

# Boxing clever

Effective business intelligence can help law firms to make decisions about everything from staffing to billing. So what can firms learn from trends inside and outside the profession to make information work for them? **Tony Bash** explains

I have been working with law firms for longer than I care to remember, and, over those years, one of the more common terms bandied about has been business intelligence (BI). Sadly, however, time and again, that intelligence has provided very little real insight.

This is because effective BI isn't what often masquerades as it in law firms – a pack of Excel spreadsheets about the firm's performance that goes out in a hard-copy monthly management report. And no, it isn't any better if the reports are emailed as PDFs or put on the intranet!

BI isn't anything to do with data that looks at the past, since, as we hear so often, the past is no guide to the future. Every so-called 'dashboard' or analytical graph points backwards, not forwards. Each reports on billable hours or fees, or

most important thing. In fact, if 100% accuracy gets in the way of timeliness and understanding, it has to be sacrificed.

Using this kind of BI can have impressive results: as Peter Schwartz put it in his book, *The Art of the Long View* (Doubleday / Currency, 1991), it can provide "not an accurate picture of tomorrow, but better decisions about the future".

Another aspect of killer BI – one influenced by trends from outside the law, where data visualisation is gaining something of a cult status – is the way it looks. Two things are obvious: it's clear and it's beautiful.

## 1. IT'S CLEAR

David McCandless, designer and author of *Information Is Beautiful* (HarperCollins, 2009), emphasised in the video 'The

124th place. North Korea comes out top: in relative terms (some would say, in accurate terms), it has the most soldiers.

## 2. IT'S BEAUTIFUL

You only have to take one look at David McCandless' website to see that the trend in data visualisation is towards beauty. Make the information beautiful, and it becomes appealing and accessible, even if it might not have started off seeming that interesting to a lay audience.

Another of the gurus in this area of visualisation of data is Hans Rosling. His Gapminder world application looks stunning – like hot air balloons drifting towards and away from you in an almost mesmeric way. But it also presents information about world trends in a clear, appealing manner that allows the user to view changes over time, and sift the data almost limitlessly to create personalised figures that show the information most useful and interesting to them.

A number of samples and a 'how to' video are available from Rosling's website at [www.gapminder.org/world](http://www.gapminder.org/world). Have a look – you'll find that it's not hard to imagine how this type of beautiful data visualisation could be applied to law firms.

The trend in data visualisation is towards beauty. Make information beautiful, and it becomes appealing and accessible, even if it might not have started off seeming that interesting to a lay audience

realisation rates for the month just gone and the year to date.

That's all well and good, but what do they tell us about what may happen in the future? Information about the past is just that: management information.

Instead, when it's done properly, BI can really help firms to make the 'killer' decisions to give them a 'killer' competitive advantage – this is what I call 'killer BI'.

## WHAT IS 'KILLER BI'?

BI is only 'killer' if it regularly influences or changes business decisions. It is timely, targeted to the right audience, relevant and easy to understand. It may not be 100% accurate, but accuracy is not the

Beauty of Data Visualisation' (part of the TEDTalks series, available from [www.ted.com](http://www.ted.com)) the importance of relativity when we look at data. He presented information on the number of soldiers employed by each country in the world in two different ways: first, in absolute terms; and second, compared to the population size.

In the first presentation, China came top. But so what? Of course it has the most soldiers – it is the largest country in the world in terms of absolute population. We would expect it to have the most soldiers.

But in the second presentation, which shows how many soldiers each country has per 100,000 people, China comes in at

## WHAT CAN IT BE USED FOR IN LAW FIRMS?

I am convinced that, as we move forward into an ever more competitive marketplace, the winners will be the firms that realise that to make decisions that count, they need this 'killer' BI, and they need it to focus on the areas most likely to be drivers of success. To my mind, some of the best uses of BI in law firms are the following.

## BUSINESS DEVELOPMENT

As the market gets more competitive while budgets remain tight, firms need to know whether each element of their marketing and business development (BD) spend is

Table 1: Cross-selling fee income (£)

		Department of originator					
		Property	Family	Litigation	Private	Corporate	Total
Department of fee-earner	Property	170,000	15,000	10,000	5,000	24,000	224,000
	Family	12,000	50,000	7,400	15,200	12,500	97,100
	Litigation	14,000	11,000	75,000	17,500	2,800	120,300
	Private	12,000	5,000	1,450	28,000	12,800	59,250
	Corporate	17,200	12,500	12,500	7,500	5,400	55,100
	Total	225,200	93,500	106,350	73,200	57,500	555,750

delivering profitable work. They can use BI to quantify:

- return on investment, including on each event, campaign and initiative; and
- actual marketing spend, including all partner and BD staff time.

#### BUILDING A CROSS-SELLING MATRIX

Which departments, teams, individuals (and even clients) are generating work, for which of the firm's departments and teams? I will explore this further in the case study below.

#### UNDERSTANDING PRICING PERFORMANCE

Firms must understand how increasingly varied pricing methods perform in terms of profitability. Before they can do that, they have to be able to categorise their revenue by method – rate-card, discounted, fixed-fee, contingent, capped, value-based and so on. In my experience, very few firms can do this, which is something business leaders in other sectors would consider to be a huge business risk.

#### UNDERTAKING CAPACITY PLANNING

How many billable hours are each fee-earner, practice group and department, and the firm as a whole undertaking daily, weekly and annually? This has to take into account start and leave dates and part-time working. Most fundamentally, it has to acknowledge and estimate the existence of unrecorded time – if lawyers are working it, even if not recording it, it is not spare capacity. Until they know this, firms can't make hiring or firing decisions on a sound business basis, which is why, in my experience, so few of them do.

#### REACHING TARGETS

Given what you know about leverage, realisation rates and achieved rate per hour, what do your average annualised billable hours need to be to make the profits-per-equity-partner figures the firm has targeted? Killer BI can give you this vital information.

#### CASE STUDY: CROSS-SELLING

All this may sound very appealing in the abstract, but I'm sure you're wondering how to make it a reality. An example of what a firm could actually show senior management might help to explain, and make my arguments for killer BI more compelling still.

Table 1 shows lots of figures about cross-selling in a firm. You'll have seen similar things yourself – this is often what passes for BI in law firms. It's not terribly

difficult to understand, but neither is it very interesting.

Figure 1 shows what you can do with the same information, just presented differently. This focuses on the work of the property department, and shows which departments are cross-referring work to it.

Figure 1 not only looks more appealing, but it also gives the property department's managers some really useful, focused and contextualised information upon which to base decisions and ask questions, rather than wondering where their work is coming from.

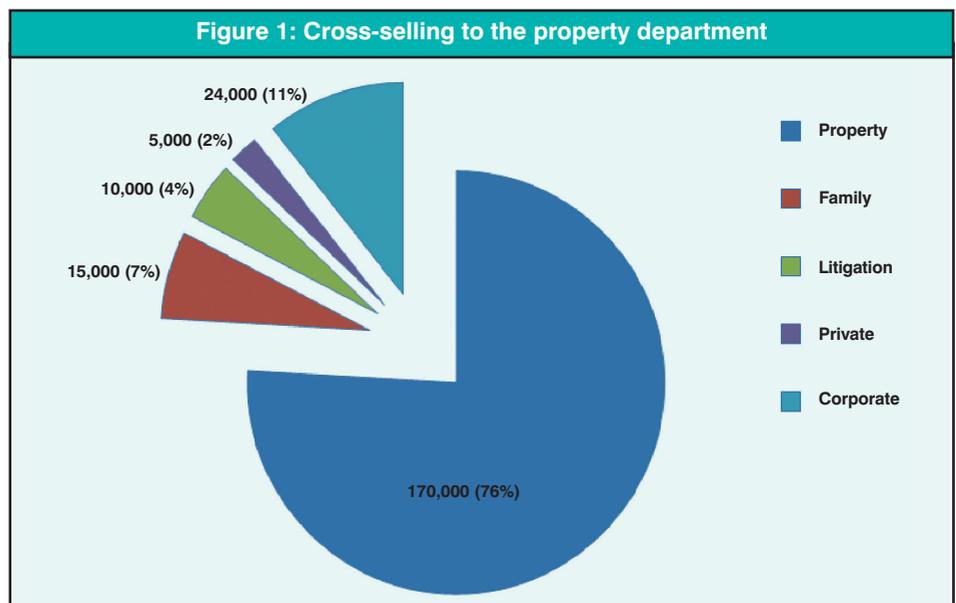
#### WHAT ARE THE BI TRENDS IN LAW FIRMS?

Trends in BI, both now and in the future, really vary from firm to firm, but one of the most interesting ideas I have seen recently comes from a mid-sized firm that has had tremendous recent success. I think part of its success is because its people think long and hard about BI and how to present it to give it the most 'bang for the buck'. They have developed a BI graphic which is very simple but very striking: a traffic light. This appears on fee-earners' screens all day long, whatever application they are using. When everything's going well, it's green, but if they take a turn for the worse, the colour changes, and the graphic is so prominent that the fee-earner can't ignore it. The basis of the traffic light is just a few measures, but the fee-earner can also drill down if they want to delve further.

I also like the matter-planning idea that several vendors now supply to allow firms

Continued on page 12

Figure 1: Cross-selling to the property department



Continued from page 11

to price a new job based on previous jobs that share the same criteria. This idea has been out there for a while, but it's only now that pricing has become such an issue for firms that more and more of them are starting to use these very clever BI tools. Pricing is one area where I think the past can actually be a good guide to the future, because a firm can learn from the experience of past work to decide how a job should be staffed to make the most money, and to make sure past mistakes are not repeated.

We are seeing more and more clever 'What if...?'-type analysis capability now from some of the tools on the market, and without promoting any particular brand, I do like the concept of indexing I have seen in one tool. For example, you can have an accounts receivable (AR) index that says that a client normally pays their bills after x number of days on average, so when they start to take longer, their AR index is highlighted and action can be taken. Again, it comes back to the idea of relativity: there is no point highlighting that a client has taken 80 days to pay a bill, if they normally take 85 days.

Another clever idea I have seen from a different tool is the ability to do 'What if...?' analysis with a gauge controlled by the user. For example, if the user wanted to know what the effect on PEP would be if the firm increased its realisation rate by 2%, or its average annualised billable hours by 5%, they could see this in practice by controlling the percentage-increase gauge.

I have recently seen a new dashboard specific to compliance officers for finance and administration (COFAs) that focuses on the things of importance to a COFA, like overdrawn client balances, possible breaches of the SRA Accounts Rules 2011, and client bank balances. It's not hard to visualise how useful this type of dashboard will be.

Looking ahead, I think we will see many more apps on smartphones that will allow partners to access real-time BI instantly and perform 'What if...?'-type analysis. We will also see much more visual presentation of information, like that used by Hans Rosling, where dashboards will move before our eyes and allow much greater and broader 'What if...?'-type analysis. Task-specific dashboards will also become more and more common.

Overall, I foresee a drop in the delivery of data by email, and much more use of graphical data that is easy for a busy lawyer to park somewhere and come back to at the appropriate time. Before, vendors might have started with the software, thinking about what they could make it do; now, they are much more focused on the end user and how that user actually thinks and works, building their tools accordingly.

#### HOW CAN I MAKE IT HAPPEN?

What I advocate to law firms when they try to think conceptually about BI is to focus on four measures:

- time;
- billing;
- work in progress; and
- debt.

They should source this information to cover four levels:

- firm;
- department;
- practice group; and
- matter partner.

**Business intelligence priorities will vary according to firm, market conditions and so on, but the main goal is to provide genuine intelligence that really gets under the skin of the firm as a business, very quickly**

I then like the idea of a dashboard that presents, as a default, performance at the firm level for each of the four measures. Each measure could be presented as a traffic light. The individual could then choose to drill down into this, so they could also see traffic lights for performance against each measure by each level of the firm. I'm a big fan of transparency in firms, so I like the idea of everyone having access to these types of dashboards.

One thing I really want to emphasise is that law firms don't need to go out and buy expensive tools to create killer BI. The Microsoft suite of tools, which most firms have probably already bought, is extremely powerful. Microsoft SQL Server Reporting Services, for example, is capable of extremely powerful reporting, allowing even a beginner, with training, to produce very powerful dynamic dashboards.

Another Microsoft tool that I think it massively underused is PowerPivot, which some people have described as 'Excel

pivot tables on steroids'. It allows instant analysis in a dashboard of millions of rows of data using pivot tables, which even the most basic Excel user can understand and use.

I also like the 'slicers' in the recent versions of Excel, which assist in the instant analysis of information. These are shown as drop-down boxes that allow the user to 'slice' the information to focus on different aspects. For instance, for a two-office firm with three areas of specialism, the user could select one of the offices to get the data for everyone in that office, regardless of specialism, or select one area of specialism to get the data for everyone working in that area, regardless of the office in which they work. Again, this allows for powerful, instant analysis in a way that is simple to use and understand.

I hope I have shown in this article that there are plenty of examples in the 'killer' BI armoury. The priority will, of course, vary according to firm, market conditions and so on, but the main goal is that BI provide

genuine intelligence that really gets under the skin of the firm as a business, very quickly.

Firms have to move away from the bad old days of producing reams and reams of spreadsheets that are prone to error and probably never get read. They need to get their accounting professionals out into the business, adding real value and influencing the big decisions. This is truer today than ever, in an unpredictable new world where rivals will be coming at firms from angles – and with information – they hadn't even thought of.

As Hans Rosling puts it: "Let the dataset change your mindset." ■

**Tony Bash** (tonybash@edge-international.com) is a partner at legal and business consultancy Edge International, and a former finance director at Weil, Gotshal & Manges and Mishcon de Reya.