

The LPO Program

Webcast: Ed Brooks and Deborah Kops

Subject: Implementing Change In A Legal Environment

Here is Deborah's Bio:

Deborah Kops is the Founder and Managing Principal of Sourcing Change. Formerly a founding partner of PwC's BPO unit, the CMO of a leading offshore BPO, Managing Director of FleetBoston's (now Bank of America) Services Group, Managing Director of Global Sourcing Transformation for Deutsche Bank; and consulting partner in two major firms, Deborah has seen the good, the bad and the ugly of moving to an outsourced model.

Using her experience as a buyer, vendor and advisor in the training and BPO industry, Deborah now works with leading companies to navigate the change management challenges through www.sourcingchange.com - the first resource solely dedicated to outsourcing and shared services change management. She frequently presents at industry forums including those sponsored by the Financial Times , Corporate Research Foundation, SSON, Das Shared Services Internationale/ Management Circle Finance and Accounting Transformation, The Conference Board Shared Services and Strategic Outsourcing Conferences, HROA, and Global Services. She has delivered workshops at institutions such as University of Pennsylvania Wharton School of Business, Carnegie-Mellon University and Lancaster University School of Management (UK), and has research relationships with Lancaster and Oxford (Said School of Business) Universities.

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Ed: Good morning, this is Edward Brooks from The LPO Program and today I'm talking with Deborah Kops from Sourcing Change. I was introduced to Deborah a few years ago and instantly found her deep insight, honesty, and frankness really made her stand out from anyone else I'd met in the industry. This is obviously in addition to a wealth of operational and strategic experience but recently she's focused her attention on an area that is absolutely essential in any legal outsourcing project, and that is the subject of Change Management.

Good morning, Deborah, how are you?

Deborah: Good morning, Ed, very fine, thank you.

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Ed: We've got 15 minutes just now and there's five areas to go over. But the first one was why do you believe it is absolutely critical for the legal profession to change how it works currently?

Deborah: In one word, Ed, whether you're a GC or whether you're a law firm, it's the word "sidelined." Legal, whether it's in a corporation or in a law firm, has the potential to be sidelined if it does not embrace the change that comes from embedding process and technology. Other business processes, other professions, are embracing technology and process at a much broader and deeper level, and certainly faster. And, at the same time, these areas are discovering that it's not just the function that provides value; it's also the insights from that function that provide value. So if the legal profession does not start to look at technology and process and what it does with a very, very critical eye, it's not going to have the same value, either to its client, the GC--or its client, the corporation.

Ed: And do you believe that it's specifically much harder for the legal profession to make change or is it difficult for any profession to make a change like that?

Deborah: Well, it's always difficult for any profession to make a change, whether you're a lawyer, whether you're an architect, an engineer, a consultant, a doctor even if you are an accountant. But I think that the legal profession has three change hurdles to jump over that professions have been able to deal with much more easily:

Number one, tradition. The traditional role of the lawyer as trusted advisor. The lawyer as risk manager. The lawyer as standing arm's length, in some respects, from the rest of the corporation. Someone who works independently and opines independently on a plethora of issues. I think that tradition, the tradition of the profession as set apart, untechnologically enabled, where pedigree and prowess count for a lot, gets in the way of change.

Second, isolation. To some extent, corporations particularly, but also the profession as a whole, have been isolated from a number of changes that are happening not only amongst other professions, but also in other functions. Take, for example, the profession of architecture, in which I am trained. Architects realized 20 years ago that they could do their work much better, much faster, much cheaper, and with less risk by embracing technology and process. Today, the legal profession is just scraping the surface when it comes to technology and process. I suspect it's due to isolation.

Taking the isolation theme farther, if you look at major corporate changes over the last number of years, it strikes me that there are two functions within the

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corporation that more or less have been left alone-- legal and marketing. Every other corporate function has experienced tremendous change and in many cases, transformational change. Take, for example, finance and accounting, where there's been a movement to ERP systems and new applications, and the embracing of new business models such as outsourcing and shared services. These business models centralize and standardize certain types of work, certain components of work within the finance function, while applying technology. Or consider, for example, the IT function, which continuously goes through change.

From where I sit, I see procurement officers being told to stay away from changing legal and marketing. Maybe that's due to the political power or prowess of the legal function and marketing functions. But it could be also due to the fact that CXOs have not put pressure on these functions to change. I think that era is coming to an end, Ed, and with the development of better technology, the need to get more data out of the business, and the fact that there are now new roles within corporations variously called "chief sourcing officers," "chief transformation officers" or "global business services leaders." These folks are charged with looking very critically at every nook and cranny across the organization. So I think the age of isolation is over.

And last, but not least, and I hinted at it earlier, is technology. Other functions have had a far greater barrage of technology. Look at the HR function, with HRIS systems. Certainly finance and accounting. And now marketing with the advent of digital. Today, legal technology is now getting to the point that we have matter management, we have workflow applications that have been adapted directly to the needs of legal function. The availability of technology is generally a catalyst for business function change.

Ed: Well, the conversation about isolation reminds me of a legal conference three years ago, which was really my first exposure to the legal profession in a conference environment. The conversation and the presentations were very much around the importance of project management and this "new thing" called Six Sigma or Lean, and for me, really it seemed to be backward, by eight, nine, ten years at least, compared to other areas of outsourcing. And when you mention isolation, it absolutely rings a bell that somehow law and the practice of law has just managed to stand alone.

And from a procuring point of view, I've always found that the procurement function hasn't really understood what services they are actually buying from law firms, and there is only once you actually split the processes, split the services

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down into a series of sub-processes, they can understand where the value add was or where they can actually look for alternative models.

Deborah: Again, think those days are over. I suspect we are not yet at the stage yet where there's a master black belt embedded within the legal function, but those days may be coming very, very, very soon. And chief procurement officers are now being asked by the CFO to look at cost across the organization. To look at the fact that legal within a corporation, costs \$20, 30, 40, 50 million or more by tapping into the services of the traditional law firm, or delivering services internally, is now under scrutiny. Every other function, for the most part, again, except for marketing, has been scrubbed. It's now time for legal to step up to the plate and make the changes necessary—before change is imposed.

Ed: Well, absolutely. Now, you start to see it happening, but what I don't see happening at all is law firms having the appetite to invest in Lean Process specialists across the firm. They may have isolated Process Management skills and capabilities and qualifications, but not to the scale that any service provider would have as part of their day to day operations.

Deborah: Well, I think one of the challenges is the fundamental structure of the legal profession. It's a partnership. It's more difficult, quite frankly, to make change in a partnership than it is in a corporate structure. The partners, quite frankly, are heavily invested in the status quo. It makes them money, it works for them, it gives them the prestige and the access that they want and it also gives them some level of control. When you start looking at the legal profession as a process, as technology-enabled, it really changes the control game. So I think to a great extent, the historic structure of ownership of the legal profession, the implications of which spill over to some degree into the structure of the general counsel's office, is a challenge as well.

Ed: We've both worked in partnership models before, and in that kind of environment, who would you feel the Change Agent should be ideally, to review what the options are, but actually to drive through change in a very, very established business model?

Deborah: Well, I think that effective change in any business model, whether it's a corporation or a partnership, comes from a network of change agents, rather than the sponsorship or endorsement of one senior individual. However, it starts from the top. In a partnership, at the top of the house, the managing partner must visibly embrace change; otherwise there is no chance of success.

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Ed: Just to pick out the word there, embrace. I mean, from my side of things, embracing change is one thing, but driving it and sponsoring it, and encouraging it is potentially a separate role.

Deborah: Well, it is, it's very often that a senior sponsor will say, "Yes, do as I say and not as I do." Look at successful major business model change initiatives, such the change in delivery structure that GE embraced a number of years ago. There was someone named Jack Welch who said, "Do as I say and do as I do." In effect, he was what I call a meta leader, the chief change officer. He visibly endorsed outsourcing; he did not come down from the mountaintop like Moses with the 10 Commandments and then disappear. Change for GE was not a drive-by shooting, reminiscent of *The Sopranos*. The GC or the law firm managing director fills the same role. He is the senior sponsor, the meta leader.

However, the real key to change is "do what I do" as practiced by direct managers. Most people change their behaviors when they see their immediate managers making change. Yes, it's very important for the guy at the top to embrace change and make the case for change, saying unless we do this, we'll suffer certain consequences now, and in the future, describing the impact in very, very real terms.

Ed: So it's partly actually believing and there's also the behaving.

Deborah: I think that's a good way to put it, believing and behaving.

Ed: And would you say that's the best approach for us to take is actually to really get to grips with us, as you get into the believing point but then actually focusing on the day-to-day basis of the behaving, but then as you talked about earlier, coming back to the consequence of not changing?

Deborah: Sustainable change is a result of dangling both a carrot and a stick. Stakeholders not only need to know why they're changing, but what is changing. Unfortunately, one of the challenges with change, and especially changing to a new business model, that it's not deemed better than before for all the stakeholders. A partner who can no longer walk down the hall and ask Susie to post a bill very quickly so he can manage his work in progress is not going to like a defined workflow.

A junior partner, for example, who all of a sudden can't direct a group of associates, but now has to go to make a phone call to India to help with discovery or documentation may not be happy, especially when his or her vision of success includes the accoutrements of being a partner in a traditional law firm.

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However, over time, corporate memories fade, individual memories fade, and people get used to working in a different way. But part of the challenge is, that change is not necessarily positive compared to the current state.

Ed: And really there's no way to do it without the pain?

Deborah: There's no shortcut, Ed. I wish there were. I wish there was some fairy dust, but there really is no shortcut. Change is hard, if it were easy, we'd embrace it every day.

Ed: Yes, but I like to think that the organization it's just really a bunch of people in an environment where they come to work. At the end of the day, like most of us, cutting out smoking, cutting back on the alcohol, actually changing behaviors as an individual, is very, very difficult so at an organizational level, you're multiplying that difficult by 80, 800 or 8,000.

Deborah: That's right. Well, we got rid of the three martini lunch, so perhaps adapting a little bit of technology and process in the legal profession is the next big thing.

Ed: Well, of course. Just to close off, what would you say the three essential steps are that you would really encourage any successful change program to adopt?

Deborah: Well, it may sound trite, but no two organizations change exactly the same way. As much as we'd like to have a one-size-fits-all approach to change, every organization has a unique culture. Ask any attorney who's worked in a number of law firms and he or she will tell you that each one is unique in its ways of working, in its ethos, the way it deals with its stakeholders, and the way it approaches clients. I'm not focusing on the ethics of law, I'm talking about the way the organization works.

So I think step number one is figuring out how the organization actually changes. And look at history, taking lessons from the experience of other changes that the organization has made, perhaps resizing offices, allocating secretaries, new draw policies. Then it is important to figure out what works and what doesn't work in terms of how many stakeholders need to be part of the solution, how communication needs to happen, and so on.

Second, develop a change management strategy. So many organizations go through change and they look at it as a transition, a series of tasks. They don't actually focus on the change that needs to happen, the hearts, the minds, the communications, what we just called the believing and the behavior.

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Number three, get some change management help. Most organizations do not keep change management skills on the bench. Even large corporates got rid of their change management teams, some of them as long ago as 20 years ago. Obtain resources that understand when to pull the trigger, when to back off, when to customize, and when to make something very, very standard. And I don't mean communications and HR, although they play a role.

So three steps again, figure out how the organization changes, have a plan, and invest in the resources necessary to make the change not only happen, but as importantly, stick.

Ed: I've always found that change management - unless there's someone who's available in the organization to run a change management project - the default is to give it to HR, give it to the communications team and it's almost like we don't know what to do with it so we'll pass it away. But when you bring someone in who's got change management experience and lived and breathed and got the battle scars, then it's a whole different approach. Somebody's actually leading things and driving things as opposed to looking for direction from the rest of the project and looking for guidance from the sponsor, they actually, the change management professional is actually driving things forward in a way that no one else really can do.

Deborah: Well, it is a profession.

Ed: Well, perfect. Well, Deborah, I don't want to take up any more of your time this morning, I know you're very busy. You're always on a plane to somewhere or just getting back from somewhere, so I appreciate your time and thank you very much for sharing your advice and expertise with us.

Deborah: Thank you, Ed, it's a pleasure.