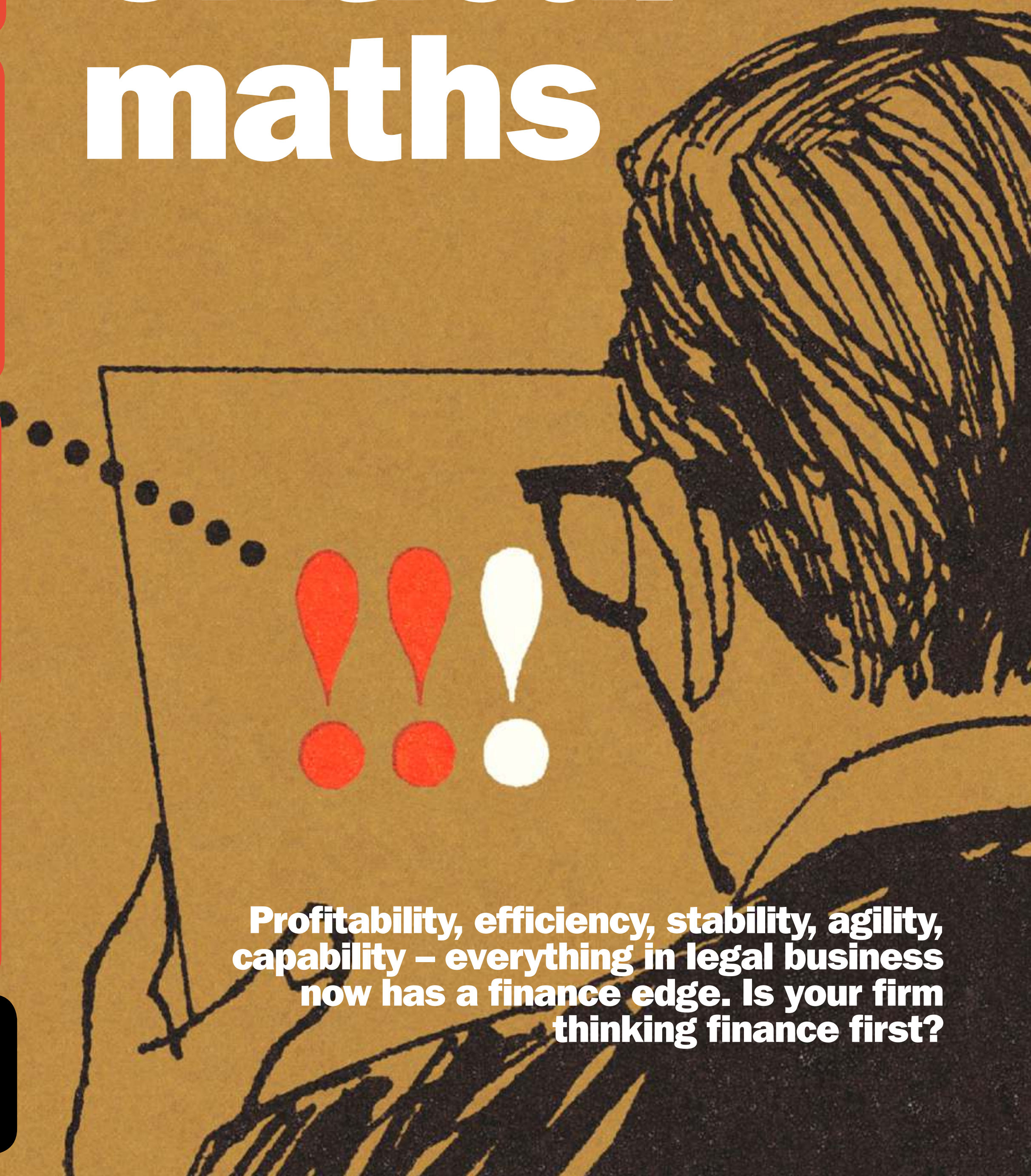
FINANCE | HR | IT | MARKETING | BD | MANAGEMENT | RISK | KM

Briefing

THE FUTURE OF LAW FIRM FINANCE
FEBRUARY 2014

Critical maths



Profitability, efficiency, stability, agility, capability – everything in legal business now has a finance edge. Is your firm thinking finance first?

Interview

Peter Hickman

Linklaters' finance and ops chief on running a tighter legal ship

Feature

Bigger bangs...

Why finance thinking must now figure in every part of a law firm, from board to basement

Research

OLIL 2013

What do top 100 operational leaders think about the legal market? Find out inside

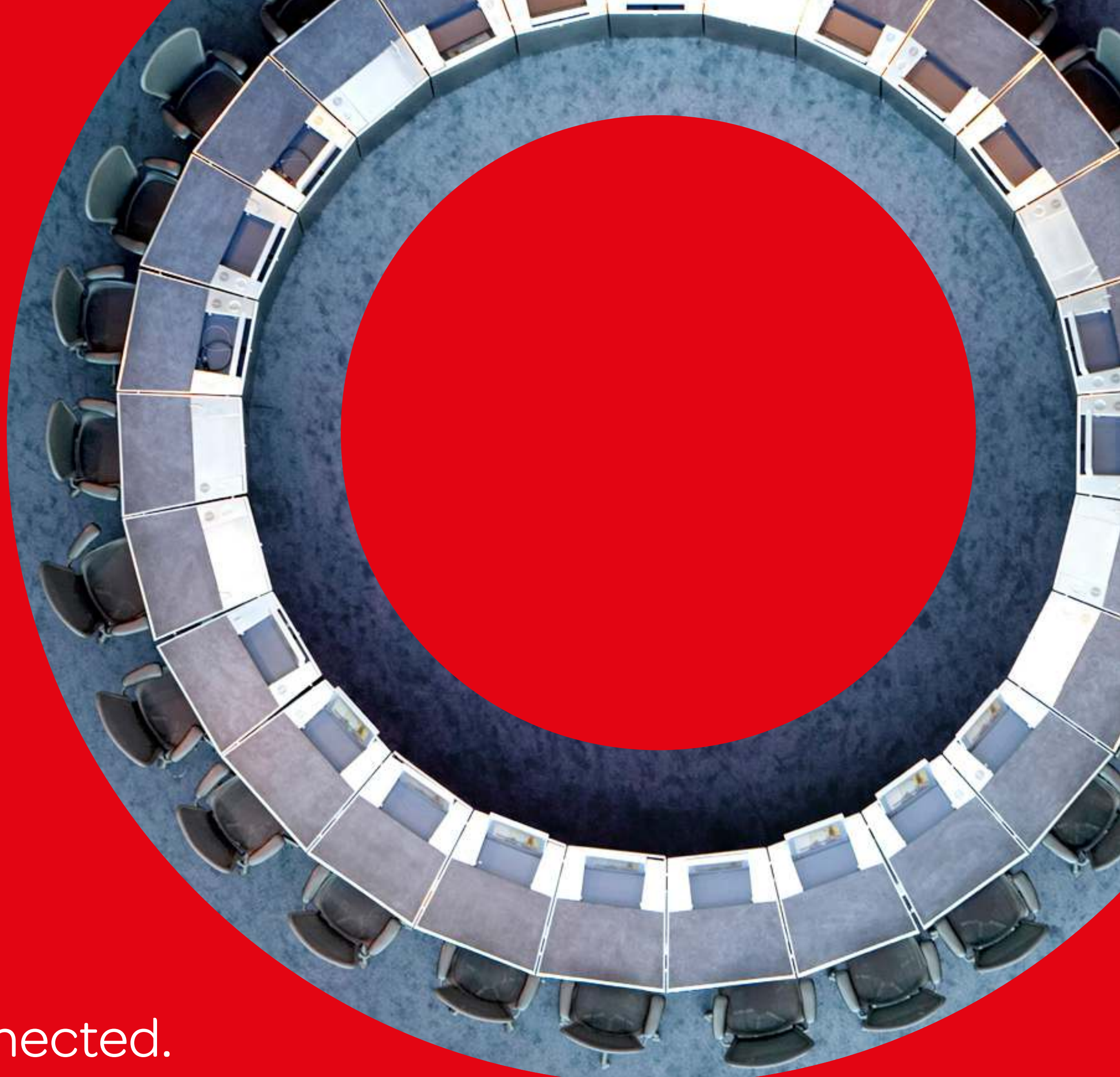
Industry views

Analyse this

Insightful opinion from technology and banking businesses

Briefing jobs: Senior roles across the board on our jobs pages


Billed 95%
Target 94%
153,920.53
Total
Fees
Costs
90%
46%
Aged Account
Aged Unbille
CASE ASSESSMENT
THOMSON REUTERS
ELITE™
YOU VS. FINANCIAL GUESSWORK.
Thomson Reuters Elite™ offers a complete enterprise business management solution for more efficiency, transparency, and profitability. The current business climate is still an open question, but now you'll be ready to offer answers that benefit your bottom line. From streamlined accounting procedures to improved invoice management; better budgeting and forecasting to insight into key operational metrics, Thomson Reuters Elite can help you maximize financial performance. And make guesswork a thing of the past.
DISCOVER A BETTER WAY AT ELITE.COM
©2014 Thomson Reuters. L-389623/1-14
THOMSON REUTERS™



One firm. Connected.

One integrated business management solution.

Your firm, truly connected.

Working collaboratively as one firm to deliver global reputation-enhancing client experience; across all your departments and businesses.

Your firm, agile and informed.

Using the information and insight at your fingertips to review performance, manage costs, optimise resources and make proactive decisions to drive efficiency and profitability.

LexisOne™ - powered by Microsoft Dynamics® AX.

An enterprise-grade system that can adapt and evolve to your changing needs. Harmonising financial, productivity, performance and human resources management in one integrated business management solution for legal service providers.

Contact us today: To find out more about LexisOne and to discuss your firm's specific business requirements, email: salesinfo@lexisnexis.co.uk telephone: +44 (0) 113 226 2065 website: www.lexisone.co.uk

LexisNexis®

Enterprise Solutions

A division of Reed Elsevier (UK) Ltd. Registered office 1-3 Strand London WC2N 5JR Registered in England number 2746621 VAT Registered No. GB 730 8595 20. LexisNexis and the Knowledge Burst logo are trademarks of Reed Elsevier Properties Inc. © LexisNexis 2014 A2698. The information in this advert is current as of 0114 and is subject to change without notice.

Profitability: the new frontier

My abilities at maths are a hard-won slog. Journalists are notoriously poor with numbers, so it's been a constant struggle for me to avoid that label. Sadly, lawyers are often no better – worse, they (more than rarely) don't appear to care about profits and costs. At least I know my publishing world is about making more cash than I spend.

In this issue we have heavyweights from the world of finance – and operations and finance systems – giving us their views on why getting far better at commerciality is vital to tomorrow's great law firms.

Peter Hickman at Linklaters gives us a roaming insight into how one of the world's biggest firms is run on p7; and on p14 leaders from **BLP, Charles Russell, Herbies, Olswang, Shoosmiths and Stephenson Harwood** talk about how finance will affect every part of the way firms work, from project management to pricing, from creating cultures to driving efficiency.

Plus – on p22 we have edited highlights of our polling of the top 100 law firm operational leaders at OLIL 2013, and we've got insightful comment and opinion from some of the leading suppliers to the legal market from p26, including the fantastic Patrick Hurley from issue sponsor **Thomson Reuters Elite**.

Should you or your firm be in **Briefing**? Email me at rupertw@lsn.co.uk.

Rupert White, editor of Briefing

We're proud to have this issue of **Briefing** sponsored by: THOMSON REUTERS ELITE™

Photography of Peter Hickman: Jonathan Goldberg
www.jongoldberg.co.uk

Industry analysis index

Interview photography on pages 26-33 by Jonathan Goldberg www.jongoldberg.co.uk

This month's interview with Peter Hickman of Linklaters was transcribed by:

voicepath®
Fast, secure, onshore transcription

COMXO

WHAT WE DO AND PROBLEMS WE SOLVE

Our purpose is to improve your customers' experience of your organisation at multiple touchpoints, by providing simple, easy to use solutions that deliver huge value.

- **Front Desk:** Switchboard overflow and full outsource 24 hours a day, 365 days a year
- **Executive Desk:** Conference calls, taxi bookings and concierge support round the clock
- **Message Desk:** Message handling, dispatch and follow up
- **Help Desk:** 24 hour Facilities/ IT Help Desk
- **Emergency Desk:** BCP, disaster recovery communications
- **International Desk:** Global Access Numbers and Executive support across the globe

With 25 years of experience serving the legal sector combining talented people with our own proprietary technology, we are experts in helping our clients remove operational challenges and protect their brands.

If you would like to learn more about how ComXo has helped similar businesses to yours, please do get in touch.

info@comxo.com

www.comxo.com

Tel: 0800 0711 711

The Briefing Interview

Power and numbers

Peter Hickman, Linklaters' chief finance and operations officer, talks to Rupert White about handling a low-growth future, finding tomorrow's more flexible workforce, the benefits of firm-wide enterprise IT and management information, and whether we'll ever see a major law firm run by a finance chief. Photography by Jonathan Goldberg

Peter Hickman is careful with his words. He interviews, in fact, a bit like a lawyer. This will please the PR team at Linklaters, where he is chief financial and operations officer, a wide-ranging role that perhaps points the way for a future of more powerful and senior business services people in legal.

But he's also got a lot to say, and much of what he says makes you prick up your ears – there aren't many people at the very top of legal with a role title like his. He joined Linklaters from HBOS in 2009 (probably a good year to get out of banking) and has a finance-focused background. He, therefore, understands the Linklaters client and prospect base. His view of the near-term opportunities for the country's top firms is one of low growth but competitive opportunity. And there's work to be had, even if taking it requires a more flexible approach to resourcing, and a more focused strategy for growth and market positioning.

"The regulatory, contentious and risk management base [of work] continues to provide considerable opportunity," he says, "We expect that the considerable challenge from regulators or governments or competition authorities or just reputational challenges for clients will continue, and the top firms play very well in that space. Restructuring has also been a dominant theme.

"And even though we're probably moving into a slightly more optimistic [economic] outlook, we expect some of those trends to continue; they are not going to reverse rapidly. We don't expect a huge bounce in IPOs [or suchlike], and nothing we're hearing says there'll be a huge bounce in M&A work."

It is, as they say, a slow recovery. The primary challenge (and opportunity) ahead is, he says, "continuing to manage in a low-growth environment".

"There's greater opportunity in a high-growth environment [for people in law firms] than a low-growth one, and we will need to work very hard to make sure that, even in a low-growth environment, that Linklaters is a place where people want to be.

"The other challenge and consequence of a low-growth environment is continued competition, and the continued need for our clients to get value for money and for them to control their legal spend, which will continue to [direct] the way that we need to respond."

So speaks an operations leader, rather than just a finance director. Expectations of low growth mean relentlessly driving efficiency, he says, and gaining market share from other firms. But how is that going to happen? It's a very BD-style statement from the bean counter's side of the business.

"A BD or client relationship-driven strategy is key to winning market share. There's no doubt that strong engagement with clients and great service is going to be critical to winning that market share. For us and all firms, that's got to be a core skill and a core focus."

But a firm has to be competitive though to do that – a firm has to first gain the attention and get the work to build client engagement. Hickman says that, though competitive benchmarking and a focus on your competition might be useful, focusing on client needs will help firms take market share most effectively.

"If you start with the client rather than your competitors, you're more likely to win market share. It's a reasonably small business – the leading lawyers interact with each other regularly, and there are generally other firms across the table from you in many transactions, so there's competitor intelligence [in front of you]. But in terms of strategy, client engagement and response in the field is critical. Through client engagement we should pick up what we are doing well and what our clients want to be improved."

Hickman has said many times that firms need to become really flexible in their people and their ways of thinking to succeed in the future. Before the world imploded back in 2008, the nature of the work being done by firms like Linklaters was different – M&A work and suchlike. Now there's still that work, but the landscape has changed – more regulatory and contentious work. The world has changed inside five years, and the firms that could be most flexible have succeeded most from that change.

"We can't wait for seven years to train a regulatory lawyer – we need to make sure that we have some fairly broadly skilled lawyers and they can respond." This fundamentally means thinking more laterally about what lawyers are really good at, he says. The skills of a highly specialised litigator might lie also within a good corporate lawyer; corporate lawyers have very relevant skills to regulatory or investigations work.

"What you need to do is identify what skillsets the team needs, and combine the partners who bring those skills." This is the driver in the top firms behind the move to team rather than practice area working, of course, but it's indicative of wider, operational thinking. How is the business training people to create this broader capability? How does the firm learn and leverage the skillsets of its people, and can it apply that knowledge to goals and winning business?

At the heart of that challenge lies a pointer to a way of working inside law firms that Linklaters, and a few other legal businesses, are already moving towards – resource planning. If a firm can plan how it resources, how it hires and who, in a more strategic way, based on assessing upcoming work and commercial risk factors, it will be agile – or more flexible, as Hickman puts it.

That flexibility also applies to creating a more rounded partner base with regard to management and business skills, says Hickman. Those skills are not what lawyers are necessarily famous for being good at.

This devolution of the application of business nous and the understanding of business risk to partners and seniors has to happen at a firm like Linklaters, says Hickman, because of the firm's scale and culture – the managing partner can't review every commitment, and partnership means responsibility. This applies to all commercial firms with a certain kind of culture, he says – more structured, corporate-style legal businesses may operate effectively inside a corporate decision-making structure, but at firms like Linklaters, the choice has been made to make that happen at the more individualised, partner level.

"When a partner makes those sort of calls, be it on a fixed fee on a large matter or where there is risk attached, we strongly encourage them to debate and discuss it with another partner in their group. They are committing the firm and therefore it's right that they debate with other partners to make sure they're making the best decisions possible on the facts that they have."

"We have tremendous management information on matters and profitability – for every matter we can report client and matter profitability data."

But the ability to make good decisions rests on understanding the resources that are required to deliver the work, what the work might cost to deliver, how it might be profitable and how it will be delivered. For partners to make these big decisions, they need really good management information.

Hickman says that firms like Linklaters can't jump straight down the rabbit hole of predictive analysis based on past work that's spot on every time, because of the nature of the work the firm does. "There is less commoditisation and therefore less perfect management information. We have tremendous management information on matters and profitability retrospectively – for every matter we can report client and matter profitability data – but when it comes to pitching for, say, an IPO, even though we have great management information on past work on IPOs, we still find the best analysis is done by the partners who have been involved most recently in IPOs.

"But for every matter we do, every partner is very informed of what it actually costs to deliver that matter and [there are] discussions on how one might do it better next time – so there's great feedback to partners on what it actually costs to deliver that matter."

The management information that Linklaters' SAP enterprise resource planning IT system produces affects and directs the firm's strategic and tactical behaviour, says Hickman. "You can get the strategic shape of the business, where we make money and where we struggle to make money and therefore challenge those areas where profitability is most [pressured].

"What SAP and other information sources allow us to do is to understand what similar matters we have done, what the market pricing is and what they cost us. I think we probably have as good information through SAP and other systems as any firm would have, and better than most – but you can't undervalue the judgment of the partners on the particular aspects of the matter that we're working on."

Back when Linklaters invested in SAP (and it's doubtless cost the firm millions over its lifetime), and in the years since, the firm's weathered flack over that choice. It's the only UK legal business in legal that uses SAP (currently). But the world has come full circle – the major IT players in legal, such as Thomson Reuters and LexisNexis, are now fully committed to making 'legal ERP' systems that bear a striking conceptual resemblance to SAP. Shoosmiths goes live with an SAP implementation later in 2014. More may follow.

I put it to Hickman that Linklaters people must therefore be laughing into their coffee now that legal has realised it needs ERP. SAP wasn't put in on Hickman's watch, so he can't take the credit (or the past kickings) for that, but he was "thoroughly impressed on joining as to the quality of management information".

This powerful information doesn't drive pricing at Linklaters as much as it might, says Hickman, because the work is often more complex and less predictable. Also, Linklaters has taken a strategic decision to play at the 'premium' end of the market, and move away from competing for commoditised work where price is the primary buying criterion. It's not alone in that approach – magic and silver circle firms have made noise about not wanting to compete with other firms solely on price.

How do top firm operations people see the future?

Watch the keynote panel discussion from 2013's Operational Leaders In Legal conference, featuring Peter Hickman alongside Amanda Burton, COO, Clifford Chance, Stephen Poor, managing partner of Seyfarth Shaw and Tom Wood, head of professional services at Barclays

bit.ly/olil2013video

"[But] in terms of understanding our business and its profitability, SAP is tremendous. It puts us in a great position to make good strategic business decisions. We have a very good understanding for the profits for the year to date. We have a very good understanding, be it by client or geography or product or matter, where that profitability has arisen and where the business and profitability is more challenging. Colleagues who go to other firms, particularly to non-magic circle firms, generally wish to recreate there what they had here."

Hickman admits that SAP is less flexible than other IT systems – if you want to make changes, it's a more painful process, he says – but its resilience and reliability are enormous and it creates great data "because of the discipline that is required" with SAP.

"I believe it's right for a firm of our scale and complexity to have that sort of system. Whether we've been 'vindicated' or not, I wouldn't use the word, but it helps having the information and the IT we have. We are an industry that's subject to significant competitive pressures, and we need to be well run – and I think an ERP system is a key requirement to allow us to do that."

Having a proper ERP system has also helped enormously in the switch to the world of COFAs and COLPs, says Hickman, because the data is there to be found and reported upon – Hickman, who is the firm's COFA, has "one [single] version of the truth".

"Transparency for many of our [areas of] financial information is outstanding. The close process is also very smooth and reliable. We have a very good understanding of what is going on in the firm and where the risks are lying at any time. You get a great deal of confidence when people throughout the organisation have the information at their fingertips to analyse and investigate any anomaly."

Growth for firms at the top of the legal market lies in many places. Geographically, it probably lies in the far east more than anywhere – at Legal Support Network's Operational Leaders In Legal 2013 conference in November 2013, a slim majority (54%) of the 100-plus audience of senior law firm management said that their firms' longer-term growth possibilities are there. But there's also a lot of growth left in taking market share from other firms and in new niches here at home.

Hickman was one of the key speakers at OLIL 2013 and one thing he said struck me as pivotal to growth management: in the future, firms like Linklaters will need to be able to practice the law of three key jurisdictions: English, US and People's Republic of China (PRC) law. If that is a strategic goal (and it's a very good example of how to set one) many tactical plays lie between now and that reality.

This is one of the main drivers of the big merger debate in legal. For Linklaters, which has many mergers behind it, those growth goals will most likely be achieved more organically than, say, the verein firms like Norton Rose Fulbright, says Hickman.

Verein firms are sharing brand but not sharing of profits or other drivers for uniformity, says Hickman, which might suppress a consistent experience in those firms. "We are firmly wedded to the single lock-step model where every partner is in one global firm with one profit pool, where partner elections are subject to a consistent quality control, etc. We have consistent feel or fairness and quality to clients, and in verein firms it's much harder to be assured of that.

"That's why the old sort of organic growth route for us and a non-verein-type structure is important." The organic route has its downsides, he admits – "the lock-step model, the single profit pool, gives less flexibility and constrains growth and scale in a way that the other models don't" – but that's a strategic choice that Linklaters has made, "because what matters to our partners is quality not scale".

"Being bigger wouldn't, in our view, allow clients better [service]. It's a strategic choice that we, and I would say probably most of the magic circle and the top US firms, have chosen. It does close down certain options, but we are comfortable with that choice."

A journey closer to home for many firms is to become ever more commercially minded, and this is happening best in firms taking managers on at the very top of the business – not just lawyers. But lawyers still dominate the top dog spots in law firms – **Briefing** staff couldn't think of a single non-lawyer top 200 law firm managing partner or 'true' CEO. Might this change? If so, when?

If a non-lawyer does become the head of a big firm, it's most likely to be a finance or operations head – someone just like Hickman, who says he can "imagine" a CFO or COO heading a top 50 firm, but probably not a top five firm. "I think the credibility in leading the partnership without having practised law is very challenging. In the top 50, because there's a wide array

of firms, it's possible, and the sort of business they're doing, where business process and finance becomes a dominant factor, [lends itself perhaps to that future]. But at our firm, the partnership would look for the credibility of someone who had been a lawyer."

"In firms where it is [more] process- or financially or efficiency-driven, rather than a legally driven business, there is more option to do that. Or perhaps, a venture capitalist could well say they want someone with a finance or operational background to be the CEO."

Now that is a future that **Briefing** magazine looks forward to – a top 50 firm led by a business services person, not a lawyer. Bring it on.

LINETIME

IT solutions for the legal profession

Practice Management

Case Management

Business Intelligence

Online Case Tracking

Online Payments

Client Relationship Management

Matter Budgeting

Debt Recovery

Why not join one of the many firms already using/working with Linetime

Leigh Day

hay & kilner SOLICITORS

*clarke willmott

QualitySolicitors Bradbury Roberts & Raby

dwf

Optima LEGAL

wilkin chapman llp

Contact:
Kathryn Holmes
Tel:0113 250 0020
kathrynh@linetime.co.uk
www.linetime.co.uk

Feature

Bigger bangs, fewer bucks

Succeeding in a low-growth, highly competitive future means everyone in a law firm must now understand finance. Declan Tan talks to finance chiefs, finance systems gurus and operations leaders to find out why everything from pricing to international best practice will have a finance edge in the future of legal business. You may take your calculators out now...

Forward thinking is what the finance function in any business has always been about. Across all industries, it's management information and data on the financial health of businesses now at the epicentre of internal interest. But although legal finance leaders have never been blind to the need for better information, many firms have yet to make the mind-set shift toward more visual, transparent and centralised management information. That is, perhaps, until now.

As Neville Eisenberg, managing partner of Berwin Leighton Paisner, says: "Financial stability is the issue. Law firm margins are being squeezed, and economic conditions have seen clients stretching payment terms, as well as transactional work taking longer to complete. Those all impact on working capital requirements."

The legal finance zeitgeist is now moving towards a deeper understanding of profitability, being able to think and move as clients do, and leaving behind work volume and productivity as dominant KPIs. Economic optimism is also returning – magic and silver circle charge-out fees are at an all-time high – and it's finance chiefs who are at the front of many advances.

Developing better visibility

Shoosmiths' finance director Chris Stanton sees cause for both confidence and caution in the progress towards a profitability-focused future. "As the economy starts improving, investment in resource and mergers will come with a financial cost." A willingness to play the game a little more positively – something suppressed in harder times – demands smarter choices and self-knowledge, he says. Taking on debt, for example, to expand or upgrade the business might well be a good move, but only if it's firmly grounded.

"Legal businesses struggling, failing, going into administration – that's only going to continue," says Stanton. "[What's important is that] the SRA is cognisant that when they're assessing firms, just because borrowing levels go up, for example, that's not necessarily bad. The question is whether [that debt is] supportable by the underlying business."

The task for finance leaders now is to constantly tighten their businesses as well as identify the right level of investment for future success, from sources internal and external. A big part of this is developing much more financial visibility and forecasting to better identify where the 'holes' are and what the next commercial move might be. But, he says, "history is littered with stories of over-trading – just going too far".

"That's the challenge: taking opportunities where you can, but not jeopardising the business."

Understanding and driving up the most profitable areas of the business "has always been the imperative" for many finance people, he says. "That comes from being more efficient generally. You need to manage that expansionary approach carefully, and for that you need good information and systems behind that."

Educating partners

Integrating all the work on a matter, from tender through to billing – which, one hopes, will one day address lock-up – is essential to finding a 'total' view of a firm's financial position and capabilities. Some of the best people to get a perspective on that are the 'techies' in finance.

Getting that total view requires a reworking of the infrastructure in most firms – which is why for Michael Malone, finance systems manager at Charles Russell, "tinkering" with what they've got to develop better partner knowledge will get those processes in place.

"You're not going to completely transform the business based on the system without process and workflow," he says. So, at Charles Russell, it's a matter of gradual refinement to improve workflow integration. Developing partner knowledge by mapping out the process network can help not only them, but everyone in the firm, see how that mode of working brings big stability gains. Practical advantages like tracking budget estimates are already in place, he says, but "giving [the partners] better information is what we want to do".

"If there's a range of different types of work done on the same matter, the partners would want to get a handle on how much time is taken for each different element." That moves partners towards interacting more with the billing process, and gets them to understand the benefits of tighter planning. "Even though you wouldn't necessarily present that to clients, you could break it down."

This puts finance systems at the centre of making progress on process. Lindsay Barthram, business systems manager at Stephenson Harwood, says that creating a firm-wide system that can assemble management information on the whole firm is the vision, but that doesn't mean buying something dedicated for the job immediately. Like Malone, Barthram is smoothing rough edges for a better client experience, and though for Barthram it's towards a different strategic aim – a possible systems overhaul – they may both be getting there on parallel lines.

"Instead of buying an SAP-style system, we've started unearthing the fundamental process that almost make our joined-up bits of a system into an ERP system. The output of that work will determine how we move forward with possible practice management systems."

That kind of investment is hard to sell internally, he says. "Every firm has had a good look at big ticket systems swap-out projects and put them on hold. It's hard to go to the partnership and say I want another £1m for a flash new calculator. It's that large spend item that's been put on hold."

In the meantime they can leverage their current investment up to the point where an ERP is required, he says. "The beauty of what we've done is that we know what the processes are, and joining the dots has helped us flush out the silo mentality we used to have."

BLP's Eisenberg agrees that much of the investment needed is not in new systems, "but in better leveraging and exposure of data within the systems already in place – and, of course, in training people to understand how to use that information".

Leveraging the data and the people comes in part from how finance, IT, operations, HR and BD are becoming further integrated and more collaborative in law firms. Then, as Shoosmiths' Stanton says, "when you've got systems that are integrated you can trust your 'one version of the truth' mantra".

Project power

Central for Alison Ripley, finance director at Olswang, and many other firms knuckling down on profitability, is managing matters as projects to control budgets, whether you're using AFAs or hourly billing.

"That's something all law firms need to get better at," she says. "If we've got a fixed fee, it's about scope – no different to any other project management. It's that shift that partners are going through, thinking about their large projects and the fees much more closely than they've had to do before.

"We want to manage projects from a client's point-of-view so that we can manage costs for them. That way, we're managing projects well and avoiding unnecessary discounts and write-offs."

Shoosmiths' Stanton says much of project management comes down to individuals, rather than systems. "A challenge for the legal industry is to look at work from a process perspective. But system changes themselves won't solve that problem – it's more a mind-set change for legal advisers and partners individually."

Turning work into process and projects helps enormously in tracking costs and profitability, and creates a platform for better pricing. That's why 18 months ago Olswang started putting all their partners – domestic and international – through pricing training. And though it may only be at the level of "simple tips" for managing matters and the psychology of negotiation, says Ripley, these are skills lawyers now need to work at.

"It was very helpful for everybody to hear the same message. Ultimately, the client wants value for money. Where it's applicable, depending on the nature of the work, we can offer low-cost alternatives while retaining quality. If we can offer that, it's a win-win situation."

The limits to (PMS) change

One of the challenges for any finance IT system, and one that law firms now face, is the level of bolt-on customisations the engine can handle. Wiping all existing custom work away to reboot with a new system risks resource over-reach, so boxing clever when unifying systems couldn't be more crucial. But you can't live in the past. "Every organisation needs to continually review their investment in core systems and [analyse] whether it's still returning the service necessary for the business," says BLP's Eisenberg.

"Every organisation needs to continually review their investment in core systems and [analyse] whether it's still returning the service necessary for the business."

Neville Eisenberg, managing partner, Berwin Leighton Paisner

And firm-wide IT is one thing – firm-wide working is another. Getting best financial practice down across international offices offers efficiency gains that are hard to measure, which makes it a tough sell.

Barthram at Stephenson Harwood is looking at the ways his firm transacts across its nine Europe and Asia offices. "Should there be a global best practice, making sure people are doing what they're meant to for their local rules and regulations in some consistent fashion? [It would mean our people are] not reinventing the wheel."

Following a truly global merger, Herbert Smith Freehills has undergone a global system switchover that aims to create a worldwide view of the firm. It contains a centralised BI approach outlined in **Briefing**'s February 2013 issue in an interview with Herbies' then-FD, Robert Boardman. Sydney-based global COO Janet Young says that's been a big task. "Because this is a true merger, we need to have a solid platform our people can use on a consistent basis globally, making it seamless for lawyers moving around the firm.

"We're holding the line on some other [internal] issues until we have the time and resource, but key for us has been getting to a single IT infrastructure, because at the moment we've got a lot of workarounds to appear as if we've got a consistent system. What flows from this [new finance system] implementation is when you get the right systems, you get the right processes and policies, meaning there's less effort required to do the work."

"When you get the right systems, you get the right processes and policies, meaning there's less effort required to do the work."

Janet Young, global COO, Herbert Smith Freehills

Rounding out the finance team

That doesn't just apply to the world's largest firms. Best practice challenges are there outside the heights, and financial process refinement is one of the solutions.

Stephenson Harwood's Barthram says mid-sized firms now need multi-disciplined systems teams. "Everything ranging from a business analyst through to project manager, right down to hand-holding support – smaller firms have to start deploying those skill sets to manage the changing market.

"We're not just traditional finance systems anymore. We've built a team that looks after the inflow of people via the HR system, inflow of client relationship data from BD, and joining the dots with the finance system.

"We invested up-front, having a team that concentrates on looking after those three areas. The [goal] is eventually to move to a proper ERP system, because that's the general trend in the market. And it looks encouraging at the moment that a lot of those [economic] green shoots are appearing, so we may have to engage in a system swap-out within 18 months."

Creating a more rounded finance and finance systems team delivers a range of benefits, says Young at HSF. "At a purely finance level it makes our finance people more transferable, and makes answering questions, closing month-end, producing reports and analysing information easier. There are efficiencies of scale, time and in getting information out. It will also make it easier to do more analysis, shifting the emphasis from producing reports to analysing reports – more decision-support oriented activities."

Olswang is currently piloting a tool that enables closer analysis of budgets against actuals for each matter and project. "That's going to be powerful for overall pricing as well as understanding the level of discount and the impact it has on profitability. It's something we've invested a lot in over the past couple of years," says Olswang's Ripley.

Action is the aim for taking financial analysis forward, but it's vital to know what the firm's goals are first. For Eisenberg at BLP, "processing the data is more about working out what the output needs to be – what does the client or partner need to know – and then constructing bespoke reports around that. It truly is about defining the endgame first".

"Simply presenting data as text or strings of figures is not helpful when data volume is high. There's a need to have a digest of that data."

"You can drown in management reporting, but we want to produce information that helps us effectively run the business."

Alison Ripley, finance director, Olswang

Young at HSF is in the same camp. "To be able to drill down on that level of information easier and quicker, means we can then report on it in an actionable way," she says. "You can drown in management reporting, but we want to produce information that helps us effectively run the business." Ripley at Olswang agrees – while it's important that all partners understand how the business is being managed, she says, "you can have too much information".

Beyond the dashboard

Deeper analysis requires more resources, and recent months have seen some firms expand their financial analysis teams. But beyond pure people power, becoming more analytical, extracting actionable meaning from data sets, requires firms to enact an effective 'reducing valve'.

A personalised dashboard is one version of such a valve. Visualising the data, be it through dashboards or other tools that show work status and cost/profit at each stage of the transaction, aids not only internal reporting but client service.

As in all data analysis, recognising patterns and getting the tools to do so is becoming more central to legal finance management. This is, in its way, legal's 'big data'. "What we're working on now is tailoring the data so that partners see what they need for their roles, making it user-specific," says Ripley. "If it's a group or country head, it's a different data set they need. Rather than information overload, it's going to be relevant to what they need."

Customised and role-specific dashboards will mean partners can get a view of the firm, their group and their personal position. "It's giving more summary information that's relevant to them," she says, "because there's certainly a cry to have more, but having more of the right information that's not just a data dump."

Malone at Charles Russell says individual benchmarking and reporting helps all fee earners enormously. "Doing a dashboard that shows KPIs and highlights where they're not as good means you can break them down on a linear basis. Seeing the exceptions helps you manage the team's workload. When it's presented clearly on your dashboard, you can assign work better."

"Doing a dashboard that shows KPIs and highlights where they're not as good means you can break them down on a linear basis."

Michael Malone, financial systems manager, Charles Russell

There's still a long road to travel – but firms are at least treading the path. They're increasingly linking data to actionable behaviour, says Eisenberg at BLP. "Firms are investing in tailoring the output of their [management reporting] systems to better understand these KPIs," he says. Making that data visible to clients is also a positive offshoot. "We can keep clients [better] informed of progress on transactions."

The problem with pricing

Project management is pulling firms into a more commercially capable and client-focused future, but that future comes at a price: more cultural tension inside firms. Young at HSF says getting both parts right is the goal – having collegiality and collaboration, "but also being a large complex global business with efficient processes, structure and discipline".

"My experience is that that's an extremely fine line. In the middle there's a sweet spot. Systems don't drive those things – it's how you work and consult. Law firms are strange beasts. Even the divide between the lawyers and business services teams starts to get blurred because you're all working focused on the right outcome for the firm."

Eisenberg at BLP agrees that finding a business/partnership sweet spot is a challenge, but it's also an opportunity. "While we're seeing a more corporate approach to governance in the bigger firms – with FDs coming from other professional services, bringing a fresh perspective – this has to be balanced carefully with the need to nurture the partnership culture.

But, he says, "firms that can survive the down times are those that are clear on strategy, have communicated it clearly to their partners, and have defined clear measurables to ensure their strategy is delivered".

International appeal

Client and market pressures are pushing firms into new spaces as they compete for still-water market share.

"As our international clients look at different jurisdictions," says Ripley, "we're looking to support them and make sure we have an offering in the areas they're in, wherever that may be."

At other firms, protecting margins through a combination of low-cost delivery models for commoditised work, and differentiating the firm's offering for premium, value-focused work, means a genuine push for innovation in client service.

Creating a collaborative working environment is one route to innovation and differentiation, says Eisenberg, "where the client feels valued and has a desire to stay rather than take their business elsewhere".

Closer client-lawyer connectivity may also introduce different models for longer-term capital financing, he says, which "may mean more business partnering", something that firms may need to consider, from a combined finance and operational strategy perspective.

"All that works best when you have multiple relationships with any one client and you can consolidate that view for the GC." That collaboration may come through working more like your client as well as being where they are. "The fear of losing work is an important factor – but it's not fear of the firm losing work, more fear of individuals losing work and how that will affect their personal performance and management's view of it. Competition is fierce, and the market's portrayed as being over-lawyered."

Recognising that client needs are changing may fundamentally boil down to creating more cost-predictability, both for clients and firms. "The chargeable hour is a discredited basis for billing," says Eisenberg. "There's a price for most jobs, and that chargeable hour should just be an internal measure for law firms to assess how profitable a job is."

But, says Ripley, the future of the legal market is not just a variant of the past – it's creating greater change. "Looking for the cheaper option and different ways of working can only go so far," she says.

And to reach that profit-imperative future, "we're going to see firms structured differently. The traditional pyramid will no longer exist". ●

Totum recruits experienced finance recruiter to strengthen team

Totum is delighted to announce that Jessica Hill has joined the team to focus on the recruitment of specialist finance roles.

With 14 years accountancy recruitment experience under her belt and a proven success record in both the London and Asia markets, Jessica is delighted to be bringing her considerable expertise into the specialist legal and professional services environment of Totum.

Jessica will be spearheading the growth of Totum's finance presence and developing this offering for Totum's extensive client and candidate pool. Handling senior accountancy assignments across the UK and the Far East, Jessica will be able to advise and assist you on any matters relating to this area.

If you need information on what the professional services finance market is doing, help in building a role profile or compiling salary bandings within your sector, if you want an accountancy assignment handled or would like to know about good and suitable people to see, please do contact us on the number below.

+44 (0)20 7332 6326

Research

Future visions from legal's operational leaders

International growth, cautious optimism and a vision of huge future firms – research from Operational Leaders In Legal 2013 gives an insight into the future of the world's top firms

When we put more than 100 senior decision makers in a room in November 2013 for the 2013 Operational Leaders In Legal conference, we quizzed them on their views of the future of the legal market. The results may surprise you.

Operational leaders are upbeat about the economic outlook; over half of the audience said that in the next five years their international growth lies in the Asia-Pac region; six out of 10 legal leaders said that the majority of their revenue will come from work delivered to clients in the home jurisdiction by 2023; almost all legal operational leaders agreed that incentivising people and creating career paths in a more corporate, less partnership-focused future business was one of legal's biggest challenges.

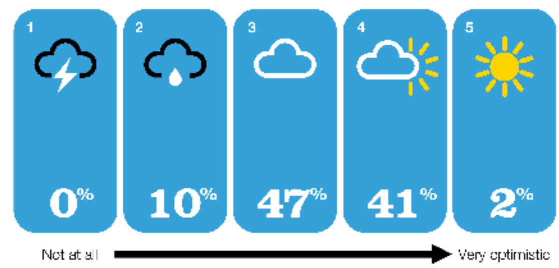
On top of all that, the legal market in the 2020s may also be dominated by huge law global firms – the materialisation of many predictions that legal will follow accounting into a far more consolidated world. Just over half of OLIL's legal business leaders said they think that, by 2020 (just six years away), the top firms might be up to 50% larger in terms of head count than they are now. A further fifth said that we are 'about to see the rise of the legal giants of over 10,000 lawyers.'

Want to know more? Good job the OLIL team have squeezed this information and more – such as the reach of fixed-fee work into the top 100 and how capable big firms are at project management – into a report that's free to download. Get yours today.

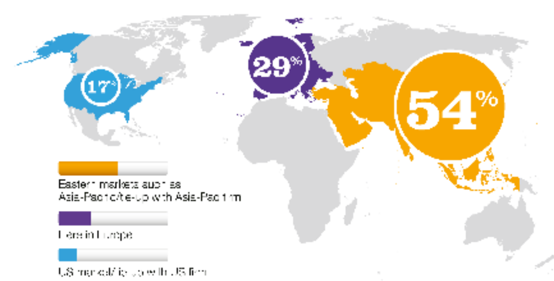
Download your free copy of the OLIL 2013 report

bit.ly/olil2013report

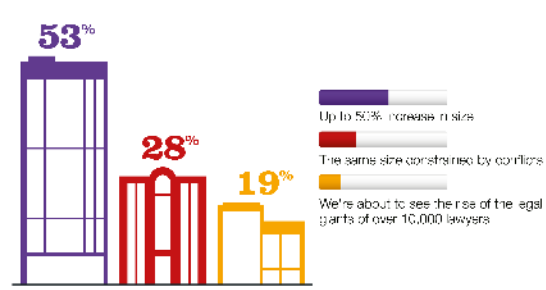
Top 100 law firm operations leaders – market optimism



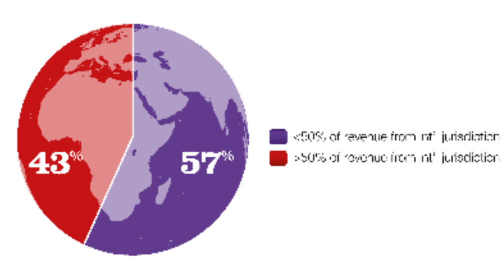
Likely international markets for growth over next five years



How big could today's largest law firms get by 2020?



By 2023, what % of your firm's revenue will come from clients in international jurisdictions?




LONDON ▪ HONG KONG ▪ SINGAPORE ▪ MALAYSIA ▪ TOKYO ▪ SYDNEY ▪ MELBOURNE ▪ BRISBANE ▪ PERTH
REACH NEW HEIGHTS
The Ambition Legal Finance team are considered market leaders within the legal sector and are perfectly positioned to help you reach new heights in your finance career.
We recruit Finance and Accounting professionals at all levels for permanent, temporary, contract and senior interim assignments.
Our client base ranges from Magic Circle to boutique law firms, Barristers' Chambers and Patent & Trademark Attorneys. In many cases we operate as sole suppliers, leaving us with excellent opportunities that are not released to the wider market.
For a confidential discussion, contact our dedicated team today:
T: 020 7430 7242
E: martyn.draper@ambition.co.uk
www.ambition.co.uk
It's Different. It's Personal.
ambition

Jobs with Briefing

Reveal your next career move

Finance director – £80,000, Totum

TOP JOB

London This specialist legal and professional services firm is looking for an experienced finance director to provide financial and commercial support to the senior leadership team and the board, ensuring profitable growth and operational efficiency.

Go to bit.ly/findirtotum to learn more about this role

TOTUM
Talent for law firm management

Business analyst – £60-65,000, Balance

London This well-known employer, in which business services staff has great scope to influence decisions and impact on the success of the firm, is looking to hire a proactive business analyst. Previous legal sector experience is not required, with the focus being on ability and attitude.

bit.ly/busanbalance

balance recruitment

Finance business partner – £53-58,000, Hays

London Following a restructure, this leading firm is looking to recruit an ambitious financial analyst who will partner their management team and support strategic decisions. Over the past two years, the firm has opened up multiple overseas offices and still increased their revenue and profit.

bit.ly/fbphays

HAYS Recruiting experts worldwide

Financial accounting manager, CMS CMCK

London, contract An opportunity has arisen for a finance accounting manager to join on a six month contract basis. Reporting to the head of financial control, this role will offer you the opportunity to co-ordinate external audit process, produce statutory accounts and provide cash flow and treasury management.

bit.ly/finamcms

C/M/S/ Law.Tax

Accounts manager – £45,000, Downs

Surrey Responsible for up to three staff, you will be personable, a good communicator and an experienced manager, and should be fully conversant with the SRA code of conduct, including the solicitors' accounts rules.

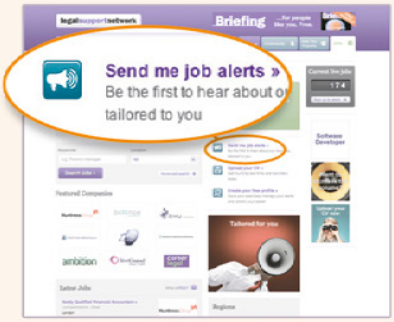
bit.ly/accmdowns

DOWNS

Click here for more legal business jobs: jobs.legalsupportnetwork.co.uk

Send me job alerts

Be the first to hear about our new jobs, tailored to you

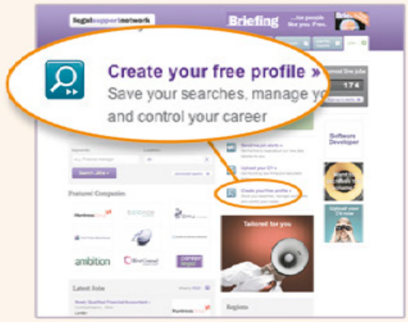


Upload your CV

Get found by law firms and recruiters today

Create your free profile

Save your searches, manage your alerts and control your career



INDUSTRY ANALYSIS INDEX

Analyse this...

Interview photography on pages 26-33
Jonathan Goldberg www.jongoldberg.co.uk

Briefing Industry Interview

Profitability from complexity

Briefing talks to Patrick Hurley, vice president of global implementations at Thomson Reuters Elite about using big data arguments to better understand data law firms already have but don't use – and making sense of complex information to better serve clients

The challenges and opportunities ahead for the finance leaders and, by extension, everyone invested in the finance side of the business (that's everyone, surely?) are keenly felt by companies making the next generation of law firm IT.

Patrick Hurley, vice president, global implementations for Thomson Reuters Elite, spends a lot of time with the UK legal leaders – and for him, the key challenges and opportunities for them in 2014 revolve around their ability to make sense of and effectively use the information they, generally, already have.

"Big data, many people say, is 'irrelevant' to law firms – because they don't generate it – at least in comparison to, say, IBM," says Hurley. "But the big data that's out there in the world is relevant, and it's where law firms may often miss out in using it to their benefit. There's data out there in the world that could help them with business development, cross-selling, pricing, benchmarking against other law firms and so on. And I think the term 'big data' came about not to describe how big the data is, but to describe new ways to analyse that data in multi-layered views."

This can range from mining financial and transaction data inside a firm's PMS, he says, to the content in a knowledge system. Thomson Reuters is trying to deliver on the promise of external big data with the new (to the UK) service Peer Monitor, which gives law firms "a huge amount of benchmarking data – all sorts of metrics to compare their financial performance, both from a revenue and profit perspective but also a cost perspective, to look at how they're doing compared to other law firms", says Hurley.

"Accurate pricing will lead to better profitability and, hopefully, more clients. In terms of benchmarking [around the numbers that can lead to pricing], for example, US firms are significantly ahead of the UK. They've been doing this kind of thing for six or seven years, and it's just starting to happen in the UK."

But even if your firm is just using internal data, you need great management information

"Accurate pricing will lead to better profitability and, hopefully, more clients."

Patrick Hurley, VP global implementations, Thomson Reuters Elite

to make information-led decisions in the business. And the more immediate your information – how close to 'now' it is – is more important than ever.

Many firms have made great improvements in how close to 'now' they can see, says Hurley. "It's not as bad as if you'd asked me that question five years ago. It's definitely improving. But I think there's still lots more room for improvement.

"There are some really big firms still running pretty old technology and finance systems that really can't tell you where they are today. They can only tell you where they are at the last month end close. Newer systems are much better at that."

In terms of sophistication around pricing and building profitable pricing models, says Hurley, the legal industry globally is at a much earlier stage. In 'big data' terms, though the amount of data inside a law firm is, arguably, pretty small, it's data that very few law firms have analysed accurately.

"If I'm going to take on a new matter of a certain type in a certain industry and resource it with a certain set of fee earners, what should I charge? You've probably got hundreds or thousands of matters in your finance system that you could analyse to give you a guideline on that, and the tools are out there. But law firms are only just starting to both do this and get good at it. I'd say that the majority haven't even started."

This creates a relatively easy advantage for firms to take, if they can use that data well.

Making profitability the goal

Hurley agrees with one of this issue's underlying propositions – that law firms should start setting and working towards, outside the realms of the finance leader's office, profitability goals.

"Without that top-line target, any analysis of a specific matter or practice area or office or client is relatively meaningless, because it's standalone. And there's a lot of work in firms that would fall under the 'loss leader' heading, which is fine – as long as it's aggregated up to the overall profitability targets of the firm."

But many firms don't 'get' profitability this way, he says – they don't really know

their profitability, and they don't have margin targets, either firm-wide or by practice.

"It's still in its infancy, by and large. Moreover, firms need to be able to see profitability across more than just fee-earning. For example, if business development was doing a holistic analysis of profitability of a client, they would include how much money spent on BD, and what kinds of business development activities generate the most profitable work or the most revenue. The majority of firms are not yet there and the firms that are doing it are in the early days of doing it."

Part of the problem might lie in contextualising this increasingly complex data, which often means visualising it or generating actions from it. There's no point in giving someone a pricing engine and an ability to see into the financials of many past matters if they cannot understand that information or apply it with relative ease. That's one of the key challenges of a CFO or a finance department, says Hurley, because the significant majority of fee earners are not particularly financially savvy.

"You can give them reports or a dashboard but what you really need is to give them something very specific to do – today you need to do X, or call that client and collect that bill. It needs to be very targeted and focused. But finding those nuggets of actionable information is a big challenge for the finance team."

From numbers to visualisation

Legal has a long and potentially highly beneficial road to follow with visualisation – almost gamification – of management information, says Hurley. "But it's got to be so intuitive, so easy, and have such an immediate impact. Our eyes are now trained to think about where your screen is red, which equates to 'go and do X'. It's got to be as simple as that and on their mobile, not just an email that they get with three million other emails.

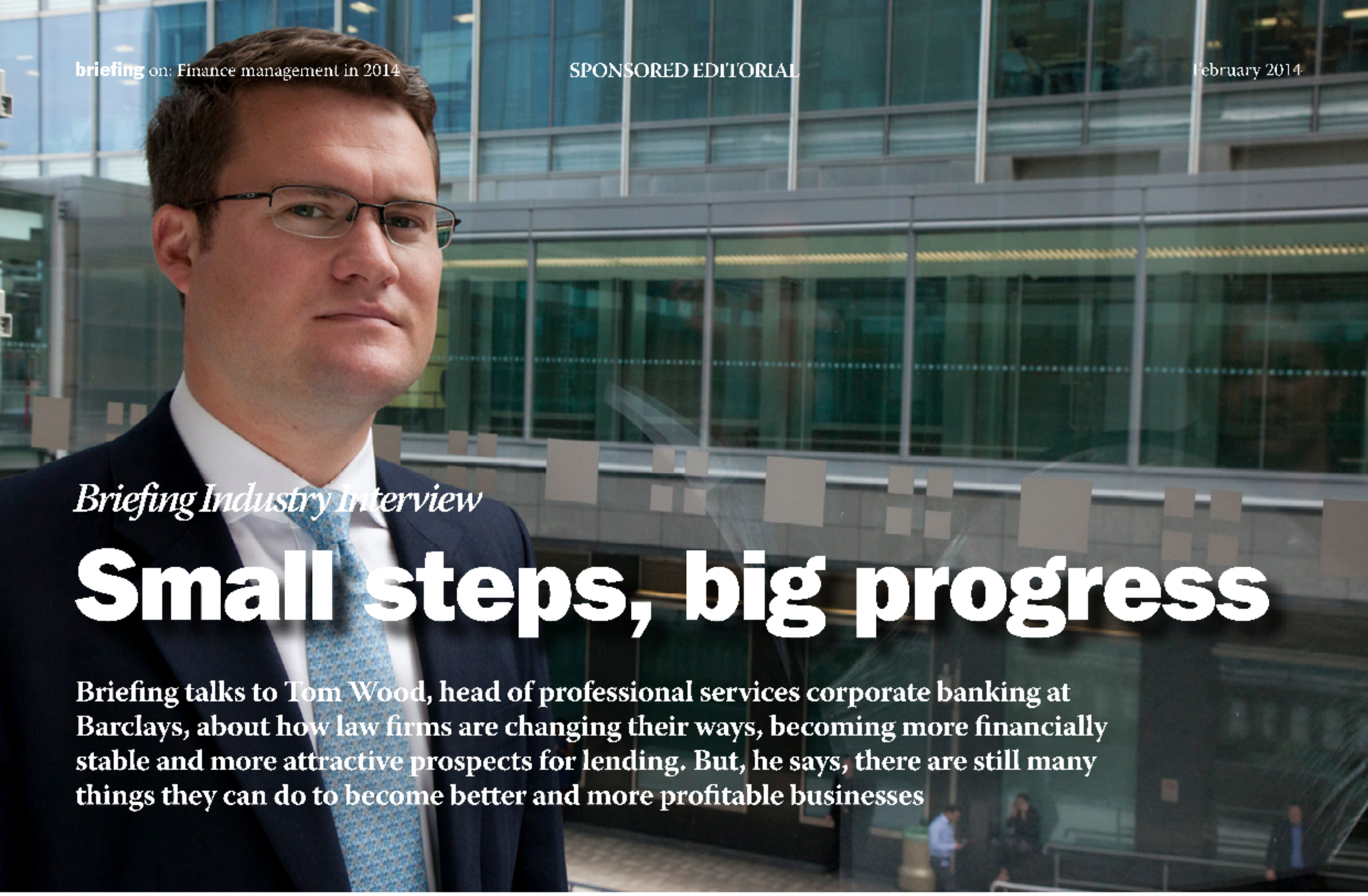
"Finding that magic matrix – not just the best way to show data on-screen but figuring out which data points are the ones that actually drive behaviour that impacts the firm positively – is a big challenge. There's not one quick answer for it."

"You've probably got hundreds or thousands of matters in your finance system that you could analyse to give you a guideline on [pricing], but law firms are just starting to both do this and get good at it. The majority haven't even started."

Patrick Hurley, VP global implementations, Thomson Reuters Elite

But it starts, he says, with "just having a direct correlation between the task you're asking the fee earner to do and the goal the firm is trying to achieve". That's easier said than done – but the firms working towards it are at a great advantage to those that are not.

Find out more about
Thomson Reuters Elite
www.elite.com



Briefing Industry Interview

Small steps, big progress

Briefing talks to Tom Wood, head of professional services corporate banking at Barclays, about how law firms are changing their ways, becoming more financially stable and more attractive prospects for lending. But, he says, there are still many things they can do to become better and more profitable businesses

Law firms, despite the news about firm failures and a lending crisis, are recreating the way they work financially and making great strides towards a cash flow and profitability nirvana.

This might sound optimistic, but Tom Wood, head of professional services corporate banking at Barclays, says he's seen firms shift their behaviour to become more financially sound and secure.

"If you're an FD in a law firm at the moment, it's as tough as it has been for a long time. There's a lot of pressure that wasn't necessarily there in the past, with failures in the sector and banks looking more at their exposure, both on- and off-balance sheet. Plus the secondary lending market seems to be pulling away because of press coverage around financial failures."

But, he says, law firms have made progress in financial management, partly because the finance role has gained increased status inside firms. "Finance in the top 100 has become ever stronger, and its importance continues to increase as the sector goes through more change. The FD/CFO role is being elevated because there's increasing need to align longer-term strategic plans to the funding structures firms adopt, and there's huge importance placed on getting cash through the door, capitalising in the right way and looking at debt."

This makes lock-up a primary focus for a banking partner like Barclays. First, says Wood, he looks at how much of a priority lock-up management is for every fee earner, and how much support the finance team gets to deal with it. Clients might find it harder to pay in tough times, but firms emphasise collecting cash and "using the remuneration of individuals, whether partners or more junior fee earners, as a 'stick' to make sure that people are getting the cash in quicker". The second – and potentially more important – issue is lock-up trend, not just the number of debtor days at any time. Is a firm working hard to crush lock-up?

While there's a lot of noise in the media about lending, Wood says there's appetite for lending into legal – but the rules have become much stricter about who is attractive to banks. "There is more due diligence being done around why the funding is being asked for, but the banks, certainly Barclays, have an appetite to support firms who have a clear vision and strong performance both projected and historically. Barclays is keen to continue to support firms – but they have to have a clear strategy for how they will grow."

Wood's personal view, he says, is there are still not as many lenders out there as there were, and that it will take longer for firms to arrange funding than it used to because of increased due diligence. This may not be a bad thing – short-term funding has in the past been cheap and attractive, but that may have held firms back from thinking more strategically about financing.

Wood says Barclays uses a mixture of elements to evaluate how well firms are doing on finance. "We need to understand that the management team is strong and has good diversity within it and good succession in place. We're very keen that the FD understands the practice areas and how dependent the firm is on them and, more importantly, how visible is the profitability of certain areas. It's important that the whole firm – not just the finance director – understands which departments are profitable and which aren't."

Lock-up or working capital is also vital, he says, as are drawings and distribution. "We look for FDs to be on top of this. Do they have a robust and tough distribution policy on profits, related to the level of cash they have in their business – not to the level of profit that they've driven?"

FDs increasingly need to understand if partners are over-leveraged or too dependent on drawings coming out at a certain time – or big problems lie in the firm's future. Debt is also a pressure point – facilities have to be matched to strategic goals, not short-term need. This has been made more pressing due to the pulling back of some secondary lenders in the market, says Wood.

Mainly, he says, banks want to see better strategic plans. This creates a very attractive picture for lenders, and it of course means the firm has done its homework. "Firms are, more than ever, presenting us with a plan that goes past just the next year. Plans that have interested me recently are those that involve a breakdown of which practice areas for a firm are profitable, and an idea of whether the firm can drive future revenue from them.

"Strong strategic plans also highlight where market pressures are coming from in terms of new entrants or alternative providers, and will talk about what merger opportunities firms' have seen and their top targets. They will also describe how the firm competes with 'blank sheet of paper' new entrants that have very low cost bases and different remuneration structures."

One strategic goal that's been left out in the cold in many firms is profitability. As Wood says, banks now want to see FDs focusing keenly on profitability – and one way to change firm-wide attitudes to profitability might be to have practice-specific and firm-wide margin targets. Only by focusing on profitability can a firm understand what work costs to do before it does it – once it does that as a rule, not an exception, it becomes a very financially healthy firm indeed.

Find out more about
Barclays Professional Services
bit.ly/barclaysps

Industry Analysis

Betting on big data

The analytic ideas behind the big data concept are an essential part of rethinking how valuable management information and financial data can be to the future of a law firm, says Dan Wales, legal business manager for BIPB Legal

Financial management has to start somewhere, and we can only make decisions and take action once the facts are made available and analysed to the fullest extent that they can be. To do this, firms leverage their biggest asset: data.

To be 'driven by data' is something that happens to us all, on a daily basis, in all walks of life – though that's often data driving us. But as we find ourselves in an era of 'big data' (by far one of those most overused and misunderstood buzzwords in recent years), it's no surprise to see many industries using data, both theirs and others, to gain market supremacy and a competitive advantage. How can law firms use their financial data to achieve that?

Legal businesses are no different to those other businesses, really, in data capability terms. But in comparison to, for example, banking, the prompt availability, accuracy, presentation and management of data – in this case, financial/management information – is still the subject of pain for many firms.

The fact is that the legal industry, bar a few firms, is at least five years behind the financial services or the insurance industries – some may say as much as eight years. The chances are that by the time business intelligence is fully mainstream in legal, and firms embrace true data management and dashboarding/reporting technology initiatives, many other industries will have moved on to 'artificial intelligence' and 'predictive analysis' – informing you of the most important issues and management information outcomes before they happen; a financial fortune teller.

Analytics equals profitability

Despite the lack of really good use of data in legal, for most firms we still see growth in revenue and profitability.

Adhering to HMRC and SRA rules may be a contributing factor, as they create a framework for the data you might need and they drive internal financial due diligence and auditing, but the major contributing factor is by far financial visibility and reporting, driven by transactional data from a practice management system – the workhorse of a law firm.

But if, in most firms, things are 'working', do we need to move with the big data trend and change what they can do with data?

Law firms are without doubt profitable organisations, but the opportunities to increase these margins are huge – across all departments, both legal and non-legal, again a vast number of key performance indicators (KPIs). When asked about the attraction of business intelligence and reporting, a phrase I have heard on many occasions is: "Excel suits us just fine." But does it?

The fact it may take a team of accountants three weeks to prepare a set of management accounts each month, which, when delivered (most often manually) are already out of date and too late to act upon, is quite simply absurd, especially given where technology is today. Yet this appears to happen in many law firms.

The process can be streamlined and automated, and instant access to complex yet structured results and financial visibility – in the office or on the road, distributed around a firm, to multiple locations and departments – can be made available as a result. This creates a data-driven accounting resource, which can be used for strategic accounting and data analysis.

That's just one example of the benefits of going 'beyond Excel', but it's one that can effect big change in law firms' processes and ultimately profitability. And if your financial experts are available to think and advise rather than just 'do', is that not a far better use of their and the firm's time?

Leveraging the power of data

All this rests on several pillars, starting with ensuring that data is accurate within master source repositories. Leveraging the value of that data is where the real power is. Collaborating on data across sources, merging and massaging the information, storing a history and warehousing this asset is just the first valuable phase.

Once data integration and cleansing has been completed, the fun stuff begins, such as the ability for information to be made available in real time, accessible on a self-service basis, to a magnitude of users in a variety of roles along with embedded security.

Then there's data analytics, reporting and visualisation. Interactive visual dashboards that entice users to 'want' to digest data and financials is the objective – simple yet transparent presentation, and the ability to drill into detail should all be available, providing the 'why' behind measures and facts.

We believe in being 'driven by data', leveraging your most valuable asset with technology to deliver solutions that enable end-user simplicity, self-service and, most importantly, an engaging visual representation of data.

Data analytics, big data, business intelligence and reporting – to me, these are all part of the same theme. Do you have a strategy for this yet? If you don't, your competition probably have – and therefore they are one step ahead of you. That 'competitive advantage' has already begun.

Learn more about
BIPB Legal
www.bipb.com

Industry Analysis

Why are firms leaving AP out in the cold?

Stop profitability leakage in accounts payable and international payments by transforming processes, says Anthony F Loiacono, president of sales and marketing at Global Exchange Group

Finance is one of the areas of legal business that benefits most from business process management (BPM), but the accounts payable and international payments areas are often left out of streamlining projects. Efficiency gains and cash flow improvement are among the easiest and most immediate to attain in AP and international payments – so why is AP last on the list?

BPM and workflow tools are designed to drive up efficiency and reduce profitability leakage by focusing on the automation of work and efficient presentation of resources and reporting. AP/international payments have often been viewed as a purely reactive clerical and transaction-oriented process – which may have mistakenly put them outside a process management initiative. Moreover, engaging an international exchange provider is often considered low priority, which also pulls it out of any process improvement journey.

Firms tend to rely on existing bank relationships, which means mandatory depository requirements, fees, purchasing currency as a hedging mechanism, and secondary exchange providers. The benefit of working directly with a bank is security – but that security comes with a price. And that security doesn't improve processes, because firms are still left with the job of manually processing information, keeping up with minimum balances, and making sure financials get entered into the billing system.

Today's rapidly growing international legal market has created a rich climate for increasing firm revenue and global reach. But it also taxes internal resources that already have too many projects and too little time.

The best law firms (in finance terms) automate their way to brilliance.

In April 2010, APQC, a resource for business benchmarking, in conjunction with

International Accounts Payable Professionals and PRGX, conducted a survey on links between business performance, accounts payable practices, and organisational demographics. The study confirmed that 'top performers' automate central processes by 'using multiple methods to process invoices', and that these organisations performed more efficiently as a result.

The road to becoming a top performer lies in leveraging the firms banking relationships with BPM technology and built-in workflow tools. Such an approach increases efficiency by taking advantage of competitive exchange rates, processing directly from international invoices, streamlining workflow through an integrated data exchange, maintaining a secure environment, and handling the entire international accounts payable process from start to finish.

BPM/workflow integrates the full process into a single step that automatically processes invoices, with controls to eliminate duplicates when submitting invoices in multiple formats. A dedicated service provider sorts, processes and stores each invoice while extracting data fields as needed for the financial and billing systems.

BPM can also help hugely with reporting (a particular issue for those in finance charged with the COFA role). Many firms scramble to get financial reports together, adding yet another burden to AP. BPM tools provide reporting as an added feature, so that reports can be easily available online, delivered in spreadsheets, included in month-end packages or integrated into the billing system.

So, BPM tools and an international payment provider will save time and money and introduce new efficiencies for AP. As the process is simplified, the average time per payment is shortened, improving cash flow. What about the international exchange advantages of an international payments provider?

International exchange rates are volatile, and a secure international payment provider can lock-in rates in advance of payment. This means you'll know the precise converted cost of the international payable, so you can bill the client the right currency amount – eliminating re-billing, exchange losses, or late vendor payments, when rates fluctuate. Payment is received faster and less time is spent on administration.

But you need a plan to go down this road. Make sure you work with a secure and experienced international payment provider. Do due diligence on the range of services offered, and know which can be customised for your firm. Consider your current processes to determine potential efficiency gains and the savings potential of BPM. Assess the cost of wire transfers, ancillary services and minimum requirements to use bank services. Keep in mind that international transactions begin and end with a bank.

A good international payment provider will be able to transition you to their system in less than a day. Ongoing support and a customised single point of access to upload data and view dashboards should be available. An ideal relationship includes no transition fees, annual fees or exclusive, long-term contracts.

The AP/international payments process offers one of the best opportunities for an immediate impact on the firm's cash cycle. Instead of being an afterthought, it should be at the top of the priority list when applying BPM tools and workflow solutions to your firm.

Find out more about
Global Exchange
www.globalexchangegroup.co.uk

This issue of Briefing was sponsored by

THOMSON REUTERS
ELITE™

LSN's **networkpartners** are:

ABBYY, access, Accesspoint, Ad Coelum Technology, Aderant, Advanced, altodigital, ambition, aps Accountable Technology, Archive Document Data Storage, Aurum Solutions, balance recruitment, bigHand, bluecar, BPB Legal, BPP Law School, broadbean technology, Canon, career legal, Carter Murray, casewise, Charles Street Solutions, Clio, Compliance Manager, COMXO, conscious solutions, copitrak, copyrite, Dallas Consulting, Deltek, Dictate Now, Document Direct, DPS Software, dsf consulting, D&B, DWReporting, e-know.net, Eclipse, econocom, enable, Expense Reduction Analysts, G3 comms, Harborough House Consulting, HAYS, HuronLegal, ICBI, iflm, Innovation Software, InsideLegal.com, intapp, inTechnology, ILTA, iphelion, Jellyfish Legal, KCOM, Kellerton, Kintish, LAC Group, LawSupport, leightontaylor, LexisNexis, LineTime, Lockton, LSSA, maverick, MiniSoft, MITIE, moneypenny, MPF, netdocuments, NiKec, OchreSoft, OMNIA, omtool, OpenText, Oyez, phoenix, plan-net, Recommind, Rekoop, resources group, saturn, seamless, Smith & Henderson, SOS, Tata Consultancy Services, Thomson Reuters Elite, Thomson Reuters, tikit, Timeslice, total, Totum, Tower, Virtual Practices, winscribe, winzest consulting, workday, Workshare, WU Business Solutions, Xref, zoemartin consulting

Advertise in Briefing

Briefing gives you brand visibility and an authentic voice in the legal sector.

We don't just place advertorial in **Briefing** – we work with sponsors to edit, refine and reinvent their stories to make them relevant and useful to **Briefing** readers. Otherwise, why should they read them? Find out why many others have come back to **Briefing** time and again by contacting LSN.

Contact Matthew at Briefing on 0870 112 5058 or at matthewa@lsn.co.uk

Get connected to your community

LinkedIn

Join LSN's main LinkedIn group to discuss challenges, solutions and plain old gossip about legal business services
http://bit.ly/wfeTp3

Legal Practice Management – for everyone in practice management in SME law firms
http://bit.ly/AxRneS

Law Firm Outsourcing – does what it says on the tin. For everyone interested in LPO/BPO
linkd.in/lawfirmoutsourcing

Tablet Legal Users – are tablets the future for legal IT? Find out here
http://bit.ly/wJpbcw

twitter @lsn_team

Who we are...

Briefing is published by Legal Support Network, the only media and events business focused on every legal business services role

Rupert White is editor of **Briefing** magazine and head of content and community for Legal Support Network
rupertw@lsn.co.uk

Declan Tan is **Briefing**'s assistant editor, responsible for word wrangling, fact checking and tea duty
declant@lsn.co.uk

James Callard is LSN's head of corporate partnerships – contact him about recruitment advertising
jamesc@lsn.co.uk

Matthew Armstrong is LSN's sales guru – contact him for **Briefing** advertising and commercial enquiries
matthewa@lsn.co.uk

RETURN TO THE INDEX