

# Briefing

HUMAN CAPITAL MANAGEMENT

APRIL 2012

*Interview*

**Kevin Hogarth**

Freshfields' HR chief on the challenges facing legal HR, learning from other sectors and engagement

*Feature*

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# Welcome to the new 'New Normal'



## Is your HR team leading your firm to success?

Just after we launched **Briefing**, Linklaters' head of HR, Jill King, said the 'new normal' was here, and any firm that didn't see this had its head buried in the ground.

Things haven't gone back to pre-2008 times, for anyone – but the best HR leaders have helped their firms handle the change. How?

Our interview, with award-winning **Kevin Hogarth, HR chief at Freshfields**, outlines how his firm has ridden the storm – and it's a surprisingly human story.

This month's feature outlines how some of the countries biggest hitters – **Eversheds, Hill Dickinson, Irwin Mitchell, Bird & Bird and Ince & Co** – are changing to meet the challenges of the new normal.

And we have analysis on how IT can help manage HR across all functions in the firms of the future, why insourced recruitment needs careful handling, and how HR technology delivers better management.

I hope you like our latest digital edition – if you have any feedback, just click on my name below to email me.

**Rupert Collins-White, editor of Briefing**

## Interview: Kevin Hogarth, Freshfields Bruckhaus Deringer



Rupert White talks to Freshfields' global HR chief, about the challenges facing legal HR, learning lessons in resourcing from other sectors and the value of engagement

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## Feature: Views from the top



How are law firm HR leaders helping to reshape legal business? Polly Botsford reports on the new 'new normal' and the challenges of international growth, outsourcing and ABSs

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This month we have some great finance and BD/marketing roles on the new **Briefing jobs** page – pass it along

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# Industry analysis

In Briefing we bring you relevant industry analysis from some of the legal sector's leading voices.

This month: industry analysis on how firm-wide ERP systems can help turn HR into the strategic business function it ought to be, why HR leaders need to manage any recruitment insourcing alongside outside agencies, and how HR technology can help manage your firm in the future.

This month's interview with Kevin Hogarth at Freshfields Bruckhaus Deringer was transcribed by:



## Transforming human resources



Enterprise resource planning plays a vital part in HR's strategic role, says Paul Tilling, head of strategic alliances at LexisNexis Enterprise Solutions

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## Insourcing problems?



Good management is essential to balance HR insourcing and outside agencies, says Simone Timcke, associate director at Ambition

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## Managing change



Technology can help firms deal with the HR challenges of the new normal, says Dee Caporali, sales director for HCM at Access

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*Interview*

# How Freshfields weathered the storm

Rupert White talks to Kevin Hogarth, Freshfields' global HR chief, about the challenges facing legal HR, learning lessons in resourcing from other sectors and the value of engagement

**Kevin Hogarth, Freshfields' global HR director, has his work cut out – he's the man at the top of the business area that looks after a law firm's only real asset: people.**

He must be doing something right, because he was named HR director of 2011 in the *Lawyer's* workplace and diversity awards in February this year. Freshfields also won 'most effective internal communication' so, whatever people think of awards, someone up there (in the legal heavens) likes him.

"Freshfields has had a fantastic three or four years during a remarkably difficult period," he says. "It's shown itself to be remarkably resilient and, despite the focus we have on clients, we've also been able to push ahead on some key people initiatives." Politically put, but there's truth in it – Freshfields has weathered the economic storm well, and is on a good foot now that green shoots are allegedly showing.

That internal comms award was for the

firm's 'International Film Festival', for which staff made videos about the culture at the firm. Hogarth says the initiative drove engagement, and claims it's an example of how vital internal comms can be, especially when firms are fighting in truly volatile times to keep people.

"To engage your workforce, you need to be able to communicate very clearly with them what the firm is about – not just the high-level stuff, but communicating to them what the essence of the firm is, what the values are." But, he says, firms haven't spent nearly enough time thinking about how to make this happen.

## **Before and after the flood**

Hogarth left financial services firm Capital One to join Freshfields in 2008, which must have felt prescient when the money business imploded. Very soon after arriving at Freshfields, he

was quizzed by *Personnel Today* about the challenges facing HR leaders in the next five years. He said: “Attracting and retaining talent, raising the quality of people in HR roles, and the increased use of HR metrics and analytics.” Then the world went to hell in a handcart.

So what were the biggest challenges of those five years, in the end?

“Well, what I listed were among the challenges, but a load of additional challenges got piled on top. Some organisations stopped looking for new talent, but I’ve always been convinced they’ll regret that. We continued to recruit the same number of entry-level trainees and lawyers through that period.”

The recession also caused a change in the skills firms are looking for. For lawyers, business development, marketing and client relationship management skills are now “absolutely critical in a world where law firms are competing ever more intensely for new work and in business services”, he says.

And the need to continually raise the firm’s HR game hasn’t been pushed aside by the recession – if anything, it’s become more acute.

It feels like everything has changed since 2008, and the biggest problem has turned out to be change itself. Law firm people had become “very accustomed to a world where there seemed to be an unending supply of new work and revenue growth, and high levels of profitability” – now they’re living in the world of ‘the new normal’, where it’s going to be hard to find growth and profitability.

To deal with this, Hogarth says HR has to refocus on areas like working practices, operating procedures and organisation to drive productivity, efficiency and cost savings. “That’s undoubtedly become far, far more important for HR teams than it was when I did my interview with *Personnel Today*,” he says.



*Business development, marketing and client relationship management skills are now “absolutely critical in a world where law firms are competing ever more intensely for new work and in business services”, says Hogarth.*

### Measuring success

A bigger challenge, but also a huge driver for productivity and that much-needed growth, is analytics and metrics on the people in a firm. Legal businesses need great analytics and metrics now more than ever, Hogarth says, to enable decision making.

That’s not easy, because people are harder

to measure than processes or finances. But, he says, better measurement shifts the debate towards investment rather than cost. “I’d very much like to be changing the nature of the debate about training budgets, so that you hear people ask what the firm is investing in training and what’s our return, rather than asking what the cost of training is.”

Hogarth says he’s worked to change the way Freshfields thinks about ‘morale’ (a word Hogarth dislikes), which was guessed at rather than measured. Now, HR issues an annual online staff and partners survey, which generates “very rich data about how people are feeling about the firm”. This kind of surveying, he says, has been “extremely powerful” in focusing HR and partner attention on business areas, “because we’ve got the data to help us”.

## Technology and HR

A central path to efficiency is an area in which legal HR is behind the curve – technology.

Hogarth points to recruitment and learning management as core IT investments for any firm, because “a law firm is all about attracting talent, and retaining and developing that talent”. These would be closely followed, he says, by some form of automated feedback gathering/performance management system – although, he says, sometimes the automation of that process can give people excuses for not talking to one another.

But the technology change really needed in law firms to deliver great HR is much bigger than just those two areas.

Law firms haven’t had a clear idea about

what their IT architecture should be, Hogarth says, so they’ve made ad hoc decisions about their systems. Firms invest in a recruitment system, then buy a different training system, and put core HR information in a third – so IT has to build complex interfaces between the systems. “It’s not very elegant,” he says, in what amounts to an epic understatement.

It should be all about workflows, he says – intake data, for example, should flow into the core HR system to reduce re-keying of

*“I’d like to hear people ask what the firm is investing in training and what’s our return, rather than asking what the cost of training is.”*

Kevin Hogarth, global HR director, Freshfields

data. It has to be global to be able to move data anywhere in the business, and integration should, of course, also include training and management, too. This is an ideal, but Freshfields is already part of the way there.

The most important thing, he says, is to be able to interrogate the information. One of the things Hogarth misses most from his time in HR outside legal is an HR dashboard. This is still rare in legal HR, but it’s common in some other sectors and many finance directors will be familiar with it – it’s a basic part of business intelligence and reporting. Such a set-up can deliver real-time information on head count, attrition, re-engagement survey results and so on, which “leads to better decision making,

because you're actually making the decisions based on data, rather than on your hunches".

What Hogarth wants is something that some other firms are also working on – enterprise resourcing planning, or ERP (see our [Briefing on strategic information, March 2012](#), in which David McLaughlin at Simmons & Simmons is trying to do just this).

Freshfields is, he says, "on the road" to something as full-spectrum as this. SAP is Freshfields' core HR information system, and Hogarth has been "building out from there".

Freshfields HR has introduced an online feedback system based on SAP, and a 360 appraisal system for partners based on and housed within SAP. The firm has a project to build an SAP learning management system. He'll always consider non-SAP options, Hogarth says, "but we do have a presumption that it's going to be better if the SAP option is one which can broadly meet our needs".

Freshfields isn't an SAP business, on the finance side – but now that SAP is a more modular system, and doesn't need to be used exclusively to get real benefit from it, it seems likely to grow in use at the firm.

## The value of outsourcing

It's become a truism that outsourcing, in some form, will be one of the ways law firms will deliver the resourcing efficiencies that a squeezed market demands.

But, Hogarth says, it's not a simple future. "Discussion about outsourcing often polarises the debate between either the firm

doing it or a third party, but I'm sure there's going to be a host of different ways in which our services are delivered.

"The one thing that we can be absolutely certain about is that law firms are going to be more complex organisations than they have been in the past, and therefore the challenges of managing that complexity are the really interesting things."

Legal should look to other sectors to learn

*"One thing we can be absolutely certain about is that law firms are going to be more complex organisations than they have been in the past – and therefore the challenges of managing that complexity are the really interesting things."*

Kevin Hogarth, global HR director, Freshfields

how to outsource, Hogarth says, as well as what proportion of back office/legal process work should be outsourced. He's not just saying this – before his time at Capital One, he served as HR director at Ernst & Young. Before that, head of HR at National & Provincial. Before that, Boots. So Hogarth is relying on knowledge learned from outside, knowledge that's going to be vital as legal morphs into an ever more client-driven model.

Clients are looking for better value, so firms need to look for ways of delivering work that's relatively routine and straightforward in a different way "rather than using our very highly trained, most expensive resources to deliver



some things that, frankly, don't require all those skills", he says. The upside to this change, he says, is the "prospect of more challenging and more interesting work for our lawyers", as they're relieved of routine and repetitive work.

But law firms may never be able to gain economies from outsourcing, because they simply aren't big enough. Freshfields is a big firm, but its roster only runs to 5,000 people. "If you're working for one of the very large banks, the economies that you can drive are much greater than in law firms," Hogarth says. Regulation will also impact on how, and how much, law firms can outsource – but, Hogarth says, "there's certainly scope for more of it than we see today".

## RPOs and insourcing

There are more subtle ways to make outsourcing work in law firms, however, such as 'insourcing'. Much used across the land in facilities areas such as catering and cleaning, this is now becoming a small force in higher areas like HR. For HR, this is showing up as recruitment process outsourcing (RPO).

Alexander Mann Solutions (AMS) handles Freshfields' non-trainee recruitment. AMS claims to have delivered enormous value at Freshfields, increasing direct recruitment from between 10-20% to over 80% of hires across front and back offices. But is it really direct recruitment when you've hired a recruitment firm in to do it?

"We may not be the best example of the benefits of RPO, because we centralised and outsourced [recruitment] at the same time," says Hogarth. This makes it very hard to work out where the benefits have really come

from, though benefit has undoubtedly been had, especially in handling extremely volatile periods like the last few years, because the firm can push the impact of fluctuating recruitment needs in any given month onto AMS.

"We've got much greater flexibility than we have if it's our in-house team," he explains, and the firm has been able to change the proportion of directly sourced recruits. "It's far more cost effective to be recruiting them that way than paying agency fees," he says.

But Freshfields' time with AMS has given

*Law firms may never be able to gain economies from outsourcing, because they simply aren't big enough. "One of the very large banks can drive economies that are much greater than in law firms," says Hogarth.*

Hogarth an idea of what the firm now needs from the RPO. "We'll never compromise on quality, but there are times when we need to decide if we keep looking for someone who is even better – which will cost more and take longer – or make an offer. That's what we are currently working through with AMS."

This is the stuff beyond the basic aims of taking on an RPO: driving down the cost of recruitment, bringing recruits closer to the firm during the process, and delivering more flexibility. Pulling down the time to hire is important, but it's not all-important.

Balancing the cost of recruiting with the time it takes – usually the former skyrockets

when you try to squeeze the latter very hard – is one of the most complex aspects in setting up a recruitment relationship, or setting the right metrics for an in-house team, he explains.

“It’s madness to just say: ‘Money’s no object, and if we can get them in three weeks, fantastic’ – because then each one is costing us fifty grand! That’s nuts!” But, he says, if time to hire goals are stretched to 10 weeks from eight, cutting the cost per hire by a further 23%, that’s difficult – because though the practice area is paying, they want someone soon.

This puts the HR team in a powerful but precarious position – “and are the quality of people that we’re getting any better?” asks Hogarth. “Is that two or three additional weeks that you’ve got them generating revenue sufficient to compensate for the increased cost?” That’s something that outsourcing can’t make easier, he says – it’s fundamentally just difficult.

## Standardisation is the future

But is legal HR up to this post-new normal task? Hogarth says he’s been “pretty pleased” with the quality at Freshfields (cue sigh of relief from the team). But legal is less sophisticated than HR in large corporates, he says, because “there’s much less routine, and fewer really efficient processes”.

This is partly because efficiency isn’t something partners particularly value, he says, which makes streamlining hard. “They like a bespoke service, and it’s quite difficult for HR to introduce best-practice, best-in-class processes and technologies and so on in that environment. We’re still a little bit behind on that. But we’re catching up, and I think the

current environment will drive that change.”

Hogarth says legal can learn some useful lessons now from sectors like retail, which have had to cope with massive margin pressures.

“It’s forced them to be very efficient. But, as a consequence, they’ve had to standardise a lot. I think there’s room for more of that in the legal profession, and I think we’re entering a phase where that is going to be very much more a part of the contribution that law firm HR teams have to make.

“If we can’t grow the revenue at the pace that we want, we’re going to have to continue to turn to the cost line to see what we can do to

*“It’s madness to just say: ‘Money’s no object, and if we can get them in three weeks, fantastic’ – because then each one is costing us fifty grand! That’s nuts!”*

Kevin Hogarth, global HR director, Freshfields

improve profitability – and most of the easier things, like reducing the quality of the biscuits, was done in 2008 and 2009.

“Now you’re into re-engineering the business, making changes to bring about greater efficiency, drive out costs, find out where there is complexity you can simplify, removing duplication, and so on. That’s something corporate HR teams have been doing a lot longer than legal, and we need to turn our attention to it.”

Hogarth’s message seems clear: go forth, legal HR, and simplify. ●

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*Feature*

# Views from the top

How are law firm HR leaders helping to reshape the law firms of today?

Polly Botsford reports on what the 'new normal' has turned into, how legal HR must reform itself while it reforms legal business, and the challenges of international growth, outsourcing and alternative business structures



**Back in the early days of Briefing (issue three, in fact), Jill King, then global HR director of Linklaters, said the economic downturn would fundamentally alter the legal sector. She called it the ‘new normal’.**

She was right – the legal market has never been more uncertain, and the traditional legal partnership is facing challenges from merger threats to alternative business structures. It’s what we might call the new, new normal.

At this critical time, HR could play a pivotal part helping firms respond to the challenges ahead. King, who recently left Linklaters to become a writer and commentator, says that “HR has a fantastic opportunity, and it needs to be bold about it”.

“[HR people] had their moment in the sun in 2009 when, finally, with the upheavals and restructurings caused by the downturn, HR won recognition. They need to capitalise on this and question [firms’] models, and be inquisitive on strategic direction.”

Many firms are not facing up to the ‘new normal’, she says. “A lot of partners want to believe it’s gone back to the way it was before the downturn,” explains King. “I fundamentally disagree with this – the only firms that will succeed are the ones that will challenge the existing business models of private practice”.

HR needs to have a mandate from the top to take on this role. The latest incarnation of this is the debate over whether HR heads should be equitised to get the best out of them. Irwin Mitchell did this last year, after making up its finance director to equity as far back as 2010.

One answer might be to make the HR leader

in a law firm an equity partner to properly incentivise them, and to deliver a sign to the firm at large. This comes as a shock to firms that still believe HR doesn’t belong on the board, let alone on the equity roll (estimates are that roughly only 50% of the top 100 firms appoint their heads of HR to the board), but it might also be necessary.



*“The only firms that will succeed are those that challenge the existing business models of private practice.”*

Jill King, former global HR director, Linklaters

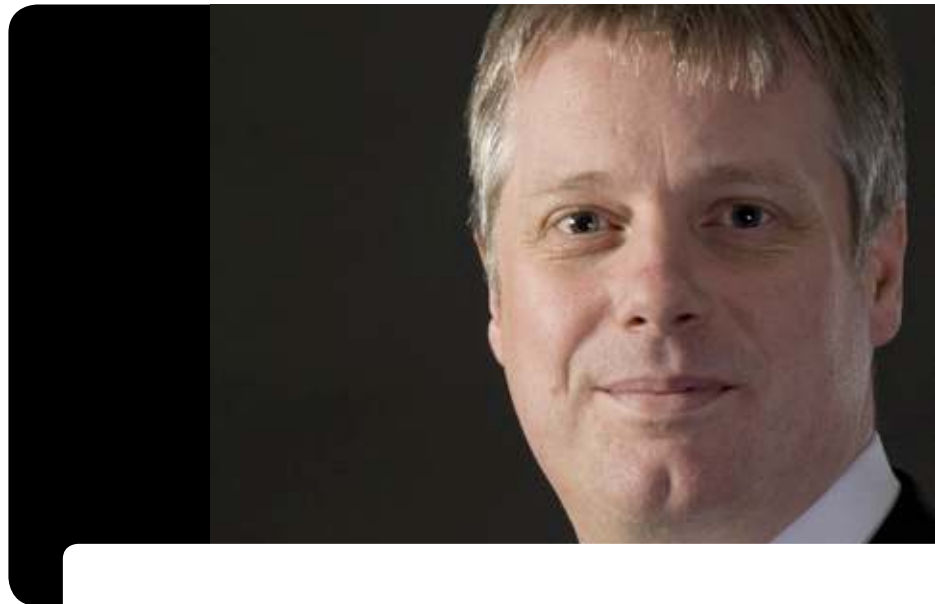
### **Changing the resourcing mix**

Outside the boardroom there is a tectonic shift taking place in law firms – partly as a result of HR innovation, partly because of client pressure, both of which impact directly and significantly on HR and are altering the very nature of the HR function.

A decade or so ago, most of the people you'd have seen in a law firm would have been solicitors. There would have been a few paralegals floating around; support staff below a certain level would have been all but invisible. But meander through the now open plan offices these days of almost any top 100 firm and the mix is very different. Firms are hiring more non-solicitors and many more business support staff.

Andrew Rushworth, HR director at Hill Dickinson, says this is down to market pressures. "The big change that's started and will continue is pricing pressure, and introduction of fixed fees. We use different types of resources to meet that pressure – and on any particular matter the role of the senior person – who is not necessarily a partner anymore – is more of a supervisory role, and the juniors are managing the cases. The whole leverage and mix of the team is changing."

partner level on the same terms and conditions as fee-earners. Rushworth says that Hill Dickinson also takes an open view on who will lead the firm in the future: "I predict that we will soon have a 50-50% [split between] non-solicitors and solicitors, and this will impact on senior posts. The paralegals may well soon be looking at being partners – we need to be more open to that, and we want that to be made clear to them that that is an option."



## Creating better business people

For HR, the implications of this are enormous, and range from recruitment to training and career development. This also means more training in team leading, business and commercial skills such as pricing, says Rushworth.

This increasing shift to business reflects another, greater, shift in career path for lawyers as other people in the business become more important. Irwin Mitchell, for example, has a twin-track approach to partner promotion – non-lawyers, whether fee earning or support staff, can be promoted to salaried

*"The big change that's started and will continue is pricing pressure and fixed fees. The whole leverage and mix of the team is changing."*

Andrew Rushworth, HR director, Hill Dickinson

Irwin Mitchell sees this lawyer/paralegal thing as something more fundamental, an issue of diversity. Andy Chalmers, Irwin Mitchell's HR director, says the firm "believes deeply" in the value of diversity, but that this includes how non-lawyer case handlers and business support

people are seen by the firm.

This means firms are sourcing from a much broader field and through more diverse channels. Hill Dickinson, for example, is considering introducing an apprenticeship scheme, hiring school leavers rather than law graduates. As Rushworth says, “law firms are needing to hire other beings apart from traditionally trained solicitors”.

## Corporate pressures

This alteration in the staff mix also changes the focus within HR, shifting away from recruitment and on to learning and development, as well as designing the right career development interventions. It's also meant expanding the reach of those goals to everyone in the firm not just solicitors, not just fee-earners.

These changes can be seen as the result of a wider shift towards a more ‘corporate’ model, driven by increased competition and pressure from clients.

HR's role within the firm increases dramatically with this corporatisation. Take pay, for example – firms are adopting an ever more corporate approach to remuneration, with many now offering performance-related pay such as bonuses. The knock-on effect of this has been that firms have had to examine what they really value, and what excellent performance means to them.

This is by no means simple – Eversheds' performance-related pay is broken down into three separate measures and a fourth is being considered, for example. Performance management is also HR territory, so as firms

offer increasingly complex total compensation packages and introduce performance-related measures, firms are now hiring HR experts to manage those offerings.

This intense focus on HR's remit is only going to intensify with the pressure of the rise of alternative business structures, as Angus Macgregor, HR director at Eversheds, explains. “ABSs will make law firms more business-savvy because there will be non-lawyers in the legal market. Non-lawyers – the private equity boys or retail – will want to measure success, and HR plays a crucial role [in that].” This is a point

*“ABSs will make law firms more business-savvy, because there will be non-lawyers in the legal market. The private equity boys or retail will want to measure success, and HR plays a crucial role in that.”*

Angus Macgregor, HR director, Eversheds

echoed by Kevin Hogarth, global head of HR for Freshfields, in this month's interview.

## Managing outsourcing

Another lesson for law firms from the corporate playbook is using outsourcing to cut costs and deliver a better resourcing mix. This is still relatively uncharted territory, but is cropping up in an increasing number of firms.

Hill Dickinson, for example, outsources its secretarial function and its IT training, Ince &

Co outsources its catering, travel and digital dictation services, for example.

For HR people, outsourcing is about learning to manage the relationship with the provider, getting to grips with the terms of an outsourcing agreement and keeping an eye on service levels. It's also about managing staff expectations, says Macgregor – firms have to work hard to make outsourcing happen, he says, “and that is part of HR as well”.

Outsourcing is also happening to HR. Following an intense process mapping of HR roles, Eversheds decided to outsource the administrative side of HR to Accenture in Bangalore, as well as the firm's recruitment.

Macgregor says HR has to look in the mirror as much as at the rest of the firm to see what needs changing. “You need to pinpoint the parts of a particular role where someone adds

value, as we did with the recruitment role, and outsource those parts where they are not adding value; this leaves them free to do the value-added part: to land the hire.”

## Challenges of international growth

Alongside corporatisation, internationalisation and consolidation have begun to seriously change the dynamic in the legal sector.

A significant number of medium-sized firms have ‘followed the work’, opening new offices abroad, which has meant the HR role has been focused on trying to maintain and strengthen a firm's cohesive core, to keep the culture of the firm strong in the face of language differences and local idiosyncracies.

Mike Orton, HR director at Ince & Co,

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explains what's happened: "Much of our growth has been international, and this is a real challenge in terms of the culture of the firm. However, it is what we do very well and we pay attention to it. It even feeds into our recruitment strategy – we recruit for cultural fit, as well as skills and experience."

Johnny Nichols, HR director at Bird & Bird, agrees that international growth is a hot topic. Bird & Bird has in the past carried out international hiring by taking the best of local practice, he says – but an increasingly international client base means it's now "more important to make sure that there is consistency in our approach with the client".

## Cementing HR's new power

Given this upheaval, it is difficult to envisage how firms will look in just a few years time. Constant change is the dynamic now, and good HR units are driving and delivering that dynamic.

HR hasn't been immune to redundancies and outsourcing, but the future is far from bleak – some firms have even grown their HR departments to match the greater sophistication of firms' approach to resourcing, and as new areas grow in prominence – particularly learning and development and benefits. This is deeply connected to law firms' taking a more corporate approach – as Nichols says: "HR in a large corporation is on an equal footing with the business – this is where we want to be in law firms, and it's where we are in Bird & Bird."

HR is pushing for, and getting, greater visibility within the firm, but there's still a huge amount of work left to do. This may lie

in having an HR director on the management team or on the board, but it is also about HR becoming a more 'business-aligned function', as Orton describes it. He says HR in law firms should be 'out and about' more in the firm.

"We are seen around the organisation and we are accessible; we will get involved on the floor. As well as being business-focused, HR should have a soul, and should convey this to the people running the teams."

There is one area, however, where HR is missing a trick. Jill King says the best firms could take the marketing lead on ethics – an intrinsic part of law firm culture.

*"We are seen around the organisation and we are accessible; we will get involved on the floor. As well as being business-focused, HR should have a soul, and should convey this to the people running the teams."*

Mike Orton, HR director, Ince & Co

"HR has a role in thinking about the reputation and culture of the firm. Most firms get defensive instead of educating the partners and fee-earners and pushing forward on an ethical footing. [Firms should] prove they don't accept instructions from just anyone, and show that they would turn down work for ethical reasons. This could be the way to differentiate in a highly competitive market."

So it's not the question of whether to change or not, but about who should be driving that change. And the answer is HR. ●

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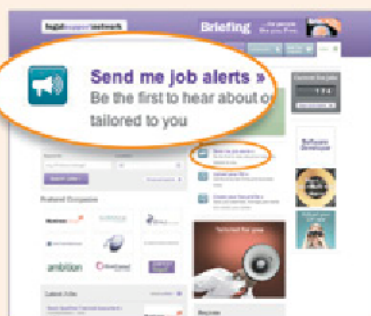
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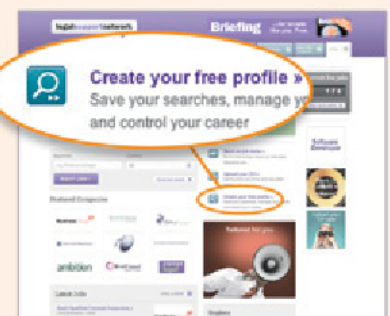
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## INDUSTRY ANALYSIS INDEX

# Delivering change

In this Briefing's industry analysis section, we look at how firm-wide enterprise resource planning IT can help shape HR as a strategic business function, why HR leaders need to make sure recruitment insourcing works with their agencies, and how HR technology can help you manage your firm in the future.

## Transforming human resources



Enterprise resource planning plays a vital part in HR's strategic role, says Paul Tilling, head of strategic alliances at LexisNexis Enterprise Solutions

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Good management is essential to balance HR insourcing and outside agencies, says Simone Timcke, associate director at Ambition

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Technology can help firms deal with the HR challenges of the new normal, says Dee Caporali, sales director for HCM at Access

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*Industry analysis*

## transforming HR

Enterprise resource planning will be a vital part of making HR the strategic business function it should be, says Paul Tilling, head of strategic alliances at LexisNexis Enterprise Solutions

**In the global legal market, human resource management will become ever more essential to the effective and efficient management of law firms.**

It's true that attracting and retaining the best talent, both legal and non-legal, will become crucial to achieving business success as law firms transition from legal services providers to profitable commercial centric enterprises. But how can IT systems help deliver on that need?

Changes in business dynamics are forcing firms to consider increasingly novel, merit-based remuneration strategies, moving away from the lockstep model. But remuneration is only one aspect of how a more strategic approach to HR can help the modern firm.

Traditionally, the HR function has systematically implemented boardroom decisions, but there is growing recognition today that it must become an equal partner at a strategic level to help drive business strategies.

Enterprise resource planning (ERP) systems can facilitate this, by integrating HR with all the other business functions of a law firm.

An ERP-led approach to HR enables centralised control of HR while decentralising the day-to-day processes to facilitate smooth functioning of the discipline, and it provides the agility to enable the firm to quickly react to changing market conditions.

### **Strategic HR management**

Law firms are increasingly conducting strategic reviews of their business plans and growth strategies. One thing an ERP-led approach to HR can do is make resourcing any expansion, geographical or departmental, easier to execute and manage.

With the ability to easily conduct in-house skills analysis through an ERP application, a law

firm can work out whether skills and expertise that are needed in an expansion already exist in the firm – saving firms valuable hiring time. ERP also has value if a firm's involved in a merger. Firmly established competency analysis though an ERP system can help work out where the skills mix within any newly formed entity would be strong or weak, making sure that the newly merged organisation is as effective as possible.

### Better resourcing with ERP

Today's clients are demanding much more value for money, and fairer and transparent pricing.

A report published by the Legal Ombudsman in March 2012 found that legal services providers must be prepared to present a cost-benefit analysis to customers to explain their pricing model. An ERP-led approach to HR will help ensure that the law firm is correctly staffing client work, which delivers value and can help deliver the transparency. ERP systems can also provide a detailed view of performance levels as a whole, and break them down by practice areas or even by individuals.

Clients will also increasingly want to hire firms that can demonstrate good business practices. Underpinned by workflow, ERP systems ensure HR-related legislative compliance and apply corporate governance and social responsibility rules.

But, on a day-to-day level, law firms must properly manage their resources to a more granular level than they've been used to, to reduce costs, maximise expertise and deliver client satisfaction – and ERP systems can automate resource management by combining time, billing, financial and human resource management into a single view.

In a volatile job market, firms also need effective recruitment processes to meet business demand for new skills. ERP systems can help firms to streamline their recruitment processes, because they can tie together all the information gathered during a recruitment campaign, and create workflows to push that data into payroll, IT and finance, for example.

ERP systems can also facilitate structured employee appraisals, skills and career

*“An ERP-led approach to HR will help ensure that the law firm is correctly staffing client work, which delivers value and can help deliver the transparency.”*

development, binding to a firm's learning and development agenda.

And alongside IT systems, giving HR board-level prominence will make the transition to a more commercial model smoother, efficient and result-orientated.

There are many levels of HR management, and firms can take an incremental approach to making the discipline a strategic function. Our vision, the HRM module in LexisNexis Enterprise Solutions' ERP solution, [powered by Microsoft Dynamics AX](#), is designed to enable exactly this – provide law firms with the functionality to meet their current and future HR management needs.

Click here to learn more about  
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*Industry analysis*

# Insourcing problems?

Good management is essential to balance recruitment insourcing and outside agencies, says Simone Timcke, associate director at Ambition

**Is recruitment insourcing working for law firms? And how can it be made to work better with the recruiters you want to keep?**

Over the last few years, a small but growing number of law firms have appointed recruitment process outsourcing businesses (RPOs) to handle direct recruitment. But are firms really getting the economics they thought they'd be getting out of these deals?

There are benefits to a law firm to using an RPO, mainly in cost reduction and streamlining processes, but might this be coming at a greater cost – one that will not be apparent until years later, when a firm realises its competitors have the best employees?

Turning to an RPO will often alienate recruiters who have worked with a firm for years, as the recruiters can't work to the low margins the RPOs demand. To recruit in a specialist area requires market knowledge and expertise, which comes at a price.

So the question is: can RPOs and recruitment agencies ever work in tandem? Our experience of working with RPOs varies widely, but in the main it's not a positive experience. When recruiting for a law firm, two of the most important things recruiters need are the ability to face off with partners and to influence the decision makers. The people we meet working for RPOs, however, often seem to have little experience of legal recruiting and don't seem to have the gravitas required by candidates interviewing for the firms.

A key thing to watch for in an RPO your law firm has hired is whether they are making things more difficult for outsiders to cement their own position.

Getting any information beyond a job specification and salary can be like pulling teeth with RPOs. They often cut all recruiters' ties with line managers, and threaten agencies' status as preferred suppliers if we break their

'no contact' rules. This is hardly conducive to attracting the best talent.

The problem may not be their fault at all – maybe the task they're set just isn't really achievable. On-site recruiters are often tasked with reducing the cost of recruitment, which means squeezing supplier margins. This can work for agencies in sectors where there is volume – the trade-off is reduced rates for a guaranteed bigger share of the roles, making it possible to maintain or possibly increase revenue streams.

But those volumes aren't there in the legal sector. A large investment bank will have hundreds of people in marketing, business development and client relationship management, whereas a law firm may only have 10% or less of that headcount. In financial services, a recruitment agency only needs two or three high-volume clients to boost revenue; in the legal sector, it takes a higher number of clients to secure the same revenue.

The line we get from RPOs is that they have us over a barrel – sign up to a low percentage, or you don't recruit for us. And RPOs make out they don't care if we sign up to recruit for them – there are others that will say 'yes', aren't there? – but are there really many specialist agencies that the line managers need? No, but the RPO has to reduce costs, so this is the way forward.

## Working with RPOs

We must collaborate to improve this – RPOs need approved agencies, as they don't have the manpower to do everything. Trust and understanding are vital in improving the relationship between the competing factions, because we need each other equally. Firms

need agencies able to sell themselves to the market, and to be an extension of their brand.

Another concern agencies have about RPOs is that they're just using agencies' candidate pools to build their own database. The knock-on effect of this is that agencies will hold back the best candidates and send them to other clients instead.

So, two-way communication needs to be established. We think line managers holding agency briefings with the RPO present the best solution to this, and that recruiters should be allowed any contact with line managers as long

*“When recruiting for a law firm, two of the most important criteria recruiters need are the ability to face off with partners and influence decision makers”*

as the RPO is kept in the loop.

It's important that firms are open with agencies about whether roles are signed off and what the business need is; if you suddenly pull roles, you may lose the opportunity to recruit those candidates in the future. The sector is too small to alienate good people.

Reputation management is vital, and we firmly believe that agencies play a much bigger part in that than most firms recognise.

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## INDUSTRY OPINION



# Managing change

Technology can help firms deal with the HR challenges of the new normal, says Dee Caporali, sales director for HCM at Access

**The Legal Services Act has brought sweeping changes to the sector, from consolidation as old firms disappear to new, dynamic entrants entering the marketplace. The need for innovative approaches in this new environment has a huge impact on HR.**

More competition and the commoditisation of legal services mean firms must change their mindset towards service delivery. New entrants will have more experience operating in a competitive consumer-facing environment, so firms need to reconsider everything, from training to succession planning. HR technology will support HR in this complex world.

## Attracting and retaining talent

Increased competition means HR teams will need a solid strategy to attract and retain high-calibre talent, as firms move from a partnership to a commercial model.

In a multi-disciplinary practice, for example, legal professionals will work alongside other businesses – accountants, independent financial advisers, estate agents and surveyors. Even where this doesn't happen, there's also been an increase in non-lawyers adopting client support, business development and

management roles. HR needs to understand how all these roles fit within the new firms.

## Development and training

HR systems can also help firms manage the diversity of talent. Allocating the right professionals to clients is paramount, especially following the SRA's move towards greater

qualitative measuring of professional conduct. Coupled to this are the changing responsibilities of management – such as the rise of the COO.

On top of this, the demise of the partnership model means loyalty is waning, so succession planning is more

challenging as firms seek alternative reward packages.

HR systems can help with these challenges, from cutting HR administration to providing the business intelligence to operate successfully in this new legal landscape.

*“New entrants will have more experience in a competitive, consumer-facing environment – HR technology will support HR in this increasingly complex world.”*

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