

# Briefing

THE FUTURE OF LAW FIRM FINANCE

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## Critical maths

*Interview*

### **Peter Hickman**

Linklaters' finance and ops chief on running a tighter legal ship

*Feature*

### **Bigger bangs...**

Why finance thinking must now figure in every part of a law firm, from board to basement

*Research*

### **OLIL 2013**

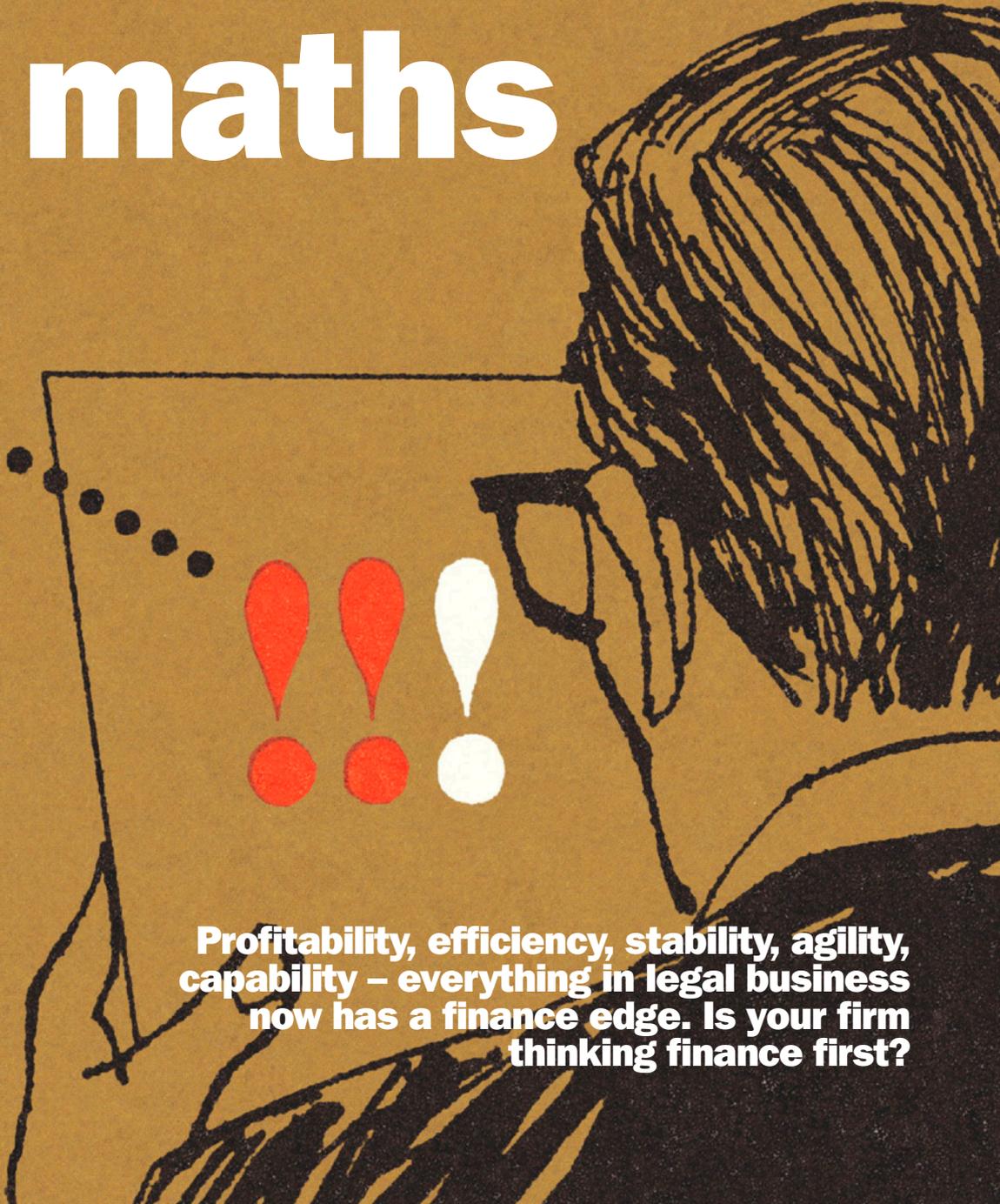
What do top 100 operational leaders think about the legal market? Find out inside

*Industry views*

### **Analyse this**

Insightful opinion from technology and banking businesses

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**Profitability, efficiency, stability, agility, capability – everything in legal business now has a finance edge. Is your firm thinking finance first?**

*Industry Analysis*

# Betting on big data

**The analytic ideas behind the big data concept are an essential part of rethinking how valuable management information and financial data can be to the future of a law firm, says Dan Wales, legal business manager for BIPB Legal**

**Financial management has to start somewhere, and we can only make decisions and take action once the facts are made available and analysed to the fullest extent that they can be. To do this, firms leverage their biggest asset: data.**

To be 'driven by data' is something that happens to us all, on a daily basis, in all walks of life – though that's often data driving us. But as we find ourselves in an era of 'big data' (by far one of those most overused and misunderstood buzzwords in recent years), it's no surprise to see many industries using data, both theirs and others, to gain market supremacy and a competitive advantage. How can law firms use their financial data to achieve that?

Legal businesses are no different to those other businesses, really, in data capability terms. But in comparison to, for example, banking, the prompt availability, accuracy, presentation and management of data – in this

case, financial/management information – is still the subject of pain for many firms.

The fact is that the legal industry, bar a few firms, is at least five years behind the financial services or the insurance industries – some may say as much as eight years. The chances are that by the time business intelligence is fully mainstream in legal, and firms embrace true data management and dashboarding/reporting technology initiatives, many other industries will have moved on to 'artificial intelligence' and 'predictive analysis' – informing you of the most important issues and management information outcomes before they happen; a financial fortune teller.

## **Analytics equals profitability**

Despite the lack of really good use of data in legal, for most firms we still see growth in revenue and profitability.

Adhering to HMRC and SRA rules may be a contributing factor, as they create a framework for the data you might need and they drive internal financial due diligence and auditing, but the major contributing factor is by far financial visibility and reporting, driven by transactional data from a practice management system – the workhorse of a law firm.

But if, in most firms, things are ‘working’, do we need to move with the big data trend and change what they can do with data?

Law firms are without doubt profitable organisations, but the opportunities to increase these margins are huge – across all departments, both legal and non-legal, again a vast number of key performance indicators (KPIs). When asked about the attraction of business intelligence and reporting, a phrase I have heard on many occasions is: “Excel suits us just fine.” But does it?

The fact it may take a team of accountants three weeks to prepare a set of management accounts each month, which, when delivered (most often manually) are already out of date and too late to act upon, is quite simply absurd, especially given where technology is today. Yet this appears to happen in many law firms.

The process can be streamlined and automated, and instant access to complex yet structured results and financial visibility – in the office or on the road, distributed around a firm, to multiple locations and departments – can be made available as a result. This creates a data-driven accounting resource, which can be used for strategic accounting and data analysis.

That’s just one example of the benefits of going ‘beyond Excel’, but it’s one that can effect big change in law firms’ processes and ultimately profitability. And if your financial experts are available to think and advise rather than just ‘do’, is that not a far better use of their and the firm’s time?

## Leveraging the power of data

All this rests on several pillars, starting with ensuring that data is accurate within master source repositories. Leveraging the value of that data is where the real power is. Collaborating on data across sources, merging and massaging the information, storing a history and warehousing this asset is just the first valuable phase.

Once data integration and cleansing has been completed, the fun stuff begins, such as the ability for information to be made available in real time, accessible on a self-service basis, to a magnitude of users in a variety of roles along with embedded security.

Then there’s data analytics, reporting and visualisation. Interactive visual dashboards that entice users to ‘want’ to digest data and financials is the objective – simple yet transparent presentation, and the ability to drill into detail should all be available, providing the ‘why’ behind measures and facts.

We believe in being ‘driven by data’, leveraging your most valuable asset with technology to deliver solutions that enable end-user simplicity, self-service and, most importantly, an engaging visual representation of data.

Data analytics, big data, business intelligence and reporting – to me, these are all part of the same theme. Do you have a strategy for this yet? If you don’t, your competition probably have – and therefore they are one step ahead of you. That ‘competitive advantage’ has already begun.

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