Relativity

Turning a PROFIT from Your Law Firm's e-Discovery Practice:

Lessons from Forward-thinking Firms

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A Series for the Innovative and Ambitious Attorney

To thrive in an evolving legal industry, law firms are changing their business models and processes, including the way they handle e-discovery. Many have seen success by building e-discovery practices within their firms and using technology to generate more revenue, attain larger clients, and position themselves as trusted leaders in innovation.

Throughout this e-book, you'll read about how firms are embedding technology into their business models. You'll learn about the experiences other attorneys have encountered as they paved the way. And you'll discover ways your firm can raise its game.

This e-book offers insights and considerations that will help you:

- Recover technology costs
- Build a culture of innovation
- Ensure your clients' data is safe
- Move to the cloud
- Maximize your technology investment
- Get your clients on board with change

Whether you're already paving the path for change at your firm, or you're just starting to explore new ideas for growth, this e-book will give you a look into ways firms are changing the legal landscape.

1 Cost Recovery for the Law Firm 101

By Daniel Pelc, Senior Industry Marketing Manager, Relativity

At a fundamental level, there are several typical go-to-market plans for law firms as it relates to third-party expenses. These expenses include e-discovery, as well as reimbursement for expenses incurred in connection with the representation of a client. Specifically, these reimbursements could cover any hard costs (disbursements to third parties such as providers) or soft costs (overhead expenses and work typically performed in-house).

A large number of firms absorb the cost of litigation and primarily bill for attorney hours as part of their representation. However, given changing pricing models and the evolving landscape of legal practice, many law firms are considering converting from a cost absorption model to a cost recovery or profit model. In the former case, costs reasonably related to the representation are passed through to the client. In the latter, firms are turning expenses like e-discovery into a potential revenue stream and will often create a wholly-owned subsidiary as a profit model.

The conversion process from cost absorption to either cost recovery or profit model can be challenging, but it's not insurmountable. We're going to briefly cover the dos and don'ts of a cost recovery or profit model, and look at some of the opening steps toward formulating a conversion plan. There are distinct cultural, financial, and legal implications to the change that must be considered when a change of this magnitude occurs. As with any change, having a well-reasoned plan can provide some direction.

Though the effort may be daunting, this handful of reasonable first steps can help put the reins on your plan and prevent hurdles along the way.

Three Types of Law Firm Representation Expense Plans

In a cost absorption model, a firm absorbs all costs of litigation as the cost of doing business. Many firms see this model as a differentiator in a deeply competitive industry. Some hybridize cost absorption by charging some costs to a client, such as cases with extensive e-discovery—which can be permissible under ABA Model Rules of Professional Conduct 1.5 listed below, provided the fees are defined

prior to the engagement and are reasonable within the scope of the representation.

On the other side of the spectrum, a growing number of firms are pursuing cost recovery and consider expenses reasonably related to the representation of the client as recoverable.

Finally, a smaller number of firms are creating wholly owned subsidiaries as revenue sources to recognize the value of new revenue streams.

A Note About the Rules

According to the ABA Model Rules of Professional Conduct 1.5(a), a lawyer may not charge an unreasonable amount for litigation expenses (reasonableness is measured through a number of factors enumerated in Model Rule 1.5(a)). Ethics Opinion 93-379 states that reasonableness standards in 1.5(a) also apply to disbursements to third parties.

For services performed by in-house practice support departments, the ethics committee is clear: the charges must reflect the actual amount paid without tacking on a profit. However, without a written agreement as per ABA Model Rules of Professional Conduct 1.5(b), the ethics committee is clear on another point, as well. The rule requires that any item for cost recovery must be relayed to the client before the representation begins. In Formal Opinion 93-379, the ABA Committee on Ethics and Professional Responsibility stated: "The lawyer's stock in trade is the sale of legal services, not photocopy paper, tuna fish sandwiches, computer time, or messenger services."

Tuna fish … I love that one. Who knew the Standing Committee on Ethics and Professional Responsibility had a sense of humor?

Our goal here isn't to instruct on what's reasonable and what isn't, but it's important to keep those basic rules in mind in a discussion about cost modeling. Reasonableness is a decision you need to make with your accounting department and law firm leadership.

So, once that conversation is wrapped, what do you need to do first if your team has decided to move toward cost recovery?

Steps 1 and 2 Toward a Cost Recovery Plan

Formulating a plan of this type is not easy. There is little guidance on how to create and enact a policy of this type—for good reason. Each plan will differ based on the firm and situation.

Keep in mind that plans like these are subject to detail analysis paralysis. Without the proper support, a plan can easily get stuck in the mud with comments like "our accounting software will not allow for it," "the partners will never go along with it," or "we may look at something like this in a few years." Those concerns may be well-intentioned, but solving them is the path to innovation and more sustainable success.

That's why **an important first step is to construct a cost-benefit analysis**. Thoroughly understanding why you are modifying your firm's representation expense plan in the first place, defining what benefits can be obtained, and identifying what risks threaten to derail you—and planning accordingly—can help sell your proposal. Consider doing some external research on how competitors are setting their own expense policies, or gauging the reactions of clients through a focus group. If you can sell the cost-benefit analysis and gain the support of the law firm's management or c-suite, the details that may bog you down become less important.

Another good step at this point is to understand your footing politically. There are three ways you can help a plan like this stay on the rails from the start:

1. **Understand your support structure.** Which groups in the firm will work in favor of a proposal to change to cost recovery? Firm attorneys may see this change as a benefit or a threat. Do what research you can to understand sentiments and be prepared to address concerns as they arise.
2. **Understand the approval process.** Do you have a champion in the upper ranks who will approve of and oversee the implementation of this conversion? Often, having a CFO or managing partner championing your efforts will mean the difference between success and failure.
3. **Understand potential variations from the plan.** All rules have exceptions, and you need to prepare to prevent them from unraveling your overarching goals. Will attorneys be able to carve out and eliminate line items? How is that process going to be accomplished and approved?

These are no small tasks, but executing them properly can pave the way for greater success—and a healthier bottom line—down the road.

2 Top Five Reasons Cost Recovery Plans Fail

By Daniel Pelc, Senior Industry Marketing Manager, Relativity

> The best-laid plans of mice and men often go awry.
> - Robert Burns

After a considerable effort, you have a newly minted cost recovery policy. Your firm will now be able to pass on costs to clients and fund the freedom to innovate. However, your efforts are not over yet.

Cost recovery touches law firm revenue, client relationships, and the firm's competitive strategy—all of which are near and dear to an attorney's heart. There are five common reasons your cost recovery plan can be derailed before it even leaves the station. Planning for these eventualities during the construction of your policy will increase its efficacy.

1. Attorney Carve-Outs and the Missing Champion

"There is no way we can charge this client for e-discovery. They are our biggest client. They will just take their business elsewhere. Remove e-discovery from the invoice."

This scenario plays out every day in firms nationwide. However, much like a small crack in a dam, failure and flood will invariably follow this initially small wound to a policy's integrity. If e-discovery is removed for Client A, why not Client B or Client C?

What has resulted from this demand is a carve-out, or removal of the line item from the client's invoice. To prevent your cost recovery plan's destruction by a thousand cuts, two things need to happen.

First, billing attorneys must understand and appreciate the value of the services being offered to their clients. The expertise required in analysis and review is extensive. Quite possibly, the value of the needle of data uncovered from the virtual haystack may mean winning or losing a matter.

Second, for cost recovery to be successful, a carve-out must require both process adherence and a champion. Requests for carve-outs are going to occur frequently. To account for this eventuality, a firm should create a process around such requests.

For example, when an attorney seeks to remove a billable item, the request must follow an approval path where objective decisions are made by comparing costs and future revenue potential. This analysis must be conducted identically for both hard costs (costs paid out to third parties for services performed) and soft costs (costs incurred by work performed in-house on a client's behalf). An individual who is able to examine the impact of the carve-out objectively can evaluate the financial effect on the firm. Approval by this champion is built into the carve-out process based on their objective perspective and knowledge of the financial inner workings of the firm.

In my experience, where this approval is a set process, carve-outs become very rare. If a carve-out does occur, it would benefit the firm to list the carved-out expense on the invoice and show that the amount was removed from the bill. By doing so, the firm is still able to demonstrate value to the client.

2. Client Pushback

"The client's in-house counsel just called. There is no way they're paying for e-discovery. This is a policy with all of their law firms. If we want to keep them as a client, we have to remove it from the invoice."

There is no doubt that the legal market is becoming more competitive. Corporate clients are in the driver's seat and they regularly place restrictions on what they will or will not pay for.

Formal Opinion 93-379 from the ABA Committee on Ethics and Professional Responsibility states that expenses related to the client's representation must be discussed with the client prior to or within a reasonable time after the beginning of the representation. If this process is followed, the firm would begin representation with eyes wide open as to what the client will or will not pay for when e-discovery occurs in the matter lifecycle.

Additionally, the expertise required for defensible e-discovery analysis is often a core competency for many firms. If done well, a law firm may be able to save clients millions of dollars from the cost of a review by applying technology-assisted review or analytics. The way to defuse client pushback on the e-discovery line item is to clearly demonstrate the value of the services performed and the positive effect on the total cost of the review.

3. Incompatible Systems

"Our accounting software is set up to allow us to bill by the hour only. We can't bill for any line item other than an hourly rate. It has always been this way."

Policy begets process. Law firm structures have been built and maintained around the principle of cost absorption. It can be frustrating to alter these processes to match a new cost recovery strategy.

Billable items under a cost recovery policy are often unfamiliar to both the law firm accounting team and the invoicing team. During the creation of the cost recovery plan, it's critical to understand the flow of a billable item and to trace a typical cost recovery invoice through the process from beginning to end.

Additionally, some firms may opt to undergo a cost recovery transition in the midst of an accounting software change. Hitting two birds with one stone may reduce some anxiety and further define requirements for any new software option.

4. Misunderstanding Cost Recovery

"e-Discovery is the cost of doing business for our firm. We don't bill our clients because it's unethical to charge a client for the cost of doing business."

Rule 1.5(a) of the Model Rules of Professional Conduct is clear that an attorney may not collect an unreasonable fee for expenses incurred. Rule 1.5(b) continues by stating that the fees must be disclosed to the client either before or within a reasonable time after beginning representation. Formal Opinion 93-379, which clarifies Rule 1.5, states that the firm may not create an alternative revenue stream outside

the delivery of legal services. The opinion draws no distinction between hard and soft costs. In reality, hard costs should be billed as a pass through to the client. However, soft costs present a much thornier issue.

Regardless, firms treat these costs very differently with soft costs being carved out more frequently. The decision on how to proceed is up to the firm. Some firms will remain with cost absorption as a perceived competitive differentiator. Others will recover costs as a pass-through to the client, whether soft or hard, in accordance with Formal Opinion 93-379. Still others spin off e-discovery as a separate function by creating a wholly-owned subsidiary that bills the firm for services performed as a hard cost.

In short, there are several ways to account for these costs—cost absorption is not the only option. Smoothing this bump in the road is why it's important to ensure all the right people are at the table as you craft your cost recovery strategy.

5. Underestimating Soft Costs

With hard costs—costs that are directly paid to third parties—it can be much easier to differentiate between recoverable and non-recoverable costs, as the amount is a clear expense for the firm. In the case of soft costs—costs incurred because of work performed on a client's behalf through in-house resources—the water can be a bit murkier.

Formal Opinion 93-379 states that a lawyer may not charge a client for overhead expenses. The actual expense for e-discovery work performed in-house includes software expenses and salaries, items that may fairly be categorized as overhead expenses. For this reason, soft costs are most often the expenses carved out of a bill.

Rule 1.5(a) contains a reasonableness test for fees incurred. One of the items listed in that test is Rule 1.5(a)(3), which measures reasonableness against costs customarily charged in the locality for similar services performed. If a firm keeps an eye on the cost of their service and compares it against amounts that other firms may be charging for similar services, there is no reason why soft costs couldn't be similarly recoverable.

Conversion to cost recovery is not an easy process. There are a number of other "gotchas" that may be lying in wait for the unsuspecting. Clearly thinking through a cost recovery plan and playing out multiple contingencies should root out a number of complications.

3 What Every Law Firm Needs to Know About Cybersecurity

By Jerry Finley, Director of Cybersecurity and Deputy CSO, Relativity

Today's lawyers have an ethical and legal responsibility to think critically about the measures their firms are taking to protect client data.

Melinda Levitt, partner at Foley and Lardner, explained how it's a lawyer's responsibility to protect client data as well as any confidential documents received during litigation: "You have an ethical duty. If you're receiving discovery responses in the form of documents, and there's a protective order, you have an obligation on both sides to secure it and ensure the information will not become publicly available."

While lawyers have an obligation to protect their clients' data, many think of cybersecurity as an IT responsibility. "Lawyers, just like people in other industries, rely tremendously on their IT departments, as well as litigation technology specialists and outside vendors, to implement steps that will protect against cyber hacking and promote cybersecurity," said Levitt. "I would venture to guess many lawyers don't know what these steps are."

So, what should lawyers know about cybersecurity? Here are a few things to keep in mind in the context of today's threat landscape.

Law Firms are an Emerging Cyber Target

Law firms store their clients' most critical and sensitive records, including documents and communications that are vital to their businesses. This prompts consideration into data classification and destruction measures when cases come to an end.

"In a paper world, attorneys could put documents in a shred box and never worry about them again. That's not true with electronic data," Levitt said. "Once documents are collected and processed for review, the data is in the firm's database. Unless the entire database is taken down, the documents remain there."

Because of the data law firms hold, they become a target when someone is on the hunt for sensitive information about one of their clients. In 2016, the Federal Bureau of Investigation (FBI) issued a warning to law firms about cyber crime. The notification stated that,

"a financially motivated cyber crime insider trading scheme targets international law firm information used to facilitate business ventures."

Just like other organizations that house sensitive information—such as healthcare providers and financial services firms—law firms should be on alert for possible cyber attacks.

Compliance Is Important, But It's Not Security

Many firms and organizations use various compliance standards to determine if their vendors introduce an inappropriate amount of risk into their environment. These certifications are a way for vendors and organizations to verify that their information and security practices follow a set of standards and assure customers that their data is safe. They lay out security procedures that have been widely agreed upon in the information security community.

A global standard for information security is ISO 27001. With stringent requirements to obtain the certification, the standard provides a baseline to ensure security best practices are being followed.

While compliance is important—and these certifications certainly aren't easy to obtain—it's not the end-all or be-all of security. Instead of focusing on checking off boxes to pass a compliance standard, think security first and make sure you're doing what's needed to keep your data safe. If organizations are doing security right, they'll be able to check off boxes along the way and compliance will fall into place.

Rely on Technology Providers to Do the Heavy Lifting

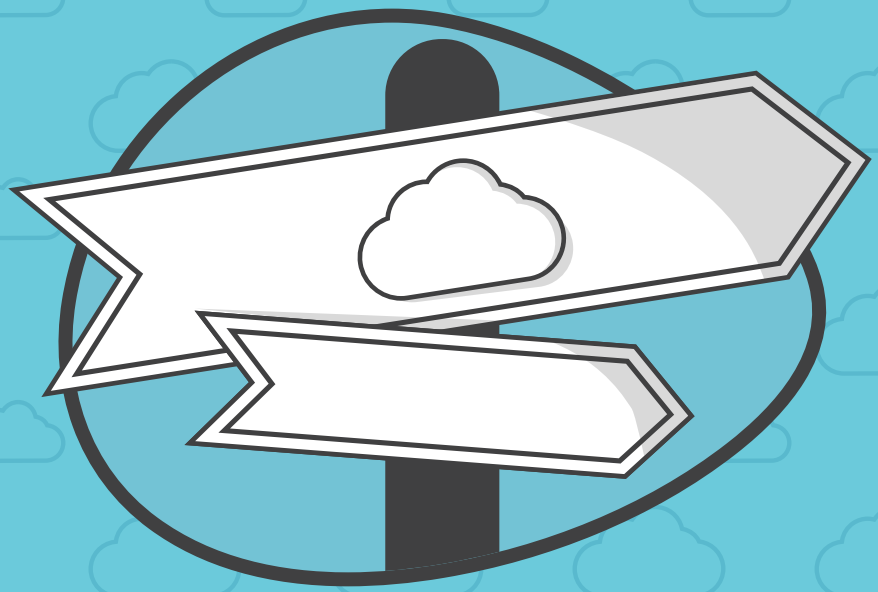
While attorneys should understand their firm's security posture and keep security in mind, you can look to technology providers to create a secure base for your data. Cloud providers can provide a solid foundation for security, but it's important to note that unstable implementation within the cloud environment can create vulnerabilities.

Here at Relativity, security is our way of life. Sure, we have certifications, but we also have the practices, platform, and people to back them up. Our security team—Calder7—is a group of product and cybersecurity specialists delivering a uniquely holistic solution to defend data. RelativityOne's security program, utilizing Microsoft Azure as a foundation, lightens your organization's security burden, so you can focus on your clients.

Cybersecurity is no longer only an IT problem. While it's not up to attorneys to build their firm's security programs, you must be cognizant of the measures being taken to protect your clients' data.

4 Lessons from One Law Firm's Journey to SaaS e-Discovery

By Keely McKee, Senior Content Specialist, Relativity



Many organizations and firms are working toward cloud mandates—or already have them in place—and the race to find cloud solutions for nearly all enterprise applications is on. What many realize as they embark on this journey is that not all cloud solutions are created equal.

In a recent Relativity webinar, "Going Cloud: How to Tackle 5 Hurdles to Transforming Your Business," Chris Haley, director of legal technology at Troutman Sanders eMerge—alongside leaders from FTI Consulting and BDO—shared his experiences moving e-discovery to the cloud and why eMerge decided to go with a Software as a Service (SaaS) model for their practice.

Deciding on the Cloud Route

When Troutman Sanders eMerge decided to reevaluate the infrastructure behind their e-discovery services, they realized that traditional infrastructure wouldn't cut it in the future. It became clear that moving to the cloud was the best option to set the firm up for success.

"The cloud affords us scalability and performance that can be adjusted from day to day, or even minute to minute, as opposed to a traditional infrastructure model where we have to go out and purchase extra hardware, software, and resources for our busiest times even though we might not use it some or even most of the time," said Haley.

Security was, of course, another top concern for Troutman Sanders eMerge. With clients trusting their attorneys and legal teams with their most sensitive data, the firm makes it a top priority to ensure they're keeping client data secure.

Overall, they determined the cloud was the best approach for the firm's needs. "We wanted to make sure that the infrastructure solution was highly secure, highly performant, and highly scalable. And the cloud provides all of those things. The mass movement of corporations to Office 365 is a prime example," said Haley.

Hitting Roadblocks with DIY Cloud Infrastructure

Making the decision to move to the cloud was just the beginning for Troutman Sanders eMerge. At the time almost two years ago, the firm looked but couldn't find a SaaS e-discovery option that was able to handle the large volumes of data and customizability to meet their needs, so they explored the idea of going to the cloud on their own.

After evaluating their cloud options, they decided on Microsoft Azure. "Relativity and other e-discovery tools are built on Microsoft technology, and when we looked at what our clients were doing, most of them were already using Azure or were on their way to Azure, directly or through Office 365," explained Haley.

The firm hired a Microsoft partner to help them get Relativity set up in Azure and support a healthy and secure cloud computing environment, but they ran into challenges when starting the migration.

"We had some issues and it became clear that there were some difficulties in working with someone who wasn't fully versed in what we do, our industry, and the applications we use. e-Discovery is very different than other industries. We have to deal with millions and millions of very small files, very complex databases, and high security requirements," said Haley.

Troutman Sanders eMerge eventually paused the project to reevaluate which path to the cloud made sense for their business.

Taking Another Look at the SaaS Path

The firm took a step back to reexamine their cloud options. After encountering some of the complexities of managing a DIY cloud infrastructure, they started to reconsider a SaaS approach to remove some of the burden from the firm, allowing them focus on serving their clients and growing their business.

"Don't underestimate the effort that's needed to migrate and maintain your own cloud infrastructure," said Haley. "A SaaS solution could take a lot of the headache, worry, and effort away from us and put it on the SaaS solution provider so that we can focus on what we do best—providing great legal and e-discovery services for our clients."

But it was more than the effort and worry that made them seriously consider a SaaS solution: Cost played a large role in the firm's decision.

"What pushed us over the edge to a SaaS model rather than managing our own infrastructure in the cloud was looking at the true cost. That meant that we needed to look at not only the cost of the technology but the people and processes necessary to build, maintain, patch, upgrade, and secure the infrastructure not just on day one, but ongoing, month after month and year after year. The pace of change in technology, the cloud itself, our industry, and keeping up with the security/regulatory requirements would be a significant cost to us over time," said Haley. "So we decided to take another look at RelativityOne."

In addition to the scalability, performance, and security standards that Troutman Sanders eMerge required, there was another box they needed to check before making the move to SaaS. Because they use various custom solutions built by the firm's team, as well as third-party applications, it was critical that RelativityOne have the capability to run these applications and for the Troutman Sanders eMerge team to have the ability to create new customizations on the platform.

"We use our custom solutions and our expertise in Relativity to help market our business and provide advanced solutions to our clients. It is a key differentiator and one of the many reasons why our clients choose eMerge—it had to go with us to the cloud," explained Haley.

The firm worked closely with Relativity to address their requirements and spent significant time evaluating RelativityOne before determining that the SaaS solution met their needs. "RelativityOne allowed us to complete our transition to the cloud in a fraction of the time and with significantly less effort than it would have taken us to do it on our own. We look forward to spending less and less time dealing with infrastructure management issues and more time helping our clients save money and reduce risk," said Haley.

5 Beyond e-Discovery: Maximizing Your Law Firm's Tech Investment

By Drew Deitch, Director of Strategic Partnerships, Relativity

Today's e-discovery practitioner knows their technology strategy is a critical—often the most critical—component of their success. But there are other legal practice areas that haven't felt the same urgency.

Fortunately, for firms seeking to light a fire of innovation among multiple practice groups, e-discovery platforms like RelativityOne enable them to leverage the investments they've already made in technology to expand their offerings, generate new revenue streams, and differentiate themselves in the market.

As a result, these firms are identifying opportunities to use existing e-discovery technology to replace simple, manual, or repetitive tasks—all of which are expensive for attorneys and clients. Others are building innovative solutions to win new business or expand into new practice areas.

Here are a few stories about law firms that are leading the way to expand their use of e-discovery technology.

1. Streamlining Unique Data Challenges

Data sources are constantly growing in number and complexity. When law firm Bricker & Eckler encountered a matter with unique data requirements, litigation support manager Dave Hasman and the team devised a creative solution.

Bricker & Eckler were helping a client with a 200-mile, and multibillion-dollar, natural gas pipeline project. In addition to managing real estate documents, landowner tract information, and financial data for more than 1,200 landowners, they had to keep track of hundreds of potential easement lawsuits, storing and referencing information on everything from mortgages and liens by land tract, to protected plant and animal species living on each plot.

The firm's team had built custom applications on Relativity in the past, but this project introduced new layers of complexity. Working with NSerio, a Relativity Developer Partner, they created an application—integrated with custom objects and fields, financial statistics, and even a Google Earth plug-in to visualize the tracts and display related

metadata—to consolidate the data for their client and save their attorneys thousands of hours of manual work. They also built in a way to auto-generate complaints and track progress on hundreds of individual suits.

Most importantly, the Bricker team looked past the short-term problem to ensure their innovation could be a long-term solution for many unpredictable data challenges to come.

"We didn't just build a custom tool to solve a problem for a client. We built a dynamic solution that has the capability of streamlining the many similar projects going on each day in this industry," explained Frank Merrill, partner at Bricker & Eckler.

To learn more about Bricker & Eckler's LandTracker application, read the full story.

2. Calculating Damages Correctly, Quickly, and Securely

Reilly Pozner, a litigation and trial firm, took a fresh angle to a common mass tort challenge. The team needed to perform calculations for award scenarios based on data in Relativity. They worried that exporting the data and doing the calculations outside of Relativity would introduce version control issues, security concerns, and time inefficiency, and decided to find a better way.

The team built a damages calculator in Relativity to perform calculations, store results, and allow multiple users to access the information at once. The data never left Relativity, so it remained secure. In addition to comfort in knowing their results were accurate and their data safe, the time they spent during the settlement calculation went down 75 percent.

"Building on Relativity has not only greatly improved our team's efficiency around assessing client data, but transformed the operational and administrative processes of mass tort resolution at our firm," said Scott Shadler, IT director at Reilly Pozner. "It's a platform that has the ability to expand beyond e-discovery."

To learn more about Reilly Pozner's mass tort solution, hear from Scott Shadler.

3. Simplifying Everyday Tasks

Other firms are finding ways to incorporate e-discovery technology on a smaller scale, yet with a big impact.

Paul, Weiss created a way for their attorneys to easily print discovery materials, allowing case teams to send jobs to their in-house print shop and control everything from numbering to binding style—all from within Relativity. Kilpatrick Townsend developed an application to enable users to add exhibit stickers—tailored to the case and court—with a click of a button, reducing time and money spent as well as the risk of error. When Taft Law couldn't find a project management application to fit their workflow, they built one on Relativity, allowing them to create a custom experience for the firm and eliminating the need for additional software.

A similar opportunity to begin by tackling unavoidable pain points—rather than jumping into the sea of altogether new business—is presented by the problem of case management.

"A gap exists between the work being done on the data and the legal strategy for a matter. That, my friends, is the e-Discovery Disconnect," said Kelly Twigger, CEO of eDiscovery Assistant, in an *Above the Law* article about why lawyers should be more involved in the e-discovery process.

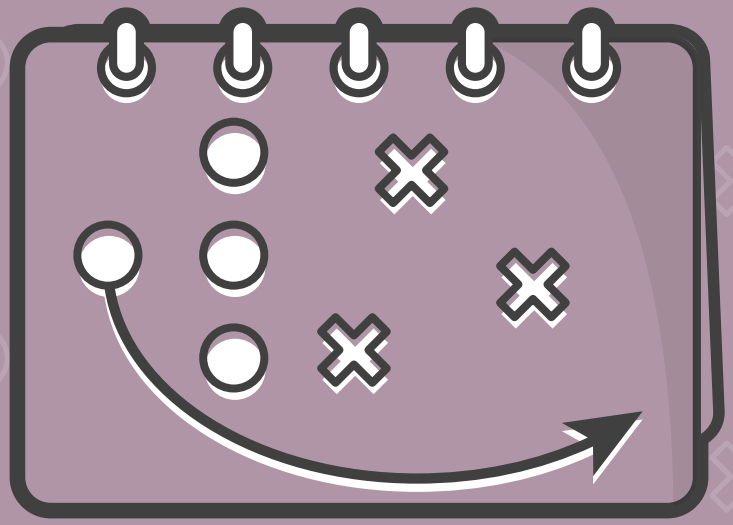
To prepare their cases, many attorneys and legal teams still patch together various technologies and spreadsheets. This approach can result in missed information and precious hours lost to cumbersome organization tasks.

Relativity Case Dynamics—available for free to every Relativity license holder and accessible from the Relativity Community—allows teams to manage key case information in a single solution. Using it is a good first step toward making the most of your technology investment, no development required.

By harnessing the power of e-discovery technology, law firms can find new revenue streams, become leaders in innovation, and get more from their e-discovery investment. Sharing your technology expertise to more practice areas throughout your firm will also position you as a trailblazer, setting both you and the firm up for success.

6 The "I" in Legal Tech: One Law Firm's Innovation Playbook

By Kelly Velisek, Senior Customer Advocacy Specialist, Relativity



Depending on the source, the legal market is said to be either flush with innovation or stagnating in aging practices. Although the scope is somewhat murky, the term "innovation" is a buzzword that has become pervasive in the law firm industry. Not unlike Schrödinger's cat, law firm innovation is both dead and alive until the box is opened and the truth is revealed.

As with any technology adoption lifecycle bell curve, there is undeniably a front-running group in the case of law firm innovators. Reed Smith, for example, has made great leaps in creating a culture of innovation and living that culture throughout the firm.

To understand the driving forces behind their innovation strategy, we talked with Bryon Bratcher, managing director of GravityStack, the firm's newly launched technology subsidiary, and Alex Smith, Reed Smith's Innovation Hub manager.

In an industry where everyone wonders what everyone else is doing, Reed Smith has embarked on a journey without looking back to see who is following.

Why Innovation is Becoming the New Standard

Why the focus on innovation? Firms are finding that they can no longer compete successfully on relationships and history alone.

In the 2018 Report on the State of the Legal Market through Georgetown Law, the Legal Executive Institute, and Peer Monitor, the organizations found that "dynamic" firms outperformed "static" firms. To be considered dynamic, firms needed to work proactively to address the needs of clients at least in part through the application of innovative technologies.

Still, the Reed Smith methodology typifies a dichotomy in law firm innovation today. It's easy for a firm to innovate in name only, but what Reed Smith does particularly well is ensuring their commitment to innovation has transcended messaging into culture and practice.

Firms that are truly dynamic show evidence of a multi-faceted change in culture and practice—they're changing their culture from the inside. One impression we found interesting was how the Reed Smith culture

is very similar to many technology companies: all available resources are applied to solve customers' problems and the most innovative solutions come from collaboration between smart and driven people of many backgrounds.

Providing Data-Driven Technology Solutions with GravityStack

Well aware of this opportunity—and the risk of not embracing it—Reed Smith launched GravityStack earlier this year, a spin-off technology subsidiary that focuses on providing data-driven legal solutions to their clients.

GravityStack's vision helps to redefine value in the legal industry by combining unique data insights with the most experienced legal process and human expertise. The team incubates technology solutions with Reed Smith and its customers throughout the world prior to commercial release to the market—a model that ensures their offerings are demand-led and offer true solutions to real world legal and business problems.

"Decision makers in litigation, compliance, and transactional law are flooded with technology options, and constantly pressured with tight budgets and deadlines," Bryon explained. "GravityStack will help corporate and law firm clients analyze their current technology offerings from a consultative approach, while recommending and implementing new systems to consider."

While not the first law firm development incubator, GravityStack is unique in the sense that they will also develop new solutions alongside Reed Smith's clients.

GravityStack already has five products in the marketplace, including Periscope, an award-winning e-discovery business intelligence (BI) platform. The tool collects and integrates data within Relativity and provides clients with real-time views of the cost, productivity, and quality of document reviews.

Their newest product, Pipeline, is a project management application developed with a lofty, but crucial, goal: eliminating unnecessary emails and meetings. Users can produce better results in M&A and corporate development projects—getting real-time visibility into project status, workflows, and handoffs without ever leaving the platform. This accompanies stack-et, their legal technology and operations ticketing system to organize and systematize customer requests.

"We've always taken a client-first approach at Reed Smith," Bryon said. "GravityStack provides us another opportunity to link people to data and technology solutions to solve their complex challenges more intelligently."

Creating a Space for Innovation

While technology has always been a core focus area for Reed Smith, another big part of their innovation strategy involves collaboration—and fostering the right environment to do so.

After joining the firm in 2016, Alex Smith helped to launch two Innovation Hubs that focus on collaborating alongside Reed Smith lawyers and external clients to unlock new opportunities for developing technology solutions.

"These unique spaces we've created are centrally located in our firm's offices and promote collaboration between colleagues and clients," Alex said. "However, at their core, the hubs create an environment to test new technologies."

One of the main driving forces that led Reed Smith toward the creation of Innovation Hubs was the opportunity to develop new tactics alongside the firm's clients.

"Asking questions like 'What are you trying to achieve?' and 'What's the need behind this problem?' has enabled our team to begin process mapping on how we deliver on collaborative, problem-solving toolkits," Alex explained.

Reed Smith's strategy—one they've coined a "layered approach"—starts with asking open questions and creating bold dialogue between the firm and their array of clients before implementing any solutions. One facet of this strategy involves a client listening program, which enables Reed Smith's lawyers, technologists, and innovation team to understand their clients on a deeper level, including both the technical and business-related issues they face.

Inviting one of their clients, BBC Worldwide, into one of their Innovation Hub spaces to participate in process-focused sessions led to new ideas and creating pilot programs focused on how

BBC Worldwide could implement automation tools into their everyday work.

“In this case, the client had an interest in automating and streamlining some of the work they were doing,” Alex said. “Our team provided the information, data, and intelligence on new technology on how to do so, but ultimately, we want our clients to walk away with the confidence to formulate and crystalize their own unique approach on how to tackle their problems.”

Armed with this insight and methodology, Reed Smith is better equipped to find technology solutions that solve the problem from start to finish.

More recently, the firm launched and then expanded a program for its attorneys encouraging innovation: Reed Smith will recognize up to 50 innovation hours toward an attorney’s billable hours goal.

The program has allowed for some unique collaborations between teams focused on delivering results to the firm’s clients—and involving unexpected collaborators from around the firm has brought unique ideas for solving client problems that would’ve been difficult to come to in a vacuum.

Setting the Stage

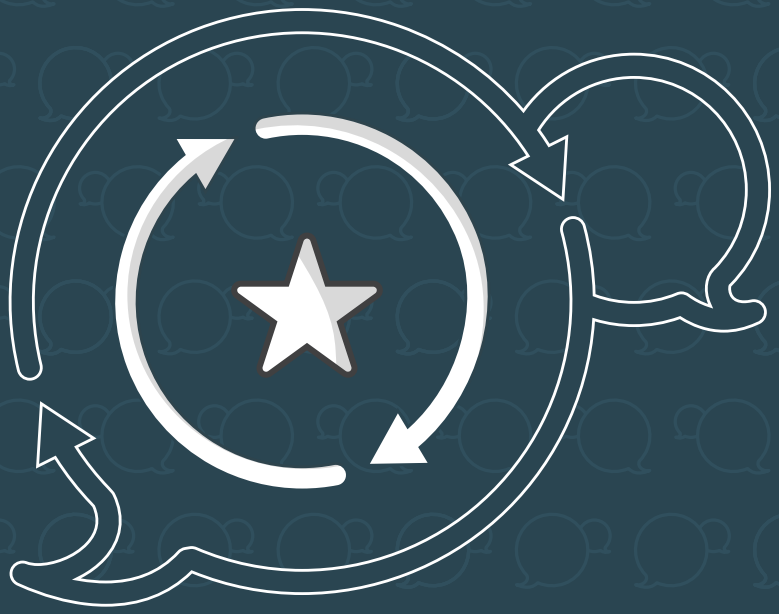
At Relativity, we have the benefit of working with a community that’s hungry for innovation and ready for the challenge of embracing it.

With tools like RelativityOne available to help make this type of tech-forward strategy easier and easier to kick off, it’s an especially exciting time to see how some legal teams are leaping ahead of the pack when it comes to truly innovative thinking.

Let us know how your team is spearheading the next wave of e-discovery transformation. We can’t wait to hear your story.

7 Getting Clients on Board with Your Firm's e-Discovery Practice

By Keely McKee, Senior Content Specialist, Relativity



The legal market is ripe for growth as many firms are evolving their business models and exploring new opportunities made possible by technology. While reassessing business practices has the potential to be fruitful, change is difficult. On top of building a new practice, getting your clients on board is another hurdle. Once you've put in the hard work to build your business, how do you effectively communicate the changes and your goals to internal and external clients?

To answer this question, I sat down with Alison Grounds, managing director of RelativityOne customer Troutman Sanders eMerge. As a leader in the charge to build a subsidiary e-discovery arm for the law firm, Grounds shared some of her experiences rolling out eMerge and her thoughts on how to effectively communicate these types of changes.

Keely: **When you were launching eMerge, how did you communicate the idea to clients?**

Alison: We chose to build eMerge as a subsidiary, and to offer technology and legal services under the same umbrella. When launching it, we wanted to clearly convey that this was a service that had a marketable value.

When introducing something like this, it's important to be careful how you position yourself. We've learned how to clarify that we are a law firm practice group specializing in a specific area of law and we also provide services that have traditionally been offered by vendors. By adding that technology piece, we wanted to explain that the group does more than practice law—that we're a one-stop-shop for everything you need during discovery—and that it's a value add to clients. Charging for the services allows us to constantly invest in our people and our technology.

This is how we positioned ourselves, but it's different for various firms depending on how they build the practice. Find a communication approach that works for your firm and goals.

K: How did you respond to internal and external resistance when launching eMerge?

A: One of the reasons we started eMerge was at the request of a client. Many clients were excited we could provide them with seamless, end-to-end services. But there were some internal and external clients that needed to better understand the new pricing model. We had to clarify that the services had never been complimentary and, because of the new services we were able to offer in-house, we were simply changing the way we were charging for them.

We also explained that in the past, before we had expanded to add scalable technology in-house, if a case got too big, there was no consistent place for their data and we had to engage third-party vendors. Once we developed our own Relativity environment and custom technology solutions, we had a much more robust platform that could do a lot more things and that was modified and amplified by lawyers who were using tools for litigation. The comparison wasn't apples to apples.

Back when we launched in 2012, most of the initial resistance was from attorneys who were not used to using technology for litigation and who did not understand how it could save in overall costs despite being an added expense. If we got resistance, we would compare the costs of using the technology that we're now offering versus not using the technology—which always meant increased hourly time. I would tell them that I'll do it their way, but I'm going to track the expenses and if their way was cheaper, I would retire. No one ever took me up on it.

K: How did you build momentum among internal and external eMerge advocates?

A: Your best advocate is a client that can convert another client. We had such good response from the people using our services, recommended workflows, and technology that other clients soon came on board. We let the work speak for itself and once they worked with us, they were converted.

In a lot of cases, we got brought in at the request of external clients. For clients that may not have gone through the pain of e-discovery in the past, our internal clients were champions for us. It was a two-way street and we had to court both internal and external champions.

It took about a year of growing pains for people to accept the change and learn how we operate, and we had a lot of strong internal advocates who were champions and happy to sing our praises to those who needed convincing.

K: How do you ensure the team stays on top of all the technology changes?

A: eMerge is about merging the technology and the law, so it's important to make sure our technologists understand the context of what they're doing and that our lawyers understand the technology. We have internal training programs with tracks for our litigation support team and lawyers as well as sessions featuring recent case law or other practice areas within the firm.

Additionally, we have various committees, such as the review committee, data security committee, and more. Each committee consists of both lawyers and technologists. They come up with goals for the year and report back to the team. For example, if our processing committee comes up with a new workflow for submitting a processing request, they'll do a training on what the problem was, how it's being addressed, and the new workflow.

We also offer CLE sessions to educate our attorneys about the legal changes and technology in the space. Our technology team helps co-present to explain how our team can help with both the legal and technical aspects of any problem. Around the time we launched eMerge, we opened these CLE sessions to our clients as well. This allowed our internal teams to see the high demand our external clients had for this kind of knowledge and how much they valued our team.

Ready to Grow Your Firm?

Paving the path for change is no easy feat, but as the legal industry is inundated with data, innovation has become essential for law firms. To grow their firms, many are putting in the work to set up their own e-discovery shops or find new ways to squeeze more out of their tech investments.

From cost recovery and innovative technology and practices, to the cloud, security, and the e-discovery community, there are numerous ways to elevate your e-discovery offering and differentiate your firm.

Hear from Other Firms and e-Discovery Pros

You just read several stories of forward-thinking firms, but we've only scratched the surface. There are many more doing exciting and ground-breaking work. Read some of these stories, as well as other e-discovery insights, on *The Relativity Blog*.

Want to learn more about how Relativity can help transform your firm?

Reach out to sales@relativity.com to chat with the team about your business needs.

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