

April 24 2008

Issued by Mattison Public Relations

Research reveals support departments now playing a central role in the running of law firms

- ∞ Support functions such as Marketing, Finance, HR and Knowledge Management rising in status
- ∞ But IT Directors concerned the role of their department may be under appreciated

The legal profession is increasingly embracing its support departments and entrusting them with a pivotal role in the running of law firms, reveals research from Sweet & Maxwell, the leading legal information providers.¹

The research, carried out by Sweet & Maxwell amongst the heads of HR, Finance, IT, Marketing and Knowledge Management within the UK's Top 100 law firms, reveals that 82% feel that their department has taken on a more prominent role within their firm over the past 5 years.

Sweet & Maxwell says that the growth of the legal market and the increased turnover this has brought has enabled law firms to invest more heavily in their support functions. Law firms are now increasingly looking to their support departments to provide them with a competitive advantage.

Despite the unique business model adopted by the legal profession, lawyers understand that they can learn from the approach of other corporates such as investment banks and international accountancy firms in harnessing the talents of their support departments.

Professor Stephen Mayson, Director of the Legal Services Policy Institute at the College of Law, comments: "This research confirms the increasing role and importance of support departments in well-managed and successful law firms. The historical dominance of the finance department is now being challenged by a broader view of professional management support – whether in size, investment or status."

The new-found importance of legal support departments is demonstrated by the growing numbers of non-lawyers who now sit on management committees or boards. Around 40% of HR, IT and Marketing Directors now have a place on the management committee, along with 13% of head librarians, who are now more often described as heads of Knowledge Management.

The research also highlights the leading role Finance Directors are playing in the running of law firms, with 63% now sitting on the management committee or board.

Sweet & Maxwell says that once the Legal Services Bill, which will allow external investors to hold shares in law firms, comes into force, support departments are likely to take on an even greater role as investors demand greater efficiency and higher returns. Finance Directors in particular will have a pivotal role in ensuring that the demands of external investors are met.

Marketing now plays an integral role in the running of the firm

Sweet & Maxwell's research reveals the extent to which the business of law has changed in recent years. As the legal market becomes more competitive business development and marketing departments are playing a greater role in mapping out the strategies of law firms.

According to the research Marketing has emerged as the non-lawyer department with the highest status within law firms. 32% of all respondents said that Marketing is the department with the greatest cachet within their firm, ahead of Finance (28%) and HR (11%)

An overwhelming majority (94%) of Marketing Directors feel that their department has increased in importance over the past 5 years and 70% revealed that they have seen an increase in their budget during that time.

Professor Stephen Mayson says: "However, with signs of cold winds blowing through the market, it will be interesting to see whether the rate of growth and investment will be maintained. In particular, when work is tight, marketing should assume an even greater importance, and yet so often in previous downturns we have seen it being regarded as a 'soft' target for cost-cutting."

IT departments are dissatisfied with their status within their firm

Whilst Marketing Directors are satisfied with their standing within their firm IT Directors are concerned that their department is often overlooked by senior management.

With the exception of Head Librarians, IT Directors have the least direct route to their firm's Managing Partner. Only 36% of IT Directors report directly to their firm's Managing Partner or CEO, compared to 88% of Marketing Directors.

Sweet & Maxwell suggests that law firms could offer IT Directors more contact with senior management if they want to retain the best talent.

However, a significant proportion of other support departments believe that IT is the department that receives the most generous funding. 44% of all respondents said that IT receives the most supportive budget within their firm, followed by Marketing (22%) and Finance.

Despite the perception that IT receives the most generous budget only 36% of IT Directors said that their budget had increased over the past 5 years, with 27% revealing that they feel their department is under-resourced.

IT heads were also the most confident that the performance and overall profitability of their firm could be improved with more investment in their department. 78% of IT Directors agree that if they had a bigger budget they would be able to make a greater contribution to the success of their firm, compared to 46% of HR Directors.

Sweet & Maxwell suggests that IT departments are unsure of their law firm's commitment to IT in the future following the Internet boom and the availability of web-based services that have revolutionised the way lawyers work.

Some HR Directors fear outsourcing

HR Directors are also concerned about the legal market's ongoing commitment to their department's future, with a number indicating that their department could be outsourced to an external HR adviser.

Surprisingly, despite the importance that the HR function has taken on within law firms in recent years, not one HR Director mentioned their own department when asked which support function had the highest status. 42% believe Marketing to have the highest standing in their firm, followed by IT (17%).

Professor Stephen Mayson comments: "The view of about half of the HR directors that their departments are under-resourced and their role is not understood by lawyers is a concern and serves to emphasise that what many firms lack is a meaningful measure of the return on their investment in support services."

Sweet & Maxwell says that support departments are enabling law firms to adapt their business processes to become more commercially focused. The research confirms that the Top 100 law firms are increasingly using their support functions to help them to win new business, improve productivity and to enable them to offer higher quality service delivery than their rivals."

Professor Stephen Mayson concludes: "This research highlights some real progress, but it seems we still have some way to go!"

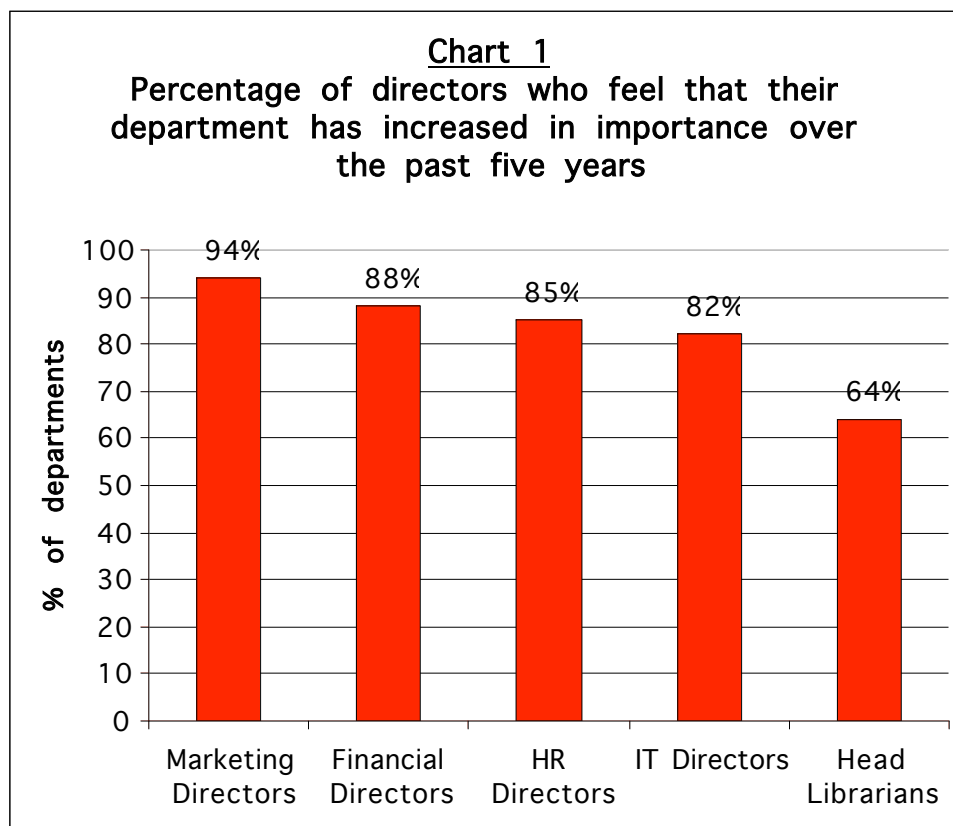


Chart 2
Percentage of support function directors who are on the management committee

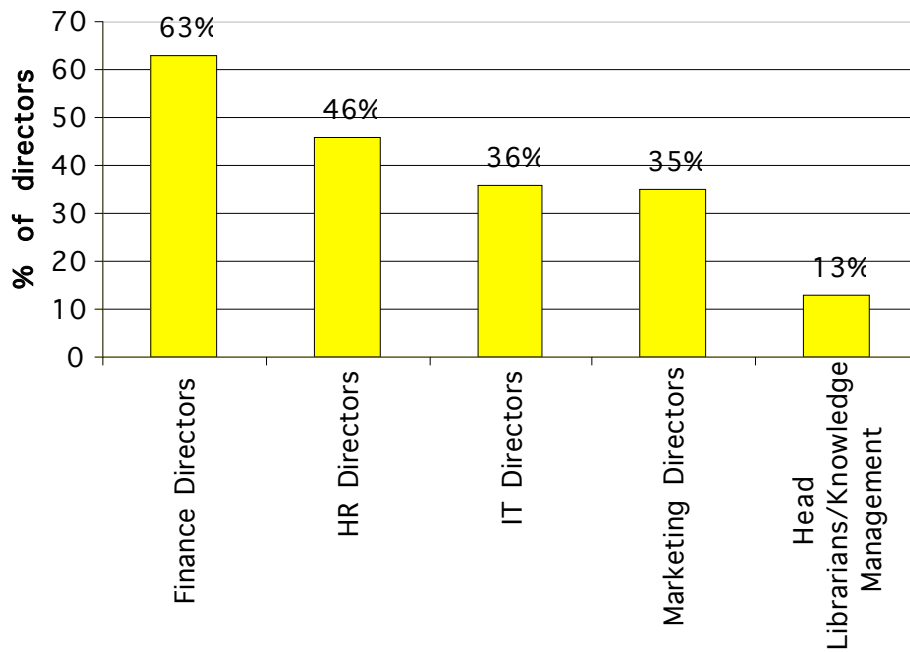
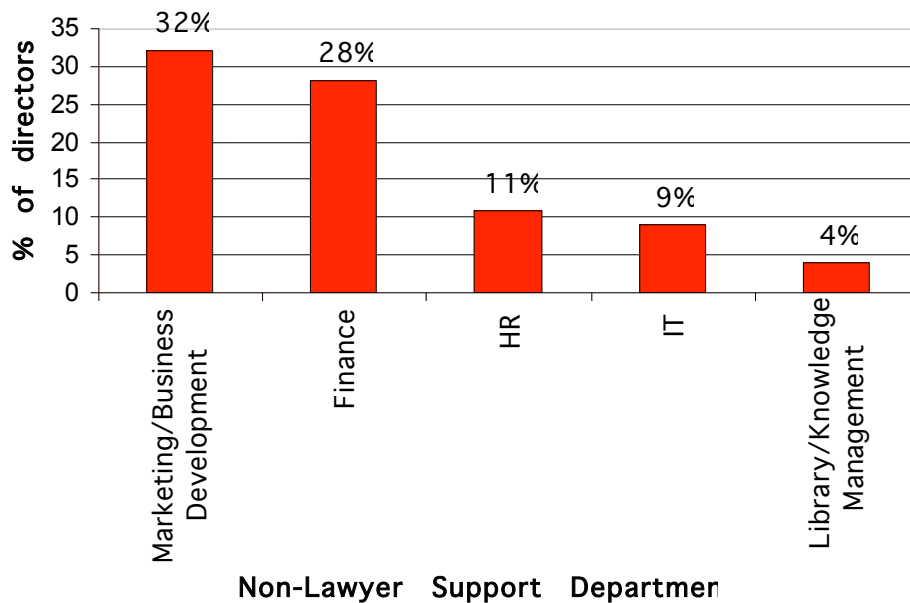


Chart 3
Which non-lawyer support department do you feel has the highest status within your firm? (All respondents)



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Notes to editors:

A full copy of the research results is available from Sweet & Maxwell on request.

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¹ Research conducted amongst 56 of the top 100 law firms by turnover