

Briefing

AGILITY AND BUSINESS MANAGEMENT

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*Interview***Christina Blacklaws**

Co-operative Legal Services' newest director on how the new entrants will work, and what you can learn from them

*Feature***The future's bright. But is it yours?**

How law firms are changing to become better financially managed, and better run

*Industry views***Get agile...**

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What you can learn from the businesses that are about to shake up the legal industry

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Industry analysis

Change, by the numbers

Strong financial management underpins future success for law firms, says Fraser Mayfield, product director for LexisNexis Enterprise Solutions – but IT has to be behind that management

Though the number of alternative business structures created can still be counted on two hands with fingers to spare, nearly 200 applications to the SRA had been made by the end of March this year. The ABS structure will change the legal market radically.

According to research by City firm Fox Williams, four in 10 law firms are now changing their management strategy, and over 60% are changing their partnership structures.

Law firms are exploring all avenues of funding. They are looking at direct investment as well as models ranging from private equity, stock market flotation and foreign stock market ownership, and the new structures – ABSs, multi-disciplinary practices (MDPs) and partial ownership – will allow this to happen.

But to operate profitably within these structures, the highest level of business acumen and expertise is required.

Making the transition from working like a partnership-led business to that of a publicly listed company is vital – whether a firm wants to float or not. And regardless of the ownership model, law firms will continue to be regulated by the SRA – but legal businesses that operate beyond that scope will also end up being regulated by regulators of other sectors, such as the Financial Services Authority. This will create increasingly complex compliance needs, and the need for relevant automation.

IT underpins financial management

Adopting financial management technology provides the platform to simultaneously operate across multiple disciplines, business environments and borders. Such systems let organisations register financial transactions, manage relationships between subsidiaries

and the parent organisation, including partial ownership structures, and administer internal cost accounting and enforce accounting policies and rules across the business.

Legal businesses will face many business challenges depending on their structures. The reporting complexity will increase if there is private equity ownership or shareholder involvement in the firm. Therefore, the finance management system they adopt must go beyond the traditional legal sector specific practice management systems to meet the reporting needs of complex business structures.

Financial management systems can automate reporting to produce practical management information based on organisations' unique business needs. Such systems offer the flexibility to create and modify their KPIs as the market changes without the need for IT to get involved.

BI systems can drive profits

Demonstrating profitability to a law firm's new owners or business partners will be critical. Adopting new business structures and securing funding for growth is the first step, but after that the businesses must be profitably managed.

The rise of fixed and capped-fee pricing models means that accurately predicting the cost and determining the right level of staffing, while ensuring high quality customer service, is now central to ensuring law firms' profitability.

And profitability is no longer the sole responsibility of finance teams, which means business intelligence systems will become almost imperative – BI systems whose output can be consumed for informed decision-making at all levels.

BI systems facilitate timely reporting to the finance team and firm management in several ways including automatic alerts, analytical reports and dashboard disclosure. They help assess business performance, map it back to business goals, and report to management giving actionable information. Modern financial management systems provide real-time information, but often fall short on analytics, which is key to accurate business insight,

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especially as stakeholders navigate organisations through economic uncertainty.

In today's post-ABS world, law firms need a financial management platform that works seamlessly across the business spectrum and easily scales across jurisdictions. That's the level of capability in our Microsoft Dynamics AX 2012 enterprise resource planning system, combined with the Redwood business intelligence solution.

Strong financial management will underpin law firms' business success – and robust, flexible, future-proof technology will provide the platform upon which to execute good financial management.

Learn more about
LexisNexis Enterprise Solutions
www.lexisnexis-es.co.uk

