THE LEGAL MANAGEMENT DIGITIZATION MYTH

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Introduction

You cannot pick up a copy of any business or law related publication (either in print or on your laptop) that does not contain one or more articles espousing the use of digitization applications to enhance productivity and profitability. As law firms seek to play catch-up to their clients and, at the same time, improve their own profitability, they are seeking more and more ways to streamline their internal operations and the external practice of law.

Law firms are looking towards enhancing their operational work flows and using applications to address the movement of paper and emails in areas such as:

- New matter intake
- Conflicts' searches
- IT help desk ticketing systems
- Financial reporting at the client and matter level
- Legal process project management
- Timekeeper reporting systems
- Document assembly and word processing
- Expense reporting and control
- Budgeting and firmwide financial reporting and control systems
- Human resource/personnel files
- Document management systems
- Others

This monograph takes a look at the process of digitizing all or parts of your firm and attempts to explain why so many of these efforts fail to achieve the sought after improvements in efficiency, productivity, and profitability.

- There are a myriad of vendors and suppliers offering these applications, but the processes still are frequently bogged down by delays, backlogs, misinformation, and operator errors.

- Drawing on the experiences of a wide array of industries and other professional services, it becomes clear that once again, the fly in this ointment is not in the underlying interest to do things faster, better and cheaper (that is surely there in virtually every use), but, rather in the inability of many organizations to properly define the problems to be addressed and, all too frequently, to fall short of successful implementation of the chosen solution.

Productivity Lagging the Technology Spend Increase

As recently reported in the New York Times, the research firm IDC said that technology spending in the United States has increased a hefty 54% over the past decade, rising to $727 billion last year. In spite of the increased use of smartphones by just about everybody, most of this increase is by companies investing in technology to increase growth, productivity, and profitability.

- But, according to the same New York Times article, the McKinsey Global Institute, the research arm of McKinsey and Company, found that much of the digitization across the economy has a long way to go before true improvements in productivity, thus, profitability can be realized. McKinsey examined 22 industries, measuring not only technology investments but also the use of digitization to change how the work is done. And while some industries were well along in their pursuit of improvements, others, including professional services clearly trailed.

- McKinsey concluded that only 18% of the US economy is achieving its digital potential. They added that without a significant catch-up by the laggards, the US will not see much of a change in national economic and productivity statistics.

- Very importantly, the rate of US productivity growth from 2011 to 2015 was the slowest since the five-year period ending in 1982. And based upon the most recent federal government reports, that trend continues.

What Is the Legal Management Digitization Myth?

As law firms emerged from the recession that began in 2008, the initial reaction was to curtail investment spending and cut back on staffing and other expenses. There was a real and understood strategic need to maintain the level of partner income.

But as clients recovered and began to exert pressure on their law firms to find ways to add value to their services, reduce the legal spend, and improve efficiencies and productivity, law firms began to embrace technology and digitization as a or the *"holy grail"* to success. And as the legal services marketplace saw this increased appetite, vendors to the industry jumped in with ready-made technology solutions and digital applications to feed this growing hunger for solutions to the challenge.

There are currently more vendors serving the legal marketplace, a market where revenue has essentially been flat for several years, than at any time in the past. And every vendor offers a ready-made answer to the question **"how can we become more efficient, more productive and more profitable?"**

Lawyers, looking for the best solutions to these problems, with the least amount of effort, accepted the myth that these solutions were ready-made and increased their technology spend. But the returns are just not there! Most law firms, like the rest of the industries in the McKinsey study, have not realized their sought after gains in productivity and efficiency. Technology spending by law firms has increased steadily over the past several years, but the returns have not matched that increased spend.

An additional wrinkle occurs when law firms, accepting the vendors' promise of improved efficiency and productivity, implement these *"packaged"* solutions, frequently discover that the software application only satisfies about 75 or 80% of the law firms *"requirements for the process"* as there is virtually no perfect software solution in existence. The result is that the firms start to alter the processes to adjust them to the applications capabilities, frequently abandoning features of *"how we do things around here"* that make your firm uniquely different from competition. The alternative to such process alterations is to customize the software to fit your firm, typically requiring a hand-wringing level of spending to achieve. And still, the improvements in efficiency and productivity don't hit their target or expected levels.

How to Turn that Digitization Myth into Reality

Improving productivity, efficiency and profitability starts with a thoughtful and well documented analysis of how processes are currently being performed. It is more than an analysis of current written procedures, because most staffers (lawyers and business staff alike) frequently (and/or usually) bypass the formal procedures and operate in a way that is most comfortable and easiest for themselves. But without a real and honest self-appraisal of *"how are we doing things?"* around the firm, it is impossible to identify the causes of backlogs, delays, errors and other impediments to improvement.

All too often the law firm begins the process by looking at a tech solution for their perceived problems relying solely upon their tech staff and the vendor to proffer the solution and the implementation plan. But without the initial step of identifying the underlying problem, many of these technology based solutions fall very far short of the desired mark.

Honestly assessing the findings from such a review will greatly facilitate the identification of the *"problems"* that actually exist and make the search for solutions easier and more on point.

Once the possible solutions for improving work flows, eliminating backlogs and minimizing errors have been identified, the law firm can begin an earnest search for the ultimate optimal solution. Such solutions may include, or be solely, technologically based or may be combined with other changes that can have even a greater, positive impact on productivity and efficiency. There are no silver bullets, but there sure are implementable solutions!

And, Finally

Another oft-repeated misstep of law firms lies in the mis-management of the implementation and rollout of the selected technology based solution. A comprehensive implementation planning process is required and should include assigned roles, responsibilities, training to be provided, identification of all trainees, milestones, monitoring and follow-up provisions. Absent any of these elements, implementation is likely to miss its mark, allowing the digitization myth to live on.

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About Smock Law Firm Consultants

Smock Law Firm Consultants is a focused strategic management consulting firm serving law firms (our primary industry concentration and over 80% of our work), other professional service firms, and commercial entities.

We help law firms address and resolve those key issues that have a major impact on a firm's near term success and its long term direction and focus. We have seven key areas of practice – (1) **strategic planning** at firm and practice levels; (2) **strategic plan implementation and execution**, in essence, helping our clients do what they said they would do; (3) **mergers and combinations assistance**, helping identify, negotiate and implement combinations; (4) **practice team/group management**, helping the practice team concept achieve its potential; (5) **law firm economics**, helping our clients improve profitability and deal with longer term financial issues; (6) **operational excellence**, improving both the effectiveness and efficiency of firm operations (i.e. – process improvement); and (7) **strategic management issue resolution**, assisting in resolving issues of vexing management concerns.

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