

The Emergence of the Law Firm Middle Office: A 45-Degree Pivot Required to Ignite Transformation

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Golden Era of Law Firms at an Inflection Point

Law firms achieved extraordinary financial results from 2020-2022 that were buoyed by unique circumstances related to the historical time and place.

As a result, most law firms posted record revenue and profits, in many cases masking the need for focus on long-term investments in strategic growth and differentiation to sustain this trajectory. This created what was essentially an “extended gap year” for firms to enjoy the ride.

As we turn the corner to 2023, now is the time to take a different look at the macro-environment and assess how future law firm operating models can accelerate the transformational journey that was overshadowed by this historic period.

A 45-Degree Pivot

Physicists and philosophers each have unique ways of helping us understand a basic truth: **Optimization is not achieved at zero or 90 Degrees, but somewhere in between.**

Physics [teaches us](#) that an object launched at a 45-degree angle is the most efficient means to travel the greatest distance. Related, philosophy [teaches us](#) that a “45-degree life” achieves the optimum balance between burning out and lying flat.

The post-pandemic era is challenging law firm leaders to pivot their mindsets as they think about the trajectory of talent strategies and operating models, especially at this threshold moment as demand softens. Additionally, the changing macro-environment provides a unique opportunity for firm leaders to think differently about the long-term future of their organizations.

We believe this pivot needs to be closer to a 45-degree change than an evolutionary tweak, and it can be achieved with two primary strategies:

1. **The formalization and alignment of the “Middle Office” in a law firm’s operating model, which will require**
2. **Optimizing functional processes that are non-core to the law firm by partnering with providers at scale.**

Law firms have historically organized themselves around the “front office” practice of law (attorneys, practice groups) and the “back office” business of law (business services). This bifurcation, coupled with the ownership mentality that drives partner behavior, has created a sub-optimal operating model from two different vectors:

- The Back Office has not achieved the level of consolidation and standardization across the “horizontal” functioning processes that span the operations needed to deliver efficiency at scale in providing the core support functions that cut across the firm.
- In the converse, the “vertical” Front Office practice groups require greater specialization and differentiation to demonstrate what is unique about the specific legal practices and services that are offered to clients. For example, think of the specialization that health care providers have carved out to create differentiated practices for medical services such as oncology and cardiology.

What if law firm leaders evolved their thinking around the emergence of a Middle Office – the enabling enterprise capabilities that make a firm unique and differentiated in the eyes of their clients?

A Middle Office is where skilled workers empower the firm’s legal professionals to deliver services to clients in ways that are strategic and differentiating. The Middle Office’s mission is to optimize the service delivery model, apply technology and create solutions to advance the strategic objectives of each practice. It serves as the transformer – curating and configuring enterprise technologies to be fit for purpose – while identifying and applying internal and external tools and data to inform unique insights. Further, the Middle Office serves to enable the practice to achieve financial contribution and client satisfaction goals through optimal resource management, accurate pricing, and effective execution.

Some functional examples include:

- Data Analysis + Science
- Pricing
- Knowledge Management
- Competitive and Market Intelligence
- Practice Management
- Legal Project Management
- Practice Technology/Solutions
- Resource Management
- Practice Support

These high-value functions help firms be more strategic in their practices, client-centric in their delivery models and differentiated in a competitive marketplace. Firms that invest in building specialized teams capable of partnering with attorneys and clients to modernize how legal services are delivered will increase market share.

Toward a New Model: Future Growth Will Require Differentiated Practices

In the next evolution of the legal industry, we believe the greatest business opportunities for law firms will be found when they successfully differentiate their practices in the eyes of their clients and prospective legal talent.

One proven strategy for achieving this differentiation is to:

1. Increase the investment of firm resources in strengthening the Middle Office — and
2. Partner with providers at scale to deliver non-core business functions that can be provided more efficiently by expert service providers.

Leading firms such as [Shearman & Sterling](#), [Husch Blackwell](#), and [Sullivan & Cromwell](#) are paving the way for this next evolutionary stage in law firm operations.

In “The Silent Revolution,” a feature article [published](#) in *The American Lawyer*, Sullivan & Cromwell executives shared how they began outsourcing some of the firm’s technology functions and infrastructure to our company as part of a “sea change in Sullivan & Cromwell’s evolution.”

“You can’t keep up doing state-of-the-art, best-of-the-best (in technology) — which is what we try to do — by doing it yourself,” said Joe Shenker, chairman of Sullivan & Cromwell. Instead, he explained, “Let’s focus on what we’re great at and let other people focus on what they’re great at.” The article noted that

Sullivan & Cromwell “isn’t alone” in embracing this strategy and, is an approach that is likely to become more attractive given the changing industry landscape in 2023.

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Why Optimize Non-Core Law Firm Business Functions?

1. Focus valuable firm resources on activities that support and advance the practice of law, rather than the “utility” activities that — while mission-critical — are not differentiating in nature.
2. Leverage providers of scale and benefit from third-party partner expertise to achieve greater focus and discipline in the firm’s operational execution.
3. Evolve the firm’s business model to enable the firm to compete in the new legal services environment while bridging the legacy model for the future.

The New Journey

It has been my great privilege to work with our law firm clients on their transformation journeys over the past decade. While serving as the chief executive officer of HBR Consulting, it became increasingly clear to me that the next stage in the evolution of the legal services industry was going to require law firms to reinvent themselves for the future. In response to that emerging opportunity, HBR and Keno Kozie formally separated into two distinct entities at the end of 2022 to tighten our respective focuses on these changing client needs.

Our reimagined organization, [K2 Services](#), was created for this unique moment in time. Our name evokes the image of a mountain that sits before all of us, representing the next great evolution of the legal services industry. As a provider of legal IT services to law firms, we want to be the guides that help them reach the summit.

“Mountain guides empower their clients to reach a summit they never thought they would be able to reach and this definitely applies in business as well,” [said](#) Christopher Maxwell, a senior fellow at the Wharton Center for Leadership and Change Management and an avid mountain climber. “In business, you need to tell people, ‘I’m here to remove the roadblocks that are in your way. You need to succeed and it’s my job to help you in any way I can.’”

Our mission is to help law firms remove the roadblocks in front of them by offering an innovative operating model for the coming generation. We are building a new IT support organization for the next evolution of the legal services industry.

Our vision is to partner with firms on their operational transformation journeys, taking on the responsibility for some of the non-core business activities that are essential — but neither strategic nor differentiating. We aim to serve as a law firm’s “Partner in Service, Scale, and Insights.”

Our goal is to summit the mountain together as the legal industry embarks on the next phase of its business evolution. Let’s chart a course and get to work.



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