

Understanding and Demystifying Legal Ops

The Seven Components of Legal Operations

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Introduction

The term “legal ops” has been generating buzz lately, but many people still aren’t sure what it means. Although it seems like a new concept, legal ops is actually something that all legal practitioners already understand. According to the Corporate Legal Operations Consortium (CLOC), legal ops, also known as legal operations, has a simple definition. The term refers to “a multi-disciplinary function that optimizes legal services delivery to a business or government entity by focusing on 12 core competencies.” Basically, legal operations involves all of the different functions that enhance a legal department’s ability to provide services to a business or government agency.

Although CLOC found 12 core competencies, the team at Legal Files Software believes that these categories can be narrowed down even further to create seven of them. These new groupings include strategic planning, financial management, vendor management, data analytics, technology and litigation support, knowledge and records management, and communications and professional development. Each of these categories can be summarized in a sentence, but they are all vital and interconnected components of successful legal operations. If one part is missing, the whole legal department will struggle to remain organized, efficient and effective.

For example, if a legal department has a tool to handle knowledge and records management, it can retain and seamlessly access legal and institutional knowledge, including forms, templates, policies, procedures and memos. However, this tool is not as powerful as it could be if a department does not also have data analytics. In this case, a department has a database of knowledge with no way to collect and analyze the relevant data. The result is that a department may not be as effective at reporting and planning.

As another example, a department may have a great way to handle data analytics, but it lacks tools for communication, collaboration and professional development. The result is that the department ends up with a wealth of data about relevant trends, but it lacks the communication tools to effectively plan and execute changes in response to it.

Much like a puzzle, legal operations needs all of the right pieces in place to be successful. To help demystify the seemingly complex world of legal operations, this white paper explains each of the seven core competencies that make up legal ops and why they are important.

Strategic Planning

It might sound like an amorphous term, but strategic planning means creating a long-term strategy by comparing yearly goals to corresponding metrics. Legal departments of all sizes can benefit from strategic planning, especially if they wear many hats and need to manage multiple, and sometimes competing, priorities.

At its core, strategic planning involves preparing for staffing challenges. For example, if a legal department has instituted a change in its contract approval process, strategic planning can help the department determine how the change will affect staffing. It can also help employees see what the legal department has done in the past and what trends have emerged, which allows the department to be more efficient in the future.

Strategic planning is especially helpful in two situations. The first involves legal departments in industries that see a great deal of litigation. Manufacturing is one example. The second is a situation in which multiple departments are under the supervision of one chief legal officer. In this case, compliance, risk management, HR and legal may all report to the chief legal officer for one company or government agency. With strategic planning, legal departments can be proactive, rather than reactive, which is one of the keys to success.

The right legal matter management system for legal ops can provide the tools and functionalities to keep track of goals and metrics. Instead of having this information contained in different locations, including Word documents, Excel spreadsheets, printed papers and employees' minds, it is in one centralized, digital location that also offers report generating features. Having a place to store the data and a way to make sense of it are equally important, and legal management software provides this.

Financial Management

When people think of legal departments, financial management doesn't always come to mind. In fact, it might seem like something that's more relevant to a bank or an accounting firm. However, finances play an important role in legal departments, both big and small, as legal spend can make or break a company.

It requires a great deal of financial planning to be successful as the legal department of a company or a government agency. This involves managing the departmental budget, tracking accruals and forecasting, and working with the finance department to discover spending trends and potential opportunities for cost savings and efficiency within the legal department. It's enough to make anyone's head spin.

Unlike certain areas of legal ops, financial management is important to every legal department. In today's climate, no company has the resources to blindly throw at legal services, so attorneys and their staff need to carefully manage their finances. By doing this, legal departments can prove their financial worth and help improve efficiency, saving both time and money.

Even employees who have a good head for numbers need some sort of tool to help them track and make sense of the financial data that is associated with a legal department. The right legal operations software can provide features and functionalities that make this task a breeze. The software can not only keep track of data related to financial information, it can also provide the reporting tools necessary to help identify spending trends and opportunities to save money and time.

Vendor Management

Legal departments aren't strictly managing finances. They need to organize and track information that touches on finances, but that is also unique. Departments need to also manage the different vendors that they work with on a regular basis. Legal professionals without a vendor management system have no organized way to keep track of the individuals and organizations they partner with outside of the legal department.

For efficient vendor management, each department should create a vendor management program to ensure that it is retaining high-quality outside counsel, support and experts at the right rates and under optimal fee arrangements. For most legal departments, 80 percent of vendor management involves tracking outside counsel. The remaining 20 percent is dedicated to tracking professionals, such as technical and outside experts.

With appropriate vendor management, legal departments can hold regular business reviews, negotiate fee arrangements and drive governance of billing guidelines. Departments can also rate vendors so that they can determine who they want to work with again and who they should avoid in the future. It's important to maintain this knowledge base in a place other than the head of an employee, because when employees retire or move to other companies, that critical information goes with them.

Software for legal operations can help a legal department establish and maintain a solid vendor management program by providing a centralized database and reporting tools. Not only does the department have a place to store this critical knowledge about vendor relationships, it also has a way to run reports on this information. After all, having the knowledge somewhere isn't enough. Attorneys and staff need a way to view this information in an organized fashion.

Data Analytics

Anyone who thinks that data analytics isn't necessary in today's legal department needs to think again. Legal professionals must collect and analyze many types of data from department tools and industry sources. After this analysis, they can define objectives to provide metrics and dashboards that drive efficiencies and optimize spend. Simply put, it's important for legal departments to analyze data about different trends to determine how to become more efficient, cost-effective and organized.

When it comes to data analytics, this buzz phrase is all about capturing data and turning it into analytics. This means that a database alone is not data analytics. A department needs a way to not only store the data, but also a way to analyze and make sense of it.

Two types of legal users can benefit from data analytics. The first is the "worker-bee" who uses the legal matter management system on a daily basis. Through daily use, they get immediate value. The second is an attorney who may or may not use the system regularly and may or may not be tech-savvy. Although they may not use the system every day, they see the value in it when they can look at the data that other employees in the department compile. This includes information about who handled what matter, how long it took, as well as data on legal spend and projections. This information helps the attorney see where the department is going and why, which relates back to staffing and other issues.

It's likely becoming clear that legal departments need a place to keep the data they need to analyze and a way to analyze it. Legal matter management software can meet both of these needs. With a well-organized, user-friendly database and the ability to easily generate reports for the non-technical person, this type of software allows legal professionals to view data in a way that makes sense to them.

Technology and Litigation Support

It's clear that legal departments manage many different pieces of information, including finances and vendors, but that's not all they're tasked with organizing and maintaining. As a result, a legal department's long-term technology roadmap should include tools to manage e-billing, matter management, contracts, content, business processes, compliance and legal holds. This component of legal operations relates to managing everything that is involved in the inter-workings of a legal department.

Additionally, this aspect of legal ops can include tasks that are related to litigation support, including e-discovery and document review. Although CLOC separates litigation support from technology support, so much overlap exists between the two that it makes sense to place them together. Although some legal departments deal with more litigation than others, most departments will need to manage or supervise litigation to some degree.

All of the tasks involved in technology and litigation support are what most people think of when the work of a legal department comes to mind. Both attorneys and laypeople often visualize contracts, legal research, documents, compliance issues and information that is relevant to legal matters. It is impossible to keep track of this information in an efficient manner without having a legal matter management system.

The needs of each legal department will vary, depending on the types of issues they deal with on a regular basis. However, most departments will find that some overlap exists. The best way to select an effective software for legal operations is to find one that is flexible enough to handle the varied needs of each office, and customizable enough to let a department select the features it does and does not need. Not only does this save money, it ensures that the system is user-friendly and cost-effective. In addition to these features, legal departments should select legal matter management software from a company that is building for the future with enhancements and upgrades. The needs of legal departments are always evolving, so the software should be able to keep up.

Knowledge and Records Management

Every workplace, both legal and non-legal, needs to keep track of information, but it is especially important for a legal department. Knowledge management makes it easier and more efficient to maintain vital information. This process involves creating seamless access to legal and institutional knowledge, and centralizing the location of key templates, policies, processes, memos and other critical information.

Many workplaces struggle because one or two people keep all of this knowledge in their heads, or in some location that isn't accessible to other employees, such as a password-protected folder or a Post-It on a paper file. By having somewhere to turn for historical data, all department employees can easily find templates, documents, research and party information, even if a knowledgeable employee resigns.

Related to knowledge management is global data governance and records management. According to CLOC, this is a separate area of legal ops. However, there is extensive overlap with knowledge management. Records management involves creating a records management program for all knowledge, which should include a records retention schedule, as well as policies and procedures to determine when to purge items.

It is critical to find the right legal matter management software to handle knowledge and records management. Echoing the sentiments from the previous section, it should be a software program that offers flexibility and customization. It should also offer the ability to purge matters or documents after a certain period of time, while still keeping information about the parties and relationships. After selecting and implementing the right software, the next most important step is using the software consistently. This allows a legal department to develop a powerful and comprehensive knowledge database.

Communications and Professional Development

Every successful legal department has one trait in common—strong communication between employees inside and outside of the department. Attorneys and staff need to work collaboratively across the legal ecosystem to publish regular departmental communications and create consistent processes for everything from onboarding to complex project management.

Two types of legal department communications exist. The first is communicating and collaborating within the department. An example would be finding and sharing relevant matter information quickly in order to make decisions. The second is communicating with individuals outside of the legal department. These individuals may be employees outside of the department, but within the company, such as workers from HR or IT. This is something that CLOC refers to as cross-functional alignment. In other cases, this category includes external vendors and outside counsel.

In order to streamline communications, it's important to have the right legal matter management software. Not only does such software keep track of all correspondence, phone notes and emails, it also provides a centralized database that contains all of the information a legal department needs. Attorneys can instantly access the data they need during a phone call to answer a question—without having to call the other person back later. This saves valuable time and improves efficiency.

Related to communications is professional development and team building. It might seem strange to think of legal ops for these activities, but it plays a valuable role. Using legal matter management software, a legal department can improve overall team performance by globalizing the team and creating a culture of growth, development, collaboration and accountability. Legal ops essentially helps the whole team better use the tools in the legal matter management toolkit.

About Legal Files Software, Inc.

Legal Files Software, Inc. develops case and matter management software applications. Legal Files matter management software has undergone thorough, hands-on testing to produce peerless, real-world matter management and workflow management applications. Thousands of users across many industries and around the world rely on Legal Files to store case information and track office workflow. Legal Files is designed to work seamlessly in legal departments, law firms, insurance companies, public sector agencies and legal aid organizations. For more information, visit LegalFiles.com.