



WHITE PAPER

Can focusing on efficiency improve your firm's bottom line?

Inefficiency: the fixable problem plaguing today's law firms

It shouldn't surprise anyone to hear that lawyers lead very busy professional lives.

For many lawyers, workdays — and many weekends — are consumed by helping clients.

No matter how much work lawyers get done, there always seems to be another case or matter vying for their undivided attention. But how much more could lawyers actually accomplish in a day if they could improve the efficiency with which they worked?

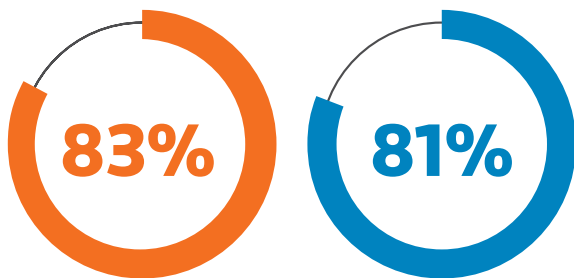
Based on data from a **report** issued by the Thomson Reuters® Legal Executive Institute (LEI), it's certainly a question worth asking — particularly for firms looking for ways to boost profits.

While the report used survey data from small firms, it's not a stretch to imagine similar efficiency problems plaguing firms of all sizes. For example, the time practitioners spend on non-money-making activities infringes on the time they spend actually practicing law, thereby cutting into billable time and potentially diminishing the quality of the service delivered to clients.

In fact, 83% of firms surveyed stated that spending too much time on administrative tasks was at least a moderate challenge. Despite respondents' awareness of the issue, the report found that as many as 81% of those firms had done nothing to address it.

Firms can benefit tremendously by taking incremental steps to identify and reduce inefficiencies. This white paper examines the risks associated with remaining complacent, the benefits of working with greater efficiency, and recommendations for how firms can get there.

Law firms know time challenges exist, yet are doing little to nothing to address these challenges.



Firms that reported time spent on administrative tasks as a moderate challenge

Firms that reported doing nothing to address this challenge

Efficiency defined

In the legal world, the word “efficiency” encompasses a wide array of activities and a variety of meanings. For the purposes of this white paper, we define efficiency as the amount of time a lawyer spends working on a matter compared with the amount of time they are paid for that matter. For example, if a client is willing to pay for 10 hours of a lawyer’s time to complete a task, but the task actually takes 20 hours for the lawyer to complete, that means 10 hours of uncompensated time, or waste.

Efforts to improve the lawyer’s efficiency would aim to bring the amount of time spent working on the task closer in line with the amount of time for which the lawyer is being paid. Bringing these two numbers into closer alignment improves the firm’s capacity to handle work and increases the profitability of the individual matters, because less effort is wasted and lost.

Many law firms continue to proactively lower write down bills before a client has even seen them. In most cases, these write-downs occur because the firms themselves believe they have logged too much time on a given task. It behooves firms to take steps to ensure they operate as efficiently as possible.

By reducing completion times through efficiency, firms gain control over and confidence in the price charged to the client and can significantly reduce the practice of proactive write-downs.

Profits: hard to come by with an inefficient practice

Many law firms measure success by overall profit or profit per equity partner. However, profits can be difficult to deliver when firms spend too much time on unbillable tasks. Working efficiently means eliminating wasted time. It means being productive every possible minute of every business day and spending the maximum amount of time on money-making activities.

In an ideal scenario, the majority of a lawyer's time is billable. To aid in that pursuit, firms can adopt solutions to streamline time-intensive tasks like document drafting or contract review. Even some potentially billable tasks that are often subject to client write-offs, like document proofing and formatting, can be streamlined and free up the time needed to take on matters with higher profit margins.

It's important to note, however, that increasing potentially billable time only improves profits when that time is actually billed. Working efficiently ensures that lawyers submit quality hours that clients accept and more freely pay. While clients continue to demand more for less, firms shouldn't feel compelled to write down legitimately logged hours.

"Being efficient allows you to allocate time in a very planned, methodical way rather than scrambling to cover what you need to get done the next day,"

says lawyer Claudia Lagos

Risks and benefits

Firms that run efficiently tend to be more profitable, have a better reputation with their clients and in the legal industry, and are generally more successful competing for new business. When law firms ignore the challenges around efficiency and the opportunities for improvement, the personal and professional consequences can be significant.

On a personal health level, lawyers run the risk of suffering burnout. The pressures of managing a business, combined with the stakes involved in any legal matter, will eventually take its toll on even the most driven practitioner.

On the business side, law firm inefficiency can hurt client satisfaction and potentially lead to lost business. The more time and energy a lawyer wastes on administrative activities, the greater the likelihood that he or she will make mistakes on client matters.

Research has repeatedly shown that people are more likely to share a bad customer experience with friends and colleagues than they are a good one. In addition to the risk of losing dissatisfied current clients, word of their dissatisfaction tends to travel quickly.

And, these potential issues don't even address the simple math of the impact on the firm's bottom line. The following breakdown shows the daily time allotment for the average respondent in the survey:

Average lawyer's time allotment



Even if the 13% of the time allotted for "meeting or speaking with clients" were completely billable — which it likely is not — when combined with the 60% of time spent practicing law, that means lawyers are still spending more than 25% of their time on work that doesn't generate income. By streamlining non-billable tasks, lawyers are afforded the time and energy needed to focus on activities that generate more revenue.

The efficiency advantage

At its core, efficiency can benefit a firm on at least four fronts:

Productivity

Firms that are more efficient accomplish more in less time. Imagine how much more your firm could accomplish if you invested in efficiency tools and streamlined internal processes.

Client satisfaction

Happy clients are loyal clients who not only reward law firms with ongoing business but often entrust them with higher-value matters. Improving efficiency means client matters can be resolved quicker, thereby leading to happier and more satisfied clients.

Client referrals

Clients who are satisfied and happy with the results of their legal matters are also much more likely to provide referrals. This can be especially beneficial when higher-end clients refer prospects with similar legal needs.

Business growth

With more profitable work coming in the door and happy clients referring new business, firm growth typically follows. Gaining a reputation as a firm that consistently delivers cost-effective, high-quality work can be the best driver of long-term business growth.

A path forward

It's a safe bet that firms saddled with inefficiency experience some detrimental impact on the quality of work they provide to clients. While inefficient firms remain content with the status quo, their clients almost certainly don't. By showing a higher level of responsiveness and competency, firms operating at optimal efficiency can not only maintain their client base but more easily compete with — and often take business from — competing firms that serve higher-value clients.

The efficiency that comes from staying current with the law and being able to get up to speed quickly provides that value and puts the best-prepared firms at the head of the pack when clients are looking for representation. Now is the time to implement an efficiency strategy.

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A focus on relationships

Today's legal clients want much more than a transactional relationship. While cost and efficiency will always be at the top of the list of their concerns, the firms that stand out are those that seek to understand their clients' business.

Thankfully, the growing number of efficiency tools on the market can help. These technology solutions can free lawyers up to spend more time interacting with clients, learning about their business, and building valuable relationships.

In some cases, making a single strategic investment can pay almost immediate dividends. For example, investing in a document automation solution can dramatically reduce the time it takes to create and review contracts and other legal documents. With the time saved on these labor-intensive tasks, lawyers can focus on other higher-priority and profitable matters.

Firms that invest in and adopt these types of technology solutions can streamline operations and enhance their success.

Don't fight the clock

By improving the way firms track and complete tasks — especially administrative tasks not associated with the practice of law or case management — they can make great strides toward maximizing productivity and profitability.

Technology can almost completely automate several of the routine tasks that firms currently spend hours managing: time and billing, scheduling, accounting, client communication, and document preparation and assembly, among others.

For example, document drafting technology allows firms to quickly produce, review, edit, share, and update contracts and numerous other legal documents. The payoff? Work that previously took a lawyer hours to research and draft can now be accomplished in mere minutes — helping lawyers be more efficient and effective for the firm.

Some of these solutions are even cloud-based — allowing lawyers to access information from nearly anywhere.

The iron is hot

Law firms have repeatedly indicated that they understand the need for efficiency, but few have taken steps to make it happen. Client demands are not going away, and firms need to step up or risk losing valuable business. It's time for firms to turn awareness into action.

Clients are fed-up with the sub-par results they receive. Yet, in most cases, firms are content with the status quo. Firms that make efficiency a priority and act decisively are best positioned to come out ahead.