

# Briefing

STRATEGIC INFORMATION

MARCH 2012

## *Interview*

### **David McLaughlin**

Simmons & Simmons' FD on using business intelligence to drive strategy, and the new COFA role

## *Feature*

### **Turning data into money**


How are the UK's cutting-edge firms using their management information to gain competitive edge?

## *Industry analysis*

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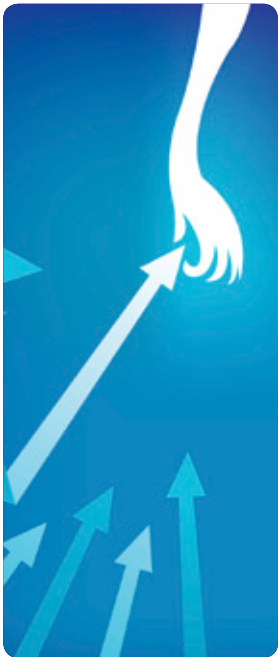


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# Double maths? Yes, please



**“Law firms are businesses – they just happen to do law.” That’s David McLaughlin of Simmons & Simmons in our interview this month, and we couldn’t agree more.**

That’s why law firms that are serious about competing must go beyond basic reporting and embrace business intelligence and

enterprise resource planning IT to turn today’s law firms into tomorrow’s market leaders.

He’s not alone – in our feature, we speak to finance leaders at A&O, Brodies, Shoosmiths, Farrer & Co and Pannone, as well as profitability guru Alan Hodgart, about how some firms are using data to make a step change in legal business.

Mind you, you’ve still got to make sure all the data that goes in is good – and that it goes in at all. So you might want to read the articles on or by our issue sponsors, [Elite](#) and [IntApp](#), about getting the data right and the right data in, as well as our other industry analysis, from [p21](#). Thanks for reading – we hope you like it.

**Rupert White, editor of Briefing**

## Interview: David McLaughlin at Simmons & Simmons



Rupert White talks to Simmons’ finance director about applying the rules of big business to legal, why enterprise resource planning is perfect for legal, and the new COFA role in finance

[jump to article](#)

page 5

## Feature: Turning information into money



Polly Botsford reports on firms using advanced information tools to get ahead of their rivals, and how get lawyers to actually use the analysis they have to do better business

[jump to article](#)

page 13

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We put some of the best finance roles in our new **Briefing** jobs page – including finance director and financial controller roles

[jump to article](#)

page 19

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# Industry analysis

In Briefing we bring you relevant industry analysis from some of the legal sector's leading voices.

**This month:** Briefing interviews issue sponsor Elite's Justin Farmer about why people need more usable business information; Eldean Ward from IntApp outlines why better time capture is part of better data collection; and how BI can help direct and deliver on firm strategy.

This month's interview with David McLaughlin at Simmons & Simmons was transcribed by:



## Interview: Intelligence gathering



Briefing talks to Justin Farmer at Elite about why business intelligence should deliver usable information into people's hands

[jump to article](#) **page 22**

## In search of lost time



Eldean Ward, VP for IntApp's revenue management practice, asks if your firm is throwing away time that could be turned into useful revenue

[jump to article](#) **page 24**

## Questions and answers



Business intelligence is becoming vital for delivering better legal business, says Martin MacDuff, MD of Redbrick Solutions

[jump to article](#) **page 27**

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Rupert White talks to Simmons & Simmons' finance director, David McLaughlin, about applying the rules of big business to legal, why enterprise resource planning IT is perfect for law firms, and the pros and cons of the new COFA role in finance

# Doing the knowledge

We write a lot about how law firms are businesses, and need to be run more like businesses. But to know why this is really important, you need an insight from someone who's been in business. You also need to know how the information tools of business, such as business intelligence, management information and reporting, can help law firms function as great businesses. And you need to see law as a business, not a secret guild that cannot change. That's why David McLaughlin is this month's Briefing interview.





David McLaughlin spent 10 years after graduating from Oxford working for audit firm Touche Ross – which would eventually become Deloitte. He then spent over five years with paper giant Wiggins Teape in the early 1990s, before his move into legal to Linklaters in 1997. He moved to Simmons & Simmons in 2005 as finance director, and he's now busy reformatting the firm to be even better at the kind of deep informational understanding that competitive businesses need.

McLaughlin, therefore, gets professional services – he's lived it on and off for decades – but he also gets business. And he gets why deep knowledge of the numbers matters.

"Law firms are businesses, they just happen to do law," he says. But to make this a business strategy, it has to come from the top, and firms need their committees and boards to have "good business focus", he stresses.

Something other sectors have relied on for years to deliver that kind of focus is the non-executive director. These can bring in valuable business advice, but in legal they're still few and far between. They are, however, essential in legal's climb into the world of big business, he says. Simmons has two non-execs on its board – "quite advanced", adds McLaughlin – which he says creates more balance. "It has always been very useful having the non-execs because you're not the only non-lawyer [on the board], and they have lots of experience."

Bringing in non-lawyer board members from outside the business is just part of the way firms can reform, he says, along with

promoting better gender and diversity balance. "It's critical you don't have, in any law firm, just 10 lawyers making up the board, for example."

But better business method also exists closer to home. While "finance is core to absolutely everything in a firm", McLaughlin says, HR should be one of the core board support roles, as could business development. But, he says, just because you are in a 'board position', it doesn't necessarily mean that you might be suited to it.

However, there's a steeply decreasing set of excuses to stay 'lawyer-only', he says. As market pressures act on the sector, law firms will likely shrink in numbers and grow in size. This must lead them to be run by a broader range of people, he says.

## Consolidated future

"The legal market hasn't consolidated in the way the accountants market did, but it could happen," he says – and, he adds, he "never thought it would happen", until he saw a presentation about how this very transformation has also happened to marketing companies. "I've always been a bit suspicious about [claims this would happen in legal], because lawyers really like their independence and don't like big organisations, [whereas] accountants seem to cope with it. But, if this transformation had happened to marketing companies – I thought, those guys are even more precious than lawyers, so if they can cope in a massive organisation without loss of identity, so can lawyers."

Times have changed – and many pressures are now forcing law firms to be much more business-like in the way they manage their resources and deliver their 'product'. We've written a lot about this in **Briefing**, especially how it's impacting on how firms price and



pitch for work.

But McLaughlin says these pressures are making some firms look in the wrong area for change, including throwing out the billable hour. Value billing isn't always the way, he says – value for money, however, is.

“What clients want, and what we and all law firms should be delivering, is value for money. And that's much more about matching the task to the skill set. I don't want to pay my audit partner hundreds of pounds an hour to do the bank reconciliation, [for example] – it is getting the work done at the right level.”

This is a long-standing legal business problem: if firms made their product in a better way, they wouldn't have to do a merry dance to sell it. “It's like building a car – you've got to know the cost of your production. You've got to know what work costs to do,” McLaughlin says.

## Resourcing: the real challenge

But flailing around with new pricing models without knowing whether they are good for you is even worse than just being unprofitable – it can be damaging and dangerous. The competitive pressures are now there to force firms to make good changes in staffing and resourcing, but they also create the backdrop for “unreasonable demands” on law firms with regards to pricing with some of their clients.

“I guess this probably happens in all markets where you've got too many providers – that some unreasonable demands are made,” he explains. “You get a lot of these pitches or auctions where a number of firms are probably pricing out below cost, maybe even just recovering salary to get work. As the buyer,

you can leverage that. And then, yes, you get some unreasonable demands, and possibly you get increased risk and not necessarily the right service for the client [as a result].”

It might be a surprise to hear an FD defend the billable hour, but McLaughlin isn't dyed in the wool legal so he's got a better perspective on it. “You get a lot of bashing of the billable hour. We can come up with any range of innovative solutions, [but] often clients will say they really like them but they have to compare



us with another firm – so we go back to the billable hour.”

It's more about who's doing the work than whether hourly billing is the right way to charge, McLaughlin says. “It's value for money, and some of that is about having the right people doing the work.”

But, he adds, “an awful lot of it is just basic project management” – which is a big reason Simmons has just turned a new page in legal IT by forging ahead with an enterprise resource planning (ERP) system, based on Microsoft Dynamics technology, by Avanade.

Way back in 2006, McLaughlin wrote in an essay in *FD Legal* magazine: “There is also a



perception that the core business processes we provide are completely specific to law firms, and cannot possibly be operated in the same way as other corporate businesses – these myths need to be broken.”

Has this happened in the intervening years? McLaughlin says ‘yes’, where he’s worked at least. Back in the day, he says, Linklaters operated “a very strange word processing system... on the grounds that you would never, ever want your client to be able to edit a document”. By the time he left in 2005, everyone in legal used Microsoft Word – for a very powerful reason.

“It’s just words, isn’t it? Your intellectual capacity goes into the ones that you choose. This counts the same for HR [departments], for example – lawyers may have different criteria to be appraised against, but you still go through the same processes. They still get hired, paid, promoted, appraised.”

## ERP belongs in legal

What Simmons is doing with Avanade and Microsoft Dynamics, he says, demonstrates that the firm has “very good acceptance that all of those business processes are really no different to any other business”. With an ERP system, the firm is going to turn those processes into a firm-wide system.

ERP systems do, in a way, what it says on the tin – they help businesses see into the fog of the resources that they’re using, making and expending. Personally, I’ve always thought that ERP systems are as well suited to legal as any other business. McLaughlin agrees – in fact, he

says, it’s “even more appropriate” for law firms, “because law is a people business”.

“Everything revolves around the person, so ERPs, to my mind, are perfect for professional services firms – in a way, more so than manufacturing where it is all about product, and the workforce is far more interchangeable.”

ERP is a growing trend in legal, as we covered in our [December issue of Briefing](#).

*“ERP, to my mind, is perfect for professional services firms – in a way, more so than manufacturing, where it is all about product, and the workforce is far more interchangeable.”*

David McLaughlin, finance director,  
Simmons & Simmons

This is a little late compared to most sectors, but at least it’s changing.

McLaughlin was on the cutting edge of this change at Linklaters – the only law firm to go full SAP, the most famous ERP system.

“When I arrived at Linklaters in 1997, were there firm-wide systems? Absolutely not. Was there a practice management system (PMS) there that worked? Time recording was an add-on, because the PMS didn’t cover that. Did it cope with client monies? No. And I went through the list of things that lawyers need and thought, actually, it doesn’t do any of these – and it’s not a very good ledger either.”

So, in 2001, McLaughlin started the search for a replacement – and when he saw SAP



for legal, he says it was akin to a “Damascene moment – you suddenly see the answer to what you have been struggling to describe”.

It took a year to convince Linklaters management that ERP was the right solution. The sell and the installation, he says, were far from being without trouble, “but it worked and it’s bloody good – and I bet you Linklaters have had more than their payback from it”.

At Simmons he’s doing things differently, with what one might call ‘ERP 2.0’. This isn’t an Avanade pitch – any skilful IT provider, in theory, could make a great legal ERP based on Dynamics if Avanade can do it.

“We could immediately see the power of ERP [in it]. SAP is quite clunky, but because Dynamics is Microsoft, it’s got all the Microsoft look and feel, and it seems to be very flexible. And there’s an ease with which you can tailor standard things to your own requirements, in a way that was just not there with SAP.

“SAP is very flexible, but it’s flexible in the same way that concrete is flexible – it’s ultimately flexible while it’s being poured, but once set, it isn’t flexible any more, is it?”

## Becoming business intelligent

McLaughlin’s experience at Linklaters and Simmons is a lesson in why deeper use of management information can deliver real business benefit.

When he arrived at Linklaters, he says, in 1997, it took eight weeks to run the London practice groups’ P&L accounts reports, and about another eight weeks to work through the process to finish it.

It was early January before they had the figures – “by which time we were already doing the budget for the following year”. Before SAP was in place, he says, “I don’t think we knew

## COFA: Pros and cons

### David McLaughlin on finance’s new compliance role

“I’m in two minds about the COFA role. It’s right to have regulation; we are a business and I need to know the business is working properly and efficiently – and the way to do that is to have rules and comply with them.

“I don’t think we will change anything [at Simmons] as a result of COFA, because we are already demanding very high standards – because, if you do it properly, it’s more efficient, cheaper and quicker to be compliant.”

But he’s not 100% sure that the COFA role will deliver what the SRA intends.

“I have a concern that this role might degenerate into a Sarbanes-Oxley-style box-ticking exercise, where actually you reduce the level of compliance and observance because you’re so concerned with ticking boxes. So it’s going to depend on how it is implemented.

“Unfortunately, and I’m sure it’s the same with Sarbanes-Oxley, it’s still not going to stop the rotten apples.”

However, he says, in smaller firms, the COFA role might be a driver for more high-end finance people in smaller law firms, which is no bad thing.



[accurately] how many people were in the firm”.

When he left Linklaters, post-SAP, “you could get the practice group results by office, office results cut by practice group, you knew exactly how many people you had, you knew your profit and income – everything, within three days of month-end. If you’re working a year behind your information, you can’t react.”

This is a step-change in business knowledge, and it’s something McLaughlin is now advancing at Simmons, with newer technology.

## Power in numbers

Simmons already has good reporting, but it’s a system that sits alongside an Elite PMS, put together with the help of BI consultants Blueprint. McLaughlin can report on “everything”, he says, such as people, WIP, time recording, bills, debts and so on – and it can also read the management accounts, so he can cut “by group and office, budget forecasts, and profitability by client, matter and partner”.

“It’s one, single version of the truth. When I joined Simmons, I don’t think that within a hundred people we knew how many people were engaged in the firm, [because of the reporting system at the time].”

This is the power of great management information reporting, he says. “Reporting does three things: It tells you what’s going on, it’s a very good policeman, and you can use it to correct the deficiencies in your underlying system. For example, in Elite you can’t do mid-month moves; if somebody moves office or group mid-month [you have put it into Elite as the beginning or the end of the month], but

in the warehouse we can correct the data. Now, everybody who sees it gets the same view.”

The policeman role, he says, means that once the information is correct and more available, it can be used to make the firm better, and more efficient. Using management reporting “you can change processes and, in doing that, you make things more efficient”.

Unified, live information “has an enormous benefit”, McLaughlin says. “It’s absolutely critical.” And it links directly back to his words about how vital it is to know the cost

*“Unless you know the cost of production, who you’ve got, what they cost and what they’re doing, you just can’t manage the organisation.”*

David McLaughlin, finance director,  
Simmons & Simmons

of production, and to use that knowledge to deliver better resourcing. “Unless you know the cost of production, who you’ve got, what they cost and what they’re doing, you just can’t manage the organisation.”

But law firms have to do something with this information – it shouldn’t be just about reporting, it should help to define how the business works, what it does, as well as know how it’s doing.

McLaughlin says Simmons is “halfway there” when it comes to using BI to change the firm’s resourcing mix. Right now, Simmons “can see which matters, or which matters with which



partners, work and you can see very easily, [where] the gearing's wrong, [where work] has people who are too senior on it, for example and you can see if it's made a loss".

"That has been very useful in helping provide a guide as to how people can change their ways as to managing the next matter. And, at its simplest, if you know that you do matter X really well, just copy it.

"A few years into the future, the next stage for us will be forward resource planning. When we've got big matters coming in, who's available? Who's got the skill set, what are they doing and, if they were used and we spent X amount of time and Y is the fee, would we make a profit or a loss? Can we see if there's somebody in another office who could do it, or send it out to an LPO unit?" Dynamics has resource management in it, he says, which sets Simmons up for the future.

"We are going to get the information we've already got much faster, at much better quality, in a much more interactive, available way to the end user." This is what ERP, and management information like BI, is about – fundamentally changing the way firms work.

"In most law firms, your income is the number of people you've got, multiplied by hours, and your income goes up or down as people come and go – whereas it ought to be the other way round: how much work are we going to do, what will the nature of that work be, and what are the resources you need to do it? For me that would be the perfect position to get to in the next five years."

If McLaughlin can make this happen at Simmons, he'll be as far ahead in legal as

Linklaters was in its way with ERP a decade ago, but with far more to gain.

The world of legal is changing, and its finance people are at the very heart of this change. They can help direct not only how the firm understands itself, but what it should do, and not do, by using the power of deep knowledge of the firm, through making better use of the numbers.

McLaughlin nails this in the following way: "Market pressures, pricing, over-capacity are

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David McLaughlin, finance director,  
Simmons & Simmons

all making firms now do what they probably should have done in earlier or better times – and personally I think it is changing for the better, because it forces you to understand what it is that you are doing and why.

"Then you can improve your processes and your delivery and, I think, you can provide a really good, managed, controlled service to the client." ●

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Feature

# Turning information into money

Polly Botsford reports on law firms using advanced information tools to get ahead of their rivals, and the challenges of getting lawyers to use, rather than just look at, the numbers they need to do better business



**Look at a partner's desk in a top-50 law firm and you'd be forgiven for thinking they fly Boeing 747s across the Atlantic for a living.**

Dwarfing the photo of the wife and kids will most likely be a computer screen dashboard spattered with dials and digits, telling of KPIs and WIP reports and matter reports. That dashboard represents hard graft by the finance team, providing partners with the firm's innermost secrets – its 'business intelligence'. The problem is, many lawyers either aren't using this dashboard, or they're not using it properly. They're on autopilot.

Business intelligence, as a set of software tools and a description of firm-wide, complex analysis of firm data, is becoming the key to unlock a law firm's potential. Financial data, properly measured and used, can demonstrate where untapped profitability lies, and provide vital clues as to how to become more profitable.

Using this kind of business analysis works – it's no coincidence that Russell Jones & Walker, known for its acute financial nous, was chosen for acquisition by Slater & Gordon (with a £53.8m price tag). RJW's CEO Neil Kinsella spoke to **Briefing** about why understanding the cost of work is vital in [Briefing on: Alternative fees, April 2011](#).

### **Intelligence, data and strategy**

Business intelligence, or 'data mining' as it used to be called, is the cornerstone of a law firm's strategy, according to Jason Haines, finance and operations director at Allen & Overy:

"The business has a strategy, and business intelligence informs that strategy."

Some firms have taken this further by embedding sophisticated BI software, such as LexisNexis Redwood (as used by Brodies), or using the built-in SQL-based BI tools in Elite's



*"The business has a strategy, and business intelligence informs that strategy."*

Jason Haines, finance and operations director, A&O

3E (as used by Allen & Overy, among others), to give to examples of how it's done. However they do it, they've started to mine the firm's information more widely, delving into all areas of the practice, from business development (BD) to HR.

Farrer & Co, for example, has data on where referrals are coming from as well as sophisticated information on visitors to its website – and even into HR, to provide fee-earners with indicators on performance.



There are, though, two fundamental challenges with BI: getting correct data into a system, and creating really usable analysis.

First, BI is only as good as the raw material put into the firm's systems. A constant challenge is encouraging fee-earners to enter information correctly and quickly. The main unit of data, the six-minute unit, has to be recorded for every moment of the lawyer's day to give an accurate picture of what he or she is doing.

Chris Stanton, finance director at Shoosmiths, explains the challenge thus: "We are constantly trying to measure more accurately, and we need to persuade our legal advisers to do this as well."

But Shoosmiths is still relying on fee-earners to "self-manage" this behaviour, and fee-earner-managed information can sometimes be misleading. They may feel they're being judged on output, and so might underplay how long something took them to do so as not to appear 'slow', or they may play down their levels of non-chargeable time. To counteract this, firms like Shoosmiths have avoided setting 'chargeable' targets, and instead focus on 'matter-related' targets. These judge the whole time spent on the matter, regardless of whether it's billable or not.

Pannone has what it calls 'productive' time – avoiding the whole, negative 'non-chargeable' concept – which covers any time when fee-earners may be engaging with a client, even if they're not working on a specific matter that can be billed.

The second and larger problem with BI data lies in using it. As Haines says: "The key is

not only getting information – it's also doing something with it. This should be a process of continuous improvement."

## Towards more usable information

It's generally partners who are given this data and, though much is said by law firms about the training given to partners, are they really



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Chris Stanton, finance director, Shoosmiths

applying what they learn?

Firms report that there has been good progress in the past five to 10 years in getting lawyers much more engaged in using BI, but most finance chiefs believe there's still significant room for improvement.



But, says James Muir, finance director at Pannone: “Any of these systems are only as good as the user. We have some really good users, but that’s not everyone”.

## Let them eat visuals

Encouraging partners to use data properly can be achieved, by improving what is being measured and how it is presented. In terms of developing presentation of information, some firms are starting to question whether the mass of data they’re dealing with doesn’t need to be drastically culled, as well as how information can be better visually explained.

Farrer & Co first started using KPIs and dashboards as long ago as 1999 but, as Sue Shale, chief financial officer for Farrers explains, there’s still plenty more that can be done.

“I’m sure we are not the only firm to feel that we should consolidate our financial data into a central system, perhaps a portal on the intranet,” she says.

“We train lawyers on the data, but they have to remember where the various bits are. For instance, we have reports from our practice management system, but some of the headings just don’t work.”

Information consolidation is also about linking up various areas of data, she adds. “We have a lot of different dashboards, such as KPIs and appraisals, with a whole array of indicators, as well as CRM data. But they don’t talk to each other. We need to get those to join up.”

Shale’s team is going through the firm’s reports to see what information can sometimes be hidden as much as what information needs

to be made available. “Not because we don’t want people looking at,” she explains, “but to make what is not hidden more useful.”

Muir agrees that, sometimes, less is more. “We’ve found there’s this ‘thud factor’ [of simply having a huge weight of data], so we want to be much more fleet of foot and give the lawyers data that has already been analysed and more visual,” he says. His firm has adopted a combination of hard numbers and trend analysis, presented visually with ‘traffic light

*“There needs to be more analysis and less raw material. This means the accounts team has to be less about creating data, and more about business support.”*

James Muir, finance director, Pannone

analysis’ in its management information pack.

“There needs to be more analysis and less raw material,” he explains. “This means the accounts team has to be less about creating data, and more about business support.”

## Rethink what you’re measuring

The other challenge in getting the output of hard-won metrics analysis used is thinking more carefully about what firms are measuring.

Take one of its most important uses: analysing profitability and feeding that intelligence into the firm’s strategy. Firms often break up profitability into sections, thus fulfilling the ‘presentation’ criteria – a matter



partner look at the profitability of the matter, a client partner view of the client, an office managing partner view of the office, and so on. They may also apply the data and feed it back into the practice, into its key performance indicators (KPIs), and this is a fast-growing trend. When LSN conducted the **Legal IT Landscapes** survey in 2010, it found that only 30% of UK firms were binding the use of BI to KPIs. Two years on, almost all the firms interviewed for this feature had linked BI in some way with their KPIs.

But there is still further to go. Alan Hodgart, managing director at management consultancy Huron Consulting, says firms take a far too 'internal' approach to BI – that is, they're not doing their homework on their competitors when it comes to what information they collect, and what analysis they rely on.

"When we see a law firm, we give them a scatter diagram of where they're positioned in the market in their key practice areas. They are always amazed and surprised at the results, [because] partners don't know what their competitors are doing. *The Lawyer* and *Legal Business* publish reams of data, and marketing directors at firms should be poring over it. The success of a firm is only relative to other firms."

Another good example of misplaced analysis, says Hodgart, is looking at the overall cost per lawyer in a firm, in itself a useful nugget of financial data. Firms should be looking at their own cost unit, he says, but then comparing it with others.

"They need to ask themselves: how has one firm got a lower cost per lawyer than us? What are they doing that we aren't doing? This information is freely available [but] they don't use it. Instead, if another firm has reduced costs or higher margins, the lawyers' response is to badmouth them. They just say: 'They'll go out of business if they carry on like that!'"

It's at the pricing stage – for tenders or more

## 5 Top topics for finance leaders in 2012

### *The economy, stupid*

"In this difficult market, the margins are narrower, so we are naturally more risk-averse. But you have to take some risks to take advantage of the opportunities that are out there. It's hard to stay upbeat, and you have to make some tough decisions. No one likes finance directors at the moment," says **James Muir, finance director at Pannone**

### *Credit risk... of clients*

This has "become much more significant in a recession", says **Jason Haines, finance and operations director, Allen & Overy**

### *Pricing, pricing, pricing*

Four years after the end of the world as we know it, this is as keen a challenge as ever, says **Alan Hodgart of Huron Consulting**: "I'd be worried about clients putting pressure on pricing, and general counsel demanding constant discounting."

### *Investment*

Savvy businesses invest during a recession, to be in a better position when it's over. "I see this time as a great opportunity for investment and innovation. We don't believe in retrenching," says **David Edwards, finance director at Brodies**

### *Working capital management*

Cashflow is more important now than ever – no change there, then. "The big thing for us is pricing and matter planning, in helping people to understand different types of pricing and how it works," says **Sue Shale, chief financial officer at Farrer & Co**



generally – that finance teams particularly struggle to engage partners, yet this is where BI can be so useful.

## Better pricing with BI

Most BI systems can help with pricing for any new matters or tenders, based on a firm's cost information and historical data, such as pricing used for previous deals or matters of similar value and nature.

As David Edwards, finance director at Brodies, explains: "Business intelligence really comes alive during tenders with this pricing ability. This sort of front-facing BI has everyone's costs and abilities, as well as central costs, and can convert that into a price." At the bleeding edge of BI, some firms will then be able to tap into a feasibility model to demonstrate the options for running a matter in the most cost-effective way.

Partners, though, are still often reluctant to use these pricing models, says Stanton at Shoosmiths. "Those conversations with the client at the beginning of a matter are absolutely critical, and there isn't much financial analysis behind them." A&O's Haines, however, is a little more forgiving: "Partners use the model, but in conjunction with their skills, experience and the relationship with the client."

In that delicate sentence, Haines picks up on an inherent tension between lawyers' experience and the empirical evidence available to them about clients. Are there 'intangible' elements in the lawyer-client relationship that

the data can't describe, analyse or predict?

Often, BI doesn't explain why something is or is not profitable – a partner uses experience (or a wet thumb) to work this out. Was the leverage wrong, the discount too great? So you need quite a lot of intelligence to make the most of business intelligence. Or, as Haines puts it: "Partners need the numbers, but cannot be driven by the numbers alone."



*"Business intelligence really comes alive during tenders. [It] has everyone's costs and abilities, as well as central costs, and can convert that into a price."*

David Edwards, finance director, Brodies

But they do need the numbers, and BI is gradually but inexorably being adopted.

Muir at Pannone says that getting to grips with the numbers is about partners "embracing transparency and visibility", and this is a cultural shift as much as anything: "What they should do is one thing. What they actually do is different – at the moment, at least." ●



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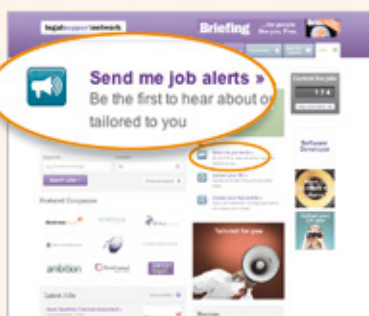
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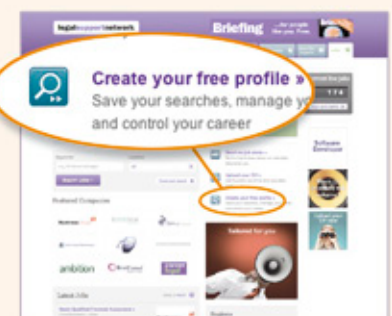
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# Light at the end of the tunnel?

Since the start of February 2012 there has been a noticeable increase in senior finance roles in the legal sector. Of all the business support areas we recruit for, finance has seen the largest rise in recent activity. This could be a simple cyclical trend, as the market had been relatively quiet in this area, but we are sure it is also testament to the increased rigour with which law firms approach their financials and the need more than ever for FD's and FC's to play a proactive part in the management of law firms.

We have placed a couple of FD's recently, one of whom, interestingly, came from outside of professional services altogether. At the time of writing this we are retained exclusively to work on an FC role and an FD role, one at a London based international firm and the other at a well regarded regional firm.

In addition we have three other FC or FD roles that we have been asked to look for candidates for, all either the number one or number two in the finance department at their respective firms.

We would be very interested in talking to people who may be looking for their next move upwards or people who simply need a new challenge. We are aware that the stagnation of the market in recent times has led many people to sit tight and although we are still cautious, like of course many finance people are, we do think that things are picking up so it may be a good time to have a chat.

If you are interested in the above or in having a more general conversation please do get in touch.

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## Deborah Gray

[deborah.gray@firstcounsel.com](mailto:deborah.gray@firstcounsel.com)

T 020 7332 6331

## Gary Jones

[gary.jones@firstcounsel.com](mailto:gary.jones@firstcounsel.com)

T 020 7332 6323

## Tim Skipper

[tim.skipper@firstcounsel.com](mailto:tim.skipper@firstcounsel.com)

T 020 7332 6321



## INDUSTRY ANALYSIS INDEX

# Crunch time

In this Briefing's industry analysis section, we look at how poor time capture means firms are failing in basic data capture, why usable information is more important than just analysis, and how BI can help law firms with delivering on strategic goals.

## Interview: Intelligence gathering



Briefing talks to Justin Farmer, director of product management at **Elite**, about why business intelligence should deliver usable information into people's hands

[jump to article](#) **page 22**

## In search of lost time



Eldean Ward, VP for **IntApp's** revenue management practice, asks if your firm is throwing away time that could be turned into useful revenue

[jump to article](#) **page 24**

## Questions and answers



Business intelligence is becoming vital for delivering better legal business, says Martin MacDuff, MD of **Redbrick Solutions**

[jump to article](#) **page 27**



*Interview With Briefing*

# Intelligence gathering

Briefing talks to Justin Farmer, director of product management at legal IT giant Elite, about why business intelligence in law firms should deliver usable information into people's hands – and help them make sense of a more information-rich world

**Justin Farmer has been with Elite for a decade, and has seen the development of the leading law firm practice management system into its current, 3E set-up from the beginning.**

**To Farmer, business intelligence (BI) isn't some module that law firms can take or leave; it's something that should be at the core of what they do, because the legal market has become much more competitive and complex – and it won't be changing back.**

**"Competitive pressures are great within the legal industry. Law firms need to react to demands from their customers, to competitive pressures, and to do that they've got to understand where they are at any given time in terms of the business position, versus where they were last month or last year."**

**"Also, firms will need to understand where they'll be tomorrow, and be a bit more proactive in their approaches to new or existing business," he says.**

**"Clients want to know where they can get the most value for their money. We're all under that pressure –**



every industry is trying to get more value for money than three years ago, for example – so it's more important than ever, for those reasons alone, for firms, especially those that are competitively positioned, to be able to look at today's and tomorrow's numbers."

Crunching the numbers intelligently is as important to business development (BD) as it is to finance. "Alternative fee arrangements are becoming key in the legal market, and being able to analyse the numbers is vital in delivering these," explains Farmer, "They're opportunities for you to be able to sell services and bundle solutions to your customers at a given price, but they're also opportunities for clients to compare you with other firms."

So, he says, it's vital for firms to be able to work out how much work costs to do. And, if someone else is doing it cheaper, either find a way to beat it or don't bother. Perhaps your competition is taking a bath on the work – and if they're not analysing their business as well as you, perhaps they don't even realise they're going to make a loss.

But BI can do a lot more than this, says Farmer. "Ideally, you also need to be able to look into the future and see if you can't find more work for an under-utilised lawyer or area, for example, or even see where a practice area might become under-utilised. Then you need to work out if you can devote BD to that problem, or cut the area loose."

BI tools help here, says Farmer, because they deliver unique power to the users.

"We call it the knowledge effect. Data by itself is nothing – it's the ability to take that data and turn it into information, and give it to the person who's going to make decisions. They're going to gain knowledge based on that

information and run the business better."

Today's BI tools are good, says Farmer, but they're still limited. More important is what you will be able to do with them in the future.

"If I pick up my iPhone today, I probably have more information in the palm of my hand than, say, the President of the United States had 20 years ago. It would have taken him hours to get to the information that I can have in two seconds. That's the reality we're living in now.

"We've got to think about how we can give

*"Data by itself is nothing – it's the ability to take that data and turn it into information, and give it to the person who's going to make decisions."*

Justin Farmer, director of product management, Elite

today's users, who are used to this immediate access to real-time business information, what they want – and to present that information based on what they're searching for, or which client they're with. That's where BI is going.

"Users really need immediate access to the information they're looking for and they don't want to search long and hard for information. They don't necessarily want to data mine for it. I don't want to go to my dashboard, drill down three steps to get to the information I'm looking for – I want it to be ready for me."

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*Industry analysis*

# In search of lost time

Eldean Ward, VP for IntApp's revenue management practice, asks if your firm is throwing away time that could be turned into useful revenue

**Law firms can't ignore any opportunity to increase revenue and profitability – but many are doing just this. More often than not, the culprit is imperfect time recording.**

Studies show that failing to log billable activity on the day it's performed leads to a loss rate as high as 10% – something that can be and is being addressed in more advanced firms through technology. Older 'time entry' products, which rely on lawyers manually tracking and entering time, are being supplemented and replaced by automated 'time capture' software.

We all know that most lawyers hate tracking and entering time. To manage this 'inconvenience,' some have their secretaries enter it for them, while others keep paper notes they review and submit periodically. And many firms have official policies (draconian or otherwise) to encourage responsiveness.

But even if everyone were to suddenly start

using electronic time entry tools, billable time would still slip through the cracks, because the demanding pace of work creates unavoidable barriers to consistent and comprehensive recording. How much time would be lost depends on each lawyer's behaviour, because while some focus on individual tasks for long, uninterrupted stretches, it's now much more common to see multi-tasking, iterative communications, mobile and remote working, all of which create opportunities for significant aggregate loss.

## Where is time lost?

Consider a fee-earner working on a complex negotiation or transaction over several days, with activities ranging across email, phone calls, meetings and client updates. Or consider lawyers working remotely, on weekends or



during off hours. In these contexts, activities such as short emails may be overlooked as 'insignificant', and daily time entry might get de-prioritised in favour of responsive client service. But even small increments of time add up significantly in aggregate, and this translates directly into missed firm revenue. So it's vital to somehow take that time back.

Time capture technology addresses the root causes of late, missed and under-billed activity. It provides lawyers (or secretaries) with an accurate, consolidated report of client and matter-related activity, generated by automatically monitoring the key applications they use throughout the day. Tracked systems include document creation, email, calendar, phone and mobile devices.

Advanced versions of this kind of software can integrate information from a variety of firm business applications to automatically and accurately match lawyer activity with client and matter codes.

Activity reports can be provided to lawyers in a timesheet format, which can also include the exact duration of each task, or groups of related tasks. This eliminates the pain of consolidating time spent on an email thread exchanged over a day, or manually tagging matter codes.

## Right information, in the right way

Because all lawyers work differently, it's really important to provide them with the right amount of information in the right format. To generate broad adoption among lawyers, we think time capture activity reports need to be

available in a range of formats, including:

- Directly, through Microsoft Outlook
- On mobile devices, such as iPads and iPhones
- Email reports
- On paper, suitable for mark-up
- Through a web-based interface

## Finding the time

*"Our firm seeks to resolve claims for insurers in a structured cost-effective way. IntApp Time Builder improves our ability to accurately track all the work and time that goes into each matter, giving us the visibility required to provide the best service to our clients."*

Andrew Meyrick, COO, Fishburns

For several years now, time capture software has given many firms a significant advantage (see the testimonial, above, for an example). The technology is proven and it's increasingly embedded within leading firms.

With benefits that include improved firm financial performance, enhanced lawyer satisfaction and increased client visibility, the question is now not 'if' a firm will one day use time capture technology, but 'when'. It's just a matter of time.

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# Time Management Has Evolved

Our firm made a strategic investment in IntApp Time Builder to ensure that our time recording processes are as efficient and effective as possible, particularly for those fee-earners who work on many matters concurrently and away from our offices. We're very pleased that the success we've achieved with the product has been recognized by the industry...With the automated daily journal provided by IntApp Time Builder, our fee earners are finding significant additional billable time with no additional work or effort, and our finance department is able to provide clients with more detailed accounting of lawyer activity.

**— Paul Heywood**  
**IT Director**  
**Field Fisher Waterhouse**

IntApp Time Builder will improve our ability to accurately track all the work and time that goes into each matter, giving us the visibility required to provide the best service to our clients. Given the feedback we received from peer firms using Time Builder, we are confident we'll see immediate results and significant return on our investment.

**— Andrew Meyrick**  
**Chief Operating Officer**  
**Fishburns LLP**

Lewis Silkin is always on the look-out for new technology that offers us both better working practices and competitive advantage. We saw IntApp Time Builder as a major advance which could enhance our existing systems. We arranged for the departmental finance partners to see a demonstration of the Time Builder product...The management board made the unanimous decision to deploy Time Builder a few days later.

**— Jan Durant**  
**Director of IT & Operations**  
**Lewis Silkin LLP**

Our firm pursues a technology strategy focused on adopting industry-leading products best suited to significantly enhance business operations and lawyer productivity. IntApp Time Builder fits this bill on all accounts. Our experience with the entire IntApp team has been first rate – the project is progressing on schedule, and when the software is rolled out across the entire firm, we expect Time Builder will pay for itself in a matter of weeks.

**— John Banister**  
**Chief Operating Officer**  
**Wiggin LLP**



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The Leader in Law Firm Time Capture



*Industry analysis***Questions and answers**

Business intelligence is now vital for delivering better legal business, says Martin MacDuff, MD of Redbrick Solutions

**The legal market is not about to change, it is already changing – fast. To compete amid all this change, firms need must-have tools that let them anticipate and adapt quickly.**

Market research we've conducted has highlighted a clear divide between the firms that are analysing their business data and making strategic plans based on that information, and those who are adamant that change is not necessary. Now that profitability is being squeezed, the benefits of using powerful business intelligence (BI) solutions to deliver on strategic goals, and measuring success to sustain profitability, are more essential than ever.

Most practice management and customer relationship management systems (PMS and CRM), accounting systems and so on will dump data into Excel for you – but very few stakeholders will have the time to make sense of it all. BI systems need to take data from

every area of your firm and present it to you in a comprehensible way – in other words, it has to produce information that means something.

With BI, the quality of the output is only ever going to be as good as the quality and quantity of the data that goes in. Firms must ensure that data capture involves a high level of detail to enable objective decision-making. Some larger firms have even started employing 'data czars' to oversee and ensure the integrity of the data input. This might sound extreme, but if you don't get the basics right when it comes to data input, everything after it will be of limited value.

Those firms that think BI is unnecessary often don't appreciate how far-reaching such technology can be. Good BI leads to strong strategic decisions in all areas of the business, from business development to finance. Firms are much more able to assess and manage risky matters – great for compliance and insurance



costs – and they can also compare individual solicitors, which should ultimately feed through to resourcing and HR planning.

Our law firm clients tend to want answers to three questions that BI can help to answer:

- Which matters/disciplines are our most profitable/unprofitable?
- Why are those areas more (or less) profitable than others?
- What changes should we make to improve our profitability?

To answer these questions, you need to be able to analyse historical performance, understand what contributed to those figures, and make clearly defined strategic plans for the future based on this intelligence. Putting key performance indicators and targets in place will help decision-makers monitor the success of those strategies.

Our clients have found that, just by implementing integrated PMS and BI solutions, they can increase profit by as much as 50% just by ensuring correct billing – including capturing fees for often overlooked items, such as emails, telephone calls and ensuring disbursements are passed on correctly.

As firms put increasingly creative alternative fees (AFAs) in place to predict and control costs, they need objective data to negotiate rates. We always discuss transaction volume, pricing and so on with new client firms as a matter of course – our business model works on a unique pay-per-transaction basis, and you'd be surprised how few firms can give a complete breakdown of historical matters.

If a law firm cannot easily identify information as basic as that, how can it understand the cost and profit margin of those matters? All firms will tell you the hourly sale

rate of their fee-earners, but how many know cost and profit margins per fee-earner? Or know whether they have the most effective people working in the right departments?

To effectively deliver AFAs, you need to be able to look at historical profit margins to analyse how much you can slim your quotes – many firms guess and end up out of pocket.

But the area most firms struggle with the most, in our experience, is the cultural

*“Just by implementing integrated PMS and BI solutions, law firms can increase profit by as much as 50% – just by ensuring correct billing.”*

and habitual change that BI brings. Project managers are critical to the success of the operation, so firms are increasingly recruiting specialists with strong project management backgrounds to facilitate this.

The good news is that, once firms get to grips with the wealth of information they have at their fingertips with BI, they can use the systems to make strategic plans to deliver clear competitive advantage. This will see them successfully improving services to clients, and increasing profitability over the next few years. This is a big benefit, and it's increasingly becoming one that's not a matter of choice.

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