

CEO's Briefing

IT's Role in Successful Legal Services

We continue to see opportunities for forward thinking legal service providers, and areas where IT can play a role in overcoming barriers and creating opportunities.

Many UK firms have enjoyed a period of strong revenue growth since the last recession, however it continues to be a challenging and disruptive time in the sector.

Whilst many firms have seen revenue grow, for the most part profits have not. The most recent performance looks a little less positive and the outlook for 2017 and 2018 is for lower growth.

The impact of Brexit may mean potentially busy times ahead for lawyers, but the broader impact on the economy of course remains very unclear.

We continue to see opportunities for forward thinking legal service providers, and several areas where IT can play a role in overcoming barriers and raising opportunities. The winners are those with a defined IT strategy, where IT spend is targeted at areas that drive the most important business performance.

Increased Competition

Many industry experts suggest a growth in more flexible legal services with "self-service" or "DIY" law driven by on-line systems which enable clients to meet simple requirements, like online dispute resolution.

Alternative Business Structures (ABS) continue to gather momentum and the entry of the Big 4 accountancy firms (who have far greater overall scale than any of the existing legal firms) to the market poses a further threat to the typical traditional "partner led" legal firm. At the same time a higher level of freelance and temporary legal professionals operating for clients on a retained basis erode traditional models.

Operating Structure and The Legal "Scale-up"

Global consolidation has pushed many UK firms down the rankings, Continuing disruption and the potential opportunities to scale up make more M&A, or simply "defection" of key staff (or indeed whole teams!) to competitors, inevitable.



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Forward looking firms ensure that the person with responsibility for IT is an experienced IT Leader who can operate at Partner/board level.



We expect more of this activity in the future and it is therefore important to have your technology "ship shape" regardless of which side of the transaction you fall on.

If you're acquiring you need a thorough plan for due diligence, for "day 1", and for subsequent integration. IT plays a key role in efficiently integrating and solidifying the culture of an enlarged legal service provider.

A key first step is to unify IT strategy, budget and accountability. We sometimes see law firms struggling with IT as Partners with no background in the discipline, with limited time, and sometimes little interest find themselves responsible. This frequently leads to a fragmented approach, with spend signed-off without proper knowledge of "market norms".

Forward looking firms ensure that the person with responsibility for IT is an experienced senior IT Leader who can operate at Partner/board level.

In IT, driving user adoption and conformance is critically important. In our experience, legal services providers with ABS status have a clear advantage in governance and other areas over the traditional partner led firm, enabling a more corporate style of decision-making and execution. ABS status is clearly not a requirement, and a senior IT leader can certainly be instrumental in driving adoption across a partnership, but a culture of individuality is a serious impediment.

Firms with a culture of sharing and collaboration, and effective systems that can be easily accessed securely any-time, anywhere by their staff, are a force to be reckoned with.

The growth in Legal Process Outsourcing and indeed outsourcing of core legal services for cost arbitrage is growing and creates new opportunities. For larger firms, outsourcing routine work to smaller lower cost firms or to a legal process outsourcer can preserve margin, and for smaller firms this can be a good source of work. Collaboration technology can play a big part in making these relationships function efficiently for everyone.

Sales & Client Engagement

This is one of the most challenging areas for traditional legal firms. Clients have proven to be fickle and an unanswered phone simply encourages them to dial a competitor. Significant opportunities can be lost due to the lack of information sharing pertaining to clients, prospects, and opportunities between different service areas within the same firm. It is not unknown for work to erroneously be referred to other law firms!

The implementation of an effective Customer Relationship Management (CRM) system is crucial, however this will not deliver the benefits, and may even be a hindrance, if culture, process and data quality are not also dealt with. The aim is to deliver clear client and opportunity management, campaign and event management and analytics on marketing spend ROI. A confident, competent senior IT leader, well connected and influential around the firm is the key to delivering the business outcome, rather than just delivering some technology.

For services that are more transactional there is a need to maintain an ongoing relationship with clients so that the firm remains "top of mind" the next time a legal service is needed. A rolling "nurture" programme needs to be in place through a mixture of technology (low cost), content (medium cost), and direct personal (high cost) interaction.



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“Next Generation” Websites

Just taking a casual look through the websites of legal firms demonstrates that there is little unique to distinguish firms and set them apart from the competition.

This is likely to be an area of opportunity for most firms. In the short-term client portals are considered a “must-have” by many clients and typically pay for themselves quickly through reduced administration costs.

Many firms are still not taking full advantage of on-line marketing to capture potential clients who are searching for their services. Even fewer firms are engaging clients who find them this way effectively.

Increasingly, we see the ability to offer more services on-line, or to capture client needs through chat bots and natural language processing. Firms must determine whether their strategy is to engage with the cost-savings these technologies offer; or to emphasise the “personal touch” and to use IT to free-up staff time and to give them the information they need to provide first-class service.

Revenue and Margin

Legal Aid cuts continue and the referral fee bans all but decimated some areas of volume consumer legal services, forcing consolidation in the market. Regardless, cost pressure continues with clients still demanding “more for less”. This is driving several alternative pricing arrangements some of which require careful management to ensure profitability. Certainly, new skills and systems are needed to estimate, price, manage and review the profitability of these alternative arrangements so they are successful. The reality is that today, many if not most firms will be making a loss on certain types of matters, whilst making very decent profit on others. There may be nothing wrong with that picture provided they are aware of it, and that situation is intended and sustainable!

The drive for effective and efficient business and legal processes continues and many firms have yet to implement systems to help automate and streamline in order to reduce cost and preserve margin. Indeed, this may also be a way to deliver perceived “higher quality” services if that is your firm’s strategy. Freeing up highly paid professionals from excessive administration whilst ensuring what needs to get done, gets done effectively has to be good for both firms and their clients.

The Threats and Opportunities of Technological Disruption!

The pace of technological change has never been faster and the traditional attitude of legal firms to “wait and see” is leading some to become bystanders. We also frequently see a technology spend that is skewed too heavily towards maintenance & support, rather than implementing new ways of working and driving strategy.

So called “LawTech” start-ups delivering innovative legal technology capability both threaten the traditional firm, and present opportunity for the innovative legal service provider.

In the future successful legal service providers are likely to be organisations unlike those today, with a very different mix of roles and skills, and a significantly higher degree of automation where repeatable tasks and complex data and document comparisons are carried out by software. Forward-looking organisations are already embarking on this automation journey.

Business Process Efficiency

There are relatively few core business processes that a typical legal firm operates. Deploying appropriate technology to an optimised process can create



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a fundamental step change in business performance and agility whilst ensuring compliance and security.

Many firms are living with ageing Practice Management Systems that have, or are close to reaching the end of their life. This often puts serious constraints on the business. Firms in that position will need to look at the current market offerings as there may be no clear upgrade path. For example, the sheer number of firms finding themselves with a necessary move from Thompson Reuters Elite Envision or Enterprise to whatever replacement they select will cause a significant drain on the available market resources. Firms in this position are encouraged to start as a matter of urgency but to approach potential vendors' claims with caution.

Selecting and implementing a new practice management system is a significant investment and whilst there are a limited number of options, in various states of maturity and stability, the main software providers don't always make it easy for legal firms to be successful and the choice often results in picking the “least worst” option and making it work for your firm. But proper alignment of technology and an optimised business process can significantly reduce overhead and drive business efficiency, decision making and compliance.

Similarly, the management of client information both electronic and hard copy is an area where many firms fall short with data retention periods not being applied appropriately. Technology can play an important role in helping to manage this, and often there are high costs being spent on off-site hard copy storage, much of which could be destroyed as it is past the appropriate retention periods.

Even smaller product selections like dictation software are vital to productivity, and getting these choices right by understanding the real business needs and going through a managed product selection process is critical.

Some firms battle almost daily with data storage issues due to a lack of clear policies, lack of policing, and lack of appropriate technologies. Imposing storage limits may feel like a strong cost-saving measure, but if without proper solutions and training for real-world problems, it is a false economy as highly paid legal professionals have their time wasted and are left feeling frustrated.

Business Performance Reporting and Analytics

Real time business performance reporting has become more important and the days of relying on the traditional “monthly report pack” should be behind us. Legal professionals and senior management need real time “Dashboards” and trend analysis that give up to the minute information on business performance and enable “drill down” to identify the source of problems and to gain genuine, actionable insights.

Clear monitoring of the accuracy of estimates versus actual time, billing, expenses and recovery, WIP and credit control are the building blocks for an efficient operation. Where firms do not have simple visibility of KPIs, then sensible conversations between directors are difficult and improvement projects are unlikely to get off the ground.

Understanding individual matter and client profitability has become more important due to alternative fee arrangements and remarkably, many law firms cannot accurately and reliably access this information without considerable work. Most do not measure client satisfaction and even fewer measure their client retention rate.

Legal Process Efficiency

In many firms there has not been a proper analysis of legal processes and staffing. Some processes may need to be reviewed and streamlined. A hierarchy of activities



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should be implemented that starts with automating what you can, then allocating the remaining activities based on the necessary legal expertise required to efficiently and cost effectively carry it out.

Careful consideration must be given to the realities of automation. For example, the business case for document assembly tools is very sensitive to the throughput of the business and the degree of standardisation of contracts.

All staff need to be efficient in their use of IT. Legal users are typically at the pinnacle of excellence when it comes to use of Microsoft Word, however skills tend to be lacking in other productivity tools such as Excel and PowerPoint resulting in sub-optimal performance or an over reliance on expensive support staff. In particular, senior members of legal firms need to be technologically self-sufficient. This means ensuring they have technology that “just works” with the minimal of training, they are supported in its use, and that being tech-savvy is part of the culture.

Having common agreed precedents is a basic, simple way of driving legal process efficiency, but we still see firms with “pockets” of differing precedents used by different individuals or teams.

One of the other obvious areas of performance improvement is to reduce the dependency on paper. Although paper cannot be eradicated, a “paper-lite” model of operating enables significantly greater productivity and typically huge savings in office space.

Mobility

Mobile technology is pervasive and yet many legal organisations have either not taken full advantage of it, or do so in a way that puts confidential information at risk. Developing an IT offering that ensures efficient and safe access is imperative in this modern “always on” legal world.

This means more than providing email on Partner's iPhones! They need access to the full practice management, document management and where required case management suite, CRM, intranet and extranet. Slick audio and video conferencing, and collaboration must be fit for purpose, secure and easy to use for people working remotely or on the move.

Allowing fee earners to “Bring Your Own Device” (BYOD) can reduce costs if done correctly, however a host of issues need to be resolved so proper technical and policy solutions need to be implemented as part of this strategy.

Quite apart from the efficiency benefits of mobility, attracting and retaining the best legal professionals remains a key focus for successful firms and providing appropriate mobile technology is critical to this.

Innovation

Larger and forward looking firms are beginning to engage with more advanced automation including machine learning and artificial intelligence (AI). The aim is to automate “low end” activities so they can be completed more effectively, taking less time from staff, whilst delivering a high degree of accuracy.

For mid-tier legal services providers there is a balance to strike between leading the field at great expense and without a clear cost-benefit, versus finding themselves on the backfoot when change comes to the sector, and they are not engaged. There are many technology companies who promise much but who deliver little, and enthusiasm must be tempered with “informed scepticism”.

The winners are those where IT is at the top table; where senior leaders are engaged with innovation, and where the IT leader owns a live and evolving IT strategy.



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Risk & Compliance – Cyber Threats!

The legal sector is an attractive target for Cyberattack and technology based fraud. There are countless stories of situations where money has been paid out, or not received, only to find it has been lost to a fraudster.

In addition, reputable law firms should have effective but practical disaster recovery and business continuity plans. Delivering cost effective and practical BCP requires the successful application of IT, process, data, policies and staff awareness.

Increasingly, legal service providers operating for financial sector clients are being pushed down the route of implementing ISO27001 as a method of ensuring a required standard of information security including risk identification, assessment and mitigation. Those firms not in that situation would do well to consider the Cyber Essentials certification as a first step in order to ensure a sensible level of cyber security.

Although General Data Protection Regulation (GDPR) presents an opportunity to provide advice to clients, it is also another new burden. Keeping data and systems secure, yet enabling fee earners and clients to interact effectively is a fine balancing act. Information security needs to be owned by IT, but the leader needs to be a senior IT professional with a deep understanding of the issues, and able to communicate the trade-offs in business language.

In Conclusion

The legal sector continues to endure a period of challenge, and the winners are those that can differentiate themselves amongst the competition; deliver high levels of customer service (for their market segment) at sensible costs for the client; be operationally and financially efficient; and develop the ability to reshape and to continually innovate to stay ahead.


There is no doubt that IT has become a critical part of delivering legal services, and it will become even more so at an even faster pace. IT will require greater management focus and leadership than ever before. Firms successfully practicing law must now be committed to the range of disciplines to run a successful legal business.

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