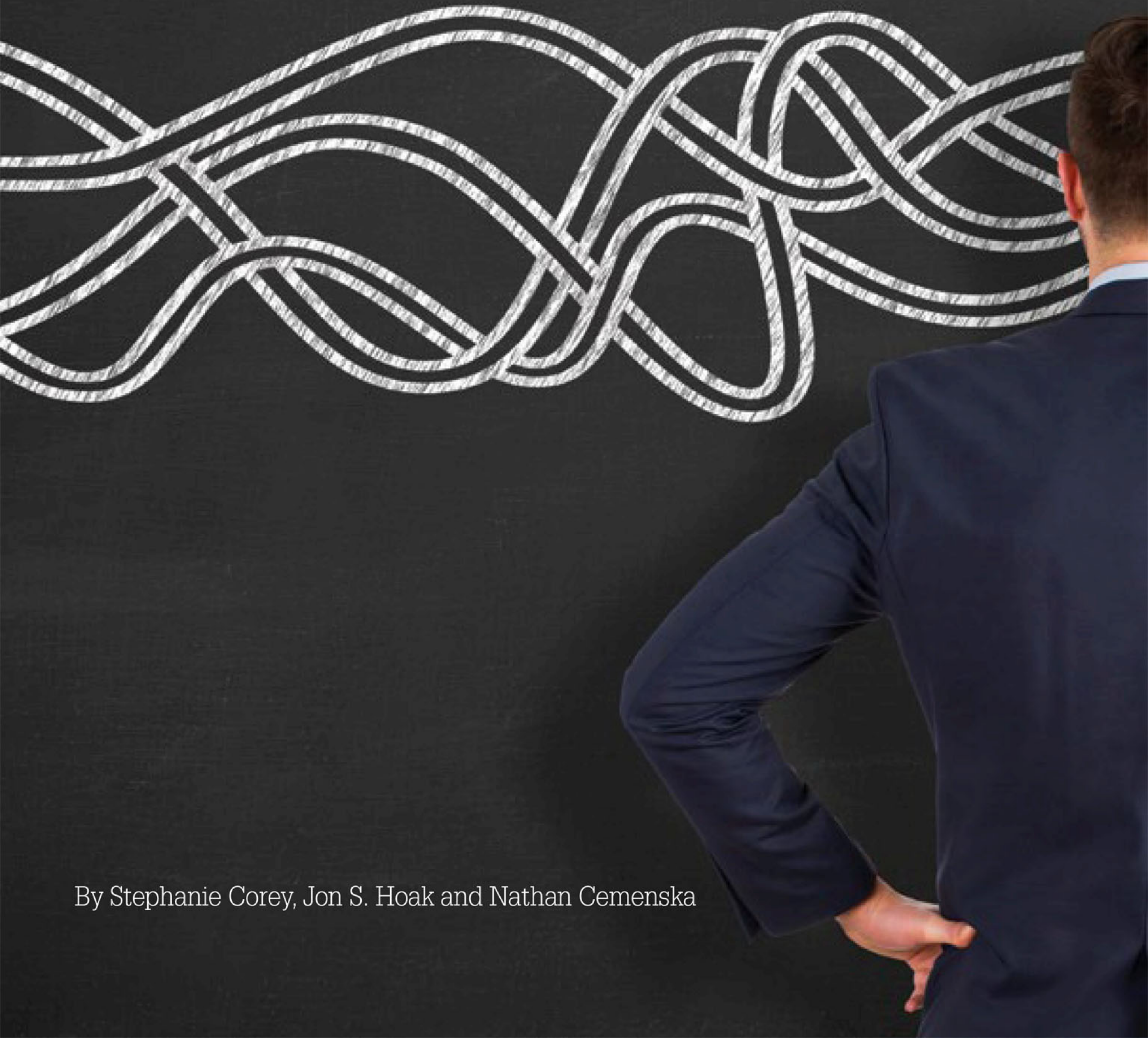


Legal operations professionals can  
bring a data-driven approach to  
align legal budgets and spending.




By Stephanie Corey, Jon S. Hoak and Nathan Cemenska

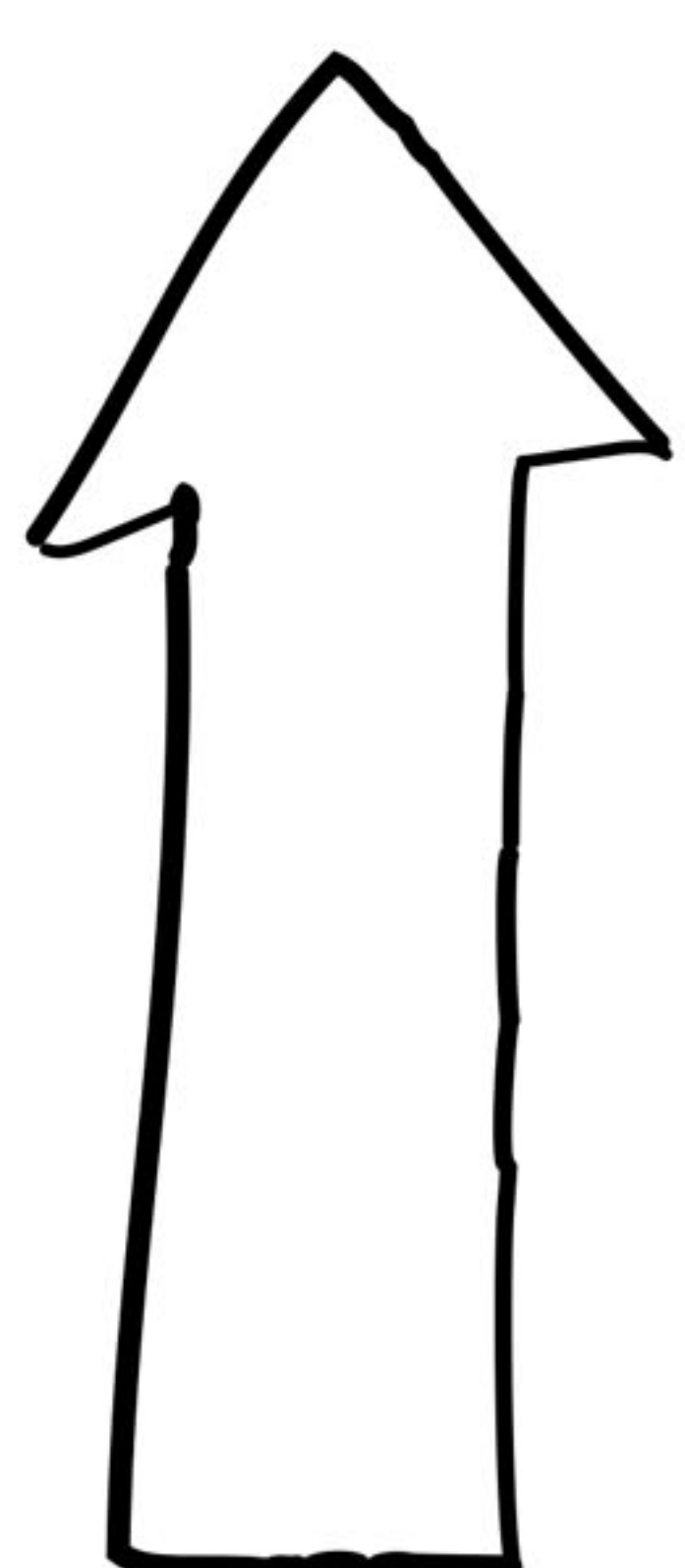
# Legal Operations Can Transform a Law Practice



**I**n Abraham Lincoln's day most lawyers were self-employed or worked in small general practices that were run like family businesses. These practices needed relatively few clients to sustain them, and client lists were typically comprised of individuals or businesses in their immediate communities. Lawyers often got to know their clients quite personally in the same way that people who live in small towns sometimes enjoy very close relationships and also complain that everybody knows their business. The practice of law was relationship-based and trust-based and required relatively little in the way of formal business processes to operate.



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But, oh, how times have changed. While solo and small-firm practices still exist, many lawyers work in organizations having hundreds of attorneys and thousands of clients. These clients, in turn, often have more than 100 in-house lawyers, thousands of legal problems, multiple locations all over the globe. They may practice law in many languages or possess other characteristics that make it impractical to manage the many moving parts of the attorney-client relationship on a personal level. This is a gap that is beginning to be filled by legal operations.

Legal operations is a data-driven approach to managing legal departments. It's a term used to describe business processes that take administrative work away from lawyers and free them up to concentrate on doing what they do best—lawyering. Examples of legal operations tasks include strategic and operational planning, financial reporting, cost control measures, managing alternative fee agreements, sourcing law firms and other vendors, knowledge management and other legal technology initiatives, outsourcing management, people development and training, process improvements and communications.

These activities have been going on for some time in the background but came into the fore during and after the 2008 crash caused corporations to look for additional ways to save money. General counsels and chief financial officers looked at their internal law departments and started to realize that, while they were spending a lot of money, they sometimes couldn't be sure of the value they were getting in exchange. How well were these law departments managed, really? Were they getting good deals from outside counsel? Were they getting the

best outcomes for their money? These are the types of questions legal operations professionals, working with others in the legal department, as well as the chief financial officer, IT and HR organizations, seek to answer.

Legal operations is happening both in-house and at many firms in similar capacities, but here we'll focus on in-house initiatives. We particularly want to draw attention to five areas where in-house legal departments continue to make great strides:

- Strategic plans.
- Budgeting and financial metrics.
- HR/career paths/people development.
- Legal technology.
- Hiring and managing outside counsel.

### **STRATEGIC PLANS**

China publishes written goals and its plans for reaching them every five years. Our country does not. That's why, if you ask the average American citizen what America's plan is, he or she won't be able to tell you. While understanding that it probably has to be this way for a democratic government, a corporate legal department should not follow this plan. As Benjamin Franklin once said, "Failing to plan is planning to fail," and if each and every employee in your legal department doesn't know the firm's strategic plan inside and out, how can you expect them to execute it? Unfortunately, many strategic plans exist only in the heads of a few key leaders and are understood only marginally by legal employees and other stakeholders. Or, worse yet, no plan exists at all. Forward-thinking general counsels and legal operations professionals are changing that.

Several years ago we had the opportunity to practice what we preach by putting

a strategic plan in place. We created a team that was responsible for the strategic planning of the department along with a deputy general counsel who had much interest in this area and our human resources business partner. This group made all of the major decisions regarding the running of the department, and together we developed the annual strategic plan, goals for each practice area and a method for tracking progress, which was managed by the legal operations team. It was a highly successful program where decisions were made quickly and rarely second-guessed by the rest of the legal leadership team, who appreciated the work we were doing behind the scenes.

## **BUDGETING AND FINANCIAL METRICS**

Cost savings is a key driver behind legal operations and also the low-hanging fruit where law departments can achieve the quickest results. However, many law departments struggle with establishing and sticking to departmental budgets and do not demand realistic budgets from outside counsel, which they are required to meet, on most legal matters. Many others do not possess the analytics tools necessary to make in-depth financial reporting feasible and only do financial reporting at the highest level. Legal operations is changing that landscape by developing budgeting methodologies at the department and matter level. It also is deploying tools that allow more granular spend analysis.

For instance, after exceeding the departmental budget year after year, a colleague of ours decided he'd had enough. He hired a consulting firm that used risk models to predict the likelihood of exceeding his outside counsel

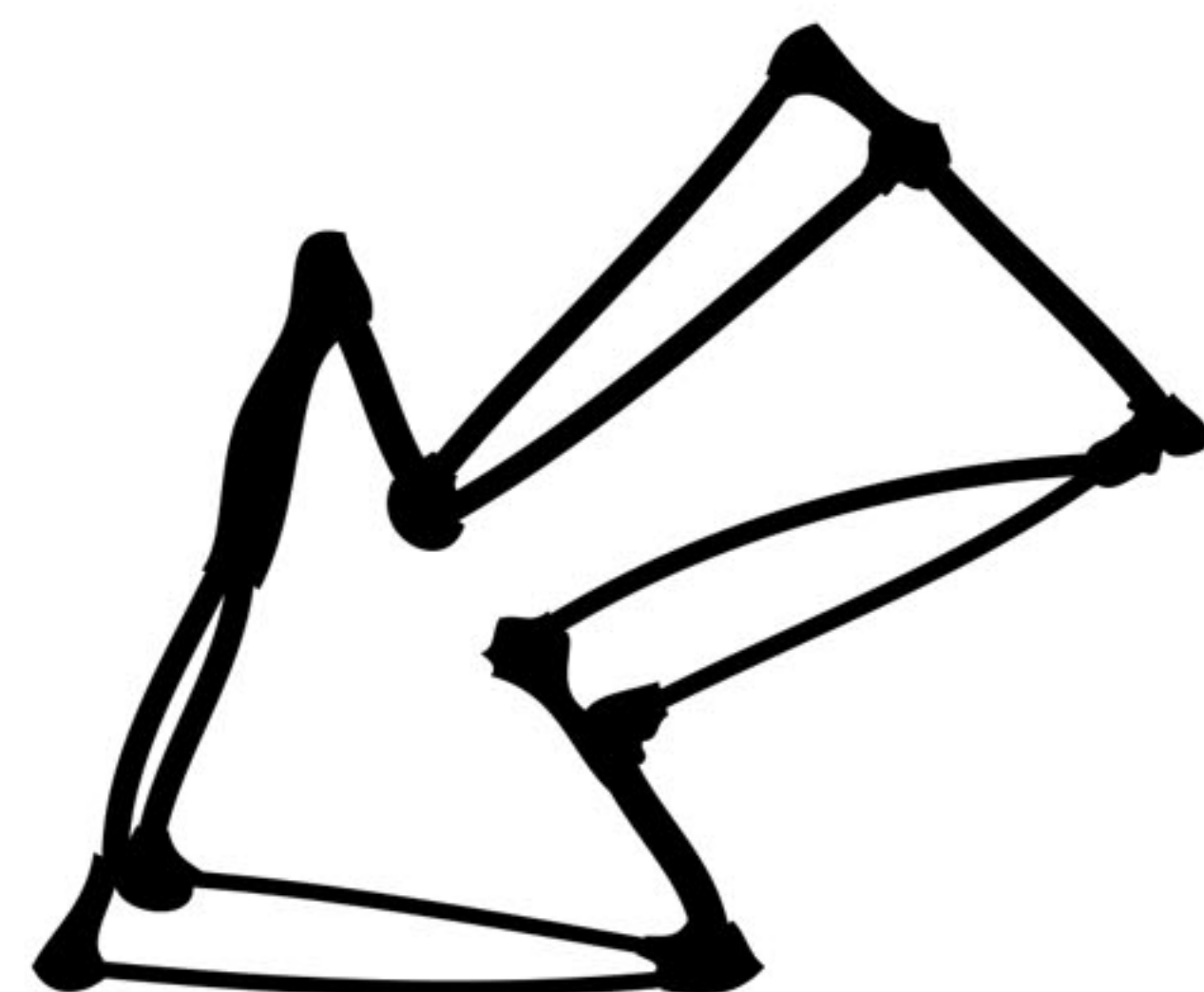
budget in any given year. They used the model to persuade key business stakeholders to make more appropriate decisions on the matters. The end result was significant savings in outside spend that the law department was then able to reinvest in other programs it needed.

The same company also developed a comprehensive matter budgeting program that required outside counsel to provide a budget for all matters expected to exceed \$15,000 in annual spend. They created dynamic reports to track compliance with these budgets. They ended up achieving 80 percent compliance, which may not sound that great but is quite good for law firm budget accuracy. In addition the data derived from the program will help drive the conversation at quarterly and annual business reviews with key outside counsel.

## **HR/CAREER PATHS/ PEOPLE DEVELOPMENT**

Most corporate law departments are "flat" organizations with only a few levels of hierarchy. The majority of attorneys function as individual contributors, with only a handful moving into management. The staff who are not attorneys also work mainly as individual contributors, perhaps as administrative assistants, and handle whatever work they are given by the attorneys they serve. These kinds of "low ceiling" situations can lead to valuable talent leaving the department in search of further growth.

Legal operations managers can create opportunities for professional growth that help retain workers and make their contributions more valuable. In addition to coordinating CLE and other skill-building activities, legal operations managers create task forces or special





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assignments that give attorneys opportunities to take on leadership roles and improve the way the organization is run. These leadership roles allow attorneys to cut their managerial teeth and stand out as leaders in the department. Later these experiences can be used as evidence that the attorneys are appropriate candidates for formal managerial roles.

Another trend is to re-evaluate the way that administrative personnel are used. High-performing administrative assistants who have outgrown their current roles can be trained to form “centers of excellence” around key administrative functions. For instance, administrative assistants can perform preliminary invoice review, manage requests for timekeeper rate increases, handle legal matter budgeting, project management, financial reporting, engagement letters and billing guidelines, and other operations functions. As legal operations functions continue to grow, these individual contributor roles may evolve into managerial ones and, at the very least, these roles give the administrative team the ability to expand its roles and provide another career path option.

### **LEGAL TECHNOLOGY**

Corporate legal departments often manage multimillion-dollar technology portfolios, including matter management and e-billing, document and knowledge management, intellectual property management, ethics and compliance, litigation holds, legal research, e-discovery and many others. Building and managing such a portfolio of tools is a job unto itself and requires special knowledge and skill sets that most attorneys do not have the time, or often the desire, to develop.

This is a prime area where legal operations professionals can fill the gap. In many cases they inherit a portfolio of technology that was assembled not as part

of a comprehensive strategy but as a series of one-off decisions occurring as the need for each new solution became impossible to ignore. Legal operations professionals offer the skills and bandwidth to perform a comprehensive re-evaluation of a law department technology portfolio and redesign it in a way that increases efficacy.

For instance, several years ago another experienced colleague of ours was hired by a large organization with a sizable legal department. He quickly learned that the organization had no e-billing system and was still receiving paper invoices and painstakingly typing them into its accounts payable system. This delayed outgoing payment and impaired the organization’s ability to thoroughly comb invoices for inappropriate charges. The organization also lacked the analytics tools required for any kind of meaningful insight into budgeting and finance, and thus suffered from a number of other technology gaps. This legal operations professional formed an in-house steering committee that developed and executed an overarching strategic technology plan that solved these problems and laid the groundwork for technology implementations going forward.

### **HIRING AND MANAGING OUTSIDE COUNSEL**

In addition to technology portfolios, legal operations professionals also help manage portfolios of outside counsel engagements. Large organizations can have hundreds of firms working for them on hundreds or even thousands of matters, a situation sufficiently complex to impair high-level visibility into exactly what those firms are doing. Managing those firms and getting them to function together with the organization in a way that reflects the organization’s priorities, values and procedures is equally

complex, and it is creating a special niche in the legal operations world.

Two common tactics used to align firms with the organization are requests for proposals (RFPs) and quarterly business reviews (QBRs). With RFPs, legal operations professionals work together with the organizations they serve to define types of legal work that need to be done, solicit offers from competing firms and engage in conversations that vet the firms to arrive at final engagement decisions. For instance, last year a large organization ran an RFP to engage firms to handle its sizeable portfolio of single-plaintiff labor and employment litigation. Before the RFP this litigation was handled by a hodgepodge of about 15 firms, and the organization found it difficult to get them all aligned. They came prepared to the RFP meetings with extensive data about each firm's performance from their e-billing system as well as qualitative reports from internal attorneys who had worked with the firms. The RFP concluded by whittling the list of firms down to three primary firms who operate on a fixed-fee basis. This year the organization is following up with QBRs to continue to manage firm performance, identify issues and determine whether there are ways the organization could provide support to improve future performance.

## CONCLUSION

These are just some of the ways legal operations professionals can contribute to in-house law departments. And we believe these are just the tip of the iceberg—the demand for these professionals will continue to grow as the practice of law becomes more and more complex. At the same time the tools and business methods available to these professionals continue to expand and become more sophisticated in dealing

with that complexity. The ultimate goal is to streamline the law department's operational and administrative activities as much as possible, freeing up lawyers and other law department professionals to concentrate their attention where it is most valuable. **LP**



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