

## **The Role of Innovation in Transforming Law Firm Operations**

Transformation support experts help firms plan for disruption-proof growth and business profitability

Law firms are engaged in a major transformation. Every aspect of their business and how they operate is being affected. The economy, combined with technology, people, and processes are all playing a defining role in the direction and speed of this movement. A 2021 report by Thomson Reuters and Georgetown Law concluded the legal industry has finally reached a point where resistance has faded, and firms recognize the immediate need for change.<sup>i</sup>

The role of technology and legal innovation received a boost like never before during the pandemic and that trend will only continue. The lockdown validated how technologies were vital for seamlessly transitioning to a work-from-home model. In the preceding years, firms had anticipated a shift to automation technologies, but the pandemic forced awareness of the immediate necessity to embrace Legal Tech that supported process innovation in delivery models and decision-making. The attention and urgency for these tools triggered an increase in spend averaging 10.5% over prior years.

Today, understanding and engaging the right technology to increase operational efficiencies is of paramount importance. The streamlining and automation of administrative tasks achieved through the adoption of AI, digital transformation, and blockchain technology play a major role in the evolution of firms. These tools enable lawyers to streamline and automate tasks at record speeds and with broader vision and increased security. The Citi Hildebrandt Client Advisory (2022) noted that the “law industry’s shift to remote work could not have been so seamless if it had not been for the technologies in place”. As a result, firms have increased the acceptance and appetite for further investments.

### **Matching the Right Talent to the Right Work at the Right Cost**

Although it’s clear that law firms have made strides in adopting technology, future success will depend on innovation beyond the right software and/or hardware. Firms must also adopt solutions that drive process innovation and in doing so re-examine their current work models and build upon what they learned over the last two years. Transformation experts in legal support services can offer trained resources, technology, and scale on demand. Innovation does not need to include budgeted capital expenditure, learning curves, or the cost of hiring, training, and retaining incremental headcount. Partnering with an experienced Service Provider can be an attractive alternative and creative approach, to reviewing matter resourcing and reducing expenses. Firms looking for a work support model based upon efficiencies and profitability without the struggle of maintaining a firm headcount of support personnel can find innovative solutions. Furthermore, as firms evolve from the ‘practice of law’ to the ‘business of law’, there will be a movement away from traditional practice-led mini-business operations to a more centralized resource management structure. Law firms should follow the lead of other professional services industries such as the Big 4 and consulting firms that have for some time benefitted from the workforce transformation made without any sacrifice in quality or service levels.

Firms understand there’s a problem and now need to act on it. Remote work had a time and a place. Transitioning beyond it is posing a new set of challenges. A recent Big Hand Legal Support Staff Survey Report reveals that 50% of firms have in place a return-to-office strategy; however, it seems to be

ignored by many. Over half of the survey respondents admitted that they would look elsewhere if required to be in the office three days a week.<sup>ii</sup> Other recent studies have found many lawyers feel the same. The survey noted that with the lack of predictability on office interaction between attorneys and staff, “lawyers are undertaking even more administrative work and as a result working longer hours or billing less”. If that’s not a good enough reason to revisit how a firm’s support staff is structured, consider the prediction that with retirement and attrition in the next 5 years, over 60% of firm’s support staff will turn over.

In April, Gartner reported “New employee expectations, and the availability of hybrid arrangements, will continue to fuel rise in attrition.” They predict that turnover in 2022 will be as high as 24%. As with other studies, Gartner concluded that regardless of their position or level, employees want flexibility in where they work. Put simply, “organizations must abandon office-centric design”.<sup>iii</sup>

Besides, with 40% of US lawyers still working in a hybrid environment, a new problem has emerged – that of productivity. Almost 59% of respondents surveyed by BigHand believe that support work is not being submitted as effectively as it could be. Rather than distribute work among the appropriately skilled support staff, lawyers tend to take on more administrative work due to their limited understanding of work allocation and low visibility into capacity/utilization of employees. In the absence of a “process-driven support services environment”, lawyers can quickly fall back into their old habits of handling too many time-consuming, low-value tasks. Real time analytics reporting, and workflow management tools are available, but firms must effectively utilize the information in setting up their business models and work shifts. The new reality is becoming increasingly more difficult and costly for firms to manage support services.

### **Partnering with a Tech-enabled Solution Provider to Achieve Efficiencies**

As firms work to identify the right tools and technologies to deploy, they need to examine and eliminate process blind spots that impede their journey towards process innovation. One of the most effective solutions is partnering with an external expert that can offer and implement legal process innovation. The flexibility, efficiencies, and potential cost savings gained through such a partnership can enable firms to retain valuable talent, particularly when hiring moratoriums, wage freezes, and continued turnover may be anticipated.

With success stories emerging from all over the world, firms are warming up to the idea of engaging with Global Service Delivery Providers to procure bespoke solutions for both ‘fixed-length’ engagements as well as mapping out services to meet long-term strategic objectives. These solutions allow firms the agility to readily grow and contract according to the vagaries of the market as well as its changing business needs.

### **Right-sizing Administrative Pools to Meet Strategic Business Objectives**

The pandemic proved what some firms had already considered; in-house secretarial and administrative staff were not as critical as previously feared. It is expected that legal secretary jobs will not only continue to decrease, but the job responsibilities and reporting structures will constantly evolve. Once the processes that require in-house talent are identified, firms can partner with a business support expert to gain access to the additional support they need to scale up or down. This approach will not

only offer pay-as-you-go convenience but also eliminate concerns about attracting and retaining talent in an industry that requires specialized experience.

### **Out with the Old, But What's coming Next**

Less than five years ago, it would have been near impossible to find a law firm that would admit it could succeed in a remote work environment. The reasons would be the same for most - the need for a personal touch with clients and each other, mentoring, collaboration, security, operational tools, and organizational culture. However, the last two years have brought them not just fresh wisdom but also record-breaking earnings. Hiring and compensation practices were based on a pandemic growth plan that was fueled by client demand and labor constraints.

Today firms are in much better financial shape with less debt and more capital equity than during the last economic slowdown. But as improved as the situation may be, concerns over reduced profits per attorney and limited opportunity for year-over-year growth is never a good thing.

In this scenario, a business collaboration with flexible terms, negotiated service level agreements, and relevant key performance indicators is the best way to deliver accurate, rapid, and cost-effective client services. Longer-term contracts, while protecting service expectations further benefit firms by capping costs.

There has never been a better time to procure skilled labor for operational needs. Identifying the right experienced partner with guarantees on quality and service level commitments can ensure your firm achieves an effective model that is customized to meet your current needs and strategic objectives. In most cases, firms that have outsourced services have already achieved significant cost and efficiency gains over in-house operational support services. The high contract renewals rates and customer satisfaction scores are a further testament to the value that assisted legal innovation delivers.

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<sup>i</sup> <https://www.forbes.com/sites/markcohen1/2021/06/22/laws-tipping-point-is-about-digital-transformation-customers-and-capital-not-firm-partners/?sh=264d4bdf6c0b>

<sup>ii</sup> <https://www.bighand.com/en-us/resources/whitepapers/the-legal-support-staff-survey-report/>

<sup>iii</sup> <https://www.gartner.com/en/newsroom/04-28-2022-gartner-says-us-total-annual-employee-turnover-will-likely-jump-by-nearly-twenty-percent-from-the-prepandemic-annual-average>