)	25.02	6.66	4.23	15.13
Other legal services (69109)	24.48	6.21	4.86	18.10

Annex 5: Organisation Survey Questionnaire

Legal Services Innovation Survey Questionnaire 2015

SAMPLE GROUPS
Y1 Solicitors
Y2 Others
Y3 Barristers’ Chambers

SECTION A – INTRO/SCREENERS

<u>IF Y1/Y2</u>
Could I please speak to <NAMED CONTACT**> or the member of the senior management team, or someone else, with responsibility for the development of new services and how these are delivered?**

<u>IF Y3</u>
Could I please speak to the Senior Clerk, Practice Manager, Head of Chambers or someone else with responsibility for the development of new services and how these are delivered?

Good morning/afternoon, my name is … and I am calling from OMB Research, an independent market research agency. At the request of the <Y1 **Solicitors Regulation Authority**/<Y2 or Y3 **Legal Services Board** >**, we have been commissioned to undertake a survey of providers of legal services.**

The research will take around 15-20 minutes, depending on your answers. Is it convenient to speak to you now or would you prefer to make an appointment for another time?

<u>EXPLAIN IF NECESSARY</u>

We’re conducting this study to look at how providers of legal services go about developing or improving their services and how they deliver them and what influences these activities.
It doesn’t matter if your < Y1 OR Y2 **organisation /** Y3 **chambers > doesn’t do any new service development, we’re still interested in your views.**

<u>ADD IF NECESSARY</u>

The research is being conducted under the Code of Practice of the Market Research Society, which means that all of the answers you give are strictly confidential and anonymous. Participation in this survey is voluntary.
The aggregated results from this study will be included in a report that will be available later this year from the Solicitors Regulation Authority.
If Y1 – Your organisation was selected at random from the list of organisations maintained by the Solicitors Regulation Authority.
If Y2/Y3 - Your organisation was selected at random from a list of UK businesses held by a commercial list broker.
If you wish to check that OMB Research is a bona fide market research agency, you can contact the Market Research Society on 0500 396999, or call Gemma Bird at OMB Research on 01732 220582 or Professor Stephen Roper at the Warwick Business school on 024 7652 2501.

<u>ASK ALL</u>

A1 Can I just ask that you are one of the people best qualified to talk about the development of new services or how you deliver these at < **ORGANISATION NAME** >?

INTERVIEWER NOTE: REFERRALS CAN BE TAKEN TO ANYONE IN THE < Y1 OR Y2 ORGANISATION / Y3 CHAMBERS > **THAT THE CONTACT FEELS IS BETTER PLACED TO ANSWER QUESTIONS ON THE AREAS OUTLINED.**

Yes	1
No – taken referral and being transferred	2
No – taken referral and arranged call back	3
No – refused referral	4 - CLOSE

<u>READ OUT TO ALL</u>

We'd like to start by getting information on the background to your < Y1 OR Y2 **organisation /** Y3 **chambers > and the markets in which you operate. <** IF Y3 **Please answer the following questions based on the chambers as a whole, so including all barristers and staff that operate within your chambers.>**

<u>ASK ALL</u>

A3a How long ago was your < Y1 OR Y2 **organisation /** Y3 **chambers > established?**
READ OUT AS NECESSARY

Within the last year	1
Over 1, up to 2 years ago	2
Over 2, up to 3 years ago	3
Over 3, up to 4 years ago	4
Over 4, up to 5 years ago	5
Over 5, up to 10 years ago	6
Over 10, up to 20 years ago	7
Over 20 years ago	8
(Not yet trading)	9 - CLOSE
(Don't know)	10
(Refused)	11

<u>ASK ALL</u>

C1a Please can you tell me how many people are currently employed in your < Y1 OR Y2 **organisation /** Y3 **chambers > <u>IN TOTAL</u>? Please just give me your best estimate and include ALL partners, managing partners <IF Y3 , barristers> and directors.**

INTERVIEWER NOTE: RESPONDENTS SHOULD EXCLUDE MANAGEMENT CONSULTANTS BUT PLEASE INCLUDE CONSULTANTS/SOLICITORS/BARRISTERS UNDER CONTRACT

<u>IF DON'T KNOW AT C1A</u>

C1a2 If you had to estimate, approximately how many people are employed in your < Y1 OR Y2 **organisation /** Y3 **chambers > <u>IN TOTAL</u>?**
READ OUT

0-1	1
2-4	2
5-10	3
11-19	4
20-49	5
50-99	6
100-199	7
200-249	8
250-499	9

500 or more	10
(Don't know)	11
(Refused)	12

ASK IF Y1 OR Y3 AND C1A > 1 OR C1A2 = 2-12

C1a3 And how many of your < IF FIGURE GIVEN AT C1A <INSERT C1A> / IF C1A2 = 2-10 <INSERT BAND FROM C1A2 **> employees are** <IF Y1 **Solicitors** / IF Y3 **barristers**>**?**

IF DON'T KNOW AT C1A3

C1a4 If you had to estimate, approximately how many of your employees are <IF Y1 **Solicitors** / IF Y3 **barristers**>**?**

0-1	1
2-4	2
5-10	3
11-19	4
20-49	5
50-99	6
100-199	7
200-249	8
250-499	9
500 or more	10
(Don't know)	11
(Refused)	12

ASK ALL (EXCEPT ESTABLISHED IN LAST 3 YEARS A3A=1-3)

C1b And approximately how many people were employed IN TOTAL by your < Y1 OR Y2 **organisation /** Y3 **chambers > three years ago?**

AS NECESSARY: **Please just give me your best estimate of the number of employees you had in 2012.**

AS NECESSARY: **Please include ALL partners, managing partners <IF Y3 , barristers> and directors.**

INTERVIEWER NOTE: RESPONDENTS SHOULD NOT INCLUDE CONSULTANTS THAT ARE NOT EMPLOYED ON A PERMANENT BASIS

IF DON'T KNOW AT C1B

C1b2 If you had to estimate, approximately how many people were employed IN TOTAL by your < Y1 OR Y2 **organisation /** Y3 **chambers > three years ago?**

READ OUT

0-1	1
2-4	2
5-10	3
11-19	4
20-49	5
50-99	6
100-199	7
200-249	8
250-499	9
500 or more	10
(Don't know)	11
(Refused)	12

ASK Y1 & Y2

A7a What does your organisation mainly operate as...?

AS NECESSARY: For example, are you a Solicitors, notaries organisation, licensed conveyancers, etc?

PROBE AS NECESSARY – DO NOT NEED TO READ OUT THE FULL LIST - SINGLE CODE

Solicitors organisation (including sole practitioner)	1
Barristers Chambers	2
Notaries organisation	3
Licensed conveyancers organisation	4
Patent and/or trademark attorney organisation	5
Costs Lawyers organisation	6
Accountancy organisation	7
Financial advice and professional services	8
Immigration organisation (OISC regulated)	9
Claims management company (accident and injury)	10
Claims management company (other)	11
Will writing organisation	12
Document Production organisation	13
Community legal advice centre	14
Citizens Advice Bureau	15
Trade union	16
General legal advice organisation	17
Legal services infrastructure organisation - Network referral provider/ Umbrella organisation	18
Other (Please Specify)	95

ASK ALL

A7b What is the main legal activity carried out by your < Y1 OR Y2 **organisation /** Y3 **chambers >?**

AS NECESSARY: **By 'main' I mean the activity that accounts for the largest share of turnover or income?**

PROBE AS PER PRECODES

SINGLE CODE

Arbitration and alternative dispute resolution	1
Commercial/Corporate work for listed companies	2
Commercial/Corporate work for non-listed companies	3
Consumer problems	4
Intellectual Property	5
Landlord & Tenant	6
Property/Conveyancing – residential	7
Property/Conveyancing – commercial	8
Planning	9
Criminal	10
Wills trusts and tax planning	11
Probate and estate administration	12
Debt collection	13
Bankruptcy/Insolvency	14
Personal injury	15
Litigation – other	16
Discrimination/ Civil liberties/Human rights	17
Family and Matrimonial	18
Children	19
Immigration	20
Employment	21
Mental Health	22
Social Welfare	23

Public administrative law	24
Non-Litigation Other	25
Other (Please Specify)	95

SECTION B – BUSINESS PROFILE

ASK Y2 UNLESS SOLICITORS OR BARRISTERS (A7A NOT 1 OR 2)
B5D Are you regulated by any of the following...?
READ OUT – SINGLE CODE PREFERRED BUT MULTI ALLOWED

Council for Licensed Conveyancers	1
The Intellectual Property Regulation Board	2
ILEX Professional Standards	3
The Costs Lawyers Standards Boards	4
The Bar Standards Board	5
Or, None of these	6
(Don't know)	95

ASK ALL
B5.1 Would you describe your ownership structure as...
READ OUT. SINGLE CODE

Owned by lawyers	1
Owned by non-lawyers	2
Owned by lawyers and non-lawyers	3
(None of these)	4
(Don't know)	5
(Refused)	6

ASK ALL
B5.3 Does your **< Y1 OR Y2** organisation / Y3 chambers > operate from…?
READ OUT. SINGLE CODE

A single site	1
Multi-sites – based just in your region	2
Multi-sites – national	3
Multi-sites – International	4
A wider network of **<** Y1 OR Y2 organisations / Y3 chambers **>** in England and Wales	5
A wider network of **<** Y1 OR Y2 organisations / Y3 chambers **>** outside of England and Wales	6
Other (Specify)	7
(Don't know)	8
(Refused)	9

B6 DELETED

ASK ALL

B8 Approximately what proportion of your current clients are based outside of England and Wales?

READ OUT AS NECESSARY. SINGLE CODE

None	1
1% to 5%	2
6 - 10%	3
11 - 15%	4
16 – 20%	5
21 - 50%	6
More than 50%	7
(Don’t know)	8
(Refused)	9

B9 DELETED

ASK ALL

B9.1 Which of the following best describes the nature of the competition you face?
READ OUT. SINGLE CODE.

We mainly compete with other local **<** Y1 OR Y2 organisations / Y3 chambers **>**	1
We compete with **<** Y1 OR Y2 organisations / Y3 chambers **>** throughout the region	2
We compete with **<** Y1 OR Y2 organisations / Y3 chambers **>** throughout England and Wales	3
We compete with **<** Y1 OR Y2 organisations / Y3 chambers **>** internationally	4
(We have no competitors)	5
(Don’t know)	6
(Refused)	7

SECTION C – INNOVATION & BUSINESS PERFORMANCE

ASK ALL
C4a **<** IF Y1/Y2 **Please can you tell me what your turnover was in the last financial year? >**

< IF Y3 **Please can you tell me what the total fee income of the chambers was in the last financial year? >**

AS NECESSARY: **Please just give me your best estimate.**

INTERVIEWER NOTE: It is really important to get a figure here, even if it's just their best estimate

Write in amount (£ ALLOW ZERO)
(Don't know)
(Refused)

CATI TO VALIDATE AMOUNT ENTERED USING BANDED RANGES

IF DON'T KNOW OR REFUSED AT C4A
C4a2 **<** IF Y1/Y2 **If you had to estimate your turnover, into which of the following bands would you put it?>**

< IF Y3 **If you had to estimate the chambers' total fee income, into which of the following bands would you put it?>**

READ OUT AS NECESSARY

More than £0 but less than £50,000	1
£50,000 but less than £100,000	2
£100,000 but less than £200,000	3
£200,000 but less than £500,000	4
£500,000 but less than £1 million	5
£1 million but less than £2 million	6
£2 million but less than £10 million	7
£10million but less than £25million	8
£25million but less than £50million	9
£50million but less than £250million	10
£250million but less than £500million	11
£500million or more	12
(Not yet trading/do not have any sales/£0)	13
(Don't know)	14
(Refused)	15

<u>ASK ALL EXCEPT THOSE ESTABLISHED IN LAST 3 YEARS (A3A=1-3)</u>
C4b **<** IF Y1/Y2 **And approximately what was your turnover <u>three years ago</u>? >**

< IF Y3 **And approximately what was the total fee income of the chambers <u>three years ago</u>? >**

AS NECESSARY: **Please just give me your best estimate of your <** IF Y1/Y2 **turnover/** IF Y3 **total fee income> in the financial year ending in 2012.**

INTERVIEWER NOTE: It is really important to get a figure here, even if it's just their best estimate

Write in amount (£ - ALLOW ZERO)
(Don't know)
(Refused)

CATI TO VALIDATE AMOUNT ENTERED USING BANDED RANGES

<u>IF DON'T KNOW OR REFUSED AT C4B</u>
C4b2 **If you had to estimate your <** IF Y1/Y2 **turnover/** IF Y3 **total fee income> <u>three years ago</u>, into which of the following bands would you put it?**
READ OUT AS NECESSARY

More than £0 but less than £50,000	1
£50,000 but less than £100,000	2
£100,000 but less than £200,000	3
£200,000 but less than £500,000	4
£500,000 but less than £1 million	5
£1 million but less than £2 million	6
£2 million but less than £10 million	7
£10million but less than £25million	8
£25million but less than £50million	9
£50million but less than £250million	10
£250million but less than £500million	11
£500million or more	12
(Not yet trading/do not have any sales/£0)	13
(Don't know)	14
(Refused)	15

ASK ALL

Now we would like to ask you a series of questions about the development of new and improved services in your < Y1 OR Y2 **organisation /** Y3 **chambers >. We ask you to make a distinction between the development of new or improved services and the delivery of services.**

For now, please answer the following questions in regards to the development of services – in other words the generation and implementation of a new service. We will ask separately later about how you deliver those services to clients.

ASK ALL

C6a <IF A3A=4-11 **Over the last three years**/IF A3A=1-3 **Since you were established**> **have you introduced any new or significantly improved services to clients?**

AS NECESSARY: **By new or significantly improved I mean you are providing a service to clients that you weren't previously offering**

Yes	1
No	2
(Don't know)	3
(Refused)	4

C6a1. DELETED

RANDOMISE 1 IN 3 AND ASK IF INTRODUCED NEW/IMPROVED SERVICES (C6A = 1)

C6a2 Can you please describe briefly the main new or improved service you have developed <IF A3A=4-11 **over the last three years**/IF A3A=1-3 **since you were established**>**?**

PROBE AS NECESSARY

ASK IF INTRODUCED NEW/IMPROVED SERVICES (C6A=1)

C6b Thinking again about the new service development activity that you've undertaken **<IF A3A=4-11** over the last three years**/IF A3A=1-**3 since you were established**>**, were any of these services new to your market, by which I mean you introduced them before your competitors?

AS NECESSARY: Are you the first **< Y1 OR Y2** organisation **/ Y3** chambers > to introduce this service?

Yes	1
No	2
(Don't know)	3
(Refused)	4

ASK IF INTRODUCED NEW/IMPROVED SERVICES (C6A = 1)

C8 Roughly what percentage of your current turnover comes from services that you have introduced or improved < **IF A3A=4-11** over the last three years**/IF A3A=1-**3 since you were established >?

Write in percentage (allow zero)
(Refused)
(Don't know)

ASK IF DON'T KNOW OR REFUSED AT C8

C8a **If you had to estimate, would you say that this percentage is…?**
READ OUT. SINGLE CODE.

Zero	1
1-9 per cent	2
10-19 per cent	3
20-29 per cent	4
30-49 per cent	5
50-69 per cent	6
70 per cent or more	7
(Don't know)	8
(Refused)	9

ASK IF INTRODUCED NEW/IMPROVED SERVICES (C6A = 1)

G8 And focusing just on the last three years, how much influence have the following factors had in driving your service development activity?
READ OUT – ROTATE
REMIND AS NECESSARY: **How much influence has this had in driving your service development activity?**

A. Changing or increasing demand for new services
B. Changing regulation relating to legal services
C. Legislative changes relating to legal services
D. The intensity of competition
E. DELETED
F. The availability of finance for development
G. Recruitment of new staff or talent by your < Y1 OR Y2 **organisation** / Y3 **chambers >**
H. Changes in the strategy or leadership of your < Y1 OR Y2 **organisation** / Y3 **chambers >**
I. The availability of new technology or ICT developments
J. DELETED

Significant influence	1
Some influence	2
No influence	3
(Don't know)	4

<u>ASK IF INTRODUCED NEW/IMPROVED SERVICES (C6A = 1)</u>
C7 **Thinking about the new service development activity that you've undertaken** <IF A3A=4-11 **over the last three years**/IF A3A=1-3 **since you were established**>**, has this…?**
READ OUT. RANDOMISE.

A. Extended the range of services you offer
B. Improved the speed of delivery of your services
C. Reduced the costs of delivery of the services you provide
D. Improved the quality of the services you offer
E. Enabled you to attract new clients
F. Increased your revenue from existing clients
G. Involved tailoring services to meet individual client needs

Yes	1
No	2
(Don't know)	3
(Refused)	4

C24a. DELETED

<u>ASK IF INTRODUCED NEW/IMPROVED SERVICES (C6A = 1)</u>
F9a **Does the <** Y1 OR Y2 **organisation /** Y3 **chambers > carry out risk assessment procedures before introducing new or improved services?**

Yes	1
No	2
(Don't know)	3

<u>ASK ALL</u>
So far we have discussed the development of new and improved services. Now I'd like to move on to focus on how you <u>deliver</u> your services to clients.

<u>ASK ALL</u>
C11 <IF A3A=4-11 **Over the last <u>three years</u>**/IF A3A=1-3 **Since you were established**> **have you made any significant changes to the way you <u>deliver</u> services in your <** Y1 OR Y2 **organisation /** Y3 **chambers >?**

Yes	1
No	2
(Don't know)	3
(Refused)	4

<u>RANDOMISE 1 IN 3 AND ASK IF CHANGED DELIVERY OF SERVICES (C11 = 1)</u>
C11_1a Can you please describe briefly the main change you have made <IF A3A=4-11 **over the last three years**/IF A3A=1-3 **since you were established**> **to how you deliver legal services?**
PROBE AS NECESSARY

C11_1 DELETED

<u>ASK IF CHANGED DELIVERY OF SERVICES (C11 = 1)</u>
G11_2 And focusing again just on the last three years, how much influence have the following factors had in shaping how you <u>deliver</u> your services?
READ OUT – RANDOMISE

REMIND AS NECESSARY: **How much influence has this had in shaping how you <u>deliver</u> your services?**

A. Changing or increasing demand for new services
B. Changing regulation relating to legal services
C. Legislative changes relating to legal services
D. The intensity of competition
E. DELETED
F. The availability of finance for development
G. Recruitment of new staff or talent by your < Y1 OR Y2 **organisation** / Y3 **chambers >**
H. Changes in the strategy or leadership of your < Y1 OR Y2 **organisation** / Y3 **chambers >**
I. The availability of new technology or ICT developments
J. DELETED

Significant influence	1
Some influence	2
No influence	3
(Don't know)	4

<u>ASK IF CHANGED DELIVERY OF SERVICES (C11=1)</u>
C11a Thinking about developments you have made in how you deliver services <IF A3A=4-11 **over the last three years**/IF A3A=1-3 **since you were established**>**, were any of these new to your market, by which I mean you introduced them before your competitors?**

Yes	1
No	2
(Don't know)	3

<u>ASK IF CHANGED DELIVERY OF SERVICES (C11 = 1)</u>
C11b. And have these changes in the way you deliver services helped your business to…?
READ OUT. RANDOMISE

A. Reduce the costs of service delivery
B. Reduce the time taken to deliver services
C. Increase the quality or reliability of the services you deliver
D. DELETED
E. Be more responsive to clients needs
F. Increase profitability
G. DELETED
H. Make strategy decisions or changes
I. DELETED

Yes	1
No	2
(Don't know)	3
(Refused)	4

D15b DELETED

ASK ALL

C15 Have you done any of the following <IF A3A=4-11 **in the last three years**/IF A3A=1-3 **since you were established**>**?**

READ OUT. RANDOMISE

A. Implemented a new or significantly changed corporate strategy
B. Implemented any advanced management techniques such as knowledge management systems, Investors in People, etc
C. Implemented major changes to your organisational structure
(AS NECESSARY: **Such as the introduction of team-working or outsourcing of major business functions)**
D. Implemented changes in marketing strategies or channels

Yes	1
No	2
(Don't know)	3

ASK ALL

D4a Has your < Y1 OR Y2 **organisation /** Y3 **chambers > invested in any new or improved IT infrastructure or equipment over the last year?**

AS NECESSARY: **This can include any investment in new or improved IT i.e. from a new PC to an upgraded network**

Yes	1
No	2
(Don't know)	3

ASK ALL

C99 Does your < Y1 OR Y2 **organisation /** Y3 **chambers > either offer, or plan to offer in the next 12 months, online legal services to your clients?**

AS NECESSARY: **By online legal services we mean providing a charged service online rather than communicating with clients via email**

Yes, currently provide online services	1
Yes, plan to offer online services during next 12 months	2
No	3
(Don't know)	4
(Refused)	5

C16 DELETED

SECTION D – KNOWLEDGE GATHERING

READ OUT IF INTRODUCED NEW SERVICES OR DELIVERY APPROACHES (CODE 1 AT C6A OR CODE 1 AT C11)
Now I'd like to ask you some questions about how your < Y1 OR Y2 **organisation /** Y3 **chambers > comes up with or obtains the ideas and information needed to develop new or improved services or ways of delivering services.**

ASK IF (C1A > 1 OR C1A2 = 2-12) AND INTRODUCED NEW SERVICES OR DELIVERY APPROACHES (CODE 1 AT C6A OR CODE 1 AT C11)
D14 Who in the < Y1 OR Y2 **organisation /** Y3 **chambers > is involved in obtaining the ideas and information needed to develop new or improved services or how you deliver them? Is it…?** READ OUT. CODE ALL THAT APPLY

Managing partner	1
Partners and senior fee earners	2
Associates and junior fee earners	3
Executives/senior managers (non-fee earning)	4
Para-legal staff	5
Administrative staff	6
Marketing staff / bid managers	7
(Don't know)	8
(None of these)	9

ASK IF INTRODUCED NEW SERVICES OR DELIVERY APPROACHES (CODE 1 AT C6A OR CODE 1 AT C11)
D16a Do you ever get the ideas and information needed to develop new or improved services or how to deliver them from any external organisations, such as clients, competitors or consultants?

Yes	1
No	2
(Don't know)	3

<u>ASK IF USE EXTERNAL SOURCES (CODE 1 AT D16a)</u>

D16 Which of the following external organisations have you used as a source for ideas and information...?

READ OUT. RANDOMISE ORDER

PROMPT AS NECESSARY: **Have you used any of the following as a source of the ideas and information needed for developing new or improved services or how you deliver them?**

So firstly…?

A. Suppliers
B. Clients
C. Competitors
D. Business or management consultants
E. Universities
F. DELETED
G. Professional and trade associations
H. SHOW IF B5.3 = 5-6 **Other companies in the group**
I. Regulatory bodies
J. Accountants
K. Technology providers

Yes	1
No	2
(Don't know)	4

<u>ASK IF GET IDEAS FROM EXTERNAL SOURCES (D16A=1)</u>

D2 Roughly what proportion of your new services typically come from ideas that initially came from <u>outside</u> your < Y1 OR Y2 **organisation /** Y3 **chambers >?**

READ OUT AS NECESSARY. SINGLE CODE.

AS NECESSARY: **Such as ideas from clients, competitors, suppliers, consultants, etc**

None	1
1-9 per cent	2
10-19 per cent	3
20-29 per cent	4
30-49 per cent	5
50-69 per cent	6
70 per cent or more	7
(Don't know)	8
(Refused)	9

<u>ASK ALL</u>

D5a Over the last year, to help develop new services, improve existing ones or to improve the way you deliver services, has your < Y1 OR Y2 **organisation /** Y3 **chambers >...?**

A. Carried out any in-house research
B. Commissioned any external research
C. DELETED

Yes	1
No	2
(Don't know)	3
(Refused)	4

<u>IF YES AT ANY D5a</u>

D5b Roughly how much have you spent on this research activity over the last year? Please include expenditure on salaries, wages and staff time as well as equipment and any 'bought in' research services.

ADD AS NECESSARY**: Please just give me your best estimate in £**
INTERVIEWER NOTE: IF RANGE IS GIVEN PLEASE ENTER THE MIDPOINT

Write in figure in £ (allow zero)
(Refused)
(Don't know)

<u>IF DK/REF AT D5B</u>

D5c Please could you estimate how much you have spent on this research activity over the last year?
READ OUT AS NECESSARY

ADD AS NECESSARY**: Please include expenditure on salaries, wages and staff time as well as equipment and any 'bought in' research services.**

Up to £1,000	1
£1,001 to £5,000	2
£5,001 to £10,000	3
£10,001 to £20,000	4
£20,001 to £50,000	5
More than £50,000	6
(Don't know)	7
(Refused)	8

ASK IF INTRODUCED NEW SERVICES OR DELIVERY APPROACHES (CODE 1 AT C6A OR CODE 1 AT C11)

D17j Have you obtained the ideas and information needed to develop new or improved services or how you deliver them from any of the following?

READ OUT. CODE ALL THAT APPLY. RANDOMISE - KEEP 1 AND 10 TOGETHER

Internal staff knowledge	1
Written or documented sources from within your **<** Y1 OR Y2 organisation **/** Y3 chambers **>**	10
Professional journals	2
Legislation	3
Your representative body	4
CPD and training (AS NECESSARY: CPD is Continuing Professional Development)	5
Internet based research	6
New staff coming in from other sectors	7
Your regulator	11
(None of these)	8
(Don't know)	9

SECTION E – SERVICE AND DELIVERY DEVELOPMENT

ASK IF INTRODUCED NEW SERVICES OR DELIVERY APPROACHES (CODE 1 AT C6A OR CODE 1 AT C11)
I'd now like to move on to how your < Y1 OR Y2 **organisation /** Y3 **chambers > actually develops new or improved services or makes changes to how you deliver your services. So here we're asking about how the idea for something new is actually turned into a new service or method of delivery.**

ASK IF (C1A > 1 OR C1A2 = 2-12) AND INTRODUCED NEW SERVICES OR DELIVERY APPROACHES (CODE 1 AT C6A OR CODE 1 AT C11)
E9 Who in the < Y1 OR Y2 **organisation /** Y3 **chambers > is involved in the process of actually developing new or improved services or how they are delivered? Is it…?**
READ OUT. CODE ALL THAT APPLY

Managing partner	1
Partners and senior fee earners	2
Associates and junior fee earners	3
Executives/senior managers (non-fee earning)	4
Para-legal staff	5
Administrative staff	6
Marketing staff / bid managers	7
(Don't know)	8
(None of these)	9

ASK IF (C1A > 1 OR C1A2 = 2-12) AND INTRODUCED NEW SERVICES OR DELIVERY APPROACHES (CODE 1 AT C6A OR CODE 1 AT C11)
E11a Does your < Y1 OR Y2 **organisation /** Y3 **chambers > set up teams to develop new or improved services or ways of delivering them?**

Yes	1
No	2
(Don't know)	3

ASK IF SET UP TEAMS (CODE 1 AT E11A)
E11b Thinking about these teams, do you agree or disagree with the following statements?
READ OUT RANDOMISE

A. Team-working plays a major role in the development of new services and how we deliver them
B. Our development teams are cross-functional and involve people from different parts of the < Y1 OR Y2 **organisation /** Y3 **chambers >**
C. Teams operate very independently and are left to get on with solving the problem
D. Our < Y1 OR Y2 organisation / Y3 chambers **> invests in training in team working**
E. Our teams often involve clients or suppliers

Agree	1
Neither agree nor disagree	2
Disagree	3
(Don't know)	4

ASK IF INTRODUCED NEW SERVICES OR DELIVERY APPROACHES (CODE 1 AT C6A OR CODE 1 AT C11)

E13a Does your < Y1 OR Y2 **organisation** / Y3 **chambers > involve any external organisations in the actual development of new services or how you deliver them?**

Yes	1
No	2
(Don't know)	3

ASK IF USE EXTERNAL SOURCES (CODE 1 AT E13a)

E13b Which of the following external organisations have you used to help you develop your new or improved services or how you deliver them?

So firstly…? READ OUT. RANDOMISE ORDER

A. Suppliers
B. Clients
C. Competitors
D. Business or management consultants
E. Universities
F. DELETED
G. Professional and trade associations
H. SHOW IF B5.3 = 5-6 **Other companies in the group**
I. Regulatory bodies
J. Accountants
K. Technology providers

Yes	1
No	2
(Don't know)	4

SECTION F – MARKETING NEW PRODUCTS & SERVICES

ASK ALL
I'd now like to move on to how your < Y1 OR Y2 **organisation /** Y3 **chambers > goes about generating revenue from your services.**

ASK ALL
F2 Thinking about how your < Y1 OR Y2 **organisation /** Y3 **chambers > works with your clients, do you…?**
READ OUT. CODE ALL THAT APPLY. RANDOMISE.

Involve clients in service evaluation	1
Monitor client feedback to shape new service development	2
DELETED	3
Hold regular client review meetings on new services	4
DELETED	5
(None of these)	6
(Don't know)	7

ASK ALL
F3a Has your < Y1 OR Y2 **organisation /** Y3 **chambers > invested in improving your reputation and branding over the last year, including spending on advertising, PR, etc?**

Yes	1
No	2
(Don't know)	3

IF YES AT F3a
F3b Roughly how much have you spent on improving your reputation and branding over the last year?

ADD AS NECESSARY**: Please just give me your best estimate in £**
INTERVIEWER NOTE: IF RANGE IS GIVEN PLEASE ENTER THE MIDPOINT

Write in figure in £ (allow zero)
(Refused)
(Don't know)

IF DK/REF AT F3B
F3c Please could you estimate how much have you spent on reputation and branding over the last year?
READ OUT AS NECESSARY

Up to £1,000	1
£1,001 to £5,000	2
£5,001 to £10,000	3
£10,001 to £20,000	4
£20,001 to £50,000	5
More than £50,000	6
(Don't know)	7
(Refused)	8

ERC Enterprise Research Centre

ASK IF (C1A > 1 OR C1A2 = 2-12) AND INTRODUCED NEW SERVICES OR DELIVERY APPROACHES (CODE 1 AT C6A OR CODE 1 AT C11)

F9 Who in the < Y1 OR Y2 **organisation /** Y3 **chambers > is involved in marketing new or improved services?**

Managing partner	1
Partners and senior fee earners	2
Associates and junior fee earners	3
Executives/senior managers (non-fee earning)	4
Para-legal staff	5
Administrative staff	6
Marketing staff / bid managers	7
(Don't know)	8
(None of these)	9

ASK IF INTRODUCED NEW SERVICES OR DELIVERY APPROACHES (CODE 1 AT C6a OR CODE 1 AT C11)

F12 Does your < Y1 OR Y2 **organisation /** Y3 **chambers > work with any external organisations to help you in marketing your new or improved services**?

Yes	1
No	2
(Don't know)	3

ASK IF USE EXTERNAL SOURCES (CODE 1 AT F12)

F13 Which of the following external organisations have you used to help you to market your new or improved services...?

READ OUT. RANDOMISE ORDER

A. Suppliers
B. Competitors
C. Market research companies
C. Advertising agencies
E. Professional and trade associations
F. Regulatory bodies
H. SHOW IF B5.3 = 5-6 **Other companies in the group**

Yes	1
No	2
(Don't know)	4

ASK ALL

F10a. Do you use any form of intellectual property protection, such as trademarks, patents, confidentiality agreements, etc?

Yes	1
No	2
(Don't know)	3

<u>ASK IF YES (CODE 1) AT F10a</u>
F10. Which of the following types of intellectual property protection does your < Y1 OR Y2 **organisation /** Y3 **chambers > hold?**
READ OUT - CODE ALL THAT APPLY - RANDOMISE

1. Registration of new designs
2. Trademarks
3. Patent protection
4. Copyrights
5. Confidentiality agreements
6. Employee non-disclosure agreements
7. (Don’t know)

SECTION G – ORGANISATION CULTURE

<u>ASK ALL</u>
We're now going to ask a few general questions about the culture and leadership of your < Y1 OR Y2 **organisation /** Y3 **chambers >.**

<u>ASK IF (C1A > 1 OR C1A2 = 2-12)</u>
G99 Thinking about the development of new services and delivery approaches in your < Y1 OR Y2 **organisation /** Y3 **chambers >, do you have:**

READ OUT - RANDOMISE - KEEP B AND F TOGETHER

A. Written strategies or policies to support the introduction of new ideas
B. A culture that supports the introduction of new ideas
C. DELETED
D. Structured processes to support the introduction of new ideas
E. Rewards or incentives for valuable new ideas
F. A leadership team that supports new ideas

Yes	1
No	2
(Don't know)	3

<u>ASK IF (C1A > 1 OR C1A2 = 2-12)</u>
G3 And thinking about any future development of your workforce, how important is it to your < Y1 OR Y2 **organisation /** Y3 **chambers > that....**

READ OUT RANDOMISE

A. You recruit people from non-legal backgrounds
B. You recruit people with a legal background
C. You train staff on legal competence and compliance with regulations
D. You train staff on how to develop ideas for new services

Very important	1
Fairly important	2
Not important	3
(Don't know)	4
(Refused)	5

<u>ASK ALL</u>
G4A Has your < Y1 OR Y2 **organisation /** Y3 **chambers used social media at all over the <u>last year</u>?**

Yes	1
No	2
(Don't know)	3

ASK IF USE SOCIAL MEDIA (CODE 1 AT G4)

G4B Does your < Y1 OR Y2 **organisation /** Y3 **chambers > use social media to do any of the following...?**

A. Provide legal services to clients
B. Advertise services to potential clients
C. Provide legal updates and other types of free information
D. Interact with other < Y1 OR Y2 **organisations /** Y3 **chambers > and share information**
E. Interact with other commercial partners such as introducers

Yes	1
No	2
(Don't know)	3

SECTION H – EXTERNAL ENVIRONMENT

<u>ASK ALL</u>
Q49 I'm now going to read out a list of possible barriers that may have constrained your new service development <IF A3A=4-11 over **the last three years**/IF A3A=1-3 **since you were established**>**.**

Please tell me whether each of the following has been a significant constraint, a small constraint or no constraint at all.

READ OUT RANDOMISE – KEEP B&C TOGETHER, G&H TOGETHER

DELETED
Attitudinal barriers to change in your business
Attitudinal barriers to change among your clients
Lack of necessary finance
Limited market opportunities for new services
DELETED
Regulatory factors
Legislative factors
Lack of collaborators for developing new service
Lack of expertise or capacity in your business
DELETED
DELETED
DELETED

No constraint at all	1
A small constraint	2
A significant constraint	3
(Don't know)	6

<u>RANDOMISE 1 IN 3 AND ASK ALL</u>
Q49a Could you tell me, in your own words, what <u>the main constraint</u> on the development of new services or delivery methods has been <IF A3A=4-11 **in the last three years**/IF A3A=1-3 **since you were established**>**?**

PROBE AS NECESSARY

ERC Enterprise Research Centre

ASK ALL

G1 Please can you tell me whether any of the following factors have had a positive or negative impact on your ability to develop your services or how you provide them...?

RANDOMISE - KEEP G AND H TOGETHER

a. Requirements relating to client confidentiality and data protection
b. Dealing with client complaints
c. Compliance with money laundering regulations
d. Complying with information requests from a regulator
e. Managing client money
f. Professional indemnity insurance requirements
g. Changes in legislation related to the legal services you deliver
h. Changes in legislation related to new structures and/or ownership
i. Keeping up with with new regulations

Negative	1
Neither positive or negative	3
Positive	6
(Don't know)	7

RANDOMISE 1 IN 3 AND ASK ALL

C25 Finally, thinking about the legal services you provide and how you provide them, what major changes, if any, do you anticipate occurring in the next few years?

AS NECESSARY: What are the big ideas in the provision and delivery of legal services?

PROBE FULLY & RECORD IN DETAIL

SECTION I – WRAP UP

READ OUT TO ALL
That's the end of the interview, thank you very much for your time. Before you go I just need to check a couple of things.

ASK ALL
H1 So firstly would you be willing to take part in any future research on this topic conducted on behalf of the **<Y1** Solicitors Regulation Authority**/<Y2 or Y3** Legal Services Board **>?**

AS NECESSARY: If you agree and are contacted you can always refuse if it's not convenient or you are no longer willing to participate

Yes	1
No	2
(Don't know)	3
(Refused)	4

ASK ALL
H2 We are working with academic researchers who would like to be able to analyse the answers you have provided us alongside data you may provide to central Government, such as through Companies House. We can assure you that your answers will still remain confidential and will only be presented in the form of statistical summaries. Would this be OK?

INTERVIEWER NOTE: READ OUT EXACTLY AS SCRIPTED

AS NECESSARY: This will allow the researchers to 'look up' other data held on your business by central Government, which will in turn allow them to conduct a fuller and more meaningful analysis of this survey data.

Yes	1
No	2
(Don't know)	3

ASK ALL
H3 Finally, can I just check that your business postcode is…?
CATI TO DISPLAY POSTCODE IF AVAILABLE – AMEND IF MISSING OR INCORRECT

ASK ALL
H4 And may I take a note of your name?
WRITE IN

STANDARD THANK & CLOSE

Annex 6: Qualitative interview guide

OMB Research – Innovation in the Legal Services Research

Discussion Guide
December 2014

Introduction

- Introduce self and OMB Research (an independent research agency)
- We are conducting this research in collaboration with the research team from the Enterprise Research Centre at Warwick University. The research is being conducted on behalf of the Solicitor's Regulation Authority and the Legal Services Board.
- The research aims to explore and understand new practices, processes, product and service development/delivery within the legal services sector. It will help us to understand how the legal services market is changing?
- You will have been contacted by the SRA/Legal Services Board and have indicated you are willing to participate in this research.
- You will have been sent a pre-interview questionnaire to complete. It will be useful to have this to hand to refer to during our discussion. If you have not already done so, could you please send the completed questionnaire back to us.
- We will be reporting our findings in an aggregated report. The report will be published by the SRA. We will endeavour to protect you and your organisation's anonymity (we will not name you or your organisation in the report). However, given the small sample size and nature of the market, we cannot guarantee that those reading the report will not be able to identify you. Are you OK to proceed on this basis?
- The interview will last approximately 45 mins to 1 hour.
- Please may I have your permission to record the interview? The recordings are used to ensure that everything we discuss is captured in full. The recordings are only used for research purposes and not shared outside of the research team.
- This is stage one of a two-stage project, with further data collection and analysis taking part in stage two. The data collected in this interview may be used by the research team to inform that second stage of analysis.

1) Background

Can I start by asking for some background about your organisation?
Number of employees / sites (globally and in the UK)
How long has the organisation/organisation been in operation?
I understand that your organisation is engaged in [INSERT INFORMATION FROM SAMPLE AND CLARIFY]
Reserved/unreserved activities
Main areas of law
Types of clients (individuals; corporate; govt; specific groups of people or sections of society such as socially excluded people, BME people etc)
What is the management structure?
Establish whether an ABS is in place
What is your role/ are your responsibilities?

2) Innovation in legal services

What do you think of as innovation within legal services?
Allow spontaneous description and probe on…
Product/service delivery
Processes
Business structure
Marketing/communications
What innovative activities are you aware of within the sector?
How do you hear of what of what is new in the legal services market?
How common is it?
Which (types of) organisations are involved?
Explore the role of new entrants
What do you think is driving innovation in the legal services sector in general?
What do they think are the motivations for organisations to innovate/do things differently?
What triggers innovative practices and why?

3) Innovation in their organisation: Overall
We are now going to talk about innovation within your organisation specifically. When I say innovation, I mean any relevant activity relating to the development of new products, services and business processes…

What are the key areas of innovation in your organisation?
Probe for as many spontaneous examples as possible
Explore whether new products, services or practices are new to the organisation or new to the market/sector
How did you fund these ideas?
What are your motivations and objectives for developing new product, services or processes?
Explore whether defensive or aggressive
Explore whether internal or externally driven
Explore the impact of new people within the business on innovation

Specific probes on 'overarching practices'
Does your organisation have a strategy for developing new ideas, changes or improvements?
If not, is there any reason why not?
If yes, please describe the strategy
What drives the strategy?
How was it developed and amended?
Explore the role of senior management team/directors/partners
Explore whether the strategy is innovation or imitation
Does your organisation have a specific team or department focused on developing new products, services or business processes?
If not, is there any reason why not?
If yes, please describe it and how it works/ it's role

I would now like to ask you about the role of staff in the development of new services, products and processes…
What role does the SMT play in driving innovative practices?
To what extent are staff encouraged to think and act differently (to innovate) in terms of service, products, processes?

How does this work?
Explore use of rewards and incentives, if used, how successful are they?
Explore existence of gate keepers (staff who formally or informally identify and disseminate knowledge) and their impact
Explore existence of innovation champions and if in place, how they operate and their impact
Explore the degree to which staff are given 'space for creativity'; time to develop new ideas. If they are, what has the benefit been? If not, why not?

I would now like to ask you about the role of technology in the development of new services, products and processes…
How would you describe the role of technology within your organisation?
Overall? How technologically oriented is the organisation overall? Why is that?
In relation to new products, services and processes?
What role does technology play in developing new ideas and sharing relevant knowledge?
Probe for specific examples

I would now like to ask you about partnerships and alliances in relation to developing new products, services and processes…

If necessary, explain that partnerships or alliances could potentially be with a range of different types of organisation (e.g. Other Legal Services organisations of legal services, providers of other services, their clients, their suppliers, or possibly the regulator). Also, that partnerships or alliances can be both formal or informal in nature and include many types of joint arrangements.

Who are your main partners for innovation?
How important are they?
What role do they play?
With which aspects of innovation/new idea do partners become involved?
Do you outsource any activities?
If so, how does this work? *Probe for details*
What was the rationale for doing so?
What has been the impact of doing so on the organisation's development of new products, services or processes?
What are the main challenges and problems associated with partnerships and collaborations?
What would help address these and/or make relationships easier?

4) Innovation in their organisation: The Innovation Value Chain

Knowledge Acquisition
We are now going to talk about how your organisation obtains the knowledge and information which leads to the development of new products, services and business processes…

How does the organisation go about gathering the necessary knowledge and skills to develop new ideas (products, services, processes)?
Spontaneous descriptions
Probe on the following practices IN RELATION TO KNOWLDEGE ACQUISITION, and for each explore whether this is done, why/why not; how it is done and the impact of doing so
Existence of multi-functional teams (mixing different areas of expertise within teams)

Staff training (how much is provided? How important? How are staff appraised? What is the impact on innovation?)
Existence of a department (or other specific investment) dealing with business change or development
Use of regulatory documentation and/or legislation as a source of information to inspire or assist in the development of new ideas
Linkages and communication with customers
Linkages and communication with suppliers
Linkages and communication with other organisations in the group
Market research and competitor intelligence

<u>Knowledge Transformation</u>
We are now going to talk about how your organisation organises the process of developing new products or services or making changes to your internal business processes…

How does the organisation go about organising innovation?
Spontaneous descriptions
Is there a formal process? (e.g. within a strategic plan or business plan)
How are new ideas for products, services or processes filtered or evaluated? Who is involved? What is the process?
What is your organisation's attitude to change/new processes/products?

Revisit the following practices if necessary/appropriate IN RELATION TO KNOWLEDGE TRANSFORMATION (how do these practices contribute to the development of ideas and the use of knowledge?)
Role of multi-functional teams (if they exist)
Staff training
Existence of a department (or other specific investment) dealing with business change or development
Use of regulatory documentation and/or legislation as a source of information to inspire or assist in the development of new ideas
Linkages and communication with customers
Linkages and communication with suppliers
Linkages and communication with other organisations in the group
Market research and competitor intelligence

<u>Knowledge Commercialisation</u>

We are now going to talk about how your organisation goes about marketing and selling new products and services to generate business growth and value …

How does the organisation maximise the benefits that come from developing a new product, service or organisational process?
Spontaneous descriptions
What is the approach to marketing and communicating new products/services/processes?
Probe on level of advertising and marketing spend
Explore any innovative marketing and communications ideas
What is the approach to assessing the risks and benefits associated with new products, services or processes?
Probe on the degree to which this impacts on innovation activity (either in a positive or negative way)
How, if at all do you protect Intellectual Property?

What are the challenges to doing so?
What, if any, impact does this have on innovation activity?

Explore the role of previously mentioned practices (e.g. team working, linkages with customers etc.) on the marketing and selling of products and services (if not already covered)
What do you see are the benefits to your organisation of these new ideas and practices?
What do you see are the benefits to consumers?
What has this new (practice/product) delivered?
Have you had any consumer feedback about (the new product or practice)

5) Enablers and barriers to Innovation
We are now going to talk about what enables or helps your organisation to innovate, and what prevents it from doing to (more)…

Firstly, what are the key things that **help you to introduce** new products, services or processes?
Allow spontaneous descriptions and probe on…
Demand from sophisticated consumers
Rapidly changing markets and speed of client uptake of new ideas
Innovative attitudes/'milieu' within the sector or organisation

We are now going to talk about the **barriers** to innovation.
What are the main barriers to developing new products, services and processes?
Within the legal services sector in general
Within your organisation specifically
Allow spontaneous descriptions and probe on…
Attitudes of key decision-makers
Expectations and attitudes of clients
Lack of perceived need
Cultural issues
Habit/inertia
Technological challenges
What role does regulation play as a barrier to innovation?
Specifically, which aspects of regulation act as a barrier and why? *Probe for detailed descriptions*
If not mentioned, prompt with…
File retention
Keeping up to date with changes
Enforcement mechanisms (handling of conduct complaints)
Compliance with money laundering regulations
Information requests from the regulator
Regulations relating to handling of client money
Professional indemnity requirements
Other regulators - health and safety executive, local authority, other professional regulators
Third parties such as courts
How could changes to regulation affect your ability/likelihood to develop new products, services or processes?
Explore whether innovation can (or has) stimulate innovation by forcing them to think differently
Probe for specific examples and rationale

6) Wrap Up

How would you summarise your thoughts about innovation in the legal services sector?
What have been the main areas of innovation?
What are likely to be the main areas of innovation in the future?
How would you describe the innovative activity undertaken by your organisation?
How would you rate your organisation (above or below) the legal profession as a whole in terms of new ideas and ways of delivering legal services?
What are the main triggers and barriers to innovation in the sector?
Anything else to add?

Thank for time and Close.

Annex 7: Modelling the effects of ABS

In this Annex we consider in more detail the issues involved in estimating the effects of ABS on the innovation behaviour of legal service providers. The approach we adopt is standard to the evaluation of policy treatments which aim to influence behavioural outcomes. In general terms the analytical problem this raises is how to estimate the difference between the actual realised outcomes (when ABS is implemented) and the potential outcomes if ABS had not been adopted – the counterfactual. The latter situation is of course not observed.

The issues involved have been widely discussed in the research literature on policy evaluation. The focus of much of this literature has been the notion of 'selection bias', i.e. the idea that Solicitors choosing ABS may differ in some other systematic way from other Solicitors aside from their ABS adoption. They may for example be younger organisations, in different areas of law or be more ambitious. This has led to the development and widespread application of econometric approaches which can 'control' for potential selection biases by either implicitly or explicitly modelling the probability that an organisation will be in the treatment rather than the control group (here adopt ABS), and then estimating the impact of the treatment 'controlling' for any selection biases[70] (Bratberg, Grasdal, and Risa 2002; Imbens and Wooldridge 2009).

We adopt this type of approach here using two different estimation approaches to model both the probability that a organisation will adopt ABS and then the effects of the ABS treatment. We are interested specifically in whether ABS has increased the probability that Solicitors will introduce new innovations and the effect of ABS on Solicitors' revenue of innovative services. Specifically, we use two treatment effects models called augmented inverse probability weighting (AIPW) and inverse probability weighted regression adjustment (IPWRA). We use these two approaches both because they are relatively robust in terms of the implicit assumptions about the underlying structural form and because they allow us to model both binary (i.e. innovate or not) and continuous (innovative revenue) output measures. We implement both measures using the effects module in Stata 13.

Tables A7.1 and A7.2 report models for the probability of innovation in services, delivery etc. with the key variable of interest being the average treatment effect (ATE) of ABS at the top of each table. Positive numbers here indicate that ABS status – controlling for other factors – is increasing the probability of innovation. Asterisks are used to indicate where these effects are statistically significant (e.g. in service innovation). Table A7.3 reports models for innovative revenue using the same set of explanatory factors.

[70] Bratberg, E.; A. Grasdal and A. E. Risa. 2002. Evaluating Social Policy by Experimental and Non-experimental Methods. *Scandinavian Journal of Economics*, 104(1), 147-71. Imbens, G. W. and J. M. Wooldridge. 2009. Recent Developments in the Econometrics of Program Evaluation. *Journal Of Economic Literature*, 47(1), 5-86.

Table A7.1: Modelling the probability of innovation and ABS – AIPW models

	Service	Delivery	Strategy	Manage-ment	Organis-ational	Marketing
	'(1)	'(2)	'(3)	'(4)	'(5)	'(6)
ATE of ABS	0.148**	0.058	0.142*	0.033	0.241***	0.047
	'(0.075)	'(0.077)	'(0.084)	'(0.054)	'(0.082)	'(0.074)
Probability of innovating – non-ABS						
Commercial focus	0.236	-0.036	0.007	0.023	0.028	0.11
	'(0.162)	'(0.188)	'(0.183)	'(0.179)	'(0.165)	'(0.171)
Single site organisation	0.099	-0.054	0.152	0.028	-0.122	0.237*
	'(0.162)	'(0.164)	'(0.147)	'(0.143)	'(0.137)	'(0.142)
Age of organisation (log)	-0.228***	0.191**	-0.171**	-0.083	-0.043	-0.290***
	'(0.072)	'(0.079)	'(0.071)	'(0.071)	'(0.068)	'(0.069)
Size of organisation (log, empl.)	0.077	-0.067	0.255***	0.213***	0.166***	0.397***
	'(0.059)	'(0.063)	'(0.058)	'(0.056)	'(0.055)	'(0.065)
Exporter	0.355*	-0.03	-0.051	-0.124	-0.302	-0.082
	'(0.181)	'(0.212)	'(0.210)	'(0.207)	'(0.205)	'(0.211)
R&D Intensity	-0.005	-0.009	0.01	0.059**	0.007	0.134**
	'(0.026)	'(0.027)	'(0.027)	'(0.027)	'(0.020)	'(0.054)
Multi-functionality	0.021***	0.023***	0.008***	0.003	-0.001	0.013***
	'(0.003)	'(0.004)	'(0.003)	'(0.003)	'(0.002)	'(0.003)
External knowledge sources	0.021***	0.021***	0.007**	0.004	0.011***	0.009***
	'(0.003)	'(0.003)	'(0.003)	'(0.003)	'(0.003)	'(0.003)
Constant	-1.013***	-1.628***	-1.430***	-1.185***	-0.922***	-0.961***
	'(0.245)	'(0.271)	'(0.240)	'(0.244)	'(0.225)	'(0.243)
Probability of innovating - ABS						
Commercial focus	-0.407	0.275	-0.483	0.49	0.086	-0.121
	'(0.649)	'(0.480)	'(0.592)	'(0.519)	'(0.468)	'(0.484)
Single site organisation	-0.234	0.075	-0.399	0.182	0.165	-0.392
	'(0.408)	'(0.391)	'(0.402)	'(0.431)	'(0.395)	'(0.402)
Age of organisation (log)	0.096	0.073	0.483**	0.174	0.495***	0.001
	'(0.191)	'(0.167)	'(0.207)	'(0.187)	'(0.174)	'(0.157)

Size of organisation (log, empl.)	-0.001	0.118	-0.193	0.059	-0.189	0.062
	'(0.152)	'(0.152)	'(0.182)	'(0.154)	'(0.151)	'(0.141)
Exporter	0.968*	-0.037	0.064	0.315	0.591	-0.85
	'(0.588)	'(0.645)	'(0.663)	'(0.649)	'(0.588)	'(0.699)
R&D Intensity	0.125***	0.017	-0.011	0.346**	0.072	0.124
	'(0.048)	'(0.014)	'(0.013)	'(0.166)	'(0.068)	'(0.093)
Multi-functionality	0.031**	0.003	-0.008	-0.008	0.001	0.006
	'(0.013)	'(0.007)	'(0.007)	'(0.007)	'(0.007)	'(0.007)
External knowledge sources	0.024**	0.022**	0.025**	0.023**	0.019**	0.020**
	'(0.011)	'(0.009)	'(0.011)	'(0.009)	'(0.009)	'(0.009)
Constant	-1.232***	-1.555***	-1.054**	-1.699***	-1.187**	-0.165
	'(0.478)	'(0.566)	'(0.475)	'(0.564)	'(0.542)	'(0.562)
Probability of adopting ABS						
Size of organisation (log, empl.)	0.269***	0.265***	0.265***	0.262***	0.265***	0.265***
	'(0.054)	'(0.054)	'(0.053)	'(0.054)	'(0.053)	'(0.054)
bame	-0.332	-0.353	-0.353	-0.345	-0.348	-0.348
	'(0.225)	'(0.225)	'(0.225)	'(0.225)	'(0.225)	'(0.225)
Commercial focus	-0.092	-0.106	-0.114	-0.099	-0.113	-0.113
	'(0.202)	'(0.202)	'(0.202)	'(0.202)	'(0.201)	'(0.201)
Age of organisation (log)	-0.486***	-0.481***	-0.482***	-0.478***	-0.481***	-0.480***
	'(0.077)	'(0.076)	'(0.076)	'(0.076)	'(0.076)	'(0.076)
Constant	-0.749***	-0.746***	-0.744***	-0.754***	-0.752***	-0.752***
	'(0.179)	'(0.178)	'(0.178)	'(0.179)	'(0.178)	'(0.178)
N	705	706	707	707	711	710

Source: SRA/LSB Survey of Innovation in Legal Services 2015. See Annex 4 for details. Figures in parentheses are standard errors. * denotes significance at the 10 per cent level; ** at 5 per cent; and, *** at 1 per cent.

Table A7.2: Modelling the probability of innovation and ABS – IPWRA models

	Service	Delivery	Strategy	Manage-ment	Organis-ational	Marketing
ATE of ABS	0.129**	0.055	0.149**	0.026	0.246***	0.054
	'(0.055)	'(0.064)	'(0.075)	'(0.046)	'(0.080)	'(0.074)
Probability of innovating – non-ABS						
Commercial focus	0.225	-0.057	0.01	-0.04	0.029	0.111
	'(0.161)	'(0.189)	'(0.182)	'(0.188)	'(0.167)	'(0.176)
Single site organisation	0.083	-0.069	0.157	0.032	-0.101	0.249*
	'(0.162)	'(0.165)	'(0.149)	'(0.145)	'(0.138)	'(0.142)
Age of organisation (log)	-0.237***	0.193**	-0.188***	-0.058	-0.061	-0.273***
	'(0.072)	'(0.080)	'(0.073)	'(0.076)	'(0.068)	'(0.070)
Size of organisation (log, empl.)	0.07	-0.072	0.268***	0.200***	0.175***	0.380***
	'(0.060)	'(0.063)	'(0.059)	'(0.062)	'(0.055)	'(0.065)
Exporter	0.351*	0.016	-0.109	-0.116	-0.356*	-0.136
	'(0.188)	'(0.210)	'(0.211)	'(0.208)	'(0.209)	'(0.213)
R&D Intensity	-0.005	-0.016	0.001	0.060**	0.001	0.131**
	'(0.025)	'(0.026)	'(0.026)	'(0.025)	'(0.019)	'(0.054)
Multi-functionality	0.021***	0.023***	0.008***	0.002	0	0.013***
	'(0.003)	'(0.003)	'(0.003)	'(0.003)	'(0.002)	'(0.003)
External knowledge sources	0.022***	0.021***	0.007**	0.004	0.011***	0.008***
	'(0.003)	'(0.003)	'(0.003)	'(0.003)	'(0.003)	'(0.003)
Constant	-0.967***	-1.611***	-1.414***	-1.202***	-0.905***	-0.965***
	'(0.245)	'(0.274)	'(0.238)	'(0.244)	'(0.225)	'(0.245)
Probability of innovating - ABS						
Commercial focus	-1.136	-0.164	0.049	0.303	0.014	-0.583
	'(0.722)	'(0.488)	'(0.672)	'(0.548)	'(0.550)	'(0.491)
Single site organisation	-0.031	-0.361	-0.456	-0.006	-0.09	-0.286
	'(0.523)	'(0.462)	'(0.479)	'(0.424)	'(0.455)	'(0.509)
Age of organisation (log)	0.262	0.491**	0.400*	0.098	0.434*	0.049
	'(0.236)	'(0.243)	'(0.239)	'(0.197)	'(0.249)	'(0.192)

Size of organisation (log, empl.)	-0.144	-0.345*	-0.052	0.246*	-0.129	0.152
	'(0.218)	'(0.202)	'(0.181)	'(0.140)	'(0.221)	'(0.187)
Exporter	0.909	0.319	-0.087	0.572	0.754	-0.387
	'(0.730)	'(0.615)	'(0.733)	'(0.731)	'(0.618)	'(0.733)
R&D Intensity	0.047	0.009	-0.002	0.805***	0.111	0.138
	'(0.071)	'(0.015)	'(0.017)	'(0.235)	'(0.096)	'(0.162)
Multi-functionality	0.055**	0.01	-0.007	-0.013	-0.003	0.002
	'(0.022)	'(0.008)	'(0.008)	'(0.008)	'(0.008)	'(0.008)
External knowledge sources	0.005	0.021**	0.018	0.023**	0.018	0.022*
	'(0.012)	'(0.011)	'(0.011)	'(0.009)	'(0.012)	'(0.013)
Constant	-1.219*	-1.090*	-1.07	-2.025***	-0.907	-0.556
	'(0.633)	'(0.662)	'(0.655)	'(0.651)	'(0.634)	'(0.644)
Probability of adopting ABS						
Size of organisation (log, empl.)	0.269***	0.265***	0.265***	0.262***	0.265***	0.265***
	'(0.054)	'(0.054)	'(0.053)	'(0.054)	'(0.053)	'(0.054)
BAME	-0.332	-0.353	-0.353	-0.345	-0.348	-0.348
	'(0.225)	'(0.225)	'(0.225)	'(0.225)	'(0.225)	'(0.225)
Commercial focus	-0.092	-0.106	-0.114	-0.099	-0.113	-0.113
	'(0.202)	'(0.202)	'(0.202)	'(0.202)	'(0.201)	'(0.201)
Age of organisation (log)	-0.486***	-0.481***	-0.482***	-0.478***	-0.481***	-0.480***
	'(0.077)	'(0.076)	'(0.076)	'(0.076)	'(0.076)	'(0.076)
Constant	-0.749***	-0.746***	-0.744***	-0.754***	-0.752***	-0.752***
	'(0.179)	'(0.178)	'(0.178)	'(0.179)	'(0.178)	'(0.178)
N	705	706	707	707	711	710

Source: SRA/LSB Survey of Innovation in Legal Services 2015. See Annex 4 for details. Figures in parentheses are standard errors. * denotes significance at the 10 per cent level; ** at 5 per cent; and, *** at 1 per cent.

Table A7.3: Modelling innovative turnover – AIPW and IPWRA models

	Innovative Turnover (1)	Innovative Turnover (2)
Method	AIPW	IPWRA
ATE of ABS	0.105	0.107
	'(0.160)	'(0.159)
Innovative turnover – non-ABS		
Commercial focus	0.066	0.037
	'(0.126)	'(0.126)
RECODE of B5C ~i	0.023	0.002
	'(0.109)	'(0.111)
Age of organisation (log)	-0.228***	-0.237***
	'(0.058)	'(0.059)
Size of organisation (log, empl.)	0.032	0.023
	'(0.038)	'(0.040)
RECODE of B8 '(~t	0.165	0.146
	'(0.146)	'(0.150)
R&D intensity	-0.01	-0.011
	'(0.017)	'(0.015)
Multi-functionality	0.013***	0.013***
	'(0.003)	'(0.003)
External knowledge sources	0.020***	0.021***
	'(0.003)	'(0.003)
Constant	0.742***	0.800***
	'(0.191)	'(0.196)
Innovative turnover - ABS		
Commercial focus	-0.065	-0.326
	'(0.380)	'(0.262)
RECODE of B5C ~i	-0.796*	-0.599
	'(0.415)	'(0.439)
Age of organisation (log)	-0.056	-0.103
	'(0.144)	'(0.155)
Size of organisation (log, empl.)	-0.023	-0.009
	'(0.127)	'(0.154)
RECODE of B8 '(~t	0.072	-0.113
	'(0.430)	'(0.434)
R&D intensity	0.018	0.006
	'(0.016)	'(0.011)
Multi-functionality	0.006	0.013**
	'(0.005)	'(0.005)
External knowledge sources	0.019**	0.012
	'(0.008)	'(0.008)

Constant	1.226**	1.262**
	'(0.532)	'(0.605)
Probability of adopting ABS		
Size of organisation (log, empl.)	0.294***	0.294***
	'(0.053)	'(0.053)
BAME	-0.342	-0.342
	'(0.229)	'(0.229)
Commercial focus	-0.068	-0.068
	'(0.200)	'(0.200)
Age of organisation (log)	-0.520***	-0.520***
	'(0.077)	'(0.077)
Constant	-0.753***	-0.753***
	'(0.178)	'(0.178)
N	696	696

Source: SRA/LSB Survey of Innovation in Legal Services 2015. See Annex 4 for details. Figures in parentheses are standard errors. * denotes significance at the 10 per cent level; ** at 5 per cent; and, *** at 1 per cent.