

An Elegrity, Inc. White Paper



160 Pine Street, Suite 720
San Francisco, CA 94111
415-821-0900

<http://www.elegrity.com>

<http://blog.elegrity.com>



WHY LAW FIRMS CAN'T SURVIVE WITHOUT BUSINESS PROCESS MANAGEMENT

And How To Succeed In Using BPM for Increased Profitability

Joy E. Spicer, President & CEO

March 28, 2011

Contents

Law Firm Challenges	3
Increased Revenue and Profitability Through Efficiency Gains	3
Old Ways of Trying to Meet New Challenges	4
BPM Overview & Application Example	5
How To Be Successful in Applying BPM	7
How We Can Help	10
Summary	11

Law Firm Challenges

Law Firms are facing downward pricing pressure from clients demanding relative-worth legal services. Firms must adopt new ways of conducting business that emphasize significant efficiencies and enhanced loss prevention.

Old Ways of Trying to Meet New Challenges

What have firms done historically to try to meet similar challenges, and why it is no longer enough.

BPM Overview

What is Business Process Management and why is it crucial for Law Firms?

How to Be Successful in Applying BPM

Key BPM strategies and tactics to ensure success.

Benefit 1

Increased Profitability Through Substantial Efficiency Gains and Enforced Loss Prevention.

Benefit 2

Long-term leveragability.

Benefit 3

Constant return-on-investment with incremental value delivery.

How We can Help

How our legal industry, compliance and business process management experts work with law firms to ensure full value and return-on-investment from BPM implementations.

Summary

How BPM assures profitability for law firms in the face of downward price pressures and increased client demands.

Law Firm Challenges

New and ever-changing client demands are creating relentless downward pressures for law firms. This in turn is forcing law firms to think about and run their businesses differently than ever before across all functional areas.

As a result, to protect profitability, law firms must fundamentally transform their business model, obtaining profitability through new service models, increased efficiencies and decreased risk.

The challenge: To deliver the same or better quality service to clients within modified pricing structures based on relative-worth of service provision while maintaining or even increasing profitability.

The solution: To find new and adaptable ways to optimize utilization of all firm resources (human capital, financial capital and technology) inside and outside of the firm, and to do so within a consistent, structured, repeatable and auditable manner. To protect the firm's profitability by reducing losses resulting from malpractice and other professional liability claims, while at the same time reducing insurance expenses.

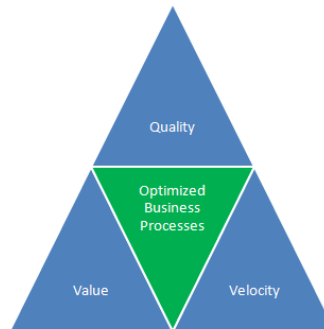
This whitepaper provides law firms with the key to creating strategic and sustained change in their firm's business focused on substantially

increasing efficiencies, enforcing repeatability and loss prevention through consistency and risk mitigation policies.

Increased Revenue and Profitability Through Efficiency Gains

Organizations, such as Law Firms, that provide similar products and services are differentiated by three things:

1. Quality of Delivery
2. Speed (Velocity) of Delivery
3. Cost (Value or Relative-Worth)



The degree to which a law firm reaches its differentiated potential, and therefore achieves its competitive advantage, is a direct result of the extent to which it optimizes the execution of its business processes.

Today, law firm clients are evaluating the efficiency of law firm business processes more than ever before, knowing that a firm's efficiency of operations directly impacts the quality, price and velocity of the service they receive. This evaluation drives client decision-making regarding what firms to leverage for its legal service needs. Firms that win their client's confidence get more revenue and enjoy better profitability through their own efficiencies. Firms that



fail, lose market share, revenue and profitability and may eventually lose everything.

Old Ways of Trying to Meet New Challenges

Historically, the need for efficiency gains and risk mitigation in law firms has been addressed through a smattering of techniques, including:

- Increased documentation and communication of policies and procedures
- Implementation of new business systems to support the needs of functional teams and departments
- Creation and distribution of various reports to attorneys and management
- Addition of staff to assist with workload within operational teams
- Enhancement of accounting systems to fill in the gaps
- Implementation of knowledge management systems to capture and allow re-use of work
- Various types of automation to reduce time-on-task for standard functions (such as macros for document creation)
- Workflow automation for one-off business processes
- Implementation of ERP systems for organizational resource management

The above techniques all add value to the organization. Some provide better return-on-investment than others, but they cannot alone deliver the type of game-changing organizational shifts in business model and related operations required to meet today's dramatically different client demands and pressures.

Clients are benchmarking legal service fees, and rating and measuring law firm capabilities for provision of relative-worth services. Law firms must increase efficiencies on a new scale to both win work and restore profitability of work that is obtained.

Business Process Management is a transformative agent that empowers executive teams to embed strategic and tactical shifts in business direction directly into the daily operations of the firm through codified and managed business processes. BPM's elegance comes in its ability to support transformational adjustments in an incremental and evolutionary fashion. In this way, law firm executives assimilate organizational behavior modification at the pace appropriate to the need and the culture of their firm.

BPM is always customized, because a law firm is a collection of business processes, and the customization of those business processes is fundamental to the firm's competitive differentiation.

As a result, the implementation of BPM requires an agile, adaptable and evolutionary approach and supporting toolset.

Corporations have successfully leveraged BPM effectively for many years to drive efficiency and mitigate risk.

Most law firms have yet to comprehend the power of BPM, operating either in accordance with siloed, labor intensive procedures or mistakenly attempting to garner BPM benefits from misguided and myopic workflow or other narrowly based solutions.

Those firms that continue to miss or misuse this key business discipline will lose market share at increasing rates as their competitors figure out how to use it to their advantage.

BPM Overview & Application Example

What is Business Process Management?

The laymen's definition is:

Redefining how work is distributed to get the work done by the right people + at the right time + armed with the right information (so they can do it faster) + in full compliance with firm policies and procedures + without having to retype the same things 3-5 times.

The objectives of BPM are:

- Increased Efficiency
- Increased Visibility
- Reduced Risk

BPM is exponentially more powerful than simple workflow, although it does incorporate workflow one part of its make-up.



Business Process management encompasses all aspects of a business process.

First, the business process model is created, and re-engineered to take advantage of new ways of working that provide increased efficiencies and decreased risk.

Second, a BPM system is implemented that is responsible for coordinating the work of people and business systems in line with our newly engineered process models.

Third, embedded in this coordination, is the integration with key business systems so that information can be pulled or pushed as needed to reduce manual labor and increase accuracy by providing required visibility (into the process as well as providing aggregated views of information from multiple business systems as needed to support decision making).

And fourth, all information gathered through and about the business processes are available for real-time reporting and business intelligence (slice and dice analysis) to support continuous process improvement in an evolutionary and informed fashion.

The diagram below visually represents the key components of BPM:

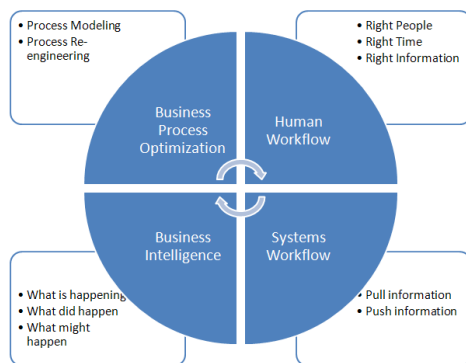


Figure 1: Business Process Management Components

To synopsize, BPM is the effective coordination of the work of people and business systems (technology) in a manner that is 100% in-line with defined organizational policies and procedures that can be constantly monitored and adjusted quickly and broadly and firm strategies or circumstances change.

- ✓ BPM reduces or minimizes unnecessary manual labor.
- ✓ BPM ensures the right people do the right job faster and more accurately.
- ✓ BPM drives previously unattainable visibility into the daily operations of the firm.
- ✓ BPM enforces consistency of procedural and policy adherence, thereby mitigating risk and providing key loss prevention.

Firms that are successful at garnering benefits from BPM out-perform their competitors in ways never before possible.

Case-in-Point

The power of BPM can be illustrated quickly in the following example:

A mid-size law firm aspires to be a large firm. They have historically been regional, they want to be national. They want to gain revenue, and increase profitability. The core strategy is growth through fast-paced acquisitions.

When considering the strategy, some key questions arise for the executive committee:

- How are they going to assimilate a dozen smaller firms that are geographically dispersed quickly, with immediate revenue recognition?
- How can they constrain overhead costs while growing revenues to increase their overall profitability?
- How can they get optimized leverage out of their new, nationwide pool of resources for faster, higher quality and lower cost delivery for their clients?
- How can they get deeper penetration into their existing customer base faster now that their presence is national and their expertise spans more practice areas?

All of the above questions were answered with a thoughtful application of BPM.

Today, 4 years later, this same firm has reached its goal of being a large and very



profitable law firm, continuing to evolve its application of BPM to all aspects of its business for differentiated competitiveness¹.

The strategies being employed and the questions being asked by each individual law firm will vary, but many of the answers will need to be provided by the effective application of Business Process Management.

How To Be Successful in Applying BPM

Business Process Management is a discipline.

The difference between successful and unsuccessful implementations lies in understanding how to apply that discipline effectively to produce the highest value results with the least amount of investment (to law firms and their clients, this is referred to as 'relative-worth').

It is imperative to recognize that the application of BPM is at its core a business, not a technology, initiative. It is about understanding how current processes interrelate, and how they must be adjusted, combined or extended to support the business objectives of the firm. Business users play an integral role in defining

¹ Refer to the Elegrity - Law Firm Business Process Improvement Reference Story for details.

the envisioned to-be state of the firm's processes.

To be successful, however, business users must have help from business process experts.

- Previously siloed processes and teams must be thoughtfully and strategically coalesced into enterprise-aware, cross-functional teams.

Although not a technology initiative, the technology employed in the application of BPM plays a tremendous role in the value the organization receives from its efforts. The more sophisticated, agile and holistic the available technology set, the more value the organization will receive over a longer timeframe. The more limited, the less initial and ongoing value and leveragability.

It is crucial to remember that BPM is not just one thing; it is a collection of tools and approaches to solving key business issues.

The ability to discern when to employ which technique requires expertise in the discipline itself.

- BPM systems are not applications. They are not workflow systems. They are a unique solution that requires a unique approach to deliver their full value potential.

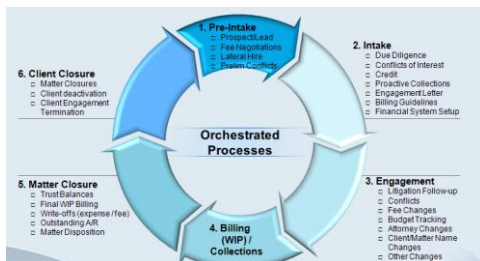
Facilitation of a business process is never (and should never be) a one-off or finished initiative. It is always a step on the journey. In addition, one business process inevitably

intersects with another, meaning that workflow solutions that offer point solutions to specific business processes paint firms into a corner, highly limiting functionality and ongoing value.

In addition, business processes are the mechanisms through which various entities are managed. Take for example, a law firm client. That client has an inherent lifecycle at the firm, and requires various business processes to manage it throughout its lifecycle. (See diagram below for a visual representation of the Lifecycle of a Law Firm client).

Any process implementations should be considerate of the lifecycle of the key subject of the process. Otherwise, the firm immediately loses value and leveragability.

Figure 2: Law Firm Client / Matter Lifecycle



As illustrated above, there are dozens of inter-related business processes that occur over the lifecycle of a client at a law firm (only some of these are represented on this diagram).

By understanding the make-up of a law firm at the process lifecycle level, law firm executives are empowered to identify and transform business processes in a strategic manner, with full understanding of the enterprise-wide implications. Processes must be examined from an organizational level, rather than as departmental or functional level to ensure the most efficiency gains and optimization of resources is obtained with each and every process implementation.

Key elements of successful BPM initiatives include:

- ✓ **Proper scoping.** Choosing the right process and the right components of the process for each project is crucial to ensuring incremental value is delivered to the firm.
- ✓ **Translation of Business Requirements into Solution.** Current process analysis should be limited to challenge and gap identification only. Process requirements should be translated to the to-be solution iteratively throughout requirements gathering to ensure the fastest, most efficient and effective application of BPM.
- ✓ **Appropriate Team Make-up.** The BPM team should be thoughtfully assembled to ensure business, technology and business process expertise is present at the right time for the right portions of the project. Unlike most other IT-related projects, this team will play an integral role in ensuring the appropriate stratification of BPM support roles and responsibilities.



The business plays a much deeper and more integral role in supporting BPM implementations than any other type of technology (because, as discussed, these are at their essence business, not technology projects).

Done right, BPM transforms law firms from siloed individuals or teams into a true enterprise capable of wielding all of its resources, human, financial and technological, in the most powerful manner possible for firm competitive advantage and profitability.

Benefit 1: Increased Profitability Through Substantial Efficiency Gains and Enforced Loss Prevention

By leveraging BPM, law firms increase the bandwidth of their attorneys and other teams so they can spend increased time on profit-earning work (legal service provision and business development).

In addition, firms can track and repeat successful staffing and matter delivery approaches and pricing models, driving continuous improvement and increased profitability into the enterprise.

Increased efficiency supports growth (revenue and profit). Lateral hires, new office openings, acquisitions or new service offerings are expediently

assimilated into the firm's operations in ways that ensure quick revenue recognition while at the same time mitigating risk of loss as consistency is enforced through codified business processes.

In addition to more effective internal resource leverage, business processes can be strategically extended beyond the boundaries of the firm, folding in strategic partners or other outside entities in a coordinated, auditable way. This allows law firms to leverage internal and external resources in the most optimal, price-effective ways for service delivery.

Benefit 2: Long-Term Leveragability

BPM is at its core an evolving discipline. In other words, its whole being is meant to support the evolving and changing needs of an organization's business processes. Therefore, done properly, a law firm can leverage every single investment it makes in BPM forward for each subsequent implementation and investment.

As an example, if a firm invests in the application of BPM for the Matter Closure process in one project, it can leverage that investment forward into marketing processes as the next project, immediately leveraging the investment.

BPM is a finance team's dream!

Benefit 3: Transformation through Incremental Change

The need for transformation of the business model and culture of law firms has been discussed in this whitepaper and in the press on a regular basis. But transformation is a



hefty word and state of being, and overwhelming to think about doing all at once (and impossible to do all at once).

Instead, law firms that map their strategy for transformation, and then are successful at implementing those transformational strategies in incremental, digestible ways to the enterprise are the ones who will see success.

BPM, being an evolutionary discipline, is best suited to this challenge...transformation incrementally.

By leveraging BPM effectively, law firms will be able to adopt new strategies and related tactics into the very fabric of daily business operations at a pace they feel their organization can successfully assimilate..

How We Can Help

We help law firm executives and their teams ensure profitability, growth and risk management by delivering solutions that speed and improve business processes. We are legal industry and Business Process Management experts. We work hand-in-hand with our client's in-house business and technology teams to introduce new or re-invigorate existing business processes through a proven, innovative and integrated solution and delivery approach.

Our combined success with our clients is based on the marriage of all required capabilities for BPM:

- ✔ **Business Process Management Experts.** We have implemented some of the largest BPM solutions in global corporations (legal and other). Our solutions are in-use by well over ten thousand users worldwide, across dozens of business processes.
- ✔ **Legal Industry and Strategic Experts.** We are legal industry and compliance business process experts. We have substantial expertise in helping executives coalesce cross-functional teams into thinking as at an enterprise level as part of our business process re-engineering consulting.
- ✔ **Most Comprehensive Legal-Specific Business Process Management Platform.** *Our Law Business Management System[®] (LBMS[®])* incorporates all the required elements a holistic application of Business Process Management requires. We empower and encourage firms to implement any number of business processes within a single web-based framework. As a result, law firm end-users are able to use the same familiar interface to accomplish all business process tasks, making incremental rollout of change fast and easy. Every investment directly leverages into the next, saving the firm time and optimizing expenditures.



Summary

Law Firms that survive will find ways to protect and enhance profitability by applying all firm resources appropriately and in line with the most efficient and effective business processes.

Strategic application of Business Process Management will supply the efficiency and risk management firms need now and into the future.

Firms that apply BPM in future-looking ways will obtain the organizational agility that is required to transform firm operations now, and adjust to required changes in a timely manner as needed.

Elegrity's Business Process Management Consulting and Legal Business Process Platform (LBMS) provide the sophisticated combination of elements to ensure law firm success.

Refer to our Client Reference Story for more information about how we helped one of our clients meet their strategic goals with BPM.

Please visit call us for a free consultation or demo, or visit our web site for additional information regarding how we can help.



Elegrity, Inc.
160 Pine Street, Suite 720
San Francisco, CA 94111
415-821-0900
<http://www.elegrity.com>
<http://blog.elegrity.com>

Elegrity, Law Business Management System and LBMS are registered trademarks of Elegrity, Inc.