

---

AI translation · View original & related papers at  
[chinaxiv.org/items/chinaxiv-202401.00264](https://chinaxiv.org/items/chinaxiv-202401.00264)

---

## Can Entrepreneurship Solve the Innovator's Dilemma?

**Authors:** Zhang Shiqi

**Date:** 2024-01-23T00:00:00+00:00

### Abstract

The author of Chapter 10 of *Data-Driven Law* is Bill Henderson. Bill is a legal rebel, a legal market commentator, and also possesses experience operating Lawyer Metrics, a legal data analytics company; consequently, he holds a macro-level perspective for observing the legal market and profound insights into the market transformation wherein data is reshaping the legal industry. As the chapter title posits, can entrepreneurship resolve the innovator's dilemma? Using law firms as a case study, the chapter content is structured into two sections: the first section presents the problem formulation—what specific innovator's dilemma do large law firms confront; the second section details the success stories of three law firm partners.

### Full Text

#### Preamble

Chapter 10 of *Data-Driven Law*, titled “Can Entrepreneurship Solve the Innovator's Dilemma?”, is authored by Bill Henderson. Henderson is a legal maverick and market commentator whose experience running the legal data analytics firm Lawyer Metrics provides him with a macroscopic perspective on the legal market and profound insights into how data is transforming legal practice. As the chapter title suggests, the central question is whether entrepreneurship can resolve the innovator's dilemma. Using law firms as a case study, the chapter is organized into two parts: first, an examination of the innovator's dilemma confronting large law firms, and second, case studies of three successful law firm partners who have navigated this challenge.

#### The Dilemma Facing Large Law Firms

The chapter analyzes the innovator's dilemma facing large law firms from two perspectives: the internal dynamics of the firms themselves and the evolving

demands of their clients.

The author observes that large law firms facing the innovator's dilemma typically enjoy strong prospects, industry-leading positions, substantial profitability, and established brand recognition. However, when traditional legal services reach a plateau, these firms must reinvent and reform themselves or risk losing their future prosperity. To facilitate innovation and reform, many firms have introduced internal innovators, or "intrapreneurs." Ideally, small-scale victories from such initiatives build awareness, which in turn generates support and momentum for broader transformation.

### **The Law Firm Perspective: The Persistence of Simple, Repetitive Business Models as the Primary Obstacle**

Why do highly educated, successful law firm partners lack the capacity to respond to change and innovation? The author argues that a powerful combination of traditional experience, perspectives, and motivations creates a mental framework that is exceptionally difficult for long-standing insiders to overcome.

Regarding experience, law firm attorneys have long operated within a straightforward business model that requires minimal time or effort to sustain. In most cases, if lawyers simply focus on their clients' problems, the firm's financial health gradually improves. Consequently, for many partners, macro trends in the legal industry remain abstract concepts of little importance; what matters is only the small market segment served by each individual partner.

From a perspective standpoint, adopters of new approaches constitute a tiny minority. According to American scholar Everett Rogers' classification of innovation adopters from the 1960s, only a small fraction—Innovators (2.5%) and Early Adopters (13.5%)—are attracted to new approaches for solving legal problems and dare to adopt them first. Some members of the Early Majority adopt innovations passively, but only because they cannot afford solutions offered by traditional law firms. The legal market remains conservative, with a substantial portion of clients still satisfied with the hourly billing model of established firms and unwilling to face potential risks associated with new methods.

In terms of motivation, law firms adopt a reactive posture: if client preferences change in the future, they can address those changes then. This narrow, client-centric model is reinforced by most law firms' compensation systems, perpetuating the traditional, simple business model and stifling innovation.

### **The Client Perspective: The Growth of Legal Departments and the Decline of Traditional Law Firms**

As socioeconomic conditions evolve, clients' business environments have become increasingly complex, globalized, and regulated. This transformation has reshaped the corporate legal services market, with the most significant change being the growth of in-house legal departments. Over at least the past two decades,

corporate clients have substantially expanded their internal legal teams, taking over repetitive or lower-risk work previously handled by law firms. Coupled with the rise of legal operations, in-house departments have evolved to resemble specialized law firms embedded within corporations, forming multi-tiered, professionally segmented units. Legal operations is emerging as a distinct profession and field, with many large enterprises requiring more sophisticated methods and systems to manage legal costs and risks. This development has led to the slow but permanent decline of the hourly billing model for law firms.

As economies grow, legal issues become geometrically more complex. For approximately a century, we have addressed this complexity through labor division and specialization—a approach that created large law firms. However, contemporary society has reached a tipping point where labor division and specialization no longer match the geometric growth in legal complexity, primarily due to stagnant productivity. To meet these productivity demands, the legal industry is turning to data-, process-, and technology-based approaches to legal problem-solving. Indeed, these pressures explain the emergence of NewLaw.

## Successful Intrapreneur Examples

The second part of the chapter presents three case studies of law firm intrapreneurs, sharing their success stories and illustrating what successful internal innovation in legal services might look like.

### Josh Kubicki: The Pioneer Intrapreneur

Josh Kubicki, Chief Strategy Officer at the global law firm Seyfarth Shaw LLP, has thought most deeply about internal innovation as an applied discipline. Kubicki notes that “law firms have much flatter structures than corporations. At the top of the organizational chart are the partners, who may be numerous. Therefore, improving firm performance and enterprise value requires collaboration among partners. To achieve this, law firm intrapreneurs must find ways to break down barriers between partners.”

Kubicki argues that successful innovation (spanning initiation and implementation phases) is actually a series of carefully designed sub-innovations. A successful sub-innovation must simplify complexity, be culturally compatible, and deliver substantial benefits to end users, ideally with a rapid return on investment. If coordinated sub-innovations produce positive results, larger innovations stand a chance of success. Consequently, law firm intrapreneurs must possess qualities such as empathy, listening skills, patience, and budgetary acumen. Humility is the single most important factor affecting intrapreneur effectiveness, as after a small innovation succeeds, the intrapreneur must continue advancing.

### **Eric Wood: The New Role of Law Firm Technology Innovator**

The legal industry is undergoing a transformation from lawyer specialization to multidisciplinary collaboration, and Eric Wood was among the first to forge this path. Wood serves as Partner for Practice Innovation and Technology at Chapman and Cutler. After graduating from the University of Chicago Law School in 2008 and working in capital markets at Cleary Gottlieb in New York, Wood returned to Chicago to join Chapman as a financial services associate. Several years ago, however, he ceased client-billable work to focus entirely on technology-based solutions, eventually being promoted to partner.

The role of Partner for Practice Innovation and Technology represents a new position within law firms. Wood describes his work as “R&D.” He has no formal technical training; his expertise in computer coding and database architecture developed from personal hobbies combined with enthusiasm for applying technology to legal work. In 2013, Wood encountered visionary firm partners who believed the time was ripe to explore legal technology pathways. With firm leadership’s encouragement, Wood’s contributions have generated greater profits for the firm. A key incentive is that the firm treats research hours related to innovation as equivalent to client-billable work.

### **Jim Beckett’s Business Thinking**

What distinguishes intrapreneurs is their ability to escape the confines of traditional models, often because prior life experiences enable them to view problems from an outsider’s perspective.

In addition to his legal knowledge, Jim Beckett spent five years in sales and distribution in the food industry, giving him business acumen that traditional lawyers lack. The legal field has too few people who truly understand how business operates. This dual perspective on law and business created more opportunities for Beckett. In the summer of 2016, he left Frost Brown Todd to become CEO of Qualmet, a technology company that provides legal departments with methods to collect, organize, analyze, and share feedback with external service providers.

Beckett believes that structured metrics and feedback exchange will enable clients and law firms to transition smoothly to a world of data, processes, and technology. He views this not as a question of “how” but of “when.” Due to the conservative culture of the legal industry, law firms lag behind other sectors of the economy in business models, management approaches, and information technology. Today’s entrepreneurs expect their general counsel, chief legal officers, and internal teams to drive business value aligned with corporate objectives. Beckett considers bridging this “value” gap essential and views holistic performance management as critical to accelerating integration. When performance is measured correctly, it can propel transformation throughout the legal industry.

## Addressing the Dilemma of Large Law Firms

As previously discussed, the dilemma facing large law firms stems from traditional business models and lagging productivity in legal services. Rather than offering comprehensive solutions, the author presents these successful case studies to inspire readers. Through examining these examples, it becomes evident that entrepreneurship can indeed resolve the intrapreneur's dilemma, thereby answering the question posed in the chapter title. For law firms, the solution lies in introducing intrapreneurs to reform the firm from technological, managerial, and business model perspectives, thereby breaking traditional paradigms.

### The Impact of Rule 5.4 on Traditional Law Firm Business Models

In his conclusion, the author notes that law firms, legal departments, courts, and regulatory bodies in the legal industry are often highly traditional and isolated from other parts of the modern economy. This conservative culture may partly be a product of Rule 5.4.

Rule 5.4 refers to the American Bar Association's Model Rules of Professional Conduct concerning lawyer independence. The rule prohibits lawyers from forming partnerships with non-lawyers in any business involving legal practice, prevents non-lawyers from interfering with lawyers' independent judgment, and restricts profit-sharing between lawyers and non-lawyers in legal matters. These provisions primarily protect the independence of professional judgment, ensuring that business arrangements do not compromise a lawyer's professional discretion. The author argues that Rule 5.4 significantly restricts lawyers' opportunities to engage in other business ventures. If lawyers cannot become business partners with non-legal professionals, they have fewer opportunities to learn from them, causing law firms to become entrenched in stagnant business models.

From a policy perspective, when societal interests conflict with private interests, the former should take precedence. While restrictions on lawyers' business involvement may indeed make lawyers more conservative and perpetuate simple, repetitive business models, they also protect a larger public interest: the independence of legal practice. Limiting lawyers' business activities prevents conflicts of interest with clients and third parties, avoids compromising professional impartiality, prevents complex conflicts of interest, and preserves professional independence.

Interestingly, the solution to this dilemma can also be found within Rule 5.4. The first provision states that, with exceptions, lawyers or law firms may not share legal fees with non-lawyers, but explicitly permits law firms to include non-lawyer employees in compensation or retirement plans. This provision opens the door for collaboration between lawyers and non-lawyers. As discussed above, the most direct approach is hiring individuals with non-legal professional experience to inject internal innovation into law firms.

### Law Firms Introducing Chief Information Officers (CIOs)

The three partners discussed above represent successful intrapreneurs with slightly different roles: a Chief Strategy Officer driving management innovation, a Chief Information Officer advancing information technology infrastructure, and a CEO with business thinking. Innovation in these various dimensions all helps law firms break traditional business models. Among these, the author considers advancing information technology construction as fundamentally essential for improving legal services productivity.

In the second example, Eric Wood's new role at his law firm essentially mirrors that of a corporate CIO. A Chief Information Officer is a new type of information manager who, unlike heads of typical IT departments or information centers, sits at the highest decision-making level of a company, holding a position equivalent to a vice president. Among the essential qualifications for a successful CIO is mastery of corporate and industry-specific knowledge. To implement information technology effectively, a CIO must be familiar with core business processes such as R&D, production, planning, marketing, and logistics, as well as foundational resources including financial management, organizational structure, administrative procedures, and human resources, plus corporate culture elements like vision and values.

In China, most law firms remain at the preliminary stage of integrating legal services with information technology. Lawyers typically purchase data analytics services or legal technology products from third parties based on project needs. In the future, as law firms expand and internal demands intensify, they will likely build dedicated IT teams to develop customized technology products for specific practice areas. Successful products can not only enhance internal productivity but also be sold to peer firms and corporations, creating additional revenue streams. The introduction of Chief Information Officers thus represents an inevitable trend.

*Note: Figure translations are in progress. See original paper for figures.*

*Source: ChinaXiv — Machine translation. Verify with original.*