

# How to Build the Foundation of Your Legal Operations Team the Right Way



Without question, the role of “legal operations professional” is a growing field among corporate legal departments.<sup>1</sup> However, with more companies hiring *individuals* to perform specific legal operations roles,<sup>2</sup> there are still a large number of corporate legal departments that do not have a legal operations *team*.<sup>3</sup> For general counsel looking to build a legal operations team, or those that would like to improve the abilities of their current team, this article lays out a six-step approach to successfully develop, structure, and grow a legal operations function.

### Step 1: Develop Your Vision

Start with your strategy. Identify the benefits you expect your business to realize by making the investment in legal operations. Consider these four benefits as a starting point:

#### Process Efficiency

Many legal departments report that, while their workloads are increasing, their annual budgets are remaining flat. This trend amplifies the need for a legal operations team to facilitate more efficient legal processes within the company. Many companies find that better legal processes result in significant ROI and significantly improve the delivery of legal services to the business.

#### Risk Mitigation

As regulatory complexity increases (including the potential for personal liability among corporate officers for regulatory breaches), compliance is no longer a legal department issue; it is a challenge that needs to be addressed across the business. Enter one key legal operations function: *knowledge management*. The role of knowledge management is to “(e)nable efficiencies by creating seamless access to legal and department institutional knowledge through the organization and centralization of key templates, policies, processes, memos, and other learnings.”<sup>4</sup>

#### Cost Savings

With every inevitable economic downturn comes additional scrutiny over the legal department’s outside counsel spend. In anticipation of (or reaction to) these pressures, many legal departments are moving from a decentralized vendor relationship model to a centralized *vendor management program* headed by the legal operations function. With these programs comes the objective to increase the value received from legal vendors while maintaining or decreasing outside legal spend.

#### Business Intelligence

With all the systems used by legal departments to manage work, the limitation on business intelligence is often the ability to synthesize and analyze the data in a meaningful way. As legal departments add financial analysts in legal operations to their staff of paralegals and lawyers, they enable data-driven decision making.

These benefits are just the beginning. For a greater understanding of the typical competencies of a legal operations function, visit [cloc.org/what-is-legal-operations](http://cloc.org/what-is-legal-operations). This resource provides the model in Figure 1 with greater definition for each area.

### The rise of legal operations

The legal operations function is clearly a growing field in corporate law departments.



Figure 1: Legal Operations Core Competencies

### Step 2: Identify the Structure Needed to Achieve Your Goals

Once you have outlined the strategy, move to organizational structure. It is imperative to think about the long-term plan for your legal operations team. To help with this, consider the “Legal Operations Maturity Model” that was developed by HBR Consulting and Elevate Services in collaboration with CLOC. This model outlines three maturity phases: Foundational, Advanced, and Mature.

<sup>1</sup> For evidence, just look at the growth in membership of two legal operations organizations: (1) the Corporate Legal Operations Consortium, which has grown in membership to over 180 companies and 230 individual members and quadrupled in size between May and October 2016 and (2) the Association of Corporate Counsel – Legal Operations Chapter, which already has over 400 members. For more information on these organizations, visit [cloc.org](http://cloc.org) and [acc.com/legalops/](http://acc.com/legalops/)

<sup>2</sup> See [metrocorpccounsel.com/articles/33745/backstory-%E2%80%9Cwatershed-year%E2%80%9D-legal-ops](http://metrocorpccounsel.com/articles/33745/backstory-%E2%80%9Cwatershed-year%E2%80%9D-legal-ops)

<sup>3</sup> An August 2016 survey of Legal Tracker clients found that less than half of large legal departments have a legal operations manager, director, or chief of staff.

<sup>4</sup> [cloc.org/what-is-legal-operations](http://cloc.org/what-is-legal-operations)

**Foundational**

Think of a small legal department that starts with a solo general counsel. As that department grows, the general counsel adds resources to her team: an administrative assistant, lawyers, and a growing team of outside counsel. This generally results in the need for an e-billing system, which is key for managing outside counsel spend and gaining greater access to business intelligence. In implementing such a system, many legal departments venture into legal operations (perhaps without even knowing it) by adding an e-billing specialist to administer the system and implement internal and external matter management and billing policies. The progression in this foundational model is outlined in Figure 2.1.

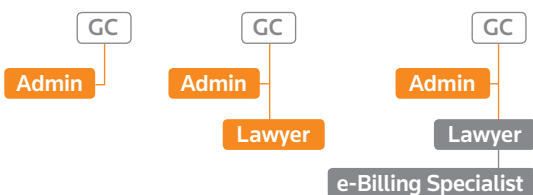


Figure 2.1: Foundational Progression of a Legal Operations Team

**Advanced**

As that department grows, the department eventually comes to the point where a legal operations manager is needed to achieve its strategic objectives (see Step 1). Note that the e-billing specialist reports to the legal operations manager in this model. This advanced model is outlined in Figure 2.2.



Figure 2.2: Advanced Progression of a Legal Operations Team

**Mature**

To support the strategic objectives of larger, more complex companies, the legal operations function could require the following roles:

- **Legal technology manager:** This role serves to manage all of the tools and systems used by the legal department. Often, this person has an IT background.
- **Vendor or outside counsel manager:** With this role, the management of outside counsel relationships is centralized in a streamlined vendor management program. Of course, this role would interface with the legal department functions and leadership.
- **Litigation support:** This role supports the litigation function, but reports within legal operations to ensure better alignment with the strategic operational objectives for the organization. A similar role for managing intellectual property support could also report within legal operations.
- **Chief of staff:** This role manages the administrators within the legal department and sits on the legal leadership team with the functional heads within the legal department. The legal operations director could also report to the chief of staff.

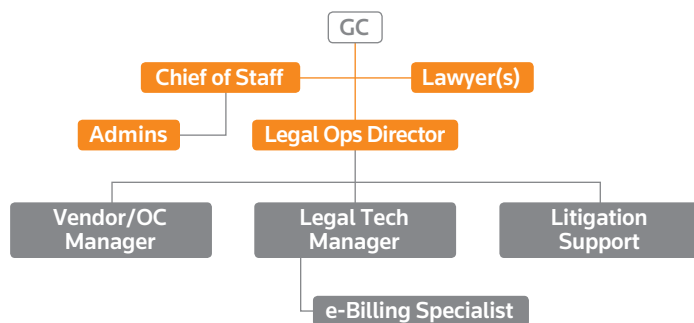


Figure 2.3: Mature Progression of a Legal Operations Team

**Step 3: Build the Business Case**

Next, build the business case and focus on the return on the investment your business will receive from a legal operations function:

**Cost Savings on Outside Counsel Spend**

Identify the programs your legal operations team will implement and quantify the savings that will result. This could include the creation of preferred provider panels, greater use of RFPs and alternative fee arrangements, and better enforcement of billing policies. Pairing these programs with regular reviews with outside counsel of the service they provide will result in better service levels and greater results for your business. A recent Thomson Reuters Legal Tracker study found that corporate legal departments with mature legal operations teams realize over two times as much savings in terms of invoice reductions as the Tracker community. While this is one of many areas of savings, the money saved in this area alone exceeds the cost of building a legal operations team.

COMMUNITY AVERAGE	COMPANIES WITH ADVANCED LEGAL OPERATIONS	INCREMENTAL ANNUAL SAVINGS*
-0.61%	-1.32%	\$1,415,643

\* These savings are solely due to invoice markdowns. Legal departments should target savings of 5% - 15% from other strategic savings initiatives.

**More Efficient Use of Resources**

Think of the return to your company (in terms of FTEs and spending) as you make more data-driven decisions regarding:

- Insourcing versus outsourcing legal work
- Technology use and process improvements
- Trends across your business that are driving increased legal costs or resulting in greater risk that requires legal oversight

#### Step 4: Hire the Needed Expertise, Skills, and Competencies

Once the business case is approved, look for job descriptions for the roles you will be hiring. Here are some hints:

- Borrow a job description from LinkedIn
- Network with other local legal departments, through CLOC or the ACC
- Reach out to a consulting firm that focuses on advising corporate legal departments
- Ask your software vendors whether they have any job descriptions for the roles you have in mind

As you evaluate candidates, look for skills and attitude rather than restricting your search to individuals with a legal background. Many successful legal operations professionals do not have JDs, but they are skilled at financial analysis, information management, and change management.

#### Step 5: Establish Metrics and Measure Outcomes

To be successful, legal operations needs to be empowered and supported by the general counsel and executive leadership. Continually revisit the strategies you identified in Step 1 and the business case you developed in Step 3, reinforcing this vision to your organization. Setting these metrics and socializing the expectations within the company will be critical to providing your legal operations team the voice they need to implement the strategy.

#### Step 6: Celebrate Success, Improve, and Grow Your Staff

Fundamentally, the purpose of legal operations is to act as a change agent within the legal department to drive continual improvement. Change can be hard, unless it is celebrated. Here are some ways to celebrate change:

- Set a target and throw a party when it is achieved. For example, one Legal Tracker client had a “one million dollar party” when they achieved this target for savings from outside counsel spend.

- Create an on-the-spot award program to recognize those who contribute to process improvement within the legal department.
- Create a dashboard or other regular mechanism for providing the legal department with insights into the successes achieved by the legal operations team.

As your legal operations team successfully implements the strategy, reinforce these messages within the organization:

1. The need for constant improvement in legal
2. The critical role legal operations plays as you scale your legal department for growth and navigate changing dynamics within your company
3. The return on investment realized by the legal operations team
4. That legal operations is an exciting, growing field full of opportunities for career development

#### Summary

Many companies have found that investing in a legal operations team is a self-funding activity due to the successful implementation of cost savings initiatives. In addition, companies find they are able to implement more efficient processes, be better equipped to mitigate risk, and be more capable of providing the business intelligence that executives need to make strategic decisions. When legal operations teams are built on a solid foundation of planning, vision and execution, the results they deliver not only improve legal outcomes, they improve key business outcomes like revenue, cost management, and profitability.

For more information, go to visit [legaltracker.com](http://legaltracker.com).

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