

BUSINESS INTELLIGENCE

Big Promises

Can BI software deliver, or is it just the latest tech fad?

By *Monica Bay*

Business intelligence. The latest buzz word, an oxymoron, or the Next Big Thing in legal management?

"I haven't seen any intelligent business in a long time," jokes David Whelan, former head of the American Bar Association's Legal Research Center and now director of the Cincinnati Law Library Association.

But many advocates say BI software, however it is defined, is going to reshape law firm management because it helps firms slice, dice and analyze data gathered from all corners of the firm's universe. At its broadest definition, it is full-scale "knowledge management" software, with sophisticated financial suites and contact relationship management tools.

BI evangelists claim that using this software can help firms improve productivity, profits, staffing, marketing, business development, client relationships, and even help firms calculate partner compensation.

Finance departments appear to be the first frontier, and Donald Murray was one of the first champions. In late 1999, he was president of ELF, a Mercer Island, Wash. company that spearheaded a multi-vendor launch of Serengeti, an application service provider (ASP) website designed to



offer a range of services to law firms, including the ability to analyze invoicing.

Murray loves to tell the story of his "aha!" moment, when he was practicing law at Oregon's Bullivant Houser Bailey, and assumed that he was one of his firm's best producers. He had a rude awakening when a billing analysis revealed that he was losing money on almost every client he represented.

That kind of data dissection, Murray advocates, can help firms reshuffle lawyer assignments and billing rates, and turn red ink black.

Flash forward five years. Murray's original vision has gone through some bumps and grinds, and corporate reorganizations. ELF has evolved into Legal Systems Holding Co., d.b.a. Serengeti Law, and its flagship web-based product is now

called Serengeti Tracker. It combines matter management and electronic invoicing, accepts LEDES and non-LEDES bills, converts more than 150 currencies, and even tracks VAT taxes, reports Murray.

"We are currently connected to 5,200 law firms in 120 countries. We charge corporate law departments and insurance companies a flat monthly service fee. The service is free to law firms," says Murray.

Even if Serengeti has a quieter profile these days, many of the ideas and goals that Murray espoused five years ago are beginning to percolate into other vendors' press releases.

WHAT IS IT?

So what exactly is BI? Like all legal technology buzz words, it depends on who you talk to. So many vendors are trying to claim "ownership" that it's becoming the flavor-of-the-month acronym. (Just as every vendor who walks by a copying machine proclaims itself an electronic data discovery provider).

Many vendors, including Aderant (née Solution 6), Satori Group Inc., Redwood Analytics Inc., and Rainmaker Software Inc., are branding offerings as business intelligence software. Many offer OLAP "cube" analysis tools (If you want an instant migraine, try explaining cubes in plain English. See sidebar).

Others, including Thomson Elite, offer a range of analytical tools, but (so far) have resisted the BI moniker.

E-billing certainly is a component of business intelligence, but the full scope of BI goes beyond e-billing parameters.

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(See page 25, where David Whelan, Tom O'Connor and David Briscoe discuss the latest developments on the e-billing front).

Whether you call it business intelligence, competitive intelligence, or knowledge management, it all shakes down to the ability to analyze disparate data from unrelated databases (e.g., your financial and your marketing databases) and then use that data to improve firm operations.

JUMPING ON THE BANDWAGON

Firms are definitely exploring these new BI tools. Wilson, Sonsini, Goodrich & Rosati just purchased software from Redwood Analytics, reports Barbara Bryant, the law firm's director of business development.

David Morrison, chief financial officer of Heller Ehrman White & McAuliffe, says his firm is installing a "fairly broad based BI system to support budgeting, profitability analysis, and our shareholder/partner compensation committee." Heller expects to get the system up and running by year end, says Morrison. It plans to use an OLAP engine product from Applix Inc., and is working with consultant Allied Analytix, says Morrison.

Among other recent activity: Aderant sold its BI suite to Sheppard, Mullin, Richter & Hampton, and to Porzio, Bromberg & Newman. Redwood Analytics added Buchanan Ingersoll, and Kilpatrick Stockton to its client roster, with their purchase of its Strategic Finance and Tactical Planning software.

Satori Group reports that Dewey Ballantine selected its proCube Legal for Profitability; and Rainmaker sold its Platinum financial and practice management suite to Richards, Layton & Finger.

Let's take a look at BI in action:

KING & SPALDING

King & Spalding, with 800 attorneys in four U.S. offices and a fifth office in London, is ranked #37 on the AmLaw 100. It represents more than 250 public companies, as well as new ventures and mid-sized companies in emerging markets. In 1999, the firm was struggling with the best way to staff matters, to best serve clients, and



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— TERESA GROTE

improve the firm's productivity, said chief financial officer Steven Jacobs.

"As we increased our focus on the business of law, we recognized the need to identify profitability on a broader scale, at various levels throughout the firm," Jacobs said. The firm first purchased an Aderant budgeting module, and subsequently upgraded to its Business Intelligence suite, he said.

Dave Weber, Aderant's vice president of products, says the BI suite consists of six modules: budgeting; budget variance analysis; analytics; reporting; profitability; and an "opportunity calculator." When integrated, they help firms generate financial and profitability reports, and improve budgeting and forecasting via OLAP/cube analysis, he says.

King & Spalding uses the software to:

- Identify profitability of a specific client, matter, or area of law, practice groups, billing partners, etc.
- Gain a greater understanding of the importance of assigning specific legal professionals to a matter (e.g., associates, partners).

- Understand business "drivers," in order to create flexible pricing. For example, "understanding which clients, matters or types of practices will yield particular economic results allows us to intelligently work with clients on creative billing structures," says Jacobs.

For example, the software helped King & Spalding serve a client who wanted average billing rates contained to a specific ceiling. "Taking this requirement into account, and the metrics we strive to achieve, the partner offered a creative staffing structure (consisting of associates and partners) with non-standard rates, that still enabled us to maintain the same profitability as if we had charged the client our standard rates," said Jacobs.

Firm chair Walter Driver reports that the Aderant suite has helped the firm "extend our ability to forecast and manage the firm, to gain maximum efficiencies, from an individual client or matter to entire business units. We understood, theoretically, what we needed to do, but until we adopted a sound business intelligence [system] we were not able to fully realize our profitability analysis potential."

DINSMORE & SHOHL

Teresa Grote is CIO at Dinsmore & Shohl, and chief operating officer of DinsNet Technologies, the firm's wholly-owned subsidiary. Dinsmore & Shohl has 260 attorneys, in seven offices in four states: Ohio, West Virginia, Kentucky and Pennsylvania.

"I find myself frustrated that business intelligence and knowledge management are broken out into different areas," says Grote.

"They are, in fact, the same thing in my humble opinion. The goal of KM must be to improve productivity in order to make it worthwhile and separating these two areas simply muddies the water."

Grote cites an example of how her firm's BI technology helped her streamline the process of reviewing requests for increases in client credit lines. Historically, credit reviews were a tedious process, where it could take days to get the necessary approvals to hike a client's credit

limit. And the delays could be very disruptive, because the existing technology system would reject time or costs data.

Grote's system now includes Microsoft Corp.'s Information Bridge Framework (which includes Information Worker Bridge) and Accelerators, and Handshake Software Inc.'s namesake software. With these tools, Grote's staff can construct Office 2003 Task Panes that deliver information and enable other activities — such as updating a credit limit in Aderant's CMS financial management system.

Now, an e-mail is generated when a credit limit is exceeded, which is sent to the billing attorney and the finance partner, explains Grote. With IBF, the task pane of the e-mail includes a link to the relevant information about the client and matter: recent payments, payment history, time worked over the past month, etc. These metrics are used to help determine whether the credit limit can be increased. If the decision is yes, the credit limit can then be increased directly from the e-mail.

"What took days can now, literally, take minutes," explains Grote.

THOMPSON & KNIGHT

Thompson & Knight is a general practice, with 380 attorneys and 10 offices in Texas and abroad. The firm might have more than 38,000 matters open at any given time, reports chief financial officer Rob Burton.

The firm was using Thomson Elite systems, as well as Microsoft's Excel and Access and custom reports, but was eager to conduct more sophisticated analysis, says Burton. His team evaluated Thomson Elite, Satori Group and Redwood Analytics offerings before choosing Redwood Analytics' data warehouse and analytic tools, which were installed in 2003.

Burton, assistant controller Larry Liles, and manager of special projects John Bingham are the primary users, and they share the generated data with partners and firm management.

Like other firms, the most concrete application of these BI tools is in the area of pricing and staffing.

"Clients often ask for special pricing or alternative billing arrangements," explains Burton. "The software helps us

analyze pricing and staffing scenarios to assure profitability before agreeing to a particular rate. When a client requests a blended rate, we can adjust staffing, or counter with a more appropriate rate. By properly pricing matters, we keep our rates competitive and improve collection turnaround."

With staffing, Thompson & Knight "can analyze skill sets, availability and billable rates to develop an optimal staffing mix," says Burton. "We can account for capacity (productivity of each timekeeper as measured against overall firm workload), an often-overlooked component in profitability analysis."

The software also helps the firm "look beyond pure academic analysis, and get a feel for the types of billable work that are interchangeable and can essentially be completed by any timekeeper in that [same] class, (e.g., confidentiality agreements) versus work that is more specialized and can only be completed by select timekeepers (e.g., international patent)," Burton says.

The firm also uses the software to evaluate collections, and can analyze current data against historical payment patterns.

The firm installed the software in 4Q 2003 "and it helps us meet our collections budget for that same quarter," he said.

Thompson & Knight now plans to expand its use of the system to its business development and marketing efforts, says Burton.

PROS AND CONS

Not everyone is sold on BI software.

One CIO at an AmLaw 100 firm says the software bombed in a pilot. "BI and cubes are wonderful ideas that don't work in the legal world," says the CIO. "We tried both, and they are too complicated for anyone but a dedicated analyst — and what firm can afford a dedicated business analyst to manage the system."

"Law firms need simpler technology. Many have warehouses based on [Thomson] Elite or [Aderant's] CMS. Those systems appear to meet our needs," says the CIO.

Another AmLaw 100 top administrator is skeptical about the ability to come up with return-on-investment metrics or

tangible proof of success with BI software. "You can't get concrete examples, because there aren't any. It's like proving that an ad in *The Wall Street Journal* produced specific business."

Consultant Richard Gary, of Tiburon, Calif.'s Gary Advisors, is a champion — but with a strong caveat. "Based on my experience, BI software (a) is enormously useful to firm management, and (b) has the potential to be (and often is) extremely divisive."

"Everyone who has used it has encountered heavy resistance at the partner level," observes Gary. Because BI software can measure overall contribution to firm profitability of individual attorneys, practice departments, offices and client groups, and even contribution to firm profitability of associates by year of graduation, it is used to establish expansion priorities, observes Gary. In some firms, the data may be used as a factor in setting partner compensation, he notes.

Indeed, one of the reasons for resistance, says Gary, is that many partners fear that even if firms promise that the data will not be used as a criteria for compensation, it will eventually work its way into that evaluation process. They worry that the information may come back to haunt them, via a "decision to close an office, discontinue a practice, or terminate a client relationship, even if the ultimate outcome is clearly in the best interests of the firm."

"The principal problem with BI software is that it is *not* rocket science," Gary concludes. While allocating revenues may not be difficult, allocating expenses and determining contributions to profitability, is "where science becomes art," he says.

"Most partners think they're far more capable of allocating expenses than the firm's CFO, and so the battle is joined." **LITN**

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