Legally bound

Why your IT strategy must serve your business goals

From Accenture and Microsoft
‘Revolution’ is too strong a word, but there’s no doubt change is afoot in the UK legal industry. In today’s marketplace, law firms are navigating major obstacles, ranging from increasingly tooled-up and sophisticated competitors to squeezed client budgets and the arrival of non-traditional law firms to the market.

With every law firm looking to see how it can be run more like a business and less like a traditional legal practice, merely keeping up with the competition is no longer enough. Law firms need to be ahead of the curve; but what might this look like? It could be a greater emphasis on marketing and promotion, a different way of interacting with clients, or it might be the way money, time and effort are invested in IT and technology solutions.

One of the biggest challenges borne out of the competition between traditional and non-traditional law practices is that new market entrants, like retail brands, are historically much more focused on consumers. At a time when many law firms are cutting costs, these client-focused firms are investing in new IT systems that are both consumer-savvy and efficient — already ensuring they’re a step ahead of the old school.

A survey by Avanade and The Lawyer has revealed a dangerous mismatch between the UK legal industry’s attitude to technology and its business goals

By Daryn Edgar, Senior Director, Avanade UK

In brief

Avanade’s research has found that UK law firms are jeopardising their own growth by failing to align technology purchasing decisions with key business priorities. Nearly two-thirds (65 per cent) of firms cite their main technology investment as cost cutting, but less than a third focus on client-orientated and business planning technologies. This apparent failure to focus on client-centric technology is leaving the door wide-open for consumer-friendly companies from traditionally non-legal backgrounds to take market share.

As an experienced business IT solutions and managed services provider, we here at Avanade have found another potential issue: the way in which law firms are investing in technology. In essence, do law firms have a connection between their business strategy and technology investments that is fit for the twenty-first century business world?
With threats looming, law firms must begin the precarious task of prioritising their investment agenda. Do they concentrate on reducing costs so they can lower their own fees, or concentrate on more effective resource management to better (and more efficiently) serve their clients? Should they consider outsourcing or offshoring, or look at moving to the cloud to enhance their IT systems?

To find out what the UK legal industry thinks, Avanade teamed up with The Lawyer magazine to uncover how the industry approaches its technology strategies and investment levels. Senior IT operations staff and lawyers from the top 50 law firms in the UK and leading international legal practices contributed to the study. The survey featured a total of 74 respondents and was carried out in May 2012.

The survey by numbers
74 respondents
50% from the UK top 50 law firms
40% IT/ops managers
60% lawyers

The results
‘Client pressure on fees’ and ‘competition’ were cited as some of the biggest threats to respondents’ firms, with over 25 per cent selecting ‘pressure on fees’ as their main business risk. This response wasn’t unexpected, as the legal industry has seen some interesting new approaches from companies not associated with legal services, such as WH Smith’s tie-up with QualitySolicitors offering legal services in 100 of its high street stores, while Eddie Stobart haulage launched its own legal service in May. “Changing buying patterns and the growth of in-house teams [is one of our biggest business threats],” confirmed one survey respondent.

When asked which technologies they are investing in to compete effectively, 66.7 per cent of respondents said client and resource management, while another 50 per cent said finance management and business development. Almost half said the reasons for investing in new technology was to keep up with a fast changing industry, while nearly 90 per cent said it was to remain competitive. “Why act like lawyers? The business world always invests in IT,” one comment read.

The survey proved that the majority of respondents understand the significance of a long-term technology strategy, with 80 per cent saying that their firm’s strategy is well-aligned with their own business goals. “It’s a no brainer,” wrote a respondent. “Not to invest means we will be dead in the water.” Another respondent injected a note of realism: “In the past, investment has been low, so causing some legacy problems now.”

Last of the big spenders
But how much are these firms really investing? The results show an interesting point of difference. While 32.8 per cent spend over £1m a year on technology (with half of this number spending in excess of £5m) this still leaves a substantial portion of leading firms counting their investment in thousands rather than millions. “We invest as much as we can afford to” echoed other sentiments in the comment box.

Despite a number of respondents admitting that there can always be more to invest, over 60 per cent believe their firm invests enough in technology to compete effectively. These opinions appear in sharp contrast to the investments firms are actually considering.

Two-thirds of firms told the researchers that the highest priority investment they’ll make this year will be in outsourcing. The technologies that will enable real
returns from outsourcing strategies, such as client- and business-orientated systems, came much further down the list. Less than a fifth (15%) say they were thinking of implementing enterprise resource planning (ERP), while just over a third (37%) say customer relationship management (CRM).

Law firms looking to create an IT strategy that help them concentrate on client service and billing would be advised to investigate ERP and CRM solutions, whether outsourced or in-house. After all, IT strategies must support business strategies.

Differing points of view
There are also inconsistencies when the responses are broken down between IT staff and lawyers. The majority of lawyers (56.6 per cent) said their firm’s IT infrastructure was ‘average’ in supporting their core business needs, compared to just 39 per cent of IT staff, most of whom said their IT infrastructure was good (49 per cent), but not excellent.

This was compared to almost half the amount of lawyers (26 per cent) rating their firm’s IT infrastructure as good at supporting their business needs, with over 13 per cent saying it was bad — an opinion, unsurprisingly, that just 4.6 per cent of IT staff share.

These results show a clear misalignment between IT and business. IT is integral to every law firm today, and as such needs to be integrated into the business decision process from the outset to help deliver success in a competitive market place. Despite these figures, it is IT staff who most think their firms needs to invest more in technology — 40 per cent feel their organisation does not invest enough, compared to just 30 per cent of lawyers.

Maybe this is because 7 per cent of surveyed IT staff admitted that their last significant IT upgrade was more than five years old — a fact the firm’s lawyers seem unaware of (not one lawyer thought their firm’s IT systems were five years old or more). The results suggest that, although half of lawyers surveyed think their firm’s IT infrastructure is ‘average’, average is therefore perceived as just enough to give the firm a competitive advantage — an opinion not wholly shared by their colleagues in IT.

In the coming years technology is only going to grow in importance for the legal industry, and business leaders and IT managers will need serious buy-in from employees to push through new systems. At the moment it would seem that lawyers are indifferent or only mildly positive about their IT infrastructure.

“Why act like lawyers? The business world always invests in IT,”
This lukewarm reaction is not a strong foundation for tackling the challenges ahead. The most prosperous firms will be those who recognise the changes taking place in the legal marketplace, and then marry solid-but-forward-thinking IT solutions with wise business strategies.

**Ok, so you’ve diagnosed the problem — what’s the cure?**

The survey has uncovered how the door is now wide open for non-legal businesses to step in to the legal services market, so traditional law firms need to be sure they are running a water-tight business. What the survey also illustrated was the lack of investment in client-focused technologies like CRM and ERP; this is despite the recognition of the need to maintain and leverage client relationships for staying ahead of the competition.

The first step to avoiding a potential mismatch between technology plans and business goals is to make an assessment of your business’s advantages and disadvantages. When compared to a non-legal business, you might find that your law firm isn’t as diligent or even as ruthless with its business data as it could be. Could improvements be made to how time is recorded? Does your existing finance system let you report easily and in as much detail as you’d like?

If the answer is yes, then deploying an enterprise resource planning system (ERP) is the answer. ERP’s ability to track and record a huge range of company data makes them popular with businesses of all sizes, but they are especially well-suited for medium-to-large organisations, where the sheer volume and complexity of data makes it unwieldy to manage manually (using spreadsheets, for example).

Adding an ERP system to your technology strategy will professionalise your operations and processes, from time billing and finance to HR and project management.

Closely related but sometimes deployed separately are customer relationship management systems. These software tools help you track every contact and action related to a particular case or client, acting as both a contact address book and calendar, but primarily as an advanced case management system.

They have been helping non-legal organisations maintain a consistently high level of customer service for years. It might be time for the legal industry to catch-up.

The Avanade option:

**Tailored for the legal profession**

Avanade is certainly not just offering you a single out-of-the-box product. Working closely with your team, Avanade will analyse your existing processes and technology to create a rounded assessment of your requirements. How do you enter billed and non-billed time? How do you track cycle time? We’ll ask all the right questions to help us understand exactly how you operate and where improvements can be made.

Our offer can be split into two areas: services and solutions. Services is a consultancy phase — having looked in-depth at your existing technology and business processes, Avanade will help you develop a technology roadmap that fully aligns to your business goals. Avanade’s goal is to help you achieve success, we’re not here to specify IT solutions just for its own sake. For now and for the future, Avanade’s services will help set you on the right path.

Avanade brings Accenture’s business consultancy nous and Microsoft’s software and enterprise technology acumen.

**Avanade and Simmons & Simmons**

“Avanade’s Microsoft Dynamics AX system coupled with the Avanade AX Legal solution will enable us to run the business more efficiently and service clients more effectively.”

David McLaughlin, Finance Director at Simmons & Simmons.

Providing a fully integrated view of its business and improved competitive advantage, Simmons & Simmons will see the creation of a sustainable, easy-to-use enterprise resource planning (ERP) platform using Avanade AX Legal. David McLaughlin continues, “AX integrates seamlessly with other Microsoft Office products, with a look and feel that is familiar to users.”

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Over half (56.7%) say client pressure on fees is the biggest threat to their business.

Top technology priorities for law firms:
- 65.2% Client and resource management
- 50.7% Finance and billing
- 50.7% Growing business
- 39.1% Reporting
- 39.1% Compliance and risk management
- 33.3% Mobile tech
- 31.9% HR & people services

Why do law firms invest in technology?
- To remain competitive: 91%
- Keep pace with client demands: 45%

Over a third (34.2%) of law firms spend more than £1 million every year on technology.

Are UK law firms making the right decisions when it comes to investing in technology?

What will law firms invest in next?
- Outsourcing: 65%
- Shared Service Centres: 37%
- CRM: 37%
- Partnering with Subcontractors: 19.6%
- ERP: 15.2%
- Offshoring: 8.7%
Our solutions, which include AX Legal and Microsoft Dynamics CRM, have been tailored for the legal industry. Founded in 2000 through a joint venture between Accenture and Microsoft, Avanade has a unique heritage that gives us inside access to two industry leaders: Accenture’s business consultancy nous and Microsoft’s software and enterprise technology acumen. We noticed the changes taking place in the legal industry, but we didn’t jump in head-first, we wanted to get to know the UK legal profession, talk to the right people and work out what law firms need to achieve and how they prefer to go about it.

This was over two years ago, and we began by talking to Simmons & Simmons and Linklaters, who are both now major Avanade clients. Unlike other technology integrators, we make sure our clients are closely involved with what we do and the direction we take through our Client Advisory Board, which has already helped shape one of the best conflict and risk management solutions on the market.

We have three significant solutions tailored for the UK and European legal industry: AX Legal, which is based on Microsoft’s enterprise resource management solution, Dynamics AX; a customer relationship management solution based on Microsoft Dynamics CRM.

Keeping an eye on KPIs
The single biggest operating expense for any law firm is people: lawyers or those supporting them. Avanade’s services and solutions for the law firms have one aim: to help your IT strategies serve your business goals. Avanade has learnt what law firms are looking for, from a shorter cycle time with fewer breaks to helping increase matter margins by letting your law firm take full advantage of its resource pools and bill clients as soon as is realistic. Additionally, pricing stabilisers can ensure your practice guards against the commoditisation of its resources and services.

As we saw from the survey, control of core people and client data, organisational structure, conflict management, project management, time management and financial data, including client monies, project budgeting, revision control and resource scheduling are all important.

Avanade AX Legal also provides enhanced management information so that lawyers and practice group leaders are better informed on terms of both time and quality of information. Avanade AX Legal is based on best-practice and simplified business processes, which means the support needed for lawyers is reduced but efficiency and effectiveness increase.

### Avanade’s technology solutions
Avanade can help you manage projects more profitably, integrate information for better decision making and help solve some of your most complex business challenges.

ERP systems are often inflexible, complex solutions designed to appeal to the widest possible target market. Avanade’s AX Legal and CRM solutions are different. They have been created for the legal industry.

- Provide more accurate reporting of revenue, time and expenses across multiple projects.
- Cut costs by deploying the amount of functionality appropriate to your business.
- Help your people work more efficiently with a role-based user interface and role centres.
- Deliver client-centric solutions that let you compete with new market entrants and take service to the next level.
- Cloud or on-premise options for flexible, cost-effective rollouts.

### Low cost, high quality: Microsoft judged in Gartner’s Magic Quadrant
Gartner is one of the world’s most trusted technology analyst firms, helping companies across the world make intelligent, informed IT decisions. This is how Gartner has rated Microsoft’s ERP products against its competitors:

<table>
<thead>
<tr>
<th>Average deployment</th>
<th>SAP</th>
<th>Oracle</th>
<th>Microsoft</th>
</tr>
</thead>
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<tr>
<td>Duration (months)</td>
<td>20.0</td>
<td>18.6</td>
<td>18.0</td>
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<tr>
<td>Total Cost (SM)</td>
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<td>12.6</td>
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<tr>
<td>User Satisfaction</td>
<td>73%</td>
<td>60%</td>
<td>77%</td>
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**Average**

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About Avanade
Avanade provides business technology solutions and managed services that connect insight, innovation and expertise in Microsoft® technologies to help customers realize results. Our people have helped thousands of organizations in all industries improve business agility, employee productivity and customer loyalty. Additional information can be found at www.avanade.com.

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Who we’ve worked with

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About Avanade
Avanade provides business technology solutions and managed services that connect insight, innovation and expertise in Microsoft® technologies to help customers realize results. Our people have helped thousands of organizations in all industries improve business agility, employee productivity and customer loyalty. Additional information can be found at www.avanade.com.

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