



The Widening Scope

The evolving
role of financial
leadership in
the legal sector

WHITEPAPER

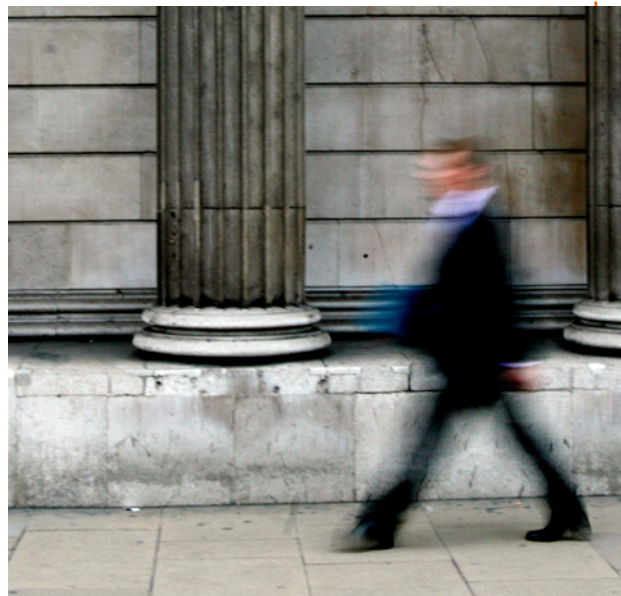
Introduction

Not only are financial leaders in the legal sector required to manage the traditional priorities of their role, but they are now also juggling an ever-broader array of operational, transactional, and commercial responsibilities, forced to go beyond the books to drive the big-picture success and stability of their organizations.

Overall, the finance function in law firms is expected to grow, which will further intensify competition for top talent. A third of firms responding to a [recent survey conducted by GWI](#) say that they intend to increase headcount in their existing finance function in the next two years, **with 9% of them planning a headcount increase of up to 20% over the next 12 months.**

Meanwhile, a further 13% are planning to put an entirely new team into the function.¹ Such a rapid and concerted expansion within the finance business unit is bound to see the talent market stretched even further exacerbating areas of skills shortages and placing even more pressure on financial leaders to outpace the competition when it comes to recruitment and acquisition of the best new talent.

Add to all of this an uncertain worldwide economic outlook, driven by volatile stock markets and falling global growth forecasts, and law firms must formulate vital contingency plans for an array of potential challenges – the burden of which will be shouldered in large part by financial leaders. The input provided by finance leaders to help identify growth areas – quick wins and long-term strategies alike – will be crucial in helping provide customers with the services they need at the right times while also enhancing the long-term success of their legal firms.



The arrival of new challenges doesn't mean that the old ones disappear, as pointed out in a recent report from Raconteur on [The Rise of the Legal CFO](#) (Chief Financial Officer):

"Of course, traditional responsibilities around financial modeling, processing transactions and budgeting remain an integral part of the job description for any legal CFO. New regulatory barriers and accounting responsibilities are also adding another layer of complexity to the work of finance teams, leaving CFOs with more processes than ever to monitor."

Finance leaders in law firms must continue to juggle the traditional elements of their functions with an enlarged commercial scope, underpinned by technology. As financial leadership positions extend their reach into other aspects of law firm management, their development will play a vital part in driving firm-wide business success and growth. The key to success in this development is, like so many other aspects of business today, set to be driven by the disruption caused by new technologies.

Technology and disruption in a new era for law

Technology continues to have a profound impact on the legal profession, from the way documents are processed to the back-end IT architectures and cyber-security tools ensuring the resiliency and reliability of operations.

Leaders and their teams in the finance function must be open to the radical technological changes that are afoot, as well as alert. In a recent GWI survey, keeping on top of emerging technology and disruption was ranked as one of the three top challenges facing legal finance leaders right now, while **70.2% of respondents are struggling to ensure data security through the introduction of new technology.**

The increased use of technology and software in the legal arena has disrupted many traditional methods of operating within the industry, but also provides opportunities for strategic firms to gain operational advantage. In addition to driving operational efficiency and productivity, technology is increasingly being deployed to improve and streamline billing processes and enable an instant response to client needs, as well as to provide a granular measurement of company performance.

Staffing decisions are particularly important given the high employment costs, and in a large firm, shrewd management can very quickly have a big impact on the bottom line. In this context, technology can be used to trim overhead costs by automating previously manual, routine, and rules-based tasks, allowing employees at all levels to focus on value-adding tasks.

Another strategic option finance leaders can suggest to a firm is to take greater advantage of outsourcing or partnerships with other firms or organizations that can deliver services at a cheaper rate. These opportunities are becoming increasingly available in today's global marketplace, which is an advantage for firms that have the financial and operational expertise to exploit them.

Where technology is concerned, there is a host of vendors able to provide business management solutions with confidence, and at a lower rate than would be expected by building such a solution internally.

While technology may represent a challenge and a potential risk for legal firms, the capabilities of new solutions on the market – underpinned by machine learning, AI, and automation – actually map directly to many aspects of the financial leader's expanding role, from identifying growth areas to mitigating cyber risks and optimizing processes. By harnessing data and turning it into actionable insight, technology can play a major role in all of these functions, easing the burden on employees and helping to deliver enhanced customer experiences.

CLOUD TECHNOLOGY AND MIGRATION ARE GOING TO BE CENTRAL TO THIS TRANSFORMATION.

According to the [ABA 2020 Legal Technology Survey](#):



~41%

of law firms are currently storing data securely in the cloud

This number is set to rise, with firms increasingly moving from traditional, cost-heavy teams of IT and support staff maintaining their in-house data and software centers to more accessible cloud hosting solutions

These solutions can ensure that internal IT resources are more effectively deployed, for high-value tasks like updating security and making systems more robust, while legal teams can take advantage of new tools to save money and time while improving user adoption. Crucial to this is the ability of any new technology to integrate well with existing systems. Tasked increasingly with the introduction and management of new solutions, financial leaders can look to Cloud to help position their firms for growth in several areas – including fees and pricing.

Fees and Pricing

CLIENTS IN THE DRIVER'S SEAT

Today's clients are now in the driver's seat when it comes to shopping for legal services. Clients want to pay less; they want more predictability in legal spending and alternatives to the billable hour. Clients want value and clarity, and alternative fee arrangements have been gaining traction in supporting the value proposition.

In the past, established law firms could often set their own rates and rely on their reputations, or a lack of known options, to drive customers to their door. Today, customers are increasingly demanding, both in terms of service and keeping their expenses down. If they do not get what they want, they will go somewhere else, and with the digital world at their fingertips, they are easily able to find alternative firms. This has led to clients becoming much more assertive in their fee discussions and law firms are being forced to "do more with less." Further, firms must now align their economic interests with those of their clients, and alternative fee arrangements seem to be the preferred strategy.

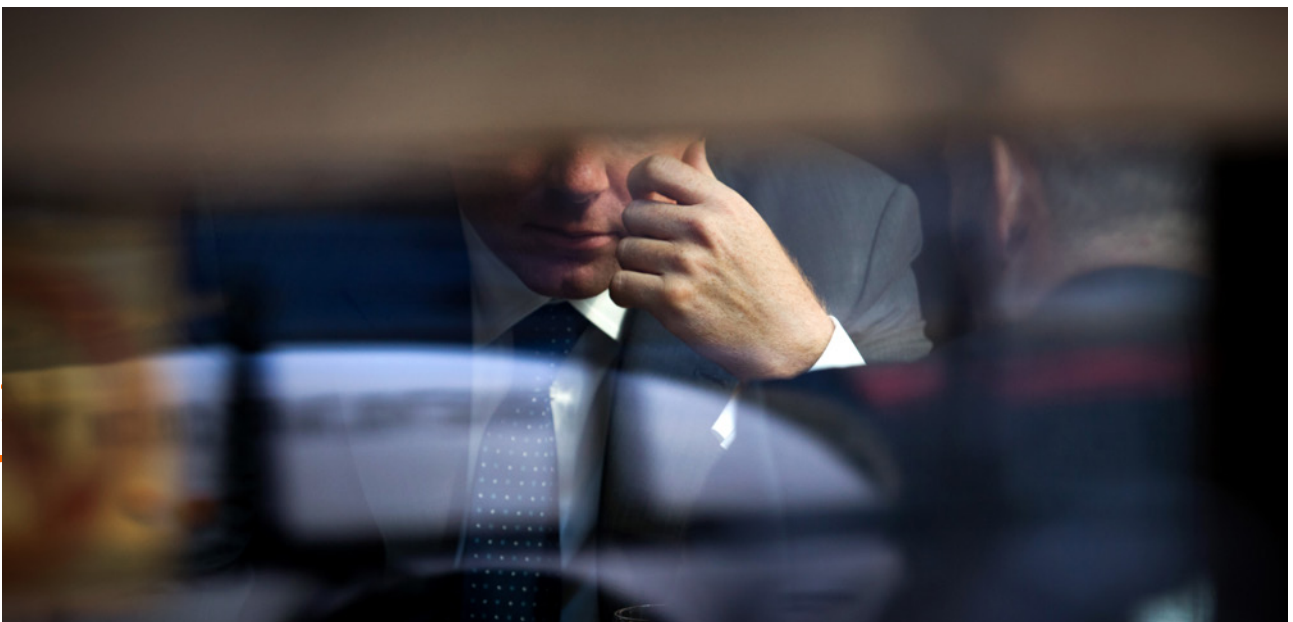
Law firms that see opportunity rather than hardship will reap the benefits, and those firms that recognize alternative fee arrangements to differentiate themselves will outdistance their competition.

In this context, financial leaders will need to be part of an expert team that's focused on ensuring law firms are fully prepared for the rapidly changing business environments of 2021. They must work with the firm to establish creative methods to improve cash-flow levels and enter profitable new markets in order to win the hearts and minds of clients and customers.

By introducing new tools, finance leaders and their teams can help to maximize billable time captured and client-related costs and provide fast and proactive service to clients while maintaining the visibility necessary to ensure the success of alternative fee arrangements.

Again, technology is going to be key as legal firms look to the future, but due diligence is needed to ensure the right solutions are applied.

So how can financial leaders harness the power of technology to get away from the burden of defining what it means to be a financial leader in law right now, and instead focus on embracing their new position as strategic leaders and client revenue drivers?



Take financial and practice management to the next level with 3E

3E is the market-leading enterprise business management solution that connects all critical areas of your law firm. 3E enables firms to drive operational efficiency and growth through its advanced architecture, industry-leading security, and configurable platform available on-premises or in the cloud.

Designed to drive growth and increase profitability in large and mid-size law firms, 3E provides a highly configurable platform with industry-leading security, advanced analytics, and complete mobility – meeting today's needs while enabling tomorrow's growth. It is the solution preferred by law firms to improve performance and connect all critical areas of law firm operations.

3E enables your teams to streamline and automate tasks, drive operational efficiency, and provide fast, proactive service to your clients. Get the strategic visibility you need to make timely, accurate business decisions – with the flexibility and insight your firm needs to gain a competitive edge now and in the future.

3E USE CASES INCLUDE:

- **Gaining complete visibility and control of your firm's financial health**
- **Meeting billing and cash management objectives with robust functionality and tools that help you shorten the work-to-cash cycle, improve time capture, and swiftly create and distribute invoices**
- **Making timely and accurate data-driven decisions, utilizing advanced reporting capabilities, and delivering insights in near real-time**
- **Accessing all business management activities from a single, intuitive user interface for maximum efficiency and insight, including time & revenue management, document management, and key performance indicators, all in a single view**



3E Case Study

FULL-SERVICE FIRM, HOWARD KENNEDY,
DELIVERS IMMEDIATE AND FUTURE
OPERATIONAL BENEFITS WITH 3E

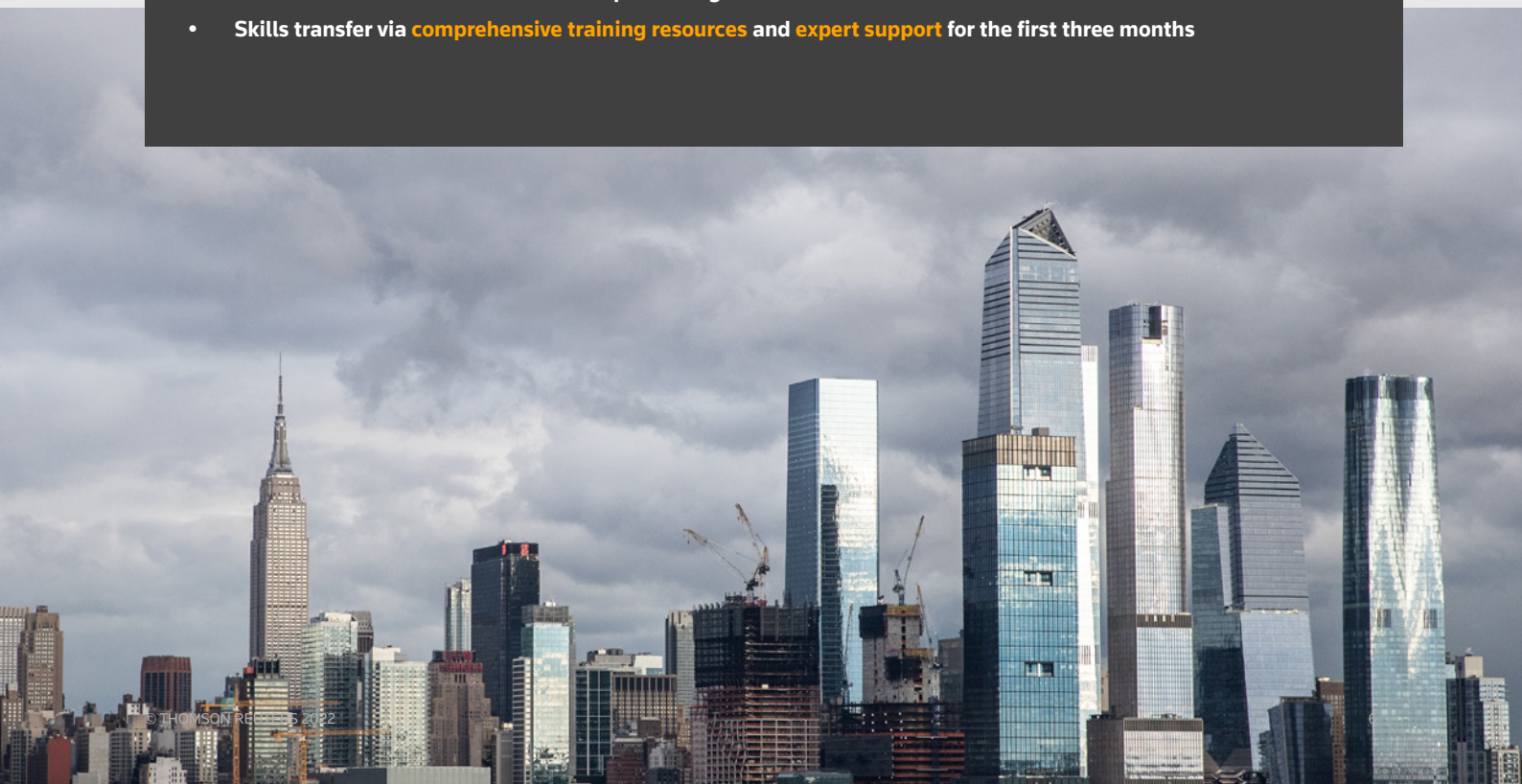
Howard Kennedy chose 3E because they “wanted an IT solution that would be future proof.” With 3E being a configurable platform that has a clear roadmap for future development, it offers a full range of functionality that supports their business needs. It was delivered on time and budget, with full support included. The initial goal, of moving from paper-based processes to digital ones, has evolved to deliver a wider range of benefits.

**“I’m not sure how we’d operate without it!
It’s the perfect solution for a firm of our size.”**

– Paul Roberts,
Chief Operating Officer at Howard Kennedy

3E CLOUD BENEFITS:

- **An open and scalable cloud foundation** – for faster payment, positive cash flow and reduced burden on lawyers
- **Powerful reporting and dashboards** – driving operational efficiency improvements:
 - » Instant, easy access to enhanced real-time information on operations
 - » Detailed insights on specific areas, such as productivity, billing and capacity
- **Sophisticated budgeting and forecasting options** via Advanced Financial Solutions
- **Efficient, secure remote working** – 3E’s benefits were proven when COVID-19 happened six months after launch
- **Platform for agile innovation** – for customizations, upgrades and add-ons:
 - » Financial reporting and time recording
 - » Keeping up with regulatory changes
 - » AI-driven automated document processing
- Skills transfer via **comprehensive training resources** and **expert support** for the first three months



Conclusion

While the stability of legal firms has in the past owed much to the caution and diligence with which they approach innovations and trends, the continually increasing client demands and new competitors facing firms today drive the need for rapid adaptation and acceleration of digital transformation programs.

While the future for financial leaders in law is full of challenges and a broader set of responsibilities than ever, the opportunities and solutions needed to rise to those challenges are already out there. By embracing technology and disruption, finance leaders can take up their new positions as strategic leaders and client revenue drivers with confidence, facilitating both growth and resilience through innovation.

The old ways of working are gone, but the tools are all at hand for financial leaders to position their firms for a bright future; the only thing to do now is to take the next step.



Contact Thomson Reuters to find out how you can utilize 3E to craft a new era for your law firm today.

¹ [Reports Legal](#),
Why CFOs really matter to law firms, 2021