THE AGILE LAW FIRM

A LEGAL MARKET REPORT BY ADERANT
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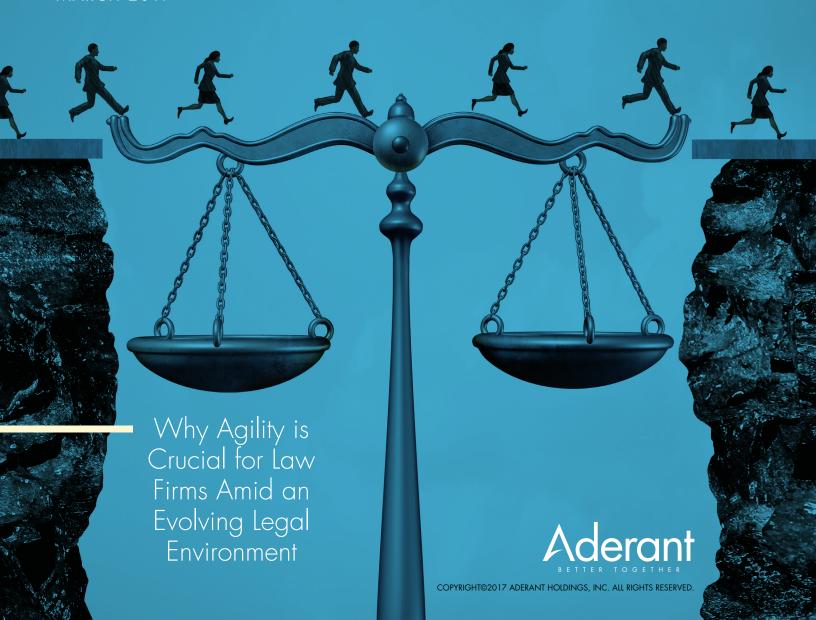Why Agility is Crucial for Law Firms Amid an Evolving Legal Environment

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INTRODUCTION

The legal market today is rife with volatility and change. Client needs are dynamic, new sources of competition are emerging, and the downward pressures on legal pricing show few signs of slowing.

Some law firms are adapting while others are not.

At a recent international conference of managing partners from law firms across the globe, the sentiment was unambiguous. Not only do law firm leaders believe there will be some winners and losers – they believe there are going to be some real winners and some real losers.

The source of the divide between the winners and losers isn't related to size, or strength or reach, but rather, by adaptability. To borrow from a Darwinian notion, the fittest species are not the biggest or the strongest, but those best able to adapt to a changing environment.

The legal business environment is changing. While law firms have always had to adapt to changing client demands, today it's far more complicated. The demands are coming faster and new factors such as globalization, legal innovation, and the largest generational workforce transformation in recent history, are bringing new and multi-directional pressures.

While natural evolution might unfold as a slow process spanning many generations, in the legal business, the pace of change is accelerating. This is driving the need for fervent adaptation which is manifesting itself in the form of agile law firms.

This report explores the concept of organizational agility, the role of technology in an agile law firm, and why agility is essential to adapt and meet the challenges of an evolutionary legal market.

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WHAT IS AN AGILE ORGANIZATION?

For many law firms, the end of the month sets off hectic but important law firm business process of pre-bills. It often involves legal secretaries or back office staff printing off time entries and narratives and walking these from office to office, to ensure these are properly reviewed.

This process may repeat itself several times over before a law firm bill is finally approved for invoicing. It can take days or even weeks to complete.

During that time, the final value of the bill fluctuates with edits, adjustments, and write-offs. As a result, managing partners often cannot discern, with any precision, how well the firm is performing relative to thresholds such as the client budget.

This process is also highly manual and error-prone. It means after all that heavy lifting required to get an invoice finalized, it still faces the risk of rejection when analyzed by the client's e-billing system.

This strains law firm relationships. It places systemic stress on staff, systems and processes. What's even worse, is that these stresses multiply every time a firm brings on a new client with unique billing guidelines. This is not sustainable or scalable in the current legal environment, but there is a better way with agility.

The agile law firm is the result of leadership, culture and enabling technology. The agile law firm can quickly adapt to meet these client demands without exhausting internal systems.

Agile Evolution: From Software to Business to Law

The notion of agile grew out of software development. Whereas technology companies once rolled out massive software updates once a year, today agile development has led to smaller, but more frequent software releases.

The value proposition is simple: responsiveness. Agile development meant software companies could quickly respond to client needs.

The idea soon became embedded in the very culture of leading software organizations. In other words, agile transcended from a process for making products into a philosophy for managing a business in highly competitive markets.

As powerful ideas are prone to proliferate, so too did the concept of the agile organization. It has begun to earn a place in the popular business vernacular. Even more recently, it has spilled over into the legal community and the timing couldn't be better for law firms.
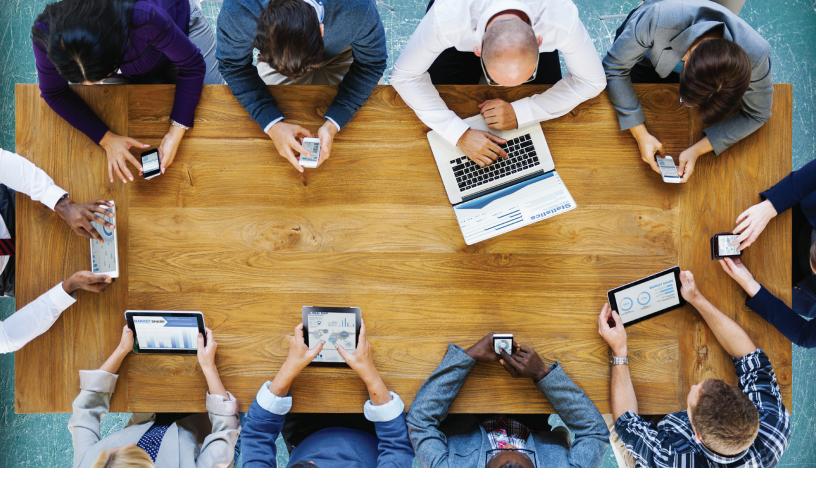
Speed without Systemic Stress

The definition of agile includes "able to move quickly and easily." Similarly, an agile organization is "light on its feet" and can move quickly and easily to adapt to the business environment. Most important of all is that an agile organization can do this without stressing internal systems.

As the agile concept has caught on, it has remained closely rooted in enabling technology. The growth of outside counsel billing guidelines is just one example: instead of the chaos of an end-of-the-month to edit pre-bills and get invoices submitted in a timely fashion – technology can facilitate timekeeper entries as they are being made to match client guidelines.

This prevents the problem in the very beginning, rather than allowing corrections to pile up all month long. The ensuing time entries are more accurate and reliable giving managing partners a better sense of the matter status – and empowering them to be more capable of responding to client inquiries.

Above all, it enables organizational agility as enabling technology can be easily modified for new clients, and without forcing the legal team to change how it works.

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WHY AGILE AND WHY NOW?

We have seen firsthand that law firm leaders are seeking viable options for adapting to the legal market. While some pundits are quick to label law firms as laggards, that simply hasn't been our experience. Instead, we find highly engaged executive partners that have a strong grasp on the changes in the industry and understand how technology – and by extension culture – fits into the remedy.

Over the last few years, one of the observations we've had in our discussions with global law firms is the active involvement of senior leaders in technology acquisition. Specifically, conversations about replacing or upgrading practice management systems, which were once consigned exclusively to back office staff, now involve attorneys at all levels of the firm.

Partners at large firms began going out of their way to bring their lawyers into our sessions, presentations and demonstrations. Moreover, while the demonstrations for specific use cases such as applications for managing the general ledger, billing or accounts receivable used to be segregated for small groups, these now count cross-functional representatives, including attorneys.

When we ask law firms why they include this new mix of staff in technology considerations, the answer inevitably narrows down to adapting to a changing environment. It's an effort to show attorneys how much easier life at a law firm can be while meeting client expectations and responding to major market dynamics.

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We have found three overriding themes to what today's firms cite as reasons for adapting a more agile culture within their organizations:

1. Rapid Technological Advances

Corporate legal has implemented billing guidelines, e-billing, and technology to analyze massive data sets to understand legal spend and negotiate for better pricing. In turn, law firms need technology to provide better insight into their data to provide competitive pricing, smoother ways to collaborate, and leverage analytics to provide business intelligence and client reporting.

2. Globalization

Law firms are caught trying to balance client needs with the growing complexity of managing increasingly global matters. Even regional law firms are recognizing that clients view the world through an international lens and are striving to manage matters in a global context. For example, increasingly firms need to be able to understand their work-in-progress (WIP) in both a local currency – and the standard currency of the law firm.

3. Generational transformation

We are in the midst one of largest generational transformations in the workforce since the baby boomers. Some businesses are experiencing an unprecedented five generations together in the same office. The implications for law firm culture impact a range of issues spanning from talent acquisition and succession planning, to incentivization and millennial expectations for legal technology capabilities.

While the needs of corporate counsel and clients have changed since 2008, the call for agility is best attributed to the confluence of client needs and a changing environment.

THE ROLE OF TECHNOLOGY IN AGILE

Jack Nicklaus and Tiger Woods are two legendary professional golfers from different generations. The year 1972 was arguably the best season for Mr. Nicklaus with seven PGA tour wins along with The Masters and the U.S. Open. For Mr. Woods, although he had many outstanding seasons, his best was probably the year 2000.

When we ask law firm leaders: If we could put these two golfers on the same course in their prime, who would win?

There is usually some debate, but most will say Mr. Nicklaus would win the match. However, that answer changes when we introduce technology into the question.

Golf clubs in the year 2000 were made with better design and materials than those manufactured in the 1970s. Similarly, golf ball technology has made significant advances. The golf balls Mr. Woods used were exponentially better than those to which Mr. Nicklaus had access.

In that context, we rephrase the question: If we could put these two golfers on the same course in their prime, but they had to use the same clubs and balls they used in their best year, who would win?

Invariably the answers switch unanimously in Mr. Woods' favor.

Technology has advanced the game of golf and it can advance the capabilities of lawyers and law firms. Even great lawyers can be that much better with the right tools. This is the role of technology in enabling the agile law firm.

7

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PREREQUISITES OF AGILE ENABLING TECHNOLOGY

In many ways, the requirements of modern legal technology and law firm culture are intertwined. Millennials are rapidly becoming the predominant source of talent, and this generation came of age with technology in a way no previous generation has ever experienced.

Technology is part of who they are, but it has also shaped their expectations. For example, it's challenging for a millennial to reconcile a clunky practice management system – that still requires a firm to print pre-bills – with the simple elegance of a powerful, pocket-sized computing device they've grown up with.

This is no small matter for law firms either. Research presented at a conference hosted by the Association of Legal Administrators (ALA) found upwards of "70% of entry-level associates who departed during 2006-2011 left their firms within five years or less of their arrival."

Yet it's important to note the cultural influence of technology isn't exclusive to the millennial generation. Technology is changing how everyone works. Lawyers of all generations are spending less time in the office, which means the capabilities of legal systems must be engineered with modern legal work habits in mind from the beginning.

This brings us to the prerequisites law firms pursuing agility ought to consider carefully in the process of reviewing and acquiring technology. There are four foundational requirements that must be baked into every system.

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1. Mobility

Most law firms provide timekeepers with the capability to enter time and billing on a mobile device, yet mobility means so much more than time entry. What makes a difference isn't the entry point, but what happens with the data on the backend once it's entered. For example, partners need instant access to that data to understand the status of a matter or budget right now.

2. Automation

Law firm teams need to be able to customize technology tools to match their work preferences rather than try to force fit processes into the limitations of a software product. This means, for example, the technology must offer the ability to modify legal document templates for client specific needs, or the capacity to replicate and adjust workflows to streamline new or evolving processes. It is critical that these modifications are easy enough for an attorney to make independently and without requesting or waiting for technical support.

3. Collaboration

Agile enabling technology advances both internal and external collaboration. Internally, it provides the ability for everyone on the team to know who is working on what, what needs to happen next, and provides a single source of truth for client matter information. However, agile technology must also facilitate client-attorney relationships. For example, when a partner meets with a client, he or she needs the ability to pull out a tablet or laptop and show the client precisely where the firm is with respect to a legal project or budget.

4. Analytics

To bring agility into an organization, a law firm must be able to understand the health of its business. Technology that enables the agile organization has analytics built into the software that allow attorneys to parse and analyze data in any manner they might need.

In aggregate, these four foundations provide the modern attorney with the same level of access and functionality they have in the office – but from anywhere. In other words, the role of technology in enabling the agile law firm is to provide an attorney who is boarding a plane with the capability to manage all aspects of the firm's business even while in transit.

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PRACTICAL ILLUSTRATIONS OF LAW FIRM TECHNOLOGY THAT ENABLE AGILITY

A key aspect of technology that enables an agile law firm is helping staff and attorneys manage change quickly and without systemic stress. We have found there are three quintessential examples that are applicable to large law firms. These examples include client meetings, pre-bills and client billing guidelines.

1. The Heavy Lifting of Pre-Bill Processes

How long does it take to get an invoice out the door? For many firms, pre-bills are an important, but awkward, slow and manual process with a lot of different people touching a bill before it finally goes out the door.

This creates a lot of back-and-forth. It clogs up email inboxes and it is a distracting and frustrating process of work and re-work that is also expensive. As the saying goes, the cost of paper increases with the number of people that touch it.

Modern technology provides workflow so that everyone on the team who needs to be involved in the pre-bill process, knows exactly what needs to be updated, edited or corrected. In this way, the pre-bill is "live" and the next person with an action due isn't waiting for someone else to come by their office with a printout. As the information changes, a senior law firm leader can understand the impact to the business, matter, or client in real time.

We've seen law firms reduce a 14-day pre-bill process down to just eight. We've also worked with firms to take a week-long pre-bill process down to just 48 hours. The net effect is better service to the client, a streamlined WIP-to-cash cycle, and far less systemic stress at the law firm. This is just one benefit of agility.

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2. Outside Counsel Billing Guidelines

In our conversations with law firms, we've found billing guidelines are among the biggest challenge. A large law firm may have hundreds of clients and each one may publish billing guidelines in excess of 40 pages.

This is unwieldy and makes the systematic stress of pre-bills all that much harder. It also makes it harder for a law firm to do what it needs to do most: continuously bring on new clients and legal work.

Legal technology can reduce the strain of unique billing guidelines by tapping into a database of the most common client requirements. These are used to create automated rules that alert timekeepers to violations as they enter time. Rather than flipping through a printout of outside counsel guidelines come pre-bill time every month, the hard work has already been done.

This is a classic example of how technology can help a firm quickly and easily adapt to specific needs of a new client and without a taxing burden on the law firm system.

3. The churn of client meeting preparation

A client calls and wants a meeting or conference call with a partner on short notice. This sets off a flurry of activity that disrupts the day-to-day legal workflow as the team – often junior attorneys and back office staff – scramble to prepare the partner for reasonable client questions:

- What is the status of a matter or matters?
- Are we on time and budget?
- How are we spending our time?
- Are we late on invoicing?
- Is the client late on a payment?

Law firms have told us this is a common occurrence that can require an entire day or even longer, to gather up the information. It's clearly not quick, and it's certainly not agile, as it tasks a team with unexpected and additional work.

Because modern technology facilitates processes, from accurate time entry to collaboration, partners have access to this information in real time on any device with connectivity. Whether talking with a client on a surprise conference call or attending a cordial business lunch downtown, a partner can show a client a status update for their matter, with a high degree of confidence in the fidelity of the information.

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WHAT DO LAW FIRMS STAND TO GAIN FROM AGILITY?

Law firms with the leadership, culture and technology to foster an agile organization stand to gain more than just profit. The agile law firm can attract and retain the best talent because it's better equipped to enable attorneys to work how they want to work. It facilitates better collaboration that helps brilliant legal minds solve problems efficiently. This all leads to higher client satisfaction.

Certainly, profits and margins are an eventual outcome of these factors, but those are trailing indicators. By the time a readout comes in, at the end of a quarter, or a year, some firms will be ahead, while others are behind.

If that group of managing partners is right about the gap between winners and losers, then the agile law firm and the ability to adapt to a changing legal environment is also about legacy and the future of law.

ABOUT ADERANT

Aderant, headquartered in Atlanta, Georgia is a global industry leader in providing comprehensive business management software for law firms and professional services organisations. Aderant is a market leader in technology solutions for practice and financial management, business intelligence, matter planning, calendaring and docketing. Aderant is an established and trusted partner due to its versatile and innovative technology solutions, superior customer support, and reliable implementation process. Aderant operates as a unit of Roper Technologies, a constituent of the S&P 500®, Fortune 1000® and the Russell 1000® indices.

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12