

Law Firm Information Systems

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HEADLINE: Getting the Most From an Information System

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IN THE past two or three years, many law firms have invested significant amounts of time and money in their information systems. In many cases, they have spent \$ 4,000 to \$ 7,000 per desk for a new Windows-based PC that offers access to state-of-the-art production, administration, communication and management systems. Many firms placed those PCs on all desks. However, in many cases, the software was not designed to meet the firm's business, practice or culture requirements. As an unfortunate result, many firms have not received the anticipated return.

The process of replacing old hardware, software and wiring with new equipment and establishing a training program in the use of basic features is a relatively straightforward, textbook process. Firm members and work processes are often molded or recast to fit the standard hardware and software features. As many attorneys have indicated, the features and the training are "a mile wide and an inch deep"; they frequently appear foreign and disruptive to the attorneys and their staffs' routines.

It is somewhat ironic, then, that most of the new Windows-based software has a wide range of features with an equally wide range of flexibility in setup and integration with other Windows software packages. With the proper planning and design, this "off-the-shelf," software can be tailored to fit a firm, a practice group or an individual lawyer.

In the same vein, the underlying data bases maintained by those software packages are "relational," well documented in a data dictionary (in most cases) and "open" to many types of different report, database or

spreadsheet programs. Not only can "shrink-wrapped" software interact with this information, the firm can develop (or have developed) custom programs that use this information to meet specific needs.

Unfortunately, many of these new software and data base capabilities are never exploited. Customization and detailed configuration is not undertaken because neither the hardware nor software manufacturer or, in many cases, the system integrator understands the specific requirements of a particular practice or firm. The system plans frequently focus on the timely installation of hardware and software and not necessarily on the effective use of them. Those plans invariably end with the installation effort and do not stipulate criteria for success.

Consequently, many firms use new technology in the same way they used the old. Firms that have put Windows-based PCs on the desk of every lawyer and a client-server financial management system with an SQL-compliant relational data base in the back office are still printing reams of reports that take armies of staff to prepare, distribute, file and track. It still takes about three weeks to get bills out the door. The client still has to get a return call for the simplest query regarding schedules, billing, correspondence or work product.

The financial management system is, perhaps, the best example (or worst, depending upon your perspective) of this phenomenon. Many firms have invested significant income and acquired sizeable debt to acquire a state-of-the-art financial management system that provides both the functions and information most crucial to their livelihood. In one way or another, every member of the firm feeds information into it and extracts information from it.

One key discriminator between how well firms manage their finances (as opposed to process them) and how cost-effectively they can maintain and operate the supporting financial management systems is system and process design: How efficient, timely and responsive are those systems in terms of handling those basic processes?

Lawyers need financial information to manage and maintain their clients and their practice. There is no rocket science involved in reading and understanding this basic financial information, although it may take rocket science to find it, package it and present it in a manner that is basic, timely and responsive to the individual lawyer's needs.

During the course of a fiscal year, partners will want and need to monitor, for example, their work-in-process (WIP), their accounts receivable (AR), their hours, their realization and their expenses by several categories: by attorney, by client, by matter, by matter type and by practice group. Their ability and their desire to monitor, and it is hoped, manage their practice and the frequency and extent to which they do so will depend on the accessibility, relevance and timeliness of that critical information.

If it takes time, it is counterproductive. If it is hard to find our understand, it is frustrating. Lawyers understand basic plain-pleasure principles. However, even if it is easy for partners to get the information that they need, they will not use it if it is not current, accurate or complete. Consequently, the care and feeding of the financial management system must also be simple and thorough for the support staff charged with those responsibilities.

The basic challenge to firms that want to realize a return on their technology investment is to make those systems work for them. There should be no equivocation on the basic fact that the system should be made to fit the firm, not the other way around.

For firms that have invested in PCs capable of running Windows, in local area networks to link them and in windows-based financial management systems that use industry-standard, SQL- and ODBC-compliant data bases (or are planning such a move soon), here are some suggestions for putting that hardware and software to work.

Streamline Basic Steps

There are four basic processes that feed the financial management system.

- Time and expense Entry
- New Matter Entry
- Bill Generation
- Bill Adjustments

Most firms are still using old procedures and tools for basic processes that all timekeepers perform on a, theoretically, regular and frequent basis:

1. They use paper to enter and verify the information required to perform each of these processes. The use of paper is labor-intensive, time-consuming and prone to error, damage and loss.

2. Most firms still use internal mail to physically move this information through the process cycle (until it hits the accounting department where it is typically keyed into the financial management system). The internal mail is also labor-intensive (information must be packaged, labelled and placed in an outbox).

It can be slow (moving from point A to B, it may get diverted and miss month-end or other cutoffs) and difficult to monitor (Where is it at this moment?). It is also prone to damage or loss.

3. Most firms rely on a person (attorney, billing clerk or secretary) to ensure that these processes are performed fully and on time. Even those firms that use their financial management system to produce reports for missing timesheets or time entries must remember to run the report and perform some firms action to notify the timekeeper of the missing timesheet (create and copy a paper notice or report and hand-deliver or send it through fax or internal mail; send a voice or E-mail, etc.).

And notices get lost and may not be reissued.

4. As many of these firms will testify, it may not work well, but, it appears to work. What they may not realize is that it can work more accurately, more timely and more efficiently for timekeeper as well as support staff with existing technology.

Firms can use existing technology to replace old processing tools and streamline procedures.

For example, good Windows application design will enable lawyers and staff to enter information with minimal or no keyboarding skills. The computer "knows" each lawyer's open client-matters, their matter types and the tasks that are related to a particular matter type; the only keyboarding required is to enter unique names and topics in the time entry narrative.

System "agents" (programs that are constantly reviewing the financial management system's data base) can be used to notify the timekeeper/secretary of exceptions, errors or delinquencies. The agent can deliver the notice through an E-mail or system message on a regular basis until the original condition is addressed.

The firm should rethink the four basic processes with a consultant or programmer who is conversant with the firm's installed technology to see where time, motion and paper can be eliminated.

Electronic Desktop

Instead of presenting every Windows user with the same Program Manager screen containing the same program groups with the same programs, tailor the "electronic desktop" to meet an individual's or group's needs. Do not clutter the PC screen with unnecessary and unused icons -- keep a tight focus on the core processes, i.e., what each individual does.

Instead of presenting icons for software products, present icons for specific functions, such as:

- Enter Time
- Modify Time
- Enter Expense
- Modify Expense
- Open Matter
- Create Bill
- Modify Bill

These icons may require a degree of custom programming to "front-end" the commercial software programs, but they will radically reduce training time and increase computer usage because they are familiar terms.

Supplement System

The "core" financial management system can be supplemented with responsive and just-in-time financial reporting agents.

Financial management system reports are frequently not used (and clients, matters and the practice are subsequently not well managed) because they arrive late or are too voluminous to pore through.

1. If the information in these reports can be tightly focused on exceptions or key financial indicators, if such information can be accessed in real-time through an appropriately tailored "electronic desktop," and,

finally, if this information can be presented in a quick, graphic presentation, then the information will be welcomed and used.

Lawyers, like other time-pressured executives, generally know what information they want and when they want it. If it is not available when it is needed, it typically loses its value. It does them no good to deliver the report hours, days or weeks later.

2. If the on-line or paper financial management system reports complement and are focused on addressing a well-defined set of financial management goals and objectives, then they will have relevance.

Relevance increases in proportion to the "meat" attached to the goals and objectives (attainment has a direct effect on compensation), In summary, many law firms have made significant investments in information systems. Many of them have failed to reach the promised land because the focus is too often placed on the installation and not on the application of those systems. This failure is frequently attributable to the lack of technical knowledge (or time) on the firm's behalf and the lack of functional knowledge (or time) on the installer's behalf.

Installing these new systems without revisiting and enhancing existing processes is costing the firm additional time and money -- in lost or deferred revenue -- as fee earners and staff alike struggle with old inefficiencies and delays in an unfamiliar system environment. With the proper design and implementation planning, the exact opposite condition can be realized, financial management will be facilitated and enhanced, basic financial transactions will be completed more timely, accurately and comprehensively.

Each firm that has a local area network installed with Windows-based PCs and a new financial management system should carefully revisit how they are handling their basic financial transactions and their financial (matter or practice) management reports and procedures. If not much has changed since the old financial management system, then there are significant benefits that have yet to be realized.