

NOVEMBER 2014

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CLEAR DATA

Lawrence Watkins of DW Reporting talks to LPM about how seeing your data in whole new ways can revolutionise your finances – and your profitability

Better management and visibility of your firm's biggest asset – information – could transform the way it competes for and delivers work. But one thorny issue when it comes to finance, for example, in SME legal is closely tracking how your firm, your people and your clients are performing.

This often happens because financial management information is obscured by internal processes, databases and systems. Better awareness, and therefore tighter control, of the firm's costs, profitability and performance indicators, when implemented correctly, will sharpen a competitive edge.

Solid financial management is a commercial essential – anything less could prove fatal for firms in today's unforgiving market. SME legal businesses may also be missing out on new revenue opportunities and improving profit margins because of buried data – and they may not be identifying prime targets, and opportunities for improvement within the business.

How you visualise information, regardless of which system it's produced from (eg

finance, case management), can be a powerful catalyst for progress, says DW Reporting co-founder and director Lawrence Watkins. Coming from a background in finance systems and enterprise data management at some of the UK's top firms, Watkins says the foundation of visualising business information is to have a coherent data strategy underpinning the business.

MODEL FOR SUCCESS

Law firms can and should make more use of critical business information from all parts of the business, but usually this information is 'siloed' and therefore it doesn't get harnessed.

Management needs to ensure that this valuable business data is brought together in a usable way, often in what is known as 'data models', into their management information environment to form a complete view of the business 'facts'. Only then can a comprehensive operational view of the business be created. Visualising this data helps people to access, understand and,

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DW Reporting is an independent finance systems, BI and reporting consultancy specialising in practice management and reporting/management information solutions.

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most crucially, take action based on that information.

Watkins says that firms are gradually beginning to see that the value in visualising data lets people focus on managing information. "It has a powerful and instant impact, and you can continue to build and extend on that impact. We have seen that firms that don't invest in a coherent data strategy are frequently unable to visualise the information they have and manage their information and business properly."

Those firms that make much better use of their data, in both structured and unstructured form, combining every intrinsic dataset to leverage data, can gain insights previously not possible.

Law firms need help in the design of their data models, which is central to beginning the visualisation process, says Watkins. "Once firms understand the data they're putting together, the visualisation of it becomes very straightforward." Whatever you're doing, of course, should be based on your firm's business objectives, he says.

Financial management that's more commercially focused demands that firms knuckle down on data quality. Poor data can be the result of a combination of factors, including people's behaviour and the firm's processes. "It can simply be poor data entry at source, or in some cases the transaction system itself not enabling enough correct information to be captured."

There is a big need to challenge firms' behaviours around the quality of the data inside firms, he says. "It's a concern and it demands proper management and governance of data quality." Larger firms may have the advantage of resourcing a data quality team to monitor that particular area of the business, says Watkins, but SMEs need to look at different approaches to achieving the same result. Fortunately, by visualising business data in the first instance, firms have a great starting point in identifying the issues in current business data quality and finding opportunities to fix them."

EYES ON PERFORMANCE

Laying your firm's data bare and optimised for analysis in a more understandable form can surface the need for some tough decisions – but that's what legal businesses need to do, says Watkins. "Firms that are struggling with say, financial visibility, aren't able to deliver information about the business as a whole to their users."

There are several challenges, particularly around the discomfiting question of performance management. "Many firms' key performance indicators are fee earner-driven, with management of metrics such as cost per fee earner, but I'm not sure firms are getting enough of the right data to manage that effectively in some cases." And even if they are, he says, perhaps they're unwilling to act upon the results.

But they will have to face up to those issues in a more commercially driven future for their market. "It's vital for firms to actually work with that data and make some potentially difficult decisions."

The same questions can be asked of whether you can continue taking on work from certain types of client. "We have built a number of data models around pricing and profitability. The data between the two is, obviously, very strongly linked. When firms work at putting proper profitability models together it surfaces all kinds of useful information within practice groups, sectors, departments – different areas where the business can radically improve.

In a more transactional practice area such as intellectual property, says Watkins, it's especially important that firms look closely at costs and therefore profitability. "When data from across the business is aggregated, it can reveal that although a firm may have a lot of big clients putting through a lot of work, the margins are small – and a lot smaller than they first thought. That information allows them to work out whether the cost of the people they are using is good value to the business, and whether the margins they're achieving on that work are sustainable, resulting in the question, should we actually be doing this?"

INTELLIGENT FUTURE

It's becoming increasingly important for any business to use all the data it has available. Law firms are no exception. It may prove the competitive difference between how they and their competitors manage their internal processes.

"SMEs are already under more pressure – few will have the skill sets in-house to handle that," says Watkins. "Visualisation is a two-stage process – once you harness all the business data available, the understanding of what is happening firm-wide operationally is already there. The more accurate the data firms can get, the better. Quality, as it is in all areas of your service delivery across the firm, is crucial. The integrity of your information is no different. If you don't deal with a robust data model then the visualisation is pointless."

One of DW Reporting's areas of expertise is understanding the business drivers and logic behind these measures, aligned with firm management strategy, and to transfer these into robust data models aligned to a coherent data strategy, says Watkins. In a squeezed market, the operational side of business intelligence and firm management is making a fundamental difference to your firm's future.

"But once you can design a solution to enable firms to use that sort of data visually, you have the beginnings of a far stronger offering, both internally and externally. We are in the era of a 'data revolution' – isn't it time to embrace it in legal?" **LPM**