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# Legal Operations: Getting More from In-House Legal Departments and Their Outside Counsel





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# Legal Operations: Getting More from In-House Legal Departments and Their Outside Counsel

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## AT A GLANCE

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Legal departments today face multiple daunting challenges—including rising volumes and complexity of legal work and pressure to reduce costs. To manage these challenges, more organizations are establishing legal operations teams. Understanding what legal operations does—and how—can help legal departments to efficiently deliver measurable business results and their counsel to better serve their clients.

### **WHAT DOES LEGAL OPERATIONS DO? FIVE STRATEGIC ACTIVITIES**

Analysis of legal operations frameworks—as defined by the Corporate Legal Operations Consortium and the Association of Corporate Counsel—in this study indicates that the best legal operations teams excel at five strategic activities: (1) vendor, (2) risk, (3) knowledge, (4) finance/budgeting, and (5) technology management.

### **HOW DOES LEGAL OPERATIONS WORK? FIVE ENABLING LEVERS**

Five levers enable legal operations teams to perform the strategic activities they're responsible for: (1) data analytics, (2) technology, (3) strategic planning, (4) intra- and inter-functional collaboration, and (5) process standardization and optimization.

### **GENERATING MEASURABLE BUSINESS RESULTS**

Organizations that set up an effective legal operations team can reap multiple valuable benefits—including higher quality of legal work, improved resource efficiency, an improved legal risk profile, and better talent retention.

### **BEST PRACTICES AND IMPLICATIONS FOR LEGAL ECOSYSTEM PLAYERS**

The advent of legal operations teams will exert a significant impact on different players in the legal ecosystem. Legal departments will need to determine their strategy. Best practices identified in this study can help. As the customer side is changing, firms, new providers and law schools have to adapt to exploit these opportunities and avoid loss of business.

**L**EGAL DEPARTMENTS TODAY FACE multiple daunting challenges. The volume of legal work needing completion has ballooned. Departments have come under severe pressure to reduce the costs of external legal support. A bewildering array of legal technology applications have emerged, which in-house law professionals must evaluate and determine how best to use. (See our report “[How Legal Technology Will Change the Business of Law](#).”) And legal work itself has grown increasingly complex. Consider: Regulation is on the rise. There are more potential legal scenarios stemming from greater interconnectedness of businesses. And companies must document more internal processes and keep customers informed as required under data protection and other consumer protection laws.

What’s more, many companies no longer view their legal department as a cost center. Rather, they now expect legal to create measurable business value for the organization—in forms such as reduced turnaround time for contracts and clear risk guidelines for entering new markets. To excel in this role of value creator, in-house lawyers must strengthen their understanding of the business, including its strategic objectives and its risk and competitive landscape. They need to align the legal department’s strategy behind the overall business strategy. And they must see their work from their company’s perspective, including its need for simplicity and clarity in legal processes.

Further complicating matters, many legal departments lack insight into data on how money is being spent in the department. As a result, they have difficulty

## ABOUT THE STUDY

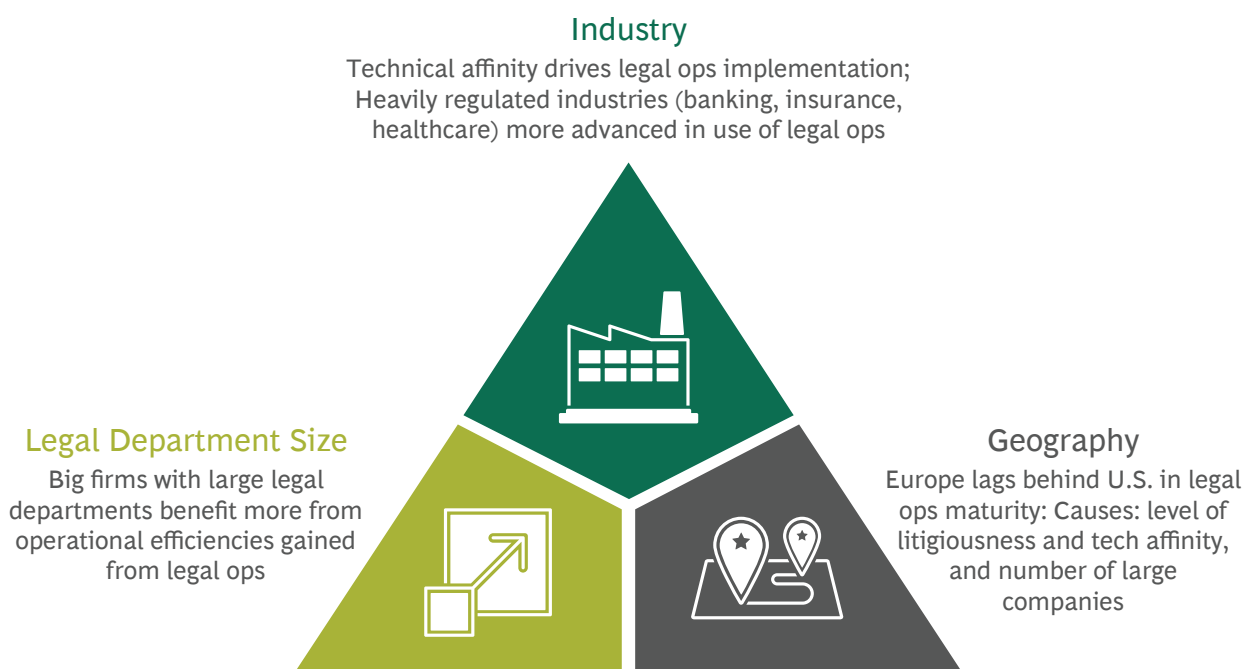
The study, conducted by The Boston Consulting Group and Bucerius Law School, comprised nearly 50 in-depth interviews with general counsels, chief operating officers and chief strategy officers from large law firms, owners and managers of new legal service provider companies, board members of global associations relating to legal operations, and researchers exploring the legal operations market and its impact on legal departments’ operating models.

During the interviews, we gained insights on questions such as why organizations decide to set up a legal operations team, which skills they believe legal operations professionals should have, what’s most challenging about establishing a legal operations function, how those challenges can best be overcome, and what benefits can accrue to legal departments and their organizations by putting an effective legal operations team in place.

determining how best to control rising spending. Lawyers are devoting a startling amount of their time to administrative tasks (such as keeping time records and client billing up to date and communicating with outside counsel), which can come at the expense of service quality. Meanwhile, they’ve come under mounting pressure to get better at identifying, evaluating, and prioritizing risks to their organization. Finally, given the lack of performance metrics and benchmarking data for legal departments, many in-house lawyers are struggling to objectively assess their department’s efficiency.

In an effort to overcome these challenges, an ever-increasing number of organizations are establishing what’s known as a legal operations team charged with improving the legal department’s performance. Maturity in use of legal operations varies with factors including industry, legal department size, and geography. (See Exhibit 1.) However, adoption rates of legal operations teams are on the rise. In one study, among large legal departments (those whose external legal spending exceeds \$50 million per year or that employ more than 50 in-house attorneys), more than 90% had staff dedicated to legal operations. Such departments were also more likely than smaller ones to dedicate additional staff to legal operations. Moreover, roles dedicated to improving legal operations have gained considerable visibility both inside the organizations creating them and in the legal industry itself. This is exemplified by the growth of entities such as the Corporate Legal Operations Consortium (CLOC) and the Association of Corporate Counsel (ACC) Legal Operations group.

EXHIBIT 1 | Maturity of Legal Operations Varies with Industry, Legal Department Size, and Geography



In this report, we draw on findings from a joint study between BCG and Bucerius Law School to shed light on the advent of legal operations. We examine what legal operations teams do, how they can help their company's in-house legal department and the wider organization boost performance, and how organizations can surmount challenges associated with setting up and running a legal operations function. We also present examples of companies from a variety of industries that have scored successes with this effort. And we consider the implications of legal operations trends for diverse players in the legal ecosystem.

Our study findings send a clear message: Legal operations is garnering increased attention, and for good reason. It helps legal departments overcome the daunting challenges facing them, and can transform those departments into even more valuable strategic partners to their organization. Enterprises that have successfully set up a legal operations team are already seeing measurable business benefits—including higher-quality legal work, impressive time and cost savings, and greater ability to retain top legal talent.

## A CASE IN POINT: software AG

Software AG is a publicly traded enterprise software company, with 4,600 employees generating just over \$1 billion revenue per year, based in Darmstadt, Germany. The company was facing a decentralized and suboptimal organized legal spending process, and launched a digitization initiative to address the challenge. A newly established legal operations team in the U.S. was charged with leading the change. Against a backdrop of cost pressure and the requirement to keep the legal headcount constant, the team set out to restructure and standardize the sourcing of external counsel. Simultaneously, it sought to make the quoting process less burdensome for users and improve visibility into the company's legal cost structure.

The team leveraged the company's know-how in software engineering in two initiatives. The first one introduced an efficient legal-spending management system using a company-wide database. The team identified current law firms and other external legal service providers used by the company, and imported the information into the database. Then it evaluated the providers, focusing on quality, reliability, and responsiveness of each. This work laid the founda-

tion for transparent and centrally organized management of all legal spending. The second initiative, led by members of the legal operations team and involving both lawyers and software engineers, developed 12 self-service apps for different tasks and business units. The apps were deployed on a recently acquired cloud platform and supported by technology provider ESCRIBA.

These efforts paid big dividends. Budget predictability improved by over 50%, and spending on alternative fee arrangements decreased by 50%. Software AG estimates that virtual savings through use of the apps have exceeded \$3.3 million, and that licensing the apps to other companies could generate fresh revenue. The company also now had a standardized way to assess the value delivered by legal service providers and firms. And finally, thanks to new transparency into Software AG's legal cost structure, discussions about cost were much more informed by data than by intuition.

The upshot? Businesses, in-house legal departments, law firms, new providers and legal educators can't afford to ignore this subject. In today's shifting legal-advice landscape, winners as well as losers will emerge. To avoid being left behind, legal departments and their organizations must be willing and able to reconfigure their operating model to include a legal operations function that delivers the promised advantages. And law firms and other service providers have to adapt to the advent of legal operations to ensure that they continue providing valuable advice to their clients.

## SPOTLIGHT ON CLOC AND LEGAL OPERATIONS

CLOC's model of legal operations competencies comprises three different layers: foundational, advanced, and mature. This division allows legal departments to assess their maturity and can be used to track advancements in the process of legal operations adoption.

See <https://cloc.org/what-is-legal-operations/> for a more detailed description.

A similar framework from the ACC is available at <https://www.acc.com/legalops/>. In addition the ACC provides a Maturity Model Toolkit at <https://www.acc.com/maturity>.

### Foundational Level Competencies

- Financial Management
- Vendor Management
- Cross-Functional Alignment
- Technology & Process Support

### Advanced Level Competencies

- Service Delivery & Alternative Support Models
- Organizational Design, Support & Management
- Communications
- Data Analytics

### Mature Level Competencies

- Litigation Support & IP Management
- Knowledge Management
- Information Governance & Records Management
- Strategic Planning

## What Does Legal Operations Do? Five Strategic Activities

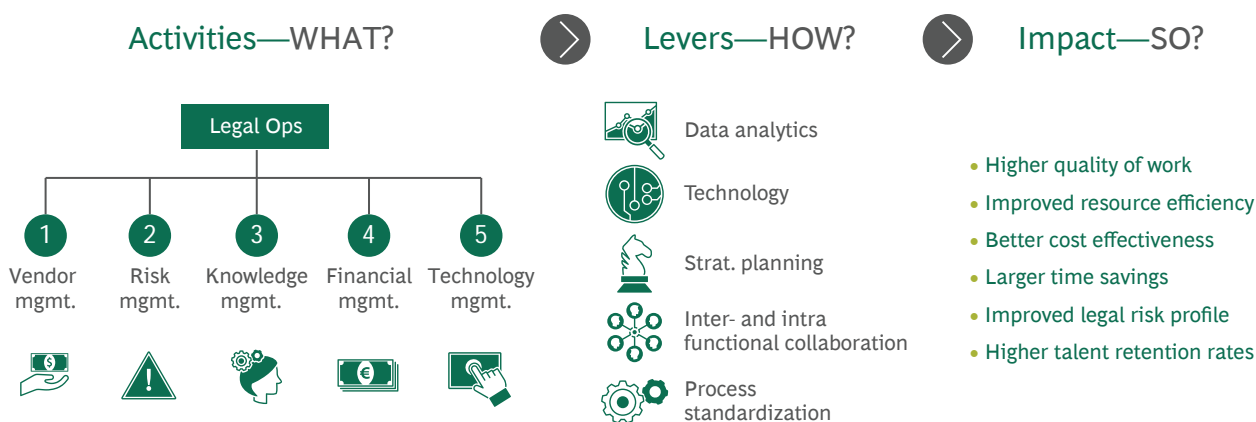
The Corporate Legal Operations Consortium (CLOC), an industry association whose members include legal operations professionals from around the globe, defines legal operations as “a multi-functional discipline that optimizes legal services delivery to a business or government entity by focusing on twelve core competencies.” (See “Spotlight on CLOC and Legal Operations.”)

The Association of Corporate Counsel (ACC) Legal Operations section has done similar work on the subject of legal operations. Specifically, it has developed a Legal Operations Maturity Model Toolkit that offers a different perspective but contains largely similar competencies, and that provides examples for each in three different stages of development: early, intermediate, and advanced.



Using these entities’ understanding of legal operations as a starting point, we aim to view legal operations through a narrower lens in this report. Specifically, we seek to carve out the strategic activities most crucial for successful implementation of a legal operations team and to identify the competencies primarily associated with this effort. In this regard, our report can serve as an introduction to the field for readers seeking to deepen their understanding by exploring materials published by the CLOC and the ACC.

## EXHIBIT 2 | Legal Operations Teams Perform Five Strategic Activities, Enabled by Five Levers



Our interviews with numerous legal operations professionals revealed that the best legal operations teams excel at five strategic activities (the “what” of legal operations), and that these activities are collectively enabled by a set of five levers (the “how” of legal operations). (See Exhibit 2.) With this framework in mind, let’s take a closer look at the strategic activities first. We’ll then turn to the levers.

### VENDOR MANAGEMENT

A legal operations team manages the procurement of external legal services from vendors when needed. These include services from law firms (such as contract drafting or litigation), from new legal service providers (for instance, contract management or interim staffing), and from providers of legal technology solutions (for handling tasks such as contract analysis or documentation generation).

Vendor management comprises numerous tasks. Examples include setting up structured bidding contests, creating and monitoring service-level agreements, and co-governing firm-wide legal purchasing with other procurement teams. Vendor management also includes establishing and enforcing purchasing guidelines on matters such as legal fees, conflicts of interest, client confidentiality, communications with external law firms, and vetting of law firms from which legal services must be purchased. Ensuring billing accuracy and assessing the quality of external legal services round out the vendor management picture.

## **RISK MANAGEMENT**

An effective legal operations team enables the centralized monitoring of a company's legal risk exposure and ensures that the entire legal staff complies with company policies. The team develops and deploys reporting and real-time risk monitoring tools to identify, analyze, and measure the company's risk across all business units. To perform this work, in-house lawyers must be relieved from recurring tasks so they can provide accurate risk assessment of individual cases.

Legal operations may also be responsible for creating a legal risk management framework focused on quantitative risks. These may be associated with a certain activity or event; for example, a change in legislation, the damages a company would have to pay should a certain clause in a standard contract be void, or the potential exposure if a service provider were to go bankrupt. Moreover, legal operations may advise other business units, such as sales or accounting, on how to proactively manage specific legal and operational risks.

## **KNOWLEDGE MANAGEMENT**

Most in-house legal teams have systems for managing knowledge crucial to the work they do—such as information on changes in legislation and current case law and court rulings, as well as templates for contracts or individual clauses. Such systems can also include information that is important for and relevant to the organization's performance and strategic planning—for instance, market insights and key performance indicators (KPIs) about the business including revenues, costs, and profitability of different parts of the business. When lawyers and legal operations team members can easily and quickly locate company-related information, they can make more effective use of the strategic planning and collaboration levers (described below).

But such a system may be infrequently used if an organization lacks clear processes and incentives for doing so. In such situations, organizations miss out on the much-needed advantages that knowledge management systems can offer—including efficiencies and improvements in legal service quality.

For example, the systems enable in-house attorneys to quickly find the information they need, when they need it, and to ensure that it is correct. From there, they can use the information to make decisions. As just one illustration, if the knowledge-sharing platform reveals that a legal issue has been handled in the past by an external law firm, in-house lawyers might realize that they do not have to hire another outside attorney to resolve it.

Use of the platform can help legal operations ensure that the in-house legal department remains up to date on current and future legislation. Moreover, the data made available enables lawyers to base their legal opinion on facts rather than intuition alone. Such data may include the facts of cases; legal knowledge such as internal guidelines for litigation strategy, court decisions, and statutory provisions; and combinations of facts and law such as contract provisions or enforceable titles.

Legal operations can help the organization develop, implement, and enforce processes essential for feeding information into the knowledge management platform and can maintain and refurbish the platform as needed. Toward these ends, the team may set up a centralized repository of information for legal documents and legislation. The resulting knowledge-sharing platform fosters collaboration and enables lawyers to systematically review, store, and provide data on former external legal advice—such as legal memoranda, written pleadings, and other types of correspondence with external law firms.

The legal operations team can also use the organization's knowledge-management system to support best-practice sharing across the organization. Such sharing can cover areas such as legal strategies, the most effective use of legal tech, and the best law firms and new legal service providers for specific legal issues.

### **FINANCE/BUDGETING MANAGEMENT**

Good legal operations teams excel at preparing and compiling the legal department's budget and financial planning documents. For example, they create and maintain financial KPIs for the legal department such as spending on outside counsel and technology, number of concurrent lawsuits, and turnaround time for contract approval. They may also gather and monitor performance data to measure the efficiency of in-house lawyers; for instance, tracking the number of legal matters and contracts handled annually by the legal department (versus by outside counsel). They might use the resulting insights to weigh questions such as whether the company should drive more legal work to internal resources, and if so, which work, and to whom. Analysis of data on internal counsel's performance can shed light on whether the company can get more value from having particular in-house attorneys respond to certain kinds of legal matters.

In addition, legal operations allocates legal costs to business areas, engaging in financial forecasting and budget review with management. The team's goal is to align the legal department's resources behind the company's overarching financial strategy. Last but certainly not least, legal operations compiles financial reports for the in-house legal department—regularly or at the request of the general counsel or his or her superior.

### **TECHNOLOGY MANAGEMENT**

Knowledge of and familiarity with legal technology is becoming a prerequisite for members of legal operations teams. These professionals monitor recent developments and trends in the legal-technology market. They also coordinate the evaluation of such technology and may procure off-the-shelf solutions—such as for e-billing, contract management and analysis, and dashboards for assessing the legal department's effectiveness in areas such as financial performance and risk management.

The legal operations team then manages implementation of the new technology, coordinating with stakeholders in the legal department and elsewhere in the organization. Given the link between data and technology, and the costs and implementation challenges related to both, the legal operations team must interface especially closely with the general counsel as well as experts in IT, account-

ing and finance, and HR to ensure that newly implemented legal technology solutions deliver the intended benefits. A good relationship with IT is particularly crucial for managing the costs, complexities, and challenges of electronically stored information and electronic discovery matters. On the moneymaking side of the business, legal operations may also need to ensure smooth integration of new legal technology solutions with the company's sales function.

As part of this process, legal operations determines the requirements for new tools. It also handles test runs, manages the implementation process, and evaluates the legal department's use of technology. The goal? To ensure that technology solutions are used in the most effective way to improve efficiency of the legal department's daily operations.



## A CASE IN POINT: thyssenkrupp

thyssenkrupp (tk) is a German multinational focused on industrial engineering and steel production. Its legal department, comprising 211 employees, had identified several challenges and improvements urgently needed. These included a decentralized approach to outside counsel management without a consolidated database for legal spend, inconsistency in legal documentation across the company's regional offices, an absence of company-wide guidelines on the use of external counsel, no global mechanisms for assessing the performance of legal staff and external counsel, and missing alignment of legal and risk reporting. The tk's Group General Counsel's objective was to implement standardized, global processes and to reduce cost.

The company established a legal operations team consisting of three lawyers who had experience in the fields of controlling, accounting, and financing, who together formed a unit affiliated with the

central legal department. As for any change process, the implementation of a legal operations team was originally viewed with skepticism by some of the legal colleagues about the potential of positive impacts on the work of legal in the various businesses. The implementation of user friendly processes and tools as well as globalized outside counsel management helped to build a positive view.

The effort paid big dividends: Implementing a fixed panel of law firms, tk's legal operations team was able to lower these firms' fees on a case by as much as 20% on a per-case basis. In addition, a Global Risk Reporting and a Global Quality Management System was established. Finally, a company-wide budgeting process for legal spend made sure that ThyssenKrupp's legal and overall financial strategies would remain aligned.



## How Does Legal Operations Work? Five Enabling Levers

Clearly, the strategic activities described above are complex and demanding and require a diverse array of skills and knowledge. For this reason, setting up a team to handle these responsibilities is a wise choice for most organizations. And as noted earlier, our study findings point to five levers that, together, enable legal operations teams to carry out these strategic activities. Below, we examine these levers in greater detail.

### DATA ANALYTICS

Effective management and interpretation of data is crucial for understanding and mitigating an organization's exposure to legal risks. It is also essential for enhancing a legal department's performance, as measured by indicators such as service quality and cost management. Such data includes judicial rulings, legal precedents, and interpretations of legislation, along with information on contracts and prior litigation. Additional data relate to operations in the legal department itself—such as legal spending, time spent on different tasks, project progress, and performance metrics from outside counsel. For in-house clients, data could include communications related to a particular case or findings from risk-assessment tools.

Accordingly, exceptional legal operations teams build a sustainable data infrastructure. This infrastructure comprises technology and procedural guidelines for collecting data (by creating it or by tapping into existing data pools). Additional tasks include cleaning and processing the data, as well as depicting it visually according to the legal department's or general counsel's needs.

An effective data infrastructure makes more data available for analysis and interpretation. By identifying patterns in the data (such as particular applications of certain statutes by individual judges or the actions of opposing counsel or competitors), legal operations can glean insights useful for managing risks and opportunities facing the company. For instance, the team could develop a forum-shopping strategy that leads to a higher volume of successful litigation.

The legal operations team also integrates this data infrastructure with systems in the organization's IT and risk departments. That way, legal operations experts, in-house lawyers, and professionals from IT and risk can swiftly identify the sources of specific risks and craft the right mitigation strategies for each.

Data should be stored in a structured format—that is, clean, clearly labeled, and easy to access. Such data makes it easier for legal departments to define and monitor KPIs to measure the legal department's efficiency and possibly to gain insights into its effectiveness. In addition, savvy use of data analytics improves the quality of legal work. How? It enables attorneys to base legal argumentation on a comprehensive and accurate set of facts. It also helps lawyers make business decisions such as which legal firms to hire, which clauses to include in a contract, and whether to review a slightly modified standard contract handed in from the sales group for approval.

## TECHNOLOGY

Technology as a lever differs from technology management as a strategic activity. As a lever, it centers on two things: (1) using automation to reduce the amount of time that attorneys spend on legal tasks and (2) enabling legal departments to tackle the complexity stemming from high volumes of interdependent transactions that would otherwise lie beyond human control.

To get the most from this lever, legal operations teams must identify processes and tasks that are ripe for automation and then proceed with implementation. Processes and tasks that lend themselves to automation first are those that add little to no business value, such as filing of contracts and drafting of standard letters. For instance, document-automation software abstracts users from the underlying legal language of a document template and instead presents them with a questionnaire that collects relevant data and guides them through the document-creation process. Using the input provided, the software then inserts the appropriate data and elements of the master template into the final document and returns the document to the users.

Automation also makes it easy for business units throughout the organization to gain access to and create legal documents they need (such as new contracts, non-disclosure agreements, and standard employment contracts). Business units can create such documents without having to repeat work or interact directly with members of the legal team. As a result, documents are prepared with a higher level of legal quality, faster, and at lower cost and risk. Consistency (and therefore legal certainty), along with time saved by in-house lawyers, count among the most important benefits. Automation systems also track user interactions, thus generating data that can be used to enhance documents in the future.

As noted, a key benefit of legal technology is its ability to help legal departments manage the increased complexity generated by the immense rise in the quantity of legal procedures, along with their interdependence. Technology solutions supporting processes such as e-discovery, along with automatic or built-in tools that assure compliance with complicated regulatory requirements, are particularly useful. Companies that make smart use of such technology can ensure that individuals throughout the organization, in all its global operations, comply with the growing number of rules and regulations characterizing today's business world. Such organizations can also handle as many as millions of documents in discovery or antitrust proceedings.

Legal-tech solutions that support activities such as contract management, document assembly, billing, and project management also help in-house lawyers to break down complex tasks (such as data analysis and risk identification) into smaller, more manageable steps. They can then assign each step to the person who can handle it in the most cost-effective way and with the highest quality. For instance, low-risk and less complex tasks can be assigned to legal service providers or can be automated, while complex legal tasks can be handled by in-house lawyers or external law firms. Legal technology solutions can also solve some problems without requiring human interaction—such as confirming an individual's identity or power of attorney with a company register.

## **STRATEGIC PLANNING**

Legal departments are operating in a period of unprecedented change. Therefore, legal operations teams need to craft and implement mid- and long-term strategic objectives for the legal department that align with the high-level corporate strategy and other business functions' objectives. To do so, the teams must understand the organization's bigger strategic picture. For example, if a company plans to expand into particular markets, legal operations would assess implications for the legal department. These might include whether the department will need a team of regional lawyers versus having the work done from headquarters, and how the expansion will affect the legal budget.

Legal operations may also develop a general risk strategy. For example, during times of aggressive growth for the company, contracts characterized by more risk for the company could be deemed acceptable. Legal operations is ideally suited to develop and implement the specifics of such a strategy and to make decisions on questions like how aggressively to negotiate particular contracts, depending on the company's strategic goals.

To engage in strategic planning, legal operations defines a vision of what the organization's legal department will need to look like in the future to meet the changing needs of the business. As a case in point, a strong mission statement for the legal department will reflect the organization's wider strategy and take into account what business results the department can realistically deliver to the organization through its skills and competencies. Strategic planning for the legal department also includes evaluation of possible strategic options. Examples include whether to automate certain processes, hire new lawyers, or rethink the balance of in-house versus outsourced legal work.

Another way a company can extract strategic value from a legal operations team is to have the team continually monitor whether strategic goals will likely be reached during the timeframe the plan covers. If it seems that a goal may not be attained, legal operations can find alternative solutions, such as commissioning the help of external service providers or extending timelines as required.

## **INTRA- AND INTER-FUNCTIONAL COLLABORATION**

Operating a legal department in which lawyers collaborate effectively throughout the organization is no small feat. To support this effort, members of the legal operations team must excel at communications. Specifically, they have to ensure that communications (including content of legal documents) meet the organization's standards and policies. The team can operate as the primary legal contact, or centralized hub, for company-wide communications about legal matters. It should also improve communications (digital and physical) within the legal department itself to boost efficiency.

In addition to excelling at communications, effective legal operations professionals know how to bring people together. They foster a sense of shared ownership of intra- and inter-department projects. And they learn what challenges and opportunities are facing other teams, business units, and departments throughout the enterprise.

To perform these activities—all of which fuel good collaboration—legal operations team members can meet with the company’s legal teams around the globe to share current local priorities and discuss trends in such areas as client needs and use of legal technologies. They may also describe their experiences with implementation of legal technologies, along with process improvement efforts and project management approaches. Using insights gained from these interactions, they generate ideas for refining their legal department’s operating model and business processes to run more efficiently.

Equally important, the legal operations team fosters collaboration with non-legal departments in the organization—such as risk management, finance, tax, and marketing. Such collaboration helps the legal department to gain visibility within the organization. It also facilitates data and information exchange. And it ensures that the legal department remains up-to-date on important developments on the business side.

By forging these intra- and inter-functional links, legal operations breaks down the silos that all too often characterize large and even medium-size organizations. As a result, the legal department gains recognition and respect among other parts of the organization. The processes and strategies that legal operations can provide are approved and accepted more quickly. Equally vital, trust among departments increases throughout the business, so legal problems are identified and dealt with promptly.

#### **PROCESS STANDARDIZATION AND OPTIMIZATION**

Standardization and optimization are prerequisites for the automation of processes related to legal work. To that end, a good legal operations team is skilled at reviewing existing processes and determining which should be standardized and optimized. The team also takes ownership of process improvement overall in the legal department. Team members examine workflows throughout the department, identify bottlenecks and other problems that erode process efficiency and effectiveness, and redesign or create new processes as needed to eradicate such problems. By using recognized methods of process improvement and management (such as Lean and Six Sigma), legal operations can exert a measurable impact on process performance in the legal department.

### **Generating Measurable Business Results**

Findings from our study indicate that organizations which establish an effective legal operations team can reap a number of important benefits. Below, we explore key impacts cited by our study participants.

#### **HIGHER QUALITY OF LEGAL WORK**

Setting up a legal operations team leads to better-quality legal work because it enables in-house lawyers to focus on core legal activities rather than operational tasks such as project and contract management, accounting, payroll, and vendor management. This is because the legal operations team uses technology to provide lawyers with access to timely data (such as millions of case dockets and legal documents). Lawyers can use this factual and legal information to make choices



reflecting the latest legislation. In addition, lawyers can spend a portion of the significant time saved by a legal operations team to scan the horizon for trends. Armed with insights from this scanning, they can anticipate changes in legislation or interpretation by courts, and identify possible implications for the organization.

#### **IMPROVED RESOURCE EFFICIENCY**

A good legal operations team enables its organization to use legal resources more efficiently, and thus achieve cost and time savings. By differentiating important from unimportant tasks and prioritizing the most crucial ones, the team helps in-house lawyers to focus their time, energy, and expertise on legal work that has the highest value for the organization. Examples of higher-value work include case-specific tasks that require legal judgment and a relationship (such as between an in-house lawyer and someone else within the organization), drafting of a complex and highly deal specific clause, participation in lengthy settlement negotiations, and preparation of an extensive briefing for the general counsel in a board meeting. Process automation can be used for low-value-added, repetitive, or easily standardized administrative or operational tasks.

Legal operations teams also swiftly assign legal issues to responsible lawyers, accelerating response time from the legal department. Consequently, more revenue-generating transactions can be performed within a particular timeframe, with results that go straight to the company's bottom line.

Then there's the cost and time savings front. Skilled legal operations professionals can help their organizations capture savings by outsourcing legal matters to large law firms only when the in-house team cannot perform the work more efficiently themselves. They can also identify the most favorable offers from external service providers. Additionally, these professionals assign routine, low-risk, and high-volume work (such as document review) to less-expensive law firms or lower-priced new legal service providers. Consequently, lawyers can devote the lion's share of their time and expertise to more complex, higher-value-added work.

Our interviewees cited impressive examples of quantifiable improvements on this front. These included annual legal cost savings of roughly 5%, reduction of contract turnaround time in legal departments by about 50% (from 7 to just 3.5 days), improvement of budget predictability by around 50%, and a decrease in spending on outside counsel by up to 30%. In addition, legal operations teams were able to significantly increase the amount of legal matters handled per lawyer. Thereby they could contribute directly to the company's revenue.

#### **IMPROVED LEGAL RISK PROFILE**

An effective legal operations team helps to improve an organization's legal risk profile in three ways. First, team members quantify legal liabilities for different scenarios, such as the loss of all existing lawsuits or the introduction of unfavorable legislation. Second, they identify financial exposure to law firms and new service providers, such as what would happen if a provider became insolvent. Third, they use on-demand reports and (in the most advanced cases) real-time

reporting to track the degree to which people throughout the organization are complying with regulatory and legal requirements.

As just one illustration, a risk-mitigation system could cross-check payments coming from the accounting department against contractual obligations, to see whether people are using money for bribes. An especially sophisticated system could be based on Internet of Things technology, where data on compliance of not only people but also machinery is tracked and fed into reporting tools.

## A CASE IN POINT: BT

BT, a £20+ billion telecommunications company, faced a number of challenges. The company had launched a transformation program for its entire cost base and service model, and the legal department was expected to contribute to the effort. While the quality of legal services was high, the delivery model was business-unit specific, not simple, and not scalable. BT's legal department needed a single vision and strategy, and was missing overall KPIs needed to assess its performance. Additionally, owing to inconsistent reporting of financial data, in-house lawyers were struggling to properly manage external spend and therefore control total legal costs.

To overcome these hurdles, BT's legal department, which comprised nearly 500 lawyers, established a 13-person legal operations team. The new team defined a strategy for the department, managed its budget, and provided consistent data for the entire department. In a vendor and system management program, the team heavily relied on new providers such as Axiom, Halebury, Elevate, and NewGalaxy to manage volume commercial work. Use of such providers enabled the in-house legal team to focus more sharply on complex work that law firms had previously handled.

To gain the in-house lawyers' trust, members of the legal operations team initiated small, frequent transformations. For instance, they introduced a standard method for calculating the total cost of legal services for BT. And building on the concept of self-service, they developed a document-genera-

tion tool, based on Sharepoint, for business units to use, to relieve the law department from this work. By starting with smaller projects and then moving to broader projects and initiatives, the team was able to prove that it had the legal department's best interests at heart. The team also emphasized the importance of support from top leadership. This was based on the notion that improvement ideas would be encouraged from the C-suite but should also come from and be implemented by lower levels in the organization. Finally, legal operations actively promoted a culture of encouragement, support, and ability to do things differently in the legal department. For example, it recently established a change-management function, sought to promote career paths for lawyers across multiple teams, and reallocated and prioritized budget and resources into high-impact legal areas such as anti-trust law and data privacy.

These efforts unlocked impressive new value for BT, including savings of approximately £6 million in 2017–2018 and improved quality of legal work as a new counsel management team drove consistent scoping and definition of external projects. Now, BT's legal department deploys technology tools to manage demand and work in high-volume areas. Moreover, an explicit and consistent information management system ensures that everybody has the same information when they need it. In total, BT now knows what its legal department does and how much it costs, and the company has the information needed to determine where it wants the legal department to be on these fronts in the future.

## BETTER TALENT RETENTION

Organizations that implement a legal operations team set the stage for enhancing job satisfaction among their most valuable attorneys and other legal staff. That's because these professionals can concentrate on more challenging work that calls for their specialized knowledge and expertise. Greater job satisfaction leads to higher retention of talent. The resulting staff continuity minimizes disruption in the overall business. Equally important, it helps the organization avoid the heavy costs of replacing talented lawyers who defect.

## Setting up a Legal Operations Team: Keys to Success

When we asked our study participants what they saw as the secrets to successfully implementing a legal operations team, they offered a number of suggestions. Perhaps most foundational, they emphasized that senior management (ideally, the general counsel or the board member he or she reports to) needs to sponsor the new legal operations team. They also pointed to the importance of understanding the common challenges that organizations face in implementing a legal operations team. This understanding can help legal departments and organizations anticipate the difficulties and take steps to overcome them. (See “[Understanding Implementation Challenges](#).”) Additionally, our study participants strongly advised reaching out to organizations that have set up best-in-class legal operations functions and that faced similar implementation challenges. Conversations with such exemplars can shed light on how they tackled those challenges, and can point to valuable lessons offered by their successes and setbacks. Networking within organizations such as CLOC and ACC can further support ongoing learning.

Companies can also establish a sense of ownership for legal operations by designating someone full-time to the work and designing a strategy for building a full team. What's more, it's crucial to earn in-house lawyers' trust early, by forging positive relationships with other members of the legal department. Key behaviors include listening carefully to their concerns and needs, and making it clear that legal operations is there to help them perform even more effectively in their jobs, not to replace them.

Instead of a big roll-out of the new function and its systems and processes, our study participants also advised effecting the change one small step at a time. To illustrate, legal operations can identify “pain points” in legal processes and workflow that are most frustrating for the legal department and most easily and quickly vanquished without a system-wide overhaul. The team can make these improvements, showcase the results, and gradually take on improvement efforts that require more support from other members of the legal department and bigger investments. This approach is helpful for avoiding overwhelming legal staff. And the early, easy successes can build momentum for larger change later—further winning in-house lawyers' trust.

Once the new legal operations team has been in action for a while, members should take time to prove the value of legal operations to the legal department. For example, they can cite benchmark metrics and relevant data, such as cost savings or reductions in cycle times for specific legal processes.

## UNDERSTANDING IMPLEMENTATION CHALLENGES

### Challenge

### Consequences

Lack of legal education in leadership



Leaders at the executive level who lack a legal education are unfamiliar with legal issues and the ideal organizational structure of a legal department.

Thus they aren't aware that they need to prompt professionals in their organization's legal department to stay current with the latest innovations, including legal technology.

Possible skepticism among in-house lawyers



If lawyers are skeptical of change and conservative in their attitudes, they may resist the idea of setting up a legal operations function.

If lawyers are concerned that legal operations team members will over-rule them, they might worry about losing autonomy, which could further stiffen their resistance.

Operational fragmentation



Companies that have operations around the globe find it particularly difficult to set up a centralized legal operations function while providing their regional offices with sufficient autonomy.

Diverse businesses, operating in a rapidly changing legal landscape across multiple jurisdictions, must be involved in the process—making implementation highly complex.

Rapid development of technology



Legal technologies keep changing quickly, making it difficult for organizations to stay up to date and adapt to the changes.

Tech solutions that do get adopted may become obsolete soon after they have been implemented.

Difficulty standardizing legal content



Standardization of legal work is often seen as more challenging in legal departments than in accounting or finance departments, owing to the complexity of legal content (for instance, it may involve multiple jurisdictions and areas of law, depending on the business involved).

Such perceptions make it harder to enact change, and lawyers may worry that if standardization leads to errors in assessing compliance with changing regulations, the consequences are more severe than losing money; they could include loss of license to operate, or jail time for offenders.

View of legal as a cost center



In many companies, the legal department has not been set up as an operative business unit with a profit-oriented, revenue-generation mindset.

Instead, it is regarded as a cost center, a traditional view that gives the organization no incentive to invest in building a legal operations team.



## Implications for Legal Ecosystem Players

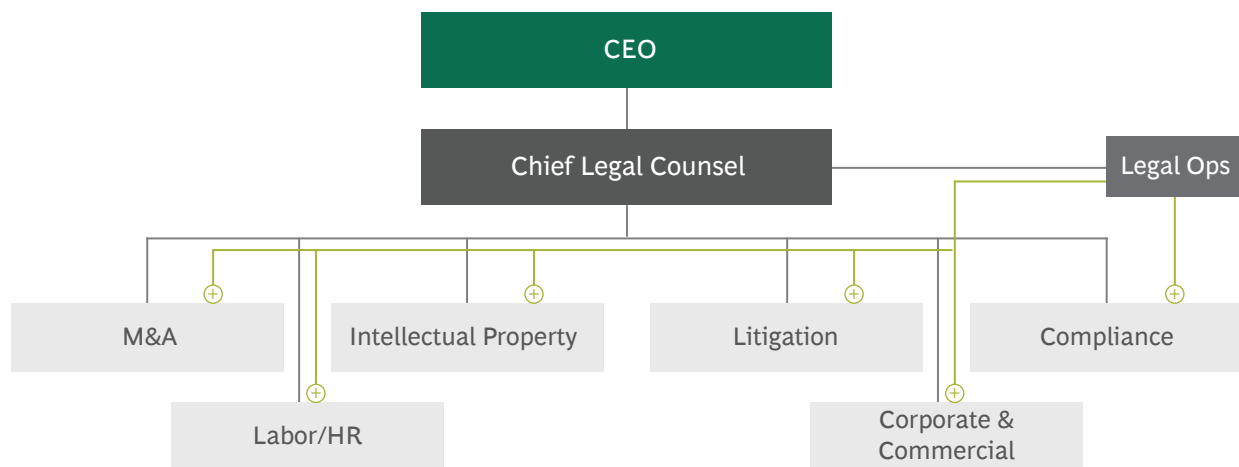
As forward-thinking organizations increasingly establish legal operations teams to capture the benefits on offer, the trend will exert a significant impact on different players in the legal ecosystem. These include in-house legal departments, new legal services providers, law firms, and educational institutions.

### IN-HOUSE LEGAL DEPARTMENTS

A legal operations team can benefit all types of legal departments—though (as noted earlier) the larger and more complex the department is, the more importance and value legal operations has. Smaller legal departments may not have the resources required to designate a full-time position for managing legal operations. Still, we would advise them to formally allocate legal operations responsibilities to an employee if possible. Hiring someone full-time, however, isn't always necessary (and it may not be sufficient). That's because many different factors come into play that aren't related to a legal department's size—such as acceptance, leadership support, and access to resources.

A legal operations team's powers and structure will also vary depending on how the organization's in-house legal department is structured. A case in point is a decentralized department comprising generalists assigned to the business units. In such a configuration, legal operations team members will be unable to promote cross-team collaboration and centralize tasks such as vendor management, accounting, IT, and knowledge management. As a result, they will have little opportunity to achieve significant cost savings and efficiency gains. To generate

EXHIBIT 3 | Embedding Legal Operations in a Centralized or Matrix Legal Department Delivers the Most Value  
Legal department highly centralized with six legal functions



A legal operations function embedded in a centralized legal function facilitates intense collaboration with lawyers.

Besides allowing lawyers to build expert knowledge in their chosen area, legal operations' optimization efforts are of benefit to the entire legal organization and staff.

Source: BCG case experience.

maximum value, a legal operations team needs to achieve economies of scale. It can do so by eliminating inefficiencies where possible, designing department-wide processes, and rolling out software. It is difficult to achieve such scale when the organization has a decentralized legal department.

Organizations can get more value from legal operations by embedding the team in a centralized legal department. Another good alternative is a matrix structure that combines centralized elements (such as a legal team under the general counsel's direct control) with decentralized elements (for instance, legal teams embedded within business units or departments). (See Exhibit 3.) A centralized or matrix structure makes it easier to align the legal operations strategy with the company's general operating model. As a result, the organization will be more likely to adopt legal operations and to support execution of the legal operations strategy.

Regarding the composition of legal operations teams, our survey findings suggest that this varies considerably across jurisdictions and industries, with no clear preference visible in our interviewees' responses. Some teams comprise lawyers only or professionals who bring a mix of educational backgrounds.

When asked about the ideal educational background and skill set of a legal operations professional, our interviewees' responses revealed two schools of thought. Some believe that most lawyers lack the entrepreneurial spirit and fundamental skills essential for getting maximum value from legal operations. Others opined that every legal operations team needs a lawyer who can interact with other lawyers as equals and thereby increase in-house attorneys' acceptance of the legal operations team.

But our study participants clearly believe that educational background matters far less than actual skills. Indeed, they cited experience with legal tech/IT, business and finance, process management, and project management as especially vital capabilities. Their responses also suggest that "softer" skills in areas such as change management matter just as much as technical, "harder" skills. These include the ability to build trust, communicate, lead others, and solve problems. Still, our interviewees maintained that a legal operations function should include at least one person who understands from personal experience how legal departments operate, including how work flows through them.

#### **NEW LEGAL SERVICE PROVIDERS**

The evolution of legal operations will likely spur further growth among companies that specialize in providing legal services including document review, contract management, and e-discovery. The reason: legal operations teams in legal departments and in big law firms will likely channel more of their routine, low-risk, and high-volume work to these providers. (See Exhibit 4.) What's more, with a well-running legal operations team, some tasks that previously seemed bespoke can be unbundled into less-bespoke parts and then given to new legal service providers to handle. This development could help these providers move up the industry's value chain.

New service providers specializing in offering operational services for legal departments and big law firms are also on the rise. Such services may include strategic planning, budgeting and financial planning, vendor management, and legal technology strategy. Some of these providers focus on additional aspects of legal consulting for corporations. For instance, they may help clients establish outsourcing infrastructure such as service centers in places with lower labor costs, provide outside counsel profiling and assessment, and assist clients with determining the right organizational structure for their legal department.

#### EXHIBIT 4 | Legal Operations May Drive Further Growth for Alternative Legal Service Providers



#### BIG LAW FIRMS

Legal operations makes it easier for clients to measure quality and track efficiency of their counsel. As in-house departments generally become more cost-aware, big law firms will likely feel some of the pressure of their clients passed on to them. Additionally, operational excellence within an in-house legal team makes unbundling of legal advice easier and could help new legal service providers to gain market share by providing less expensive services. This poses a serious risk to big law firms' profitability.

However, the rise of legal operations could also present a major opportunity for big law firms to grow their revenues and sharpen their competitive edge. In particular, law firms that employ people who can talk with and understand the needs of their corporate clients' in-house legal operations teams can provide better traditional legal services. Law firms that have legal operations professionals are especially well positioned to understand the challenges and responsibilities

facing their corporate clients' legal operations teams. Moreover, they can well appreciate the importance of optimizing delivery of legal services.

Big law firms may also be able to advise clients' legal departments on their operations. This new advisory capability may help firms further strengthen their competitiveness in the market. And insights gained from benchmarking their lawyers' performance against those of their competitors can set the stage for additional improvements. The combination of these abilities, along with the more holistic and higher-quality service offering, could make such firms the preferred choice for clients.

Additionally, improved processes designed by legal operations can help law firms themselves to adopt more accurate e-billing, reduce time required to assign legal matters to attorneys, and decrease turnaround times for processing and finalizing legal tasks for clients. If a law firm smoothly interacts with legal operations professionals at a client, information is transmitted quickly to the appropriate individuals—so attorneys at the law firm can quickly start their legal work for the client. For instance, instead of using a memo containing a legal opinion, a law firm's and client's legal operations teams exchange the exact provision of a contract that a particular business unit needs for a deal. Or they exchange quantitative data on a set of contracts through an application program interface (API) instead of through a text document.

## A CASE IN POINT: Linklaters

Linklaters set up a 130-person business-improvement team mirroring some of the tasks and structure of in-house legal operations teams. The team comprised subdivisions focused on legal project management, legal technology, and process improvement. It was based at Linklaters' London headquarters and rolled out globally. In Germany, where project lawyers are not part of the team, the majority of its members had a degree in economics.


The business-improvement team is considered a profit rather than a cost center and therefore has to meet billing targets. Because team members share this objective and their contribution is financially visible, the team is generally highly regarded

among the firm's lawyers. Thanks to the new team, Linklaters was able to meet clients' demands for greater efficiency by cutting production costs for legal advice by up to 30%. The use of technology solutions like case management software and automation for low-value tasks had an additional benefit as well: It freed up lawyers' time so they could focus on more important legal work and thus improve the quality of the services they provided. At present, mostly large cases profit from the use of project managers and legal technologists, as they promise the most meaningful impact. This leads to a satisfactory user experience for Linklaters' lawyers and clients alike, and allows for substantial income for the firm.

### EDUCATIONAL INSTITUTIONS

Our study participants identified three groups with different training requirements that educational institutions can fulfill to help organizations build effective legal operations teams. The first group comprises students currently enrolled in law schools. For those interested in careers as legal operations professionals,





these schools can help them prepare by providing mandatory and elective courses on subjects including business and finance literacy, legal technology and IT, process improvement, project and change management, and leadership.

The second group consists of C-suite executives and in-house lawyers in organizations that are considering setting up a legal operations function. They can gain insights on how to manage this process from executive education programs. In-house attorneys seeking to serve on their organization's newly established legal operations team could also receive training that helps them navigate the transition to their new role. For instance, they can learn how best to collaborate with colleagues inside and outside the company's legal department, such as the general counsel, legal staff, senior management, and business-unit heads.

The third group comprises individuals who are working in legal departments that already have a legal operations team but who want to boost the team's efficiency. As in the second group, professionals from these departments can garner valuable knowledge about this topic from executive education classes. In addition, they can learn how to partner more effectively with members of the legal operations team and how to gain maximum value from the team members' competencies. At the same time, legal operations professionals can also attend such classes, to discover ways to build in-house lawyers' confidence in the skills and value they bring to the organization.

## CONCLUSION

**L**EGAL OPERATIONS TEAMS ARE attracting attention for their ability to help in-house legal departments overcome tough challenges and serve as strategic partners for their organizations. But companies considering setting up a legal operations team may wonder how best to tackle the effort. A good first step is to understand the activities that members of exemplary legal operations teams focus on—as well as the tactics that enable them to perform these activities and the benefits they generate for their organizations and in-house legal departments.

The advent of legal operations will affect all players in the legal ecosystem—not just businesses and their internal legal departments—opening new doors while also presenting new hurdles. For this reason, players can benefit by gaining familiarity with key aspects of legal operations (such as common implementation challenges) and learning from organizations that have successfully set up a legal operations function.

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