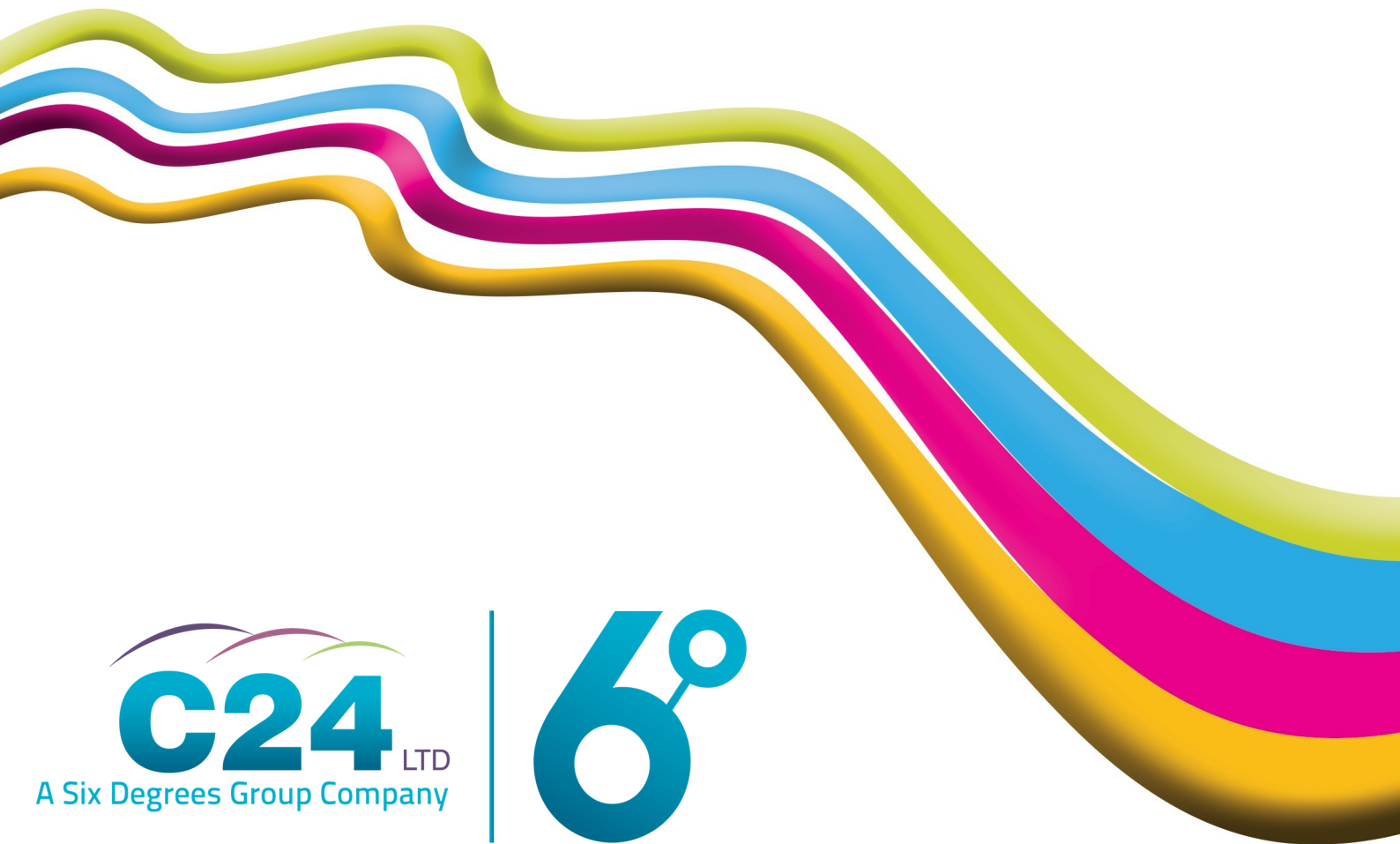


Building a data driven professional services firm

Data driven, not data wary - designing a professional services firm from the ground up with data



**C24** LTD
A Six Degrees Group Company



Introduction

What will the professional services firm of tomorrow look like, and what role will data play in their success?

New businesses have the opportunity to design data into their processes, from the ground up. They can intrinsically weave analytics into every function of the business to drive further insight than would be possible with an existing business that data has to “fit” into. This whitepaper will explore how big data can be designed into a business’ DNA from inception, and what existing professional services firms can learn from start-ups when it comes to big data.

Discussing some of the ideas in this whitepaper is Martyn Wells, IT Director at leading UK law firm Wright Hassall. Martyn has embarked on an ambitious programme to integrate business analytics and data tools across the firm and here we share his views on what it takes to become a data driven professional services firm.

We have integrated Martyn’s future thinking with our own views on what it takes to create a data driven professional services firm, and how future firms might design their businesses based on data, from the ground up.

Designing data into the picture

Imagine throwing off the constraints of existing processes, applications, culture, paper limitations and a mountain of previous years’ data and starting afresh. This is the luxurious position new professional services (PS) firms starting out over the next few years will be in. Data will be an incredible enabler for them; an insight into every one of their business’ operations. For existing legal and accountancy firms, data can often seem like a headache. It comes in different forms, it has to be managed, it must be stored securely and your staff must handle it with extreme care to avoid accidentally contravening data laws.

Building a business from the ground up that integrates data into each of its processes will enable a whole new way of working.

Processes will change as data entry will become an important job task – because without data entered into your systems, you cannot analyse and draw effective insights. Marketing and business generation activities will need to be designed in a way that ensures data is at the forefront of any business development decision; deciding who you should target, which messages work well, which mediums resonate with this demographic, etc. Currently, many marketing strategies are agreed and then must retrospectively track response rate data. Starting afresh means that data can drive

activity from the start, using baseline rates across the industry to suggest the most effective marketing activities, then combine that data with your own conversion rates to develop a unique data driven approach to marketing.

Decision making in a new firm would be dependent on data, which is why it is so difficult to reengineer data into existing decision making processes. Very often, data might be used to support a decision, however the decision may be initially made based on intuition, experience or existing processes. Designing data into the decision making process involves creating data collection points, such as applications or cultural processes to collect and record data about client interactions, marketing efforts or KPIs in order to have a pool of data to drive decision making activities.

The way in which professional services firms undertake tasks is set to change as big data feeds artificial intelligence systems, and machine learning aids the automation of simpler tasks. Research has cited that many junior legal positions could be affected in the future by artificial intelligence applications automating e-discovery and report writing – meaning that the only tasks carried out by ‘humans’ will be the complex, value-add activities rather than repetitive lower skilled tasks. Having the ability to engineer data processing into every part of a business’ operations means that the ability for AI tools to ‘learn’ will be greater and many more areas of activity will be capable of being tracked and distilled into algorithms.

Industry Perspective: Martyn Wells

Today there are at least three generations at work in a typical law firm’s workforce - and whenever you implement a new solution or embark on a change management process, you must accommodate those three different generations within your plans. The generation gaps mean that you need to provide agile training to help staff understand how to interact with new data tools. One size no longer fits all. You will also need to be aware of any insecurities or fear of change across the organisation; this is frequently the biggest barrier to any change management implementation.

Data programs are as much cultural as they are technical. You can implement good systems, but they won't work if you have bad people. Whereas if you've got bad systems, good people will find a way to work around them; it's as simple as that. People are the DNA of any organisation and should be front and foremost in any data project.

Many professional services firms are facing a challenge: there can often be conflict between the people focused on the delivery of the service (i.e. the lawyer) and the people who aren't formally trained in the services offered by the firm (i.e. the IT team), yet have the skills to deliver great business processes.

You must recognise that there will be varying degrees of knowledge within an organisation. For example, Wright Hassall is 170 years old and we are proud of our traditional law firm roots and pedigree. In the modern era our processes are driven by individuals who have invested many years of professional development into their careers. It is the responsibility of all of the support staff around our lawyers to make their legal service provision as productive as possible. This must be done in a collaborative form to make sure everybody is aligned in the same direction.

The data journey



Management reporting or Management Information (MI) is usually the most popular point to start for existing professional services firms looking at data analytics projects. This is because firms are starting to drown in the data that their business is creating and need a way of harnessing the masses of information across their firm. At a high level we see firms then expanding the data focus out to their marketing and **demand generation** function to track responses and client receptiveness to marketing campaigns.

The next step is then to extend the data viewing capabilities out to **clients**, allowed a firm's clients to access their own data on-demand. This could be to show performance against KPIs, billed hours or case details - all processed, analysed and delivered on-demand to a client.

Finally, we see firms looking to integrate data analytics technologies into their **case work** or client work; utilising data within the organisation to help make decisions about client work in live situations. This could be data to help lawyers or partners make estimations on the likelihood of case successes to reduce potential losses. Likewise, accountancy firms can use big data tools to marry up structured data with unstructured data for enhanced client reporting.

Integrating data analysis and sophisticated reporting is more difficult if the firm has entrenched processes which were put into place before data analytics tools were a common feature in every firm. This is because it requires the **reengineering** of processes to fully utilise the insights from data, rather than reporting being an add-on or a 'nice to

have'. It is more difficult to develop a process to share reporting with clients in a way that still works inside existing business processes whilst conforming to all of the data governance laws.

Firms starting up in 2016 onwards have the luxury of creating a process from the beginning that can not only satisfy clients' needs for on-demand reporting, but can be integrated into the firm's wider applications, such as CRM or billing tools to deliver reporting from a number of different feeds.

Industry Perspective: Martyn Wells

Since 1 April 2013, a new "costs management" process has been operating within the Courts for litigation claims. Under the new "Jackson Reform" rules, both parties are compelled to file and exchange budgets setting out their expected costs at every stage of proceedings. The Court will take all of these estimates into consideration and may make a "cost management order" as it sees fit. The court would then control the budgets and recoverable costs throughout the litigation process. Using our data to drive a smarter business process will ensure we are complying with the Court's wishes as well as keeping our clients fully prepared.

Another change that is driving data usage within the legal industry is the increasing trend of firms offering fixed price fees, meaning that profit margins are now determined by the amount of time we spend on a case, therefore we need to become smarter about how we estimate costs and fees to clients. Having a better understanding of our cost base and profitability on individual pieces of work ensures we can create more accurate fee estimates, which are regularly tracked to show real-time margin positions.

When embarking on a 'data journey', staff need to not only be confident of the business process but the data itself processed as a consequence. Once they are confident of the output integrity, you can start to do more innovative things with data to add more value to their day to day work tasks. It is a careful process to introduce data into daily activities and business users need to be **convinced with confidence to rely on it**. All staff need to firstly agree what the 'single version of truth' is (i.e. the correct version of the data), then this becomes the foundation for all future work.

New data implementations need to be run in parallel with existing reporting methods. This helps to review how reporting is currently being delivered, as well as provide a quality benchmark against existing datasets. Invariably the new data tools will replicate that process and produce the data much more expediently. Whichever method you are using to report, **the data is the still the same version of the truth albeit the process is quicker**. The key is deriving the one version of the truth. Users then can't build independent siloes of data to report against because that can then create integrity issues and shakes confidence in the data tool.

As a firm, we are using data in-house currently to publish dashboards, both internally and to our clients. We are also using performance data which is segmented to show activity and work by industry sector for tracking against business plans and strategies. Data has enabled us to be always analysing the sectors in which we are operating, in order to determine the performance and efficacy of sales activities.

We also use data to analyse CRM processes to understand the outcomes and results of different marketing activities as well as determine if our marketing investment is providing us with a return on investment.

In a data driven age with a fully transgenerational workforce, we are seeing our internal staff users consume more and more data as part of their business processing, which is a sign that they are waking up to the value and power of the data that they have available to them.

Service Delivery

The type of services delivered by a firm will affect how data is utilised, or how extensively within the firm it is used. For example, high street general practice law firms dealing with the public will be able to utilise data for keeping track of their large customer bases; analysing who is likely to pay or not pay, and for determining key statistics across business generation activities. Utilising data can be a way of improving existing sales and marketing processes, by tracking data points such as the most popular reason clients choose you, or determining who your most common competitor is.

Law firms who generally look after larger organisations can draw on data to aid with a range of activities. If the client is of a considerable size, then data trends may be drawn across the client's own data; such as understanding which months the client consumes the most services, and what factors are affecting these peaks in levels of consumption. Additionally, data can be drawn across industry sectors to help professional services firms to better target prospective clients by analysing trends and activities in particular industries.

From an artificial intelligence point of view, the type of customer the professional services firm is going to target may affect the type of AI activities undertaken. A professional services firm focused on delivering low volume – high value services to clients may only have the opportunity to deploy AI technologies for information gathering purposes. On the other hand, a high-volume, transactional firm may be able to pass much more responsibility over to software applications that can quickly process thousands of simple tasks that are easily automated, or more readily bulk process large sets of unstructured data.

A data driven firm will need to look holistically at their target client base, core services and operational systems to determine where data can impact their business most. Segmenting business processes into systematic steps to enable the recording of data at each point in a client or case lifecycle, and the automation of repeatable tasks based on the type of work carried out by the firm will enable organisations to seamlessly integrate data collection, processing and insight-driven action into day to day activities.

Industry Perspective: Martyn Wells

How extensively your firm harnesses data depends on your organisation's area of expertise. Data should be more important for companies when their service offering or customer base suits and demands data analysis. Data processing should also be front and foremost when embarking on **smart interfacing** with clients. Clients will expect to instruct their lawyers directly and natively from their own systems and applications. They will want law firms to integrate into their own procurement platforms and send them e-invoices through their supply chain management tools and consequently client data held by the law firm will likely be manipulated and migrated across many different platforms during its lifecycle.

A significant impact on demand for data within law firms will be the evolution of fixed pricing models and demand can only increase as more and more firms will be forced to go online and publish their prices in order to compete. This equally applies to those firms that provide bulk, commoditised legal services, where understanding your underlying costs is paramount to the success of your business.

If you are a law firm looking after an extensive number of customers, then data is also useful for collating and analysing billing information. For larger clients, data could be used for building individual client dashboards, in order for them to analyse their own spending and seasonal requirements as well as help manage their own expenditure on legal services.

Data processing, security and reporting are all real hotspots at the moment. There is a growing trend for tenders to include the following requirements:

- Data security assurances such as adherence to ISO27001 and confirmation of where will data be both stored and processed.
- Ability to integrate with client systems – clients don't want to instruct by email or over the phone; they might instead want to instruct directly from their own applications or in bulk.
- Ability to add value to the client's business by providing extra services such as online analytics to their own customers. Having the ability to report milestones directly back to a client's customers via a portal (i.e. financial information or SLA milestones) is also of great use to many B2C providers

Closely linked to big data within the legal sector, is the usage of **artificial intelligence (AI)**. There are some obvious areas within most firms where AI can help to speed up task completion, such as using software to search through petabytes of case data and documentation to help the firm complete discovery processes much more expediently. It could be argued that this will provide firms that adopt AI with a competitive edge through both lower operating costs and faster service delivery.

It is inevitable that AI usage will soon become systemic throughout the legal sector at some point in the future, but the question right now is when? At this point in time, there are probably more questions than answers on the evolution of legal service AI despite there being a few very early adopters both here and in the US. This particular development is evolving at a phenomenal pace; but those firms that marry speech recognition with AI and BI will see their legal service proposition revolutionised over the next 5 years.

Client-facing Data Services

The next stage in the process for the data driven law firm is extending true reporting services to clients. This could be as simple as offering web portals to customers where they can log into view their own details and updates to their case (a service which many consumer law firms have in place today for transactional services such as conveyancing), or a more complex data service enabling clients to run their own reports showing performance against firm KPIs, or to even benchmark their case's progress with anonymised data across the firm. Additionally, clients could have access to view probability of case success based on different scenarios, to help them to choose the best legal option in conjunction with the advice of their legal team.

Within the accountancy sector, customers may want access to all of their previous tax returns and documents, or they may want the ability to effortlessly search through all of their documentation (from expense receipts through to filings) to view their personal data in a centralised portal.

These services are all solutions that professional services firms can build into their proposition; to differentiate themselves from the competition and add more value to a customer through add-on data services. This ultimately strengthens the loyalty between firm and client and helps to ease the work burden of client requests for information by offering self-service reporting capabilities.

Industry Perspective: Martyn Wells

Clients are increasingly demanding reporting from their law firms, and larger clients in particular are now regularly asking for unbilled work information and in-progress reports to avoid any surprises and manage their expenditure accordingly. In a post-recession era, clients are more financially cautious and being aware of what bills are due from their legal partners is critical to them managing their cash flow.

Clients tell us they like to see data dashboards, as they want to see where fees are being accrued as well as identify where their work is within the relevant legal business process. From our perspective as a legal firm, we much prefer being transparent and open with clients in this manner. The dashboards can include any number of different data items; including time spent on case activities, current matters, billing information and accrued disbursements and associated costs.

In some ways, we are offering data-as-a-service to our clients, and we expect this aspect of our business offering to grow in the future as clients demand more reporting visibility from their partners. Data is now giving law firms the opportunity to add more value back to their clients by providing valuable data services and reporting insight. Additionally, more data-sophisticated firms are starting to partner with clients to extend reporting out to their client's own customer base. For instance, a property management firm might demand direct reporting between their legal partner and tenants, so portals offering data on demand to customers of clients will be a real differentiator for data savvy law firms in the future.

Martyn's Recommendations for Deploying a Data Solution

In the past, many law firms have experienced a periodic refresh of their Practice Management Systems (PMS). Changing a PMS is not something to undertake lightly, and firms that have implemented multiple PMS are constantly extracting and migrating data between systems. Firms need to be aware of how data has been potentially changed or manipulated to fit into new PMS systems. No data conversion is ever straightforward, and no two systems share the same data schema or structure. Whilst statutory time bars and regular matter archiving can help constrain the size of a firm's data, some aspects of legal service provision require firms to keep some data open indefinitely; for example where the firm might be storing a Will for a customer within the firm's strongroom.

In terms of data security, law firms can be both a data owner and a data processor. We have to make sure that any data is communicated both to and from our clients using only

highly secure channels, such as by using technologies such as our dedicated online portal where data access is restricted by both encryption and password protection technologies. With so many firms emailing sensitive data to and from clients, external parties and colleagues, the potential for data to be misdirected or intercepted in transit is a nightmare scenario waiting to happen. It is no coincidence that the number of whaling and spear-phishing attacks on law firms is on the rise.

When implementing any new data solution, especially one that is organisation-wide, we recommend contracting professional services from experts at the beginning of any engagement. In a bid to reduce the cost of new projects, professional services is often the first line item to be stripped out of the quote by management. However, when deploying a complex solution that will impact on all areas of your business, you will need to work alongside specialists who can help you to implement best practice, best-fit solutions that meet the needs of your strategy and business process. In other words, removing these costs adds inherent risk to the solution's delivery and is likely to be a very false economy in the longer term.

About Martyn Wells, IT Director at Wright Hassall

Martyn Wells is a veteran IT Director/CIO/CTO with 13 years of board experience from the Financial Services, Legal and Professional Services industries. Martyn is determined to make IT easy in the trans-generational work place for everyone and is passionate about change management and delivering enduring programmes of work and making technology productive and fun.

Commercially savvy, and driven to deliver lean operations, Martyn's experience covers client side consultancy, relationship/stakeholder management, IT strategy definition, risk mitigation, data governance and security, compliance and programme management all delivered with a sharp commercial slant.

An advocate for the development of future working practices, such as speech recognition, artificial intelligence and business intelligence from big data, Martyn is a regular speaker and blogger about the future of legal service provision.

About C24, a Six Degrees Company

C24, a Six Degrees Company, is one of the UK's leading privately owned specialist managed service and hosting providers, based in the Midlands, UK. Working with businesses all over the globe, the company manages, secures and delivers critical business applications to over 100 countries, with a particular focus on the legal sector.

FIND OUT MORE

ONLINE: <http://www.c24.co.uk>

TWITTER: @C24_Ltd

LINKEDIN: <https://www.linkedin.com/company/c24-ltd>

