no. 2-0034

TUCK SCHOOL OF BUSINESS AT DARTMOUTH
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CENTER FOR
GLOBAL LEADERSHIP

The Thomson Corporation in the Legal Publishing Market: Expanding the Value Proposition (A)[1]

The chief financial officer for The Thomson Corporation's ("Thomson") legal publishing division paused briefly to study his colleagues, looking for clues to the thinking behind their unusually blank faces. He had just presented financials for the first half of 2000. There was no ambiguity in the numbers. The division's growth had stalled.

Four years earlier, in 1996, Thomson had acquired West, a rival legal publisher. Thomson had been attracted by West's size, strong brands, and, at a time when the Internet was quite new, its expertise in electronic distribution. Post-acquisition, Thomson consolidated many of its legal publishing operations under the West brand, publishing annually over 66 million books and 500 CD-ROM libraries and operating a highly regarded online service, Westlaw.

By 2000, the merged entity, which retained the name "West,"[2] was generating revenues approaching $2 billion, serving legal professionals in law firms, corporate law offices, court systems, regulatory bodies, and law schools from its headquarters in Eagan, Minnesota. It was the largest company in the legal publishing market in North America.

Yet something was clearly amiss. Could the company's leadership team restore growth?

The Practice of Law in the United States and West's Role

In the United States, laws fall into three categories, formed through three distinct processes. In the first category, legislative bodies, such as the U.S. Congress or similar assemblies in each state, pass statutory law. In the second category, legislatures delegate authority to government agencies, such as the Federal Trade Commission or the

[2] While Thomson fully controlled West after the acquisition, it continued to use the West name because it was a strong brand. Thomson sometimes referred to the unit as "Thomson-West." In this narrative, "West" refers to all of Thomson's legal business operations in North America, excluding a tax and accounting segment that would later become a separate division. This is a simplification from the nomenclature used by the company itself—nomenclature that evolved over the period covered in this case study.

This case was written by Professor Chris Trimble of the Tuck School of Business at Dartmouth. The case was based on research sponsored by the William F. Achtmeyer Center for Global Leadership. It was written for class discussion and not to illustrate effective or ineffective management practices.

Environmental Protection Agency, which enact regulatory law, also known as administrative law.

The third category is by far the largest and yet the least familiar to most people outside the legal profession. In cases where statutes and regulations provide only guidelines or statements of general principle, the refinement, definition, application, and interpretation of these guidelines and principles are left to the courts. Every written court opinion at all levels of judicial authority becomes a document in this third body of law; it is case law, also known as common law. Large expanses of law, such as property laws, contracts, and torts, do not exist in statutes or regulations in most states. These issues are decided exclusively on the basis of case law.

A cornerstone of the U.S. common law system is the doctrine of *stare decisis*, which means "let the decision stand." Lower courts usually make decisions consistent with higher courts' previous decisions. As such, lawyers frequently investigate the legal precedents relevant to an active case.

Despite the weight given to precedents, the law evolves as society evolves. It is interpreted daily in courtrooms around the United States. Through constant argument and analysis, the body of case law remains relevant and current.

West and its main rival in the legal publishing industry, LexisNexis, owned by Reed Elsevier, played a crucial role in the legal system. Legislatures, regulatory agencies, and courts, in hundreds of jurisdictions around the country, generated an overwhelming collection of legal documents. Judges, lawyers, and legal scholars all needed to review and analyze such documents routinely.

Although court documents are generally in the public domain, they are not necessarily easily accessible. As such, legal professionals are eager to pay legal publishers that can put extensive volumes of information at their fingertips.

For more than 135 years, West collected content from a wide range of sources, ensured its integrity, and made it accessible to legal professionals. The company organized hundreds of millions of court decisions, statutes, and regulatory materials using a proprietary organizational scheme known as the West Key Number System, an index of over 100,000 legal topics and subtopics. The system was designed to enable legal professionals to quickly locate on-point statutes, regulations, or common law precedents for cases they were working on.

In an effort to help lawyers win cases, West went far beyond collecting, preserving, and organizing legal documents. The company employed over 1,000 attorneys and nearly 2,000 technologists, many of whom were dedicated to adding additional value to the collection. For example, West analyzed many cases and wrote abstracts and editorial notes to help users draw connections between current cases and historical sequences of precedents. It created cross-references to other relevant documents. As technology advanced, West created new mechanisms for linking documents, endeavoring to make legal research as efficient as possible.

The repository of content West accumulated over the years, coupled with the authoritative analysis and indexing done by West attorney-editors, stood as a formidable obstacle for any new entrant into the legal publishing industry. Furthermore, lawyers accorded professional trust to the West brand. It was a trust and responsibility that the company took seriously. Brian Hall, who, until his retirement in 2007, was CEO of Thomson's legal division (which included West, plus international operations), elaborated:

> The collegiality and camaraderie we have in this organization is rooted in common purpose. I believe what we do here is noble work. We make the system of justice in this country more effective and more efficient.

Law students spend a significant amount of time during their first year of law school learning how to do legal research. While information technology has brought into play new tools, such as powerful search engines, the fundamentals of legal research have not changed. A law professor elaborated:

> Legal research remains a rigorous, disciplined, and time-consuming process, often like searching for a needle in a haystack; but first you have to know which of the many haystacks to look in. Online search engines can occasionally point you directly to the most relevant document, but until you take the time to understand the law's origins and its evolutionary path through a sequence of precedents, your job is incomplete.

West and LexisNexis both provided their online services to law schools at deeply discounted rates, and both provided training and on-site mentoring to staff and students, each trying to develop loyalty among the next generation of lawyers. But during law school, students could only learn the basics of Westlaw, a service that included access to tens of thousands of databases. The true "power users" were the law firm and academic librarians who possessed a deep understanding of the breadth of information available from the service.

Many large law firms paid for subscriptions to both West and LexisNexis, providing a steady and reliable revenue stream to both companies. While a great many West subscribers had "all you can eat" subscription plans, pricing was complex. It varied with the size of the law firm, content, and the range of additional services the law firm desired. West typically added incremental charges for new products and services, giving the company's account representatives new reasons to routinely call on customers.

West's technology systems were complex, including an extensive information repository, software that linked users to the document database, and business systems that allowed each client relationship to be customized across thousands of possible product and pricing permutations.

Company Overview

Once best known as a Canadian newspaper company, Thomson had, by 2000, evolved into one of the world's leading providers of electronic information services for professionals. The company's $3 billion legal division was the largest of Thomson's four major operating units. (The other three operating units served investment professionals, educators, and healthcare professionals and scientists.) While Thomson was publicly traded on the Toronto and New York stock exchanges, the Thomson family owned approximately 70 percent of the company.

Thomson's legal division had grown through acquisitions oriented to product-line expansion. Some of the acquired publishing companies, including West, had histories dating to the mid-19th century. The dominant assumption, historically entrenched in the organizations that Thomson and West had acquired, was that comprehensive products, brand reputation, and personal sales relationships were the critical success factors in the legal publishing industry. Within West there were sometimes multiple sales teams serving the same customer, each specializing in a certain area of the law: bankruptcy, immigration, litigation, and so forth. Many of the account managers who served the large law firms were former attorneys.

Thomson's acquisition of West provided a rich payoff for West's most senior executives, the majority of whom quickly retired, taking their contacts and institutional knowledge with them. Nonetheless, there was plenty of opportunity in the acquisition. West improved its bottom line by consolidating manufacturing and distribution facilities. The company also streamlined manufacturing by simplifying book design. The growth of the Internet made it clear that customers valued the information inside the books much more than their appearance.

In fact, after the acquisition by Thomson, West launched a major initiative to push growth through the online channel. At the time, most of West's revenue came through print. West had begun offering online services in the early 1970s, but only the largest law firms could afford the required technology infrastructure. The Internet made the online services accessible to all, and soon after the acquisition, West launched an initiative to convert clients to Westlaw. That required the company to consolidate its sales forces and retrain them to focus primarily on the benefits of online research. The initiative contributed to double-digit growth rates for Westlaw through 1999.

In 2000, however, growth nearly disappeared. Growth depended on new sales, and most law offices by then were using Westlaw. Furthermore, LexisNexis was slowly gaining share. The print and CD-ROM business, still an $800 million segment within West, was slowly declining. Many legal professionals still displayed large volumes of case law in their offices, but by 2000, most sought information online first.

Growth Hurdles

In light of the troubling results, the West management team began to discuss priorities. There was no obvious antidote to the growth problem. The possibility of growth through increased market-share growth was limited, as West and LexisNexis both had large shares in a duopoly market. The possibility of growth through expansion into new markets was also limited. Thomson had assigned to other units the responsibilities of serving international clients and serving other categories of professionals besides lawyers. The only apparent avenue for growth was finding more ways to serve existing clients.

That was troubling because the entrenched bias within West, inherited from the companies it had acquired, was that the publishers knew more about what the customers needed than the customers themselves. That was true to an extent. West's legal staff had extraordinary expertise in case law, and the company's product developers were constantly using their own insight and knowledge to inject new expertise into the Westlaw service and finding new ways to make researching case law easier and more efficient.

But researching case law was only one of many activities inside a law firm. To grow, West needed to understand its customers much more completely.

The company proceeded to retrain and refocus the efforts of the field sales and account management groups. Because these groups had been focusing so heavily on helping clients shift from print to online, they had been speaking with clients about their broader needs even less frequently than had been the historical norm.

Complicating matters further, the company's information about customers was fragmented. West operated overlapping business units; there were distinct units for print and online, for instance, each containing all core functions, including editorial, product development, and sales. Legacy information systems had not been integrated. For example, when West built the Westlaw system, it constructed distinct business systems that were incompatible with the print systems. As a result, if a West executive inquired about the revenues from a particular law firm, it could take hours to come up with the number. Revenues were broken down by ship-to address in the print system and online password in the online system. Large law firms could have several of each.

A Litigator's Insight

Steve Anderson had been a litigator before coming to West. He had experienced what many of his colleagues had perhaps preferred not to see—that litigators, more than half the customer base, spent only a small fraction of their time researching case precedents. Instead, they spent the bulk of their time gathering facts to support their clients' claims, planning litigation strategies, and researching judges and opposing attorneys. Researching past cases played a role in initial lawsuits, but it was only on appeal that they became a central focus and Westlaw became indispensable. On appeal, the facts of the case had been established and opposing attorneys argued over which precedents were most relevant to the issue at hand.

In his early years at West, Mr. Anderson was under pressure to find ways to grow case law revenues 10 percent or more per year. He saw no way to do it. The market appeared saturated. West served jurisdictions in all 50 states. Few were building new courthouses. The growth generated through the transition to online distribution took some of the pressure off Mr. Anderson, but by 1999, he was part of a small group of senior managers who had developed a vision for a wider range of information products for litigators.

This group included Kevin Ritchey, then vice president of business development for West, and Erv Barbre, senior vice president of new product development. The group concluded that litigators might value a range of new content sets, particularly *briefs*, in which attorneys summarized their arguments for judges. Briefs provided the best record of an attorney's strategy to win a case and, as such, were valuable to attorneys preparing to argue similar cases. Records of pleadings, motions, and expert depositions were valued for the same reason. The group considered several other document sets potentially interesting. For example, court dockets, which contained records of a trial's timeline, were valuable in planning and scheduling activities. Judgment histories for a particular judge and trial histories of an opposing attorney could help litigators shape their strategies. Finally, information about a potential client's solvency or the dollar amounts of past verdicts and settlements for similar lawsuits could help litigators decide whether to take a case in the first place.

There were no complete, national databases of such content sets. Lawyers typically sent runners to courthouse basements to obtain copies of the documents they needed. A number of small companies provided partial sets and generated roughly $70 million per year.

The group was convinced that a complete, national dataset linked into West's existing case library had much greater potential, but the project was huge. Simply collecting all the documents would be a far more resource-consuming process than any of the other product development efforts the company was working on that year. With strong financials, West did not have an appetite for such risk. Undeterred, Mr. Anderson, Mr. Barbre, and Mr. Ritchey invested a small sum in at least formally validating the idea.

By 2001, the atmosphere had changed. The company was acutely aware that it needed to find new ways to grow. At an annual sales meeting that year, an event at which the company routinely introduced new products to the sales force, there was nothing in the pipeline that promised accelerated growth. The situation was uncomfortable at best.

Transforming a Company

As the ideas for a broader Westlaw service for litigators took shape through 2000, West's senior management team began taking steps to change the way West operated, instituting a sequence of major changes over the next two years. The overarching objective was to make the company more customer focused and more capable of meeting customer needs that it had not previously addressed. Michael Wilens, chief technology officer of West, was promoted to CEO and became a central leadership force creating the changes, including combining business units, redefining the marketing function, retraining the sales force, and overhauling information systems.

To unify West and best serve customers, Mr. Wilens combined the print and online units. He announced to the organization, “We are an online company that also happens to print books.” The process was not easy. West eliminated several positions, including two general manager positions. Employees had to interview for newly redefined positions, and first choices were not always assigned. Mr. Wilens recalled, “There was greater turnover in vice presidents under my tenure than perhaps anyone else’s in Thomson’s history.”

Mr. Wilens also overhauled the marketing function. Historically, the marketing group focused primarily on marketing communications, particularly creating advertisements and writing other collateral that described products and features. In Mr. Wilens’s view, the marketing group needed to serve a more strategic role in the product development function and also more closely align with the field sales organization. He renamed the function “strategic marketing” and gave the group the responsibility of diagnosing customer needs and specifying growth opportunities.

After a failed effort to put a consumer marketing executive from an unrelated industry in charge of strategic marketing, Mr. Wilens asked Chip Cater, leader of the sales group, to step into the role in late 2001. Mr. Cater described the role of the strategic marketing group:

> I’m on the hook for West’s growth. Strategic marketing is the glue across the organization. It’s the glue between new product development and the sales channels. It leverages customer insight, channel capabilities, and product value propositions to drive an integrated approach in going to market.

Three years earlier, in 1998, the leadership team at West, in an effort to better understand its customers, had created a new segmentation scheme. Law firms were grouped by size: large, medium, small, and solo practitioner. Remaining customers constituted the corporate, government, and education segments. The company asked some of the more talented leaders within the product development team to take on the responsibility of shaping the development effort to meet each segment’s distinct needs.

Mr. Wilens made these positions part of the new strategic marketing group. However, he felt the existing segment heads “could never think like the customer—just talk about what products could do.” He and Mr. Cater replaced most of the segment heads with outside hires, generally MBAs from top programs with several years of business development experience. Each individual was responsible for revenues from each segment. P&L responsibility for West resided only with the CEO, Mr. Wilens.

The customer segmentation scheme created in 1998 was a natural fit for the sales force—over 1,000 strong—which had always organized to some extent by customer size. West offered different pricing and subscription models, depending on the size of the firm, and larger law firms made purchasing decisions in a manner different from smaller ones.

In larger firms, the law librarian or head of information technology was usually the decision maker, while in smaller firms, attorneys themselves were making the purchases. Traditionally, "salespeople," who often covered rural terrain, called on smaller firms, and "account managers," often former attorneys, called on larger firms. Pay for both groups depended on performance. For salespeople, pay was tied to new sales. For account managers, because the large customer market was close to saturated, pay was tied to usage. Account managers tended to earn more, but their pay was also more at risk because the sales cycle was longer and their territory consisted of a smaller number of firms.

The drive towards greater customer focus demanded changes in sales force behavior. Because of the pay structure, the sales force mentality was "go, go, go" and visit as many customers as possible each day. Howard Zack, then senior vice president of sales and account management, described the challenge:

> After a few years of promoting the new online technology, we came to the conclusion that we had to retrain our sales people to be able to better understand the work flow of the lawyer. We really wanted them to understand how lawyers think, what they do each day, and their needs. We found that we had to do some very basic sales training, getting face-to-face with every single sales rep.

A crucial piece of the transformation was an overhaul of the company's information systems. In 2000, the company initiated the implementation of a new enterprise software package. The system would integrate tracking of all products and customers and enable West to gather information about usage and report results for each of its newly defined customer segments.

Such an endeavor is a massive undertaking for any company. For West, it was particularly taxing because the core product, Westlaw, was itself electronic and Westlaw's content database, the software customers used to access the database, and the business systems for tracking usage, pricing, billing, shipping, and so forth all needed to be smoothly integrated.

After some discussion, the company also decided that it was critical to maximize the ability to customize products and pricing in order to meet each customer's needs and maximize revenue from Westlaw. The new system even enabled West to sell bundles that included both print and online products. The combination of needs led to a complex implementation, with West's information technology team writing a great deal of code from scratch. The implementation took more than two years to complete. After completion, a staff of several dozen monitored the performance of the system, ensuring accurate pricing, subscription, and usage data.

Bigger Bets

These organizational changes provided the foundation needed to develop an online service targeted at the broader needs of litigators. But more work was needed. In particular, the leadership team believed the company needed to consolidate the efforts of its energetic product developers, who tended to pursue a lengthy agenda of small projects.

Mr. Wilens and his colleagues cast a wide net to identify bigger growth concepts. A series of initiatives in 2001 and 2002 collected ideas from employees, suppliers, and customers. The sales group set up an ongoing process to channel ideas from customers back to the management team and generated over 1,000 suggestions. There were off-site meetings with various voting processes to reduce the expansive list to a top few opportunities.

After a series of senior management meetings in which the team discussed options, Mr. Wilens and his colleagues launched an initiative called the Big 5, an investment in five major product development efforts and an effort to concentrate the efforts of the product development team on a small number of high-impact, multiyear projects. The name soon shifted to the Big X because the exact number of projects varied from one period to the next. Mr. Hall described his perspective:

> We had to take the resources we had and apply them against the best opportunities so we could develop a pipeline that ensured that year after year we would have the most relevant, highest-impact new products in the marketplace.

Prior to the Big X, the product development team was working on roughly 150 small projects that had "bubbled up" from within the product development staff—far more than the sales force could effectively communicate to customers or perhaps even fully understand themselves. The approach, in fact, left little distinction between product development efforts and maintenance and incremental development efforts (say, redesigning a screen based on customer feedback). Mr. Wilens and his colleagues conceived of the Big X as a top-down, cross-functional approach, one that would create a sharp distinction between product development and maintenance.

West subsequently made a pitch to the corporate executive team for additional funding to support the effort and received tens of millions of dollars to augment the product development budget and drive organic growth. The biggest of the original Big 5 detailed in the pitch to Thomson corporate executives was an initial investment of nearly $20 million. The project was for building and launching a new product, eventually dubbed Litigator.

Building Litigator

The effort to build Litigator began with an effort to more fully understand litigators and their needs. Mr. Barbre described the effort:

> Litigators are our core customers and they use our core content—cases and statutes—but they also use a lot of other content in the course of their litigation practice. We started with a great deal of work to understand what content sets litigators use that we are not supplying. What issues do they face as they go through the steps of interviewing clients, researching client issues, preparing for trial, conducting deposition and discovery, and actually trying their case?

The product development team, working with the sales force, began asking detailed questions about how litigators were using the product. Among the questions: When you came to Westlaw, what were you working on? When you were in Westlaw, what did you find that you needed, and what were you unable to find? What did you do with what you found?

The team began plotting typical litigation work flows. The work revealed a number of content sets that would be valuable to litigators, mostly in line with the intuition of Mr. Barbre, Mr. Ritchey, and Mr. Anderson. It also revealed that Westlaw's architecture, in which every document was linked to an appellate case, would have to be reworked. Many of the documents litigators were interested in were not related to an appeal; there had not been an appeal.

The effort to build a new "view" into Westlaw that was better tailored to litigators' needs was intense. It was the largest product development project in memory. West squeezed several other product development initiatives and pushed the team to the limit; team members worked many late hours. Fortunately, the effort did not require a substantial overhaul of the newly redesigned enterprise software system, which had sufficient flexibility to absorb the changes.

Mr. Barbre, Mr. Ritchey, and their colleagues reviewed several possible new content sets to add to the system but prioritized legal briefs because they appeared to be the most valuable to customers. West jump-started the process of building an expansive library of briefs by acquiring a small Pennsylvania microfiche company, one that actually served the U.S. Supreme Court, and continued adding briefs by collecting them from courthouses and scanning them. The volume of documents collected required West to upgrade its scanning and optical character recognition capabilities. Subsequently structuring the briefs database and linking it to related documents was complex.

West faced a difficult choice about launch timing. How many briefs were needed before the briefs offering became compelling? At the national sales meeting in February 2003, Westlaw Litigator launched with an incomplete collection of briefs, initially offered on a per-use basis at $15 per brief.

Westlaw Litigator was a much different value proposition from what the sales force was accustomed to, and sales were unimpressive in the first few months. After some substantial sales force training and a few months of effort, however, the sales force generated an upturn in interest. The experience shaped expectations for future launches. It was understood that a delay of a few months for intensive sales force training before seeing an upturn in sales was normal.

The meticulous effort to link the briefs with existing Westlaw content sets proved worthwhile, perhaps even more important than the direct sales effort. The links, in a sense, made the sale at just the moment the brief was needed. Based on the cases a litigator viewed, Westlaw alerted the litigator to briefs of interest. Those briefs, in turn, linked to other cases, which might have been referred to by several other briefs, and so forth.

Post-launch, the development team and senior executives watched usage and revenues from briefs closely to get a sense of the value litigators placed on them. Briefs usage dramatically exceeded expectations. As a result, West financed expansions of the briefs database.

The company also continued to refine its pricing strategy, testing a wide range of price points for about one year to discover the value clients placed on the briefs. Ultimately, West incorporated briefs into re-priced "all you can eat" Westlaw subscriptions. As Westlaw Litigator expanded, West continued the practice of charging on a "pay as you go" basis for new content sets to establish their value before incorporating them into a Westlaw subscription.

The product development team, energized by the success of the initial launch, considered many possible next steps in expanding Westlaw Litigator's scope and functionality. The team had ideas that spanned additional content, software, and services but chose to focus first on expanding content. Content was a key competitive strength, and there were many possible content additions.

From Content to Work Flow Solutions

While Westlaw Litigator was under development, West's senior management team pondered ways to further catalyze innovation. Mr. Wilens's viewpoint was that the best innovations are repeatable. How could the company identify a succession of related new-growth initiatives?

In examining litigators' work patterns and identifying new content sets that could make litigators more effective and efficient across all their work steps, the product development team had touched on a theme that Mr. Wilens and his colleagues sensed could be powerful. Mr. Wilens began to speak of "moving from a content company to a work flow company," and the notion gained rapid support from Mr. Barbre, Mr. Ritchey, and the product development group. Mr. Anderson recalled,

> Once the doors were open to think outside of our existing products, to think about the broader lives of our customers, and to ask them questions about their tasks, work flows, and opportunities for greater efficiency, there was a flood of new ideas and new possibilities.

In fact, Thomson's corporate team was developing the same idea. By 2002, Thomson businesses faced common strategic challenges, such as the growing impact of the web on traditional print media markets. As a result, there were more opportunities for sharing knowledge and management practices. Working with a consulting firm, Thomson had developed a formal methodology, Front End Customer Strategy, for mapping customer work flows to develop a more complete view of market opportunities and customer "pain points." This customer-centric approach provided the foundation for a shift in strategy from "providing information to knowledge workers" to "making knowledge workers more productive."

Thomson rolled out a Front End Customer Strategy initiative through its in-house development and training unit, Thomson University. The initiative resonated. Several executives called it the most rapidly and readily acted upon corporate initiative in memory. The movement caught on in great part because of the evolution of the Internet. If Thomson understood work flow, it could create the additional content and, critically, the web-based tools to automate portions of customer work flow.

Thomson began branding the initiative "three minutes" to convey internally just how crucial it was to understand exactly what customers were doing in the window of time starting three minutes before accessing a Thomson database and ending three minutes afterwards. Finding ways to accelerate those steps was quickly accepted as the key to Thomson's growth. As the initiative evolved, it was applied to ever-finer definitions of customer segments.

Much of the insight was generated through direct conversations with customers and observing them at work. One product development leader, Denis Hauptly, set a standard for number of days per quarter that his product developers needed to spend in law offices observing clients at work. Customers liked the personal attention far better than they liked filling out surveys.

West derived additional insight through data mining of its sophisticated IT systems, examining Westlaw traffic patterns and usage data. Peter Warwick, an executive in the Thomson Tax & Accounting group who would succeed Mr. Wilens in 2006, described West as "the most information-rich business I have ever seen," noting the value of the data in packaging and pricing products more profitably. Different segments responded quite differently to different pricing schemes. For example, small law offices generally paid out of pocket and valued predictability, while larger firms passed on the costs to clients. The volume of available hard data was overwhelming. Interpreting it required some guesswork, especially because lawyers frequently moved from firm to firm and, occasionally, from specialty to specialty and such moves were difficult to keep track of.

The Front End Customer Strategy initiative proved a more powerful approach to identifying opportunities than soliciting thousands of ideas from employees and customers. It was a systematic approach. Andy Martens, who succeeded Mr. Barbre as head of product development, observed,

> The magic of what we do is primarily understanding our customers extremely well. Our success is much more a function of that than of cutting-edge technology.

Ideas for meeting the needs that surfaced through Front End Customer Strategy analysis could still come from anywhere but were most likely, in Mr. Wilens's view, to come from "a handful of the most innovative souls in the organization."

Unexpectedly, the Front End Customer Strategy initiative resulted in something of a reemergence of the print business within West. It became clear that lawyers still valued having some content in print. There was a limit to how much text customers were willing to read on screen and how frequently they were willing to toggle back and forth between windows. Sometimes, it was easier to have a hard copy, and books often were more convenient than printing fresh hard copies from the computer database. Recognizing this sustained affinity for print volumes, West began exploring sophisticated ways to bundle and price print and online products.

Selecting and Reviewing Big X Projects

The company kept the pressure on for growth, setting challenging targets. The Big X process included three to four cornerstone meetings each year, involving a broad cross section of West senior leaders. During the meetings, the product development team presented new ideas for funding. Although the product management group within West numbered nearly 2,000, only a few dozen were involved in Big X development projects.

The constant evolution of technology and the law surfaced new possibilities each year. Typically, a series of preliminary reviews preceded a Big X meeting to assess revenue potential, strategic fit, fit with validated customer needs, technological feasibility, and sequencing with other ideas in the pipeline.

Product developers converted promising ideas into concepts with preliminary designs and computer interface descriptions. They also coordinated the assembly of fully detailed business cases with supporting return-on-investment calculations based on go-to-market plans from the marketing team, sales forecasts from the sales group, and cost estimates from the product development and technology groups. This process typically involved a large number of people across a "functionally aligned but heavily matrixed organization." Competing priorities needed to be reconciled. One executive explained,

> We try to resolve differences through creative conflict. Bringing business systems people, technology people, product people, and operating people all together is hard work, but if you have the right leadership and solid teamwork, the outcome is better.

Building a consensus through the process was critical. A product developer elaborated:

> You have to do a great deal of internal selling to win a Big X approval. Long before you get to the meeting, you'd better know who is on board and who is not. Therefore, you start distributing design concepts, revenue estimates, and market analyses long in advance.

One executive, new to West from an entrepreneurial environment in 2003, recalled his initial impressions of the innovation process:

> One of the things I like about West is the number of smart people with smart ideas. But you need political backing to move those ideas forward. You absolutely must stand by your idea with total confidence, putting your credibility—and perhaps your career—on the line.

While return on investment was a major consideration in evaluating Big X projects, it could be difficult to estimate. Occasionally, the team approved a Big X project based primarily on subjective judgment that the project's "halo effect" on overall Westlaw usage and the West brand justified the investment. Also difficult to estimate was the increased value customers placed on a new content set or a tool when it became part of the Westlaw database. Content sets were more valuable and used more frequently when they were linked heavily with related content sets. Because of the difficulty of estimating the power of this network effect, revenue estimates for Big X projects, often based on existing markets for the content sets as independent entities, were low.

With experience, the management team improved its ability to assess how many Big X projects the organization could handle at any one time. While the Big X process was heavily laden with financial estimates and evaluations, capital constraints were generally less meaningful than, and uncorrelated with, organizational bandwidth (especially since Thomson had been consistently willing to inject extra capital for promising projects). Mr. Wilens elaborated:

> We began to understand that some projects demand much more of your organization than others. Some essentially demand setting up an independent company, and that is extraordinarily taxing on the management team because you have to strip some of your best managers to run it, define new job descriptions, set up a separate P&L, and so forth. We might be able to do no more than one of those every two to three years. In the next category are projects that do not constitute new businesses but do require a full-time, dedicated, cross-functional team for, say, 6 to 18 months. We can handle maybe one or two of those at a time. A third category is a cross-functional team where many of the participants are part-time. We can handle several of those. We had to learn to evaluate organizational bandwidth by getting a face full of concrete once in a while. We had to get smart about recognizing when we were stretching people too thin.

Because Big X presentations required so much participation and input from different functions, when projects were approved, accountabilities and responsibilities were already clear. Typically, the same product development manager led the project from Big X planning phases through to launch. Projects that were not funded at a Big X meeting were not dismissed; they were deferred for reevaluation in future meetings.

Historically, the primary function of Thomson's corporate group was financial management across a wide range of businesses. As such, financial processes were highly evolved, starting with strategic reviews in the first quarter, human resources planning in the second and third quarters, and close-range financial planning in the fourth quarter.

Each fall, West finalized Big X plans as part of overall financial planning. The team paid particular attention to specific resource bottlenecks in various functions. The technology group had no set employee allocation to new product development, as its first priority was always maintaining the Westlaw database. The team also had to consider the total number of new concepts the sales force could communicate effectively to customers in a given year.

When a specific resource was overloaded, the group deferred some projects to the following planning year.

The Big X process also included smaller, routine meetings 10 times per year to review progress against plans. Such frequent reviews were designed to increase the level of accountability that project leaders perceived. Projects sometimes fell short of plan, and the group reacted as quickly as possible. The main concerns during implementation were delays associated with usability problems and any complications with security. The product development team kept a pipeline of small projects to maintain productivity during such delays.

Senior management also concentrated on situations in which projects surpassed plans but fell short of full potential, developing a set of "stretch" processes and financial templates to ensure product development moved as rapidly and aggressively as possible. Mr. Wilens elaborated:

> In large organizations, people hedge their bets. Even if they think they have a terrific idea, they will be conservative in their estimates. People know exactly what the internal rate-of-return hurdle rates are and will not unnecessarily exceed them. People like to hit their targets. I have learned that it is counterproductive to push people into more aggressive estimates; they will just disown the plan, and you absolutely need them to be emotionally committed. So I accepted that the numbers in the formal plans might be routinely conservative and created a secondary, parallel process, called stretch. At stretch meetings, we do not evaluate new projects. We focus on existing projects and ask people what it would take to move faster, make the project better, achieve more. We sometimes make more funding available. People have the opportunity to win twice—once for hitting the numbers in the original Big X plan and once more for stretching it. Stretch is a mechanism for making sure people are running as hard as possible throughout the year. People can aim higher, often at a time when they know more than they did when they created the original business plan, without feeling like they are taking excessive personal risk.

The stretch process was run by the finance department and became a mechanism for making reprioritizations during the year, shifting a few million dollars from one Big X project to another.

Stretch process notwithstanding, the company needed risk takers to advance its business. In Mr. Hall's view, it was important to recognize and give extra space to those who took risks fearlessly. "You can have all of the freedom you are willing to be accountable for," he told his staff. At the same time, he did not want people to feel they were taking risks alone. He explained how he approached risky projects that went awry:

> All you can do is build an environment where it is comfortable for people to tell you openly that things are not going well. You cannot default to a search for the guilty. Most problems are not because people screwed up; they are because there is

> something happening in the market that we did not anticipate or did not understand completely. You have to have a culture where people understand that things are going to go wrong, that you are going to support them, and that you are going to help them figure out how to respond. No matter how hard you try, however, some people just will never tell you when things are going wrong. You have to decide whether those people should be working for you.

Mr. Hall also felt it was important to recognize that not all innovation projects were equal. He explained,

> In evaluating our managers, we evaluate the degree of difficulty of what they do. Startup businesses and new product launches have a high degree of difficulty. We want people to view these assignments as intellectually challenging and to perceive that if they can succeed, they have really demonstrated something.

The customer's voice was strong in the Big X process through all of the initial exploration and analysis formalized through the Front End Customer Strategy process. That voice remained strong once Big X projects were under way. Product developers frequently utilized customer visits and focus groups while product development efforts were in progress to ensure the project was on track. Developers could also rely on two sales force advisory groups, which met for two days, twice per year, to give product developers and marketers feedback on what they were doing and why. Despite the time out of the field, participation on advisory boards was viewed as prestigious. Selected salespeople served two-year terms. Through these interactions and others, product developers built informal networks with the sales force and relied upon trusted salespeople for feedback. To understand customer needs within a specific legal specialty, product developers could also call upon an internal network of "reference attorneys," Westlaw experts who were available to customers around the clock to help with research questions. Some product developers, particularly the more experienced within the group, relied most heavily on small personal networks of legal experts inside and outside the organization they trusted most.

West launched major new products twice per year, at the national sales meeting in February and the annual meeting of law librarians in July. In some cases, the national launch would be preceded by a pilot launch in limited geographies, with a handful of salespeople, as a final test of the value proposition and pricing before full launch. With experience, West became more comfortable with the "launch, then perfect" rhythm of the software industry than the "perfect, then launch" mode typical of publishing. Along with ensuring Big X projects were aligned with strategy early in development, West senior leaders viewed these launch events as among their highest-leverage intervention points in the innovation process. It was an opportunity to give products a major boost at launch. The leaders would often set agendas and give presentations, articulating the value propositions of the new products and explaining how the new launch supported the company's long-term direction.

Expanding the Content Available on Litigator

The gratifying results from the addition of briefs to Litigator encouraged more content additions through a series of Big X projects to generate further growth. One executive explained,

> There is nothing complex about what we did. We got a lot of traction with briefs quickly, and that made it easy to invest more; and every time we did, we earned more revenues.

The number of legal documents generated through litigation was mind-boggling. The team prioritized. Some documents were more valuable than others, some were more difficult to acquire than others, and some were more difficult to update and maintain than others. For example, building a database of court dockets, a valuable content set, turned out to be very labor intensive. West tried to download some from courthouse websites, but doing so placed a heavy burden on those web servers, to the extent that West had to be cautious not to overload or crash them. Many dockets had to be manually photocopied and scanned.

Some content sets exceeded expectations. The addition of pleadings, motions, and memoranda was relatively new as of 2006, but some product developers felt it would eventually exceed the usage of briefs. Not every content addition was a big hit, however. Expert testimony, for example, generated less usage than hoped. With each content addition, West monitored usage closely and raised prices where possible. In cases where content proved less valuable than anticipated, the company did not build as comprehensive a database. In rare cases where customers did not respond to the new content but the new content seemed to drive usage of *other* content sets, West added the new content to the database for free.

Content additions to Litigator not only generated solid financial results, they also proved a powerful advantage over the competition, as indicated by quarterly internal research studies. Both West and LexisNexis were expanding. West was focusing closer to its core content business. The quarterly research results seemed to validate that approach.

In 2006, West analyzed the entire history of Litigator and calculated an overall rate of return, with satisfying results. The calculation was complicated because subscriptions were all custom and early content sets had been worked into the overall subscription package. Except for the revenue spikes that followed soon after a content addition, it was not possible to precisely estimate the revenues that were incremental to the Litigator efforts. Mr. Warwick elaborated:

> I am judged on, and we are all judged on, revenue growth and profitability of West as a whole—for revenue growth, profitability, cash flow, and return on investment. In evaluating Big X projects, the criteria are always squishier. How does it build our overall position? How does it enhance Westlaw? Because a strong Westlaw has a halo effect on everything else we do. Furthermore, we've seen over the years in

> publishing that you don't make the most money with brand-new products but with the ones that are a little bit older. You have to look at the overall picture.

Nonetheless, Litigator had exceeded plans and was viewed as a success, and the success justified additional new investments. One new direction was helping attorneys gather facts and evidence in addition to court documents. The company was examining ways to enter the "electronic discovery" businesses, helping litigators sift evidence from, say, a corporate email server.

West considered major new product launches for other legal specialties. Team members felt they had learned a lot from the Litigator experience and were eager to repeat it. Specialists in business law (major business transactions, such as stock offerings and acquisitions) made up their second largest customer segment. Serving that segment required new expertise because there were fewer former securities lawyers than former litigators at West. In July 2005, Thomson acquired GSI, an online provider of securities-related documents. Another direction was building new products for litigation subspecialties. In 2006, the team was preparing such a product for medical litigation. To support the strategy, the product development team had organized by legal specialty.

Meanwhile, West launched a small research project, NextGen, to examine whether an entire reconstruction of Westlaw was necessary to meet the needs of the next generation of lawyers. Rumors of law professors having students experiment to compare the ease of using Westlaw versus a broad Internet search tool like Google had attracted the attention of many at West. NextGen, led by a consultant who formerly led strategy and business development for the company, examined how people in their 20s used Westlaw and the Internet differently than did older generations. This team prototyped new designs for querying the database, retrieving documents, and displaying them. The long-term implications of the research were unclear, but the team saw that the research was revealing some insights that challenged fundamental Westlaw design assumptions.

Adding Work Flow Tools to Litigator

By 2006, a subset of the product development team, roughly 30 people, had shifted gears to focus on tools—software modules that either accelerated a task or streamlined litigators' work flows as they moved from one task to the next. In 2003, Thomson had acquired Elite, an enterprise software firm that served law firms, giving West a deeper set of software capabilities.

Leveraging those capabilities became the new priority. While the product development team recognized that most of Litigator's value was in the content itself, they also saw many possibilities for making legal professionals more productive as they used Westlaw for various purposes.

One such tool, dubbed Find and Print, was simple but valuable. Through direct observation, the team learned that one of the most common activities on Westlaw was simply to pull up and print a case or set of cases. Often, lawyers asked administrative assistants or paralegals to handle the task. West launched a tool that allowed the user to enter multiple citations, perhaps all cases referenced in a certain brief, and print them, all in one step. The product earned many multiples of its development cost. Another tool, Case Evaluator, helped estimate verdicts. For example, a lawyer might like to know the average award for an injured arm in California. Case Evaluator allowed users to enter criteria and get an estimate without looking at cases one at a time. Case Evaluator was one example of a tool West could even offer to non-Westlaw users.

Sharon Lazarus, a former attorney, led another such project. West had long recognized that one of a litigator's worst nightmares was missing a court date. Through interviews with customers, the company learned that small legal offices and solo practitioners worried most because they had no centrally coordinated scheduling system. This was an area where West could help because in any legal action, there was a sequence of events—filings, appearances in court, etc.—scheduled on the basis of published court rules. Ms. Lazarus elaborated:

> This is not legal research, but we are using content that we have in our database. We have published court rules for over a century, and nobody has this content as comprehensively as we do. The rules are quite different from one jurisdiction to the next. For example, you may have 30 days to respond to a lawsuit in one county and 45 days in the neighboring one. The software will be capable of automatically populating their calendars in Microsoft Outlook.

It was an ambitious software project, managed through the Big X process, involving an eight-figure budget and a few dozen developers and technologists relying on technology gained through the acquisition of Elite. Even though financial projections showed a terrific return on investment, Ms. Lazarus found it challenging to build the enthusiasm of the senior management team. She elaborated:

> We are a publishing company. We sell content. This is very different, and the comfort level is low. We had to consider unfamiliar questions, like the extent to which our customers, particularly solo practitioners, would be willing to install software. We ultimately chose not to—it's a web-based application—but still, things can go wrong with software. This is the greatest challenge I've faced selling something internally.

Two months prior to the launch, Ms. Lazarus's greatest source of nervousness was just how different this product was from what the company was accustomed to. She worked to prepare the sales force, building their understanding of small-office litigators' work lives and pressure points.

Mr. Martens, by this time the head of product development, recognized that the sales force faced a crucial test in which the company would learn if it could sell software as capably as it sold content. West planned to sell the calendaring product through its existing channels for small and medium-sized law firms. The cost of building a separate software sales force for reaching these customers was prohibitive. Ms. Lazarus felt some concern that the attention the sales force would give to the product might be squeezed out by other new products in the pipeline and a potential acquisition that was in the works.

Assessing the Big X Process

While most West executives viewed the Big X process as a crucial piece of the innovation engine that was driving organic growth, there were some dissenters, particularly within the product development group. One developer, while acknowledging the Big X as a reliable driver of revenue growth, called it the "enemy of innovation" and suggested that with so much input and so many approvals required on each plan, the process actually diffused accountability and constrained projects to the incremental. "It would be difficult to go through Big X with something radically different with big capital needs," mentioned another, who added, "Innovation is about risk, but this process effectively minimizes risk."

Yet another developer was concerned that the Big X process had squeezed out too many small projects: "For a long time, we had too many 'littles' and not enough 'bigs.' Now, we may have too many 'bigs' and not enough 'littles.'" Others also worried that the process was overly influenced by financial considerations, one noting, "Sometimes it seems like there are more finance professionals than product developers in the room," and another that "excessive focus on ROI always leads to incremental thinking."

Steve Priem, a newly appointed general manager for the litigation business in 2006, observed that the Big X process was more of a mechanism for funding and evaluating projects than a detailed procedural guide for implementing them. He continued:

> We might do well with a bit more structure for developing products, although too much process can have a negative impact, as I experienced in a prior job with a healthcare company.

Mr. Warwick described his assessment:

> It's a tremendously important product innovation concept and crucial to our growth. It is very easy, especially in the information business, to fritter away resources on tiny projects that don't pack a punch.

From a growth stall in 2000, West had restored its growth to a healthy 8 percent per year in 2006, and nearly 7 percent was organic growth.