Briefing

SMARTER LEGAL BUSINESS MANAGEMENT

MONEY BUSINESS

Top 100 finance leaders on the levers they're pulling to make legal business a lot more efficient

Aderant Spotlight + MatterWorks =Profitability & Competitive Advantage

Does Your Firm Have the Right Formula?

We all know that clients are now demanding law firms to offer more competitive pricing structures. A rigorous procurement process means that clients are also looking at what technology firms are using to manage their business operations and case work in order to ensure first rate service for the right price.

Aderant provides industry leading Matter Management and Business Intelligence (BI) technology that combine to produce powerful and actionable, real-time data, allowing your firm to make rapid and better informed strategic decisions to mitigate risk, enhance performance, and increase your competitive advantage.

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The Aderant Spotlight Analytics BI and Expert MatterWorks formula:

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- Track matter life cycle to report actual revenues and costs vs. budget
- Access real-time firm data allowing the timely identification and resolution of business critical risks
- Increase your understanding of key business drivers and enable quicker response to changing market conditions
- Compare the effectiveness of your fee earners and review your business developments strategies
- Improve visibility into operating costs and other factors affecting profitability

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Profitable paths

It doesn't get much more fundamental to business than finance management – and so it's high time **Briefing** took another deep dive into this function.

Of course, the fundamentals of the discipline don't really change – good financial hygiene means forecasting accurately and getting the bills paid in a timely fashion ... preferably in full. Meanhile 'cash is king' is a perennial management cliché that may provoke a few eye rolls for very good reason.

Making a decent profit is also usually pretty high on a finance chief's priority list – and you may predict that law firms shouldn't fare too badly here. But this is one bit of the job that has definitely got tougher. A tipping point in client objection to the billable hour fused with global financial meltdown to create a new world of alternative fee arrangements for price-setting partners to get their heads around. It's fair to say some have done rather better at that than others. Finance leaders have also had to take a lead on matters like education in pricing and negotiation – or find another expert who can do that for them and successfully bed them into the distinctive law firm culture.

Technology might help here, of course – there are pricing tools on the market, and it's not unheard of for a law firm to be creative enough to come up with one of their own. But this brings us to another challenge – as IT proliferates, the finance function needs to decide what's worth investing in, buying or building, and how. They also need to oversee how well any new and existing systems are integrated to produce the data necessary (itself up for debate) to back up their case for more price-sensitive behaviour.

Will navigating post-Brexit business fundamentally change how finance needs to behave? It's difficult to say more than what we're routinely told about Brexit in general – it's too early to say – but we can certainly say that further uncertainty looks likely. Storm approaching or otherwise, it's time for any finance leaders with heads still buried in the bunks of the back office to come up on deck to take charge.

RICHARD BRENT EDITOR

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FEATURE

The fine art of finance

It's time for firms to focus on an uncertain future once more. From pricing to reporting, that calls for some serious finance management power

Words by Kayli Olson

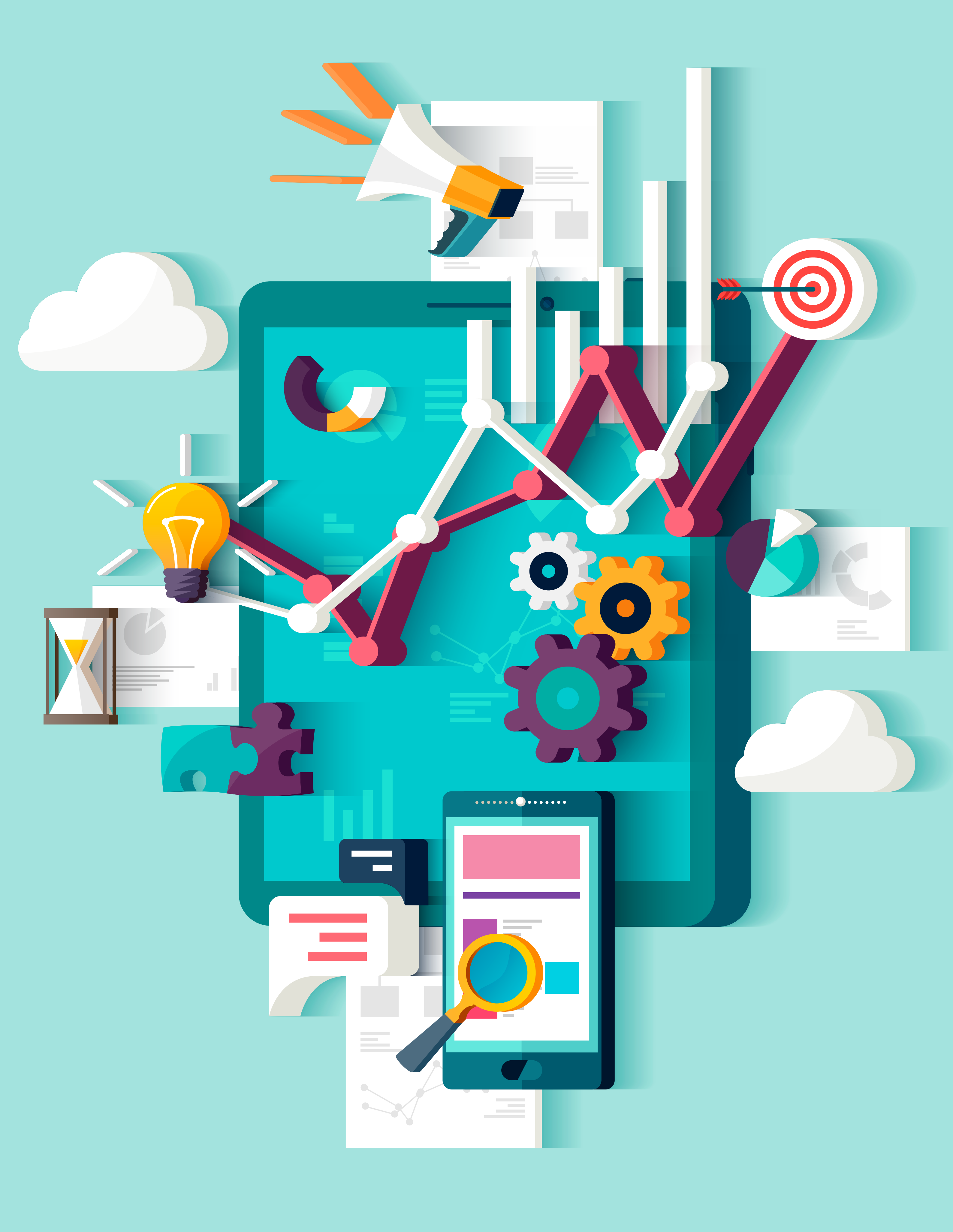
Out of the frying pan and into the fire, as they say? As we leave one recession behind, another rocky road looks likely. In addition to the day job, the world of law firm finance must focus attention on staying adaptable to whatever's coming its way.

But quite aside from any tension surrounding the uncertainty of our post-referendum future, law firm finance management should also stay flexible if they want to perform well against new competition offering clients all manner of alternative value propositions.

They seem only too aware. **Briefing** has found firms are definitely investing more in their finance expertise through specialised roles such as heads of pricing and full-time treasurers, not to mention acquisition of the latest technologies to make the work of these hires – and those they're working with – as efficient as possible.

Data displays

Firms remain under pressure – applied since the last recession – from their clients to deliver 'more for less' – and if they're agreed on one thing, it's that they need to better harness technology. It's important to invest in new systems and ways of working, say finance leaders.



"It's important to have a holistic approach to finance management."

Tony Cannon, finance director, Weightmans

More solutions are being adopted to save time and money. For example, firms are automating payment systems and account reconciliation, using more real-time information, and managing their data analytics in more innovative ways.

"There's going to be a move from finance systems and people simply reporting to providing insight. Data analytics is going to continue to influence how all businesses are funding growth, but especially in the legal field," says BLM's finance director, Mark Blakemore.

And the necessary marriage of finance and IT is something with which BLM is very familiar. "We have a tool called BLM Insight, which provides data analytics for our customer base, and now we've started using that more internally," says Blakemore.

"Data quality and integrity are increasingly important, and will play a bigger role in the value-add."

Chris Stefani, chief financial officer, DWF

"We use the tool so we can identify opportunities for operational improvement. And that then feeds back into training in terms of how we manage cases, and where we manage them from. And we can also share that data with our customer base to assist them and improve performance."

Finance functions should explore their processes and communication to look for ways of improving predicatbility of workflow and its management, he says.

DWF's chief financial officer, Chris Stefani agrees: "Data quality and integrity are increasingly important, and will play a bigger role in the value-add that a professional services finance function can bring to the business. Modern trends around automation and more agile finance, for example, are all predicated on having good quality, comprehensive data."

Sticking with tradition?

The finance function is no longer just about looking at and delivering "the numbers" Stefani adds. Giving real-time management information straight to fee earners, through automation and predictive analytics, is increasingly relevant in the finance management world thanks to

tools that simplify processes and provide flexibility and support.

Typical law firm management remains traditional, but there is evidence of a greater appetite to try new things. For example, finance leaders are also participating in decisions about new ways of organising the firm, or structuring and resourcing the business.

There's a certain desire to differentiate firms from the vast amount of competition which confronts them – and one topic of intrigue in recent years has been the possible rise of alternative business structures.

It's in the nature of most law firm partnerships not to want to surrender an element of control, says Tony Cannon, finance director at Weightmans.

"Unless there's a burning need for a lot of investment capital which can be funded neither by a capital injection from partners, nor from your bankers, the ABS route isn't attractive.

"There certainly isn't as much uptake as everyone expected when they first launched," he adds. "UsingABSs to access capital isn't something for everyone."

DWF's Stefani adds: "We haven't yet decided there's an alternative structure that would better suit our needs. However, they're under constant review as we develop and grow as a business."

Firms need an adaptable approach to all manner of finance management decisions. "We realise in this business that one size doesn't fit all," says BLM's Blakemore. "For example, we set separate targets around chargeable time, recovery rates, lockup, and working turnover. They all vary depending on the type of business or the service we're providing."

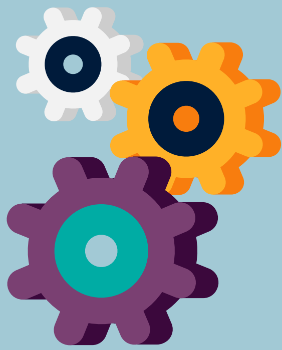
The price is right

Pricing decisions are some of the most fundamental elements to running a profitable firm. And with the push from clients to move from billable hours to fixed rates, among other arrangements, new pricing challenges are making

"Data analytics is going to continue to influence how businesses are funding growth, but especially in the legal field."

Mark Blakemore, finance director, BLM

A RECIPE FOR SUCCESSFUL PRICING?



Mark Blakemore, finance director at BLM, offers a clear step-by-step pricing process.
"We have a strict process geared around three principal factors," he says. They are:

1. Size of the business opportunity
2. Gross margin generated from that opportunity
3. Strategic fit – "is it appropriate for us?"

"If work is outside the norm, or if we're not going to hit a certain margin, or if the value is bigger than a certain sum, there's an escalation process," he says.

Any invitation or referral from a client first hits the business stream leader – the head of that division. They will consult with the partner(s) who would undertake that work and make a decision whether to accept it, and at what price to achieve an agreed margin.

"It's a very clear structure. If anything needs escalating, it goes to the managing partner and myself to determine whether or not it gets signed off."

themselves known.

"It's important to have a holistic approach to finance management. You need to do more than just give your fee earners their targets and expect them to deliver," says Cannon.

Weightmans has finance inductions for everyone, from trainees to partners, he says, as well as ongoing finance training, to explain "the bigger picture" and get at the "hearts and minds" of all staff, he says. "We need to demonstrate how achieving targets impacts on the firm as a whole. If they understand the link between reaching targets and firm profit, we're more likely to get better results."

> "We need to demonstrate how achieving targets impacts on the firm as a whole."
>
> *Tony Cannon, finance director, Weightmans*

Firms are also focusing on achieving greater harmony between partner desire for profit and client expectation of value. Clients demand consistent quality as well as a low price, of course, but nevertheless at the top of the profession reverse auctions are growing ever more popular.

Cannon elaborates: "We're very careful when it comes to pricing. We've had to deal with quite a few client reverse auctions recently, and we have a very disciplined approach.

"We set our absolute minimum rates before we go into that scenario. It's like jumping over the cliff otherwise," he says.

"It does require discipline because it's tempting just to want the work – but obviously there have to be financial limits."

DWF has both a bid team and pricing support team to ensure partners have all the resources needed to scope and price their individual deals appropriately, Stefani adds.

Who's on board?

So, the pricing process comes with a whole bundle of things to consider, from client wishes to partner assist and how the firm can possibly deliver to that price. Leaders rightly recommend a clear

BACK WITH THE BANKS

The heads of professional and legal services at Barclays, HSBC, and the Royal Bank of Scotland weigh in on the financial behaviour of UK top 100 law firms

It's still too early to draw any conclusions on Brexit, says pretty much everyone **Briefing** has spoken to. What is clear is that there will be change and firms need to stay flexible.

At the top of of the financial risk agenda is lock-up management and foreign exchange risk. "A fundamental problem continues to be lock-up management, which shows deteriorating trends. As lock-up is extended, it creates a working capital challenge because cash isn't being generated as quickly," says James Tsolakis, head of legal services at the Royal Bank of Scotland.

Those in the top 50 who have international exposure will particularly be feeling the weakness of sterling in this environment and increased risk in the foreign exchange market.

Head of professional services at Barclays, Andrea Delay, says: "Firms still need to be properly capitalised, focus on profit margins and cash, and make sure they have the appropriate funding in place – usually a mix of partner capital and bank facilities. And they need to look at their treasury policies for foreign exchange and interest rate risk management."

There has been a lot of volatility in the markets following the events of June. Simon Adcock, HSBC's head of professional services, says for the majority of firms it's business as usual, but following the referendum decision, firms are taking a closer look at investment priorities.

Tsolakis agrees: "Firms are challenging the amount of their fee earner capacity and whether it is in the right place with regards to potential changes in the type of work they expect to do and volume of instructions the market will offer. Questions firms ask include: 'Do we have the right people and the right legal skills? What is the outlook for demand for legal services? Are we over-resourced to deliver good financial performance in the post-Brexit environment?'"

"Firms still need to be properly capitalised … and make sure they have the appropriate funding in place."

Andrea Delay, head of professional services, Barclays

The culture at the top in the legal profession is quite conservative, but with recent events firms are revisiting their access and short term liquidity – clearly it's important to have adequate facilities in place.

Delay says: "Some are reforecasting their budgets after Brexit, and it is very possible some will be refinancing sooner than they might have done if Brexit hadn't happened." Firms have understandably taken a more cautious view, and are considering facilities with longer maturity and whether they should take additional debt and lock in current rates and pricing, she says.

Adcock says that firms should routinely review their banking partners and internal practices to ensure they capitalise on the treasury technology available. They can often make significant cost savings through process automation, and better mitigate risks of internal and third-party fraud.

"All firms are unique in their requirements, and to improve visibility and control of cash globally, and make efficient use of their liquidity, it's important their banking partner can tailor a solution aligned to the specific needs of the firm," he says.

"There has to be a continual focus on coaching and education around financial matters."

Chris Stefani, chief financial officer, DWF

strategy to ensure smooth sailing.

Meanwhile, the legal sector is seeing broader trends in firms hiring chief financial officers and chief operating officers out of other industries. Some have also hired non-executive directors to sit on their boards.

People from outside the industry come with an arguably fresher perspective, and very possibly more awareness of matters such as corporate governance practices. Effectively diversifying the practice, new people bring new insight, which can generate ideas and solutions that are valuable when up against both competition and satisfying client needs.

"The operations board meets every month to discussion financial matters, which are then cascaded down to partners and their teams," adds Blakemore.

BLM says it has a particularly successful approach when it comes to moving discussions across the firm. "We have a regular publication, Keeping You Posted, offered to employees to supply them with more financial information in terms of turnover, budget, successful business streams and cash flow," he says.

DWF's Stefani adds: "There has to be a continual focus on coaching and education around financial matters. Lawyers, accountants, tax advisers or strategy consultants, fee earners may be very talented technicians in their chosen areas of expertise, but they may not have had the need or opportunity to become 'numbers savvy' when it comes to considering the commerciality of a deal."

So with the right reprocessing, consistent communication and flexibility to change their approach as necessary, can firms stay financially balanced, whatever follows Brexit?

Cannon at Weightmans has the last word – which, perhaps surprisingly, is an exhortation to forget about at least some of the new complexity, at least some of the time.

"One thing's for sure – firms should never ignore the basics," he says. "Get your cash flow, time recording and billing correct, and everything else will follow suit."

"We have a regular publication, Keeping You Posted, offered to employees to supply them with more financial information."

Mark Blakemore,

finance director, BLM

INDUSTRY INTERVIEW

Financing the future

Law firms need to learn from their clients and demand more flexible ways to operate, says Econocom's Chris Labrey

The so-called 'sharing economy' appears to be on the rise, as consumers decide they would rather access a service efficiently than pay more for something they don't even own anyway. And where consumers go, businesses will surely follow.

But what about law firms? While a few collaborative moves on the resourcing front make headlines (DLA Piper working with the freelance lawyers of LOD, for example), these are not businesses that typically jump at the chance to share what they know, either with peers or the outside world. Partners are business owners, and they value ownership.

That's an attitude that may prevent them from choosing more flexible ways of financing the expensive physical and digital kit they need to remain competitive, says Econocom UK managing director Chris Labrey.

"Companies in other sectors are eager to match the cost of a digital investment much more closely to the business process that consumes it. It's almost a fundamental principle of their cash management, and the wise business knows that cash is king.

"On top of that, the digital world evolves faster as time passes. Investments grow over time as business expands, but their cycle times shrink. The next system simply won't last as long – and legal businesses need to realise that when they plan for the future."

Find out more. Visit www.econocom.co.uk

Business of spreading

This reality of a workplace ever more dependent on digital technology may be more difficult to adapt to for law than many other sectors. Most likely delaying decisions, continually catching up with WIP and drawing down profits each year, the owners of a traditional legal business risk being left further and further behind. After all, of the 80% of UK firms that describe digital strategy as truly "critical", fewer than a quarter have turned that awareness into operational reality (according to the PwC UK laws firms survey 2015).

There's a touch of irony in this fact. "Firms today say they are happy to embrace more flexibility to improve the client experience," says Labrey. "Alternative pricing arrangements can include factors such as shared risk or temporary resource. But when it comes to investments in the business they own, the burden of historic culture and processes frequently results in responsiveness getting stifled."

This simply isn't the case elsewhere, he explains. Repayments for a big purchase can reflect how busy a business is, or other local circumstances.

"For example, a global oil company is able to anchor the rentals for a digital project to an external variable" (in this case, of course, the oil price). "If the price drops, so do the rentals, and the amortisation takes a little longer."

"Retailers can choose to opt out of rentals

PHOTO CREDIT: JONATHAN GOLDBERG

Above: Chris Labrey, UK managing director, Econocom

altogether when stocking up in the autumn. They then pay double in December and January – which is fine because they've got the cash from Christmas." Others enjoy a price per transaction model across various points of sale, or payment per square metre of shop floor to provide a balance across the estate.

Something similar could be applied to legal business, with a price for IT per matter (or even billable hour), suggests Labrey. "Some already have payment holidays when tax or insurance bills are due. A high-volume firm may well prefer a price-per-matter arrangement. If the firm's busy, it pays off the project investment sooner, and saves in interest costs."

User disadvantage

Pay-per-use as a model becomes even more compelling when you consider that law firms often struggle to persuade busy lawyers to use what they buy as it's meant to be used. What was a hard-won strategic investment becomes the dreaded 'shelfware'.

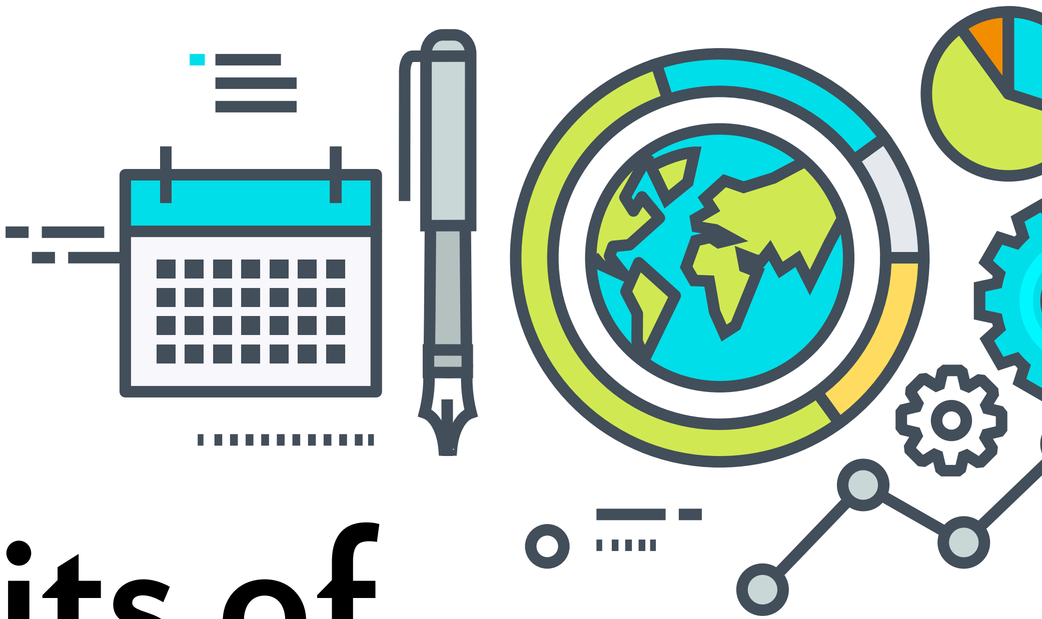
For example, Labrey cites one study (Ackert Advisory, 2015) which found that while 70% of firms have a client relationship management system, a mere 7.3% of those businesses are confident they're getting the most out of it with strong usage statistics. And partner reluctance to invest or change historic business processes is reinforced, as they can see – and say – something is literally "a waste of money."

"Large software projects are the perfect partner for a more flexible payment plan," says Labrey. "That might be a practice management or CRM system, but it could equally be a firm-wide replacement of mobile devices.

"The bottom line is to achieve a well-managed, integrated, and above all strongly adopted back-office system to help firms be even more responsive to the clients paying the bills. Matching the huge cost of that more closely to the benefit it finally brings can be helpful when challenging resistance to the change."

The new competitors for traditional top 100 firms, less encumbered with legacy systems and behaviours, are certainly thinking this way, he says.

"Unlike many firms, they know that finance isn't a topic to be avoided or a sign of weakness – it's a sign of a company that is serious about moving forward."



INDUSTRY CASE STUDY

Benefits of experience

Bird & Bird is building more consistent profitability, with software from Aderant key to many pieces of the puzzle, says Peter Wallbank

The financial crisis was a wake-up call for everyone in business, but the financial management function in legal has perhaps had even more lessons to learn than most.

First, firms had to accept that the people paying them were now calling the shots on price. "Before the crisis, clients would still generally pay a quoted rate," says Peter Wallbank, international commercial accounting manager at Bird & Bird. "There was some fixed fee work, of course, but the expectation was probably that an issued bill would still go unquestioned."

Firms now had to satisfy clients not only with the quality of service, but also with the financial arrangement. Law firms needed to design, understand and manage a range of alternative fee models.

Better estimation

But simply satisfying more demanding clients wasn't enough to do a good job. Another lesson would be to manage that transition profitably. "Firms had to switch focus from simple matter discounting to calculating their overall margins," says Wallbank. That meant exploring the full range of levers that could influence profitability to stay competitive – from combinations of expertise and experience levels, to how people were working and even where in the world the work was done. Being more flexible about the way work happened could change the price the client would pay.

As a firm with great investment in an international network, this would perhaps play to Bird & Bird's strong suit. But partners still had to fully appreciate profitability in their day-to-day practice, and then change their behaviour accordingly. Structure was needed.

It makes sense, therefore, that Bird & Bird invested time and energy in Aderant's product innovation committee (PIC) of firms feeding the design of its matter planning software MatterWorks – which produces pricing estimates from disparate pools of data. The tool was enhanced, in 2015, with features such as group portfolio pricing, success and bonus fee values, and margin percentage and profit per partner hour metrics – the same year it helped Bird & Bird win a Managing Partners Forum management excellence award for best use of systems and technology.

"Lots of firms hold lots of data, but many are in their relative infancy when it comes to using it to find ways to improve," says Wallbank. "MatterWorks simplifies that process. Not only are you helped to reach an individual price to meet

profitability goals, but with all calculations saved, you can quickly compare today's pricing report to previous ones." Effective lessons are learned from matter history.

Backing tracking

Wallbank arrived at Bird & Bird to help drive as much value as possible out of the investment. He demonstrates the benefits to drive buy-in, for example, and ultimately – although partners use the tool under their own steam – seeks to create pricing consistency. After a trial in London he has gradually rolled MatterWorks out globally, but a key responsibility has been to develop some fairly firm policy around how it's used.

One phase, for example was to require all matters worth more than a certain sum to be mandatorily measured up for profitability. But he has since also focused attention on supporting partners to pick the tool up as part of day-to-day working. Every market isn't as advanced down the AFA path, and there are cultural differences to consider, as well as the inevitable resistance to change in general, he says.

Bird & Bird therefore has local MatterWorks champions in each jurisdiction. Wallbank arranged to video-interview partners who were the earliest adopters to make his case more convincing – and having built acceptance of the principles, he says the next phase will be to use more legal project management discipline to scale up value on the delivery side.

"A potential pitfall is that lawyers happily use the technology, negotiate the price successfully, but then assume the job's done and may fail to work to the agreed model," he says. Either the outcome may still end up unprofitable, or an agreed estimate could be blown past, resulting in the client being just as unhappy as if they were paying more in the first place.

Find out more.
Visit: www.aderant.com

> "Lots of firms hold lots of data, but many are in their relative infancy when it comes to using it to find ways to improve."
>
> Peter Wallbank, international commercial accounting manager, Bird & Bird

Ideally project management will prevent that – but the matter may also need further negotiation. "If scope creeps, partners need the ability to differentiate between when it's truly necessary to 'take the hit', and when an early, open and honest conversation could get things back on track."

MatterWorks can assist at this end of the deal as well, once again using past experience to get a clearer idea of why one matter isn't quite going as planned. The ability to use phase and task codes to track progress against budgets is especially useful, says Wallbank – and client conversations can be made even more transparent with bespoke reporting.

Closer international collaboration might then nudge something into "borderline profitable," says Wallbank. More extremely, if the numbers really don't work, and patterns emerge, entire client relationships may need re-evaluation. "That's the biggest challenge because, of course, partners pride themselves on bringing a personal book of business," says Wallbank.

Fortunately, the firm has also explored strategic incentivising of workload collaboration, client knowledge sharing and cross-selling. Together with MatterWorks, it's all designed to keep the really profitable clients that much closer.

INDUSTRY ANALYSIS

Key changes

Creating a complete and accurate view of complex legal business costs is demanding much more of today's data systems, says Barry Talbot at Informance

Management of business data is becoming a necessary function for all organisations.

Old-style, flat reports – a sea of columns of figures – are fast becoming a thing of the past because they don't help decision-makers make the right decisions at the right time, and they don't provide insight into what the data is saying. It is a fact that decision-making windows have shrunk in recent years. Most senior executives now need to make decisions in minutes, rather than weeks.

Modern business-discovery platforms should be very good at doing the number crunching needed when management wants a handle on what financial key performance indicators are telling them. Business intelligence platforms must react quicker, and data needs to be refreshed daily – in some cases multiple times a day, particularly at month end. The simpler the back-end architecture, the quicker these results can be disseminated to those in the organisation that need to make the decisions.

And technology for data-discovery platforms is changing. The greater the need to analyse yesterday's data becomes, the greater the pressure on technical people to ensure this is achieved in a timely manner, resulting in an ever-growing search for clever technical solutions.

A modern data discovery platform will enable you to move beyond the complexity of cost allocations.

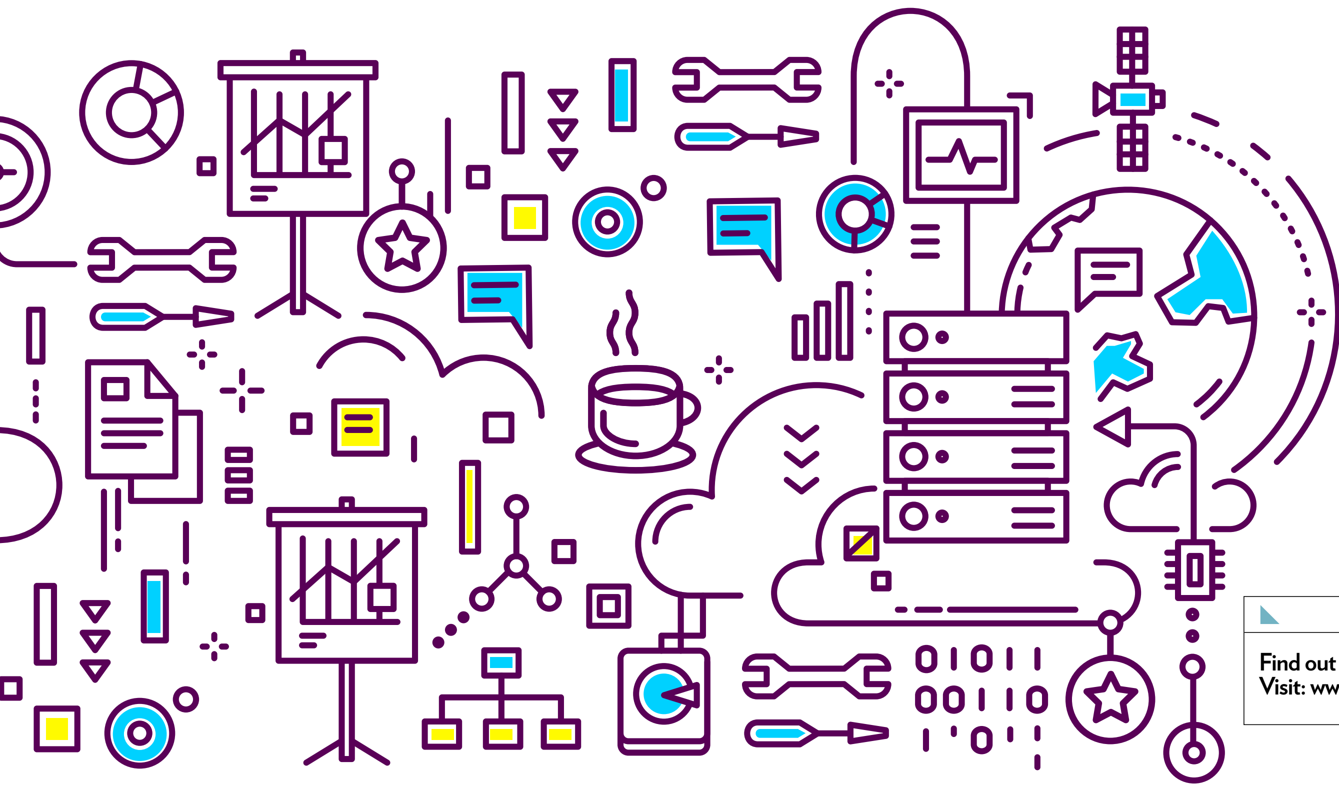
It would be nice to think that most data discovery platforms are now capable of a lot more than simply adding columns and producing a number at the end of the day. Gartner's 2016 'magic quadrant' for business intelligence systems has only three vendors in the leaders' quadrant, which might beg the question about the ability of other vendors to take advantage of a big trend in data visualisation. The change in what Gartner sees in respect to BI platforms is down to the growing need for users to be able to engage with the data themselves, with little or no direct support from those who govern the firm's data.

Easier for everyone

Informance has worked with a number of law firms that see the benefit of financial KPIs updated multiple times daily and at month end.

The main financial KPIs firms should be monitoring regularly are 'lock up' (WIP and debt), time recorded, billing, utilisation, realisation and cash collected. The benefit of having these 'always on' is that partners and fee earners gain a really good understanding of how finance works. Finance departments have explained how much time can be saved when they don't need to explain why a KPI is below target. However, management of these KPIs is expected, so having them in a format that makes business sense makes the dashboard experience easier for all concerned.

Once these 'standard' KPIs are in place and working, the next big step is examining profitability at matter and client level. When we talk about profitability here, we mean at a fully



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absorbed level – where all direct and indirect costs must be allocated via a cost model to the matter and/or client.

A modern data-discovery platform will enable you to move beyond the complexity of cost allocations. Once these allocation rules have been set, they are cast in concrete. They should only be changed if a cost allocation issue then materialises. The work that goes into setting this up may be considered onerous, but once it's done, it's done. The rules can then apply for many years to come, and everyone who needs to understand profitability will gain a lot more insight into what needs to be done to improve it. In addition, while the objective is to produce profitability at matter and client level, the data model that sits behind this contains the firm's full reporting hierarchy (partners, departments, teams and so on.) That means profitability at any level can be addressed.

Clarifying costs

Customers in other sectors must think carefully about how they should allocate costs in order to achieve profitability at customer or product level. Some direct costs, like transport and distribution, need to go through a process before they can be allocated effectively to achieve the desired result. This may require a high level of complexity to achieve the desired result, and having a data-discovery platform that can work with large data sets very quickly gives the business a high level of confidence that the numbers are accurate. This is based on using an estimate at the beginning of the month and then reverting to 'actuals' at the end – and this must be done during the month end close so as to use the 'correct' actuals. The technology behind the data-discovery platform is what enables this process.

At the heart of cost allocation in any law firm are the fee earners themselves – however, how you allocate indirect costs to achieve the required results is very important. You must look at allocating costs at fee earner level, no matter where in the hierarchy they are, and individuals should attract the same cost for the allocation model to produce the right results. For example, allocating office rental costs down to fee earner level can be based on the floor space consumed by the team or department they work in, divided by the number of fee earners in that team, to reduce costs down to an individual level. This may be applied to all costs, including the support departments – finance, IT and HR.

The system should also provide the ability to do variance analysis to highlight what is causing the negative variances that will inevitably be exposed. Again, however, this needs to be done in near-real time to be able to take the right corrective action to prevent problems perpetuating.

We envisage that more and more law firms will be looking at this type of solution, even if it is to augment an already dated delivery system for financial KPI reporting. This will no doubt provide impetus to take modern data discovery solutions more seriously, resulting in greatly improved firm profitability.

INDUSTRY ANALYSIS

Totally on time

Phil Wedgwood, vice-president, time practice, Intapp, says the time has come to appreciate all that time can do

Time recording has been one of the most active technologies within the legal sector over the past 18 months. Almost half of the UK top 200 and Am Law 200 have adopted specialist time-recording solutions.

But why? What are the factors driving this accelerating groundswell of firms switching away from existing PMS-based time functionality, or older standalone systems, to reinvent their time recording approach?

The answer is quite simple. At the sharp, decision-making end of an organisation, you have finance directors, managing partners and CEOs now focused far more on understanding the true cost of doing business. That requires getting a clear picture of service delivery costs, regardless of work type, which means gathering accurate time and activity data for everyone, all the time. It makes no difference whether that time is spent on client work (chargeable), business support activity (non-chargeable), or even on travel (chargeable or non-chargeable).

Input, output, outcomes

Without that breadth of data you can't conduct the level of analysis required to inform critical business activities accurately, including pricing, budgeting, resourcing, project management, business development and client management – which lead to productivity and profitability,

In other words, firms (and lawyers) really need to stop seeing timekeeping as a one-dimensional, administrative function of billing, and to start seeing it in a broader business context. Moreover, it's not just about the data you've collected – it's about everything you can do with that information.

It's that thinking that has led to a fundamental recasting of how we see time recording today. This can be split into:

- **Input:** The accurate, comprehensive, high velocity and compliant recording of all time – chargeable and non-chargeable – not just target hours.
- **Output:** Monitoring to support effective project management, and analysis to generate intelligence and inform decision-making.

• **Outcomes:** Leveraging analytical insights and using results to effect transformative change across the practice.

It's no longer enough simply to record fee earner time. However, nor does it stop at having real-time metrics to track progress against budget, or advanced analytics to drill down into performance and profitability. We have to go further, putting time data at the heart of the practice – into the business intelligence mix to help direct, enhance and shape today's legal practice. It's high-stakes stuff, which puts even more pressure on today's time-recording systems to deliver timely, accurate and comprehensive data sets in the first instance.

The right time mindset

The slight irony is that the technology per se isn't the big news. Innovative, accessible and cost-effective cloud-based solutions offer functionally rich, smart and intuitive applications that have transformed the appetite of fee earners for what was once a resented and poorly executed administrative task.

The majority of an individual's time can today be captured automatically and seamlessly. Improved data quality is only one result. Effort that once went into painful timesheet construction can now be expended, rather more satisfyingly, on delivering legal expertise.

Much better than getting hung up on the mechanics is to reappraise thinking around the whole fundamental question of time. That's why we've been encouraging firms to shift their mindset. Don't focus on time solely as a function of billing. Look beyond that tradition to better understand the currency of time. See how time relates to cost and how time and cost data can be leveraged in ways that have real value to the business.

There's a truism that 'you don't know what you don't know' – and that's true with time as well. In our experience working with customers adopting modern time management software, there are usually several 'a-ha' moments during initial rollout of the solution – and they follow fast. As the results come to the attention of firm management, and the stats and metrics started to be weighed up, you often see a whole new level of empowerment.

There's a feeling of much greater control through much improved knowledge. For example:

• Was the time budgeted for that matter on the money? Was the activity properly scoped in terms of time and the true effort required?
• Was that alternative fee arrangement based on fact or a 'finger in the air'? Did historic time/cost and task/phase data inform the project management approach on a similar piece of work?
• How many hours were spent in total on that complex merger, and how much was ultimately written off? Did timesheet entries honestly reflect actual time spent?
• Was the resourcing level – and respective input – appropriate for the charges levied, and the margin desired?
• How often did scope creep go unchecked and unaccounted for?
• Was the real-time visibility of matter progress vs budget a factor in an improved client relationship?
• How much time leached away from fee earners because of a lack of focused support or enabling systems?
• Did we actually make money – or did we put revenue before profit?

For more information, download the free Time Buyer's Handbook at www.intapp.com/time

Total time management

Law firms are making a huge step forward in gauging the true cost of their work, through better visibility into how time is spent and more granular data. In doing so, they can shape a more agile, competitive, client-centric and profit-conscious approach to the delivery, pricing and resourcing of services. And beyond that, better data is enabling firms to take a good hard look at themselves, and what's needed to optimise business success.

Those that have successfully shifted their mindset to adopt 'total time management' are no longer concerned with the daily routine of timesheet submission. Instead, they're focused almost exclusively on the transformational potential of better data and bolder thinking.

Whether it's innovating pricing models, re-engineering the fee earner ecosystems, developing advanced process engineering and project management, or supercharging client relationships, total time management has the power to drive change and, finally, unlock time's true worth.