



Strategic brief

At the front of the pack: Law firms using data to create a competitive advantage



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In today's legal landscape, firms must deploy every available means to differentiate themselves from the competition. Unfortunately, few firms understand how to leverage the most ubiquitous asset – data – to their best advantage.

To create more-positive outcomes in this increasingly challenging climate, many forward-looking firms have discovered a way to mine and analyze data in strategic ways, retooling business practices to maximize the use of these results.

These data-driven, transformational firms stand to dramatically improve performance in three key areas: profitability, compliance, and client service.

Driving profitability

Many law firms once generated sufficient business to absorb the negative effects of imprecise behaviors. But, as the industry changes and price pressures increase, those days are already behind us. Today, data-driven firms understand which matters have proven profitable, and which clients are most lucrative. Firm leaders – equipped with data immediately at hand – find themselves better able to sell new business by thoroughly documenting the firm's knowledge and expertise. They're also able to increase win rates by identifying interactions across a client's account, boost cross-selling efforts, and accelerate the sales process.

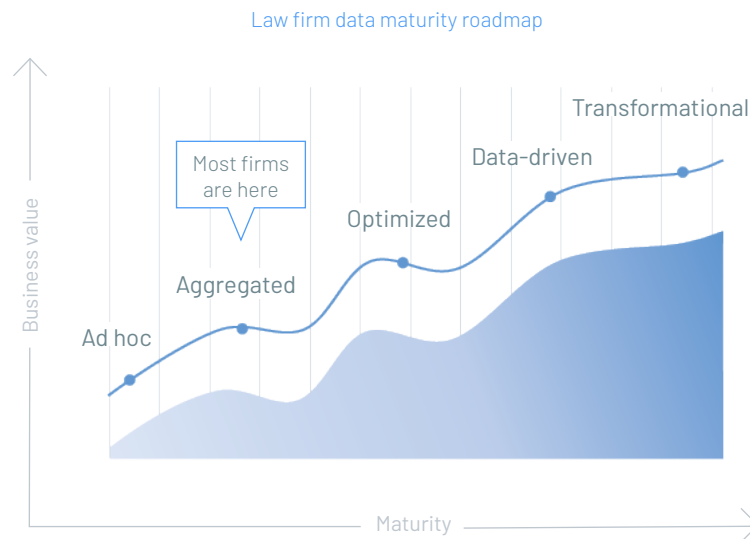
Simplifying compliance

As client guidelines and governmental regulations increase in quantity and complexity, wisely managing compliance workload has become a critical part of every firm's viability. By harnessing the power of data, firms can more readily understand not only whether they **can** take on a given client or matter, but also whether **should**. A data-centric business model allows firms to accelerate the intake process by easily vetting both outside counsel guidelines (OCGs) and government-required information. Combining risk and finance data into a single strategic view lets firm leaders quickly evaluate tradeoffs, such as recognizing when it might be worth moving away from a client whose OCGs prevent the firm from pursuing what could be a more profitable engagement.

Understanding data maturity

Although many law firms would assess their technology efforts as modern and complete, our research and experience indicates that, in fact, most firms sit relatively low on the maturity curve. Hampered by ad hoc reporting, siloed data, and a lack of master data management, many firms struggle to use data to their strategic advantage.

Firms need to take iterative steps toward improving business outcomes by effectively leveraging data. Once they move toward truly optimized, data-driven, and — ultimately — transformational maturity, firms are able to drive profitability, simplify compliance, and enhance service, setting themselves apart from competitors in measurable, repeatable ways.



Ad hoc

- Disconnected data and business strategy
- Disparate, siloed data sources
- Ad hoc, isolated reporting
- Missing master data management
- Disparate desktop spreadsheet solutions

Aggregated

- Iterative steps toward central analytics and data teams
- Moderate collaboration between business users
- Isolated pockets of desktop analytics
- Missing enterprise data model or reporting

Optimized

- Multiple office and region data management
- Robust assessment and identification of quality and standards
- Strategic data model
- A corporate set of key performance indicators (KPIs) to manage the business
- Defined data ownership and governance model

Data-driven

- Reported and trusted KPIs
- Thorough recognition of data's significance
- Trusted, reliable information driving business decisions
- Well-understood data roles and responsibilities
- Established data steering groups to drive value
- Periodic reviews to measure data quality
- Trusted, centralized, and informative reporting

Transformational

- End-to-end management of matter lifecycle
- Global insights into all aspects of firm business
- Thorough recognition of data's significance, championed at a high level
- Continuous, reliable automation
- Integrated data drives insights beyond the finance function, in coordination with other business areas
- Higher-order outcomes driven by AI and machine learning

Enhancing service

As clients focus more closely on pricing, alternative fee arrangements, and value-added services, winning work is no longer simply a matter of hiring the smartest lawyers. As the legal landscape continues to evolve, a growing number of firms risk losing business to other providers offering better services more closely aligned with client expectations. Firms that retool to support data-driven practices will emerge at the head of the pack. As clients increasingly demand visibility into how firms are applying resources and delivering value, data-centric practices allow firm leaders to review (and, potentially, share with clients) comparative analysis relative to industry benchmarks.

Data-centric approaches also allow firms to offer every client the personalized engagement that they might previously have reserved for only the most prominent or at-risk customers. Data-driven firms more easily provide unified billing – including the possibility of discounts off master bills – and confidently report to clients that timekeeping narratives are aligned with outside counsel guidelines. The same firms are also better able to close the loop on end-of-matter client feedback, focusing not just on the legal outcomes but also on the perceived quality of service.

Although modernization is an imperative for most firms, the industry faces many challenges to adopting data-driven practices.

Defining the challenges

Clearly, a data-driven approach is a win-win for both lawyers and clients. So why have so few law firms adopted this method?

Data-related concerns are both commonplace and diverse:

- Many firms do not collect key data types needed to enable a true data-driven model.
- Structures, systems, and policies may vary across a firm's locations and offices, making it difficult for any one person or team to gain visibility into the complete data set. This leads to firms being unable to easily calculate the profitability of a given matter or client. In other industries, such as manufacturing, it would be unfathomable for a company to be unable to accurately assess its work product.
- Furthermore, where a firm provides services to multiple members of a global entity, these disconnects can lead to the unenviable situation where a client's general counsel maintains a better grasp of its overall legal spend than its law firms do.

The conservative culture of law firms poses its own challenges:

- Lawyers – who, by their nature, operate on inherent knowledge and educated hunches – are biased toward precedent, and are less accommodating of the types of data-driven insights common in other industries.
- Firms often internalize lawyers' reliance on precedent-based actions, which can manifest as reluctance to change, as well as reactive approaches to investment in the firms' key systems and processes.

A typical law firm's distinctive structure multiplies the other concerns:

- Often, without a mandate from a CEO or other overriding leader, there's little political will to invest in critical change — especially when costly or time-consuming.
- Partner-centric financial structures provide a powerful disincentive to substantial investments.
- Compounding this issue, a firm's most-senior partners often show increased reluctance to invest in technology as they grow closer to retiring and withdrawing their capital.

Traditionally, the legal industry has suffered from poorly funded back-office functions for many of the same reasons: fee-earners pay the bills, support staff are a cost center. And technology itself bears some of the blame. Industry-specific solutions have been few and far between as tech-industry giants ignored the legal world for decades.

Moving to a best-case scenario

In an ideal world, law firms would have **all the data** they need available **when they need it** in a form that's both **easily available** and **trustworthy**. Moving to a data-driven model enables these outcomes and, more critically, takes firms beyond the realm of the hunch.

- **Technology** can help firms plug data gaps, especially when using zero-entry data capture in tandem with AI and machine learning (ML). Firms that adopt technology will be better poised for future agility, and those that choose an integrated cloud-based platform — built from the ground up for the legal industry — can more rapidly reap the benefits of their investment.

- **Process** improvements can help firms collect critical data, not only at the start of a matter but throughout the client-matter lifecycle. Setting up the right data-enabled process — outlined in the **Law firm data-maturity roadmap** graphic (page 2) — can help enforce the goals of the firm rather than relying on one-off judgment calls based on educated guesses.
- **People** can be deployed more wisely in order to improve client service and internal reporting. Centralizing teams as well as creating cross-process centers of excellence and data steering groups can slow the speed of data quality degradation. Appointing a chief data officer (or other C-suite data leader) can help firms accomplish this transformation more quickly and effectively.
- **Leadership** buy-in can be accelerated from the pace typical of many law firms, which are traditionally slow to react due to a partnership model that creates a lack of urgency and reticence to change. A well-defined roadmap and change-case — which focus on getting the whole partnership level invested — serves as a powerful tool to help firms progress upward along the data maturity curve and become truly transformational.

Summarizing the data-driven imperative

Technology early adopters will find more strategic ways to collect, analyze, and use data to create stronger firm outcomes – a critical advantage in the face of the enormous changes coming to the legal industry in the very near term.

Just as increased price pressure, OCGs, and regulatory issues have drastically changed the practice of law, AI and ML are poised to [revolutionize the industry](#) once again. Some experts claim that more than a third of legal sector jobs will be lost to AI/ML in the next 20 years. Not only will AI drastically [change the role](#) of lawyers, we're likely to see an employment landscape with increased mobility, alternative career trajectories, and a greater willingness to source people from nontraditional paths.

Firms that employ AI – especially to [increase speed and accuracy](#) – will inevitably replace those that fail to adapt. These trends are starting to play out today. [Recent research](#), cosponsored by Intapp and *The Lawyer*, revealed that firms that are making technology investments are those that are growing the fastest.

Early adopters will maintain their position at the forefront of the legal profession, and the gap between the leaders and followers will only increase. Moving forward – starting now – is no longer optional.

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