



The race for intelligence

In the US, many firms seem to have embraced the concept of not just business intelligence but also, more recently, competitive intelligence too. But UK law firms seem once again to be lagging behind. **Caroline Poynton** explores why.

I was recently talking to a senior business manager at a well-known UK mid-tier firm. We got onto the subject of business intelligence – in particular, whether investing in a business-intelligence (BI) solution is worth the expense. He mentioned that his firm had indeed had a look at a couple of BI applications, but came to the conclusion that a) his firm was already muddling along fine with its existing management-reporting strategy; and b) that his lawyers were certainly not crying out – or even seemed that bothered – about getting or needing a BI tool anyway. Combined with the fact that he was looking at a BI solution with a six-figure price tag, the idea was quickly put on hold for a rainy day.

And this does not seem an unusual response to BI among UK firms. According to Ark Group's 2007 BI survey (see box out), 74 per cent of

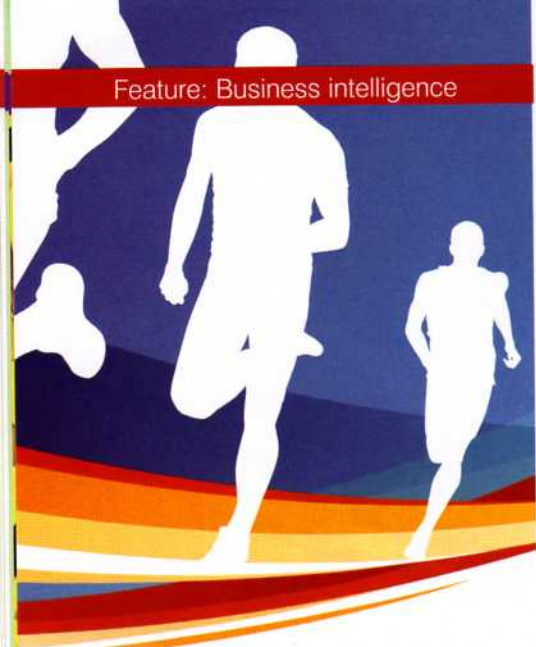
respondent firms do not currently use any kind of specific BI solution to track, manage and understand their business information. Like the business manager mentioned above, this is perhaps due to existing management-reporting techniques, which have so far proved sufficient for most firms' needs. In the US, however, BI has taken off; indeed, some US firms would now argue that BI is no longer enough – it must be combined with an effective competitive intelligence (CI) strategy, if the firm is to truly gain competitive advantage. To the more cynical eye, this may all seem like more management hype, gone overboard. But for some, it may also be a sign that UK firms are once again merely behind the times.

Meaning and purpose

The problem with BI seems to start right at the beginning, with some confusion

about what it actually means or how such solutions might benefit a firm. Kris Satkunas, a director at Redwood Analytics, describes it thus: "The appropriate business-intelligence solution fills the gap between transactional data and management information. Instead of focusing on individual transactions, a firm can focus on trends and issues that are systematic to the organisation. By being able to identify areas of best practice (or opportunity), understanding the drivers behind this behaviour, and effectively modelling potential changes, a firm can have a holistic understanding of the issues and potential solutions – all leading to better decision making."

Ali Shahidi, director of knowledge management at Bingham McCutchen, explains a little further what this actually means in practice. "In their broadest and most simple definition, business intelligence tools are used to access the



present state of professional services organisations using key performance indicators (KPIs). KPIs are analysed by practice areas, practice groups and down to every individual to measure historical performance and set future goals and benchmarks, or to compare a practice area to another," he says. "BI deals with the collection, integration, analysis and presentation of internal information. It deals with economies of scale and with specific business goals."

It all sounds well and good, especially if your firm happens to have lots of budget to spare. But assuming

says Shahidi. "From my point of view, though, a firm without a BI initiative is similar to a person with tunnel vision – it has no sense of direction."

For Satkunas, the environment also makes BI a more important consideration than ever: "In a highly competitive legal market, characterised by increasing consolidation, if a firm would like to remain independent and a strong player in the market, it is essential that they understand their business – where they are going, where they have been, their competitive strengths, etc." And Shahidi agrees. "As firms grow in size and complexity, both BI and CI become more of a necessity than luxury," he says.

Only half of the equation

A major problem, certainly among UK firms, though, is that BI solutions are little understood in the first place. So getting buy-in from practice groups to operate on the business data supplied by a BI tool may seem nigh on impossible. "One obstacle we find is that firms buy BI solutions without a good understanding of what they do and what they want to gain from them,"

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this isn't the case, BI sounds a little like a 'nice to have' rather than an essential budgetary spend. "In a sense one could make an argument that law firms will continue to survive without BI or CI initiatives, since each business unit (a practice group or an individual attorney) is inherently aware of its present productivity and future potential. One can also make the argument that in most firms there is minimal reliance on BI or CI data to set partner compensation,"

says Satkunas. "In order to overcome this obstacle, it is essential that firms are appropriately educated about how BI solutions are unique and the power they bring to an organisation."

"The biggest impediment to effective BI initiatives is lack of follow through on the management side," adds Shahidi. "Practice area leaders and practice group leaders have to operate as business managers. They need to understand and act on BI data..."

Without active follow up on BI data, the technology is not effective."

To remedy this inherent problem, BI solution providers such as Redwood, are trying to provide a support network to firms investing in BI, so the value of the tool is not wasted. "The support starts at the beginning of the project, with a dedicated project manager to assist in getting the solution up and running in a very quick fashion," says Satkunas. "This is followed up by a team of analysts and trainers who not only provide training on the software, but also insight into unique metrics, appropriate usage and interpretation, and best practices from the industry. In addition, we have consultants who specialise in helping roll our solutions out and educating lawyers on the benefits, and changing processes within the firm to affect change."

Whether this will be enough to convince many UK firms to take the plunge remains to be seen. Certainly, if my earlier conversation with the mid-tier firm business manager is anything to go by, gaining partner buy-in to a tool that so fundamentally requires practice-group cooperation may well prove the biggest stumbling block of all.

BI and beyond...

In the US, intelligence tools are advancing at a rapid pace, and already firms are looking to the next opportunity to gain competitive advantage. "Business intelligence has focused on the information available within a law firm that when properly organised and interpreted, can help law firms improve their decision making," says Satkunas. "The next natural step is to start looking at information outside of the firm to build upon this internal knowledge. The firms who couple competitive (external) intelligence with business intelligence are going to win a tremendous advantage over those that do not."

And it is not just the solution providers that are seeing the US legal profession moving down this route. Shahidi has

BI, MI, CI... What's it all about?

It must sometimes seem like firms are inundated with the latest management acronyms that mean little, but surely cost a lot... The following definitions provide a simple breakdown of the latest 'management intelligence' terminology, which is spreading from the US to the UK:

- Business intelligence (BI) is the analysis of internal data, most commonly from financial systems, to provide insight into the most profitable types of firm business;
- Market intelligence (MI) is an understanding of the needs and activities of organisations within the broader context of that organisation's industry, geographic markets, customer base, recruitment pool, finance sources etc.;
- Competitive intelligence (CI) is the process of compiling, analysing and sharing external data, most commonly about your ability to meet market needs compared to that of your competitors.

Business intelligence survey 2007

In the summer of 2007, Ark Group conducted a survey of business intelligence in UK law firms. The following highlights are taken from the results:

- Of respondents, 74 per cent said their firms do not currently utilise a BI solution to track, manage and understand their company's information;
- In addition, 53 per cent do not currently have plans to implement a BI solution/initiative in the future;
- That leaves a significant 47 per cent of respondents, however, who said they were considering implementing a BI solution in future;
- Of those, 25 per cent are aiming for some kind of implementation within the next six months to a year (a further 11 per cent are considering an implementation within the next one to two years);
- The majority of respondents (34 per cent) named the managing partner or chief executive as responsible for implementing BI, but 19 per cent of respondent firms would give the finance director responsibility and 15 per cent would give BI to the marketing director or department;
- In terms of key benefits of BI, 39 per cent of respondents pointed to 'monitoring/guiding business performance'. Respondents were split, however, as to whether BI tools could reinforce/support long-term strategic decision making across the business, with 27 per cent of respondents saying they would probably not use BI tools in such a way, and 27 per cent of respondents saying they likely would.

also witnessed how BI has been used in firms and how the US legal profession is now tackling new ways of gaining critical business intelligence. "Most of the larger firms have implemented some form of traditional BI initiative," he says. "Many of them use BI tools to identify merger partners and analyse acquisition of key practice groups and smaller firms. But there are only a successful few that have combined BI information and CI knowledge to become more proactive in implementing their leadership's strategic plans. It is those firms that can position themselves ahead of the market and ahead of their competitors by combining historical BI information and opportunistic CI knowledge."

For finance teams here in the UK, the implications are obvious. Firms in the UK may be reluctant to spend their IT budget on a specific BI solution, but even if they do not invest in a bespoke BI tool, it is likely that an increasing number of firms will implement some level of business-intelligence initiative over the next few months/years. Indeed, with new practice-management systems such as Elite's 3E, which incorporates an element of business intelligence and management reporting, it is likely that UK firms will find themselves implementing BI tools, if only to keep up with the law firm next door. And, with business-intelligence solutions providing insight into the business largely from the firm's financial systems, the finance team will, of course, have a huge role to play, not only in the implementation and data-collection process, but also in getting the partnership and practice groups to buy in to the competitive opportunities of BI. If, as in the US, competitive intelligence becomes the next hot topic, finance teams may still not be off the hook – as firms may look to combine disciplines to give a holistic view of ongoing business performance and development. For the finance professional in the UK legal profession, the days of just crunching numbers are well and truly over. ■