

Staffing Risk Management to Support Growth and Business Agility

Results of This Year's Intapp Risk Staffing Survey Show Firms Professionalizing Their Teams to Support an Expanded Footprint



Adopting a Tailored Approach to Risk Management Across Jurisdictions

As law firms innovate to support growth initiatives, their risk environments have become increasingly complex – a transition driven by expanded footprints, deeper management layers, and diverse global markets with unique regulatory requirements and business nuances. As firms adopt a tailored approach to manage regulatory risk across a growing set of jurisdictions, the industry is witnessing a significant migration toward a hybrid model for risk management. At its core, the hybrid model centers on a strong, analytical administrative team that undertakes such tasks as analyzing ethical conflicts, checking the probity of potential new clients, and assessing the implications of client-authored engagement guidelines. Only those issues which the team cannot resolve are escalated to practice partners and firm management committees.

The survey asked questions to illuminate how firms' approaches to risk management have evolved during the past year, and how these changes have affected not only firms' approaches to risk management generally, but also their risk team staffing strategies.

In addition to providing detailed insights into staffing levels by function and firm size, the survey results shed light on key benchmarks for risk management activities and metrics, which firms can use to refine their own staffing strategies and assess business agility.

This report addresses the following topics:

- Continued movement to a hybrid risk-management approach
- Further professionalization of risk management staffs, more specifically the conflicts analyst role
- Key risk management staffing metrics
- Ongoing risk management challenges

Profile of Surveyed Firm Representatives

Of the respondents who participated in our survey, 48% came from small firms (150 to 499 lawyers), 35% from midsize firms (500 to 999 lawyers), and 17% from large firms (more than 1,000 lawyers). All survey respondents work for firms that maintain office locations in North America; many have a global footprint, with 40% reporting offices in Europe, and 29% in Asia. A modest number also reported at least one office in Australia, Africa, or Central America.

Risk management departments had already been evolving, and – as witnessed by responses to the COVID-19 pandemic – most were far enough along on the journey that staff members were able to work competently from remote locations after only brief delays. Although challenging, the evolution of people, processes, and technology enabled a quick recovery to office closures.

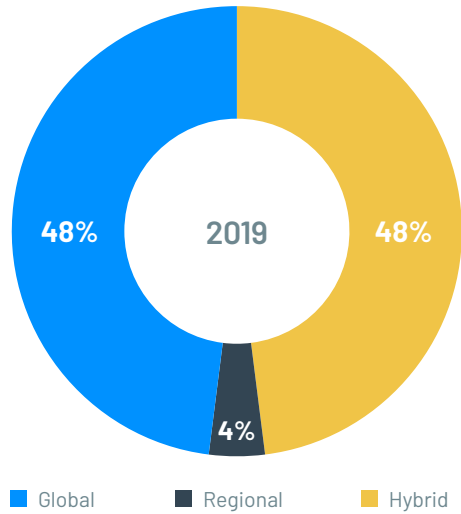
Model for Risk Management

In the survey, we defined three models for risk management:

- **Global:** All offices – regardless of location – adopt the same policies, systems, and operating models.
- **Regional:** Offices in different countries or regions adopt their own policies, systems, and operating models.
- **Hybrid:** Firms adopt an international approach while aligning with a global perspective, and supporting variances in locations with specific, challenging requirements.

We believe these models highlight the necessity of maintaining risk management standards across multiple risk regimes balanced against the effort and cost to support those standards.

Approach to Risk Management



With respect to the approach to risk management, the survey results show:

- **Regional:** 4% of firms are regionally focused; e.g., a U.S. firm with a U.K. office maintains two sets of standards.
- **Global:** 48% of firms have offices in multiple countries and manage risk according to the most restrictive global regimes; e.g., the firm applies U.S. standards for conflicts clearance and E.U. standards for client due diligence – including anti-money laundering and know-your-client regulations – uniformly across all offices.
- **Hybrid:** 48% are internationally focused; e.g., they maintain offices in multiple jurisdictions and promote a global perspective on risk, but make pragmatic regional exceptions.

We believe these distinctions are important because they affect a firm’s ability to assign global staff to work on matters efficiently. Firms that accept matters according to regional standards cannot assign staff from other regions to a matter until that staff’s regional risk requirements are met. Conversely, firms that accept matters according to global standards pay a hefty price to meet the most restrictive standards; usually, only those firms that view themselves as truly global service providers implement this approach. Firms that are expanding their global footprint typically adopt a hybrid approach that balances compliance and effort; they find the pragmatic sweet spot that satisfies the global perspective while complying with unique local compliance requirements.

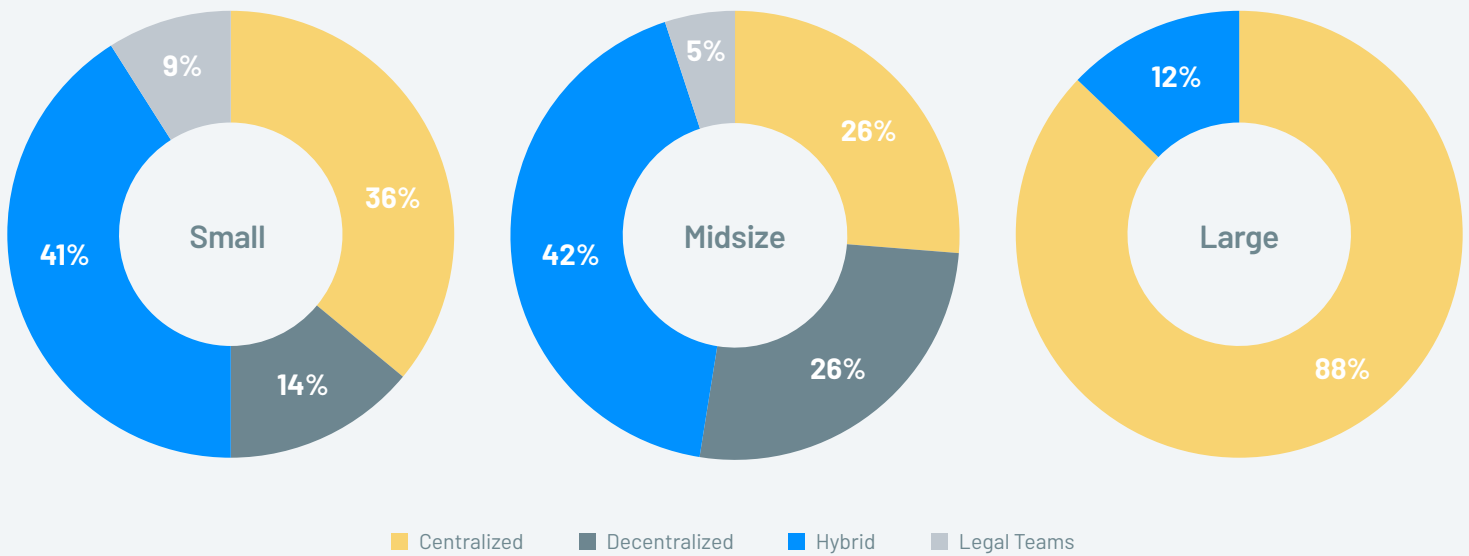
Conflicts Clearance Models

Like the models for overall risk management, the survey posited four models for the clearance of conflicts:

- **Legal Teams:** Lawyers undertake conflicts searching, analysis, and clearance.
- **Decentralized:** A central team performs conflicts searching, but lawyers handle analysis and clearance.
- **Hybrid:** A central team performs conflicts searching and at least some analysis, but lawyers handle clearance.
- **Centralized:** A central team handles conflicts searching, analysis, and clearance; only unresolvable situations are escalated to lawyers.

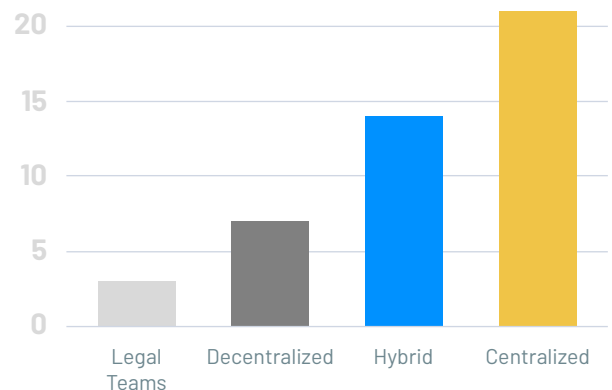
The data shows a trend of increasing professionalization of conflicts staff and consequent maturation in conflicts clearance, regardless of firm size. There is, however, a significant divide regarding the level of sophistication around conflicts clearance based on firm size. Whereas 88% of respondents from large firms reported a centralized model, around 40% of small and midsize firms are using a hybrid or decentralized model where conflicts staff perform conflicts searching and analysis, but clearance is issued only by a fee-earning lawyer. In this area, we believe the large firms are the vanguard for the future of conflicts clearance.

Approach to Conflicts Clearance Model by Firm Size



The survey also captured data on the average number of hours for end-to-end conflicts clearance by conflicts model, and the results show significant differences. In firms where legal teams perform the conflicts clearance function, time to resolution averages about 3 hours. In firms with decentralized and hybrid models, the average time to resolution clocks in at 7 and 14 hours respectively. In the centralized model, the data shows that the average time to resolution is 21 hours.

Average Hours for End-to-End Conflicts Clearance by Conflicts Model



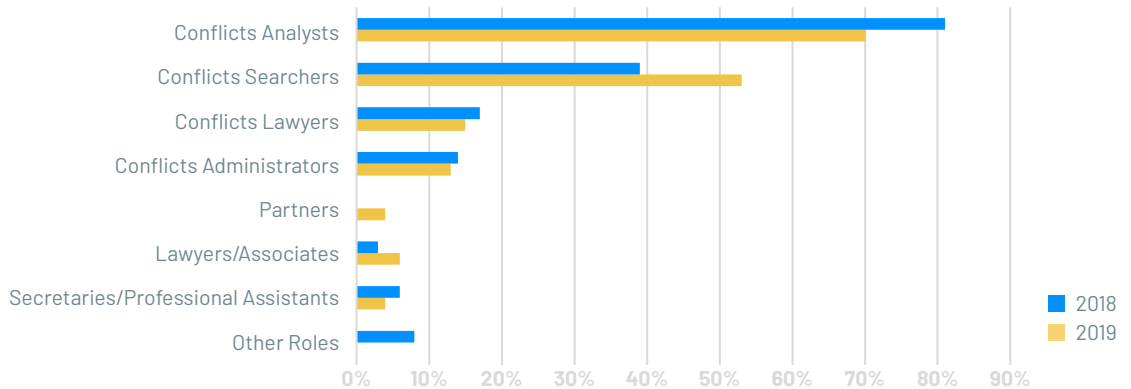
Taken in context, these differences aren't surprising; the data represents time spent on wide range of activities, from search-only clearance to partial and complete analysis, and fully centralized teams typically perform in-depth analysis that exceeds other models' more-limited research.

Across firm sizes and clearance models, the data shows that client intake spans an average of 5.3 days. For opening new matters, the data shows 4.7 days.

Conflicts Searching, Analysis, and Clearance

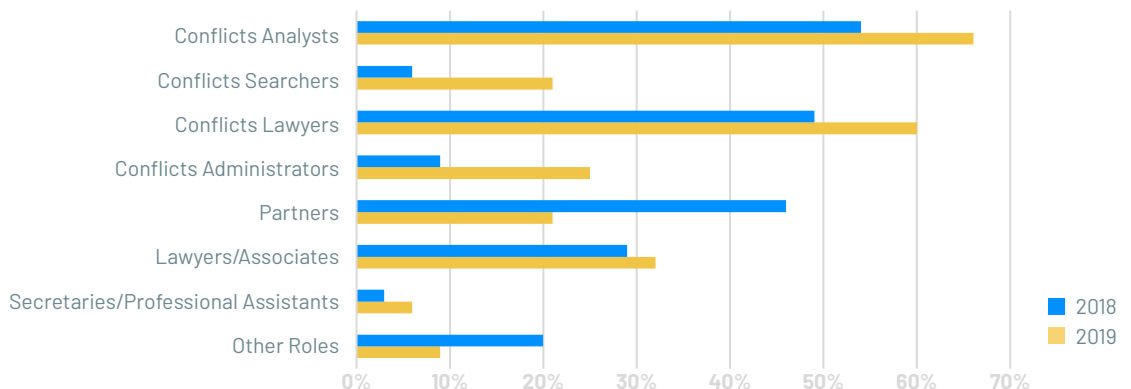
Taking a deeper look at the roles, the data shows that responsibility for the searching task specifically has shifted to dedicated conflicts searchers – from 39% to 53% year over year – and away from analysts, lawyers, and administrators.

Responsibility for Conflicts Searching



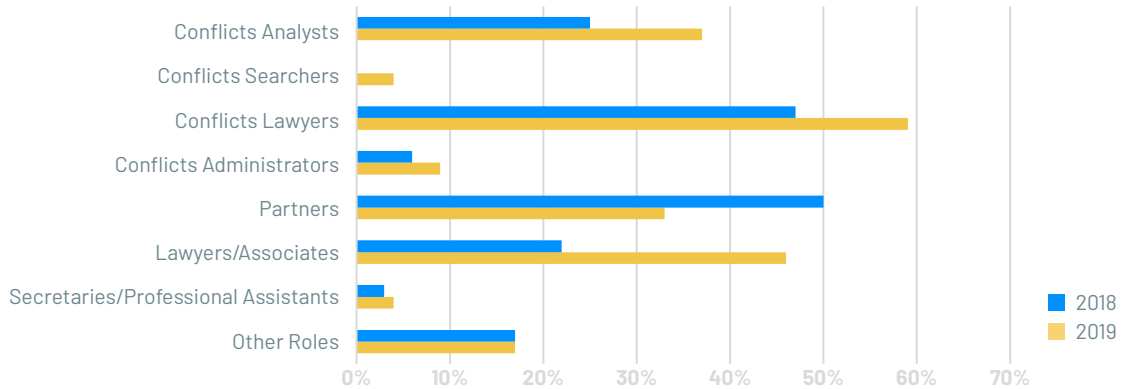
With respect to conflicts analysis, the data shows a rise in the level of participation across a gamut of job titles, with respondents reporting an increased level of responsibility for conflicts analysis placed on conflicts searchers, analysts, lawyers, administrators, and associate lawyers. By contrast, partner involvement in the analysis process decreased significantly, from 46% to 21% year over year.

Responsibility for Conflicts Analysis



For conflicts clearance activities, the data shows a significant increase in responsibility for not only conflicts lawyers and associate lawyers, but also conflicts analysts, which reflects the professionalization of that role. The data also shows a significant decrease in the level of responsibility assumed by partners from 50% to 33% year over year.

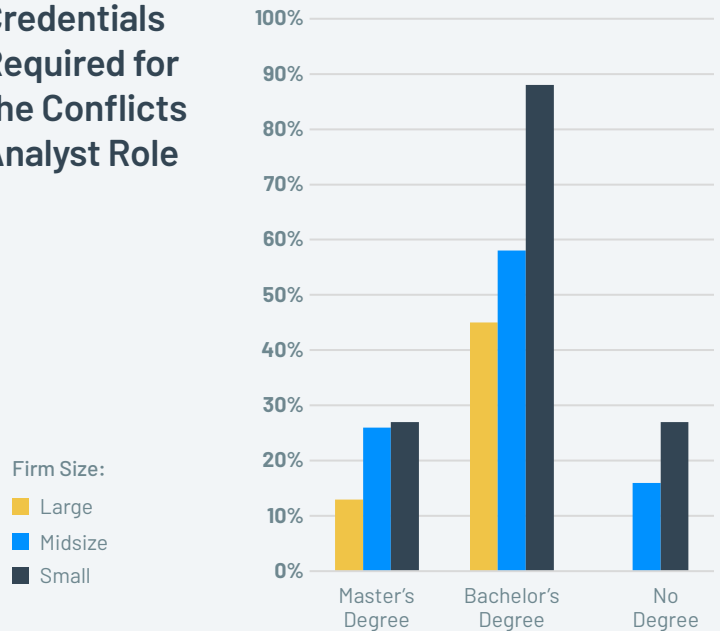
Responsibility for Conflicts Clearance



Elevation of the Conflicts Analyst Role

With adoption of technology that automates rote tasks and provides a user interface that can be used by a range of staff roles, firms can shift staffing away from single-purpose clerical staff capable of conflicts searching with an eye on building the team’s general knowledge and analytical skills. For the professionalized conflicts analyst role, firms typically seek candidates with an undergraduate degree at a minimum.

Credentials Required for the Conflicts Analyst Role



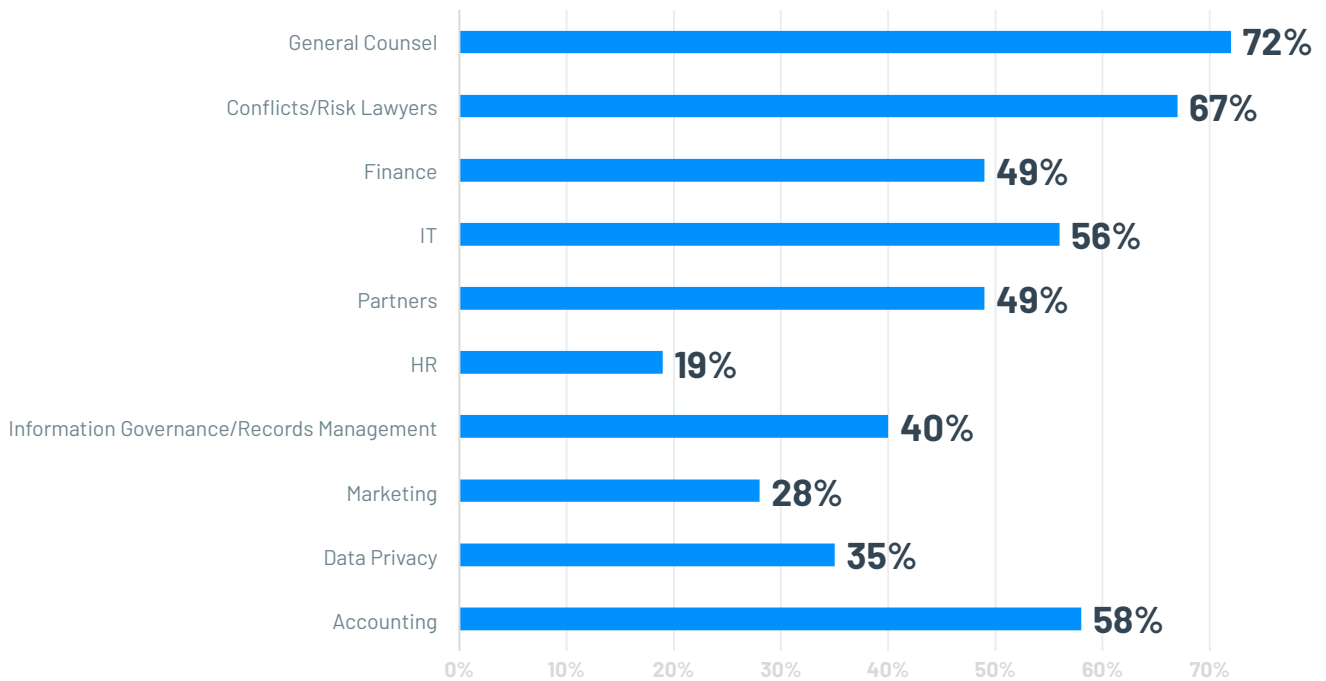
Midsize firms require higher average experience for conflicts analysts – nearly double what we see in both small and large firms. This is likely attributable to a hybrid conflicts clearance process, where conflicts analysts are responsible for a higher level of analysis than within a small firm team but with less leverage than at a large firm.

The professionalization of the conflicts analyst role provides firms with the business agility required to clear conflicts faster, more accurately, and more cost effectively. Further, unburdening fee earners from clearing the wheat from the chaff lets them focus on the difficult clearance decisions only they can make.

Terms Review

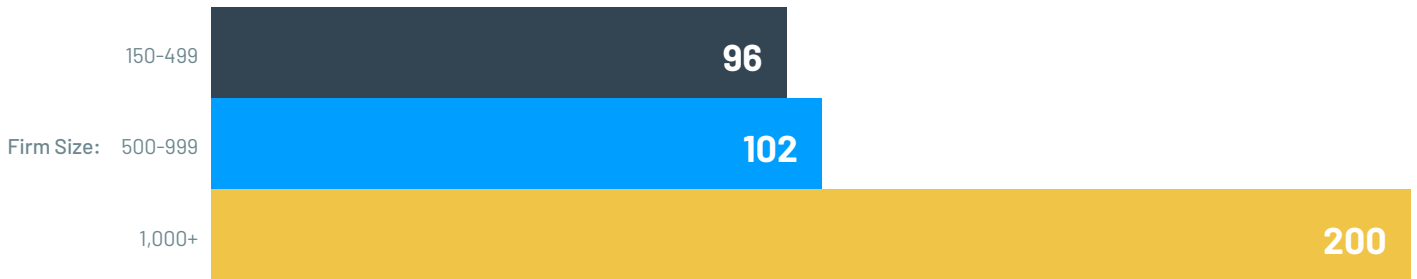
The management of commitments made to clients – via pitches, standard engagement letters, outside counsel guidelines, and billing guidelines – is one of the newest areas of law firm risk management. The data shows that responsibility for client terms review spans a wide range of functional areas, with more than half of respondents reporting that general counsel, conflicts and risk lawyers, IT, and accounting are all involved in the process. Just shy of 50% of respondents report that finance team members and partners are involved, and other functional areas – including HR, information governance, marketing, and data privacy – also play a role.

Responsibility for Client Terms Review



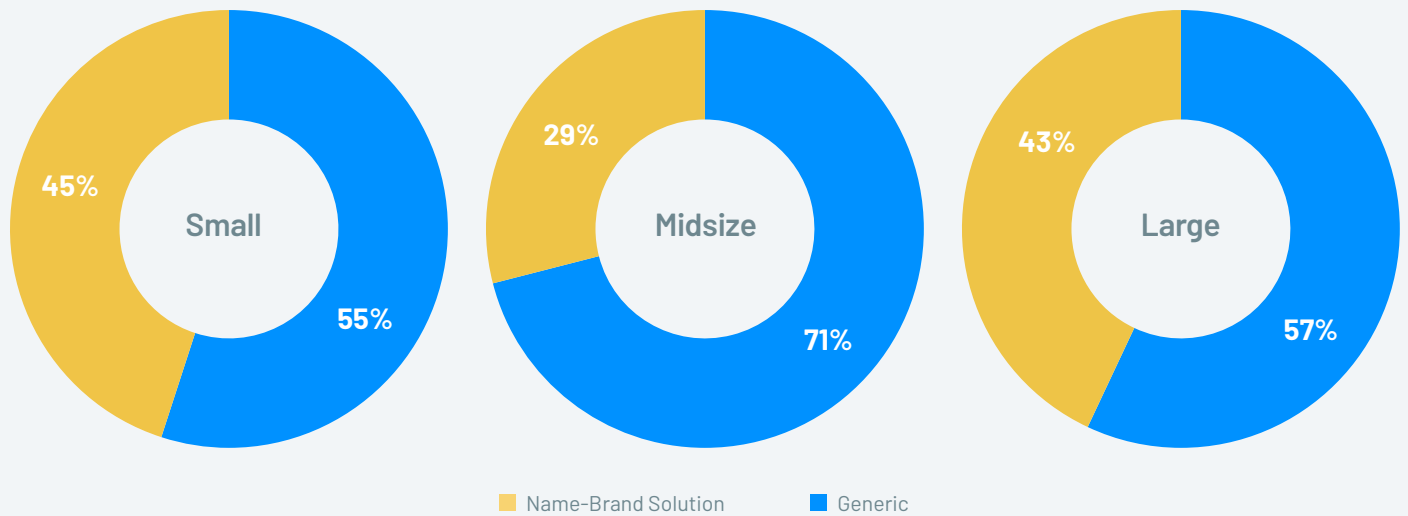
When comparing the quantity of reviewed outside counsel guidelines and client-tendered engagement terms, survey data shows parity between small and midsize firms, with each averaging around 100 reviews per year. Large firms average double that quantity.

Average Outside Counsel Guidelines and Client-Tendered Engagement Terms Reviewed Annually



The technology used to manage these contractual materials remains in flux. 43% of respondents from large firms and 45% from small firms report using a branded solution to track engagement terms; 71% of respondents from midsize firms report using a generic solution.

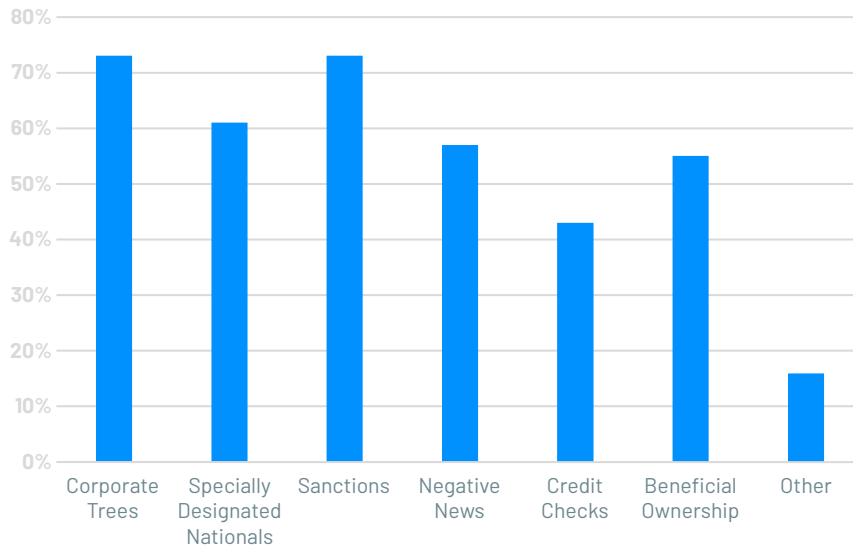
Systems Used to Track Engagement Terms by Firm Size



External Research and Third-Party Data

When asked about external research sources used for risk management activities, more than half of respondents report using corporate trees, specially designated nationals (SDNs), negative news, credit checks, and beneficial ownership.

External Research Types



Regarding the parties responsible for risk and compliance research, the data reveals that large firms rely on a concentration of conflicts analysts, librarians, and intake analysts. At small and mid-sized firms, responsibility spans a wider array of roles; however, significantly more than half of respondents report that conflicts analysts play a significant role.

Responsible Parties for Risk and Compliance Research by Firm Size

	Firm Size: 150-499	Firm Size: 500-999	Firm Size: 1,000+
Conflicts Analysts	57%	69%	75%
Intake Analysts	39%	38%	38%
Compliance Team Administrators	17%	54%	13%
Practice Lawyers	30%	23%	13%
Librarians	17%	23%	50%
Partners	35%	8%	13%
Billing Department/Accounting Staff	22%	8%	13%
Knowledge Management Staff	9%	15%	25%
Secretaries/Professional Assistants	0%	8%	13%

With respect to third-party data providers, respondents from firms of all sizes report that their firms use an assortment of resources, with government watch lists, LexisNexis Risk Solutions, D&B Compass, and Bureau van Dijk/Orbis taking the largest share. Respondents from large firms report using a broader set of third-party data providers compared to those from small and midsize firms.

Third-Party Data Providers by Firm Size

	Firm Size: 150–499	Firm Size: 500–999	Firm Size: 1,000+
Government Watch Lists	62%	67%	86%
LexisNexis Risk Solutions	38%	40%	43%
D&B Compass	24%	39%	29%
BvD/Orbis	19%	13%	29%
Thomson Reuters	14%	33%	0%
S&P Capital IQ	19%	20%	0%
Refinitiv World-Check	14%	19%	14%
Accuity	5%	13%	57%
Dow Jones/ Factiva	5%	0%	0%
Pacer	4%	0%	0%
Amber Road	4%	0%	0%
Hoovers/OneStop	4%	6%	14%
Mergent	0%	0%	14%
CreditSafe Compliance Check	0%	0%	14%
Zawya	0%	0%	14%
Spark	0%	0%	14%

Loss Prevention Activities

When analyzing data on loss prevention activities, we see that firms of all sizes provide support for the management of waivers, engagement letters, ethical and confidential wall screens, audit letters, malpractice and professional indemnity insurance and claims, as well as bar licensing compliance and complaints. About half of respondents also report that their firms provide support for lobbying and subpoenas.

Loss Prevention Activities by Firm Size

	Firm Size: 150–499	Firm Size: 500–999	Firm Size: 1,000+
Waivers	92%	89%	63%
Engagement Letters	79%	89%	75%
Ethical/Confidential Wall Screens	96%	100%	75%
Audit Letters	75%	63%	75%
Malpractice/Professional Indemnity Insurance and Claims	75%	84%	88%
Bar Licensing/Compliance/Complaints	67%	53%	75%
Lobbying	25%	32%	50%
Subpoenas	50%	53%	50%

When we studied the survey results for loss prevention activities by risk model, we noted that all respondents that report that their firms were using either a global or hybrid model were providing full loss prevention services. Whereas all respondents with a regional risk management structure report supporting the management of malpractice and professional indemnity insurance, half of respondents report supporting the management of waivers, engagement letters, ethical/confidential wall screens, and bar licensing and compliance; none report supporting the management of audit letters, lobbying, or subpoenas.

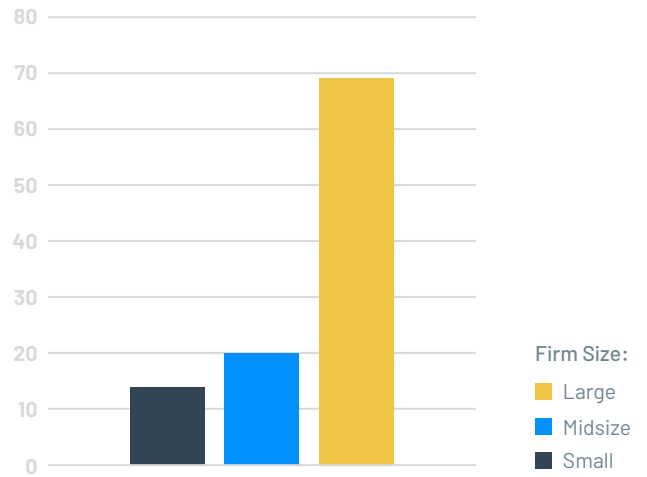
Loss Prevention Activities by Risk Model

	Global	Regional	Hybrid
Waivers	88%	50%	87%
Engagement Letters	81%	50%	87%
Ethical/Confidential Wall Screens	96%	50%	96%
Audit Letters	73%	0%	74%
Malpractice/Professional Indemnity Insurance and Claims	81%	100%	78%
Bar Licensing/Compliance/Complaints	69%	50%	57%
Lobbying	35%	0%	30%
Subpoenas	62%	0%	43%

Risk Management Staffing Metrics

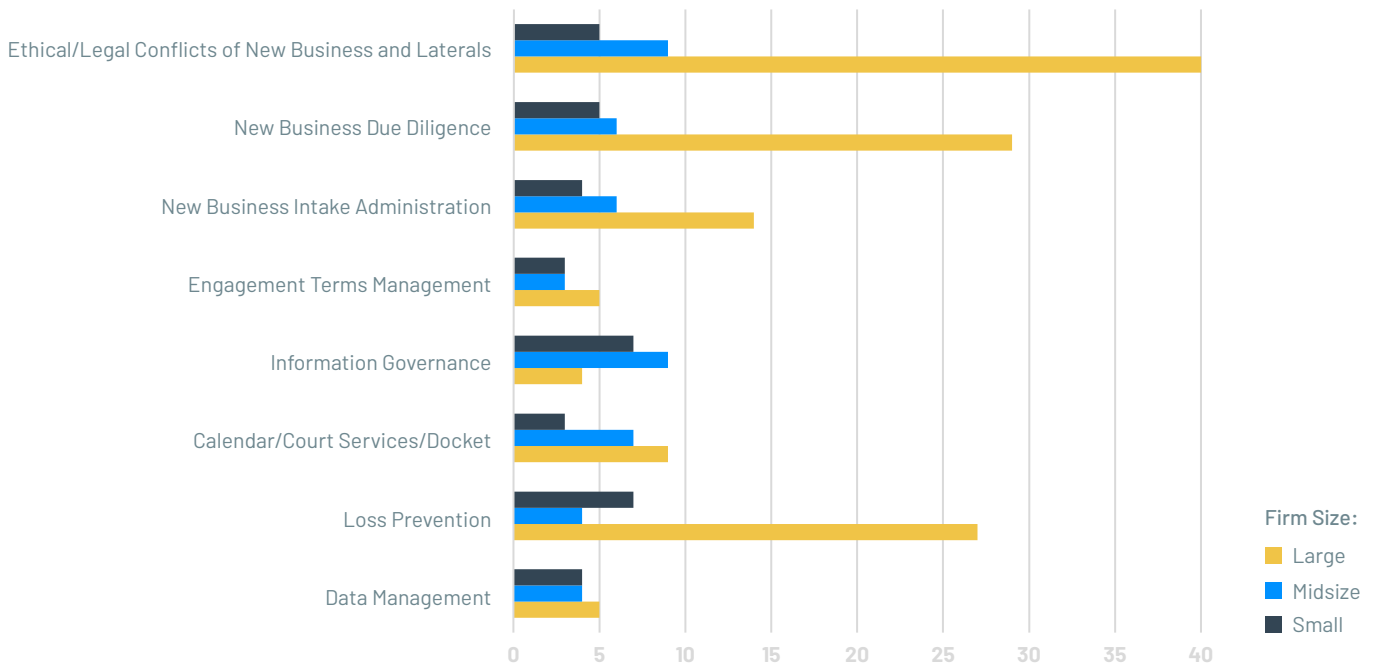
The survey results show that, on average, small firms employ 14 people in the professional and regulatory compliance function, whereas respondents for midsize firms report an average of 20 people on the team. For large firms, teams have significantly more responsibility and are therefore significantly bigger, with respondents reporting an average of 69 people.

Average Risk Management Team Size



Taking a deeper dive into staffing levels by firm size, the data shows that large firms are outpacing small and midsize firms in hiring for three areas: ethical and legal conflicts for new business and lateral hires, new business due diligence, and loss prevention.

Average Number of Staff By Task and Firm Size



At small firms, most critical tasks are staffed within a range of three to five people. The data shows higher staffing levels – seven people on average – for two functions: information governance and loss prevention.

For midsize firms, the data shows that staffing levels for most functions fell within the range of four to six people, except for an average of seven people allocated to manage the court docket. The data shows higher staffing levels – nine people on average – in two areas: ethical conflicts of new business and lateral hires, and information governance.

For large firms, the data shows a significant uptick in staffing from what was observed in small and midsize firms in several key areas: ethical and legal conflicts of new business and lateral hires, new business due diligence, and loss prevention.

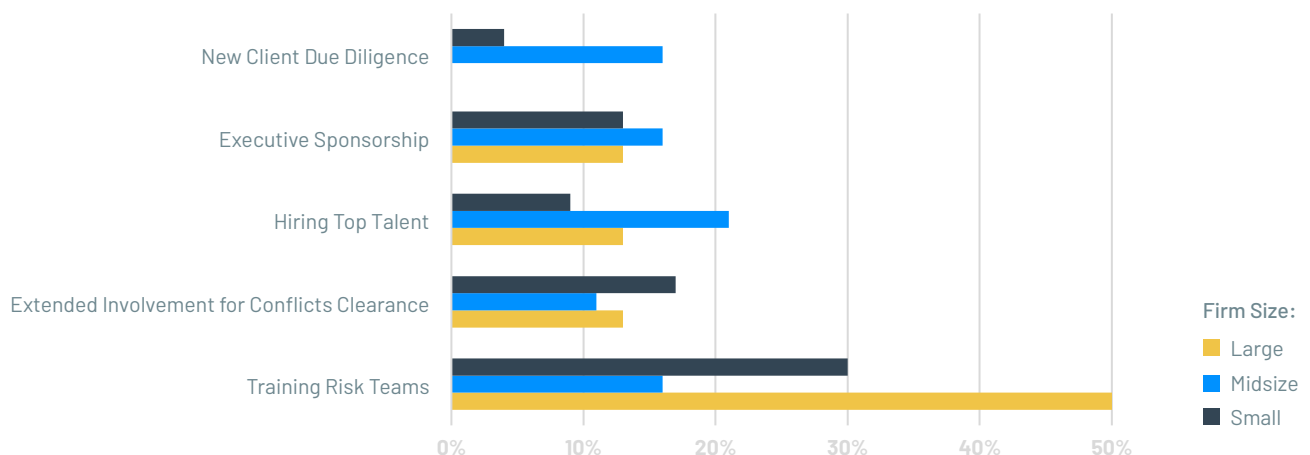
Despite differences in scale, large firm staffing levels remain at parity with those of small and midsize firms for engagement terms management and data management, but lower for information governance. By contrast, the effect of a centralized risk management model is seen with disproportionately higher staffing levels for ethical and legal conflicts of new business and lateral hires, new business due diligence, and loss prevention.

Ongoing Risk Management Challenges

We asked firm representatives to rank a variety of risk management challenges: Expanding new client due diligence, securing executive support, hiring top risk team talent, extending involvement for conflicts clearance, and training risk staff to build analytical skills.

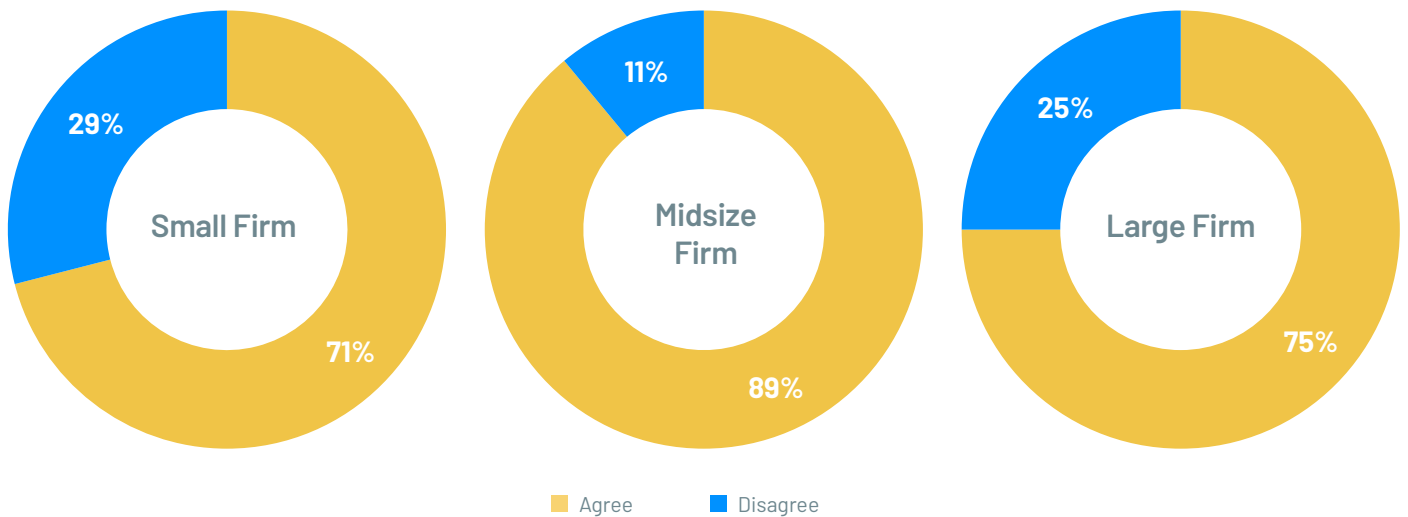
The data shows notable differences for risk management challenges based on firm size. Whereas 50% of respondents from large firms – and 30% of small firms – report a training gap for building the analytical skills required to elevate the expertise of the risk management team, only 16% of respondents from midsize firms report this struggle.

Most-Significant Risk Management Challenges



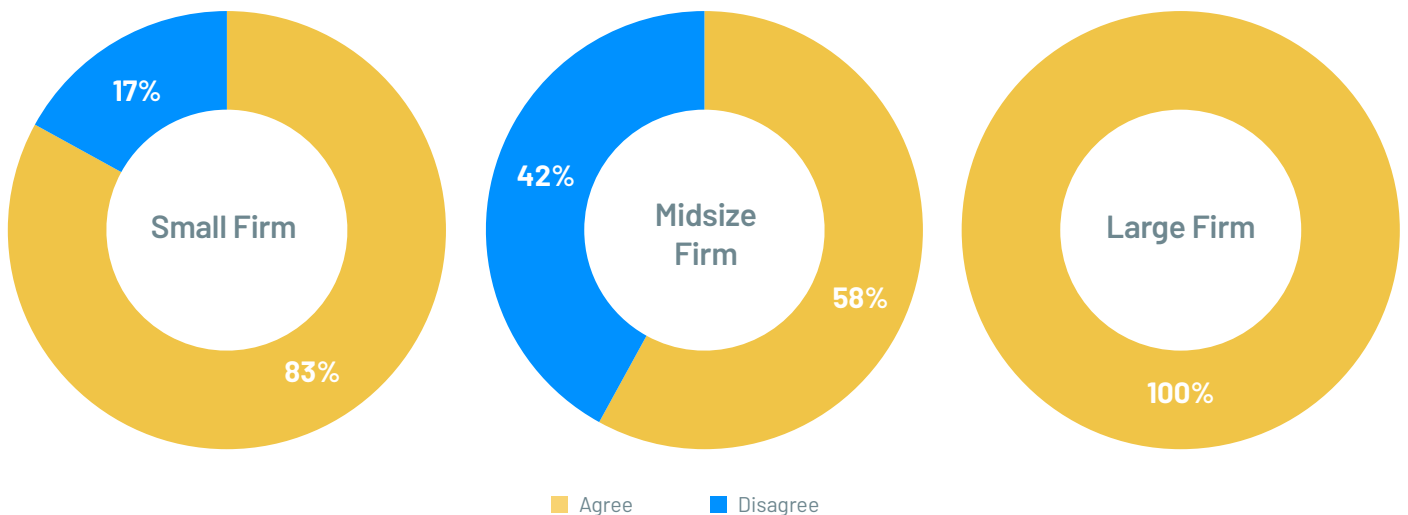
Conversely, the survey results show that midsize firms are disproportionately affected by hiring struggles; 89% of respondents from midsize firms identify the ability to secure and retain top talent as a key priority for improvement.

Retention of High-Quality Conflicts Staff With Analytical Skills Is Difficult



Unsurprisingly, because of the combination of challenges with new client due diligence and hiring top talent, 42% of respondents from midsize firms report low confidence in the risk team’s ability to manage its workload – a significant gap compared with 17% of respondents from small firms reporting this challenge, and none of the large firms’ respondents.

The Risk Compliance Team Manages Our Firm’s Workload Successfully



Managing Risk When Entering New Markets

The Intapp Risk Staffing Survey findings reveal a significant shift to a hybrid risk management approach, resulting from the need to balance compliance and effort as firms expand their global footprint into new jurisdictions. Using this approach, firms enjoy the benefits of the flexibility required to apply a global perspective while managing compliance requirements in local markets in a cost-effective manner.

Concurrently, we observed progression on the professionalization of risk management staff – specifically the conflicts analyst role – and how the elevation of this role has become pivotal to building capabilities that support business agility firms must have to manage compliance risk when expanding into new global markets. The elevation of the conflicts analyst role not only facilitates clearing conflicts faster and more accurately, but also unburdens fee earners from routine administrative tasks, which ultimately improves profitability.

With respect to ongoing risk management challenges, the survey results reveal notable differences based on firm size. Not surprisingly, as firms transition to evolving risk models, gaps have emerged around training, hiring, and retention of professionalized risk management staff. Because of the expanded need for professionalized resources coupled with an ongoing talent shortage, we have anecdotally observed cross-firm poaching and attrition, which is disproportionately affecting midsize firms.

To prevent the loss of top talent, firms should consider formalizing the parameters of the professionalized conflicts analyst role, and present a clear career path with prospects for advancement. Providing staff with opportunities for continuing education to build analytical skills not only serves as an incentive to sign on and remain with the firm, but also enhances the overall skill level of the risk management team.

The data suggests that large firms have a leg up on small and midsize firms due to existing strategic technology investments. Lacking the right technology, many firms struggle with siloed data, poor data quality, and data misalignment across systems – issues which have proven particularly troublesome for the risk management function because of regulatory and compliance obligations.

Many of the challenges that survey respondents report map to growing pains caused by an increasingly complex risk management environment compounded by rapid expansion and talent shortages. To meet the needs of the moment, firms must focus on unifying data to connect processes, which in turn will set up their people to do their jobs confidently and effectively.

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