Make an Impact With Legal Operations: 3 Areas to Drive In-House Change

Consider these foundational principles for managing a law department's outside counsel, technology, and analytics initiatives.

The growth and evolution of legal operations has been in full force for the past decade. These days it is rare to see a Fortune 500 legal department without some level of dedicated operational support. More often than not, the legal operations director reports directly to the Office of General Counsel – signifying the accepted importance of the position in running the legal department.

However, as the industry has changed, so has the scope of the role and the variety of responsibilities taken on by operations personnel. Some oversee support staff or take on office management responsibilities, or may even have a hand in cybersecurity or e-discovery initiatives. There is no one answer as to what should be on the plate of legal operations personnel; however, there is one thing you will hear universally: it is easy to get stretched too thin.

So where should legal operations teams focus their time and effort?

Outside counsel management, technology planning, and analytics are three areas where legal operations teams have a proven track record of driving change in-house and closing gaps that corporate functions and busy lawyers have struggled to fill. We discuss some key principles for making an impact in these areas.

Outside counsel

If you don't ask, you're not likely to receive. Make the most of your outside counsel relationships.

Managing outside counsel is a balancing act for those in legal operations roles.

The relationship between outside counsel and the corporate legal department has historically been almost exclusively maintained between law

firm partners and in-house attorneys – procurement did not enforce standard vendor onboarding procedures as it did elsewhere in the company, and there was limited insight into pricing negotiations.

To some degree, this hasn't changed much. However, the growth of e-billing, analytics tools, and big data has pushed the envelope on the historical model and created a space for legal operations to have an impact.

Legal operations is needed to help bring business and project management acumen to the equation, and to discourage attorneys from viewing price and discounts as taboo conversation. Law firms, particularly in the AmLaw 200 ranks, have become much more accustomed to alternative fee arrangements, enforced billing guidelines, and client pushback – the trick, however, is that you need to take the initiative. As in many professional service industries, without client demand, there is little incentive to change behavior.

Start with the basics. Take a fresh look at your outside counsel billing guidelines. Are they advocated by your lawyers and consistently enforced with outside counsel? Do they align with the guidelines of your peers? Or have you kept in that decades-old provision to pay for a certain type of expense so as to not upset the status quo?

In professional services, the relationship between the client and service provider is paramount. However, because the transaction is relationship-based, there is always a way to come to a consensus on these topics, and at the end of the day continue to partner together.

Once a legal department begins to embrace this attitude, you will begin to experience the benefits (and savings) of proactively managing outside counsel, and can better capitalize on the experience the outside firm has in pricing and providing similar services across its client base. Discuss with

the firm what it has to offer in terms of alternative pricing structures or discounts and staffing model efficiencies, or where it can target reducing overhead expenses that are not vital to the case outcome. If approached with the relationship in mind, these conversations can benefit both parties – improving service delivery and cost for you while minimizing the impact to law firm profitability.

Legal operations can help drive this attitude behind the scenes or actively in firm negotiations by bringing structure, benchmarks, and a third-party perspective to the relationship. Many departments have in place the basics of a solid outside counsel management program, but have fallen short of ensuring the full benefits are realized. Here are some areas where you can make a difference:

▲ **Billing guidelines:** Why pay 10 cents a copy when most of the law firm's other clients are not paying anything? Or standard law firm billing rates for first-pass document review when you could outsource to a lower-cost provider? Changes to billing guidelines may cause some temporary grumbles but are usually quickly adopted, and are one of the easiest areas in which to realize savings and set the tone with your law firms. Make sure your billing guidelines are up-to-date and in line with those of your peers.

▲ **Preferred providers:** Make the most of your preferred provider relationships. The label "preferred provider" is not meaningful if the firms are not getting a worthy portion of your business and in return offering you an incentive to be a high-revenue client. If you're not seeing the benefits, lead an initiative to review your providers. Add structure to the program by ensuring there is at minimum an annual review process and a forum for dialogue and advancing the relationship.

▲ **Performance evaluations:** Few corporate legal departments have fully embraced the value of structured law firm performance reviews. Performance evaluations provide a way to validate that you are choosing the right firm at the right price and getting good case outcomes. Additionally, you can leverage more in-depth evaluations to confirm that firms are meeting data security standards, diversity targets, and other procedural requirements. Taking this feedback, areas for improvement, and praise for accomplishments back to your law firms allows them to better serve you, and sets up a natural forum for more substantively discussing financial arrangements, among other parts of the relationship.

▲ **Pricing negotiations and alternative fee arrangements:** If you are not satisfied with the initial terms proposed by outside counsel, let its pricing department know you are interested in exploring alternative fee arrangement options and/or value-based incentives. Leverage internal analytics and benchmarking resources to "gut check" proposals and compare across candidate firms to help attorneys make data-driven decisions. Your data, in combination with the firm's data, can lead to a price that is right for both sides.

Technology

Avoid patchwork technology solutions. Create and act on a strategic plan to advance your infrastructure.

Getting your arms around the technologies that power a legal department and ensuring full benefit from their deployment can be challenging and resource-intensive.

Often, legal departments struggle with corporate IT solutions. The tools are seen as too generic to provide value or are not implemented properly to facilitate legal-specific workflow and data management needs. Pair this with hesitant adoption by attorneys who have a natural inclination to stick to an email and paper environment and you have quite the challenge ahead.

Over the past decade, legal operations teams have created a niche in this space, and have been the primary driver in bringing strategic vision and structure to how technology is implemented and managed in-house.

One of the keys to laying a successful technology foundation is avoiding "patchwork" solutions. Although you may face an uphill battle in undoing the decisions of your predecessors, strategically consolidating systems and avoiding a redundant inventory of technology will spare you future headaches. Managing multiple platforms – whether for e-billing, document management, contract management, etc. – can result in workflow and reporting gaps that compromise user experience and inevitably increase your overhead and administration costs.

To get in front of this, legal operations teams should seize their unique position between the legal department and corporate IT to develop a multiyear technology plan. The first step is knowing your users and knowing what they have – proactively seeking to understand their needs, pain points, and existing technologies by meeting with a handful of subject matter experts in each practice area. In order to prioritize their needs, at the conclusion of your assessment you should be able to answer the following for executive sponsors:

▲ Are there any foundational tools missing? What are the baseline systems needed to further build and integrate the department's infrastructure in a seamless manner?

▲ What is causing the most pain? Is it an issue of system functionality, training and adoption, or a level of administrative overhead?

▲ What is likely to yield the greatest return on investment, both in terms of dollars saved and positive impact on productivity and user experience?

The answers to these questions will help inform how to prioritize the department's dollars and effort expended in technology changes. From there, understanding the vendor landscape, estimated costs, and time required for implementation will help you structure a plan to achieve your technology goals.

The next step, and perhaps the most difficult one, is getting budget and executive buy-in. Equipping yourself with a formal return on investment plan and documenting the research you gathered throughout the assessment effort will help you articulate your business case. Remember to pitch the alternative as well – explain the costs and risk associated with doing nothing and the inefficiencies of tackling technology changes in a one-off, reactive manner.

Now you are off to the races. Remember, your technology plan should be a living document. Revisit and revise it at milestones throughout the implementation period to ensure what you are working toward is still relevant, pressing, and going to yield a positive return to the department. Finally, remember to always surround yourself with change champions on this journey; find engaged senior attorneys, and optimally executives, to be your advocates of change.

3 Reporting and analytics

Know your audience and communicate with purpose. Design reports to drive decision making.

Within corporate legal departments, legal operations teams are at the intersection of technology, data, and attorney decision makers.

How information is presented can make or break its perceived value in the eyes of the end user. With an ever-growing amount of data, it is tempting to "boil the ocean" and present an excessive number of metrics and spreadsheets to your stakeholders. And although operations are the backbone of the department – impacting people, cost, and technology – not all data needs to be reported upward to enable effective decision making.

Work with executives and attorneys to figure out what metrics are most important to them and how they like to receive information. Supplement this with knowledge of what your peers are measuring and what industry experts recommend. Tailoring your reports and filtering the information passed along to the target audience can greatly increase the value and productivity of your analytics. The quicker they can interpret your reports, the more time they have in the day to focus on high-value legal activities and turning decisions into action.

At the crux of effective reporting and metric programs are strong and supportive technology solutions. When implementing or upgrading systems, ensure that reporting capabilities and outputs are high on your requirements list. Determining the scope and structure

of data that goes into the system will dictate what can and cannot be reported. Once this foundation is in place, develop a schedule outlining the frequency, content, and ownership of key reports so that your team is operating with a common distribution plan.

Legal operations teams can directly impact how the department uses analytics and can educate others about the fundamentals of effective reporting. Taking these basic considerations into account will help you set the tone for a culture of meaningful metrics:

▲ Explore which data visualization or reporting applications are available to help ease the compilation and formatting of reports. Leverage these tools to build "desktop accessible" reports for your audience so that they can pull routine information quickly and in a format that is easy to interpret.

▲ Focus on the motto "less is more." What is the minimum amount of information needed to get the job done? You can always follow up with additional details as the conversation evolves.

▲ When possible, supplement reports with third-party benchmarks to help ground decision making and provide an additional lens to assess performance.

▲ Call out important findings or anomalies. Lead your audience to what is important to expedite the review process.

Keeping these three principles in mind, assess where your legal operations team can have the greatest impact in your department. Focus your time and resources on continual improvement in these areas, and you will position the team to add value and drive positive and effective change in-house.

JAIME WOLTJEN

Manager – Legal Management Consulting

+1.312.763.6234

jwoltjen@stoutadvisory.com