

Briefing

THE STRATEGY ISSUE

JUNE 2013

Interview

Amanda Burton

Clifford Chance's COO on the challenges of the nascent global elite

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ACTIVE MATTERS

Budget: **Budget Exceeded** | **100% Budget Exceeded** | **100% Budget Exceeded**

Age: **100 Days** | **100 Days** | **100 Days**

Realization: **100%** | **100%** | **100%**

Cost: **100%** | **100%** | **100%**

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Growing up is hard to do



They're the questions of our times, at least in legal: Can law firms scale? Can they become global or major international businesses? And what will they look like when they do?

To answer these most pressing of questions we turned to one of the people who's had to deal with whatever challenges come out of those conundrums, or will have to: **Amanda Burton, COO at Clifford Chance**. I'm not going to plug the interview on p6 here – start reading it and you'll see why I don't need to.

Our feature on p15 is chock full of thoughts, tips, challenges and opportunities in international legal business, in which we hear from **DLA, HSE, CMS CMCK and Simmons & Simmons**, among others.

We've also asked **all the operations leaders in the top 100** whether COOs are the preserve of big firms or whether almost everyone will need one. Answer? On p24...

Plus we have supplier content uniquely tailored to **Briefing**, starting with valuable insight into growth in APAC on p28 from a senior strategist at issue sponsor **Thomson Reuters Elite**. There's insightful comment, interviews and case studies

I hope you enjoy this issue – and feel free to email me with your thoughts on it at rupertw@lsn.co.uk.

Rupert White, editor of Briefing

Interview with Amanda Burton transcribed by Voicepath. Photography of Amanda Burton by Jonathan Goldberg



Interview: **Amanda Burton, Clifford Chance**



We talk to one of the most important business services people in legal about growing and running a global firm

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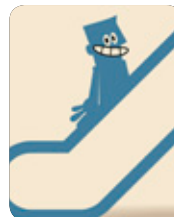
Feature: **Big in Japan (and the US, and...)**



How to be big in a global legal market, why verein is winning, why outsourcing is still alive – and much more besides

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Survey: **Operations leaders: Rising up**



Briefing finds out whether COOs and operations directors think firms should have real operations chiefs

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Briefing jobs



A range of great legal business services jobs on the **Briefing jobs** pages

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Industry analysis index

This month's industry views:

Does future growth lie in Asia or the US – or both? Can you increase capability with new IT without breaking the bank? Do you give bad client contact without realising it? Are firms ready for CEOs? Do you need a data strategy? Why do firms need to reform new business intake? Find out the answers to all these questions and more in this issue's Industry Analysis section.

Briefing Industry Interview Growing Global



Briefing speaks to **David Lieu at Thomson Reuters Elite** about global growth, which legal markets to target and why

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Interview: Financing the future



Econocom's Chris Labrey on financing technology for agility

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Interview: Service with a smile?



Joanna Swash at Moneypenny on consistent client service

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Grand Designs



Chris Bryant, Tata Consultancy Services, on growing a firm

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Are law firms ready for CEOs?



Gary Jones from Totum asks: is the time now right for CEOs?

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Going up



Neil Renfrew, LexisNexis, asks can firms be big and efficient?

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Strategic Information



Dun & Bradstreet's Paul Westcott on data strategies

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Outsourcing IT for strategic gain



DMH Stallard's Robert Mojab: outsourcing IT to **e-know.net**

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Inception, improved



Sam Suri of IntApp on why streamlining is vital

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The Briefing Interview

Directing, changing, leading: the legal COO comes of age

Rupert White talks to one of the most important business services people in one of the biggest firms in the world – Amanda Burton, COO at Clifford Chance – about growing pains, delivering a law firm's culture worldwide, institutionalising client relationships, whether partnerships can go global – and Gerald Ratner

Does legal need a new role? Big companies need to be international – and often want to be global – which means having someone with the highest level of operational oversight in the business. That role is the chief operating officer, and law firms that have large-scale international or even global aspirations are realising the need for a person who can drive strategy forward and embed firm culture, best practice and processes worldwide.

Amanda Burton is that person at Clifford Chance, one of the few firms in the world with a realistic claim to being on the cusp of global.

Burton has held multiple non-exec positions and, before joining CC in 2000, she spent eight years at big building materials business Meyer International as legal and corporate services director – so she’s spent time on both sides of the fence. Before joining Meyer in 1992 she worked for the Ratners Group – right around the time when Gerald made his infamous ‘crap’ speech at the IoD in 1991. Burton has, then, seen a lot.

The role of the COO is a relatively new one in legal – only 26% of the top 100 firms have one, 19 of which are employed inside the top 50. Seven out of the top 10 firms have one. The COO role exists to create a “seamless service” across a large legal business, says Burton – it creates a role that’s neutral, a helicopter view that ensures “we’ve got the right communications, that we haven’t forgotten anything, that there are no gaps and that everyone is thinking strategically”.

The lack of COOs in law firms might point,

however, to something much bigger: is legal mature enough yet to need such a role in any other than the biggest firms?

Burton counters this by saying that the role exists in all but name in some firms – it could be a partner or the finance director – and adds that it could also be because “in many ways, and I don’t wish to denigrate anyone who’s doing this role, we are programme managers of the highest order – we’re doing some strategic elements, but it’s also business as usual”.

Nonetheless, there’s a vital difference between firms that have decided that there needs to be a COO, and those that have decided not – or those who’ve not thought about it at all. Having a partner carry out the role isn’t the same as having a COO – especially if they’re still earning fees. Having a finance director fill the role isn’t the same, either – unless their work as an FD is, by definition, part-time.

But that ‘programme managers’ comment is

more than a little disingenuous, perhaps – the COO is a strategic asset to a business, not just someone with overall responsibility for keeping the lights on (or turning them on in new places – more on which later).

“The COO, or indeed anyone that’s in a material role in a firm, needs to be thinking



“The firm is very ambitious and it has big global plans - business services needed to reflect that”

Amanda Burton, Clifford Chance

longer term,” Burton explains. “What adds value is thinking longer-term about where is the firm likely to be in five to 10 years’ time, and what the operations should look like to be able to put us in a position to achieve that, and to be in the right place when the end-game finally does materialise.”

However strategically you plan, you’ll never be 100% right, she says – life changes on you.

And how: Clifford Chance, says Burton, started major internal adjustments along strategic lines to aim at becoming an international legal powerhouse before the world threw its toys from the pram in 2008. That’s enough to fatally wound any strategic plan, but not for CC – its strategic decisions fitted well with what the

world was about to become.

Its backbone of support and infrastructure, however, needed a great deal of attention to achieve those goals.

“We did some thinking in 2006/2007, fortunately well before the dramatic financial crisis, around what our business services should be looking like [in the future], and we recognised that we really needed to become much more global.

“We had been quite fragmented, even with different IT systems, different ways of doing things and so on, and really to get some synergies and also to really support the firm going forward. The firm is very ambitious and it has big global plans – and business services needed to start to reflect that. It couldn’t just sort of follow on as an afterthought – we’re part of the glue that makes it all happen.

“That’s what made us [realise] we needed to consolidate, to globalise, to think about off-shoring, outsourcing, standardising, training and giving people the skills to do things differently. For example, you need very different skills to manage teams that are 1,000 miles away than you do if they’re right in front of you. You need very different skills if you’re managing complex outsource arrangements than you do if you’ve got your own team.”

You also need to re-examine at a more



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granular level how the firm works, why it works the way it does, and try to drive efficiencies wherever possible. COOs should be asking “what are likely new ways of working?”, says Burton – a crucial question for any business. “A chief operating officer should be talking to lawyers about how they would like to work, what prevents them working efficiently today, and how we could work differently. They should also be talking to clients about their expectations of what firms should look like in the future.”

Burton says she speaks to client COOs to gain insight into what CC service is like on the receiving end, what clients think the firm could do to improve, but also “what they’re thinking about, where they’re going, and what they think we need to think about”.

The ingredients for global success

A key ingredient in creating a functional global (or even international, or just very large) firm is broadening the client contact base – fundamentally reshaping the client-firm relationship to develop something ‘stickier’ that creates more value, puts more people in the mix and binds the firm closer to the client.

Burton says she’s made it one of her ‘personal objectives’ to get in front of clients to develop relationships and to understand clients’ strategies. “And because I’m going in at the COO-to-COO level, I’m talking to different people than perhaps our partners might be, and that helps embed the client relationship because you’re coming from a different angle.”

That angle is, in essence, a ‘non-sales’ one, though – as we covered in **Briefing on: Marketing tomorrow’s firm** (March 2013) – everyone is now in sales in a law firm. That’s what broadening the contact base is really about, at any firm. Burton readily accepts that

all contact is “part of the whole brand image of a law firm”, and says the need to make wider contacts is in part a response to a more general client pain point: “[For all firms – not just Clifford Chance – clients feel sometimes that] lawyers can be very good at being all over the client during a transaction, but then things get busy and they’re off with another client doing something else.”

Having many other people more involved in client management delivers continuity, she says, and value to in-house teams. They’re under pressure themselves, she points out, so they struggle with things like legal-focused IT, knowledge management and so on. Helping them get better at what they do can’t be delivered by partners alone.

The route to this broader contact base, she says, lies in ensuring that client teams fairly represent a broad range of lawyers, which will then be supported by business services – usually business development – and making sure the clients don’t necessarily see just one partner. But the shape of this institutionalised relationship has to depend on the size of the client and the type of the relationship.

“One of the challenges for global businesses is that one doesn’t become so bureaucratic about things that you lose flexibility. It’s about making sure that you’ve got the right team for the right plans.”

One way Clifford Chance is creating a deeper connection with clients is with a major push on ‘continuous improvement’. This is, some might say, an intellectualisation of business process optimisation (BPO), which has been around a long time. But its increasing use in legal, alongside a growing acceptance of the need for project management-style thinking and process management inside firms, is a sign of great change within the sector.

“We’re making a big investment in

continuous improvement with our legal and business services processes,” says Burton, “but we’re also proactively seeking opportunities to work with clients on continuous improvements, looking at end-to-end processes.” This continuous improvement push is, says Burton, designed to help clients and the firm identify where inefficiencies exist and to root them out – even where the clients themselves are creating the problems.

“Clients really appreciate not only knowing that we’re trying to look at this internally but also how we can work together – because they’re the ones at the end of the day who instruct us, and may just inadvertently be causing some of the inefficiencies.”

CI (sometimes called CIP for ‘continuous improvement process’) starts with ‘the voice of the client’, she says – “finding out what the client wants, what they value, and starting from there”. Then, of course, the firm has to deliver what the client wants. “It’s a huge investment,” she admits, “particularly for our lawyers, because it’s not just a question of some business services people turning up and saying: ‘These are the templates, off you go.’ This is getting people in the room to say: ‘Talk us through how you currently do it, why do you do it that way, and is there another way of doing it?’ That’s very time consuming.”

It’s also obviously highly valuable, and seems to accept implicitly a truth about legal’s place in the real world: it’s part of the supply chain,

and inefficiencies aren’t just created (or fixed) inside the firm.

This does not, however, mean always finding the cheapest option for clients, says Burton.

“I’ve been working with clients recently on



“You have to talk to clients about what it is they really value.”

Amanda Burton, Clifford Chance

a particular topic and I specifically asked them if they would be interested in a particular area going to a legal process outsourcer or being automated through technology – and the answer was no. In fact, I had quite a negative reaction to that.

“That’s why I think you have to talk to the clients about what it is they really value – it isn’t necessarily the cheapest, leanest, meanest approach.

So, like any business, it's about determining client needs and wants, working out what price your solution should be, and determining the best route to creating the product. Or, as Burton would put it, it's about "giving more thought – just as in-house lawyers now have to give more thought as to how they're delivering, because they've got exactly the same issues about needing to understand what their business really values".

She refutes the suggestion that law firms have of late been battered by a turning of the client worm against pre-recession legal fees – all businesses are reforming their approach to costs management, she counters, and clients and their firms are no different (at least the ones being vaguely businesslike).

"We've done exactly the same. We've looked at every line of cost, we've asked ourselves: 'Do we still need to do this, how do we do it, are we the best people to do it ourselves, should we outsource it?' I think every business is and will continue to do that. That's just part of reality [now] – I don't think law firms have been in this little bubble at all. We've done an enormous amount to change how we've delivered services."

As an example, she says, CC has reduced business services by "about 22%" since 2005/6 while maintaining the same number of lawyers on average. And, in perhaps a strategically much more important move, 11% of business services staff now "sit" in India, she says. This number is on top of the firm's Knowledge Centre KM unit operated out of a capture in India. And CC was thinking this way, she says,

"well before the crash actually happened".

Don't mention the F-word

Spreading the client relationship across the firm and spreading capability across the globe are signs of a globalising legal market, whether

"We've asked ourselves: Do we still need to do this, how do we do it, are we the best people to do it ourselves, should we outsource it?"

Amanda Burton, Clifford Chance

a firm is aiming for global growth or just more of their local pie.

Clifford Chance describes itself on its website as "the world's first global law firm", and "the only non-franchise law firm with real breadth and depth of expertise across Europe, Asia Pacific, the Americas and the Middle East". This not only implies that there are other global law firms, but also name-calls them as franchises – possibly the dirtiest word in legal.

By some standards there aren't any truly global law firms – not in the same way that other global businesses are 'global' – despite what they say about themselves. A £1.3bn, 6,000-staff business doesn't come close to the kind of super-huge, present-everywhere

businesses that populate the upper echelons of the Fortune 500 or the FTSE. Plus, law firm shareholders also (almost invariably) happen to be the people running the businesses, which some say brings with it its own challenges. Global companies, on the other hand, are almost invariably publicly owned.

But Clifford Chance represents the nascent global law firm, and Burton is direct about the firm's goals. "If you define global as having one brand and a consistent delivery of service in the places that the clients want you to be, that's definitely where we want to be. There are some gaps in our network that over time we will fill, although we've got virtual teams that cover places now – so I would argue that we've got the coverage.

"But it's interesting how few businesses are truly global. It's something we've noticed when we've tried to get one business in a particular industry to provide us with services [globally] – it's actually very hard. Even courier companies, would you believe, are not truly global. But that's definitely where we want to be; that's our aim."

Is the future all global for all?

But if there are few global businesses, there surely cannot ever be more than a couple of global law firms. Perhaps the old prediction about how the legal market will one day map to the accountants' world, dominated globally by four huge businesses, is coming true...

Burton laughs that she has "absolutely no idea" how many global firms there may one day be, but says it will most likely not be many. "It's hard work, otherwise we'd all be doing it," she says. "You're bringing together a lot of different cultures, ways of doing law, markets – and some are more mature than others... it's a very big investment. Not many people can do this.

Not many firms could do what we did with India, because you have to be a certain size and determination to make some of these things work. It is a huge, long-term investment."

Burton she doesn't think the global elite will kill the need for 'second-tier' international firms – "we can't all be global", she says. "If you look at other professional services, there are all sorts of models that work perfectly satisfactorily. You've got the big four accountants, but that doesn't mean to say there aren't other accountants – niche suppliers, local suppliers – and clients have a choice. They won't want to put all their eggs in one basket. I don't think there's just going to be one model of a law firm that's going to be successful – I think there'll be lots of different models."

The partnership model won't have to be ditched to scale, she says. But whether a firm is a partnership or becomes a *verein* or the dreaded f-word (for more on business models see our feature extra), the rules of scale are similar: "The very largest businesses in the world struggle in this area because of the different cultures. In a way it's irrelevant whether you're a corporate public company or a private partnership, or something in between – it's whether the people who are working in it have a common vision and understanding of where they're trying to get to," she says.

And the responsibility for that outcome is in no small part in the COO's hands. The COO spreads the word, making the culture happen wherever the airplane's wheels squeak on tarmac. The COO has to be more than the sum of the parts they oversee – they have to embody the firm's culture, says Burton, because they're the ones rolling it out internationally, and the ones who have to bind it all together – IT, HR, best practice, the works.

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Feature

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Polly Botsford finds out what it takes to be big in tomorrow's global legal market, asks how strategy can be implemented as well as created, looks under the carpet of the verein business structure, finds out why outsourcing is still very much alive... and invents a new word into the bargain

‘Strateg-onomics’ isn’t a word, but it should be. There’s now widespread recognition of the vital importance of a sound strategy – not just a partners’ Christmas wish list – as the basis for running a successful law firm. It’s the starting point for working out just how to survive in the current legal market, where there’s greater competition between firms, a new global marketplace in which to operate, and increased pressure from GCs and other savvy clients.

For successful firms a good strategy asks: who are our clients and who do we want our clients to be? And it has to answer those questions in the context of the challenges that firms face, so no wonder the answers are far from simple, as evinced by a quick look at DLA Piper’s most recent joint strategic framework – an eighty-page tome.

One dominant theme is that the search for key clients has become an international one and the pressure is on to grow geographically. This comes first from a need to deliver to increasingly global clients. Andrew Darwin, chief operating officer and UK managing partner of DLA Piper, is responsible for the firm’s international arm. “GCs have global responsibilities so you need to be global too. Our strategy is to be geographically ubiquitous in all G20 countries, because business and commerce are globalising.” DLA Piper has certainly taken this path seriously – following its creation out of a merger in 2005 between DLA and Piper Rudnick, it committed itself to relentless expansion year on year into Asia, the Middle East, Australia and, most recently, South Korea.

Herbert Smith Freehills was born last year out of the merger between Herbert Smith and Australia’s Freehills. David Robinson, joint chief operating officer of the new firm, agrees with Darwin that it is about asking the big question: where does our client need us to be? “We asked

ourselves [and Freehills were doing the same]: how do we support our top clients and make sure we are doing the best work available?”

International expansion also taps into new markets, enabling a firm to seek out new clients and new lines of business. While the European Union looks now permanently on the verge of a nervous breakdown, trade and commerce between other continents continues at a healthier pace. Firms need to be far beyond Europe to tap into those flows.

Bold expansion gives a firm instant coverage, but there are different ways to achieve that, and different structures that can be adopted. One of the conundrums is whether firms they want to follow the so-called ‘colonial method’ – open an office in another jurisdiction and second domestic partners there (a rather outdated strategy, most firms believe), or whether to work with local lawyers. If it’s the latter they prefer, to what extent does the firm want to integrate – entering into full mergers or make looser alliances?

The Swiss *verein* model, whereby there is an association of different legal and financial organisations, is now almost *de rigeur* – see Norton Rose, CMS Cameron McKenna or DLA Piper, for example (and see p22 for much more on the *verein* model itself). Firms like the *verein* structure it because it’s more flexible and less intimidating than a full merger – and that suits the current climate.

It also “respects diversity” says Darwin. “We don’t want offices where they only service global clients. They should have their own local clients driven by local relationships because that work, though local, may still be valuable or strategically important.”

In contrast, Herbert Smith went for a full equity merger when it joined up with Freehills. The rationale was, says Robinson, to make a proper global firm.

“We needed a different geographical footprint from the alliances of before. We had a strong international presence but we were not yet a global firm, and that is a very different proposition. This was an opportunity for two very strong firms with great clients and virtually no footprint overlap in terms of office to come together.”

There are no absolute rules to this, but for firms it’s a strategic decision that should be driven by a planned framework. An economically volatile world is not the place to make mistakes – without a big investment pot available, you have to place your bets very carefully.

International expansion is a clear destination for so many firms that it’s easy to start to believe that international expansion is an end in itself, not just the means. Mergers and alliances are a (relatively) quick way of being bigger, but firms need not just to grow – they want to grow in certain key destinations. Australia is particularly popular at the moment, given the strengths of natural resources on the global market, and firms are always trying to get near to India and China.

There are also firms, for instance, that say they are more driven by a sector-led strategy, which means looking for destinations, for firms and even for specific lawyers abroad which fit that sector-specific strategy.

Bird & Bird prides itself on this approach. John Drake, its chief operating officer for the UK, explains: “Our sector strategy directs our international expansion. We focus on countries

with interactions in the knowledge economy and we try to bring lead lawyers into our business from those countries in our sectors. That is how we best deliver on an overall strategy of responding to client’s needs.”

Firms also now have to grow cost-effectively and efficiently. Scale by itself doesn’t equal success if you just grow your problems.



“Our sector strategy directs our international expansion”

John Drake, Bird & Bird

The question is how to make the ‘being bigger’ piece fit in with a strategy of servicing the client better, how those can be aligned – and indeed capitalised on. There are clear examples where this can happen: a firm might be able to achieve procurement savings as it grows. It might be able to find process efficiencies whereby it can afford to centralise and rationalise various processes such as client relationship management.

As it expands, it might be able to invest in

They're calling it a COO...

As LSN has uncovered in its latest research into the top 100 directors (page 12), the role of chief operating officer in a law firm is by no means commonplace. More than three-quarters of the top 10 firms have a COO, but only just under half of the top 50 have one.

But this is set to change, as the trend towards merger and consolidation, particularly in the mid-market, continues. According to Jomati Consultants research, 2012 was a record year for mergers, with 26 deals in the top 100 – and 2013 is expected to be even busier.

When firms expand outwards domestically and internationally, having a professional executive branch will become increasingly relevant. And, once operations becomes a more distinct area, those on the client-facing side will most likely become ever more client-focused. Partners are also likely to evolve into something like account managers with a less operational and more sales role.

The other issue for firms considering the COO role is that they'll need to find someone respected by the fee earners and the fee burners alike. This means some COOs are from outside law, and brought in specifically because of that, while others are chosen for the opposite reason – they've been lawyers, so they 'get it'.

Andrew Darwin, COO for DLA Piper's international division, for example, says that he "bridges the gap between lawyers and business services" because he's an ex-lawyer and continues to manage lawyers as well as be COO.

For much more on the rise of the COO role see our research analysis from page 12

a new practice management system that will deliver cost savings further down the line as well as bring greater client focus – a new global IT platform can be an improved interface for clients at the same time as rationalising processes.

But growing, and growing efficiently, means having a strategy to wrap round all these elements, and that means going behind the operational scenes in a fairly methodical and ruthless way.

Robinson describes it as looking at "the engine room" of a firm to review the way the firm currently delivers legal services and what needs to change (probably quite radically) while it grows. "The merger forces us to do the scaling up, jointly, and to pay attention to what we need to do to drive efficiencies. If you compare a UK-based and a global firm trying to service clients in a number of jurisdictions, it's a whole different proposition."

It's also important that reforming the delivery of legal services doesn't become an end in itself and that whatever the reform strategy is, it refers back to a core strategy. This has to some extent been what has happened to outsourcing – the market jumped on it as a delivery solution without thinking back to their overall strategy. Some firms are now backtracking on outsourcing projects (Osborne Clarke, for example).

But there is still a big place for outsourcing. CMS Cameron McKenna made the headlines when it joined up with Integreon, the business services provider, in 2010. It says its outsourced operations were in part driven by its internationalisation. Barbara Mendler, international projects director at CMS Cameron McKenna, is in charge of the firm's relationship with Integreon and explains her firm's rationale: "Outsourcing gives you a lot of flexibility on process type costs, for instance.

It is about scalability and having resource at multiple locations. Unless you are large enough to have captive operations everywhere, outsourcing means you can tap into it as you need it.”

Firms are still inclining more at the moment towards keeping processes in-house and centralised. Herbert Smith Freehill’s Belfast office, opened in 2011 (in an iconic revamped gasworks), specialises in large-scale document review for the biggest contentious cases, and does it at competitive prices. DLA Piper in the UK has also centralised its document production in Leeds.

Other firms are trying the regional card: last year Simmons & Simmons opened an office in Bristol as a lower-cost resource. Colin Passmore, senior partner there, explains why: “We set up our Bristol office to provide our clients with the world-class service they demand, using a mix of lawyers that also enables us to respond to their needs as economically as possible”.

These resource alternatives are becoming an increasingly important part of pitches – clients want to know during the tender whether a firm can offer these alternatives.

There is another aspect of delivery which firms are delving into, examining the processes their people undertake. This is happening to back office processes but also to those of lawyers.

The pinnacle of this more process-oriented thinking is for firms to drill right down into how lawyers do the work, what are the processes along the way, in other words, process mapping.

CMS Cameron McKenna is going through this right now. Mendler, in charge

of a major project to enhance delivery at the firm, explains: “Process mapping means breaking the process down into swim lanes: the handovers, the client contact, the use of additional or outside counsel, mapping through the standard activities. We also look at what causes divergence from the normal flow. Is it documents? Is it complexity? Does the size of a

“We look at what causes divergence from the normal flow. Is it documents? Is it complexity? Does the size of a project impact and how?”

Barbara Mendler, international projects director, CMS Cameron McKenna

project impact and how?”

Process mapping is not for the faint-hearted: “It is a very different way for lawyers to think because the training of lawyers has traditionally been that they learn by sitting with someone more senior and follow what that person does and then learn to do the same,” says Mendler. “It is intuitive and sometimes there is resistance to mapping. They say they can’t map it but you can! We are not taking away the intellect, we are mapping it. Advising clients and running a case is a high-level intellectual process but there are some analytics as well which need to be analysed.”

Once process mapping has been gone through, a firm can then develop models on pricing and scoping. Many firms have worked



hard on scoping (Stephenson Harwood calls it ‘right teaming’) and pricing (Addleshaw Goddard is working with Cranfield School of Management on a ‘blueprint’ for pricing legal services) to deliver greater cost certainty and cost effectiveness.

The obvious person to use these models is a project manager. In a corporate environment, he or she would make sure that the work is done cost-effectively by scoping and pricing a job appropriately and would keep the work on track. They successfully break up a project into its constituent parts and coordinate those working on it.

Williams observes there has been only a very gradual acceptance of project management tools including professional project managers into law firms.

“Firms are at the experimental stage on this; no one has rolled it out entirely,” he says. Indeed, firms struggle with the title and have yet to decide who is best placed to be a project manager. Should it be a lawyer or a non-lawyer? How senior do they have to be?

Mendler believes it will be someone in the middle of all those ranges. “It may be that it is an embedded paralegal who will do that, someone who has enough legal training to understand the issues.” In contrast, Drake at Bird & Bird explains that the firm’s sector groups act as project managers (as part of its sector-led strategy). “We find that ‘the problem’ takes the lead in these situations. Our sector

groups break down that problem because they will understand it best and what is the most effective way to package up the legal services required to solve that problem for the client.”

Strategic thinking on the delivery of legal services has become commonplace among firms (to varying degrees of depth). This may be in part because thinking about delivery is easier than thinking about the bigger strategic issues firms face. This is the elephant in the room: some firms have some tough decisions to take, and there will be losers in its overall strategy as the global market for legal services sees greater competition and compression of fees.

The fallout from mergers, from outsourcing, from all this strategic reform is real: practice areas are sold off and offices are closed because they have low margins or create conflicts for other high margin parts of the firm. DLA Piper has closed its office in Glasgow and sold its defendant insurance practice to Hill Dickinson, and Eversheds closed its office in Copenhagen and is restructuring a couple of its practice areas (to name two recent firm examples). For firms on the brink of a new strategy for merger or change, the reality is that there will be partners who will have no place in that strategy.

Indeed, there is a question as to whether the partnership model is inhibiting change, because there will be partners who, understandably, cling on.

One solution to this is to impose a

centralised board and/or executive as a precursor to change, because that allows difficult decisions to be made – it depersonalises those decisions in what is a very personal industry. Another solution is to buy in external consultants to lend objectivity to a strategy and most firms undertaking major growth are buying in that service.

Williams is blunt about it: “[Partners] need

to be hard-nosed about this and face up to it. There may be alternatives to selling it off. Parts could be hived off into separate structures, but the issue needs to be addressed. If you are ducking difficult decisions you are not leading.”

The competitive legal market has opportunities and harsh realities: and strategonomics (told you) will guide firms through those two truths. ●

Yeah, it works in theory, but...

Operational and other leaders are crucial in helping their firms drive through the strategies they've decided upon. That's the easy part. Right?

A strategy is only as good as the implementation that follows it – so firms need to include an implementation plan in their overall strategy. Some may want to designate a specific person to take on the role of ensuring a strategy is followed – it's certainly one of the board's most important functions, where firms have one.

Using a third party to drive through implementation is also a useful option. DLA Piper, for example, engaged a senior consultant specifically to work on strategy – not just to help write it, but also to make sure there is delivery of the strategy. That person has since put in place reporting procedures, an independent review process, and, in general, greater rigour. Andrew Darwin, the firm's UK managing partner and COO, calls him the firm's “personal trainer”. He's there to encourage, cajole and crack the whip, because implementing the strategy is hard graft.

One huge part of implementation is getting support from across the business, winning the engagement game – not only with partners, but across the firm's staff.

This takes time and resource and extremely good communication right through the firm (and into its many new constituent parts).

Tony Williams, principal at Jomati Consulting, says this takes devotion: “You should never underestimate the time it takes to engage people in a project. You can't shortcut it – you need to get their buy-in, what's proposed, why it's being proposed, how it affects them, and keep telling them, keep the messages coming.”

The people at Herbert Smith Freehills have worked hard on getting that kind of buy-in for its recent merger, says David Robinson, its joint chief operating officer.

“Very early on we knew we needed to create a real sense of belonging and identity following on from the merger. Mostly lawyers talk by video conference and rarely meet, so before the merger we went to consultation to define our new values.

“The values that emerged from this exercise now provide important cultural glue, and define our DNA.”



Feature Extra

All for one?

Jade Ollis finds out more about the **verein** business structure that, it seems, is more attractive to current law firm merger makers than a pot of honey is to Winnie-the-Pooh. But is it really one for all, and all verein?

Is anyone doing real mergers any more? Verein and verein-like firms have in just a few years made up 25 of the largest law firms by revenue.

The legal market is changing and the major issues affecting all businesses - globalisation, brand culture, consolidation - have become increasingly relevant for legal too. While it's good to question the kind of aggressive growth strategy that led to the demise of the likes of Dewey & LeBoeuf, mergers and tie-ins are vital for growth and vereins are leading the way.

The subject of verein firms is hotly debated; one commentator goes so far as to call it "the manipulation of an archaic structure to present an expansion that hasn't actually happened". In purely factual terms, a verein is a legal structure originating in Swiss law, and in its most basic form it's simply an association. The word derives from the German 'vereinen', meaning 'to unite' (ironic, considering the controversy regarding whether a verein is actually united). The structure was originally used by non-profit organisations, sport clubs and the like – but during the 1990s and 2000s big business, such as Deloitte, PwC, and KPMG, cottoned on to

the fact that it could be a useful tool in creating multi-party business organisations.

This is at least in part because it's relatively easy to establish. A verein involves very little paperwork, registration or fees – the only real requirement is that, prior to the establishment, two persons draw up bylaws and appoint the organs of the association. Simple ... unless you want to start defining the result and comparing it with other businesses.

A verein law firm structure can theoretically be as basic as a collection of individual 'member' law firms, organised under different corporate/partnership structures that can present internationally as a single organisation.

According to the American Lawyer magazine, Baker & McKenzie, DLA Piper, SNR Denton and Hogan Lovells are all vereins – though Chris Hinze, head of corporate comms at Hogan Lovells, denies his firm is one. "A verein model was created and could be used, but is currently dormant," says Hinze.

Vereins aren't quite as popular as their rapid rise might suggest. The American Lawyer came under fire in 2011 after deciding to list verein firms as single firms in the Am Law

Global 100 with detractors comparing the combined revenue of verein firms, who do not share profits internally, to the likes of big international partnerships like Clifford Chance is inaccurate. K&L Gates's chairman Peter Kalis even went as far, writing in the *American Lawyer* back in 2011, that vereins "are the antithesis of a single firm".

But the real issue might be a growing dread that global firms are being turned into the dreaded f-word – 'franchises'. In a not-at-all-veiled reference to verein firms, on its website Clifford Chance refers to itself as 'the only non-franchise law firm with a substantial footprint in all of the world's major markets'. Friendly.

To settle the debate, the *American Lawyer* produced a 13-point structure integration checklist, rating aspects such as unified strategy, management profits, compensation, referral work, branding and cost sharing – and found that most verein firms meet many requirements, making well-integrated firms.

Baker & McKenzie, for instance, scored 10/13 on the Am Law scale, indicating it has much in common with LLP firms like Freshfields and Clifford Chance, which both scored 11/13. Verein firm CMS, however, seems to have little in common with traditional partnerships, functioning as a group of 10 independent firms which have no more in common than branding and a shared cost pool.

Saying a firm is a verein, then, says little to nothing about it.

A verein structure helps firms overcome obstacles and administrative hurdles involved in international mergers. A firm can overcome local barriers to entry such as tax and currency. Most importantly, it's a very convenient way to limit liability of each member firm and there is no shared revenue so due diligence in compensation schemes is not an issue. This is especially beneficial for mergers between UK and USA firms where there is a substantial

profit gap. Add in the fact that it's a very flexible structure, allowing for the inclusion of new member firms at any times, and the verein sounds like a good deal.

Of course, some will say it's nothing more than a tax avoidance and marketing tool – no actual merger takes place, and if the firm is not acting as a single entity with a unified strategy, it might be more difficult to deliver a single global client experience.

But whether a company is a verein or not doesn't necessarily affect its ability to service clients. While designing its 13-point checklist, the *American Lawyer* conducted a survey of Fortune 500 in-house counsel and found that most had never heard of the term and claimed not to care about a firm's internal structure.

This points to perhaps the most important point about vereins – is a law firm what it is, or what it does?

Is the verein the future?

In the end, verein firms may be merely transitional. If we look to accounting firms for examples, Deloitte, one of the first major verein companies, dropped the model in 2010 to become a UK private company.

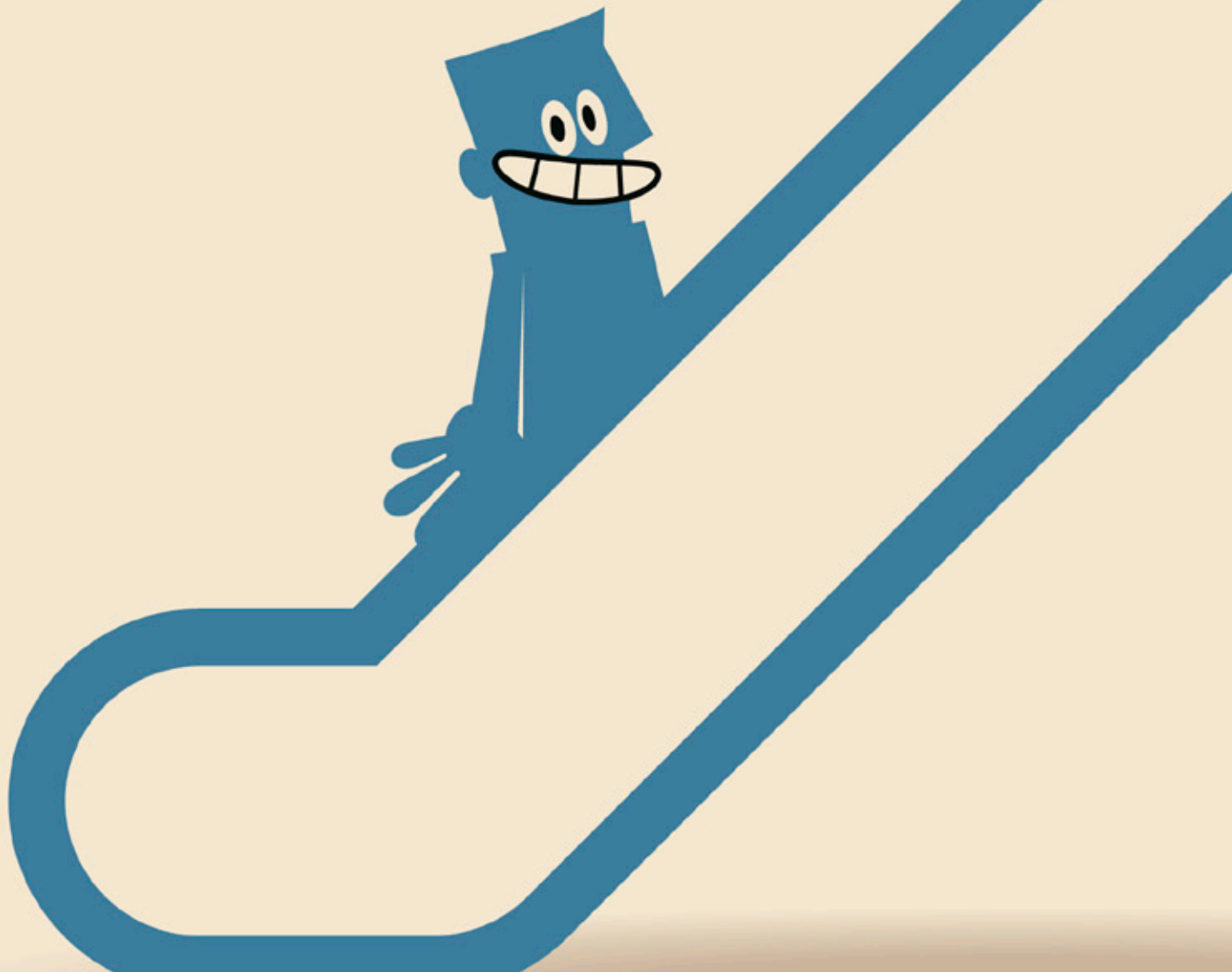
Perhaps this will be the way with law firms. The proof can only be in the pudding, and since many of the major verein law firms are relatively new, it will take time to judge their success. As it stands the verein structure is clearly the young (and so far successful) pretender to the throne – almost every major international law firm merger in the past three years has taken the verein structure.

Of course, the popularity of the verein 'merger' might just be because it allows a fabulously risk-averse business sector and its leaders to 'try before you buy'. If that's the case, it seems likely the verein-era will continue... ●

Top 100 Directors Research

Rising up

Jade Ollis peers into LSN's research-scented crystal ball to find out whether chief operating officers and operations directors think more firms should have people overseeing everything operational – and why



Do law firms need a chief operating officer? When we polled legal's newest role, the COO, as part of LSN's Top 100 Director Research, the answer was a pretty resounding "yes".

"I think all firms at some point in the future should and will need a COO/CFO," said one top 100 operations leader. That's pretty definitive, and for good reason – times have changed, and law firms need to become more corporate in their approach to business, and perhaps in their own structures.

"A tight focus on operational process and cost is hugely important in these tough markets," one top 20 ops head told us, and that's the key reason why legal is growing the COO role: firms need now more than ever to have someone ensuring maximum value is gained from every part of the business.

As part of researching the top 100 firms' operations directors (the full list of which is overleaf), we asked whether they agreed or not with this proposition: "Eight out of the top 10 firms have a COO, but only 42% of the top 50 have someone in this role. Do only the very largest firms need a COO in these progressively competitive times?"

The results show that firms are beginning to realise that being more commercial in their outlook and overall operations is imperative for future success. Of the 33 total respondents, six out of 10 (58%) disagreed or strongly disagreed with the proposition that only big firms need a COO. Just a fifth (21%) agreed or strongly agreed that only top firms need COOs.

The depth of feeling was surprisingly high. A third of all respondents strongly disagreed with the proposition. In fact, more people were a 'strong disagree' than any other response. This is clearly a subject that many feel strongly about – and a sign that attitudes and opinions about law firms as business entities are changing outside the top 10.

The rise of the legal COO

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firms with chief operating officers

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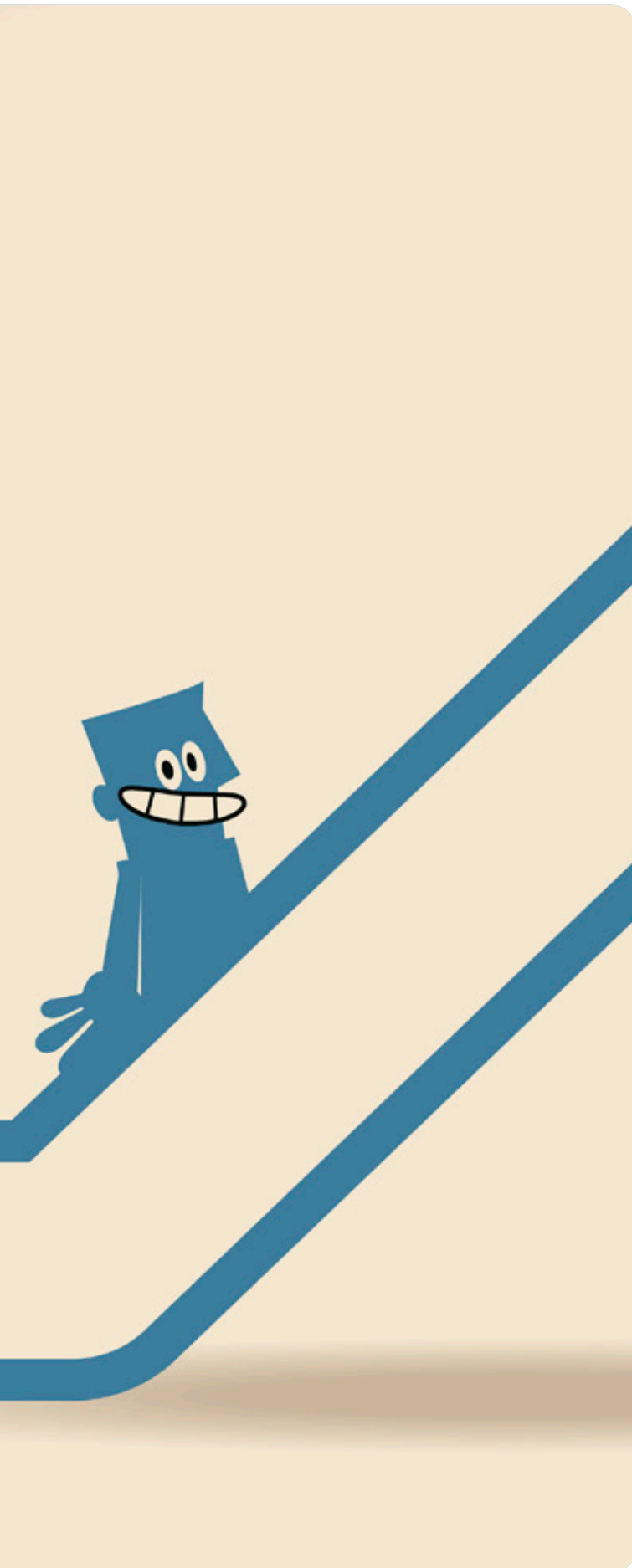
firms with operations directors

9

firms with roles combining ops with another role

17

firms have other titles entirely



But, as one might expect, the big firms think they're a bit special. Operations leaders in the top 10 firms mainly agreed with the proposition, but operations leaders in the second 10 mainly disagreed that only the big firms need COOs. That disagreement grows stronger the smaller the firms get. Eight out of 10 (82%) of 'strongly disagree' responses came from the top 30-60 segment of the top 100.

The top 10 might have more COOs simply because they've had to become more corporate, says one respondent: "It may be that the higher percentage of COOs in the top 10 firms is more a reflection of the way they have migrated towards a corporate structure through the adoption of C-level roles."

Some of our operations leaders are COOs by another name – such as operations director and so on. But this doesn't matter as much as titling might in other roles – as one operations chief says: "The COO role is critical, but not necessarily the title attached to it."

This tranche of our Top 100 Directors market research also produced the most uncertain responses – fully one fifth of respondents plumped for 'I don't know/it depends'. Many commented that 'it depends on the firm's needs' and indicated that they felt there needed to be someone in charge of COO-like activities, but it didn't necessarily need to be a full-time position. As one operational leader put it: "Job titles can be misleading – the roles and responsibilities between a COO and a 'group operations director' may be very similar."

But respondents seem sure that some form of operations leader is now needed in legal, and the feeling is best summed up by one top 25 ops leader: "The challenges facing the legal industry require the skills of an expert manager/operator to keep firms compliant and help maximise profitability – and these challenges are relevant to all law firms." ●

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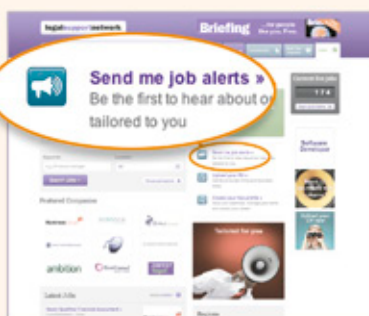
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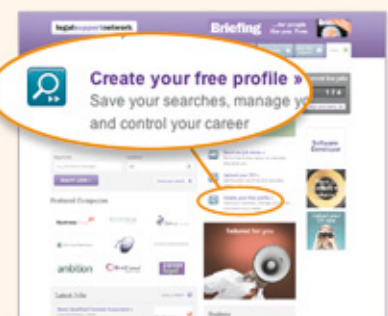
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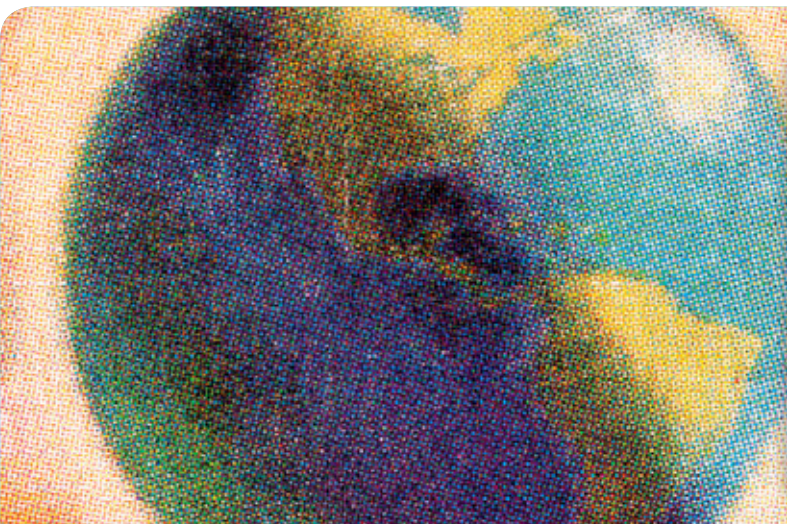
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Bigger is better...



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Briefing Industry Interview

Growing global

Briefing speaks to David Lieu, vice-president for corporate development, strategy and international growth at Thomson Reuters Elite, about growing globally, how to find the growth legal markets and what to do when you get there

David Lieu is one of the people at Thomson Reuters Elite charged with thinking strategically about the future of the global legal sector – where it’s going, both physically and financially.

His background in management consulting and then in strategy and M&A at Cisco and Disney make him the perfect person of whom to ask the big questions in legal: where’s the growth – is it in a UK-US merger, or is an APAC deal with way forward? – and what can big firms learn from corporates about getting there?

“As firms expand globally, one of the challenges for them is to better understand where they should invest,” says Lieu. A further complexity is how. Growth is organic or through acquisition, and the challenges of acquisitional growth, says Lieu, lie not just in mapping the firm’s culture across continents but also handling information flows across sometimes widely varying IT systems and processes. “That’s where technology and software can help bridge the gap. It can help you to make processes more efficient and enforce them.”

Information is a key factor in determining where to grow, says Lieu. Most firms find it difficult to understand their own profitability, he says, “especially as we move into a world of alternative fee arrangements”. This creates very real issues, though, when charting strategic international waters.

“How do you determine where you are going to get the best return on investment? Do you have a robust financial system to properly calculate the profitability of different offices, different practice areas – or even just partners? That can help firms make some the tough decisions about where expansion will pay off.”

But wherever firms expand, they face tough

challenges around processes and control, Lieu warns. “When you are a regional or national firm where everybody knows each other pretty well and there’s a well-defined culture, it is easier to make the assumption that people will do the right thing – but as you grow, that becomes more challenging – especially internationally, where different cultures come



“Chinese firms do not have a lot of international capability – yet. The King Wood Mallesons of this world are very well positioned to take advantage of that.”

David Lieu, Thomson Reuters Elite

into the equation. You can establish processes, but one of the ways you can ensure that people are following those processes is through technology – specifically using solutions that have the ability to create workflows.”

It’s harder to implement those processes across multiple IT systems, he says. Successful mergers require the ability or willingness to move to one firm-wide solution that can cope with international business – otherwise, he

warns, it's very difficult for the CFO or COO to understand how the business is performing, because they can't just hit a button.

New markets, new tricks

One useful strategy pointer that law firms could learn from international corporate businesses like his, says Lieu, is around how to enter new markets: initially focus on winning the biggest, most prominent reference clients you can get, he says – even at the expense of winning smaller ones.

In law firm terms, that's like going after Chinese giant Huawei, for example, and leaving the smaller fish for later. Winning those clients also shows prospects that you're strong with companies that are very rigorous on assessing their business partners, says Lieu, and that trust 'carries over' to other prospective clients. This is particularly important in new markets, where customers have limited knowledge on a new product or service.

Another tip is to leverage relationships with partner firms or parts of a firm that are on the ground in a different practice area. Those relationships can lead you to the ones you need. "They may not have the right relationship but they are able to get a foot in the door. It does make it a lot easier."

This means, though, knowing a lot more than most firms do about who in the firm has useful contacts – 'lateral' relationships. Data mining connections like this is hard – and usually needs specialised software to map relationships across a business. That's sometimes called enterprise relationship software and Thomson Reuters' solution is ContactNet. Using software like this can also help build connections between newly merged businesses, says Lieu.

"If you can imagine a King Wood and

Mallesons merging, for example, you have two big pools of partners who don't know each other and it can take a long time before they realise who knows who and how to leverage those relationships. Enterprise relationship solutions can potentially help to create and identify connections the firm has when it's too big to find them organically."

But back to our big question: is there more opportunity for UK/international firms in Asia, or by tying up with a US firm?

"Where your firm goes probably depends a lot on your outlook – short-term or long-term. Are you seeking potential growth in the future versus something that's going to drive a lot of near-term business?"

"An international UK or US firm will have very similar capabilities and overlap in terms of offices, for example, whereas tying up with a firm in APAC is more about complementary assets, because you're not going to have as much overlap – and you might be making more of a bet on a long-term future."

But that might be a very good bet. Chinese companies, for example, says Lieu, are looking to invest overseas and when they want to do a deal in Europe or in the UK, Chinese law firms can help them – but they really need international law firms. "There's a lot of opportunity there if, for instance, a UK firm partners with a Chinese firm, because the Chinese firms do not have a lot of capabilities internationally – at least not yet. The King Wood Mallesons of this world are very well positioned to take advantage of that."

Wherever your firm sees its future growth, APAC or the US, it will need firm-wide insight into itself and the market to make it happen.

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Briefing Industry Interview

Financing the future

Briefing talks to Econocom's Chris Labrey about how law firms can think more strategically about financing software and hardware to deliver more agility – without breaking the bank or killing cash flow



Cash flow is, as they say, king. It's also becoming one of the most important enablers for competitiveness and agility in a legal sector that is tightening up, fast. But law firms, unlike many other businesses, are still not thinking strategically enough about how they fund some of the most important elements of competitiveness and growth: technology.

Chris Labrey at Econocom works with many businesses inside and outside legal, and he's found that while firms are now thinking far more strategically, there's still widespread failure to appreciate how much financial 'slack' can be pulled in by financing investment in technology through leasing – and how much cash flow can be freed up to create a more agile firm in the process.

"If firms want to be more corporate, they need to understand how cash flow and an unconstrained balance sheet enables a firm to enact its strategy – whatever its strategy might be," explains Labrey.

Firms need the "oxygen of cash flow", says

Labrey, to help them stretch to keep pace with firms with a larger financial base, outside backing or more advanced IT.

"Law firms are now being driven towards more international work or buying up market share or merging to find growth, and they're also being driven to optimise what they have and get the most revenue they can from clients – but they also have to offer value," says Labrey.

"You can't just put your fees up, so to improve client relationships and offer more value you need to understand clients better. This is probably best delivered by using all the types of technology-driven solutions out there to produce the information needed for better client understanding – which also should result in maximising the revenue streams that you have.

"But if you increase revenue geographically or by market share without increasing efficiency and reducing costs, you have the same 'slack' or lack of financial hygiene you had before – you're not optimising your business."

These pain points combine to create a need

for serious reductions in unnecessary costs and a concomitant need for more ‘agility capital’ – and capital is often best invested in IT.

Cutting costs, driving agility

The capability that more advanced technology brings can be split into two well-known, discrete areas, says Labrey: software and hardware.

Developments in putting more power into the hands of law firm staff when on the road or on-site with clients (mobility) and in the capability of back-end systems (practice, case and matter management, for example, or business intelligence) has created a need for some firms to upgrade their technology to be competitive – but many firms are holding back on this investment because it would take too big a bite out of a year’s revenue, or land them seriously in the red.

But it needn’t be this way, Labrey says. Firms can spread software investment costs over a period of years using a leasing/finance model, for example, making investment easier (and more palatable for partners).

“Financing software is a cash flow exercise to smooth the spike of a significant project over the useful life of that project, so that you can match the cost of your IT investment with the projected increased revenues it generates,” explains Labrey. This frees cash within any given year, increasing a firm’s ability absorb problems or spend on growth.

On the hardware side, especially when it comes to mobile devices like iPads and other tablets or laptops, there are really significant savings to be made when leasing as opposed to buying units, says Labrey. The trick is to religiously think in terms of total cost of

ownership, or TCO.

“Firms typically have aging PCs, laptops and so on, and they tend to replace equipment roughly every three years. Econocom invest in the residual value of the asset, so a firm will only ever pay between 80-90% of the cost of the asset. Plus, when you add in the fact that all rentals on a lease are fully tax deductible, there

“To be more corporate, firms need to understand how cash flow and an unconstrained balance sheet enables strategy.”

Chris Labrey, Econocom

are potentially immense tax savings for law firms.”

A simple example is this: an iPad that costs £579 as a bought asset would cost, if leased, around £492, a 15% saving on each unit. Laptops would be almost as significantly reduced. This kind of reduction might allow a firm to go more mobile, or roll out better devices to certain members of the firm, that would otherwise have balked at.

In other words, says Labrey, it’s thinking strategically about financing vitally important improvements in capability – which goes to the heart of competitiveness.

Find out more about
Econocom
www.econocom.com





Briefing Industry Interview

Service with a smile?

Law firms aren't always as good at client contact and front office as they might like, because they often don't test it and they don't have a best practice benchmark. But it's easier to get right than you think, says Joanna Swash at Money Penny

Possibly the most important element in client service is consistency, especially when firms operate around the clock and around the world. But as legal learns the art of institutionalising client relationships, how will it create that consistency in the place it arguably matters most – contact?

Institutionalising relationships is one of legal's big goals – Amanda Burton, COO at Clifford Chance, says it's part of her firm's future in this issue's interview on p6. But clients need consistency whatever time of day they call the firm, whichever office they're calling. That's Joanna Swash's world – her business, Money Penny, answers the phone for 6,000 businesses, so she understands the need for consistent interaction.

"Clients and potential clients need to feel special, whenever they call – day or night. And consistency doesn't just mean answering the phone the same way – it also means actually answering the phone even when you're really busy."

Missed calls are a BD opportunity that many firms are falling down on, says Swash – and they probably don't even realise how bad the problem is.

One top 100 client, she says, had been running a marketing campaign to increase awareness of the firm, and an external consultant had been trying to call their switchboard and had repeatedly failed to get through. "We started to take the overflow calls, and after the four-week trial we gave them the

data that showed they'd been missing 2,500 calls a month. Their management data showed that 14% of incoming calls were new business enquiries – so they'd been missing a lot of potential revenue.”

This is a problem at firms big and small, says Swash, and it's as self-defeating as it is unnecessary. “There's no point spending money on marketing if you can't sort the basics out.” Swash says it's amazing how few firms even have the reporting facility on their phone system switched on – if they did, they'd be able to see missed call data for themselves.

Consistency also gets killed by complacency. Firms often think they have a process for interacting with people on the phone or in reception, for example, but partners or senior managers have never tested or experienced it for themselves.

This is especially true of out-of-hours service levels. A lot of firms have always used security personnel, for example, to answer calls out of hours – but as legal businesses become more international, this just won't provide a consistent client experience.

“You can't have bright, breezy individuals at 2 o'clock in the morning, it doesn't happen,” says Swash. Money Penny has solved this problem the way global businesses do – Swash and the team opened an office in Auckland to have “alert, intelligent, wide-awake people looking after calls for UK law firms in the middle of our night”.

Client contact in a perfect world

Outsourcing things like call answering can certainly save money – Swash says Money Penny's saved one big firm £65,000 a year, as well as chopping out the HR headaches of holiday cover, sickness cover and so on.

Also, just thinking about how to brief a

service like Money Penny on what a firm wants the client contact experience to be like makes people think about that service internally, says Swash. Specialist firms can also bring experience and focus to non-core tasks – in other words, they know better than you do how to take and process calls and they can teach staff how to do it better.

“Our favourite phrase is: ‘In a perfect world, how would it work for you?’ We start opening up those conversations inside firms, getting them to ask themselves what the client experience should be.

“Quite often we find our receptionists get held up as examples of best practice and taken into the firm to demonstrate how we talk to clients and construct emails – which then gets rolled out throughout the firm.”

And when it comes to business continuity, Swash says firms are now very alive to the concept and know they have to plan, “but they do business continuity plans for IT, facilities and staff but quite often don't think about who's going to answer the phone in the event of an emergency”.

Outsourcing services like call answering solves this problem with a stroke, because firms can “just flick a switch at the network level and all the calls would come over to us”. This reduces the handover in a disaster to minutes rather than hours, she says.

Client experience isn't just about partners and BD people or account management – it's about whoever's answering the phones, or sitting at the front desk. As Swash says: “If the client is the one that's paying everybody's wages, it's up to everybody in the firm to be very aware that customer contact is key.”

Want to know more?

Money Penny

www.moneypenny.co.uk



Industry Analysis

Grand designs

Chris Bryant, legal business systems consultant at Tata Consultancy Services, outlines some of the vital considerations for law firms that want to become international or multinational legal businesses

With law firms finding challenges in ever more areas – from international competition to threats at home from alternative business structures – there’s increased pressure to adapt their strategies to survive, let alone remain profitable. The question is: what is the correct strategy, particularly for the large international/global firms?

Sooner rather than later a decision will have to be made about a firm’s strategic direction, whether this is to increase revenues through merger or through organic growth – or a combination of both. Should the firm specialise further but do so on a global basis? Firms will also need to review whether their business and IT platform will facilitate longer-term business goals, covering internal processes and system improvement, obviously, but also including users’ and clients’ ability to collaborate more effectively across borders to support international client needs. Firms also need to consider hiring dedicated business professionals to support the firm operationally,

similar to other professional services businesses, and identify and/or leverage key IT and BPO partnerships.

Choices are limited. A typical approach to survival is growth; organic growth and mergers are both viable options, but bring with them both benefits and consequences. For those that have a desire to be global, merging is perhaps the easiest option – reducing the time, risk and cost associated with overseas office set-ups. Gains can be quick, if they’re managed correctly.

Global firms (and aspirants) need to focus on the role change plays in this journey, across processes, approaches and people. It’s also important from the outset to define ‘global’ and to ask the question: “Can a law firm be truly global?” We think that yes, it can.

People frequently confuse the term ‘global’ to mean not just large but huge enterprises such as Amazon.com, Coca-Cola or BP. But in the legal industry we think ‘global’ can range from firms with offices in two countries to multiple

offices in multiple countries (extended reach is provided through ‘friends’ and ‘alliances’). So to re-frame this debate, let’s rephrase ‘global’ to ‘international’ or ‘multinational’.

Merger growth isn’t where most firms have come from. A greater number of modern firms have grown organically, evolving into new areas of law and other service offerings. But their internal processes and systems have not seen the same level of evolution.

Unfortunately, there still exist inefficient practices. For example: few work in real time (a legacy of the batch-based system); workflows are either too numerous or not suitable for expansion; and can time be recorded in one location then instantly billed from another? How much reporting and analysis is about ‘rear-view mirror’ management and ‘so far so good’? The list is extensive.

If a firm is going international, then consideration for the introduction of some form of legal enterprise resource planning (ERP) must form a priority.

The ‘best of breed’ approach can take a firm so far, but each system integration point requires constant monitoring, maintenance and reconciliation. Systems accountants spend too long performing daily systems balancing tasks across these disparate systems – time that would be better spent on other business/process/system improvements.

Furthermore, by having a legal ERP the accuracy and granularity of firm-wide reporting is instantly increased to levels not seen before. Lots is currently being written about ‘big data’ and ‘data mining’, for example, but you can only mine what is there. Without ERP, there are difficulties in achieving this with any degree of accuracy, especially if there is a desire to mine and identify trends that are not purely financial.

As if to underline these points, a recent

legal industry publication ran an article about how one firm recognised very late in the day that their lawyers are under-utilised when compared to competitors. With firm-wide reporting this would have been identified at an earlier stage and a course correction implemented – with the reasons behind this under-utilisation detailed at the most granular level to allow a management focus and intervention to prevent reoccurrence.

Senior individuals in most international law firms are great lawyers who have made partner, and these partners are now leading the firm (albeit with the aid of management directors, of course). But a partner is still fundamentally a lawyer – they’ve spent many years studying and training to be one, so why do we assume that they will make good business leaders?

To be successful as an international firm, the law firm business model will have to change to allow professional business leaders into positions of control. To go back to the earlier comparison that the legal industry is not like businesses such as Coca-Cola or BP, neither in size nor in the make-up of the business leaders, BP has Bob Dudley, CEO, holding qualifications of an MBA and an MIM (master of information management); Coca-Cola has the likes of Muhtar Kent, CEO, experienced in the products and logistics of Coca-Cola. who also holds an MBA.

Do the leaders of the top 10 UK firms have the broader business experience of enterprises? Do they all have MBAs or equivalent business degrees? And how much time have they spent in business management on processes and so on? Or are they just great lawyers?

Find out more about
Tata Consultancy Services
info.tcs.com/LMS.html





Industry Analysis

Are law firms finally ready for CEOs?

Now that legal business has woken up to the need for overarching operations managers in the guise of the COO or operations director, the sector might be ready for even bigger change, says Gary Jones, director at Totum Partners

A few years back, there was a lot of talk about the rise of the chief executive in legal. Bringing in business management expertise at a leadership level seemed an obvious way to support the rapid growth of law firms, delivering innovation and commercial nous while allowing lawyers to get on with what they do best – practising law. Massive and exciting structural change loomed.

And then nothing much happened. “Five or six years ago there was talk that the managing partner role might disappear to be replaced by that of CEO,” says Tim Skipper, managing director at Totum. “But that doesn’t seem to have happened, except in a few cases.” He adds, however, that there has been far more uptake in another leadership quarter – the chief operating officer (COO) or operations director.

And, with the rise of the COO, together with a swathe of now well-embedded business services directors across all sizes of firm, the legal CEOs might yet have their day.

The growing number of COOs in legal makes sense at a time when operational

infrastructure is growing rapidly. The trend has been reinforced by the recession, which brings with it a need to maintain growth and cut costs. A COO who can manage finances and streamline operations has become invaluable.

Take the example of Adrian Bourne, COO at Stevens & Bolton. He has a strong financial background having worked as finance director and CFO for businesses including executive search firm Russell Reynolds Associates and US fund management group T. Rowe Price. “In a firm where partners aren’t generally finance people I think it’s essential to have someone on the senior management team who has their finger on the pulse of financial drivers,” he says.

But his role goes beyond finance. Typical of COOs, he oversees much of the firm’s business services including finance, IT, HR and recruitment, and facilities. He’s also line manager for the marketing and business development team.

The surprising breadth of the COO role means it can be difficult to discern a difference between the COO and the managing partner/

CEO – which may have major ramifications for the future of such leadership positions.

Sally King, for instance, has worked as COO in several firms in the US, joining SNR Dentons (now Dentons) as global COO in 2010. By that time she had accrued a wealth of experience including managing lease negotiations, financial reporting and analytics, employee compensation and benefits, supporting a firm through merger and managing operations across a global platform.

No wonder, then, that Dentons spotted her potential in a more directly strategic role: as global chief projects officer and adviser to the board. “In my current role I work closely with the chairman and CEO of our firm and support strategic initiatives,” she says. “I’m less involved in operations and more involved with helping to deliver and support strategic projects.”

The shift from the operational to strategic is even more stark with John Banister, now CEO at media firm Wiggin. He joined as COO in 2003, when the firm’s de-merger with the private client practice required considerable change management effort to successfully establish Wiggin as a media business.

Success was followed by the recession and a period in which financial performance took precedence. “During that period we slightly lost direction,” says Banister. “Culture is important to us, but just then we lost a little of our identity and became like every other firm. So we took time out to review our strategy and think about what we wanted to achieve, and damn the recession.”

It was then that Banister made the move from COO to CEO. “The role became less hands-on in terms of operations and more hands-on in terms of moulding the direction of the firm,” he says. Not that he has given up the COO position – it’s more that the CEO and COO roles have merged into one.

Banister admits, however, that there was

a catalyst for being made CEO – being made partner. “The partnership hasn’t changed my role, but it comes with a level of credibility because it matters to lawyers,” he says. “Being a partner and taking the impact of financial decisions in my own pocket makes them more comfortable about what I recommend.”

Nor is Banister alone in taking the step up to partnership. Adrian Bourne was made a partner at Stevens & Bolton in the wake of the Legal Services Act. Although it may not yet be common practice for law firms to open up the partnership in this way, Skipper here at Totum thinks it may be a growing trend as more firms make up director level employees and above.

This could open the door to more business managers rising to top leadership roles, and will no doubt be supported by another trend: “We are seeing more appointments of business managers for practice groups,” says Skipper. “For example, business manager of corporate/litigation etc. These may well be the firm-wide COOs/CEOs of the future.”

A few years back, the market thought that law firms would jump on the chance to appoint CEOs with business, not legal expertise. But it didn’t happen. Perhaps the problem lay with the top-down approach – business managers at that point hadn’t proved themselves, how could law firms just bring them in at a top level and trust them to succeed?

Over the years, though, business services directors and the COOs who have overseen them have proved their potential.

With partnerships beginning to open up, and the lines blurring between operational and strategic, the days of the law firm CEO may finally be upon us.

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Industry Analysis


Going up

Neil Renfrew, consultant for LexisNexis Enterprise Solutions, looks at whether law firms can be big and efficient. It's a goal many firms seek, but can it be done?

Get big, get niche or get out is a familiar business mantra and one that we are seeing more of in legal. Large firms are getting larger, while mid-size firms are nervous about being left in 'no man's land'. Clearly, 'getting big' appeals (witness all the recent merger activity), and it begs the question: why? Not to mention: how?

Putting ego to one side, the rational answer to 'why' must surely be to increase combined revenues and/or reduce combined costs. Among other things, increases in revenue might be expected as a consequence of additional capabilities and greater geographical reach, making a firm more attractive to larger corporate clients. More opportunities for cross-selling might also be expected. Meanwhile, economies of scale should mean reductions in a firm's cost base – particularly in mid-office and back-office support functions.

But these things don't happen by themselves – management teams need to make them

happen, which brings us to the 'how'. Let's take a hypothetical large firm – the product of a series of mergers resulting in an international (if not global) firm – and focus on the cost reduction part of the equation.

To be able to reduce costs in a newly formed 'big' organisation, first and foremost people need to be organised into a structure geared towards concerted and effective action. For a newly merged, big organisation to be run as a union (rather than a federation), leadership and a clear, vision-based command and control structure are essential.

There are, however, practical challenges associated with achieving mid-office and back-office efficiencies and savings. The majority of larger firms have an IT infrastructure that resembles a plate of spaghetti and meatballs – the meatballs represent 'applications' and spaghetti 'integration'. This greatly complicating matters when it comes to implementing even the simplest forms of support for business

processes.

However, after a merger (which involves trying to digest lots of plates of spaghetti), it gets even more complicated (and expensive) to deal with processes such as conflict searching, business intake compliance, purchasing, resource management, client relationship management, financial management and business intelligence – to name but a few.

So what should the firm do? It pays to have a vision of an end-game in which (speaking in software engineering terms) user interfaces suit users and their devices, processes flow naturally (without application stacks being barriers) and data is integrated in an elegant architecture.

In effect, firms should look for a new approach to mid-office and back-office system platforms that minimise the number of applications (user interfaces, process domains and data silos) and focus on supporting the work that support staff actually do.

To this end, as firms explore and shop for ‘lasagne’-style systems (those that take a layered approach to user interfaces, processes and data), foundation steps can be taken: by abstaining from implementing more point-to-point integrations and taking a fresh approach based on a strategic information architecture (using master data management and warehousing principles), standardising user interfaces, and building support for processes that cross-application domains.

Cost savings will be achieved by having fewer people doing more work and, aside from good organisation and management, this is where IT systems can make a real difference. Firms that aspire to manage internal and external resources effectively, comply with multiple regulatory regimes, maintain

relationships with large corporate clients, run efficient operations, and have all of the information necessary to monitor business performance need effective integrated IT systems, not plates of spaghetti.

This thinking is hardly novel, and there have been a number of attempts to follow this strategy with ‘ERP’-style systems. To date, these

“Cost savings will be achieved by having fewer people doing more work and, aside from good organisation and management, this is where IT systems can make a real difference.”

Neil Renfrew, LexisNexis Enterprise Solutions

attempts haven’t been runaway successes for a variety of reasons, including a relative lack of experience of the sector’s somewhat unusual requirements on the part of developers and implementers.

So, enter LexisNexis with their new Microsoft Dynamics AX-based Legal Business Management system (codenamed Nimbus). It’s a ‘lasagne’-style architecture, rich with business process features garnered from its 14,000+ sites in other business sectors across the globe. Add to this the LexisNexis sector knowledge and maybe there is hope for this strategy yet! Being good lawyers helps too, of course...

Want to know more about Nimbus?
LexisNexis Enterprise Solutions
www.lexisnexis-es.co.uk



Industry Analysis

Strategic information

Paul Westcott, product development manager at Dun & Bradstreet, makes the case for internal data strategies in law firms. It's no longer a case of whether – it's now about how you make and implement one

Information is the basis of law firms' business – it's what they sell. They should therefore understand how powerful it is, but often don't see the information wealth inside the firm.

Better management information can improve efficiencies (eg in customer due diligence automation and BD targeting), cut costs, help spot trends – both in business generation and risk, and it's crucial in moving towards more personal business responsibility with key performance indicators.

Data can hugely improve competitiveness,

if it's collected and used correctly. Create bad data, though, and you will be creating a platform for failure. That's why law firms need to create a data strategy to make sure they create, refine and automate their processes in ways that generate more revenue and more capability.

The cornerstones of any data strategy are:

- Relevance to the users (inside or outside the firm)
- Security for the organisation and its clients
- Maintenance – controls to keep information current

- Accessibility – making data available to anyone who needs it, whenever and wherever they need it
- Conformity – will it work across the myriad use cases it's needed for?
- Coverage – do you have the right breadth and depth of coverage, and the analytics to understand what the data is telling you – or not telling you?
- Accuracy – can you rely on the information to make business-critical decisions?

When it comes to information issues, law firms aren't uniquely special – so this list will work well for them. But a few of those items are particularly relevant to legal: security, relevancy and speed of delivery.

Implementing your data strategy

When you're implementing a data strategy that focuses on those goals, the most important aspects to consider are process, people, technology, data and governance and control.

It's not enough to get the firm's data right – to be strategic about data, you must get the right balance across all five of those aspects. And when you're implementing a data strategy in your firm, it's far better to be methodical to make sure all processes that can be affected are done so correctly.

People, technology and data can adapt to define your data strategy, but you should work with your existing processes and policies – set expectations correctly at the beginning and implement your strategy in stages across the firm to help start delivering benefits quickly.

Select a single business issue or problem and identify how data is needed to support it. Use the five key aspects outlined above to resolve issues. For example, don't try and automate the whole process in your client due diligence and onboarding teams at once. Identify the data

elements you use for less risky customers and automate that part of the process first.

It's surprising how many firms haven't given much thought to cleaning up existing data before it's disseminated into the firm's systems, so pay special attention to how you're creating data.

Thinking about data globally also requires some serious thought around the information lifecycle – it's relatively easy to pull in key business verification data, but how do you establish a unique identifier to maintain the information for the lifecycle of the customer? The use of a unique ID can ensure data will remain clean regardless of whether everything else is gathered manually or automatically. We at D&B, for example, think it's incredibly important that when you pull data from our global databases, the information gets related to unique IDs in your business.

Turning the five aspects outlined above – process, people, technology, data and governance and control – into a limited-scope project such as inception should deliver tangible results quickly, such as faster client inception/matter opening, and enable fee earners to start work faster, linking to their meet KPIs.

It will also help you 'sell' the need for a data strategy within the firm, which will in turn help you secure budget and drive better ROI for the next data 'project' – because you'll have hard evidence to back up the proposition that data is a strategic asset and can perform in the firm to increase profitability and enhance brand reputation. This will ultimately add enormously to the firm's competitiveness.

Find out more about
Dun & Bradstreet
<http://bit.ly/dnbinbriefing>



Briefing Case Study

Outsourcing IT for strategic gain

Briefing talks to Robert Mojab, finance director at DMH Stallard, about why outsourcing IT to e-know.net will help the firm in its strategic alliance with Riverview Law and create a more agile, flexible legal business for the future

DMH Stallard will soon break into the UK's top 100, not least because of its recent strategic tie-up with legal revolutionaries Riverview Law. But to achieve these goals, it needed to dramatically change its platform for delivering legal services – its software applications and IT hardware.

“Outsourcing both our hardware and turning to a software as a service (SaaS) arrangement gives us a flexible operating base, which is a necessity in the present marketplace,” says Robert Mojab, finance director at DMH Stallard. “If you start from the client’s perspective and ask what the client wants, you wouldn’t build a traditional firm. The model has to be more flexible and respond more quickly, and outsourcing services such as IT is part of that journey.

Outsourcing like this means DMH is no

longer tied to buildings and IT equipment or long-term licences, which in turn means the firm can deliver work less expensively and provide cost predictability to DMH’s clients and Riverview’s clients.

DMH has gone the whole way with outsourcing its IT infrastructure to e-know.net: hardware, practice and case management, a whole range of Microsoft applications and, significantly, a portfolio of applications developed in-house. “E-know.net has picked up 15 years of internal development in months. It was a massive learning curve and very successfully done,” says Mojab.

The expiry of a building lease where the firm’s server room was based triggered the change. Scalability was a key driver, and the intention at DMH is growth. If DMH merges with another firm, for example, to grow, “we

can now simply hook new users up and make everything available very easily”, says Mojab.

As long-time LexisNexis power users, DMH needed to find LexisNexis experts to partner with, which was one of the criteria that swung the deal for e-know.net. But when it came to the contracts, DMH had a certain advantage of its own – it advises clients on outsourcing and cloud-based arrangements already, so it could utilise internal resources to make sure the arrangements were spot on.

“We looked very carefully at the contractual relationship, the nature of what we were trying to achieve and how to structure things to get best ROI.” Thinking this hard about the deal from the outset, says Mojab, is vital to ensure a firm ends up with what it expects. “You should look ahead to minimise financial exposure. Don’t make upgrades just before you switch, because you’ll have massive write-down of book values. Consider the initial cost overlaps, and manage the cost base discussion with the provider up front.”

DMH’s IT development has stayed in-house because it’s a vital element in the firm’s future success. The firm has built a massive amount of in-house technology, winning awards for IT capability in the process. The firm’s business intelligence/reporting system – called ‘BUS’ (for ‘bloody useful statistics’, says Mojab), for example, provides up-to-date information on KPIs. “We extract data into a data-warehouse and onto an intranet, so everyone has access to management information,” says Mojab.

Support from e-know.net is also going well, enabled by having systems within arm’s reach. “Some things took a little time,” says Mojab,

“but our people are happy – in fact they get more out-of-hours support now, as e-know.net is 24/7.”

Outsourcing isn’t simple, and it has to be tailored to every firm, says Mojab. But it’s about making the firm more agile and giving more predictability on costs. Mojab sees outsourcing as fundamental to the firm’s ability

“Outsourcing hardware and turning to a software as a service arrangement gives us a flexible operating base, a necessity in the present marketplace.”

Robert Mojab, finance director,
DMH Stallard

to meeting shifting client needs. “We also avoid capital expenditure shocks. That level of flexibility and predictability is difficult to value. We have no desire to own software – it’s better to leave it to the specialists.”

The result? A legal business fit for the future – and one that, as Mojab puts it, is “more agile and more responsive to a changing market”.

Want to know more?
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Industry Analysis

Inception, improved

Sam Suri of IntApp explains why, in today's legal marketplace, streamlining new business intake is more important than ever – and how firms are finding new approaches to drive internal efficiency, client service and competitive advantage



In response to increasing client expectations, firms are exploring new pricing models such as fixed and alternative fee arrangements. They're also investing resources in client service and operational efficiency to improve performance and increase profitability. All these changes create new demands on everyone in the firm – and no activity better captures this nexus of pressures better than new business intake.

At its essence, this comprises two tasks: deciding whether to take on new clients or matters, and enabling lawyers to start working and billing quickly.

In practice, both tasks test a firm's ability to implement strategy and operate efficiently. Today, vetting clients requires more than

conflicts checks – it also requires judging which clients align with long-term business goals. In terms of efficiency, opening new matters across firm systems can either be a tedious, manual process – inviting shortcuts and error – or automated to improved data quality and enhance lawyer productivity.

Enhancing intake can drive firm financial performance, enhance management visibility and improve overall client service. However, firms are limited by the fact that the tools used to manage inception are not able to keep up with modern requirements for flexibility, efficiency and information management. A fresh approach is needed.

Remaining competitive in this challenging environment requires a simplified, refined

and innovative approach to inception. This innovation must address not only how intake processes are designed and executed but also how they are updated and adapted over time, how individuals interact with the software used to administer them, and how the entire system enables management of the complete client engagement lifecycle.

Today, firms have several options to streamline intake, including process management software built for corporate environments. But existing tools bring significant limitations, service requirements and costs (both explicit and hidden). And while the industry has seen attempts to put a better face on these process tools, efforts to date have fallen short. The net result is that firms must essentially invest in the creation of custom intake software solutions.

It's time for a fresh approach

Many firms are pursuing a alternative strategy, adopting software specifically designed to be a true business intake application. To address modern requirements, this technology provides a more open, agile and business-oriented approach, designed to deliver on key principles that put firm needs first:

It must put firms in control

Business users should be able to quickly and intuitively create and change business processes without having to pay for consulting, issue change orders, or wait for IT to code updates. Self-service is critical. The business landscape changes rapidly – intake needs to do the same.

It must be built for business acceptance

A generic process platform or kit of third-party tools won't suffice. Instead, a solution must be

designed specifically for intake, jettisoning the baggage that comes with legacy approaches.

It must make broad adoption easy

Today management, lawyers, risk and other stakeholders demand a consumer-grade experience that's attractive, intuitive and responsive. Addressing this means that those who participate in the intake process finally enjoy the experience.

It must intelligently manage information

Double data entry and post-inception matter workspace set-up that's too manual must be eliminated to execute processes quickly and let lawyers work promptly.

Several firms embracing a fresh approach to new business intake share their perspectives. Paul Caris, chief information officer at Eversheds, notes: "We looked at several software options to improve the way our firm evaluates and accepts new clients and matters before deciding to partner with IntApp. We've been very impressed with the scope of functionality and product design IntApp delivers, and have found them to be a most responsive and straightforward vendor."

And Jan Durant, director of IT and operations at Lewis Silkin, aptly summarises the trend afoot: "Intake is a critical business process, but traditional workflow tools have caused major headaches for all involved in the process. We opted to implement software specifically designed for law firm business intake, delivered by a vendor that consistently under promises and over delivers."

Find out more about
IntApp and inception
www.intapp.com



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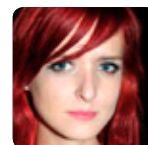
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