

Technology matters

Allan Carton and Bill Kirby ask what aspects of technology you should implement now to rank ahead of other legal businesses competing for investment

The changes in the legal market will herald a new arena of competition among lawyers: competing for the most attractive investments on the best possible terms. The aim may be to develop their business to generate significant profits, or to find an attractive exit route that provides a substantial capital return – either way, the stakes are high.

Investors will look for the potential to make a sustainable profit, either from the business as an operation in its own right or through its integration into other business operations, where the whole group has more value than each individual component. One way businesses will be assessed is on the basis of their existing technology infrastructure.

Investors will ask a wide range of questions. Is the infrastructure stable, secure and easy to maintain? Can we ensure regulatory compliance, cost effectively? Will the technologies being used help us to capitalise on the established business, clients, customers and contacts of the business? To what extent can your technology be integrated with ours so that data, opportunism and communication can be shared outside the core business? Will the technologies in use now allow us to build more sophistication (for instance, to promote and deliver services more effectively) without costly replacement of systems that have been used with some success in the past? Are the right tools in place to maximise and manage productivity? We want to invest in just part of your business; how readily can the technology be split away from the rest to establish a standalone business as the vehicle for our investment?

There are many different strategies, motives and routes to improving profits through an alternative business system (ABS), but you can be sure that technology will play an important part in all of them. To make decisions on technology priorities, you have to start with an understanding of the type of business you are and the likely rationale of any prospective investor for making an investment.

You may have the core technology in place already, or you may be planning to use some of the investment you are seeking to build the technology you want; either way, there needs to be a clear high-level vision of what technology should be achieving, how it should be developed and what the next steps should be in continuing that development. There are some areas of technology which every legal business must deliver to be a viable investment option. There are others where further development now will make you stand out from the crowd; the right investor will pay a high premium for a successful implementation.

We give you examples here, but there are other applications and solutions that should be considered depending on the type of business and organisation you aim to become.

Bare Essentials

Any investor will be looking for ways to cut costs, maximise efficiencies, exploit business relationships, improve service, ensure regulatory compliance, guarantee stability and minimise disruption to the business. They will look for various bare essentials to ensure these aims can be achieved.

Keep the business up and running

A business that does not have a sound, stable, reliable, well managed IT infrastructure does not have a future. Increasingly, pragmatic law firms of all sizes are outsourcing some areas of managing IT services to expert support companies, catching up on the commercial businesses likely to invest in you. This is particularly the case in the financial sector, where there are many synergies with legal services.

An ABS has to provide levels of support that commercial investors now expect from their own operations, where there are good outsourcing options available that ought to be considered. They will expect, among other things, 24/7/365 support for users and customers; heavyweight, actively managed and monitored communications links, to cater for increasing online activity; and disaster recovery and business continuity facilities.

Manage business performance

Every investor will be acutely interested in actively managing the return on their investment. Every practice has accounts, but there will be more need for strong management reporting and analytics in relation to business and personal performance, including key performance indicators (KPIs) for individuals and departments. There are already some very powerful reporting systems around but not enough lawyers are using them effectively.

Ensure operational effectiveness

As an ABS, even more so than for a traditional legal practice, you need to put tools in place to enable people to deliver a cost effective service, efficiently, whatever type of work you do. The more innovative and progressive you are in adopting technology, the better. Workflow tools need to be available to manage processes for both delivery of legal services and for internal management and administration. You need to provide flexible “unified”

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communications to allow your people to use email, telephones, PCs and handhelds interchangeably from anywhere. You need to introduce shared workspaces to make the most of opportunities to share legal knowledge and for collaboration, internally within teams and with the rest of the business, and externally with business partners and clients.

Earning a premium

There are also technologies that will not be prerequisites for a third party investor, but which are likely to make a legal business more attractive. Success in implementing business strategies that involve what might be considered groundbreaking technologies will justify a premium price. Some of the legal firms which have taken steps in this direction have already stolen a lead.

Service-orientated architecture

Service-orientated architecture (SOA) is a methodology for systems development and integration where functionality is grouped around business processes and packaged as interoperable services. Traditionally, law firms have used practice and case management systems provided by legal software suppliers. Some are integrated, others are standalone – perhaps considered as “best of breed” within the legal profession. But that is not how it is likely to be in the future. ABS-type organisations have to integrate outside the legal profession and they need to integrate the systems they use to manage the legal work with the systems they use to manage the business, such as HR.

When Inpractice conducted research for the Legal Software Suppliers Association on the future of the legal profession in 2006 (available to download from www.inpractice.co.uk), David Cannell, the IT Director at Goldsmith Williams (one of the very few aware of SOA), explained the rationale behind their move to SOA, which fits now with the environment in which we would expect an ABS to operate:

“We have to completely redesign our internal processes. The key is to get to grips with partnerships and alliances in the supply chain and to build an underlying platform that allows you to build agile, integrated solutions that provide clients and introducers with the information and processes they need to run their business. For me, that’s an SOA approach – which involves radical cultural change and radical improvements in the service and returns to customers. It’s not just about the process which case management focuses on; we need to be delivering business intelligence and more, too.”

In the commercial world where an ABS will operate, according to a 2007 study by Gartner Inc., 50 per cent of new mission-critical operational applications and business processes were designed around SOA in 2007. The study predicted the number will jump to 80 per cent by 2010. Some law firms are already following suit, including personal injury specialists Minster Law (see *Legal Technology Journal*, issue 9, page 38).

This approach to technology reflects the shift in mindset that lawyers will need to work in a more commercial world within an ABS; the sooner you explore this route, the better.

Client / customer relationship management

The concept of client / customer relationship management (CRM) has been around for a long time. However, most law firms have tended to interpret its application narrowly and have failed to capitalise on the potential benefits of getting closer to contacts and clients. CRM applications are about more than just the centralised database, which records who knows what about who, helping to keep in touch; the effective use of these applications to support a CRM-driven business strategy will attract investors as it will enable them to capitalise on the valuable client and contact base.

Technology has an impact on the client relationship in many aspects of day-to-day operations and interactions which include, for example, implementing the billing process that works best for the client; estimating costs reliably; communicating with clients in the best way for them; and providing them with access to legal knowledge and information in the way they want. The list could go on. Online services and unified communications have an impact on how lawyers can deliver to these requirements, so these technologies are all part of implementing a CRM strategy.

Conclusion

In the challenging new legal services environment, anything you can do to stand out from the crowd will make your firm a better prospect for investment. Implementing the right, cutting-edge technology now will set you apart and make sure you are in a position to take advantage of the right opportunities for your firm. Do it now: it can take time to get it right, but it will pay dividends in the future.

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