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Creating value for leading lawyers

## **LEGAL OPERATIONS: THE SHAPE OF THINGS TO COME**

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# 1. EXEC SUMMARY

## Intro

- As we emerge blinking into the spring sunlight organisations are grappling with how to embed new and often radically different operating models that blend digital technologies, increased stakeholder demands for flexible working, and shifting sentiment in terms of the role offices play in collaboration and innovating
- With more organisations publicly committing to radically adjusting their wider operations - BP, HSBC, BBC, Capita, Pearson, Santander, Nationwide to name a few - there are tremendous opportunities for ambitious law department leaders to use experiences learned during the pandemic to future proof their teams' operating models
- Whilst there is no one size fits all solution, this survey explores the range of approaches that law department leaders intend to implement in the next 12-18 months as we put the Coronavirus pandemic in the rear-view mirror
- Our findings explore a range of themes using a mix of anonymised survey data and over 50 one-to-one conversations with law department leaders over recent months

## Participants

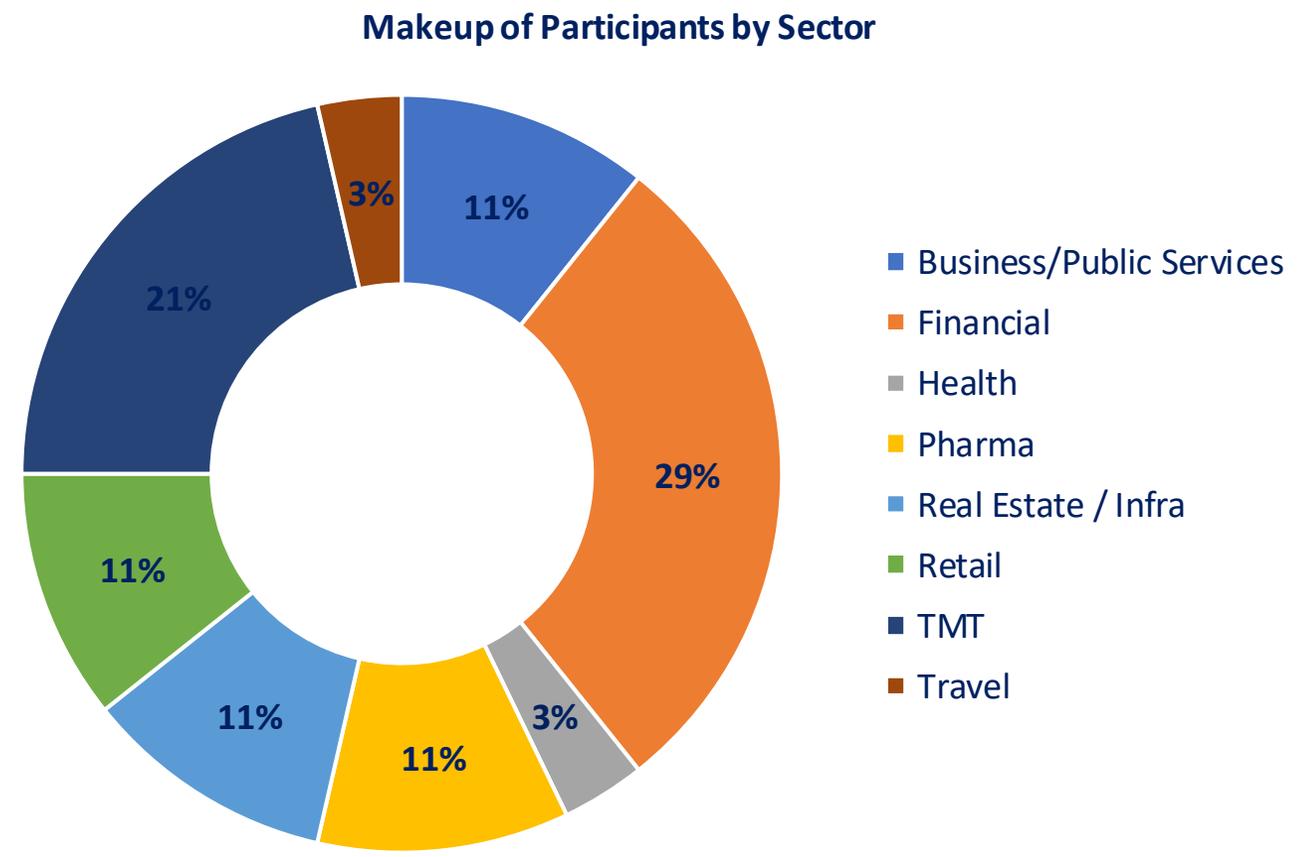
**£413 bn**  
COMBINED GLOBAL REVENUES

**2m**  
EMPLOYEES

**c.£4 bn**  
TOTAL LEGAL SPEND

**8,000**  
LAWYERS AND LEGAL PROFESSIONALS

WORKING ACROSS  
**8**  
CORE SECTORS



## Key Findings – Current Challenges

### REDEFINING OPERATING MODELS

**60%+** of participants realigned their legal operating model to reflect strategic changes made by their organisations, with the remainder flexing operating models more tactically to capture quick wins. However, this is just the start of the journey

### INFLEXIBLE RESOURCE

Balancing peaks and troughs in demand across business units, territories and, even, advisory areas presents unique problems with teams frequently unable to flex rigidly focused resourced

### ADDING VALUE

Demonstrating value beyond pure financial cost control remains elusive and teams are grappling with how to meet an organisation's wider objectives and increasing stakeholder demands for responsiveness and transparency

### STATIC HEADCOUNT

**75%** expect no growth in headcount with **c.5%** expecting to downsize by **20%** or more

### BUDGET TO STAY THE SAME OR REDUCED

Budgets will remain largely static, although **40%+** of participants plan to reduce spend by **5-30%** with many looking within and outside their team for savings

### INCREASED WORKLOAD

**64%** of respondents expect workload increases of up to **30%** with Regulatory, Data Protection and Employment driving demand (and ESG close behind)

## Key Findings – Capturing the Opportunities

### NEW WAYS OF WORKING TO BE INTRODUCED

Looking ahead to office returns, **ALL** participants expect to shakeup their ways of working, introducing a range of measures not one silver bullet

### AUTUMN SEES RETURN TO OFFICE

Anecdotally, office returns are expected in Autumn 2021 but returns have shifted on an almost quarterly basis throughout the pandemic – the Playbook is ready however

### TECHNOLOGY TRENDS

In terms of technology - despite much hype in the sector - Contract Lifecycle Management lags behind Reporting/MI and e-signature solutions in terms of existing and future use in supporting new ways of working

### DATA WINS

Unsurprisingly, legal operations will become more reliant on at-your-fingertips, accessible and meaningful data

### OFFICE SPACE REVISITED

**75%** of participants plan to revisit their use of office space and of those:

- **c.70%** intend to remodel and optimise office space to enhance project work, collaboration and short term social distancing
- **50%** seek to streamline office footprints
- **25%** plan to grow operations in lower cost locations – ‘downtown’, regional and offshore

### LEGAL OPERATIONS GROW

Legal Ops Managers feature heavily in law department leaders’ thinking with **c.30%** considering adding these roles

### FOCUS ON ENHANCING SKILL SETS

**c.50%** of teams anticipate enhancing their team’s skill sets, with legal tech and spend management capabilities the ‘must haves’ for 2021

## Roadmap to the future

- In many respects the pandemic has simply reinforced existing trends and changes already underway - use of technology and digitisation are clear examples
- Whilst there is no one single solution, analysis of responses offers a potential roadmap for law departments seeking to emerge from the pandemic streamlined, match fit and delivering value to their stakeholders



**Ways of Working:** Consider your organisation's wider approach, then get radical with digitisation and remote working

**Location:** Embrace remote working and consider your office space requirements – reduce, redesign and relocate

**Tech:** Look beyond the hype and consider your key tech needs – reporting, MI and e-signature solutions (and, yes, Contract Lifecycle Management)

**Data:** Use your tech to drive decision making with meaningful, rich, accessible data

**Resource:** Optimise your resource mix to balance cost, business requirements and capture opportunities to pool resource across the business

**Spend:** Collaborate with your law firms to identify cost and efficiency savings (but don't forget to look closely at your internal spend)

**Skills:** Augment the team's skillset with Legal Ops capabilities and get involved in sector-wide projects like the O-shaped or Bionic lawyer

## **2. CURRENT CHALLENGES**

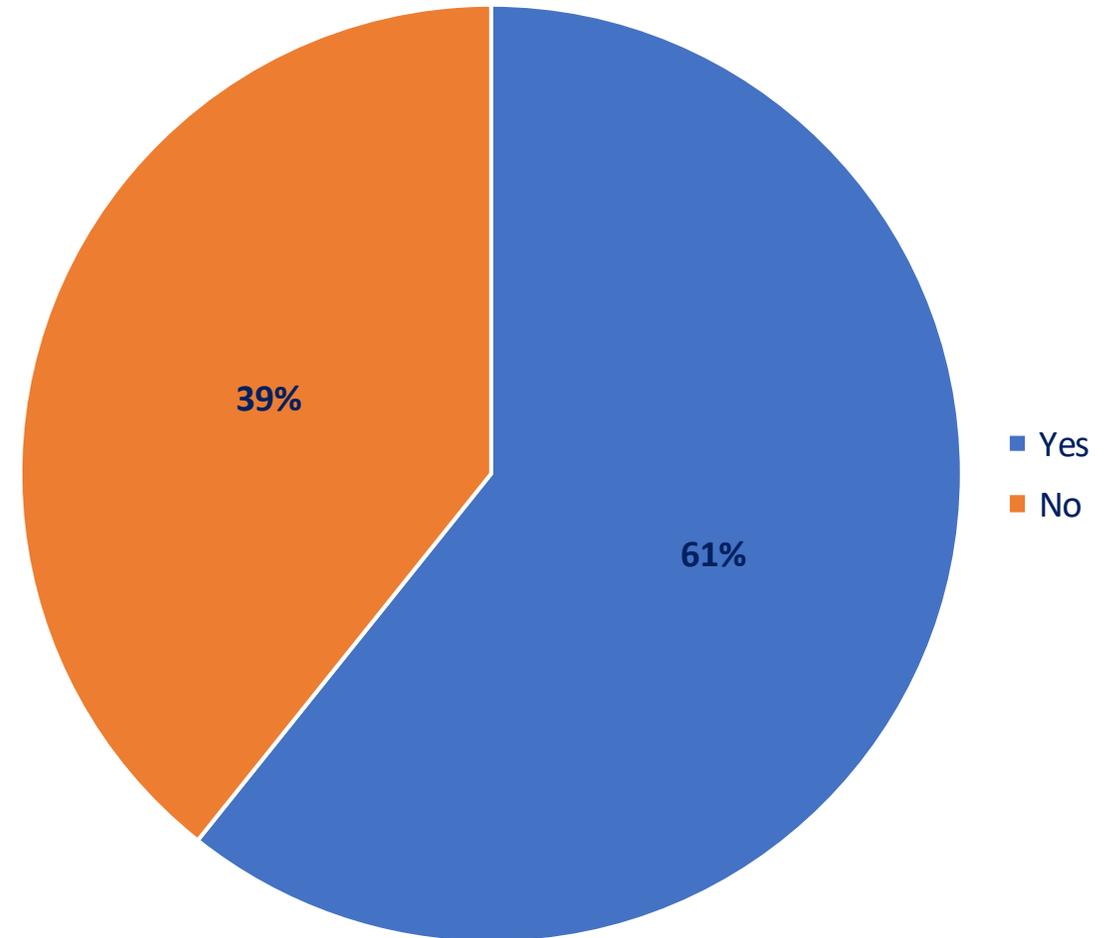
## Summary: It's now permissible to use the maligned 'more for less' trope

- The pandemic forced General Counsel and Legal Ops colleagues to revisit operating models – in whole or in part – to ensure continued relevance, fitness for purpose and to align the team with their business' own objectives
- 12 months in, and teams have had to refocus their priorities, in some cases permanently changing the balance of their workload
- With growth in advisory areas with limited internal resource currently, pressure to reduce expenditure and internal resource unable to flex across territories/business units/advisory areas, conveying value to stakeholders remains an elusive goal
- With many participants expecting reduced budget but static internal cost, GC will demand further cost savings and creative solutions from their law firms
- However, strong-arming firms may not be enough and GC will likely have to revisit their own internal cost base and resource mix to find further savings

**Here's what participants reported...**

## Operating Model Shifts

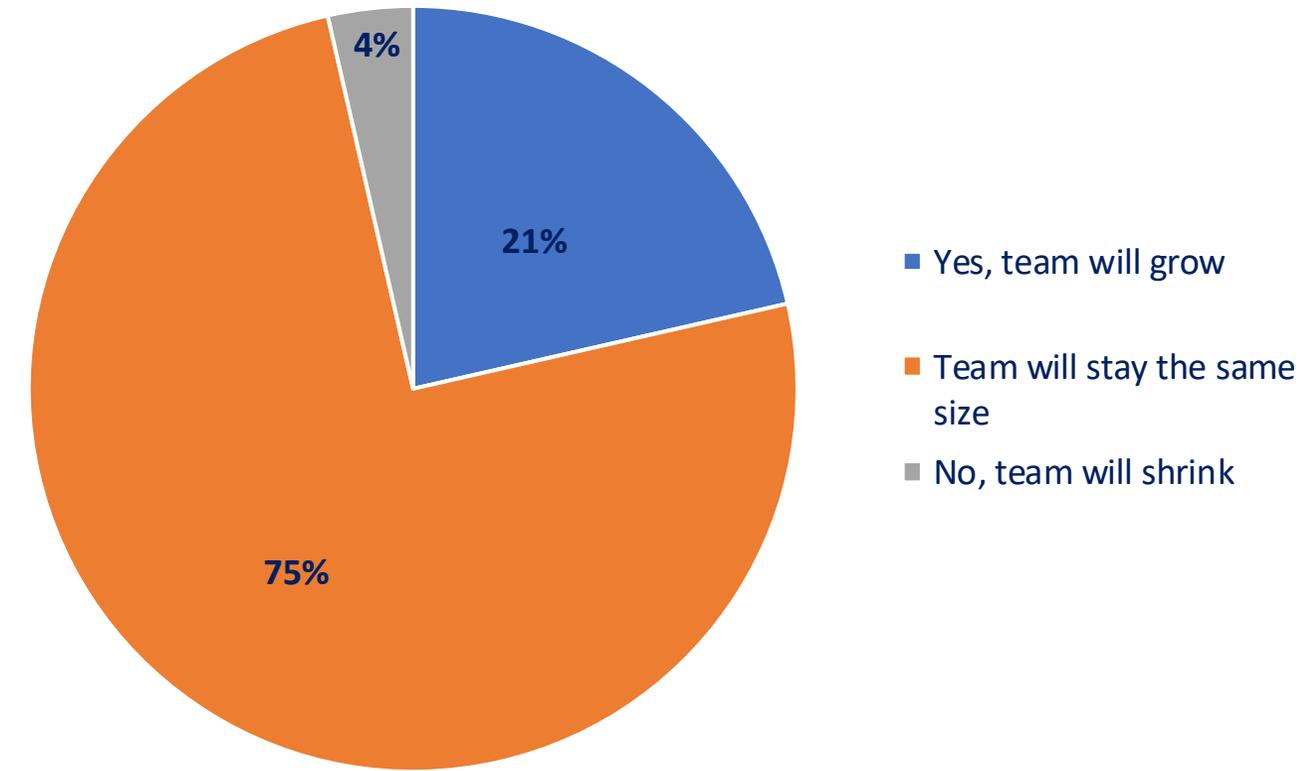
- 61% of participants realigned their legal operating model to reflect strategic changes made by their organisations
- The remaining 39% flexed operating models more tactically to quickly introduce:
  - remote working practices
  - enabling technologies
  - a more balanced range of external firms
  - greater process rigour



Q. Have you revisited the legal team's operating model since the start of the Pandemic?

## Resource Pressures

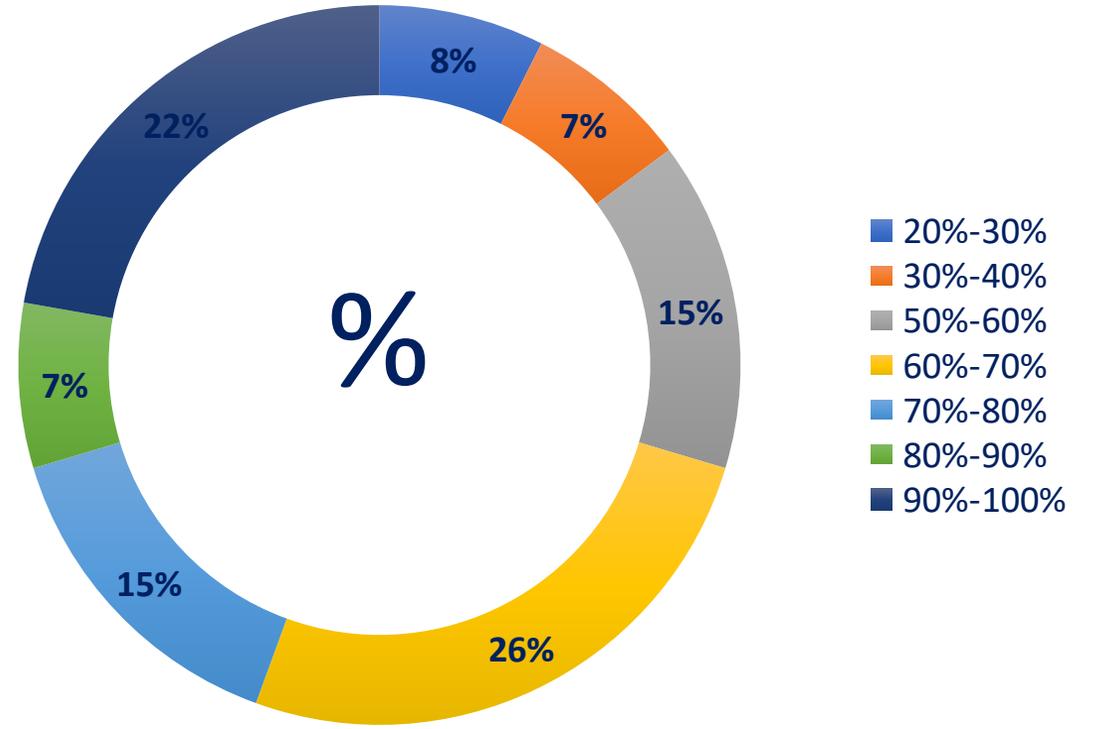
- Static... the watchword of the moment with 75% of teams expecting no growth in headcount
- However, c.20% of participants expect growth of 5% to 20%, particularly Pharma and TMT (sectors seen as benefitting from the pandemic)
- <5% expect radical downsizing by 20% or more



Q. In the next 12-18 months do you anticipate the team growing in size?

## 'Heavy' Resource Mix

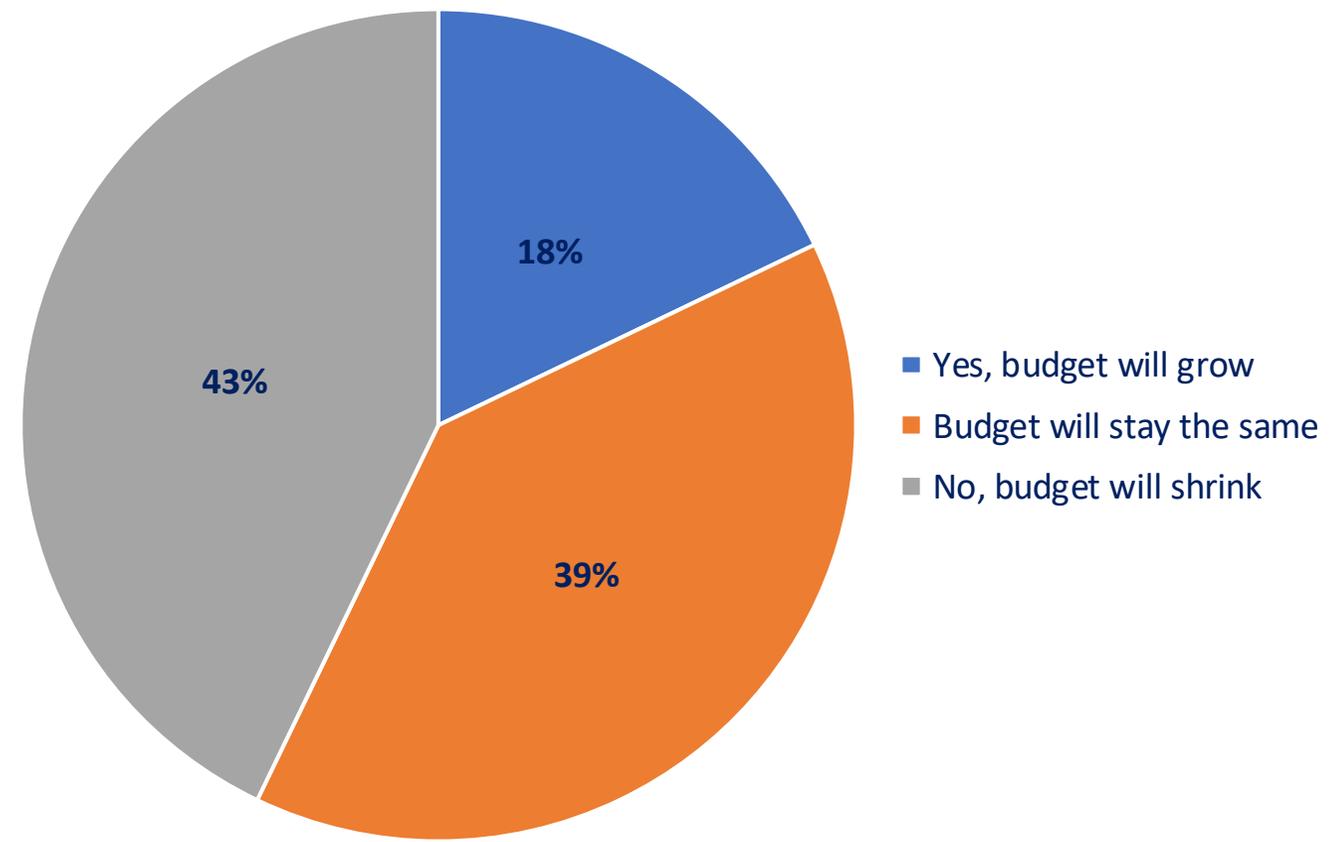
- There's no 'one size fits all' approach with the current balance of qualified lawyers reflecting each team's historic needs
- Consequently, sector and team size bear little relevance to the proportion of qualified lawyers on tap
- However, a quarter of respondents report a 'sweet spot' balance of lawyers of between 60% and 70% of total headcount



Q. What percentage of your team are qualified lawyers?

## Budget Challenges

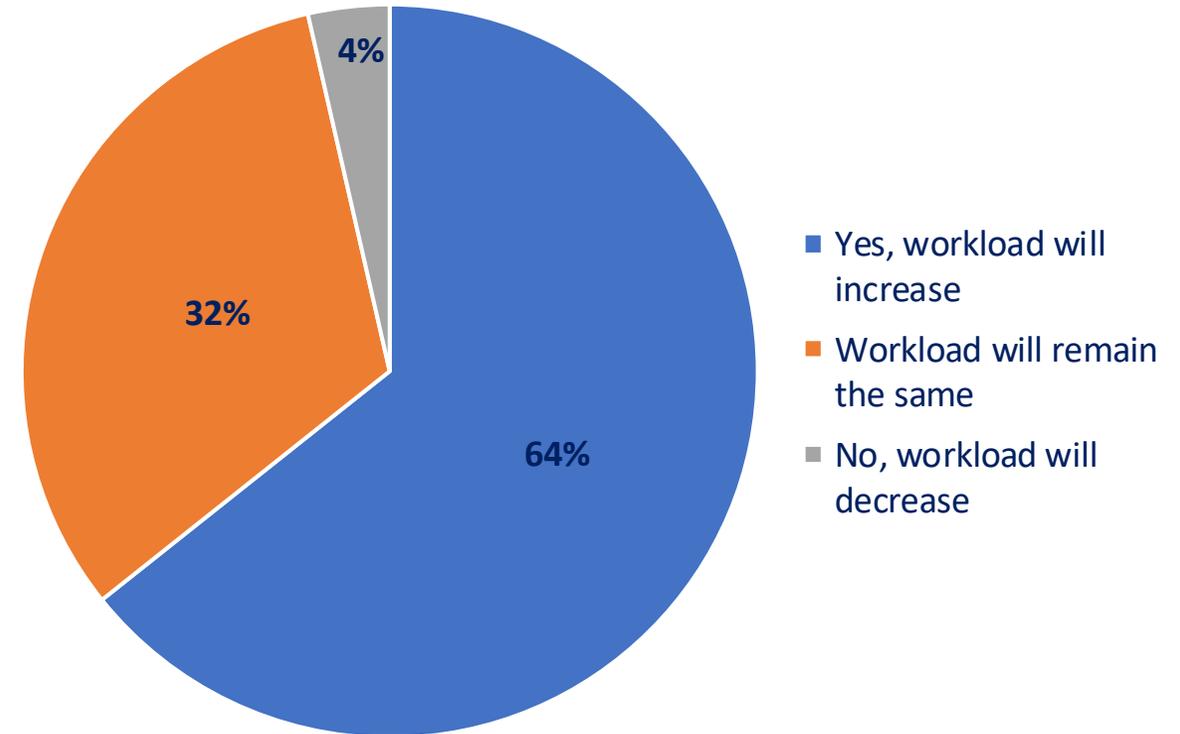
- Budgets are largely expected to decrease or remain static
- 40%+ of participants anticipate reduced budget
- Predicted budget cuts range between 5% and 30% (15% average)
- For the lucky few, budget increases range between 2% and 10% (6% average)



Q. In the next 12-18 months do you forecast your legal budget increasing?

## Increasing Workloads

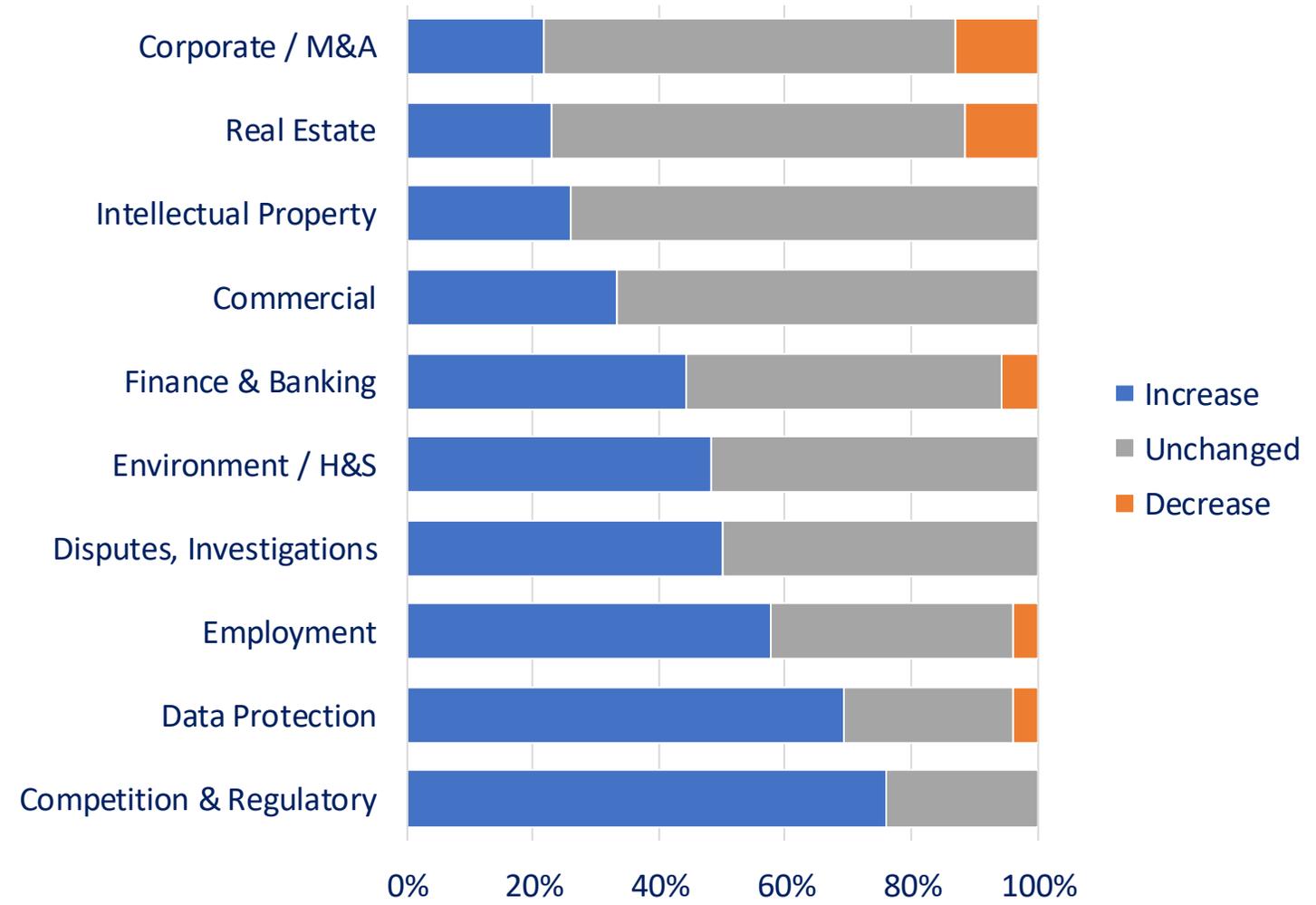
- 64% of respondents expect workloads to increase by up to 30%
- Driving this growth participants cite:
  - the increasing complexity of doing business - Brexit, CV19 restrictions, political pressures etc
  - exponential growth in legislation particularly in highly regulated sectors
  - Internal stakeholders' own resourcing challenges i.e. less opportunity to self-serve



**Q. In the next 12-18 months do you forecast the team's overall workload increasing?**

# Refocusing Resource

- Regulatory, DP and Employment dominate demand with 60% to 80% of participants experiencing increased work volumes
- The rapid rise of ESG investing underpins planned growth in Environmental work
- However, participants expect challenges in pivoting existing resource towards these growing specialist areas



**Q. How do you anticipate advisory area demand changing?**

## Communicating Value

- Beyond pure cost control, teams are grappling with how to convey value
- Other value factors - business objectives and demands for responsiveness and transparency - need considering



**Q. How do you plan to convey value to your business stakeholders?**

# **3. CAPTURING THE OPPORTUNITIES**

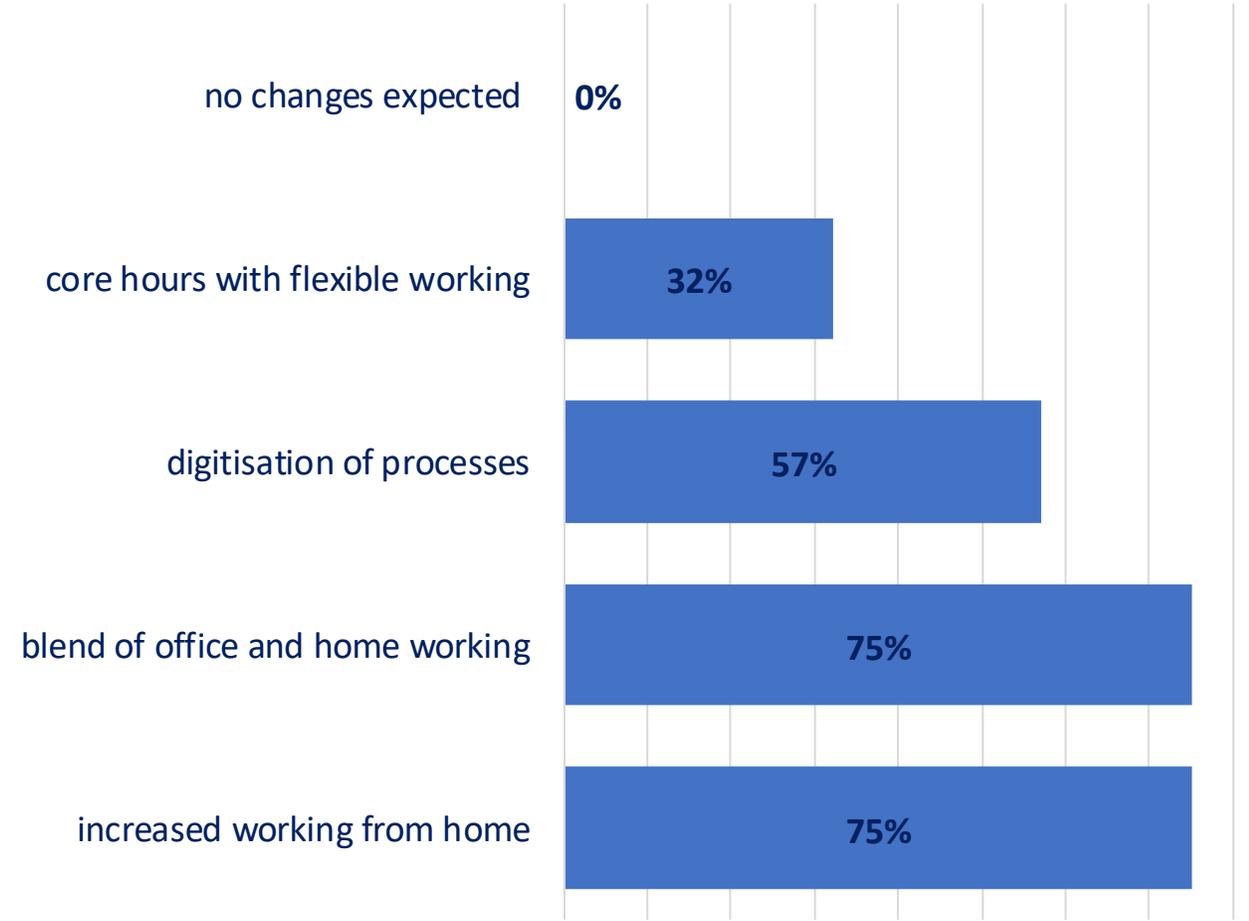
## Summary: Leading law departments develop roadmap to the future

- In response to these challenges law department leaders are developing a blend of cost reduction, efficiency and productivity approaches to meet demands - from customers, employees, investors and wider stakeholders - for new ways of working
- Whilst closely aligned to their wider organisations' post-pandemic plans, law departments are zeroing in on:
  - their real estate footprints and how they use office space to get creative, collaborate, socialise
  - the tech needed to support new ways of working, especially digitisation and remote working
  - optimising their resource mix to meet shifting demand *across* advisory areas
  - adopting a balanced, more cost effective resource mix overall (one global team expect to reduce qualified lawyer numbers by 75%!)
  - developing a broader skills mix to reflect the value of a growing range of legal operations roles

**Here's what participants reported...**

## New Ways of Working

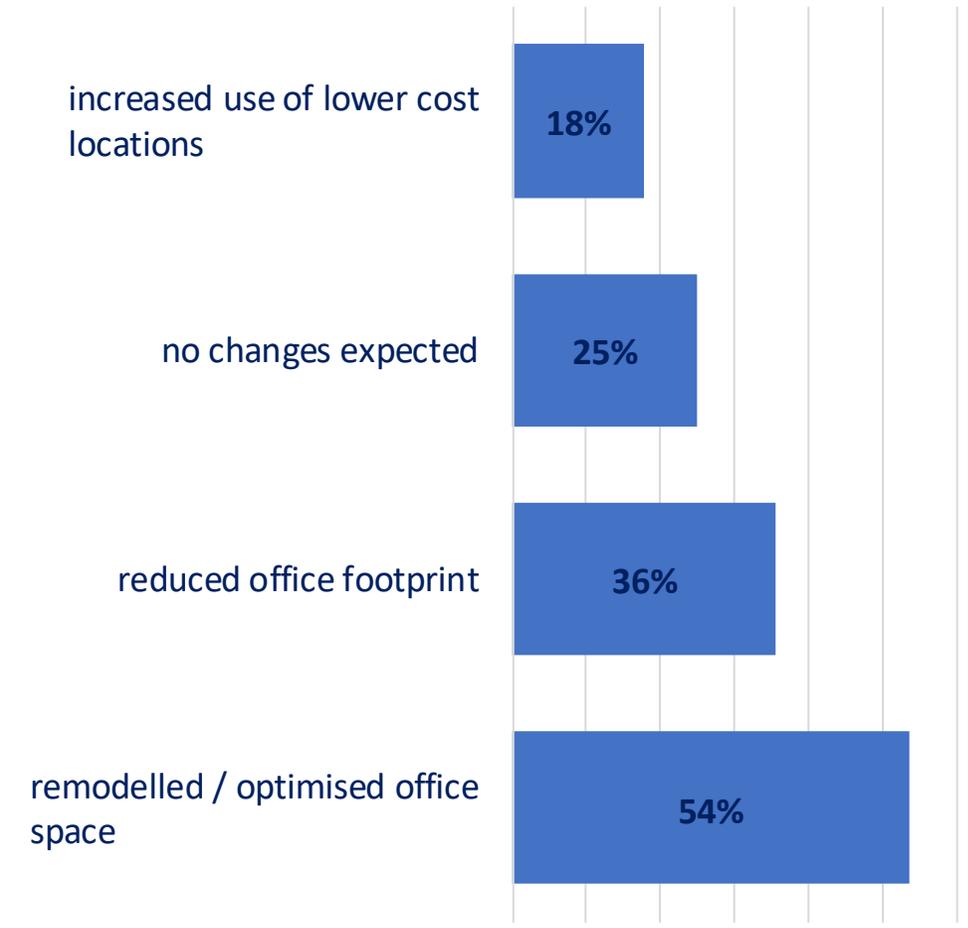
- ALL participants expect step change to their ways of working - doing nothing is not an option
- There is no one silver bullet to reopening work places - 45% of participants expect to blend 3 or more of the measures identified
- Most teams plan to adopt their wider organisation's strategy i.e. more radical change could still be pursued by law departments seeking to impress



Q. How are ways of working likely to change for your legal team?

## Location, location, location

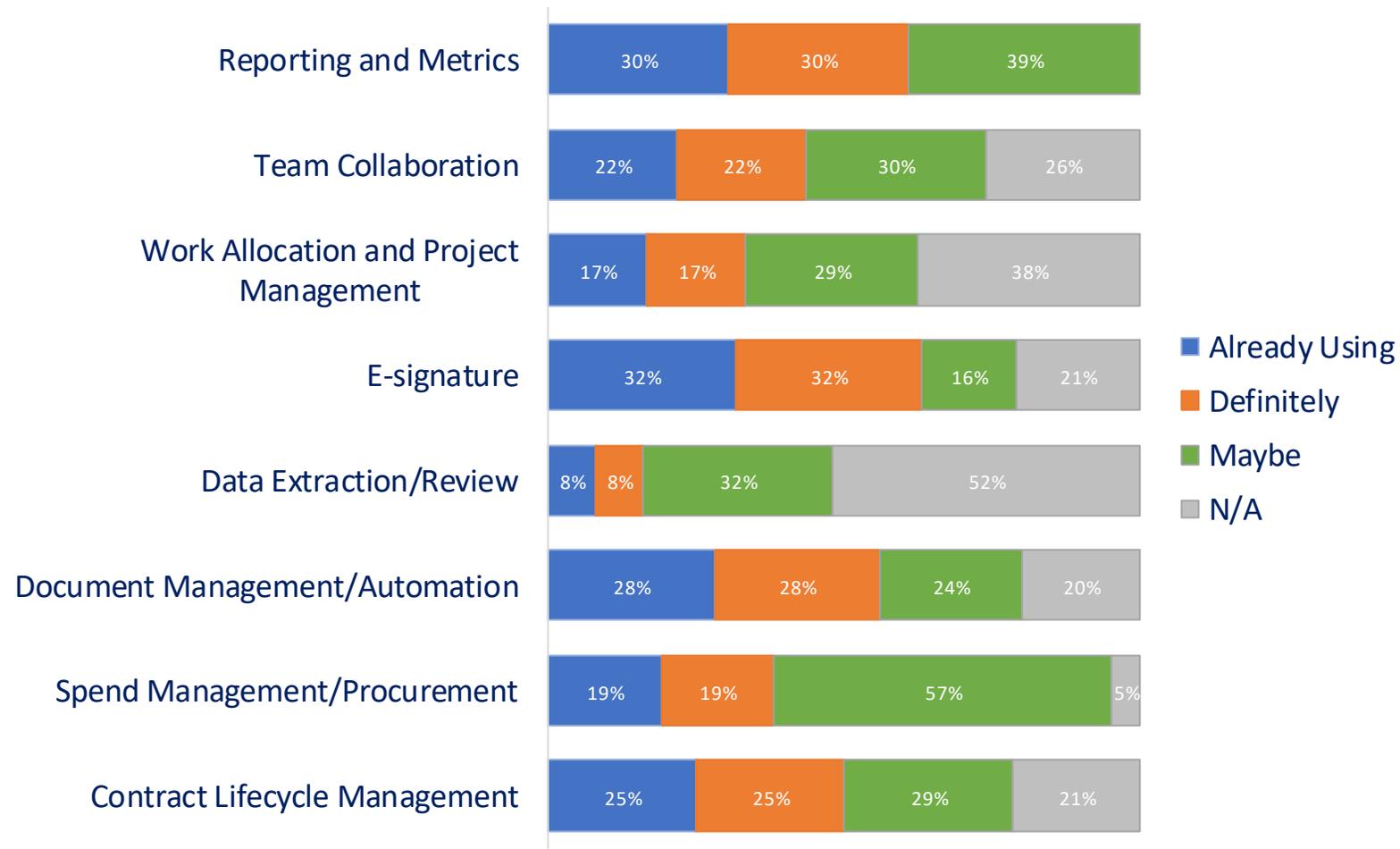
- 75% of participants plan to revisit their team's real estate needs. Of those:
  - c.70% plan to enhance office space to promote project work, collaboration and (short term) social distancing
  - 50% intend to reduce footprints by 20% to 40%
  - 25% expect to grow operations in lower cost locations – 'downtown', regional and offshore
- 25% of participants expect no change - largely TMT and Pharma (i.e. those with more dynamic office models pre pandemic)



Q. Do you anticipate changes to your office locations?

# Tech Enablers

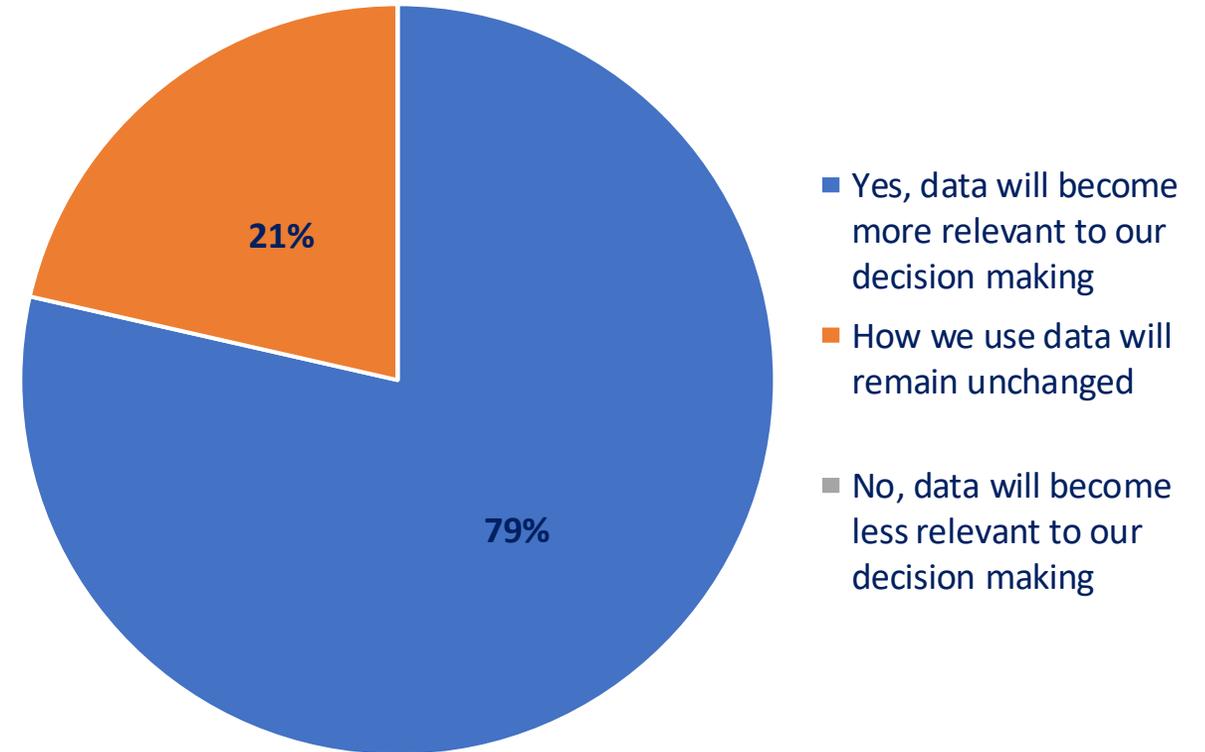
- Surprisingly (and despite much hype in the sector), Contract Lifecycle Management lags behind Reporting/MI and e-signature solutions both in terms of existing and future use
- Views around spend management are positive but tentative with more needed to articulate the benefits



**Q. What technologies will you need to support your new ways of working?**

## Big(ger) Data

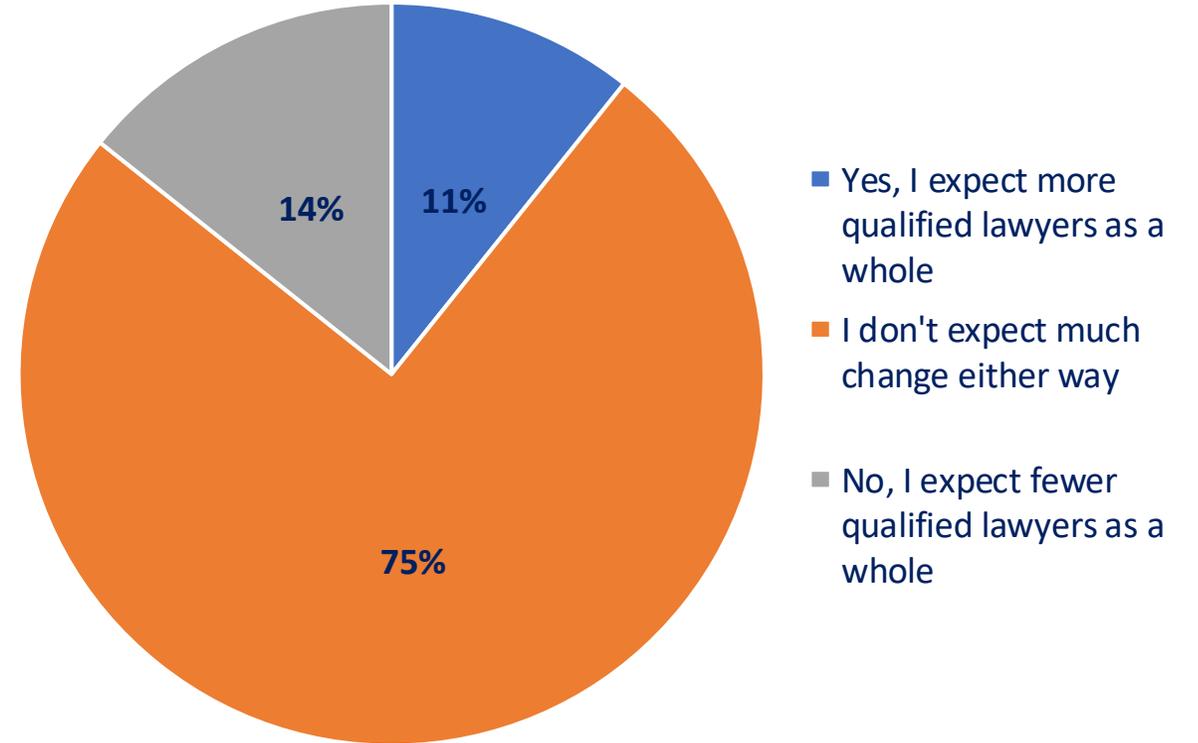
- The almost universal message from law departments as they emerge from the pandemic is that operations will become more reliant on at-your-fingertips, accessible and meaningful data
- This sentiment goes some way to explaining the increased demand for reporting and MI tech solutions



Q. Will decision making become more dependent on data?

## Rebalancing Resource?

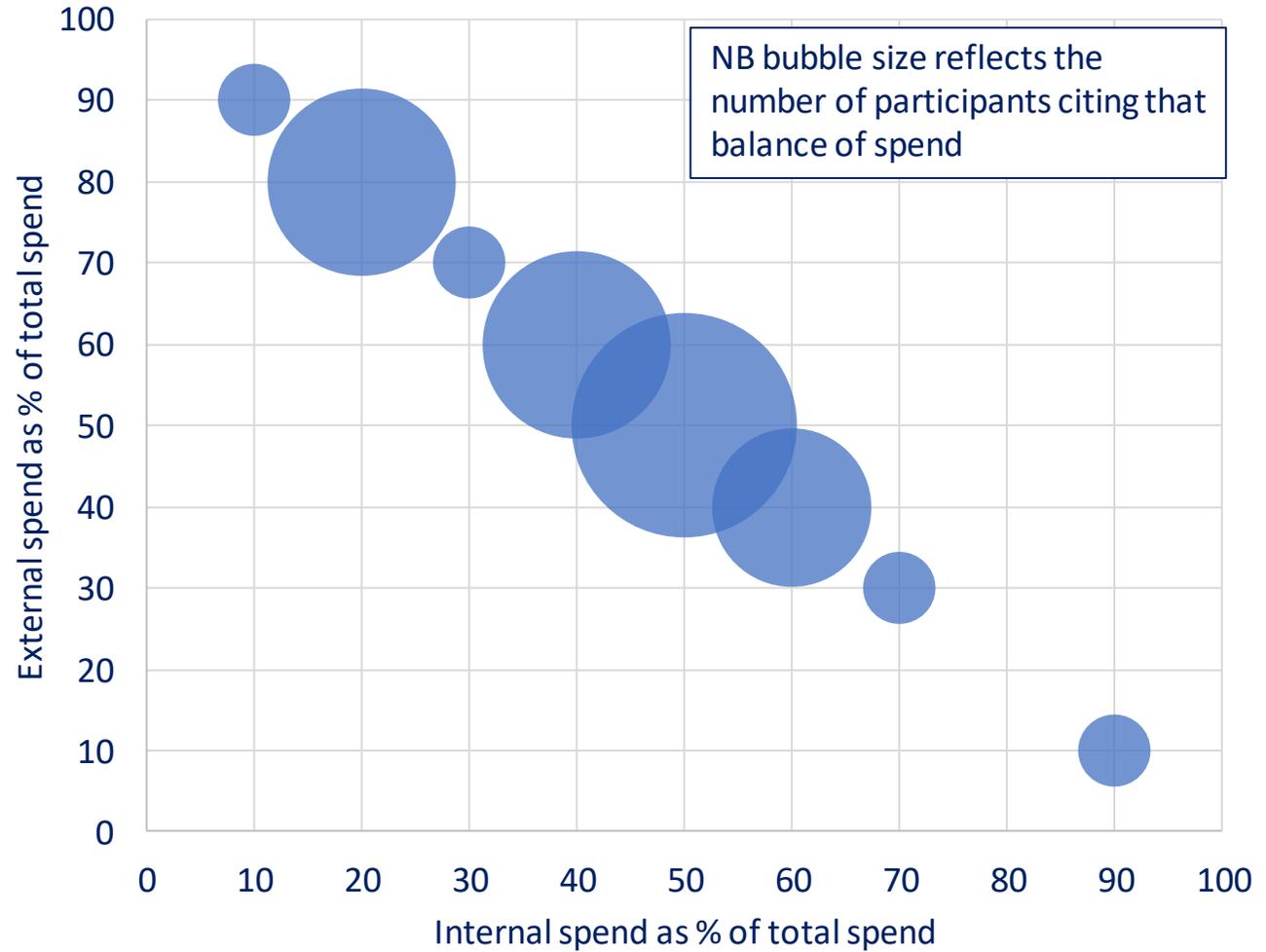
- Surprisingly, 75% of participants do not intend to rebalance their team to capture internal cost reduction opportunities
- 14% plan to optimise their team's resource mix to reduce internal spend and capture efficiency opportunities ('right person, right task')
- 11% of organisations plan to increase qualified lawyer numbers (often starting however from a comparatively low base)



Q. Do you expect the balance of qualified lawyers in the team to increase?

## Revisiting Internal Spend

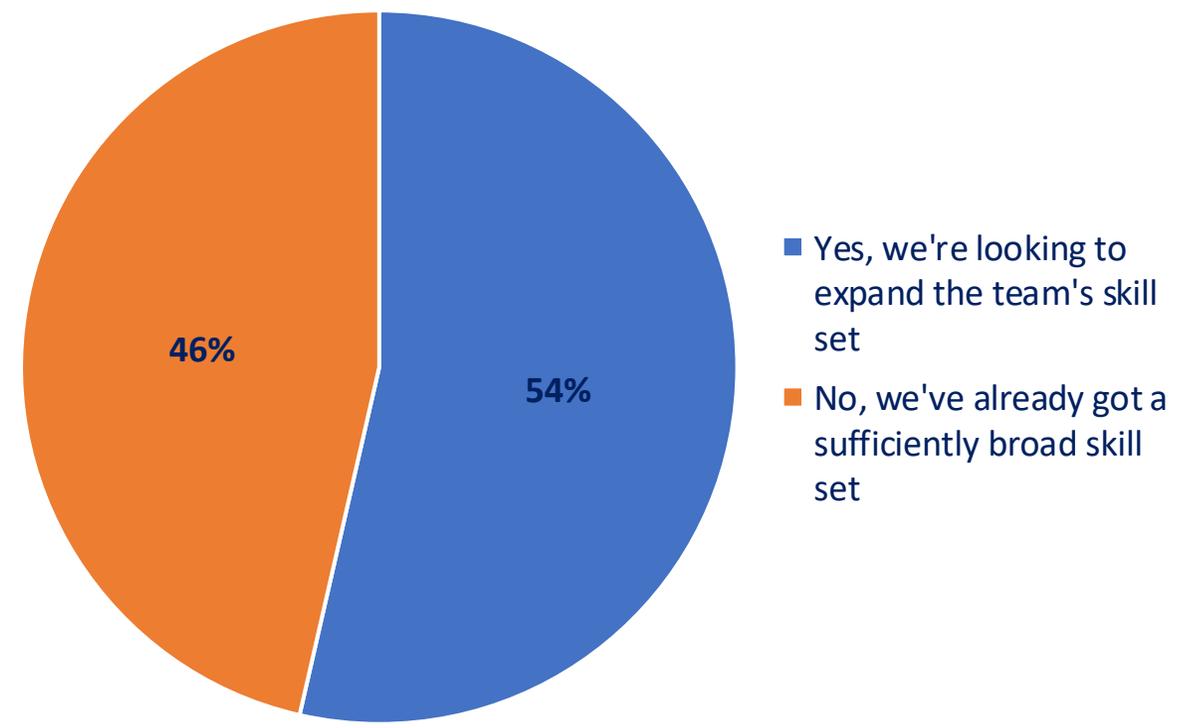
- For many, internal spend represents 40% to 60% of total spend i.e. a sizeable proportion
- For key sectors:
  - FS spend clusters around 50:50
  - TMT spend is weighted internally
  - Pharma spend is weighted externally
- With external spend only half of the equation, team's with a mandate to reduce total spend must look closely at all expenditure



**Q. What is the balance of your internal and external legal spend?**

## Expanding Skill Sets

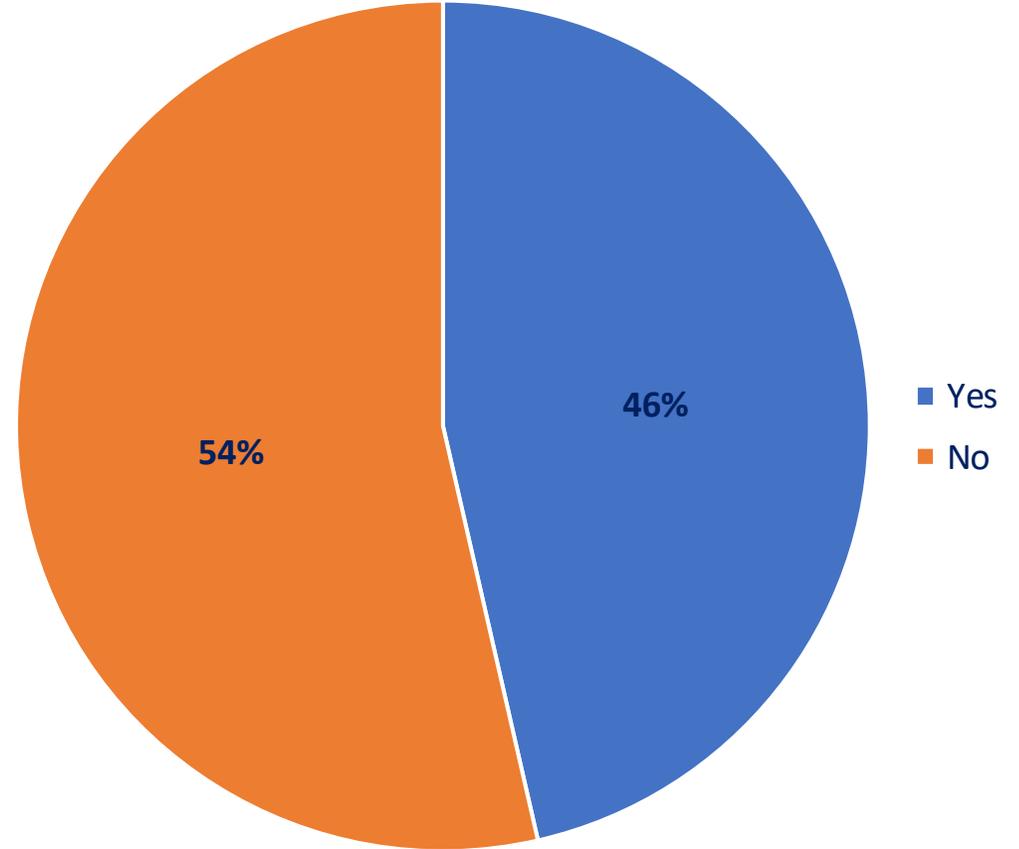
- c.50:50 mix between participants looking to enhance their team's skill sets and those who have already sufficiently developed their Legal Ops functions (particularly in Pharma)
- More broadly, responses reflect little correlation to team size or sector, hinting at the role of law department leaders' personal preferences



Q. Will the new ways of working require a different skill set within the team?

## Strengthening Legal Ops

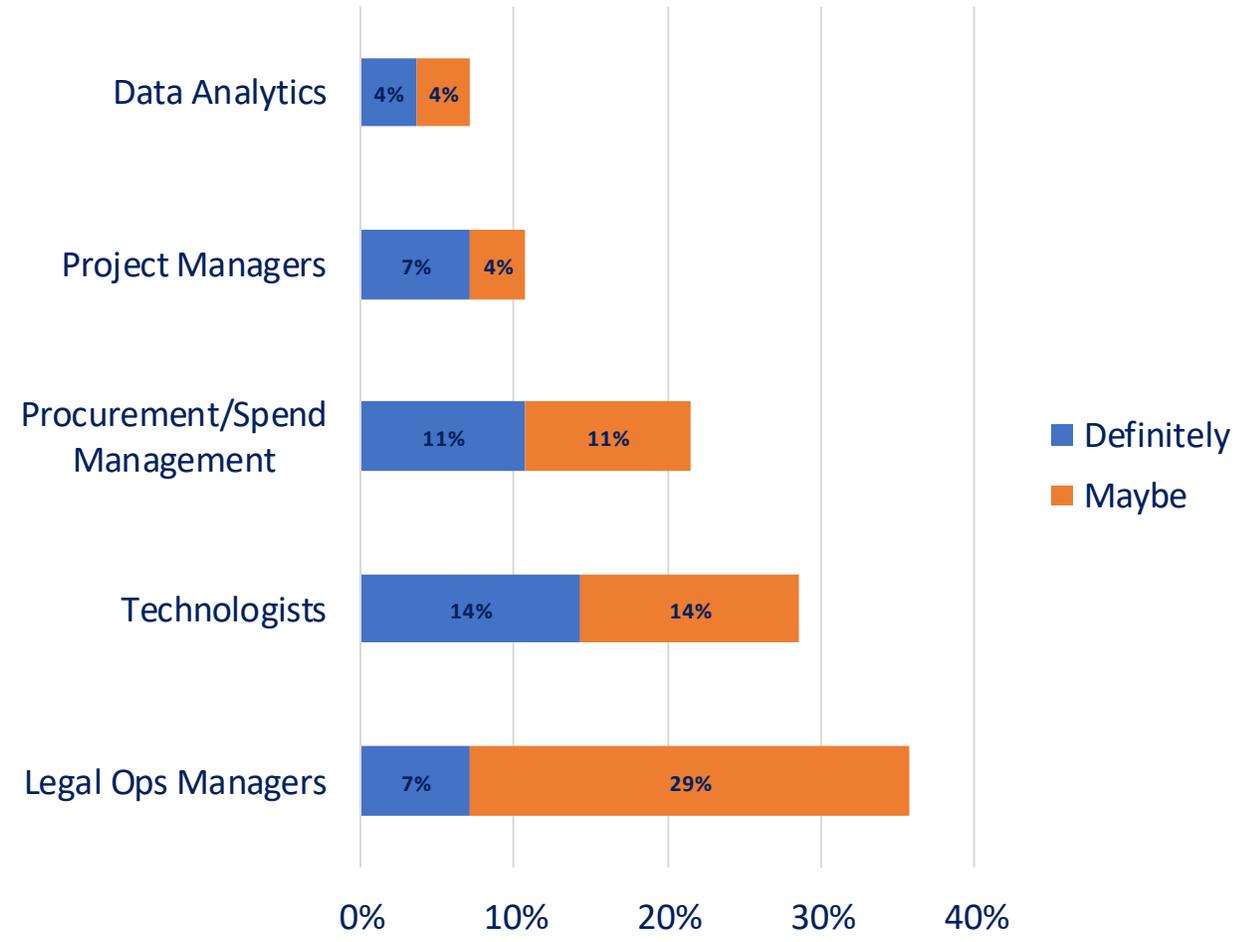
- 46% of participants possess dedicated Legal Ops capabilities, a sign of the evolution and maturity of many leading law departments
- However, size matters:
  - 500 – the average team size of organisations with dedicated Legal Ops capabilities
  - 20 – the average size for those without a function
- A tipping point exists for teams with 40 to 60 FTEs and/or total legal spend of c.£10m



Q. Do you have a Legal Ops function already?

## Adding to the Legal Ops Bench

- Of those looking to augment their team's skill set, legal tech and spend management capabilities are the 'must haves' for 2021
- However, Legal Ops Managers - the jacks of all trades – feature heavily albeit tentatively in law department leaders' thinking with c.30% considering adding these roles
- As teams become more complex and spend pressures grow, more will turn to Legal Ops for answers



Q. Do you expect to supplement the team with additional legal operations roles?

## Q. Other thoughts on skills?



## Contact Us



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