

The First

# Law Department Operations Survey

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# Coming of Age:

## The Changing Role of the Law Department Operations Director

By David Cambria

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**I**ncremental improvement, exponential results: That could be the future gains for proactive law department operation directors, according to the First Law Department Operations Survey. With foresight and buy-in from general counsel, IT and business partners, it's possible to make the leap from running the law department, as many directors do now, to managing it, as many hope to do.

While the role of the professional law department operations director has started to come of age, many of us in that role have been wondering to what extent we can achieve future gains. It was in that spirit that, along with Brad Blickstein of the Blickstein Group and our advisory board, we launched this First Survey of Law Department Operations.

The results show that these professionals have myriad managerial responsibilities in the law department. Most respondents report that they either “direct” or “manage” tasks related to budget management; resource and operations management; project management and systems administration; development of non-attorney staff as well as most purchasing, especially in the area of technology. Furthermore, it is clear from the results that operations professionals also have substantial responsibility related to outside counsel management and attorney development.

The amount of responsibility now invested in a role that hardly existed a few years ago represents the importance of these professionals to their departments, a fact that is amplified by their reporting structures. More than 77 percent of survey respondents report directly to the general counsel, and another 12 percent have dotted-line reporting to the GC. “The creation of this position is in many ways the general counsel taking the approach of running the law department like a

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business function,” says Aaron Van Nice, director, operations at Baxter International’s law department.

Law department operators are clearly effective—they can make the trains run on time. And business processes are certainly an important aspect of the job, according to our survey respondents. But the high-level, strategic thinking that would provide the most value is only happening in some cases: According to survey respondents, data analysis, a process that could lead to substantial cost savings and other improvements at many law departments, is not considered an important job trait. That reality is short-sighted.

When asked the three most important attributes for managing law department operations, respondents placed law department knowledge, business acumen and business process at the top.

Those results signal that law department operations directors can bring both business and legal knowledge together in a way that is lacking elsewhere in many companies. In an environment where, too frequently, in-house counsel can’t speak the language of business, and the businesspeople can’t always communicate their goals and expectations to the law department, proclivity and background make law operations the perfect crossroads for the law department and businesspeople to connect.

Whatever the reason, not every operations director is taking the opportunity to connect with the businesspeople. When asked about their relationship to client-relations tasks, nearly half report having no involvement in developing and managing long-term strategic department-wide marketing and more than half have almost no client-facing responsibilities. Only about half of the companies are taking advantage of this resource: a business professional in the law department who can speak “legalese.” This is a natural role for an operations director, a position that my friend Rich Seleznov at Huron Consulting Group describes as “part therapist.”

## Moving Ahead

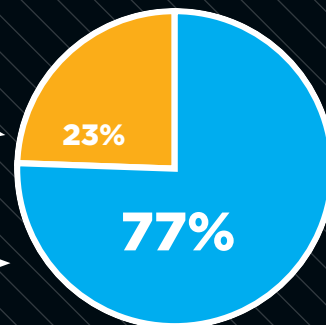
Nonetheless, law department operations directors have advanced a very long way in a very short time. The level of professionalization has been a very recent phenomenon, according to respondents: 64 percent have been in their current positions for less than four years. Fewer than half of the companies responding even had the position before the 21st century. General counsel also recognize the need for seasoned people to head operations. Among the respondents, 64 percent have more than 20 years’ overall work experience.

By their nature, operations directors are also multi-faceted—a jack of all trades, we understand business processes, legal demands and IT infrastructure. But because of these skills, we are also pulled in

### To what position do you directly report?

Deputy/Associate/Assistant General Counsel

General Counsel/Chief Legal Officer



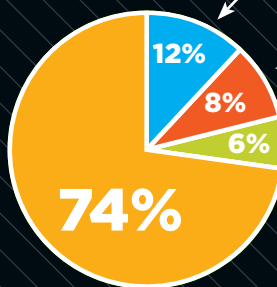
### To what position do you have dotted-line reporting?

General Counsel/Chief Legal Officer

Deputy/Associate/Assistant General Counsel

Corporate System/IT Department

None



many different directions. We are expected to ensure that everything is running smoothly, but that doesn’t leave much time for long-range planning and improvements.

If there is one thing that’s clear from our results, it is that operations directors allow law departments to run more efficiently in many different areas. In order to provide even more value by focusing on strategic contributions, we need to get our processes and people buttoned down. With the proper processes in place, we will be able to free up more time and take a higher-level view of the law department and its role within the company. Once the trains “run themselves” — or we are able to build larger operations teams to run them — we will be able to spend more time analyzing data, boosting cost savings and improving efficiencies. It may be difficult to gain the time, resources and empowerment to rise above the day-to-day and become more strategic. But a few years ago, the question was how much value professional management of operations could bring at all. It seems we’ve won that battle, and it’s clear the next one will be worth winning, too. ■

# A Position—and a Survey—20 Years in the Making

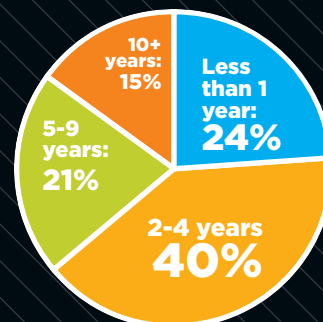
## Operations Directors Earn the Right to Sit at the Table

By Amy I. Stickel

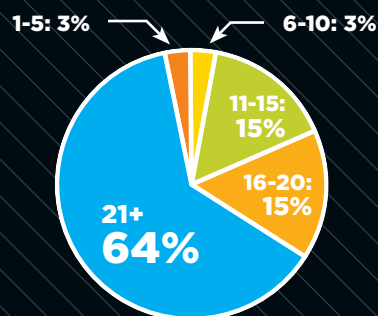
This first law department operations survey, in a sense, is almost 20 years in the making. In the early 1990s, there was no single answer to the question: Who buys technology in corporate law departments? Back then, Brad Blickstein, principal of the Blickstein Group, had a stock answer: “It could be anyone,” Blickstein, a co-founder of the survey, recalls saying. “It may be the general counsel, if he’s the tinkering sort. It could be an attorney with a computer science background. Or perhaps it’s the paralegal who someone noticed knew how to unjam the copier.” But over the past few years, it became clear that this is no longer true. Many law departments have consolidated purchasing – and much more – under a single operations director, who might have any number of titles. However, there was little information about what, exactly, these people do, what they spend and how they work. “There are plenty of surveys, and many of them provide very helpful information, but there was not one focused on legal department operations,” says Heidi Rudolph, vice president, legal operations & administration, Sara Lee Corp. “There are more and more of us in this role now, and we need this information,” says Rudolph, a member of the advisory board of operations directors who brought their knowledge and expertise to the first Law Department Operations survey.

This survey, which was developed by Blickstein and David Cambria, director of operations, law department at Aon, along with Rudolph and other members of the advisory board, in cooperation with Huron Consulting Group, is designed to answer those questions. For law department operations directors looking for quantitative data about their rapidly growing profession, this survey was designed to elicit information that can help them in their day to day jobs.

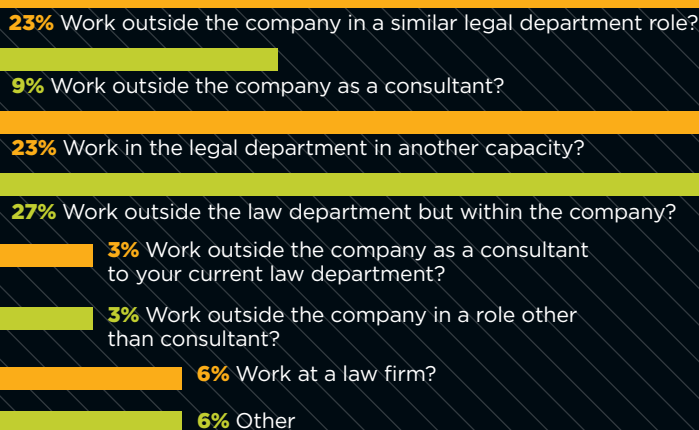
### How long have you been in your current position?



### How many total years of work experience do you have?



### Immediately before assuming your current position, did you:



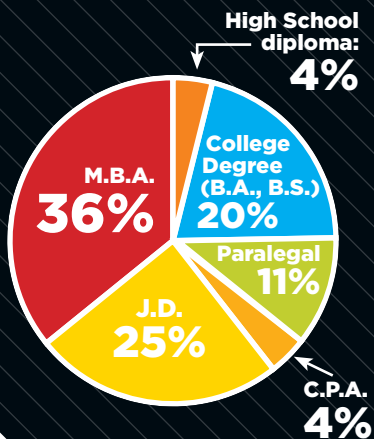


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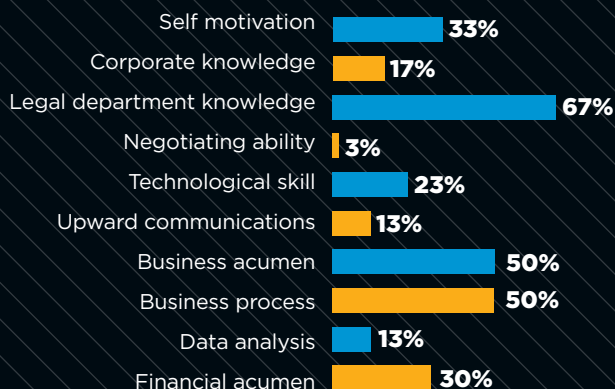
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## Highest level of education achieved:



## Mark the top three attributes for managing law department operations functions:



## Setting Priorities

“The role of the professional legal department operations director has come of age,” says Rich L. Seleznov, managing director of Huron Consulting Group. “General counsel recognize the need for professional management in a role that covers everything but the legal work.” However, too often it seems, law department operation directors are not fully empowered. The way new technology is acquired and implemented is one clear example. Ninety-one percent of survey respondents determine IT priorities, but only 52 percent recommend solutions and 29 percent make the final decision. Practically all of the operations directors have the responsibility, but very few have enough authority to ensure that the objective is actually met.

“General counsel recognize the need for professional management.”

— Rich L. Seleznov,  
Huron Consulting Group

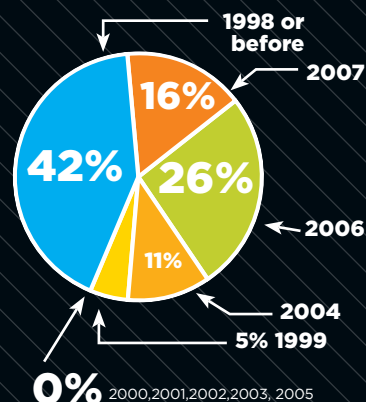
## Meet E-Discovery 2.0

Electronic discovery is another area where operations directors may not be reaching their fullest potential. More than a third of respondents have a dedicated e-discovery manager, and 35 percent more are either considering hiring or plan to hire one in the next 12 months. Eighty percent of the e-discovery managers report to the litigation department, rather than the operations department. In the minds of many departments, this seems to be less of a process-oriented position, and more of a litigation one.

The reporting lines for most e-discovery managers do not surprise Jeff Seymour, a principal with Deloitte Financial Advisory Services LLP. “Typically, litigation is driving the request,” says Seymour. “Ultimately, the position has to be on someone’s payroll and sit somewhere.”

The upswing to dedicated e-discovery managers reinforces the idea that the largest legal departments are taking different approaches to managing the whole process. Nearly half are “unbundling” their e-discovery processes, establishing their own vendor relationships and expecting vendors and firms to work together.

## In what year did the company add this position?





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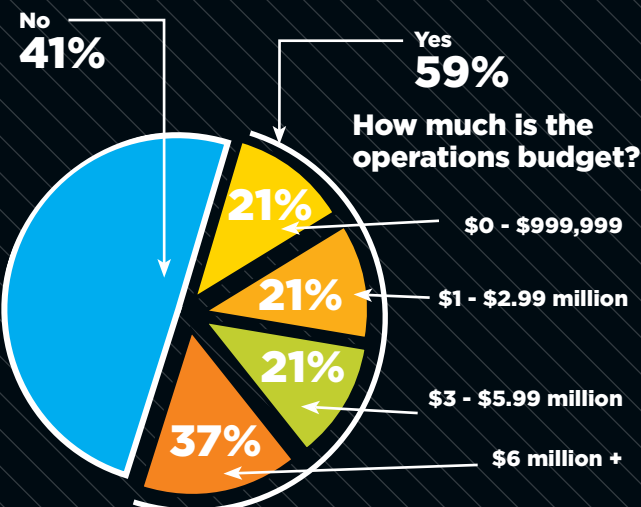
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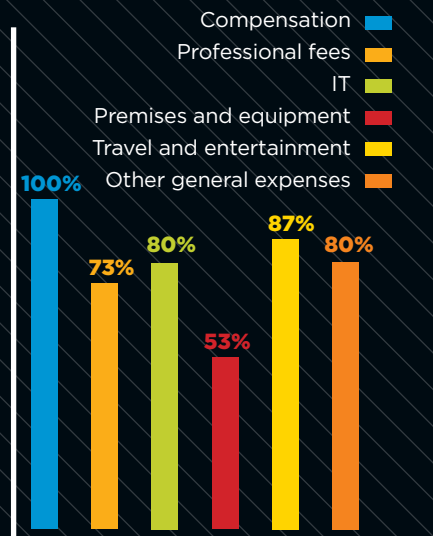


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## Do you have a distinct budget for operations?



## Name all the operations budget categories

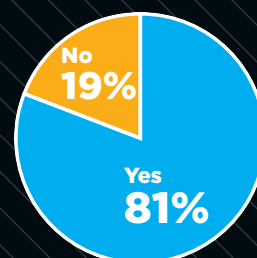


Legal departments will continue to adopt the unbundled approach, predicts Steven d'Alencon, chief marketing officer for CaseCentral. "Legal departments are swinging away from leaving it up to law firms. Some companies have hundreds of law firms, so expecting all of them to work together with their own internal systems is kind of comical," he says. "So the trend of leaving it up to the law firms will get smaller."

## Cost Savings

The survey results show that the pressure to cut costs is only increasing for law departments. The cost-savings crusade is gaining momentum since the popular press is "uncovering" the compensation of law firm attorneys from the associates to senior

## Does your legal department charge back/allocate any legal expenses directly to the business units?



## Mark all the technology responsibilities applicable to your position:



partners, and the firms themselves consistently raise prices at rates that are multiples of the rate of inflation. The law department is under extreme pressure to do more with less. Some appear to be scrambling.

When asked which cost-savings initiatives they use, more than two-thirds report using preferred-provider networks, electronic billing, flat-fee arrangements, rate freezes and limits on disbursements though billing guidelines. Well over half are using aggressive rate negotiations, limits on when rates can increase, volume discounts and using less expensive attorneys. Since data analysis is not considered a particularly important job trait, it is not clear if companies are figuring that some combination of initiatives will make a real cost difference or if they are just trying



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### What legal technologies do you have in place?

**96%** Matter management

**85%** Electronic billing

**64%** Document management

**81%** Computer assisted legal research

**50%** Records management

**50%** Legal holds

**81%** Corporate secretary and/or Subsidiary management

“[Attorneys] will be a little more mindful of cost-management, even if just a small part of their compensation is tied to performance.”

— Heidi Rudolph, Sara Lee

different ideas to see what works. Nevertheless, the fact that so many law departments are trying so many different things is a big step from just a few years ago. “It used to be the smartest non-lawyer oversaw operations,” says Seleznov. Now, operations directors have real authority.

### What Gets Measured Gets Done

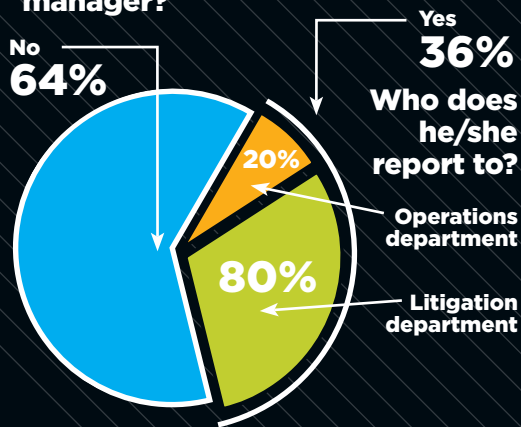
Metrics is another area where operations directors could take more of the lead, given enough time and resources. The good news here is that most respondents do have a formalized metrics/reporting program. And a full 84 percent who do employ metrics say those metrics help measure the success of the law department. What may not be such good news is that 57 percent of respondents with formalized metrics programs do not tie compensation to those metrics—a result that Jeffrey D. Paquin, chief operations counsel, law division for Abbott Laboratories and a member of the advisory board calls “consistent” with his understanding of the legal industry.

By failing to tie compensation to these metrics programs, Sara Lee’s Rudolph says law departments are missing an opportunity to “focus” attorneys and staff on the importance of cost-cutting. “They will be a little more mindful of cost-management, even if just a small part of their compensation is tied to performance,” she says.

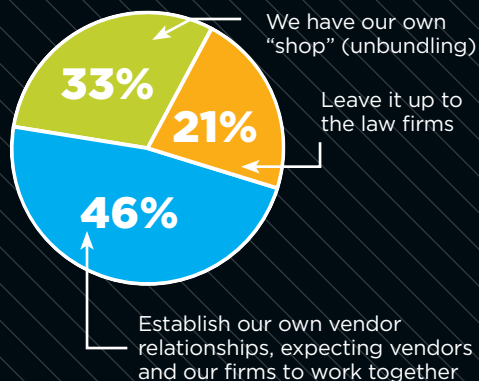
Paquin also questions how thorough many metrics programs are. “Some metrics programs are very elaborate, while many metrics programs take a minimalist approach,” he says.

Besides the types of programs, the use of metrics varies widely among respondents—the plurality use metrics to track the percent of legal spend (inside, outside or both) as a percentage of revenue and total expense and total expenses by law firm for particular groups of matters. Just under a third track the average or median bill rate by law firm for particular groups of matters, the percent of legal spend (inside, outside or both)

### Does your law department have a dedicated e-discovery manager?



### Generally, what is your approach to e-discovery?



for proactive work (product development, product delivery, product servicing, corporate support) versus dispute resolution for company and business units or the distribution of outside counsel spend to law firms--discounted versus standard rates.

According to industry experts, such limited metrics tracking offers limited value. Don Schad, general manager, corporate legal solutions for DataCert Inc., points to the tracking of the percent of

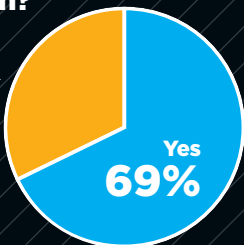
legal spend as a useful measure for those outside the law department. "It's important because that's something the board of directors can understand," he says. He expresses surprise that fewer law departments track the average or median bill rate by law firm for groups of matters. "That's a very important metric," he says. Providing information about the law function in terms business people can understand can be important, according to Huron's

### Which of the following cost-savings initiatives do you use?

- 69%** Preferred provider network
- 77%** Electronic billing
- 62%** Aggressive rate negotiation
- 54%** Early case assessment
- 77%** Flat fee arrangements
- 50%** Other alternative fee arrangements
- 46%** Direct relationships with vendors used by firms on your behalf
- 69%** Rate freezes
- 39%** Cap rate increases
- 62%** Limit when rates can increase
- 62%** Volume discounts
- 50%** Staffing controls
- 69%** Limits on disbursement through billing guidelines
- 27%** Quick-pay discounts
- 23%** Discount rate with bonus for success
- 65%** Use less expensive attorneys (i.e., regional firms)

### Do you use a formalized metrics/reporting program?

No →  
**31%**



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Seleznov. “Directors need to be a liaison with the business units and help articulate the value of the legal function, not just the cost.”

The results of the tracking of one particular metric may come as a surprise: Twenty percent of law departments are tracking the days to resolution by law firm or by particular groups of matters, despite the conventional wisdom that reducing cycle time reduces litigation costs. Afshin Behnia, president and chief executive officer of Mitrtech, says it makes a great deal of sense to track that information if a company has similar matters. “It would be more useful for an insurance company, for example, to track that information, since they have more uniform types of cases or matters,” he says. “But a lot of matters are unique, so cycle time may not be a very helpful metric in those cases.”

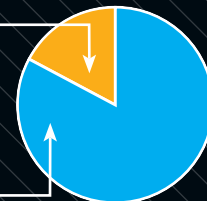
And cycle time, unlike other items such as budgets, tends to be outside of operation’s control, says Seymour of Deloitte, making it a less-practical metric to track.

### Technology

According to Schad of DataCert, many law departments’ operations are not making full use of the resources that they already have in order to track metrics. Eighty-five percent have electronic billing systems in place, and they may not be making the most out of them, Schad says. He points to the three phases of billing: In the first phase, legal departments implement e-billing programs and start to collect data; in the second, they use e-billing metrics for simple cost management; and in the third phase, they mine the metrics for true spend management. “It’s the difference between

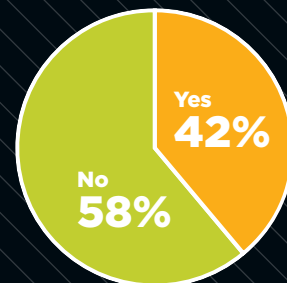
**Are metrics one of the ways in which the success of the law department is measured?**

No  
**16%**  
Yes  
**84%**



**If so, are there compensation ramifications?**

Yes  
**42%**  
No  
**58%**



**Which of the following metrics do you track?**

**84%**

Percent of legal spend (inside, outside or both) as a percentage of revenue and total expense

**32%**

Percent of legal spend (inside, outside or both) for proactive work (product development, product delivery, product servicing, corporate support) versus dispute resolution for company and business units

**28%**

Distribution of outside counsel spend to law firms--discounted versus standard rates

**32%**

Average or median bill rate by law firm for particular groups of matters

**64%**

Total expenses by law firm for particular groups of matters

**20%**

Days to resolution by law firm or by particular groups of matters

catching one incorrect charge and having enough business intelligence to identify alternative billing arrangements that can significantly lower spend,” he says. Even more so than e-billing programs, nearly every respondent has a matter management system in place—96 percent, in fact.

The survey shows most of the respondents are implementing various kinds of legal technology to better help them manage cases, matters and the discovery process during litigation.

Behnia of Mitrtech points to the diminishing returns of having too many disparate types of programs from multiple vendors. “Many of these are point solutions, and it reinforces the need for the operations manager to look to a platform strategy,” he says. “Ultimately, processes are enforced by the systems. And this provides a good opportunity for operations directors to look at the processes.”





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"With the economy tightening, law department operations directors will have to focus more on how the department's processes affect the corporate bottom line," says Deidre Paknad, president and CEO of PSS, who expects to see a substantial increase to the 50 percent of respondents who have records management technology in place. "While storage is cheap, data management certainly is not," she says. As Paknad points out, next year will present serious challenges to law department operations directors, as a faltering economy continues to batter their internal budgets and their businesses. But rather than hunker down in the face of this challenge, it is the perfect time for directors to prove their current worth, and show how much more they can add.

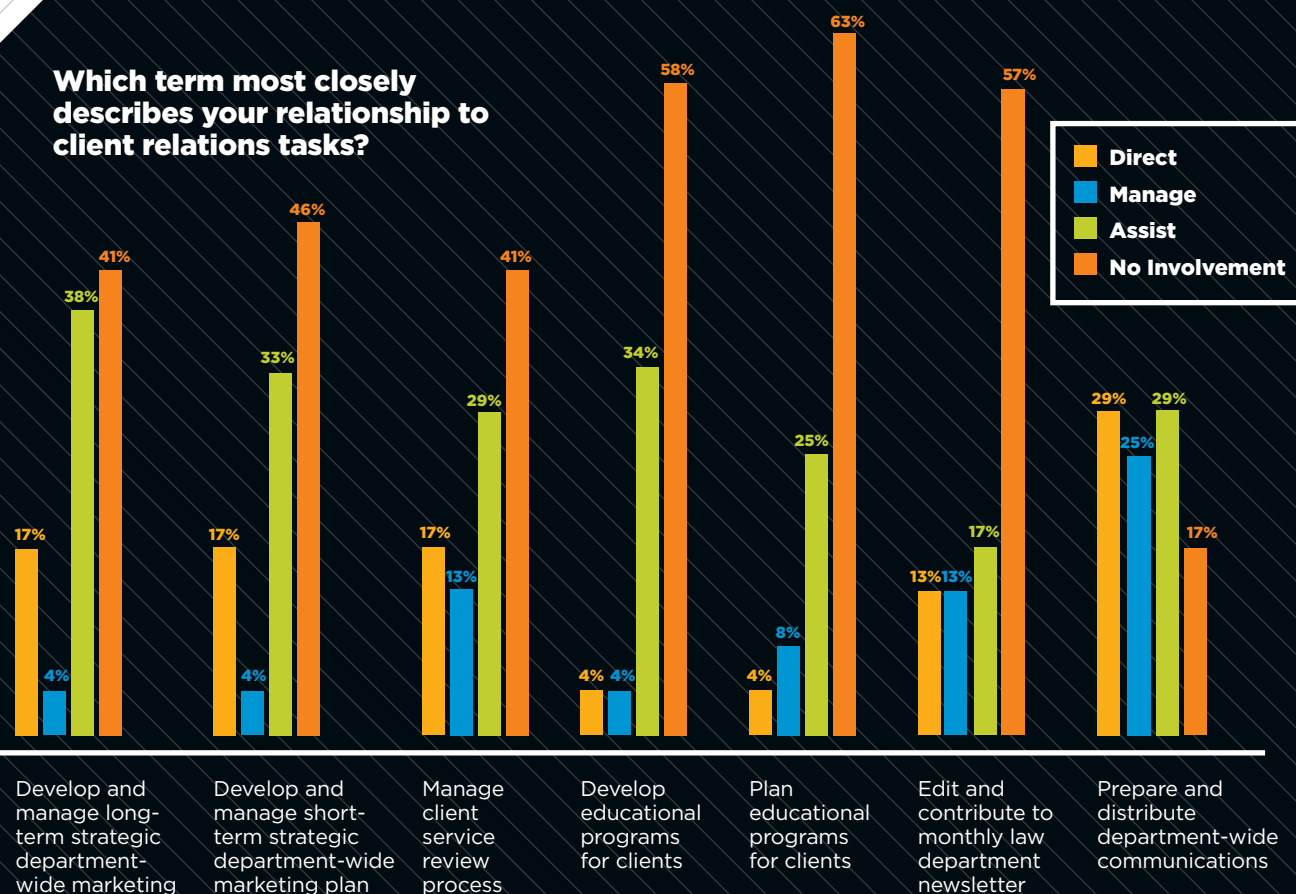
"To be effective, directors have to earn the right to sit at the table with all the direct reports of the general counsel and have an equal say in management decisions, rather than getting tugged by the crisis of the day," says Seleznov of Huron Consulting Group. "They have to take it to the next level of operational effectiveness and broaden their areas of responsibility." ■

### The First Law Department Operations Survey

The First Law Department Operations Survey was designed to provide insights into the current and evolving role of the law department operations director. Respondents were solicited from a list of the largest companies in the United States—largely the Fortune 250. Fifty companies responded to the online survey, which was conducted between August 20 and October 3, 2008.

For more information or to purchase the full results package, please contact Brad Blickstein at [brad@blicksteingroup.com](mailto:brad@blicksteingroup.com) or 847.256.5298.

### Which term most closely describes your relationship to client relations tasks?





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