June 2019

Briefing

SMARTER LEGAL BUSINESS MANAGEMENT

Cash me if you can

From tackling lingering lockup days to shaping up sharper negotiators, are firms taking the time to double down on financial management strategy?

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Editor's letter

In our cover story this issue we focus on what seem to be some pretty persistent law firm financial management challenges. There's lowering those lockup days (which only appear to be stretching even further into the distance), implementing more efficient resourcing of work, and pushing more proactive and programmatic conversations about fees with those who will hopefully be paying them.

Now, innovative business models may have a part to play in changing this familiar scene, but unless a process is good old automation through and through, it can only be as good as the people who are following it ... well or otherwise.

In this year's **Briefing** 5P conference – fast coming at us on 4 July – profit is found right at the top. That P word isn't something we won't talk about over here. It's followed by pricing, pitching, products and process. However, underlying all of that we know that it's people – perhaps even people like you – who are another constant piece in the 5P puzzle. First, do you have the right people at work in the right roles in the first place? Second, how can you change their behaviours to improve outcomes?

First, do you have the right people at work in the right roles in the first place? Second, how can you change their behaviours to improve outcomes?

To the first point, one interesting story last month was a report from the Bureau for Employers' Activities of the International Labour Organization, which found three-quarters of companies that are tracking gender diversity in management through their organisations reported profit increases of 5-20% once they'd started. Several other effects were noted, from improvement at innovation, to gauging how clients feel about service and attraction of talent. But it was the pure financial impact that was singled out as "eye-opening" by the bureau's director Deborah France-Massin: "When you consider the efforts companies make in other areas to get just an extra 2-3% in profits, the significance is clear. Companies should look at gender balance as a bottom line issue, not just a human resource issue."

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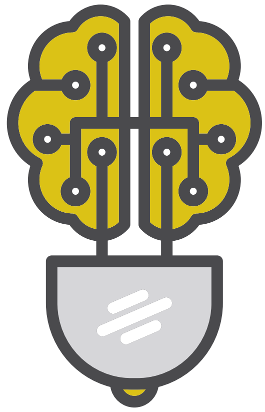
Inside this month

Briefing is the only legal business management title, and is focused exclusively on improving the work and worlds of law firm management leaders. Every issue is packed with relevant insight and lessons from peers and pros.



ROUNDUP

Intelligent designs

Following last month's **Briefing** feature on the uses and abuses of AI hype, a number of leading firms have been making forays into new applications of artificial intelligence and other tech, with many either collaborating across boundaries or helping others cultivate new solutions.

Hogan Lovells, for one, has launched an AI-driven product to help clients manage regulatory changes and contract re-papering around Libor, the interest rate benchmark which will be discontinued by the end of 2021. The product, called Hogan Lovells Engage: LIBOR, is the child of several parents – it uses AI platform **Kira**, alongside **FTI Consulting**'s Contract Intelligence solution, and is to be managed by the firm's legal delivery centre in Birmingham, in collaboration with legal services challenger brand **Cognia Law**.

Hogan Lovells states that it wants the package to be a "one-stop shop" for clients preparing for discontinuation of the benchmark – and global head of the firm's financial institutions sector, Sharon Lewis, said it would beneficially deliver solutions to businesses in spite of the "much remaining uncertainty as to how the likely new benchmark rates will operate".

Other new products may be coming down the pipeline, as **Slaughter and May**'s Collaborate legal tech programme (covered in **Briefing**'s April client-focus feature) debuted its inaugural cohort of six startups. Two of the selected businesses include AI features – LitiGate, a litigation platform which provides "a bird's eye view" into cases and automates tasks – and JUST: Access, which uses natural language processing to produce transcripts and analysis for litigants "from under-served communities".

Similarly, **PwC** has launched its own legal tech incubator, dubbed Scale|LawTech, which the Big Four firm announced would open in London in spring 2019.

Eversheds Sutherland has also embarked upon a fresh technological venture, with newly combined litigation technology and legal project management team Propel. The 10-person team will work alongside Paul Worth, co-head of global litigation, who says clients are calling for more streamlined services: "Our solution was to bring our technology and project management teams together."

50 Staff on Linklaters' pilot of mental health support service BetterSpace

And with Mental Health Awareness week 2019 last month, it's perhaps not surprising that **Linklaters** has disclosed details of its collaboration with tech startup BetterSpace, whose algorithmically-curated mental health and wellbeing support service was piloted at the firm from October 2018 to January 2019. The technology suggests apps and services beneficial to mental wellbeing, and the pilot saw 50 staff trial the tech and receive £300 each to spend on mental wellbeing products.

Jenny Lloyd, diversity and wellbeing manager at the firm, said the pilot was intended to both explore the potential benefits to Linklaters employees and help BetterSpace develop its platform.

It seems law firms are looking at getting smarter solutions to swathes of business and legal issues alike ... no hype intended.

65 SECONDS WITH …
SHAMUS RAE

Ahead of his appearance at July's Briefing 5P 2019, Shamus Rae, head of innovation, digital labour and cognitive transformation at KPMG, talks the phases of AI, a few hard facts and the risk of friction

Q How would you describe current adoption of AI in the legal market?

A I can see there being three phases to this movement. The first is play – where people like us are really just playing with things. Then comes operational efficiency – making the way we already work today more efficient. And the third phase is business model change. In legal, I think you're still very much at the play or efficiency phase, but it's the business model phase that has allowed a business like Netflix to move from a pilot to commissioning a super successful TV series – House of Cards – faster than anyone has managed before, based on data about what people are likely to want.

Q Where would you say KPMG is currently on that journey?

A I think the reality is we're in operational efficiency mode – for example, we have a tool that can take lease documents from around the world and allocate them correctly as either P&L or balance sheet. Using a human for that just isn't efficient. We're also using AI for some sampling work, such as reassessing a group of mortgages for their current value. In the next three to five years, I think as an industry we'll see more AI augmenting or replacing 'judgement' as well as this transactional work, but at this point in time it isn't yet changing the overall business model.

Q Is there another industry sector you think law firms could usefully learn from here?

A Yes – investment banking in particular is spending a lot of money to progress into business model change now. US investment banks are really moving from spot-solution AI to end-to-end self-service delivery options. Also, to return to our friends at Netflix, the automation we see there hasn't happened at the video store – it's sitting with the person who wants the service, when they want it. This is about removing friction at the actual point of use. I think there's an assumption among professions that automation in their lines of work will keep flowing through the big organisation to the GC, then to the firm and get automated there. But I think the reality is that new entrants coming in will be automating at the point of need – the individual who needs that contract solved right now.

Q What's top of your own work to-do list right now?

A A big challenge in this area is a lack of standard formats among the documents that people want to automate. There's an industry initiative underway called 'Engine B', which is working on defining some common data models. You could think of it as 'open banking' for the professions. It was a bit of a secret until quite recently, but we've been working with the Institute of Chartered Accountants in England and Wales, as well as big tech houses, and now we're starting to engage with law firms as well. Engine B is literally 100% of my work life at the moment, and I'm being performance managed on its outcomes.

Q Do you think there's a best way to manage or structure innovation in a large law firm?

A It's difficult. To be honest, I have to say having someone below partner level as innovation leader can often prove a waste of time. The other partners all too often want somebody with 'partnership brand' to own it, which means it's often really hard for somebody new to a firm. That's quite clear from the failures. But a lot of partners aren't the most talented with technology – so squaring that circle is a challenge.

Q Do you agree development of AI is being overhyped?

A I do. We've found that there are around 10,000 professional services startups out there. There is a danger of too many wild promises flying around. But there's also a risk of responding by refusing to move forward at all. At the same time, there's some great work being done on natural language in the research labs of universities like Toronto. That will be coming out and into society in the next two or three years, so I say tune out of some of the noise around right now and into that instead.

READING LIST

Your return

Sue Bentham, team leader in the Transaction Services Team of Addleshaw Goddard, expects She's Back, by Lisa Unwin and Deb Khan, will be as useful to firms seeking to attract and retain returners to work as for those navigating their own next move

First, I probably need to make a confession. I'm not a fan of self-help books. They tend to be patronising, full of esoteric ideas and lacking in the practical help they purport to contain. No surprise then that I approached this book with some trepidation.

Thankfully, Lisa Unwin and Deb Khan's book on returning to work after a career break is wonderfully accessible. It's full of 'top tips', practical exercises and, maybe most importantly, it's backed up with a wealth of data gathered from surveys of thousands of women, both in and outside the workplace. The issues it addresses are pertinent to all walks of life, but they certainly struck a chord with me, as the legal profession has not historically been an easy environment in which to balance family and work life, or to return to after a break. What really struck me, though, was that the book is informative not only for returners but also for the businesses to which they are returning. It provides an invaluable insight into the mindset of anyone returning to the workplace following any sort of career break, and should probably be recommended reading for any business already running a returner programme, as well as for those thinking of starting one.

My interest in this guide comes from my own experience of returning to the legal profession after a 20-year career break. My approach to returning certainly wasn't as structured as the book, but I recognised many of the insights it contains and wish it had been around for me to consult as I navigated my path back into the profession. I was fortunate enough to attend the Law Society's Returner programme and also to find, in Addleshaw Goddard, a firm with a very open and flexible attitude to taking a risk on a returner. So, I wholeheartedly endorse the book's advice about researching the employers who have a proven track record in creating an environment where returners are valued and can be successful, and who have a strong ethos around employing women.

Agile working and generational diversity have become buzzwords in the last few years. However the legal profession has been slower than some of the less traditional careers to acknowledge and embrace both ideas. She's Back adds to the discussion about how to accommodate a workforce that wants flexibility and fulfilment. It is clear that many talented, experienced individuals would love to return to a satisfying and stimulating role, but are held back by barriers, some imagined and some real. This book helps to debunk some of the myths of returning and provides a clear structure for how to approach a return to work while revealing to employers how they might adapt a role to fit a returner. It rightly doesn't pretend to provide all the answers – as everyone's return journey will be different – but it certainly offers a great starting point.

Publisher: Urbane Publications
Publication date: May 2018
Price: £7.54

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THE IN-HOUSE OUTLOOK

Pitches up

Marc Anderson, lead solicitor at Royal London Group Legal, offers his top five pointers for law firms looking to put in an extra-powerful performance on the pitch

1 Honesty is the best policy

A competitive tender will often see any invite in to present preceded by a written submission. Before an external legal provider invests time in this process, and in consequence asks the client to invest their time reviewing it, what is most refreshing is an upfront confirmation if the proposed work opportunity is not something they want to pursue, for whatever reason. An early discussion around the fact that the work does not align with the firm's core offering, business model, and so on, is appreciated, as opposed to a submission that's clearly merely a firm going through the motions. There is also nothing worse than a legal provider clearly pricing itself out of the running. Being bold enough to be honest at the start of a process can avoid bad feeling all round.

2 Understand what you're pitching for

The presentation needs to both address the issues and questions raised in the invitation to tender documentation, and complement and support the written response submitted by the legal provider. Things can quickly unravel where it is clear that those presenting have not got a clear grasp of what it is they're actually pitching for. Preparation is clearly key, insofar as the expectation is that whoever presents is fully in tune with the submitted written response and able to elaborate on what has previously been stated, rather than delve into entirely new areas. Alarm bells are also ringing when literature is brought in that talks about services entirely different from those that have been sought. Get the job first, worry about the cross-sell later!

3 Bring substance and some style

When presenting, talking over and even disagreeing with one another (not as uncommon as you might think!) isn't going to enhance your chances. Substance is key, but it's also doing a legal provider's chances no favours if the presentation is found wanting stylistically. Furthermore, it does not look great when individuals are present but barely, if at all, engaged as part of the presentation or Q&A. Personally, I love to hear from the more junior members of the team, as this provides a real insight into the culture of a firm and what they will truly be like as a supplier and partner.

It does not look great when individuals are present but barely, if at all, engaged

4 Who is coming in with you?

Innovation, process improvement and technology are all increasingly important for an in-house function when it comes to entrusting work to an external provider. But let's not lose sight of what is still, more often than not, underpinning all of this – the supply of legal expertise and advice. So, while you may bring along your innovation manager, legal project manager and business executive, please don't forget the value in having a lawyer present who has experience of the work in question – and all the better if it is intended that they will be working on the account!

5 Please don't make me feel bad about pricing

While we, the client, want to feel valued and to know we are getting good value, it can irritate when the legal provider perhaps makes a little too much of the fact that they are providing the most generous pricing model the world has ever seen. Unfortunately, this can be all the more embarrassing when others match or undercut it, just without the equivalent fanfare.

INDUSTRY VIEW

Digital's dividends

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For more information, visit: www.mitie.com/services/document-management

Any project to enable people through technology will require a learning and development element too, so that the change lands positively and is seen as an investment by all team members

I'm very excited to be writing my first column for **Briefing** and wanted to start with an area that is very relevant to my customers and management team at this time. I'm sure we are all aware that the process of change can happen more slowly on occasion within the legal sector, and this is probably for good reason. The nature of what you do for your customers, and the necessary management of risk, means a conservative approach with a tried-and-tested model should be the established way forward.

However, it's also important to keep ahead of the technology curve in the market and remain competitive. That means we need a balanced approach that combines new ways of working and innovation with a good degree of risk control and proper governance.

So, how do we do this in the business services sector? The digital journey is unique to each organisation, and can be influenced by sectors or specialisms, but it is essentially a way of gathering digital change management under one capture-all umbrella. A digital change programme also has many of the same challenges and constraints we see with other big projects.

I recommend keeping the focus high level, and articulating a clear benefit to the business and the team members. Any project to enable people through technology will require a learning and development element too, so that the change lands positively and is seen as an investment by all team members.

Also, don't try and do everything at once – pick two or three opportunities to focus your digital roadmap on. You should probably choose areas that will deliver the biggest ROI, and which can be delivered in a timely manner (so, ensuring signoff for the next phase!).

Finally, make sure you resource up properly – not just your in-house project team, but also with supply partners. Equal effort from all parties is required to deliver on time and, more importantly, to a budget or savings target.

Another thing I find myself discussing more and more with both existing and prospective customers is their need to build careers, rather than offer jobs. While technology is ever changing, and creates new opportunities for automation, we can't get away from how fundamentally important the human factor is to service delivery and good decision-making.

Using technology to enhance service delivery or optimise output will, if properly executed, lead to cost efficiencies. My strong recommendation here is to invest some of this benefit back into the team members through better wages, training and development plans.

Service utopia for me is being able to employ highly trained and motivated people who demonstrate real value to the customer's business. Employees who feel valued are well paid, and with a clear career path they will be highly driven to achieve great things on behalf of business.

In this 24/7 connected working environment, we always seem to be under pressure to reduce budgets, improve service levels, and generally perform alchemy on a daily basis. A structured approach to developing our frontline teams, and helping them perform better through technology-based solutions, is definitely part of the solution to this challenge. It's also an area where we can build in a continuous improvement cycle, so we can continue to take advantage of further advances in technology.

Technology alone is not the answer to mitigating cost challenges, although combined with a great people strategy it can be.

Features

THE BIG IDEA

Playing cash up

For all their client-facing innovations and legal knowhow, firms would struggle without a modicum of sound financial management. Josh Adcock investigates how firms are adopting and adapting strategies to optimise cashflow and improve profitability

Law firms rarely struggle to make money, but the degree to which they are able to grow their revenue streams and profit margins – two quite different things – is another issue. While the outlook is by no means catastrophic, the PwC Law firms' survey 2018 found a number of challenges to legal businesses' financial performance and had several suggestions for improvement. In these uncertain times, with Brexit, a growing US-China trade war and the ever-present possibility of an economic downturn – not to mention the disruptive effects of technology – time may be running out for firms to firmly banish financial complacency.

Unlock your billing

One issue perennially plaguing all businesses, legal or otherwise, is the lag between completion of work and getting paid for it. According to PwC, lockup days have marginally grown in all but the top 10 UK law firms, who saw only fractional improvements. "Lockup days have been a challenge for law firms for as long as I can remember," says Tim Nash, CEO at Edwin Coe – but although not exactly news, the overall trend is not encouraging. So, what obstacles are slowing firms down and clogging the wheels of commerce?

"Clients may be holding on to their money a little longer," says Steve Rowan, chief financial officer at RPC. Although processing bills and invoicing clients has always been a potentially prickly issue, broader, macroeconomic factors in recent years could also be adding pressure, he says. "Firms may have been understandably circumspect about pushing too hard to collect in the current difficult economic and political times."

Over at Shoosmiths, chief financial officer Chris Stanton says the firm has seen lockup days "slip out somewhat", prompting an increased focus in that area. This resonates with PwC's survey, which found that firms in this revenue band saw an average year-end lockup increase of nine days, up to 129 in total.

Although there are some client relationships which are under service-level agreements and billed quarterly, and some pieces of work may be on a bill-on-completion basis, Rowan says he's trying to move RPC towards being a "monthly billing firm", in order to bring in cash quicker. But he also explains that the firm is just kicking off the process of upgrading its currently paper-heavy processes, as well as conducting a workflow project, both of which ride off the back of an upgrade to its practice management system. "Currently, the billing guide can bounce between the finance department and lawyers multiple times. Upgrading our processes and automating billing will cut down on the use of paper as well as the risk of errors."

Stuart Dodds, formerly director of global pricing and legal project management at Baker McKenzie, now principal at consultancy Positive Pricing, feels that more frequent billing is a growing trend across the industry: "I'm seeing a lot of firms put terms in their engagement letters around getting paid based on the stage of work that's completed, or more frequent, monthly billing – it smooths the lockup issue out somewhat."

Vidisha Joshi, managing partner at Hodge Jones

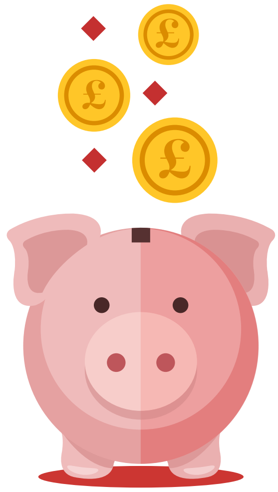
& Allen (HJA), agrees that billing more frequently reduces the impact of clients failing to pay on time: "Discussions around costs can go on for six to eight months – having an interim payment immediately takes the pressure off, because clients can see there is value in the work done, and ultimately around 80% of it has already been paid by the time a matter has come to completion."

In the last 18 months, she adds, the firm has also had a financial management success with forms of alternative funding, using third-party loans and 'after the event' insurance to fund some work, and it has disbursement funding arrangements with various providers. However, each form of alternative funding has to be appropriate for the individual client – and sometimes this may come from unconventional places. "We're currently working with CrowdJustice and have raised significant funds through that – we raised approximately £8,000 for one of our pollution cases in a single day – legal aid wasn't available to that client and it wasn't appropriate for a no-win no-fee agreement," she says.

Money on the minds

Most process change will also require some different behaviour. Changing attitudes within a firm can be significant for finance, and getting lawyers to think about a client relationship more broadly could help. Indeed, Stanton at Shoosmiths says it's impossible to disentangle the financial management of a client relationship from the commercial relationship. "The clients who are best at agreeing and keeping to sensible, interim billing schedules are the ones with whom we have the strongest overall relationships," he says. Training lawyers to take this into account, and encouraging a commercially-minded culture at the firm, is therefore a top priority.

In fact, PwC found that some firms had explored linking remuneration to targets around lockup days. While Stanton explains that partner



appraisals at Shoosmiths include financial factors, and lockup statistics specifically, the firm hasn't yet made an explicit link to pay: "You don't get brownie points – it's just what's expected of you – but poor invoicing or cash collection can have an impact on remuneration if it's not managed well." What Shoosmiths has done, however, is link payment of dividend profits to divisional cash collection targets, and this idea may go further. "We're looking at running a shadow programme this year factoring WIP lockup into targets as well, because it's worked well on cash collection for the last few years," he says.

Daniel Pembroke, head of pricing at Norton Rose Fulbright, also feels that instilling a broader appreciation of commercial factors in lawyers might be helpful. "One of the training workshops we've recently had for our next generation of leaders showed me that lawyers aren't perhaps given enough exposure to what we're trying to do from a strategic point of view. People are aware of the hygiene factors, the financial discipline, but the strategy's still a bit hazy in people's minds."

Encouraging more commercial ways of thinking can involve learning lessons from other industries, he suggests, which may involve shifting towards pricing on the basis of value, rather than time spent, but also accepting greater risk for potentially greater financial outcomes: "If you look at the insurance market, that works on a portfolio basis – those firms apply assumptions around risk and whatever they have to pay, they pay."

Skill of the chase

Even if a generally commercial mindset is embedded, upskilling people may still be important. Although lawyers are often skilled negotiators, Dodds at Positive Pricing says lawyers may not have the confidence, support or tools needed for a successful fee negotiation. "They often haven't had enough time to prepare, so may not have had time to think through the negotiation options."

At his first law firm, Dodds says, the firm ran a two-day experiential course for partners on negotiation training. Although time-poor legal practitioners may feel such training is a lower priority, it was worth it, he says: "There were approximately 400 partners who went through – every single one said that was the best possible use of their time."

When it comes to talking payment with a client, Pembroke agrees that lawyers can find the process "intolerably embarrassing" – whether that's knowing how to carve up their own work, or wheeling and dealing on the final bill, it may be outside their comfort zone. But they may also be struggling to get to the heart of what a client really needs at the beginning of a matter. "We're trying to be more supportive of our partners and encourage them to challenge clients. If you do, you may end up with a different proposition – and then you're more likely to agree on the fees and services – so you get the right value proposition share between the firm and the client."

And the structure of the firm may itself also have a part to play. HJA moved over to an employee-ownership model in 2018, and finance director Alex Parkes says that doing so has inspired a newly-shared sense of responsibility and collective success at the firm, driving awareness of the commercial utility of every piece of work: "I think in the past people have been eager to work on interesting cases without a clear picture of who in the team would be best to assist." Now, however, efficient internal resourcing is a matter of shared urgency: "The work our people do has to be for the benefit of both our clients and the firm."

Misplaced scope?

This shift towards firms competing on value that works for both the client and the firm, rather than winning work based on low price, includes considering how best to deliver a matter using the right resources in the right way and at the right time. For instance, as Parkes explains, they could use newly-qualified lawyers instead of a five-year post-qualified, where appropriate.

Keeping an eye on the bigger financial picture means thinking beyond the matter in front of you, and Dodds says it's an ongoing process. "For many legal matters you're negotiating during the matter itself, because the scope can change. Firms lose a lot of realisation because they don't manage how the work is being executed – better visibility can help firms see where they're going off track."

While Nash at Edwin Coe sees firms continuing to move away from the chargeable hours model, and Dodds recommends finding opportunities for creating revenue that aren't tied to a "time and material basis", Joshi points out that even fixed-fee arrangements can fall foul of resource

"We're focusing on each department's requirements, so they can take ownership and ask themselves whether the blend of work is correct, consider whether they have money on account and look at the WIP versus the fee estimate."

Vidisha Joshi, managing partner, Hodge Jones & Allen

misallocation and scope creep: "Firms are offering fixed fees without full knowledge of what is going to be involved. Clients sometimes feel they can call you every day, but they're not being charged for it – you have to manage their expectations on those issues."

Indeed, Dodds says any reticence to pay up may stem from firms' tendency to carry out additional work – out of scope – without checking in. This sets you up for a nasty surprise at billing: "Law firms are traditionally not very strong at keeping clients informed, but it should be similar to the way you would expect to be treated by a plumber or a decorator – you'd want to be kept in the loop."

Rowan at RPC agrees: "As long as clients understand how the billing is put together, they're generally satisfied – and the best law firms will get that right."

It seems that transparency of information is key – both for clients to feel satisfied that they've received financial value (and therefore to pay on time) and for legal professionals to better plan and utilise their own resources. Even if matters don't go out of scope, creating the greatest mutual value for clients can mean more careful allocation of work, says Joshi: "Sometimes lawyers need to take a step back and be realistic about how much work a task might involve." She says that might mean, for instance, allocating less complex elements to others within the team with the appropriate experience: "A partner could oversee these elements, but the bulk of the task could be done by a more junior fee earner, providing greater value for money."

Data mine

Nash believes technology and data also have a role to play in making sure work is efficient: "Data can help you to understand the elements that make up the work, then you can analyse that."

Indeed, tech solutions and process improvements may help transform firms' financial efficiency, or simply hone it. Joshi says HJA is currently undertaking a project to improve visibility around performance information for each fee earner, through a management information tool. The idea is the firm can make better sense of its data. "You can flood yourself with it, but it has to be meaningful. We're focusing on each department's requirements, so they can take ownership and ask themselves whether the blend of work is correct, consider whether they have money on account and look at the WIP versus the fee estimate.

"Real-time data will allow both heads of departments and individual lawyers to take ownership of their matters and have more financial control over their own case loads."

Back at RPC, Rowan says the firm is focusing on technology that can help with "fixing the roof", rather than massively transformative technologies of currently uncertain value, like certain kinds of AI. Similarly, Stanton feels that, although less embryonic than a few years ago, tech solutions for finance are maturing well, but not quite ripe: "There's still a lot of hype around AI, but it's starting to become more real."

He also stresses automation and greater process efficiency should not only remove administrative burden from lawyers' heads, but also have another knock-on effect: "If our internal processes are slicker that should mean a better service for the client – and that can't be a bad thing."

Looking to the future, Dodds thinks that advanced technology, once better established, may help firms pre-empt problems, for example, by analysing which potential clients have poor payment days. That could help them make better financial decisions when taking on new work.

So, what does better financial management look like at law firms? New processes and technologies play a role, but commercial thinking – across departments and on individual matters – is also crucial. There may be no quick fix for a more predictable and profitable work-to-cash cycle, but it's certainly time to invest in the toolbox.

BRIEFING PEOPLE

The merge to innovate

Innovation is still the baby of the legal business functions. But in the 2018 merger that produced Bryan Cave Leighton Paisner it was thrust front and centre. As the combined firm turns one, chief innovation officer Kathryn DeBord outlines the increasingly varied workload in doing things differently

In April 2019, Bryan Cave Leighton Paisner celebrated its first year following the latest large transatlantic merger to hit the legal landscape. No doubt the positive effects of such a growth strategy aren't exactly equal every time – however, it's likely that every firm wants at least to emphasise the extra-special dish it's now bringing to the table. Marking that anniversary only the other month, some of the words co-chair Lisa Mayhew used for this one were "something fresh and different".

Merger announcements routinely stress their attractive synergies with regard to factors such as sector spread, geographic reach, and of course that small matter of deep legal knowledge. However, it's rather less common to hear a lot about the complementary factors in the operations space. In this case, however, the latter was right up there – pushing global chief innovation officer (and co-leader of newly formed legal ops consultancy Cantilever) Kathryn DeBord firmly into the glare.

Streamed teams

DeBord's own part, on the then Bryan Cave side of things – formerly a litigation partner, she stepped into the innovation role in 2015 – began "when legal operations was just becoming a thing," she

"A GC's view of a business problem or decision will include aspects that lawyers aren't always accustomed to focusing on. But those lawyers need to help clients towards their ultimate objectives, such as increasing revenue for the business."

Kathryn DeBord, chief innovation officer, Bryan Cave Leighton Paisner

reflects. "We were starting to help client law departments to 'operationalise' through greater control of process, contract management, and introducing technology such as dashboards to keep track in areas of information such as matter spend and billing."

Even earlier than this, Bryan Cave had its pricing group (the leader behind that, Chris Emerson, is now Cantilever's other co-leader, plus chief of legal operations solutions), and this was heavily into the business of data improvement and analytics. "We also had what was effectively our own skunkworks development team for what we saw as gaps in legal technology at the time, as well as a managed legal services team, primarily working in litigation," she says. Now her job was to manage to make all of these constituent parts scale – and frankly, to drive internal as well as external awareness about what was available and possible.

Meanwhile, something interesting was also happening on the other side of the pond. Berwin Leighton Paisner (BLP) was an early mover into a couple of the other prominent legal Ps – project management and process improvement. "Their knowledge department was especially deep," explains DeBord. "We had our own KM specialists as well of course, but it was a much smaller group. However, the really interesting fit was the investment in understanding ways of tying people, process and technology together for distinct streams of work." In part, that's a matter of improving general internal efficiency, but it's also about managing to present clients with "a complete solution," she says. "The client no longer needs to cobble multiple sets of resources together – for example law firm, in-house team, ops people and perhaps an alternative provider. It's that much more streamlined." (And that's good to know, as this 'legal process improvement service' BLP introduced is in fact known as Streamline).

The combined firm's innovation team now brings all of this work together under one umbrella – as the press release might say. Through Cantilever, DeBord and Emerson see to it that this works in practice, helping clients to pick up the specific tools and management practices that are available – and which they need – in good time.

Innovation comes of age

But a business like this can't stand still – the merger should be a platform for more of the same (and different) to follow. Another aspect of DeBord's role, therefore, is to oversee how lawyers and others are trained in legal innovation. Today there's that much "more resource to create tracks of training throughout the year and focus more on specific subject areas," she says. Much of that continues to be channelled through Bryan Cave's Business Academy, which was another initiative perhaps a little ahead of its time. It has evolved since 2011, from covering business fundamentals such as negotiation, to role-playing client challenges, leveraging pricing knowledge and incorporating a team-based innovation hackathon with presentation pitch.

"Firms need to train lawyers to think more like solutions providers," says DeBord. "A GC's view of a business problem or decision will include aspects that lawyers aren't always accustomed to focusing on. But those lawyers need to help clients towards their ultimate objectives, such as increasing revenue for the business. A good contract management system, for example – integrating workflows and approvals to decrease transaction cycle time – may well achieve that."

Innovation training is designed to build and nurture that shift – helping people to think more creatively off the back of specific client conversations about their concerns.

Then, coinciding with its one-year-on marker, in

"We can always find ways to leverage data better for our clients – to surface trends, identify risks and better understand opportunities. That's the real key to proactive, solution-focused advice."

Kathryn DeBord, chief innovation officer, Bryan Cave Leighton Paisner

April 2019 BCLP launched an 'Innovation Champions' initiative, inviting "anyone who is passionate about applying new technology, improving processes and understanding data in new ways" to join the firm-wide conversation about that progress.

As well as sharing ideas, this new group will help to pilot the selected ones. "The number-one objective for this in an organisation like ours is to communicate well – what the firm's doing, what it could do, and what else is happening in the marketplace. A lot is about information exchange, as well as raising problems and voicing ideas.

"Another driver is expertise development. We have lots of younger lawyers who are really interested in the opportunity to grow and differentiate themselves. I had so many emails from across the firm, I couldn't keep up with the replies ..."

To stress though, innovation's door is open to all – business services teams and paralegals as well as lawyers, and whether they consider themselves tech-savvy types or otherwise. "We will then flush out the people who most want to try things out in the test bed," she says. "It will probably comprise a fixed group for certain things – perhaps evaluating a piece of technology only relevant to litigators, where that would make sense – but you need to be careful about excluding people who are interested in this stuff."

Learning power

DeBord's role also involves overseeing such tech trials and prototype processes, all the while continually assessing what more could be done with the vast amount of data the firm is amassing.

The simple answer to that is a lot, she says. "I believe we can always find ways to leverage data better for our clients – to surface trends, identify risks and better understand opportunities. That's the real key to proactive, solution-focused advice."

It's also a place she expects to deploy the business's steadily growing investment in the possibilities of artificial intelligence. A business eager to pilot 'AI' tools for document review, data extraction and analysis back in the BLP days, BCLP has now just announced a "strategic commitment" to embed the capabilities of one solution – Kira – fully globally. Previously, this was confined to the work of two of the firm's legal service delivery hubs in the UK and US. In 2018, the innovation team was also in on the development of Clear/Cut, a dispute-evaluation service that combines several tools to enable a more extensive review than would otherwise be possible for case assessment by the litigation and corporate risk group.

"I now see a huge opportunity to point some machine learning at the firm's knowledge management work," says DeBord. "It goes without saying we need really clean precedents in place for that – and data is one of legal's biggest challenges – but creating even clearer playbooks for particular situations and work streams is a great opportunity to build more efficiency."

One can celebrate growth, new friends and achievements past for a day or two perhaps, but today – and heading on to 2020 – the hard work of continuous improvement continues.

FIRM FACTS

Bryan Cave Leighton Paisner
Offices: 31
Countries: 11
Revenue: $905m (£717m)
Headcount: 3,164
Ratio, total fee earners to business services staff: 1.4: 1

BRIEFING 5P 2019 – DAY PLAN

8.30-9.00 — **COFFEE, BREAKFAST AND CHATS** — YELLOW ROOM

9.00-9.30 — **START YOUR DAY RIGHT** — BLUE ROOM

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9.30-10.00 — **THE BIG KAHUNA SESSION – A COLLABORATIVE APPROACH TO DATA** — BLUE ROOM

Data is the biggest game changer for businesses. It crosses every function and is essential to getting new technology working – and a siloed approach isn't going to cut it. Uncover how companies are developing a collaborative cross-sector approach to understanding requirements and creating data exchange platforms that will drastically improve data quality and outcomes.

Shamus Rae, head of innovation, digital labour and cognitive transformation, KPMG

10.00-10.30 — **COFFEE AND STRUCTURED CHATS** — YELLOW AND GREEN ROOMS

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SPEAKER QUESTION TIME
YELLOW ROOM

Loved the session, but had some questions? Now's your chance — meet Shamus in the Q&A zone and grill him (nicely) over a cup of tea

10.30-10.50 — **STOP OPERATING IN THE DARK: THE IMPACT OF PRICING ON PROFITABILITY** — BLUE ROOM

Pricing and profits are inextricably linked, but what needs to be done to drive improvement? Hear some back-to-basics advice about how to really enable change in your firm.

Brian Dunlop, global director of strategic pricing, White & Case

10.50-11.25 — **GET INTO THE DETAIL – SMALL GROUP MASTERCLASSES** — BLUE ROOM

CO-CREATE WITH YOUR CLIENTS
RED ROOM

Disrupt or be disrupted is the new reality. So how are firms disrupting? How can firms co-create solutions and transform legal service delivery – becoming more efficient and adding more strategic value?

Speaker to be confirmed

BUSINESS DEVELOPMENT MASTERCLASS
BLUE ROOM

Institutionalise a culture of better client management and business development, and understand what the client won't tell you, and how to get to the heart of what makes them choose you

Stuart Lotherington, senior partner, SBR Consulting

11.30-12.15 — **LIGHTNING ROOMS – 10-MINUTE SPEED LEARNING** — YELLOW AND GREEN ROOMS

DATA DEEP DIVES — BLUE ROOM

11.30-11.45 – DEEP DIVE ONE

Good data is the foundation of better business choices. From automatically assigning phase/task codes or J-codes, to determining a matter type, Clocktimizer's newly launched machine-learning engine provides the tailored insights needed. Learn more about the next generation of legal tech, how you can enrich your firm's data, and what you need to do to be prepared for machine learning.

Nicoline Ever, head of operations – international employment group, DLA Piper

Pieter van der Hoeven, CEO, Clocktimizer

SOAPBOX CASE STUDIES — YELLOW ROOM

Short, snappy case studies from law firm leaders – get the skinny on what your peers are working on in ten-minute speed learning sessions.

11.30-11.45 – CASE STUDY ONE

Adam Soames, head of clients and markets, and Stephen Allen, global head of legal operations, Hogan Lovells

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DATA DEEP DIVES CONT.

11.45-12.00 – DEEP DIVE TWO

Hear about the latest trends, drivers and upcoming developments in profitability analysis and reporting. Get your firm up to speed in this research-led session that will share intel from a new survey of law firms around the world.

Fraser Mayfield, head of EMEA, and Joe Zoghbi, COO, Iridium Technology

12.00-12.15 – DEEP DIVE THREE

To be confirmed

A representative from BigHand

SOAPBOX CASE STUDIES CONT.

11.45-12.00 – CASE STUDY TWO

Jo Witham, head of client services, CMS

12.00-12.15 – CASE STUDY THREE

To be confirmed

Shane Scott, IS director, Shoosmiths

12.15-13.15 LUNCH AND STRUCTURED CHATS — YELLOW AND GREEN ROOMS

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SPEAKER QUESTIONTIME
YELLOW ROOM

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13.15-13.40 GROUPTHINK – A LITTLE-KNOWN THREAT TO COLLABORATIVE WORK — BLUE ROOM

Groupthink is one of the most important biases to understand and address to become more competitive, productive and avoid adverse outcomes. Glean insights from behavioural science on groupthink and start combatting this in your firm.

Dr Grace Lordan, associate professor in behavioural science, The London School of Economics

13.40-15.10 IT'S YOUR TURN – GET SOLUTION-BUILDING — BLUE AND YELLOW ROOMS

STEP ONE – BUILD YOUR SOLUTION

This isn't a day where you can just sit back and listen, this is a conference focused on practical applications. So, now is the time to apply what you've heard earlier in the day so you leave with tangible benefits. Work through a problem selected by you, the delegate, with your peer group and build a solution you can take back and apply straight away in your firm.

Led by: Jason Dunning, co-founder and principal consultant, DWF Consulting

15.10-15.20 STEP TWO – SHARE YOUR SOLUTION

You've got your idea, but how do you get buy-in from the rest of your organisation or your clients? The branding experts from Propero will turn your ideas into reality.

A representative from Propero

15.20-16.00 CLIENT INTERACTION TIME — BLUE ROOM

How do you build the much sought-after trusted-advisor relationship with your clients? Is new tech the key, or should you look at some back-to-basics ways of working? What are GCs' bugbears and must-haves? You can find out at Briefing 5P, however, fear not – this isn't going to be a boring panel session. This is an interactive session where you can really quiz the client on what they do, and don't, want.

Joel Cohen, global general counsel, Premier Model Management
Rob Goldsmith, deputy general counsel, Ferguson Enterprises
Howard Trust, general counsel, Schroders
Rebecca Wint, legal director, IDEO

16.00-17.00 END YOUR DAY EVEN BETTER (DRINKS) — BLUE AND YELLOW ROOM

Ensure you finish the day right, with a round-up and **NETWORKING DRINKS** – because there's no better way to end the day

Brain training

24

Game of owns

Robert Camp, managing partner of **Stephens Scown**, explains how employee ownership takes engagement to another level

HANDS ON

Game of owns

Robert Camp, managing partner of Stephens Scown, reflects on the process and power of moving to an employee ownership model

Stephens Scown was the first large law firm in the UK to give all eligible members of staff an equal share in its profits. In a sector that has traditionally seen partners alone share in the profits, it is a move that has attracted interest from across the UK – and not just from within the legal profession.

First for it

This type of approach is very new for law firms, but I have always tried to look outside the sector for examples of best practice. I've admired John Lewis's way of doing business for a long time, and have drawn inspiration from it.

This is all about giving everyone who works here a real stake in the business. No matter what role someone has, or what their perceived seniority is, we are all part of the same firm. When I asked our people how the profit-share should be distributed, the overwhelming response was by way of an equal sharing, which certainly surprised our board. However, we listened to them and now recognise that an equal sharing of profits is the best way to engage everyone. Everyone's contribution to the firm is equally important, and now their share of the profits is too.

There's a big difference between being an employee and an owner, and that's now starting to be felt across the business. In particular, we've been able to show our staff that the profit share isn't just related to turnover, but that looking at marginal cost savings and efficiencies can have a dramatic impact on profit.

After several years of planning and discussion, we announced our plans in March 2016, after receiving official approval from the Solicitors Regulation Authority (SRA). The scheme came into force on 1 May 2016. Our people have since chosen to call the scheme 'Scownership', and indeed given it the strap line 'there's no place like Scown', with all those eligible now known as 'Scowners'.

> The greatest challenge came from the SRA, as this is a completely new model of law firm ownership and satisfying their concerns regarding compliance and control required some innovative and complex proposals

Although the scheme wasn't officially in place in 2015/2016, we issued a bonus to all staff as though it was. When the first official year of employee ownership ended in April 2017, the firm was able to share profits of £800,000 equally between all eligible members of staff – an increase of 10% on the previous year. This is an achievement that all of us at Stephens Scown take great pride in, particularly in the context of the uncertainties and challenging economic times we're facing. Colleagues are eligible to become part of the employee ownership scheme six months after passing their probation period. Part-time colleagues receive their profit share on a pro-rata basis.

Beating the challenges

As a law firm, Stephens Scown faced additional complications when it introduced its employee ownership scheme. The greatest challenge came from the SRA, as this is a completely new model of law firm ownership and satisfying their concerns regarding compliance and control required some innovative and complex proposals.

The main area of concern for the SRA is to ensure the ownership and control of regulated law firms remains with qualified solicitors. It was therefore necessary to create a structure that on the one hand allowed staff to feel they were now 'owners' of the business, but at the same time ensured day-to-day control of the firm remained with partners of the LLP. This was achieved by creating a corporate partner in the LLP, the shares of which are owned by the employee benefit trust (of which all eligible employees are members).

However, the firm's persistence has been worth it. Scownership definitely reflects the culture of the firm. We also hope that it'll be a powerful motivator for staff, and therefore have a direct impact on growth, client service, engagement, and ultimately, the success of the business. We have a strong focus on the client here, and I firmly believe that happy colleagues provide a superior service, which broadly results in more satisfied clients.

People positives

In addition to our people appreciating it, I think our clients are impressed too. We have become known as a company that listens to our people and treats them well. Our new employee ownership trust is another manifestation of that. When we ask clients for feedback on service, our reception team and legal secretaries are often praised as much as our lawyers. Clients like to know we value the contribution of everyone who works here and share profit equally, regardless of job role or seniority. Many of our clients are also entrepreneurs, and I know they like the fact we've done something different here, and are showing the way.

We've also noticed how 'Scownership' has been picked up by people wanting to join us, in particular graduate recruits, who are impressed by the common purpose and goals it engenders.

The firm is known for its employee engagement in any case – we have been ranked in the prestigious Sunday Times 100 Best Companies to Work For list for five consecutive years. Based entirely on anonymous feedback from employees, the survey is itself a good barometer of a firm's level of employee engagement.

Culture comes first

Generally, I would advise anyone considering introducing employee ownership to spend time getting the culture of the organisation right first, and then to create a scheme that fits in with that culture. Don't create a scheme to try to change the culture. In fact, we spent five years changing the culture before implementing Scownership, and it has certainly worked for us.

For any other firms who may be considering employee ownership, a level of deep commitment must be in place. It's a much greater challenge for firms in the legal sector than for many other businesses, because of the level of professional regulation, so the intention to go for it must also be embraced by all the firm's partners. You must expect the project to take some time, so don't set any unrealistic timescales.

It's also crucial to involve your people in the process at the outset. This has been a journey that has taken us several years. From a very early stage we let our people know that this was what we were planning, so that we had their buy-in and understanding. I think that level of communication is important so that everyone understands, and they don't feel like something new is being imposed on them. My philosophy is to ensure that we explain why we are doing something, rather than just informing colleagues what we are doing.

Stephens Scown's journey to employee ownership has not been an easy one, but it has been well worth it. It has been exciting and rewarding to become the first large law firm to create an employee ownership scheme, reflected in greater employee engagement, interest from clients and other professionals and considerable interest from new recruits wanting to join the firm. I'm proud of what we have achieved with Scownership. I also know there is much more that we can do, and that this is just the start of another exciting journey.

It's crucial to involve your people in the process at the outset. This has been a journey that has taken us several years. From a very early stage we let our people know that this was what we were planning, so that we had their buy-in

THE DEBRIEF

Where the legal sector has traditionally rewarded only partners with a share of profits, Stephens Scown now offers all staff an equal share of a profit pool, through its 'Scownership' model.

Due to the highly regulated nature of law firms and the novelty of the proposed structure, the Solicitors Regulation Authority had a number of requirements to clear – but the idea is the model will be a powerful motivator for staff to think about efficiencies and cost savings.

It's extremely important to study a firm's culture when considering a change in structure as radical as Scownership, and to mould the scheme to fit the firm – not the other way around. Getting buy-in from staff from the very beginning is also crucial, and unrealistic timescales should be avoided.

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INDUSTRY ANALYSIS

Cashflow double action

Law firms increasingly recognise the importance of advanced technologies to help them improve cashflow and boost profitability, but the human element is just as vital to maximise value, says Elisabet Hardy, vice president of financial and practice management at Thomson Reuters

What makes a successful law firm? Or perhaps a better question to ask is: what makes a law firm a successful business? Expertise and reputation, ability to win big clients and cases, position in the top tier and a forward-thinking outlook, among other attributes, are of course all important. But underpinning all of those big-ticket highlights is something prosaic, yet just as critical – sound and streamlined financial management. It's fundamental, but for many firms it remains a work in progress.

And with good reason. The factors that can affect workflows, collections, and ultimately profitability, are many and varied. They depend on organisational structure, culture and client base – and there's no one-size-fits-all solution. That said, it's helpful to examine some of the most common issues law firms face in delivering optimal financial management and weigh up the roles that both technology and 'human' innovations can play in improving firms' performance. By focusing on these twin drivers, firms may be better equipped to identify and square up to those challenges.

Collection conundrum

One of the most attention-grabbing statistics from the latest Thomson Reuters Peer Monitor Index (PMI) report is that, in the US, collected realisation against worked rates fell to 87.3% during the first quarter of 2019.

As the report notes, "not only does this represent a new all-time low following three years of relative stability, it was also one of the largest

quarterly drops that Peer Monitor has ever seen."

Clearly, a drop in one quarter, however large, does not make a trend. But it's a telling piece of data that gives weight to concerns around length of time taken from completing work to billing and collection, which have been bubbling to the surface in many recent conversations with law firms. And it's an issue that's by no means confined to US firms.

According to the most recent PwC Law firms' survey, the average year-end lockup at 'top-100' UK firms now sits between 122 and 135 days, or around four months – a shocking figure. PwC puts this into context by pointing out that a top 10 firm could generate in excess of £16m in cash just by reducing lockup by 15 days (in line with top quartile performance of 108 days).

Overall, CFOs are all too aware that improving days outstanding in their firms' order/delivery-to-cash cycle by even a few days can make a significant difference to their bottom lines – the trick is achieving it. Law firms' ability to drive improvements in areas like this is affected by several factors, most notably:

1 **Increasing demands from clients and shifting rules of engagement.** The pace at which clients' billing rules and guidelines are changing is quickening, and it is getting harder for firms to keep up with them. The need to improve their upstream business workflows is coinciding with billing rules becoming much more complex and demanding.

2 **The ongoing challenge of eliminating manual, administrative activities that lawyers still have to do, from time entries to new client onboarding.** While firms are investing in sophisticated technologies to improve efficiency, the reality is that, for many, the interface between lawyer and tech solutions still often takes too long. It also remains too prone to human error, taking fee earners away from revenue-generating tasks and increasing the risk of mistakes.

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Using predictive techniques, firms will be better placed to develop more effective collections policies and strategies, and on the basis of a cost-benefit analysis, decide how to approach future work with a particular client

Patterns of predictability

When people think about innovation to address financial management issues – of which collections is just one – technological interventions tend to be uppermost in their minds. Technology's transformative effect is plain for all to see in client work – for instance, machine learning in litigation support or M&A due diligence, as well as back-office tasks like automated financial information systems or e-billing.

But, as with any type of innovation, there remains scope to push the envelope further. New developments in, and additions to, products available on the market will be most fruitful through closer collaboration between the legal sector and technology partners, enabling the honing of products that fit specific needs and can be better tailored to create customised solutions.

For example, predictive technologies have the potential to provide incredibly useful insights for law firms, and this is an area which is currently underutilised. The technology currently exists to spot patterns in law firm data, theoretically enabling firms to easily and efficiently identify, for instance, which clients are not likely to pay on time, and alert partners and finance teams earlier so that they can take action accordingly. The dramatic growth of e-billing in the legal sector demonstrates just how powerful the application of such technology can be.

However, the legal sector has yet to fully realise the promise and power of such predictive technologies. This represents a real market opportunity for tech providers, enabling firms to get ahead of the game in areas like billing and collections. Using predictive techniques, firms will be better placed to develop more effective collections policies and strategies, and on the basis of a cost-benefit analysis, decide how to approach future work with a particular client.

People power

Technology – although hugely powerful – is only one part of the equation when it comes to law firm success. First and foremost, law firms are, and always have been, people businesses.

So, when it comes to improving collections there's another issue. Lawyers are not always good at, or comfortable, asking clients for money. However, starting to have those difficult conversations earlier is essential from a financial management perspective. Why wait until an invoice has aged 90, 120, or even 180 days, during which time even more billable hours on ongoing matters are being racked up? There's little point in leveraging technology to deliver better insights if they are not acted upon fast enough – or at all.

Then, from a wider perspective, some of the most progressive firms are re-evaluating their talent mixes to tackle some of these issues in a different way. The most forward-thinking firms are analysing what the profile of the next generation of lawyers should look like, beyond just being great legal advisers, and placing increased emphasis on wider skillsets, including business experience or other commercial qualifications, such as MBAs.

At the same time, they're seeing value in breaking down traditional differentiations between lawyers and business services professionals within their ranks – recognising that the latter bring important skillsets to the table – and focusing on creating a more collaborative environment and equal relationship between the two, forging a more rounded organisation. For these firms, the message is clear – law firms are businesses and they need to be run with a commercial mindset. For that very reason, things like reporting, budgeting and forecasting have never been more important.

To illustrate the point, consider where the Big Four professional services firms are today. These have long since ceased to be purely accountancy firms – they've developed into broader business advisory and consultancy services. That's not to suggest that law firms should follow suit, but it

does demonstrate the role that non-specialists can play in business development for professions like accountancy and law.

In addition, those same Big Four firms are increasingly targeting law firm clients – if not to advise them directly on legal matters then to advise them on their relationships with lawyers. It's likely to be law firms with broad business acumen that best navigate that shifting environment.

Two sides of a coin

For law firms of all shapes and sizes, financial health is – or should be – a core preoccupation. Generating top-end volume is all very well, but cashflow and profitability count just as much, if not more so. It's becoming clearer than ever that getting bills out and payments in through the door faster makes a huge difference to the bottom line. Should the market or the economy take a turn for the worse, firms with lean, efficient financial management processes will be better positioned to withstand the inevitable economic headwinds.

To achieve this, visibility and transparency are essential. New technologies are synthesising firms' financial data to deliver forward-looking insights rather than simply providing lagging indicators, as in the past. In doing so, innovative tech has a key role to play as a problem-solving enabler, taking its efficiency- and productivity-enhancing benefits to the next level. But it requires human expertise and buy-in to drive change and evolve behaviour, spotting opportunities and heading off threats highlighted by technology to optimise law firms as businesses.

In today's legal sector, people and technology are inextricably linked, and investment in one could be wasted without sufficient focus on the other. In the evolution of best practice, the right mix of talent and tech in the DNA of law firms is the key to delivering business success.

The most forward-thinking firms are analysing what the profile of the next generation of lawyers should look like, placing increased emphasis on wider skillsets, including business experience

INDUSTRY INTERVIEW

Talent's for transformation

Helen Starling, managing director with RRD, says law firms need to invest in employee experience, by analysing, motivating and otherwise treating their talent as they would their best customers

Brand loyalty is a concept perhaps more commonly associated with large retailers than large professional services firms. However, it should be an area of intense focus for law firms approaching 2020 – and not just to attract and retain profitable clients. Firms are also fighting for the talent they need to thrive using the might of their employer brands. "One might say it's becoming a Catch-22 situation for the law firm; how to balance the high salaries demanded by the most talented against the cost of the support they require to do their job effectively," says Helen Starling, managing director for the investment banking, legal and professional services sector at business services communication strategy specialist RRD.

Firms that know they need to improve in the sphere of employee experience should therefore channel and optimise 'customer experience' is the important message from Starling.

As early as next year, a so-called 'Generation Z' comprised of "digital natives" will account for more than a third of the global workforce, she says – and their personal productivity will be critical to meeting firms' other big challenge of maintaining profitability. As in-house functions and new models of competition alike apply commercial pressure, margins are being eroded. The upfront cost of top talent continues to rise and, in response, law firms have tried to manage rising costs by reducing non-fee-earner support and in turn, headcount. On a balance sheet this may help push back the tide of margin erosion, but in reality it inhibits a firm's ability to put adequate resource behind business development and central support.

In this context, findings from RRD's research – that 70% of legal professionals say their employers aren't doing enough to retain talent, for example – can no longer be brushed off. And here's another one – 100% would consider leaving their position if they were unhappy with their work–life balance. Of course, that's in part also because the age of the 'job for life' is over, even among millennials who still want to work for law firms. But what can those firms do to make their people feel as cherished as valued customers?

Flexible about working

A lot hinges on just how they explore, discuss and provide for individuals' working preferences, says Starling. "One area that we advise our clients on is around how to offer people choice. Employees will have a range of working styles as well as needs, and approaches or policies should be flexible enough to account for the differences."

This, of course, mirrors one way the world of consumer brand has had to respond to changing shopping habits and wishes. And if the employee isn't necessarily always right, the expectation is that a similar level of attention is shown.

At the same time, while the 'millennial' demographic is making its strong mark on the workforce, it's likely an ageing population will work alongside them for longer. We shouldn't over-generalise about generational preferences, but also factor in that shift. "Organisations need to try to be as inclusive as possible of everyone's

PHOTO CREDIT: SIMON BRANDON

styles, and avoid alienating them," says Starling.

But it's not enough to talk about employee experience anymore. They need to deliver. Progressive firms have responded by introducing new practices, including flexible and virtual working and central support services that underpin professional and personal wellbeing.

"As consumers, we now regularly choose both how we receive communications from companies and how we feed back our views." Again, the legal workplace needs to absorb some of that ethos of openness and options, perhaps offering in-person time with senior leadership alongside a multi-channel strategy that ensures voices can be heard more regularly. "Artificial intelligence can even analyse language choices and other signs that may flag when people feel unhappy, unsupported, or perhaps even intend to leave," Starling explains.

Transforming together

Technology of many types can absolutely be an enabler of better employee engagement and retention, says Starling. After all, it's a critical piece of the agile working setup for those who seek that to help their work–life balance. However, she also observes that, compared with other sectors, law firms have a tendency to struggle their way toward seeing the full benefit of their tech investments.

Somewhat ironically, this is an engagement issue. "Firms will often task an innovation or IT department with identifying useful tools, but that's not necessarily happening collaboratively with the users and managers in the business areas being changed." Any transformation agenda should ideally be driven – and certainly informed – by day-to-day business, she says.

Almost certainly, providing the right support for those working away from the office is a key area of focus. "Organisations leading in this respect are creating service platforms for a range of working environments to ensure the same levels of support and engagement, regardless of location," she explains. "Other solutions are enabling businesses to create both digital and physical spaces for people to group and re-group, to collaborate and manage defined projects more freely."

CSR beyond

Finally, at a time when salary is much less likely to be the only consideration for those joining or leaving an organisation, Starling says employers also need to be aware of all the factors that may motivate their people beyond the pay packet – whether work–life balance, tech preferences, career change opportunities, charitable work, community involvement, or commitment to causes such as inclusion and improved wellbeing. Just like retail businesses competing for customers, firms need to keep pace with changing societal expectations more broadly. What are they doing about plastic use and cutting down on non-essential travel, for example? Are these thoughts and initiatives sufficiently communicated? Consolidation of business services provided to employees into one central point is the best way forward, Starling says, because of data collection. "Being able to collect data on the utilisation of different services gives organisations the option to make informed choices about which services are utilised and which are not, paving the way for environmentally-conscious decisions around how to lower carbon footprint without running the risk of removing business support vital for the top talent," she explains. And with online access to work, and collaboration tools such as for document sharing and comparison, the sustainability strand of corporate social responsibility should probably also drive firms further down the paper-light path.

Law firms have a legacy infrastructure and hierarchy to gradually dismantle – something their newer competition isn't burdened by when introducing its own ideas of innovation. But the time to start the work of taking talent with them on that journey of discovery and change is now.

For more information, visit: www.rrdonnelley.co.uk

INDUSTRY ANALYSIS

Tech your cashflow

Karen Bailey, regional director for strategy and growth for Aderant in EMEA, dissects the challenges for law firms in reducing lockup periods and improving their cashflow

A fundamental lesson they teach in business school is about cashflow. A business can book revenue one month, and still go bankrupt the next. Why? Because in spite of the bookings, the business doesn't have enough cash to cover expenses.

The lockup period facing law firms contributes to a cashflow problem. A study by the financial services advisory firm Smith & Williamson recently found a "9% rise in amounts owed and a 6% rise in unbilled matters year-on-year" with the lockup period growing to 122 days.

Together, between unpaid bills in lockup and unbilled time, the top 50 UK law firms have also left £7bn in cash on the table, according to the study. To put this in some context, Giles Murphy, head of professional practices for the firm, said cash on the balance sheets of all 50 firms was around £500m, while monthly payroll adds up to £572m.

It's not just large firms facing prolonged lockup periods either. Studies from Armstrong Watson, PwC and MHA indicate that firms of all sizes are experiencing this problem, with few exceptions. For example, the MHA report demonstrates the impact this has on cashflow for smaller firms: "In a practice, for every £1m of turnover, an increase in lockup by 15 days will result in a further £41,100 tied up in unbilled time or unpaid bills. For a practice of £5m turnover, the increase in lockup would be £205,500 and for a practice of £15m turnover the increase will be £616,500."

Technology and the three stages of billing

However, while the lockup period is an important aspect, it's only part of the cashflow equation. There are contributing factors across the entire cycle, from work in progress (WIP) to collections. These can be broken into three phases: time entry, billing efficiency, and WIP-to-cash management.

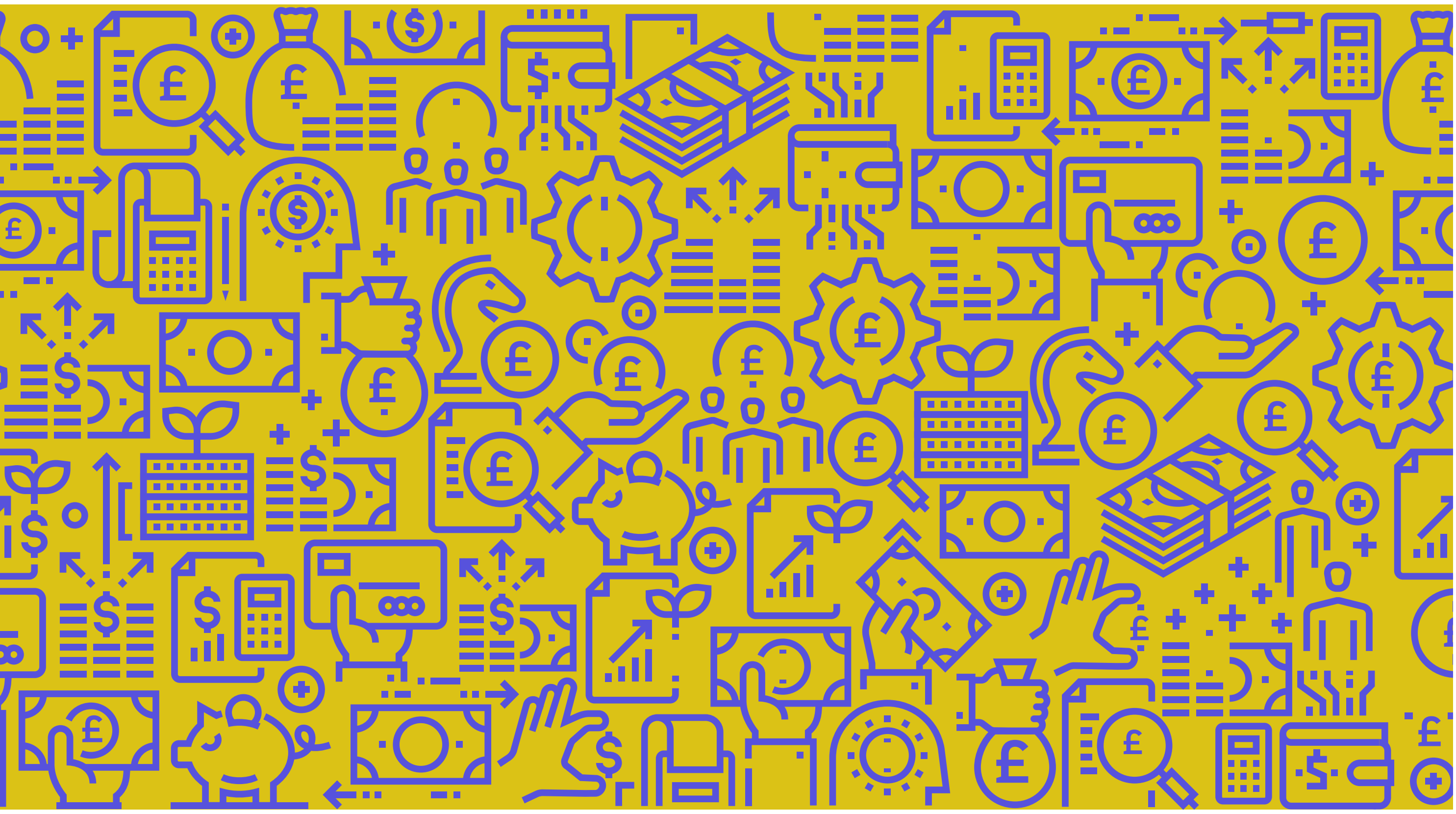
Fortunately, there are some distinct areas where legal technology has proved helpful here. Technology alone isn't going to solve the problem because there are related cultural and process challenges. That some lawyers are just not comfortable talking to clients about collections is one example. The decentralised nature of billing among UK firms – meaning there is less control over the dispatch of the bill – is another.

That said, while technology isn't a cure-all, it can help considerably in the following ways:

1 Make time entry as easy as possible

Time entry is time-consuming and mentally taxing at the end of a long day. Consequently, lawyers delay the task until later, when they'll have more time to focus. That compounds the problem, because as time passes it gets harder to remember the details.

- Mobile time entry lets lawyers enter their time when and wherever best suits them. These apps are so easy to use that some firms find their lawyers choose to enter their time on a mobile device even when seated near their computer.
- Time-reconstruction tools monitor documents,



emails, and calendar items for unbilled time to help lawyers remember work they performed but forgot to bill.

- Automated rules can prevent bills from going to clients with errors or service level agreement (SLA) violations by advising lawyers about words, action codes and billing limits at the point of time entry.

2 Automate the billing workflow

Billing is a necessary, but non-revenue-generating, task that takes lawyer attention away from doing great legal work for clients. Technology brings efficiency by standardising the process, automating the routine parts, and bringing visibility to how individual billing actions impact a law firm's overall finances.

- The same convenience mobility lends to time entry extends to compiling, editing and approving bills at a time and place most convenient. Bill changes show up as real-time information across a firm's books.
- Workflow automatically routes a bill along a collaborative review and approval sequence where the firm defines the moment it's ready for the next step. You can see precisely where a bill is in the process and eliminate any bottlenecks.
- Flagging a bill potentially in violation of e-billing guidelines or client SLAs before it goes out also guides the partner through a workflow to resolve, override, or initiate a client conversation about it.

For more information, visit: www.aderant.com/think-tank

3 Better access to collections data

The conversation with the client about the bills that are outstanding becomes much easier if the lawyer has been empowered with the relevant history and data behind them. The payment behaviours of the client should be accessible so that any deviations can be identified early and acted upon. Technology should allow lawyers to have access to this information while they are actually with their clients.

- Mobility plays a part here as well, with the opportunity to show the client a copy of the bill from a mobile device.
- If there is true collaboration between the lawyer and the finance team, the lawyer should be aware of the collection activities that have taken place to chase the bills.
- This collaboration should be two-way, and the lawyer should easily be able to advise the finance team of expected payments or advise about the reasons payments are proving slow to save time wasted chasing bills.

The effect of cashflow on profitability

Getting your time entered sooner, publishing bills efficiently and providing lawyers with the data they need to track accounts receivable, debts and collections, will reduce the lockup period and improve cashflow. In turn, better cashflow helps the whole machine to run a little more smoothly, and by extension improves the overall profitability of the law firm.

INDUSTRY ANALYSIS

Financials in future

Paul Suffield, applications account director at Oracle, says instant insight helps to drive the financial performance of fee earners, thereby raising financial process to the higher level of strategic planning

The legal market is transforming. The shift in power from the law firm to the general counsel is seeing a change in the behaviours of clients, which means now more than ever law firms need to look to the future. That future requires the finance function to become an integral piece of how firms deliver their services to clients.

What do we mean by this? Finance technology needs to allow the firm to be agile, to support the complex and varying fee arrangements clients are looking to secure, and to support clients wishing to engage with their law firms. As new ways of engaging with clients become more pervasive, however, it is essential the finance function provides the analysis and insight required not only for the firm to ensure fee arrangements are profitable, but also to enable improvements in the service and experience the firm offers its clients.

The delivery of the financial agility required for this is best supported by cloud technology, consistent access to the latest innovations and, most importantly, the influence firms can have over delivering functionality that supports their strategic goals. Without this agile approach, firms may find themselves adopting ever more complex, costly and convoluted processes to support clients.

There are many areas where law firms' finance departments can leverage technology to improve their financial processes. One is a comprehensive financial management solution that provides highly automated financial processing, from sourcing and procurement to billing and collections, through to effective financial management control, cashflow management and real-time visibility into financial results. However, it's the insight and financial performance management that we at Oracle believe is the key to raising the finance function to be a strategic function delivering real value and insight to the firm.

Enterprise winner

As firms grow and evolve, a powerful and flexible enterprise structure will be key to the effectiveness of the financial teams. The Oracle global practice management system (GPMS) general ledger has multi-dimensional constructs, providing users with powerful analytics at the click of a button and the speed of thought. And this means finance teams become more strategically curious, interrogating and drilling into the financial data with a new expectation that the answers to their ad hoc questions will be instantly revealed. Importantly, Oracle GPMS also supports global operations and complies with international accounting standards.

In addition, a truly integrated back office needs to be able to collaborate easily and effectively with the firm. Oracle's GPMS leverages Oracle Social Network as a powerful collaboration tool. This is a

Resource managers have an overview of the utilisation requirements within the firm or practice area. They can harness the power of the Oracle GPMS cloud to analyse this demand

secure private network, with social tools designed to capture and preserve information flowing between people, applications, and business processes, tied directly to the data within the system. This is great for accelerating productivity and evolving processes.

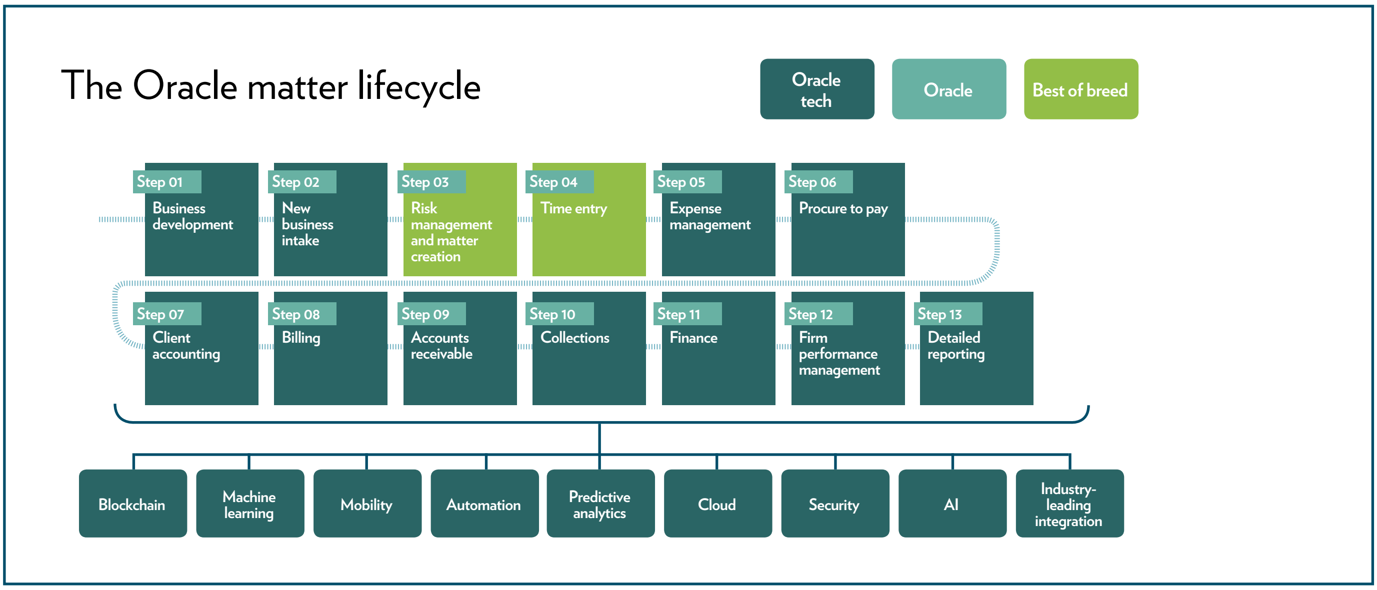
Collaboration between finance and resource management is also critical. Resource managers have an overview of the utilisation requirements within the firm or practice area. They can harness the power of the Oracle GPMS cloud to analyse this demand, comparing capacity with demand and identifying surplus as well as shortfall.

For more information, visit:
www.oracle.com/uk

Resource managers can match and best fit resources to the most appropriate assignments thanks to visual oversights revolving between a number of different metrics – availability, location and travel preference, as well as competency-based skills required for the matter requested.

Planning horizons

Taking Oracle's learning from other industries, particularly financial services, gives the quickest return on investment – and in our view the most strategically important improvement a firm can make is in the area of performance management. It is important to emphasise the connected nature of an enterprise planning and forecasting process. Planning in both financial and operational scenarios needs to be addressed. Firms that are most successful at enterprise planning connect operational planners to the firm's finance plans in a way that provides synergies for both of these sets of stakeholders. The cloud makes it more practical to extend planning around the firm. However, instead of having numerous disconnected plans, the Oracle solution allows you to ensure alignment and synergy across the planning spectrum. Meanwhile, performance management is enhanced with emerging technologies to deliver autonomous planning and forecasting and to enable prediction of the future financial position of the firm. Oracle GPMS delivers endless future possibilities for your firm.



LAST WORD

Policy failure

Bullying and sexual harassment in the legal workplace is pervasive and corrosive, found the International Bar Association's landmark survey on the issue. Briefing considers some of the key findings for law firm management

In May 2019, the International Bar Association (IBA) published the results of the 'largest-ever survey on bullying and sexual harassment in the legal profession'. Prompted in part, of course, by the #MeToo movement, responses were gathered from 6,980 individuals in 135 countries, who set out their experiences in six languages.

Launched at the London office of Herbert Smith Freehills, almost three-quarters (73%) of the respondents represented in the 130+ pages of 'Us too?' worked at law firms, with a further tenth at corporates or organisations (the remainder representing barristers' chambers, government or the judiciary). And the dataset is vast indeed, comprising the specific actions experienced in cases of bullying/harassment, locations where incidents have taken place, the status of perpetrators, reporting channels that are available, reasons for non-reporting and experience of the workplace response.

For example, 72% of those who'd reported an incident of sexual harassment described their workplaces' responses as either insufficient, negligible or inconsistent (where reports had been made on more than one occasion). Only 10% could describe the response as good or better.

Another area probed was people's perceptions of whether workplaces had policies for managing potential instances of bullying or harassment. Remarkably, only 50.8% of those working in law firms said they were aware that the firm had a policy to follow. Although that's more than among barristers' chambers or the judiciary, it compares to 70% working in corporate/client organisations.

And firms fared even worse when it came to perceptions that there is any training framework to reinforce such a policy (although it finds a 'strong positive correlation' between increasing firm size and prevalence of training activity). Just one fifth of law firm employees are aware of training or information sessions available around the behaviours involved, compared with almost one third of respondents from corporates.

But even respondents who know they're at organisations with policies and training in place are just as likely to be bullied or harassed as those working where workplaces don't have them.

Nevertheless, implementing strong policies and training initiatives are among the top three of the IBA's 10 recommendations (see box, right) for organisations like yours to take further action – committing to work harder both to reduce instances of bullying and harassment and increase the effectiveness of management response. In short, legal must do a lot better.

1 **Raise awareness**
'The legal profession has a problem. Spread the word.'

2 **Revise and implement policies and standards**
'We need more effective policies and better implementation.'

3 **Introduce regular, customised training**
'Training must be the norm, not the exception.'

4 **Increase dialogue and best-practice sharing**
'Work together to address the scourge of bullying and sexual harassment in the profession – say what works and what doesn't.'

5 **Take ownership**
'This is everyone's problem, from senior leaders to incoming graduates.'

6 **Gather data and improve transparency**
'We don't have enough. Once we have the data, we need to be open about it.'

7 **Explore more flexible reporting models**
'We need to improve existing reporting channels and explore new ones to make reporting a better experience for targets.'

8 **Engage with younger members of the profession**
'Younger legal professionals are disproportionately impacted by bullying and sexual harassment. They must be part of this conversation.'

9 **Appreciate the wider context**
'Bullying and sexual harassment do not occur in a vacuum. Mental health challenges, a lack of workplace satisfaction and insufficient diversity are all related issues.'

10 **Maintain momentum**
'Change is not inevitable. But it is possible, if individuals, workplaces and institutions work together.'