

IT departments can be profit centers

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Information technology in law firms can be strategic. What does it mean for IT to be "strategic"? IT departments can help law firms generate significant profitability. That said, the reality is that most firms still view IT as a cost center and a "keep the lights on" type of function.

Examples of how IT is typically judged within firms include such considerations as: "How good is my help desk at solving problems well and quickly?" "Does the system work when I need it to?" "Is my e-mail slow?" "Does my BlackBerry work?" Yes, IT is all those things. But here's the truth for 2010 and beyond — those elements of IT are an expected commodity.

Ten years ago, law firms would operate largely on the phone with some e-mail. Now, law firms are working around the clock — largely due to advances in technology. And all that base technology that enables the (in theory) always-available infrastructure must work. That base technology, and the IT operations surrounding it, now become the equivalent of dial tone on the office telephone — it has always has to be there and working.

The opportunity for law firms is to support IT so that it can help make them more profitable. In many firms, areas such as marketing, business development and practice management are thought of as strategic delivery units, as they help generate profit for firms. What firm management often forgets (or doesn't know) is that IT in law firms offers the same — if not greater — opportunity. IT can help by delivering real-time information on clients, verdicts, client competition and profitable versus unprofitable matters. IT systems and data can help the firm take on more profitable work, avoid mistakes, improve value of delivery and remove costs via automation — yielding fantastic efficiencies. All of this can be exploited to help firms respond to the quickly evolving marketplace of high-value client delivery which has transformed the legal industry in the past 18 months.

The following are examples of ways firms can use IT to generate significant profitability:

- *IT can help drive more revenue via cross-selling among attorneys.* IT can drive the conversation between working and billing lawyers to help break down the traditional protective barriers that billing attorneys have historically created (relative to cross-selling). Although this is typically the responsibility of the marketing function within law firms, IT is in a unique position to be able to help marketing, and the firm as a whole, by project-managing these efforts; identifying statistically significant relationships; and transforming data in accounting and customer relationship management systems into opportunities for client development.

An example of a statistically significant relationship is when a firm works on a merger deal. The firm's data might suggest that this type of deal typically creates opportunities to cross-sell that client to three other internal practice areas. IT can't force these attorneys to talk to each other, but IT can take the initiative to send these data to attorneys in an easy-to-understand format.

- *IT can help firms develop further business and increase client satisfaction through the matter-closure process.* Law firms should ask questions at the end of a matter such as: "Did we generate the fees that we thought we would?" "What were the skills that were required for this type of matter?" "How do we update our Web site profile to make sure new client prospects know of our expertise from a newly closed case?" Furthermore, firms should survey clients at the end of every matter to see how the firm did relative to client expectations. IT can help manage the automated workflow behind matter closure and help build systems on the firm's intranet to leverage lessons learned from past matters.

- *IT can help firms assess the success of alternative fee arrangements.* Many law firms are looking to alternative fee arrangements to help drive firm revenue and profitability. Some of the key questions that arise from such arrangements include: How does the firm know whether it made a profit on a particular matter? How does it price this type of matter going forward? How does it incorporate alternative fee arrangements into partner compensation? And how does it turn its lawyers into project managers? Many of these questions are answered with the help of effective IT project-management processes and automated tools.

- *IT can help law firms remove paper to reduce storage and administrative costs and increase efficiencies within cases.* The reality is that firms will likely never be fully paperless. But IT can help in facilitating, identifying and project-managing which paper documents/records must be retained, which can solely exist in electronic format, etc. All of these decisions should be aligned to the requirements of reducing costs to the firm, increasing efficiency and increasing client satisfaction.

An example of IT leverage to improve client satisfaction includes the use of electronic-discovery automation to help identify "the smoking gun" in litigation matters. IT can identify the appropriate software to allow the firm's lawyers to perform keyword searches against electronically stored information instead of endless and sometimes fruitless searches in paper. The efficiency, reduced costs and client satisfaction derived by these types of IT solutions shows strong IT value.

- *IT can help firms easily find data.* Within the corporate world, studies show that 80% of the most important data live in IT operational systems such as Oracle and SAP. Within law firms, important data can live in as many as 10 to 20 different key systems, within, depending on firm size and scale, hundreds of software applications and databases. The result is that information is often redundant, incorrect and difficult to find.

The method to address these disparate systems is to bring many of these applications and inherent data to a single presentation source via a "dashboard." A dashboard is a user-friendly, typically highly graphical presentation of aggregated information on a Web site or intranet. Dashboards allow lawyers and firm managers to easily find and measure information including case-related documents and records, client intelligence, competitive intelligence, cross-selling data, billings, cash collections, docketing data and conflicts, to name but a few. IT can help drive the analysis, design, implementation and effective use of dashboards by key stakeholders of the firm (and sometime clients).

- *IT can help with litigation automation support.* Many law firms struggle with how to provide automation support to the litigation teams: "Should I charge back my client for litigation support?" "How can I position the value of electronically stored information, versus paper, to my client?" Litigation automation support is a key area in which IT can help increase the value of the firm's litigation practice to drive increased revenue — better value along with decreased costs.

And the list of opportunities for how IT can generate profitability for the law firm goes on. The moral of this story is that IT is strategic and can generate significant profitability for legal firms. But how does a firm capitalize on generating profitability via IT and related automation? The answer is quite simple. Firms must elevate the role of the chief information officer and improve the balance of budgets and staffing between "keeping the lights on" activities and value-added, profit-improvement plans.

One key area of high-performance law firm IT departments is the IT strategic analysts group. IT strategic analysts within law firms bring a more business-centric view to IT and help drive the strategic opportunities mentioned above.

Finally, data from Bain & Co. (based on a survey of more than 500 senior business and technology executives) suggest that 85% of businesses do not have highly effective IT capabilities. "Only 15% placed themselves on the highly effective side." And "only 7% of respondents said that their IT organizations were both highly aligned with business strategy and highly effective in delivering what was asked of them." David Shpilberg, Steve Berez, Rudy Puryear and Sachin Shah, "Avoiding the Alignment Trap in Information Technology," MIT Sloan Management Review (Oct. 1, 2007), <http://tinyurl.com/ah5npc>. The key to enabling revenue growth is to align and execute strategic IT initiatives.

The opportunity to leverage law firm IT to improve firm profitability is significant. Think about it. Much of the work that legal firms do these days is in front of a computer. Great opportunity is locked up in law firm IT shops. Corporations think of IT very differently than do law firms — and they have long since realized the value of IT through systems such as e-commerce, supply-chain and enterprise-resource planning. Law firms can and must do the same, if they want to survive and prosper.

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