ACTIONABLE INTELLIGENCE:

Successful BI for Law Firms

A LEGAL BUSINESS REPORT BY ADERANT

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THE NEXT GENERATION OF BUSINESS INTELLIGENCE

Ever since IBM's H.P. Luhn used the term "Business Intelligence" in a 1958 article, organizations worldwide have invested in a wide array of technologies designed to provide the information needed to make smarter decisions. Along the way, there has been much progress in these technologies—and more than a dose of disappointment.

Why is Business Intelligence (BI) such a critical issue for law firms? Because firm leaders must have the *right* information for making decisions, effective BI can provide more decision-making authority and greatly improve a firm's financial performance. Altman Weil's "Law Firms in Transition 2015" report found higher Revenue per Lawyer and Profits per Equity Partner among firms who most effectively empowered their leaders to drive change.
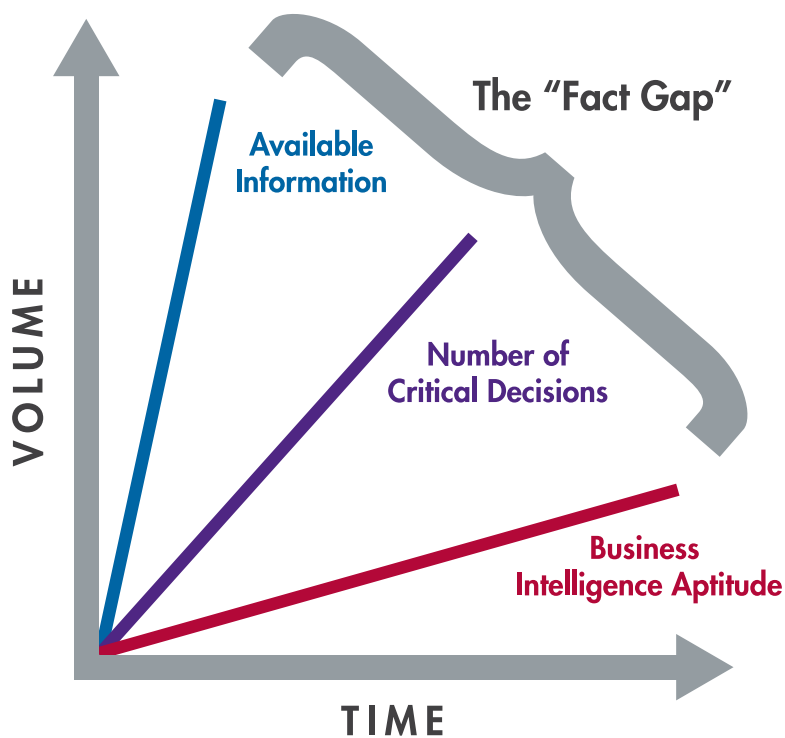
Certainly, modern business systems have enabled the creation and collection of vast pools of data. But helping leaders make optimal use of that data—in a way that puts a spotlight on critical issues by filtering out the relevant information from the noise—has remained elusive. Today, a new generation of BI solutions promises to reliably deliver actionable intelligence that will transform how law firms approach and manage the business of law.

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A MIXED LEGACY

In a white paper about BI in 2004, Aderant explored the "fact gap" facing decision-makers at law firms. Identified by IT research firm Gartner, the fact gap represents the chasm between the large amount of data at a firm's disposal, the increasing number and importance of critical decisions needing to be made, and the ability to properly evaluate the data to make informed, intelligent decisions.

Figure 1

The "Fact Gap"

Available Information

VOLUME

Number of Critical Decisions

Business Intelligence Aptitude

TIME

Translating large volumes of information into usable intelligence remains a challenge.
Source: Gartner, Business Intelligence Imperative, 2001
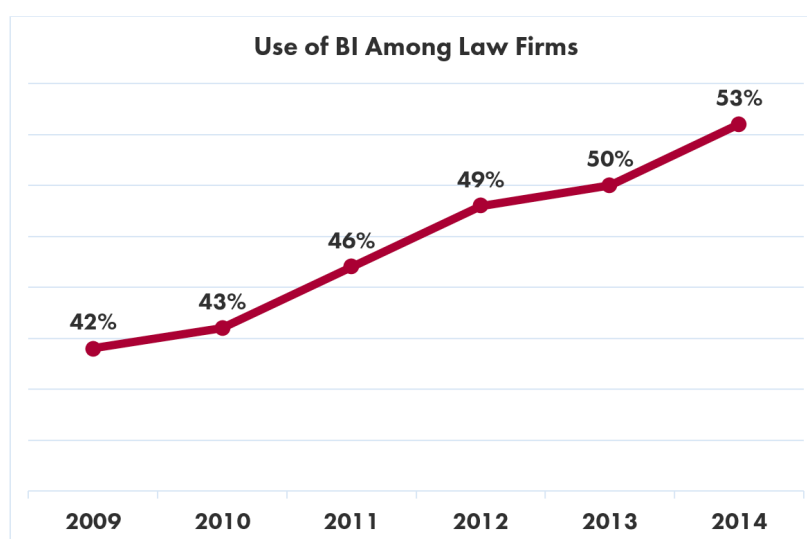
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More than a decade later, the fact gap remains a core issue. Law firms have more data than ever about their businesses, but effectively using that data to make quick, proactive and strategic decisions has proved more challenging. Perhaps that's why the legal industry, traditionally thought to be late technology adopters, has embraced BI.

Half of law firms have deployed BI tools, significantly higher than the 35 percent adoption rate in other industries, with usage climbing steadily the past several years. Nearly half of firms surveyed in Aderant's 2014 Legal Industry Survey said the competitive landscape has made them more likely to invest in technology to help them better analyze their data and highlight key issues.

However, if law firms were asked to render a verdict today on the success of their BI investments, the likely result would be a hung jury. There clearly has been progress, but BI to date has not been a magic elixir for higher profits. One of the main reasons is that, in parallel with the fact gap, there's an expectation gap created by misunderstandings about what BI is, minimal adoption of BI technology and lack of recognition of its proper role in law firm decision making.

Figure 2

Use of BI Among Law Firms

42% (2009)
43% (2010)
46% (2011)
49% (2012)
50% (2013)
53% (2014)

BI adoption on the rise in law firms
Source: 2014 ILTA Technology Survey

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A CONDENSED HISTORY OF BUSINESS INTELLIGENCE

1962

Canadian Kenneth Iverson invents the first multi-dimensional programming language, which becomes the basis for Online Analytical Processing or OLAP.

1975

Information Resources introduces the first OLAP product, used for sophisticated analysis of marketing-related demands and other needs.

1979

The first spreadsheet application, VisiCalc, puts a limited type of BI on the desktop. Lotus 1-2-3 advances the concept by incorporating graphing and database functions. Microsoft then develops Excel, which integrates Pivot Tables and becomes the most popular and widely used tool for multi-dimensional analysis.

1990

Cognos PowerPlay paves the way for the development of increasingly powerful BI applications designed for the enterprise. These represent an important advancement over spreadsheets by enabling a single version of the truth within each firm.

Mid-2000s

Predictive analytics emerges as a tool for BI, using sophisticated algorithms to not just assess the past but also to look forward.

2015

The search continues for a comprehensive yet easy-to-use BI solution that's focused on what's really important to law firms and that empowers firm leadership to drive performance improvements.

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THE EXPECTATION GAP

Ask law firms to define Business Intelligence and their responses likely will be dramatically divergent. That's because the term BI has been used over the years to describe a multitude of products, processes and tasks. Confusion is common.

There is one area of agreement: most BI efforts have been a disappointment. Although firms have installed what was called BI software—perhaps even multiple software applications over the years—the reality has never quite lived up to the hype. Firms have access to more data now, but the amount and quality of actionable information is debatable.

At the heart of this disappointment are misplaced expectations:

Mismatched Software. Not all BI software is the same. Some applications are complex data warehouses that are IT-centric and often require substantial changes to existing information systems. Some are little more than fancy reporting modules or they provide no context to facilitate user understanding. Only a relative few are designed specifically to shine a light on the information that is most important to law firms.

Inadequate Preparation. The right software is vital but BI is much more than that. It requires ready access to trusted data and the analytical expertise to understand provided results. Even with the best software, the usefulness of a BI solution is only as good as the underlying information and the ability to interpret the data in light of the firm's objectives and strategies.

A Quick-Fix Mindset. A successful BI implementation is a process and a culture shift, not a quick fix. It requires a commitment to making the necessary preparations, establishing buy-in among users and providing ongoing analytical support. Making the most of a BI solution requires a sustained effort over time, along with the willingness and flexibility to make adjustments as new information surfaces and as the business evolves.

A successful BI implementation requires the right plan, the right software and the right resources. Miss any one of these and adoption is likely to fail.

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With each of these misplaced expectations, the likelihood of fully successful BI deployment decreases. Finding a solution that is easy to use, developing a firm culture that embraces change and maintaining consistent processes will all encourage adoption—and a successful BI strategy moving forward.
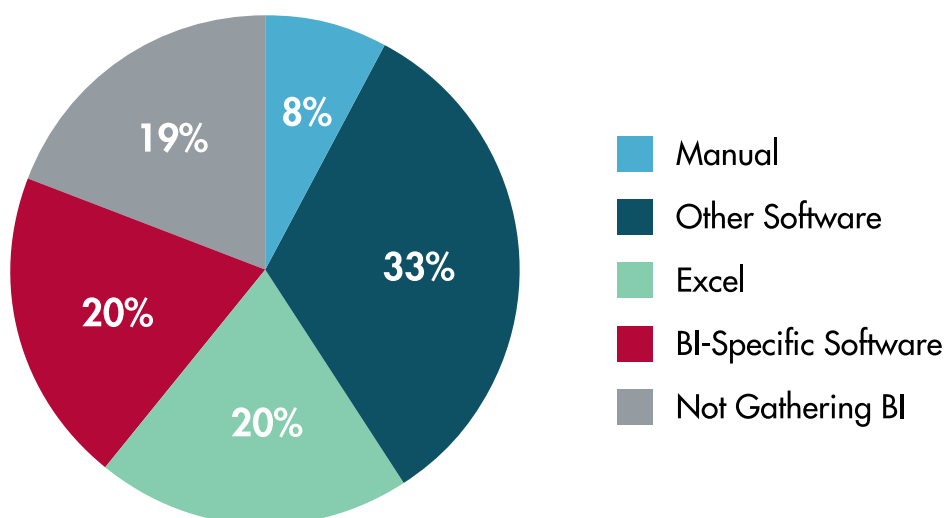
A 2014 study by Software Advice found that more than half of prospective BI buyers were using software for BI that didn't meet their expectations. One-third of the companies in the sample were using an ERP (Enterprise Resource Planning) or CRM (Customer Relationship Management) system to gather, track and report on data, and they were seeking a new solution to better analyze the data being collected. One out of five firms were using BI software that was either outdated or unsatisfactory for their business needs.

Additionally, 20 percent of prospective BI software buyers were still using Excel spreadsheets to compile and store their data, and 9 percent were doing everything by hand. About 19 percent said they weren't doing any BI analysis at all.

Despite the continued search for a better BI solution, there's no doubt that things have come a long way since the days when access to business information required managers to make a formal request to the IT department and—after a lengthy wait—receive reams of paper in return. It was slow and inefficient, often required users to find the proverbial needle in a haystack, and relegated a firm's business leaders to a mostly passive role of looking backwards.

Today, modern BI technology and tools are much more powerful and useful. However getting the most from them requires an understanding of data and its function in providing law firms with valuable intelligence.

Current Methods of Gathering BI

Results of a 2014 sampling of prospective BI software buyers (Source: Software Advice)
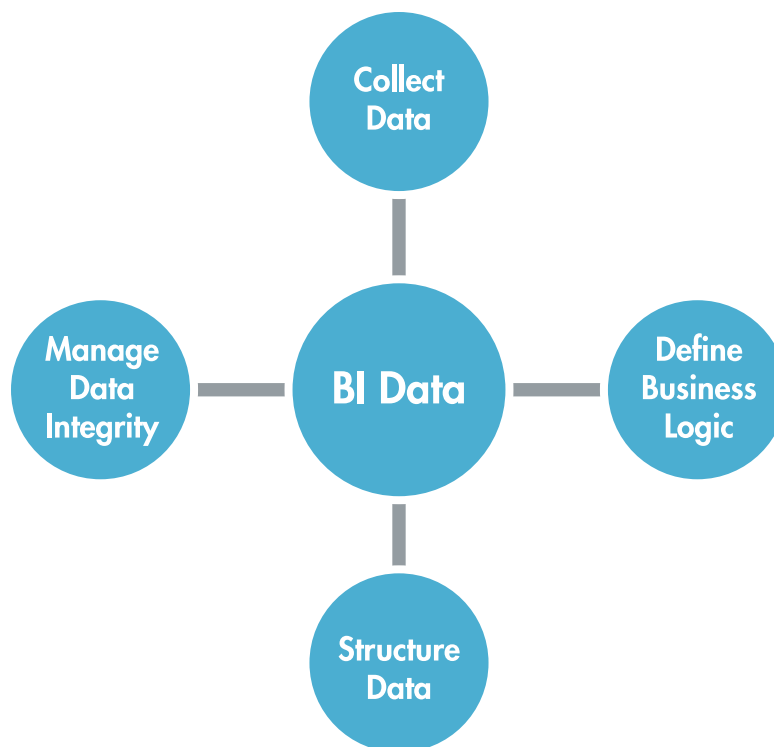
KING DATA

The phrase "Garbage In, Garbage Out"—GIGO for short—is probably as old as computerization itself. The term appeared in print a half-century ago in a 1963 article about efforts to automate operations at the U.S. Internal Revenue Service.

GIGO still holds true today, as many law firms implementing BI have learned the hard way. The right data, in the right format, at the right time and place is essential for success. Similar to how "Cash is King" on the accounting side of a law firm's business, data is king for BI. Developing robust, trusted and relevant data for BI—to ensure a single source of truth within a firm so that everyone is looking at and acting on the same information—involves several essential elements.

Collect Data. There's an old saying that if you can't measure it, you can't manage it. If, for example, a firm wants to analyze phases and tasks to improve its ability to plan for future matters, it must track data at the phase and task level and do so in a consistent manner. The challenge isn't the availability of any data—most firms are awash in data—it's whether they are capturing the precise information that's important to them.

Manage Data Integrity. Ensuring the data is reliable is critical for an effective BI solution; inconsistent data collection or poor data management may yield innaccurate answers to questions. For example, if a firm's billing system data has inconsistent or incomplete client designations—items such as industry classification, type of fee arrangement and task codes—the information passed to decision makers will be of dubious value.

Figure 4

Key elements for developing useful data for BI solutions

Structure Data. Structuring data ensures that the collected data can be linked together in a systematic way that will get to the answers that users seek. This includes defining where the data resides in fixed fields within a record or file, such as relational databases and spreadsheets, so that it can be extracted by BI systems.

Define Business Logic. Firms must apply what's commonly called business logic to provide users with analytical insights. Business logic puts the data into context by adding value to raw data, such as organizational schemes, business categories and history. It also involves designing algorithms to establish metrics that answer questions, and then doing regression testing and studies to validate those metrics and algorithms.

IBM calls data the "new basis for competitive advantage." But while effective data collection and analysis is one of the cornerstones of BI, what to do with the data—how the data is presented and delivered to a firm's business leaders—is equally important.

*Successful BI provides users with **useful information that illuminates**.*

REPORTING THAT'S RELEVANT

The goal of BI isn't to generate as much data as possible; it's to provide users with useful information that illuminates and is actionable. That's why law firms need BI solutions that focus on relevance—in other words, solutions that can discern the important from the trivial, the significant from the pointless, the signal from the noise, the practical from the theoretical and the actionable from the interesting.

Reporting is one of the most important and most misunderstood functions of BI. Whether on paper or electronically via visual dashboards, reporting types include:

- **Informational Reporting** — Provides users with lots of data, but it frequently leads to information overload. Historically, much of a law firm's financial reporting has tended to be informational. Trends and outliers are difficult to spot.

- **Exception Reporting** — Requires firms to establish normal ranges for the data being collected, such as metrics associated with Key Performance Indicators. Exception reports reduce the clutter by highlighting data points that fall outside the established ranges, providing users with enhanced visibility to problem areas.

- **Executive Reporting** — Presents a clear and concise summary of the data needed to properly manage the firm. Executive reporting is a combination of both informational and exception reporting, providing a high-level overview and pinpointing specific areas of interest or which require action.

- **Analytic Reporting** — Provides insight as to 'why.' Analytic reporting embeds experience and expertise into the process to interpret results. It helps users identify the causes of what's happening in the business and what to do about it.

While BI sometimes is confused with "fancy reporting," it is critical to know the difference between the two. Real BI goes beyond reporting to provide firms with actionable intelligence. Reporting without analysis misses the insight that connects data to relevance. Whether it's taking corrective action to fix a problem or pursuing a business opportunity, real BI can provide a firm's business leaders with a higher level of understanding and accelerate decision making.

The Role of Analytics

BI analysis, or analytics, gives meaning to reporting. It's the process by which data becomes intelligence—the addition of understanding to information.

Analytics provides a factual basis for action, focusing on key business of law areas such as:

- Profitable clients, matters and practices that can be replicated.

- Unprofitable behaviors that need to be corrected or eliminated.

- The true cost of past cases, to use as insight for setting fees for new business.

- Opportunities that will have the most impact on profitable growth.

Advanced BI solutions have a greater degree of analytical capabilities than ever before. Analyzing profitability, whether at the client or employee level, takes advantage of built-in business logic that shows the drivers of profitability. In addition, sophisticated algorithms can assess alternative scenarios and calculate the likely financial results and outcomes of different approaches. Known as predictive analytics, it can discover patterns in data, turn uncertainty into reliable conclusions and help users predict future outcomes. Features include:

- Emphasis on prediction, rather than description, classification or clustering.

- Rapid analysis measured in hours or days.

- Inclusion of the business relevance of the resulting insights.

- Focus on ease of use, making sure the analysis is readily accessible to business users.

Today's analytical tools leverage the skill and knowledge of a law firm's key employees, enabling them to play a more direct role in improving business performance. Analytics is an essential component of a robust BI solution that gets results.

NEXT GENERATION BI:
ACTIONABLE INTELLIGENCE FOR EVERYONE

Business Intelligence has come a long way the past fifty years. In fact, progress during just the last ten years has been impressive. The technology is more sophisticated and the information that's available is deeper and wider than ever before. Analytics is now an established discipline, with practical expertise and best-practice knowledge residing in the top BI providers.

Most law firms worldwide share the same bottom-line objective for implementing a BI solution: smarter decision-making that increases profitability. Dig a little deeper, and the wish list also includes:

- Proactive, strategic reporting and analytics.

- A comprehensive solution that analyzes all relevant data.

- Flexibility to adapt to changing conditions.

- Easy-to-use for non-technical staff.

To achieve true success, the next generation of BI will need to be much more than a piece of software. It will need to effectively bring together data, technology, analysis and people to transform a firm's information into actionable insights, positioning the firm as leading edge and prepared for the future.
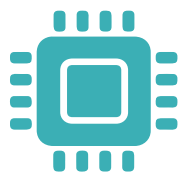
At its core, the next generation of law-firm BI will deliver what can be called **actionable intelligence**. It won't focus on what's happened but, rather, what's really important. It will be able to discern between informative and actionable data in order to present decision makers with information that makes a difference. In other words, it will go beyond describing an issue to providing a guiding light toward a solution.

Not only should the information collected from a BI system be actionable, it should also be easy for anyone at the firm to use. While for years skilled IT and financial analysts have been required to access and analyze data, few non-technical members of the firm possessed similar abilities. The next generation of BI is for everyone—BI that can create culture change across the firm.

DATA	TECHNOLOGY	ANALYSIS	PEOPLE

Actionable BI

A comprehensive solution that translates a firm's data into clear, meaningful information to drive intelligent decisions.

Planning for Success

Perhaps for the first time, the power of BI to truly transform the business of law is within reach. Law firms seeking to take advantage of the next generation of BI solutions should compile a checklist of key considerations.

Strategy. BI by itself does not make a difference in performance, there must be linkage with a firm's goals and objectives. Firms must define the metrics and business areas on which to focus the light of BI and improve performance in strategic ways.

Data Trust. More is not always better but firms often choose to provide more data because there's a lack of confidence in the information being provided. It's essential to build trust in the data—to create a "single source of truth"—so users have confidence in the conclusions being provided. Otherwise, firms can become bogged down by the endless study of supporting details.

Preparation. BI is more than just data; it's people, processes and tools. Success requires being prepared to effectively use the information that will be created. That includes establishing meaningful benchmarks; defining end-user roles and providing the necessary training; and ensuring that the proper staffing and support is in place. Proper preparation also helps to avoid nasty surprises that could torpedo a BI initiative before it gets traction.

Consumability. An effective BI solution is designed with end-users in mind. Who gets what information and how is it distributed? Whether considering detailed analytical reports or interactive dashboards with rich visualization, the information must be relevant and provide both visibility and guidance. And it must be presented in an intuitive, easy-to-comprehend format that enhances the ability to make intelligent decisions and make them quickly.

The Right Partner. BI is not a one-size-fits-all proposition, so firms must carefully choose a technology and a partner that match their requirements. Most law firms probably will want to focus on solutions designed specifically for the legal industry. In addition, firms should look for a partner with the expertise to guide preparations as well as provide installation and after-sale support. Even better is a partner with strong analytical skills who can teach users how to take full advantage of the information being generated.

Long-Term Viability. While a successful launch is important, even more critical is planning for and nurturing the long-term success of a BI implementation. Getting the most from a BI solution is an evolutionary process that requires flexibility and adaptability—along with time—to get it right. New information is discovered. Firms grow and change. Regulations ebb and flow. Competition rises and falls. So that means choosing a solution that not only looks good in demo mode, but is built for everyday, long-term use.

User Adoption. Lawyers are used to doing things their own way. Consequently, many past BI initiatives have failed due to a lack of user adoption at the firm. There must be a focus on establishing buy-in from the outset. Firms must exhibit strong leadership to overcome cultural issues and resistance to change. Implementation planning must be inclusive and well communicated. Appointing a BI advocate can help—someone who understands the solution and can explain it to users in plain language.

The next generation of BI for law firms will put a spotlight on the information that's most important to improving performance and profitably growing the business. It will do more than document what's happened in the past—it will provide the *intelligence* to take *action*.

STRATEGY

⬇

DATA TRUST

⬇

PREPARATION

⬇

CONSUMABILITY

⬇

RIGHT PARTNER

⬇

LONG-TERM VIABILITY

⬇

USER ADOPTION

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ABOUT ADERANT

Aderant, headquartered in Atlanta, Georgia is a global industry leader in providing comprehensive business management software for law firms and professional services organizations. Aderant is a market leader in technology solutions for practice and financial management, business intelligence, matter planning, calendaring and docketing. Aderant is an established and trusted partner due to its versatile and innovative technology solutions, superior customer support, and reliable implementation process. Aderant operates as a unit of Roper Technologies, a constituent of the S&P 500®, Fortune 1000® and the Russell 1000® indices.

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