

Whitepaper

Preparing for the Upturn: Law Firm Business Process Re-Engineering for the New Economy

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The Challenge

The current economic recession has hit law firms hard. No law firm is left unscathed and stories of massively reduced Profit per Partner (PPP) and negative financial results have become frequent. Law firms have reacted to the recent downturn in familiar and predictable ways, cutting staff, laying off associates and even de-equitising some partners. These, largely short-term survivalist measures may have provided damage control to 2009's earnings, however long term measures now need to be considered as the market looks to the future. All firms will be looking at their current ways of doing business, fielding work, identifying new business opportunities and deploying resources.

In previous recessions more law firms suffered during the recovery phase of the economy, than when the downturn began. Those that address the future up-turn now have recognised potential success and will be best placed to make the most of new opportunities. McKinsey recently published research which demonstrated that in all the major downturns of the 20th century, advances were made that overturned the existing competitive order- those that completely rethought their business model and way of engaging with customers emerged as winners.¹

In addition to the recession, another development, closer to home, that law firms will have to adapt to is the Legal Services Act (LSA). As the market opens up to external management and investment, firms will need to operate in a more competitive, enterprise-like landscape.

Examples of business re-engineering within the legal industry are frequently covered by the press. Clifford Chance recently announced its intention to “energise its practice areas” by creating 13 industry-focused groups that sit across practice areas, similar to the model that is common within the banking industry². Taylor Wessing has set up a “change group” to look into opportunities arising from the changing legal market, including fee-structures, procurement and efficiency measures³.

The history, structure and management style of law firms does not lend itself well to the nimble, forward thinking approach that is needed to stand out from the crowd and self reflection and analysis does not come easily to many firms. With reduced headcount, increased competition and the promise of an upturn, this is the “perfect storm” that should provide the catalyst for firms to re-engineer for longevity and client retention.

¹ “Using Technology to turbocharge innovation in a downturn” Bughin et al, August 2009

² “CC to energise practice areas with sector focus bid” www.thelawyer.com, 3 August 2009

³ “New Taylor Wessing head embraces change” www.thelawyer.com, 27 July 2009



Legal Business Processes

Most firms recognise that it is no longer acceptable to pass inefficiencies onto clients. The emergence of CRM as a business critical tool within the legal market is testament to the client-centric strategies that firms have embraced. In order to truly “do more with less”, understand the specific needs of clients and provision services that are superior, process is at the heart of any initiative.

As clients press for more transparency with regards to fees structure, expertise and documentation, law firms must respond with the ability to provide relevant and timely information in order to compete. A need for common standards and language has already resulted in extranet services; e-billing and automated, electronic deal bibles.

The foundations for all of the above lie within internal business process. Business Process automation is a formal title for a simple task; taking an existing process and making it more efficient by applying business rules and underpin with a technology solution.

Formalising processes, defining steps, exception handling, and escalation paths, together with coordinating the systems needed to accomplish a specific task, greatly improves productivity, compliance, and quality of service. However, efforts to formalise and automate informal business processes can be challenging, as processes span divisions and IT systems. Adding to this challenge, business users are often disconnected from the IT Department.

Nick Taylor Delahoy, Director of Information Technology, Mishcon de Reya Solicitors comments on the value of business re-engineering:

“Mishcon de Reya takes a holistic approach to technology projects; none more so than business process management. If you automate rubbish, you get automated rubbish; it is therefore vital that a firm looks at its business as a whole body when addressing such issues, with technology as an enabler, rather than the isolated solution.”

An approach that many firms take is to identify distinct processes, re-engineering at the people and workflow level, supported by technology. However the process in the context of the wider business needs to be taken into account.

At Mishcon de Reya, there is a view that the business as a whole needs to embrace business process re-engineering as its strategy for future success. Practically however this has meant implementation in a phased approach. The firm believes that solid, best practice should start at the door, meaning that matter and client inception is the first process to be automated. Further down the line, this will ensure that clients receive the most appropriate service, communications and a timely response to any query.



Neil Cameron of Neil Cameron Consulting, a thought leader in the legal technology industry summarises the challenge:

“Despite the improvements in the management and operation of law firms, lawyers still tend to deny that when they deliver services to clients they are involved in a ‘process’. But they are, and often it is not a very efficient one. It behoves all businesses in a competitive arena to examine how they meet client requirements and make them as effective, speedy and efficient as possible – utilising available technology as appropriate. If law firms do not do this, they will find themselves competing with new entrants to the legal services industry who do.”

Supporting Technology

A firm’s technology infrastructure will present both a challenge and an opportunity as firms prepare for this new economy. Whilst technology is at the core of any efficiency gains and automation that can be achieved, many firms are sat on technology assets that are simply not providing an exact match to their requirements. Many organisations ‘make do’ with systems that have evolved, developed and grown alongside the firm.

Most law firms are not in the position to “start from scratch”, invest in heavy technology implementations or justify huge upgrade initiatives. Most recognise that it is the underlying processes that drive the business that need to be addressed as well as a consolidation of existing technology to provide timely, accurate and single instance information to fee-earners and support staff.

Mishcon de Reya does not wish to retire any of its incumbent mission critical solutions such as practice or document management; rather it plans to overlay its infrastructure with middleware that will provide workflow, single instance data entry and point solutions that create an exact fit between technology and its re-engineered processes. This not only empowers the firm to evolve into a “leaner, meaner” organisation, but it provides the flexibility for future development without expansive technology investment.

Using this methodology, specific best practice scenarios can stem from any area of the business. With HR, the process employed for new joiners can be automated and honed to ensure fee-earners are billable within a reduced amount of time and with the training and tools at their disposal to work as effectively as possible. Within business development, the bid and tender management process can be streamlined to employ the most appropriate personnel, references and calculate if the prospect is a long term profitable opportunity. The finance department could also provide a more transparent view of fees structures to clients as all work is accounted for, fully auditable and accessible without extensive analytical tools.

There is a level of caution that needs to be applied to any project that takes a firm’s crown jewels- its knowledge, expertise and client information. Security and compliance are crucial to the success of business re-engineering. As an example the frustration of multiple data entry is not just inefficient, it also poses compliance risks; any technology that aims to provide a more efficient process needs to take into account the number of instances data can be viewed, entered and altered.



Hand in hand with this comes the need for security models to be easily instigated, amended and controlled. Any overlaying technology needs to adhere to the internal governance and external legislation compliance to which the individual firm adheres.

LexisNexis Streamline

LexisNexis has worked with law firms to address the issues outlined above as they have evolved over the past 40 years. Recognising the unique external challenges that today's law firm's face; it has developed LexisNexis Streamline from the ground up, with no legacy technology restrictions.

The Streamline platform does exactly what its name suggests; streamlining complex business systems with powerful business processes to enable legal firms to efficiently conduct their business and drive profitable business decisions. It also offers firms the ability to customise the solution and innovate at a very sophisticated level, without breaking the bank.

LexisNexis Streamline provides a framework that allows firms to enhance and extend the existing functionality of their best of breed applications by integrating multiple systems and drawing together disparately residing data into a single view on users' desktops. Using powerful workflows and inbuilt document creation capability, it simply manages data (bi-directionally) from firms' multiple systems and presents it to users in an organised, web page style and company branded format, delivering a bird's eye view of cases, matters and all other key business processes.

Conclusion

Today's economic climate can either be viewed as an overwhelming challenge to survive, or as an opportunity to reassess what and how a law firm should operate in the New Economy. History suggests that those organisations that re-engineer and adapt will emerge from the recession stronger and more successful.

Business Process Re-engineering is a catch-all term for an internal reflection and re-ordering of an organisation. By sweeping away ways of working that may have evolved through hubris or due to technology restrictions, firms can better meet the changing demands of the market.

Firms need to be empowered by technology to hone their businesses, especially when budgets are tight and resource limited; now is not the time for large scale replacement or implementation projects. Ultimately systems only go so far. People are the informal components of the business process, such as when tasked to keep an ongoing dialogue with prospective clients. Forward thinking IT departments will therefore need to embrace the business as a whole to truly benefit from any business process project.

To find out more about LexisNexis Streamline; please visit www.lexisnexis.co.uk/streamline

