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No, Your Law Firm Will Not Survive Without a Comprehensive IT Plan

Written By

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“I Don’t Need IT Nor Care! I Just Want to Practice Law!”

I can’t tell you how many times I hear attorneys tell me they don’t have time for IT or could care less about it since they are just here to “practice law”. Well, just like doctors now have to deal with HIPAA, insurance claims, Medicare and a slew of other regulations and new insurance demands, you as an attorney have to deal with IT. Why? Because without dealing with it or understanding it, you are going to lose – and lose big! The days of just coming into a firm to practice law are over. Not only are you competing with other firms and attorneys, you are competing with legalzoom.com and a slew of other online services and sites telling your potential customers to ditch you for technology. Why have an attorney handle your business incorporation when we can do it for a 1/3 of the price here at abc.com. Sound familiar?

As technology progresses, the challenge for you to find work and efficiently process it via technology will make the difference between your success and failure as an attorney, firm owner or manager. Remember in the 80’s when you could charge high dollar rates, bill for every expense and attract business from your prestigious firm name or your amazing reputation? IT’S OVER! GONE – DONE. You probably didn’t know they are training MBA level graduates how to negotiate rates and deals with law firms by using electronic billing. I bet a new MBA graduate knows more about electronic billing related to law firms than you do after practicing law for “x” number of years (fill in for x).

People are smarter now and they know how to negotiate rates, shop for lawyers and remove all those pesky hard and soft costs on the bill they will refuse to pay for. Back in the Wild West days, people would often hire a “gun” to do the dirty work for them and I bet the “hired gun’s” client didn’t get a bill itemizing the number of bullets the hired gun shot through his gun. Nor did he list out the cost for used gun powder or weaponry cleaning time. Just is the same for your clients who are going to refuse to pay for your conference time or shipping costs. Don’t believe me – just wait a few years.

So why should you care about IT or anything about it? Because it’s the one competitive weapon left in your arsenal you can use to take out your competition. You aren’t going to get people to pay \$40 more per hour because you are the greatest and most successful attorney in the world anymore. People simply don’t care. They read the best Yelp reviews and select an attorney off reviews now or call a friend for a word of mouth referral. To people now, an attorney is an attorney and all they care about is 1. Is said attorney any good and 2. How much is this going to cost me?

IT deployed in the right way can save your firm costs and drum roll please – make you more **efficient**. Now, it’s all about costs and efficiencies. What matters is how quickly you can produce the documents you need, find the information you need, burn through the work and make your client happy with said result. Why did Walmart beat Kmart? Because Walmart was more efficient. I am going to take you through a typical firm in this article and show you how you can use IT technologies and processes not only to increase business but make your firm more efficient than most and produce results that really matter.

The Client/Matter Intake Process

As everyone knows, you can’t practice law without on boarding your client and checking for conflicts. Why is this important? Because it can give you a distinct advantage. Think about it this way. Let’s say I am client X and I want to sue my ex-employer for discrimination. Litigation, yea! So you ask potential

client X to fill out some paperwork and you begin the conflict check/new business intake process. Remember, throughout the article, people don't like waiting – they want instant results – this is the MTV generation now. Your average law firm has the client fill out the intake paperwork, sends it around the firm and about 2 weeks later client x is cleared and their file is open. What just happened? Let's review.

Client x fills out onboarding paperwork (Name, address, etc). Then your firm takes the paperwork and someone types in the information or uses a conflict process to check for conflicts. Then, their file is opened in whatever system you have a client and matter number is assigned. The average firm takes at least 1 week to complete this process – usually 2.

So why not use technology to cut this down to 1 day? Let's build the intake process into your existing system or do some basic custom programming and streamline the intake process so that you can get this entire process turned around in 1-2 days. For example, we worked with a large firm in Fort Lauderdale, FL and build the entire intake process into their billing system. Client information would be entered, conflict check run immediately, and those attorneys found with potential conflicts were emailed right away for their approval or disapproval based on the information provided. Once approved, the law firm's IT systems built the entire document management system folders based on the type of case (IE. Litigation, pleading, etc.). After the document management folders were built, the systems then built folders for prebills, bills, invoices, and other related accounting folders so attorneys knew exactly where to go to get prebills for review.

Now, instead of a client sitting there waiting for 1+ weeks for something to happen with their case, they are receiving an email back from the firm they hired letting them know their case has been opened and in progress on the 2nd day. You just gained at least a 5 day advantage which means happy client and faster money coming in. The firm also used the technology to do everything possible to make the process faster and more efficient.

Document Management

Another place firms fail to utilize technology to its greatest potential is document management. For a firm any size over 5 attorneys, you should have a full scale document management system in place to keep you organized and information easy to handle (IE. Multiple versions, sheer # of documents, etc.). Why document management? Because using Windows to save documents to regular Windows directories doesn't work for law firms. It's slow and inefficient and another mistake a good deal of firms make. Why? Because each attorney works differently and saves documents in different locations with different directory names. It creates a mess.

Document management systems force you to follow a format. But if they are not setup properly, they can be as much of a hindrance as systems without it. If you have a document management system, optimize it. If you don't, get one now! For those with a DM system, you should seriously consider converting it to a matter centric system. This is basically a system in which all documents are saved under the matter number and each matter number is assigned to a specific type of law (IE. Litigation, Estate, Technology, etc.). When a new client or matter is opened in your firm, the document management should be aware of it and automatically build a matter with the pre-determined folder structure automatically put in place for the matter.

Why is this important? Because, with this system, you can pull any attorney off the street and put him in front of a computer and tell him to pull up the matter and he will know where every document can be found immediately. No training, knowing where Bob stores discoveries, or getting documents from partner x who stores all his documents on Google Drive no one can access. Searching, modifying and working on documents is standardized across your entire firm and removes time in search for document locations, where to save documents and how to find existing documents. Every attorney in your firm should know how to type in a matter number and see the exact same folder structure used for each litigation matter. This means any attorney can jump into a case and begin working immediately.

Furthermore, a well-designed document management system also allows existing attorneys to re-use work thus saving time. For example, if I am an Estate attorney and I need a particular Estate document, I should be able to go into my DM system and say give me every Estate document agreement type "x" done in the last year. I should then be given an accurate search result with the type of document I need. I can then copy that document and use it as my foundation. No more need to write a brand new document from scratch. Reusing your intellectual property via technology gives you the distinct advantage of efficiency.

DM systems also have software that is designed to work with such systems that further reduce document assembly work. Going back to our Estate document example, a good deal of Estate documents are similar in format. Why not use a document assembly program to build a library of document templates for the most commonly done LLC documents for your firm to further reduce document production time and further increase *efficiency*.

While Kmart was guessing at what inventory to send to each store, Walmart knew every single time a can of dog food was bought at a particular store and sent a new can in its place on the next truck. Result? Kmart customers would often get frustrated due to inventory shortages while Walmart would always have consistent stock. Walmart killed Kmart based on technological efficiency.

Billing Systems

I cannot emphasize enough how important it is to select and run a powerful billing system for your firm. I find a good majority of firms under purchase for their needs or over purchase and never take advantage of the potential time saving features. I conducted a study of attorney billing habits at a firm that was considering a more automated billing method and found that each attorney would forget to record at least 2 hours per month @ \$220 per hour x 220 attorneys. If you do the math that was \$96,800 on average being lost in billing each month because of human error!

I often tell firms to find out if they have the right billing system in place. Will the system give you the efficiencies you need to compete? Second, if it does, why haven't you put them in place? Third, if it doesn't, why haven't you replaced it yet? It's so easy to throw another human employee at a problem rather than fixing the underlying issue. Most companies like Amazon are so successful because they take the time to understand the underlying true problem and then have people work to fix the problem the most efficient way. I often find that law firms are not very good at dealing with the underlying problem. Firms often will chose to throw another employee at it to get rid of the short term issue only to expand the hidden long term problem.

For example, I am sure your firm deals with electronic billing for the clients who demand it. And I also bet you are doing a terrible job in dealing with it. I can bet you there is someone in your accounting department dealing with 5-6 Excel spreadsheets reformatting text files for 2-3 days a month because your in house billing system has never been properly setup to handle electronic billing properly. I also bet you are wasting a good deal of time and money not fixing this issue properly. Why not spend the time and money properly interfacing your billing system with the electronic billing systems your clients use and remove the hours or days spent dealing with ebilling?

There are amazing technologies available for firms these days including predictive billing systems, dictation and dictation outsourcing. One of my favorite technologies related to billing is the predictive billing systems. These software systems watch everything the attorney does including calls made, documents produced, etc. and then compiles that data to produce a suggested billing report. Instead of the attorney having to remember, record and enter their time, why not have a software program track it for you? All you need to do is review a simple report at the end of the week. Remember the \$98,000 per month the firm lost I was telling you about? Well, this problem can be solved using this type of technology. Not only do you increase efficiency, you put technology in place that makes sure your attorneys aren't forgetting to enter time.

You need to go back and look at your billing system and what you can do to use every feature in that system that makes sense. Yes, it costs money and time to do so but it's better than repeating the same mistakes over and over again with no gain in efficiency. For firms who are stuck with their systems, make your existing system do everything it possibly can. For firms who can afford an upgrade, you need to consider the larger firm systems that have all the efficiencies built into them so you can take advantage of the larger scale firm billing systems.

Data Mining Your Systems

The other thing I often see firms overlook is the data they currently have at hand. Law firms have the unique ability to data mine an extreme wealth of data that already exists in their current systems. You have client information, how much they have spent on average per year, the types of legal work they hire you for, and a slew of other valuable information you probably have never taken advantage of.

An often believed falsehood of the casino business in Vegas was that the high roller sections generated the most income. After Harrah's casinos completed a huge data analysis of their customers, it found that the majority of their money was made on low end slots by those who casually gamble. The data forced the casinos to completely change their marketing plans overnight. Have you ever gone through your data to figure out who your core customers are?

Although it can be a little time consuming, it's not too difficult to hire the right IT person with a reporting background to deliver the data you need from your billing system. Your billing system might have the reports built right in. Use the data you collect in your IT systems to figure out your customers and who to market toward. If you run through your billing data and find your biggest financial strength is in complex litigation cases with clients who spend between \$50 to \$200k, then strengthen your efforts to go after those clients. Market to your existing clients to get new clients using your data.

Electronic Billing & the Loss of Control

I am adding a special section in here to discuss electronic billing. Electronic billing, or ebilling, is the greatest equalizer in terms of legal work billing that has happened in decades. Attorneys don't understand it, firms don't know how to handle it and it often cuts out profits more than any other single technology. Not only does it take accounting a great deal of time to process from a technical perspective, it gives your clients complete control over costs. Firms should also have a set of guidelines they are willing to accept through electronic billing and compare its internal set of guidelines with the client guidelines to ensure a particular client will be profitable enough given their ebilling restrictions.

I know very few firms who spend the time to analyze ebilling guidelines or contracts to ensure they are actually profitable. Again, IT systems can provide this analysis. Why accept a client if you aren't going to make money from said client? Do you like working for fun? I don't think so! So why not use technology to ensure your new ebilling client will actually drive in money and profit?

Finally, you need to educate your attorneys on ebilling. After you educate them, use the controls in your billing system for each electronic matter to restrict what is not allowed up front so the attorney cannot enter costs or fees that will ultimately be rejected by the client. Again, IT systems can ensure that you are remaining profitable by locking down fees or costs the client will simply reject the 1st time the bill is sent. Electronic billing needs serious analysis up front and on an ongoing basis to ensure the client billing terms are profitable enough to keep the doors open and lights on.

Making It All Work Together – Don't Ignore It

If you are to look around the medical landscape, you will find that many of the doctors that used to say "forget about HIPAA" or I am not putting in an "electronic records system" are either out of business or were bought out by a larger management company who figured out how to do HIPAA efficiently and make money using new technologies the old doctor refused to deal with. Now, when the old doctor goes to work every day, he is forced by his new management company to use the same technologies he wouldn't bring himself to learn or use. The same holds true for a change on the horizon for law. The firms that embrace IT and learn to use it to their advantage will buy the firms that never did.

The key in legal is to use each IT system to its full potential and then connect it to another system that has been configured to its full potential. There is no reason a billing system should not speak with a document management system or why a firm doesn't have a predictive billing system in place to ensure they are billing for every single hour worked. Many firms fail because they fail to invest the right resources into the right areas. IT is a critical area now that you need to succeed. Not only can the right IT make your firm more efficient, it can give you tools that give you a large scale competitive advantage over the firm you are competing with next store.

Information about the Author

Scott G. McCarthy has over 20 years in the legal industry and has worked at large scale firms as a CIO for many years. He has designed firms, been through acquisitions, and currently consults for some of the largest firms in the industry. He can be reached at sgm@smsitgroup.com