



From talk to action: Driving change in the legal ecosystem

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Senior leaders warn that law firms and legal service providers face a "BlackBerry moment" of disruption unless they embrace irresistible transformation forces. Legacy models remain profitable, but the pace of change remains slow despite pressure for innovative service delivery.

Tower Bridge loomed over the Thames outside the venue for the mid-March roundtable event, a striking symbol of connection and passage – precisely what the legal ecosystem now requires. Inside, leaders from across the legal industry gathered for a frank discussion on how to evolve a sector that has traditionally rewarded stability over transformation.

Participants in this roundtable, co-hosted by Cognia Law and Norton Rose Fulbright's Legal Operations Consulting team, explored how to drive meaningful change within the legal ecosystem. The discussion brought together global legal COOs, general counsel, heads of legal operations, legal transformation specialists, and alternative legal service providers (ALSPs). A former managing partner of a leading firm gave the opening keynote.

Ultimately, legacy models remain incredibly profitable, but the pace of change remains slow despite the opportunity for change and innovative service delivery. So, how do we take action?

A market ripe for collaborative evolution

"It's challenging to transform a very successful business model innovatively," observed a former global managing partner at a major international law firm. They pointed out that on the eve of the roundtable, US firm Latham & Watkins announced a record-breaking financial result for 2024: a 23% revenue surge to \$7 billion (£5.4 billion) and a 29% increase in profit per partner. "Most businesses could only dream of that sort of performance," they added.

The discussion identified several key factors influencing the pace of change: the continued success of current models, traditional partnership structures, and the persistence of the billable hour. These aren't simply barriers to change but realities of an ecosystem where transformation requires coordinated effort from all stakeholders.

Regarding traditional structures, one speaker noted: "When you ask partners what really matters to them, one of the most important factors is autonomy. Leading and directing a group of people who cherish their autonomy is incredibly challenging."

This creates an environment where even compelling propositions for improved efficiency face implementation challenges. "You'll get the early adopters and evangelists who will jump on the opportunities for innovation," they continued, "but looking to implement significant change across a whole practice or product area requires coordinated effort."

Bridging perspectives for better dialogue

A revealing anecdote highlighted how different stakeholders in the legal ecosystem can sometimes operate with different priorities. An attendee recalled a conference event last year where the law firm leader panel discussed topics including rate structures and profitability, while the later GC panel focused on meeting increasing organisational needs with constrained budgets and resources.

Interestingly, nearly all law firm leaders left after their panel without staying for the client discussion. One roundtable participant wondered: "Were they simply too busy to stay, or was there perhaps a missed opportunity to gain valuable client insights? What might both sides have gained from hearing each other's perspectives more directly?"

This scenario illustrates the opportunity for more meaningful dialogue across the ecosystem. "Finding ways to understand perspectives from all sides is essential if we're going to redesign and transform the system collaboratively," one attendee remarked.

Client-led versus disruption-led change

A thought-provoking debate ensued regarding whether transformation would be primarily client-led or disruption-led. While many participants advocated for client-driven change, a general counsel at a global bank offered an alternative perspective.

"The market might experience disruption-led change first, which becomes client-led when customers choose these alternative solutions," they suggested. To illustrate their point, they referenced BlackBerry's trajectory: "BlackBerry's revenue continued climbing after the iPhone was introduced – their best year ever was 2008 – and then it fell off a cliff. The thing that will transform traditional models might already exist; it just hasn't caught on yet."

It was highlighted that changing market dynamics affect the client-provider relationship. A banking representative explained: "Our external spending now is a quarter of what it was 10 years ago. Many other clients spend much more with firms than we do, which affects our relative influence."

Yet participants acknowledged that clients collectively still have significant power to drive change through their purchasing decisions and collaborative approaches with providers.

The role of private equity

Private equity emerged as a potential catalyst for innovation. A legal head observed that private equity firms are increasingly investing in new delivery models. "They're interested in helping ALSPs scale up to deliver higher-value services and compete with established firms," they stated.

"Additionally, they're backing new corporate law firm structures that provide alternatives to the traditional partnership model."

Private equity could provide the capital to fuel transformation in a market where legacy structures don't always lend themselves to significant investments in innovation. Examples included family law consolidation and investments in firms with significant technology-driven practices.

Finding value beyond billable hours

The conversation highlighted how value discussions remain challenging despite years of exploring alternatives to the billable hour model.

One leader shared an instructive story about an annual fixed-fee arrangement with major clients: "It was challenging in the first year. We had to have proper engaged conversations with clients about expectations, saying, 'This isn't working as intended; how can we improve the approach together?'"

The key breakthrough came from training lawyers to understand better what clients truly value and expect, rather than making assumptions about service delivery.

Participants also discussed the challenge of measuring the value of legal services. While cost savings are relatively easy to quantify, cost avoidance – preventing problems before they occur – often goes unrecognised despite potentially delivering far greater value. This creates challenges for both in-house teams justifying their budgets and law firms trying to demonstrate their worth beyond hours billed.

Combined solutions – law firms and ALSPs together

Participants identified significant opportunities in creating combined solutions between law firms and ALSPs, rather than viewing them as competing models.

"There are obvious buckets – some work naturally fits law firms, some work suits ALSPs – but there's something in the middle that lends itself to combined solutions," stated a legal operations professional.

This approach benefits all parties. A participant explained: "The work that ALSPs excel at often isn't where law firms make their highest margins. Law firms might focus on high-value structuring of transactions, while ALSPs deliver other elements of the service where their delivery model is particularly well-suited."

An example demonstrated the potential power of this approach. After jointly discussing the potential benefits of a combined model with a law firm and ALSP, a client asked for comparative pricing data for a LIBOR transition project the law firm had completed. Together, the law firm and ALSP calculated the potential savings from a combined model, demonstrating tangible value from collaboration.

Practical steps for driving change

Throughout the evening, several practical approaches to driving change emerged:

1. Establishing rigorous relationship management

One participant from an aviation company described implementing quarterly business reviews with panel firms: "We cover everything from how we are maximising the money that we are putting in your pocket, to what value I am getting out of it. I'm detached from that. I can be quite impartial." This approach enabled more strategic conversations about training, diversity initiatives, and improvement opportunities.

2. Incentivising collaboration

One annual "fixed fee" model received particular attention as an example of creating change through aligned incentives. This approach included a fixed fee plus a bonus element tied to specific behaviours, such as collaboration with other panel firms and passing work to firms better suited for certain tasks.

"The thing that motivated the firm to embrace these principles was having a bonus tied to collaborative behaviours," explained a participant familiar with the model. "This approach drove real behavioural change by aligning incentives with the desired outcomes."

3. Improving knowledge of the options across the legal sector

Participants highlighted the need for better awareness of the full range of service delivery options. "Our lawyers will pick up the phone and call the law firm. I'll say, 'Why don't you tender that?' They'll say, 'It's really difficult to tender.' So I'll show them how."

This awareness gap represents a significant opportunity. "It is perhaps a case of 'I don't know what I don't know,'" one legal operations leader reflected. "I've always used these three firms. I feel very comfortable. And it takes courage and effort to explore alternatives."

4. Starting with pilot projects

The group agreed on the importance of small experiments to demonstrate value before broader rollout. "If you experiment with something rather safe with one of your early adopters or evangelists, and then use that to push it to others, that's how you build awareness and confidence," suggested an ALSP leader.

5. Measuring value beyond hourly rates

Several participants discussed how they track "value adds" from law firms, though many acknowledged challenges in assessing true worth. A former law firm leader shared: "We conducted a comprehensive review of our value-adds, capturing everything. The numbers were staggering. However, when we presented this to clients, they responded, 'We don't actually place any value on about 80% of this.'"

This disconnect highlights the importance of understanding what clients truly value rather than making assumptions – a challenge that requires open dialogue between service providers and clients.

Commitment to transformation

As the evening concluded, participants shared personal commitments to drive change. "I will have more conversations with law firms about understanding their clients' needs," said a general counsel.

A legal operations leader pledged to "define metrics for value" in their organisation, while another committed to "create combined models bringing law firms and ALSPs together". An ALSP representative concluded: "Finding models that bring the best of the ecosystem together and creating proper dialogues that aren't transactional – that's what I would spend more time developing."

The roundtable revealed a legal ecosystem with significant potential for positive transformation through collaborative approaches. The path forward requires approaches uniting different parts of the legal ecosystem, clear articulation of value, and practical experiments demonstrating the benefits of new delivery models.

While traditional models continue to deliver results, the seeds of evolution are evident in emerging combined solutions, new structures, and shifting client expectations – all indicators of a market responding to changing needs.

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CEO, ALSP

Let's talk

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