

# Business Intelligence

## Embrace Your Inner Data

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# Client Intelligence: Answering the Call for Greater Productivity

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In the current economic environment, law firms of every size, in every major legal market, are resorting to belt-tightening measures like never before. According to a recent Altman Weil law firm survey, two-thirds of firms expect lower 2009 revenues and will respond by cutting operating expenses. At the same time, Altman Weil reports in a recent law department cost-control survey that three-quarters of legal departments will be reducing their budgets.

The real estate meltdown and ailing financial markets aren't solely to blame. The current economic challenges have brought to light a fundamental lack of efficiency at many law firms characterized by too much time and energy spent on low-value tasks.

This lack of efficiency is nothing new. In the firms of yesteryear, the focus was on maximizing billable hours, which has long been a measure of success. Clients, who often remained with the same attorney for years, generally accepted their legal bills without question.

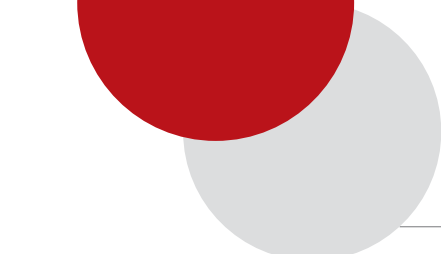
But in today's competitive new legal marketplace, clients can take their pick from an array of top-shelf legal

providers. They have a tendency now to use many different firms and scrutinize legal bills more carefully (even using electronic means). Undoubtedly, providing legal services as efficiently as possible, and with as lean a staff as possible, is the new paradigm.

### **THE SOLUTION IS CLIENT INFORMATION MANAGEMENT**

Fortunately today, firms can implement new technological solutions that will have a direct and positive impact on their productivity and client satisfaction. Client information management systems (CIMS) — digital, centralized repositories containing all the client data a firm needs to do its work — promise to deliver real and substantial bottom-line results.

In the past, the use of client intelligence systems typically has been focused on billing and marketing activities including all of the functions that help a law firm track and bill revenue or look for new billing opportunities. They weren't designed to help a firm get its work done faster, easier and better. At the time, when legal budgets were increasing and clients were exercising less scrutiny over their bills, more staff could simply be added by a firm to mask any inefficiency.



However, with today's decreasing revenues, legal service providers are being forced to reevaluate the status quo and take a new approach. More and more firms are turning to CIMS for assistance with increasing productivity, providing better client service and winning new business, the key factors for profitability and long-term success.

## PRODUCTIVITY PAYS

Consider how a firm must respond when a corporate client calls with a quick question, such as: "Could you let me know the portion of the company that is owned by my family?" The following two scenarios illustrate the time-saving benefits of having the right technology.

If a firm does not have its client information in an online system, answering this question would involve the following steps:

- **The paralegal looks for the stock ledger book and writes down all the shares issued to family members since the date of formation. He adds up the numbers and subtracts all of the stock transfers (2 hours).**
- **The paralegal adds up the total number of shares outstanding based on the company's common stock, convertible stock, options and warrants. Then he divides the shares held by the family by the number outstanding (2.5 hours).**
- **The paralegal looks for the minute book to confirm each stock issuance against the minutes of the board meetings (1 hour).**
- **The paralegal reviews the numbers, calculations and board minutes with the junior associate (1 hour).**
- **The associate then reports the answer to the partner and they call the client (1 hour).**
- **Total Billed Time: 7.5 hours**

On the other hand, if a firm has been tracking its client information in an online system, answering the same question would include the following process:

- **The paralegal opens the capitalization table in the CIMS and selects only the group called *The Smith Family*. He exports the number of shares held, the number outstanding and the percentage held by the family to a spreadsheet (30 minutes).**
- **For each outstanding stock certificate, the paralegal**

**clicks on the link to the related board minutes and prints them out (20 minutes).**

- **He e-mails the answer, with an attached spreadsheet showing the calculations, to the junior associate and partner and indicates that the supporting board minutes have been printed out (10 minutes).**
- **The associate and partner meet to discuss and contact the client (30 minutes).**
- **Total Billed Time: 1.5 hours**

Would the client who asked the question about family ownership expect to be billed \$1,875 or \$375 for this information? It stands to reason that the client would be impressed with a lower bill and an answer later that same day. Being able to accommodate the client's request in just 90 minutes means the firm's paralegal and associate have six additional hours to work on other assignments. The firm that is using an online system may in fact need fewer staff to support its clients, which could translate to lower fixed operating costs and enhanced profitability.

## THE EFFECTIVE LAW FIRM CIMS

It's not difficult to understand how implementing a client intelligence system can lead to higher productivity and better client service for a law firm. Having accurate, real-time client data in a shared digital repository enables everyone (lawyers, paralegals and clients) to do their work better, faster and easier. From a law firm perspective, however, there are specific elements that define a successful CIMS.

### Available Data

Although client intelligence can refer to a variety of information types, the data that comprises a legal entity profile for each of a firm's clients include:

- **Name, state and date of organization**
- **Names of the key people who run the company**
- **Names of those who own the company, such as stockholders and investors**
- **Copies of all board minutes and other documents that relate to formation of the legal entity**

Using a corporate client example, this is the type of information that must be readily available in order for members of the firm to do their work efficiently.

## Key Features

The key CIMS attributes for any practice group would be characterized by the following:

- **Centralized Resource**

Centralizing records ensures that there is only one copy of the data or document. With a single, centralized data repository, the information is updated and distributed to all users in real-time. It can also be connected in different ways to provide a 360-degree view of the client and establish a legal audit trail.

- **Standardized Information**

In a standardized system, expectations are set in advance as to how information is tracked and when it is viewed. There is a consistency to everyone's use which takes away guesswork and ensures that best practices are followed. A standardized system also makes it easier to train new users and enables different personnel to cover when there are absences or vacations.

- **Browser-Based Access**

Using a Web browser ensures that information is automatically available to the largest number of people and prevents the need for additional software. The information within a browser-based CIMS can be conveniently accessed at any time and from anywhere including client meetings, hotels and home offices. The same information is available to those within the firm and those who have access from outside the firm, such as clients.

- **Productivity Tools**

To greatly increase productivity, a CIMS must do more than just track the information that is stored in it. It must use the information to complete tasks that were previously difficult or time-consuming, such as creating documents, performing complex calculations, tracking due dates, sending off reminders and searching documents for key words. Gaining faster access to information is only the first step toward increasing productivity. The greater payoff is in automating those activities that otherwise would have taken a large amount of time.

- **Management Support**

No information system will succeed without support from management both at the top and from immediate supervisors. A sound CIMS requires regular monitoring and a strong commitment to data integrity so that everyone can trust it to be complete, current and accurate. This requires effective user training,

enforcement by direct managers and support from senior management.

## THE PRIMARY BENEFITS OF A CIMS

The integration of a client information management system into any law practice offers three main benefits that will drive profitability and long-term success: reduced costs, lowered risk and greater client satisfaction.

- **Reduced Costs**

By increasing internal productivity, firms can accomplish more work with fewer employees. Through CIMS automation, a task that once took staff two hours to complete may now take only 20 minutes. Think back to the productivity leap forward that businesses experienced when spreadsheets were first introduced. These savings can be passed along to clients through lower legal fees, or they can increase the profitability of the firm.

A CIMS can almost immediately improve efficiency within a law firm, by allowing staff to:

- **Quickly Find Documents and Information**

Staffers no longer need to spend time searching for a minute book or flipping through pages looking for a particular vote or key word.

- **Create Documents On the Fly**

Existing data can be merged into document templates, such as charters, bylaws or stock certificates.

- **Automate Calculations**

Spreadsheet formulas save hours of manual, error-prone calculations.

- **Avoid Redundant Tasks**

Since work product, such as a disclosure list of all board member affiliations, is created in real time, there is no incremental time invested in updating the document to satisfy multiple requests.

- **Interchange People**

When everyone is using the same system and the same standard templates, it's easier to train new users or shift staff responsibilities during temporary absences.

- **Lowered Risk**

A single source of data that is accurate and up-to-date greatly reduces the risk of errors and potential data loss. With data located in many different places, it is much more difficult to locate all the relevant pieces and identify the most current versions. The chance of errors grows exponentially as complex tasks are done many times over by many different people.



A CIMS can significantly reduce:

- **User Errors**

When a piece of information is only entered once and used throughout subsequent calculations, reports and searches, it greatly decreases the potential for user error.

- **Guesswork**

A CIMS that is stocked with readily accessible data relevant to an attorney's work helps to eliminate the possibility that decisions will be made based on incomplete information.

- **Inconsistency**

A CIMS helps standardize even the simplest of tasks, ensuring that best practices are always followed.

- **Risk of Loss**

By its sheer nature, client information frequently contains personally identifiable and confidential information. Storing client data in a secure, password-protected CIMS helps a firm to safeguard highly sensitive client information and reduce the risk of loss.

- **Greater Client Satisfaction**

A central repository of data gives a firm's clients direct access to the information they need to do their work faster and better. Moreover, clients who are empowered to serve themselves believe that their outside counsel is making an effort to provide higher quality service and lower legal fees. This leads to happier clients who are more likely to send subsequent work to the firm and provide positive word-of-mouth referrals.

For clients of a law firm, a CIMS contributes to:

- **Lower Fees**

When clients have direct access to legal information, they can save money by executing many tasks themselves.

- **Increased Productivity**

Clients are more productive when they can get to the information they need when they need it — at any time and from anywhere.

- **Better Decisions**

Clients can make better decisions when they have access to information and data, which they can search, filter and sort as needed.

- **Improved Collaboration**

When attorneys and clients are looking at the same information, they can share the workload, communicate more easily and reduce the likelihood of discrepancies.

- **Sense of Empowerment**

Clients feel empowered when firms offer them direct access to pertinent information and documents. This helps to avoid the perception of ownership, roadblocks, and separate silos that work against a sense of "partnership" between a firm and its clients.

## THE KEY TO LONG-TERM SUCCESS AND PROFITABILITY

The legal landscape is changing, and it's changing quickly. As Mark Chandler, General Counsel of Cisco Systems, Incorporated, has been quoted as saying: "The greatest vulnerability of the legal industry today is a failure to drive models based on value and efficiency and to make information more accessible to clients. The present system is leading to unhappy lawyers and unhappy clients."

With client standards so high and the marketplace so crowded, law firms that fail to make greater efficiency a priority may face a long and uncertain road ahead. In addition to considering which firm gives the best legal advice, today's clients are also looking at who is most responsive, who is easiest to work with and who comes in with the lowest fees.

The firms that are adopting client information management systems and similar technologies are finding themselves able to effectively meet the needs of today's demanding clients. Indeed, firms that offer higher caliber work for lower costs will not only attract new clients, they will also be better able to retain existing clients and ensure their firm's long-term success and profitability. **ILTA**

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