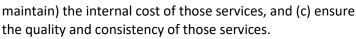## Introduction

Over the past few decades, there have been only a handful of seminal moments in which a new generation of technology driven ideas made a huge difference in client service delivery and law firm overhead. Distributed cloud platforms, document management, client portals and electronic discovery tools are examples of but a few, in which clients have been served way more efficiently or cost effectively than prior to adoption.

It is believed that we are upon such a paradigm shift right now in the form of Legal Enterprise Resource Planning. The objective of this review is to describe this phenomenon and its associated value proposition to the legal industry.

What Is Legal Enterprise Resource Planning?

A relatively new area of focus within law firms is Legal Enterprise Resource Planning (LERP), which is defined as "business process management" derived from ERP practices traditionally occurring in manufacturing (first referred to as MRP or material requirements planning) but has evolved to include tools and best practices for improving the performance and financial outcomes associated with monetizable resources in the professional services sector – namely people. This focus allows a law firm to optimize the management of its client service resources to (a) maximize client revenues, (b) minimize (or reasonably maintain) the internal cost of those services, and (c) ensure the quality and consistency of those services.

Historically, addressing the above goals has required "very heavy lifting" associated with stitching together timekeeper data from client billing, matter management, HR, compensation, associate assignment and evaluation data repositories – usually in spreadsheet form – in order to answer key resource management questions on both a micro (tactical) and a macro (strategic) level.

Micro examples of key resource management questions on the part of a law firm might include:

- Who, with the right skills & experience, is available to assign to a given matter?
- How should a compensation or associate evaluation committee consider an attorney's performance in conducting reviews?
- How should pro bono and CLE requirements be assigned and scheduled?

Macro examples of key resource management questions on the part of a firm might include:

- Are we on budget? How do active billable workload trends hold up to budget projections?
- Should we staff up (through recruiting, merger or outsourcing) in a given practice area, client industry or geographic office?
- How profitable is an attorney, a client, a practice area, an office, etc.?

Why Is It Becoming Important?

Long gone are the days of consistent premium billing rates and unbudgeted, unaccountable legal work. Law departments themselves are under significant pressure from corporate management to reduce outside counsel costs. As a result, rate pressures, client proposal requirements (including fixed price work), matter budgets, embedded associates and matter milestone reviews are now par for the course. Even off-shore legal services are making an impact with their lower cost load financial models. Finally, template driven work in areas such as commercial real estate and trusts & estates have led to the creation of document assembly tools, machine learning software and even self-serve web sites.

The legal industry's response to the above influences have ranged from reactive (in which firms isolate each client business arrangement without respect to financial or resource management outcomes) to proactive (in which a firm's client financial and resource management decisions are guided by policies, procedures and analytics that provide for consistent decision making).

This is the "new normal." Here's the problem. The vast majority of firms do not employ a structured dataset across major software platforms that is diverse enough to provide holistic, cross-pollinated insight and granular enough to slice and dice historical information quickly in both anticipated and ad hoc settings that require sophisticated data views in order to answer challenging business questions. As a consequence, data from various enterprise platforms such as client accounting, HR, etc. exist in silos, and the establishment and use of KPIs (key performance indicators) are difficult and inconsistent at best.

Most firms attempt to patch these silos together through finance department analysis, consolidation spreadsheets and other means that lack the ability to about the interaction among resources, finance and client activity. A few have developed customized approaches that integrate the important data repositories but that don't address a myriad of resulting problems, not the least of which is the incorporation of automated workflow as well as data driven insight. And there is no "single pane of glass" that presents assembled information in a context that is easily digestible by both management and rank and file.

The growing urgency of solving these challenges at such a critical time within the legal industry has resulted in conceptualization of a native LERP platform that – in concert with existing law firm data repositories –

provides robust tools for navigating all forms of resource management in the context of economics and timekeeper activity.

State of Formal LERP Solutions

A robust LERP platform must have a significant role in the automated workflow associated with new client and matter intake, pricing, associate assignment, performance evaluation, skill set management, compensation determination, recruiting, firm budgeting, practice area planning and a whole lot more. Such a platform is beginning to receive attention from several legal software vendors but with limited capability or penetration due to the early nature of the functionality's life cycle. Ironically, neither the Aderant nor Elite enterprise platforms currently provide native, industrial strength LERP functionality.

One example of a well regarded LERP platform is Intelligent RMS™ by EDZ Systems. This solution is currently available and was built from the ground up to holistically address technical and organizational needs associated with LERP. Intelligent RMS™ takes into account – both natively and in concert (i.e., integrated with) other platforms such as client accounting and HR – the broad set of factors that must exist in order to provide the insights required for the various decision points that law firms face every day.

Intelligent RMS™ uses state of the art, industry standard technology to address LERP's key areas of focus, including:

- Timekeeper assignments, scheduling and optimization management
- Time entry (where such functionality doesn't otherwise exist within other software)
- Case/Matter management including calendar and docket management
- Resource conflict management
- Recruitment planning
- Firm growth planning and execution
- Human resource career path management
- RFP automation utilizing stored firm and attorney bios
- Compensation Management based on historical and projected revenue models for existing staff, laterals and new attorneys.

Because this platform subscribes to a highly structured and well documented database design, it is well equipped to integrate with all large law firm pre-existing client accounting and human resource applications. As a result, the platform can be deployed quickly and inexpensively, subject to the effort associated with workflow adaptation and organizational behavior changes. The database design also facilitates a very powerful federated search function that allows for sophisticated ad hoc queries as well as machine learning capabilities that allows the platform to "anticipate" LERP information needs. The product's dashboards are designed with "single pane of glass" navigation in mind and provide for drill-down navigation to underlying detail.

Intelligent RMS™ is available as either a cloud based, on premise or hybrid platform and can be found at www.edzsystems.com.

Legal Enterprise Resource Planning
A Value Analysis White Paper

By David Baker
and Elizabeth DeZeeuw

Risks & Rewards

This is a new area for many law firms. The value proposition associated with LERP is considered to be very strong – possibly the first enterprise application in a very long time to make such a big difference. However, there are always risks to be identified and managed with such an initiative. For example, successful deployment of LERP could require that a firm overcome historically dysfunctional behavior regarding resource sharing and optimization (a culture issue). Ironically, senior management must address such a potential condition that may arise with "rainmaker" partners who often exhibit a sense of timekeeper ownership or entitlement without respect to optimization in resource allocation. Every firm is different, but it stands to reason that risks identified are risk averted.

Conclusion

Legal Enterprise Resource Planning is a promising software/data platform for the management and optimization of a law firm's billable resources in the context of timekeepers, assignments, scheduling, resource planning, budgeting, compensation management and performance tracking. It also provides greater context and granularity for accurate estimation and pricing of matters while minimizing opportunity costs.

Firms that adopt this technology early enough in the platform's life cycle stand to achieve a significant competitive advantage over other firms by managing their resources more acutely in the context of both revenue generation and expense management – all in the context of strong client service.

About the authors. David G Baker is a longtime legal industry management consultant, technologist, author and provocateur. Mr. Baker was founder and Chairman of Baker Robbins & Company, which was acquired by Thomson Reuters.   Today, he consults to both the legal and financial services sectors. Mr. Baker can be reached at davidgbaker@me.com.

Elizabeth DeZeeuw is a Business Leader with a valuable blend of strategic, technical, and business acumen. Career record of success in leading international organizations and proven achievement in startup, turnaround, growth, and emerging markets. Elizabeth is the founder and CEO of 3 Fuerzas Technology Solutions LLC d/b/a EDZ Systems and can be reached at emdezeeuw@edzsystems.com.