

Briefing

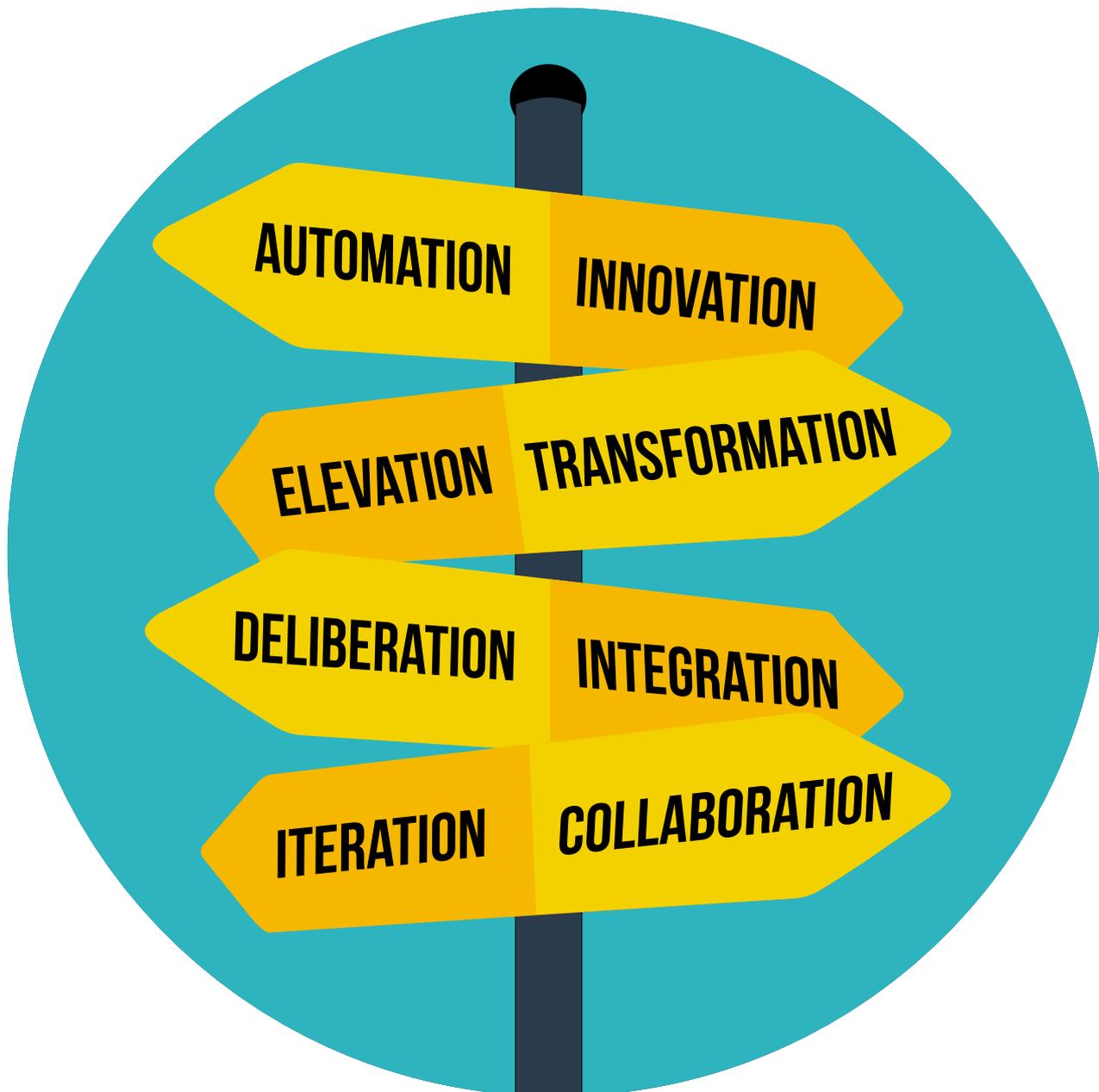
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SMARTER LEGAL BUSINESS MANAGEMENT

LEADING AT LARGE
Just a minute with Briefing Strategic Leaders
speaker EY's Dr Cornelius Grossmann

INTO TRANSACTION
New career paths are forged in the
Addleshaw Goddard Transaction Services Team

SHARING THE WEALTH
How CMS used theory and data to
drive more collaborative behaviours



Where next for knowledge?

The law firm knowledge management function has long left the confines of the library. Now it's looking for several other places to call home



INDUSTRY ANALYSIS

Value of collaboration

Fraser Mayfield, head of EMEA at Iridium Technology, says learning to price your work more collaboratively can reap some real rewards

When law firms get collaboration between lawyers and their clients right, using open and clear communication, the rewards for both sides are truly impressive. The firms that recognise this understand that effective collaboration is vital right from the very outset of the client relationship, and must occur at every stage of it. This is not just a nice bonus – it’s becoming a necessity of business. In order to adapt to the formal procedures that organisations are increasingly using when procuring their legal services, firms need to build a clear pricing strategy, and that strategy requires access to clear, accurate and real-time information.

Understand delivery costs

Insight and awareness into the cost of delivering services, as opposed to top-line revenue, is pivotal to collaborative client relationships, and this starts with analysing past work performed by the firm. Firms must be able to evaluate every billable hour at client, matter or individual lawyer level to understand the effects of utilisation, realisation and leverage, and finally, of course, profit.

However, information like that can only be leveraged when it’s available in a timely manner. There’s little point in modelling information if it remains locked away, unavailable at the critical point when client demand arises. And relying on spreadsheet-based methods to model this

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information is slow, inefficient and siloed, so it's critical that firms find ways to make the information available in an accessible format for key decision-makers.

Appreciation of value

Meanwhile, with the ongoing commoditisation of the legal sector and the unbundling of services, law firms need to offer choices to price-savvy clients. In order to create collaborative partnerships, firms must ask themselves: "What is this legal advice really worth to our clients?" Only after answering this can firms align their pricing strategy to suit.

Traditional, hourly pricing structures don't lend themselves to this sort of collaboration, although they do require firms to think about how their services are priced and structured. For example, in more complex transactions firms may be required to break down their matters into key deliverables or phases, each of which may include a combination of fixed and discounted fees for the different service elements. Firms should be able to align these deliverables with key stages of value in the minds of clients and seek to bill accordingly.

The art of conversation

While firms have long argued that the value of each hour is the same, clients often see this differently, ascribing a higher value to complex legal work than to simple administrative tasks. Firms can recognise this by ensuring the appropriate resource is assigned to each activity in line with client expectations.

Once a firm has agreed on an initial price with a client, the firm can establish a baseline budget for delivery of their services. Progressive firms understand that this baseline supports an ongoing line of communication, and if managed effectively can lead to increased billing realisation owing to a common understanding between firm and client.

Additionally, firms that engage in proactive conversations with their clients around budgets, alongside an effective client service strategy, can differentiate themselves from their competitors. There are many ways to achieve this: it often involves a technical solution, such as sharing key

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information via client-friendly extranets, combined with client expectation management processes. Doing this effectively can even provide a financial incentive to collaborate further, as closer relationships can help to both manage unexpected scope changes and identify further opportunities to work together.

Engines of pricing improvement

We firmly believe that technology offers firms the chance to define their distinct character, while building strong and sustainable client relationships. This starts with the premise that no two firms are identical. When implementing solutions, such as a profitability engine, it's vital to consider the things that make you what you are as a firm. Our clients understand that an out-of-the-box approach to profitability is unlikely to meet their business needs: to reap the full benefits of profitability analysis, they need a tailored solution that reflects the various nuances of the firm's data, services and culture.

For example, we encourage our clients to consider who within the firm will get the most benefit from the information. Many of our clients roll out detailed, profit-based dashboards to partners throughout the firm to help them effectively price and manage their client engagements.

In order to encourage collaborative pricing discussions, we also help our clients deploy pricing solutions that leverage their historical information, whether on an hourly basis or in alignment with client value expectations. Just as importantly, our technology supports the ongoing client relationship by providing internal contacts and external clients with the information they need – and can rely on – to support their decisions. ▀