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MARCH 2013

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Technology is the vehicle for international expansion, says Fraser Mayfield at LexisNexis Enterprise Solutions

For many large law firms, according to a recent PwC survey, international expansion into new and emerging markets is becoming a strategic priority. Half of the top 25 law firms now source more than 40% of fee income from international operations, and half of the top 10 expect to merge with or acquire an international firm in the next three years.

Success of such a strategy will depend on firms' ability to adapt business practices to simultaneously meet the diverse requirements of local and international markets efficiently and within the regulatory boundaries. Technology can enable this.

Organisations are increasingly implementing global procurement strategies, closing down the traditional method of sourcing legal services. Organisations are now increasingly inviting legal service providers to bid for their business on a global basis, negotiating preferred commercial terms for each region.

For law firms to negotiate the best terms for themselves and their clients, accurate information, often in real time, is paramount. A technology platform that provides an international environment for business, taking into account the vagaries of diverse markets, can provide such information.

But firms competing on an international scale must get their pricing right – pricing that is applicable and appropriate for customers locally and across geographies.

A number of factors require thought here. There needs to be a mechanism that allocates the most appropriate resources to matters without compromising quality or profitability. This requires skills and competency analysis capability on a global basis. In M&A situations, competency analysis will play a vital role in helping firms ascertain where the skills mix within the newly formed entity will be strong or weak, serving as input in steering firms towards winnable and profitable business.

The cash-based approach that is used to determine revenue/profitability, centred on deduction of lawyers' salary from billings or collections, is no longer an accurate measure. Firms need to take into account factors such as the duration of matters, how efficiently the work was performed, what level of personnel were assigned to the matter, and so on.

Applying a project management-led approach to the life cycle of legal matters to ensure that jobs are proficiently executed and reported on is essential. Such an approach will be instrumental in establishing a common methodology to measuring profitability across firms' regional operations.

Insight and awareness of what has worked and what has not is crucial for decision making. International firms need to be able to take transactional data and distil it into a framework that informs the business on all aspects of operation. Firms must be able to evaluate every billable hour – at client, matter or lawyer level – to understand the effect of utilisation, realisation, leverage and cost allocations on profitability and performance.

Performance management

One area that's challenging many international firms is identifying consistent management performance indicators for lawyers, some of whom are used to operating on a cash basis, as in the USA, versus accrual performance metrics often used to measure partner/lawyer performance in the UK.

Standardisation of reporting across jurisdictions is key to ensuring a fair and transparent performance assessment process. The technology platforms that law firms use must cater for these regional variances, while offering robust options to devise other performance metrics that are suitable to the

requirements of the individual industries in which they operate.

And, against this backdrop, firms must adhere to evolving country-specific and wider international regulations. If the new draft fourth European Money Laundering Directive, which proposes that legal entities must hold current information on their beneficial owners, with subsidiaries updated daily on share-ownership changes across company groups, is approved, the compliance burden on firms will increase substantially. Ensuring access to specialised dynamic compliance software will be imperative.

Meanwhile, at an operational level firms need to standardise management reporting structures. Finding a technology platform that offers statutory and regulatory compliance capability across major jurisdictions as standard is the only foolproof way of staying compliant. This will also reduce firms' compliance cost burden.

In the international legal arena, we think a robust technology platform that delivers a structured approach to business, based on globally recognised practices while delivering the agility to respond to new market developments and opportunities, is essential. It will allow firms to quickly re-deploy resources, create new offerings or abandon unsuccessful projects, based on business insight and driven by strategic goals. It will facilitate strong leadership, cultural change and provide the confidence to compete in the global market.

Our new business management system, codenamed Nimbus, is one such platform. We'll be releasing more information about Nimbus later in 2013.

Learn more about
LexisNexis Enterprise Solutions
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