

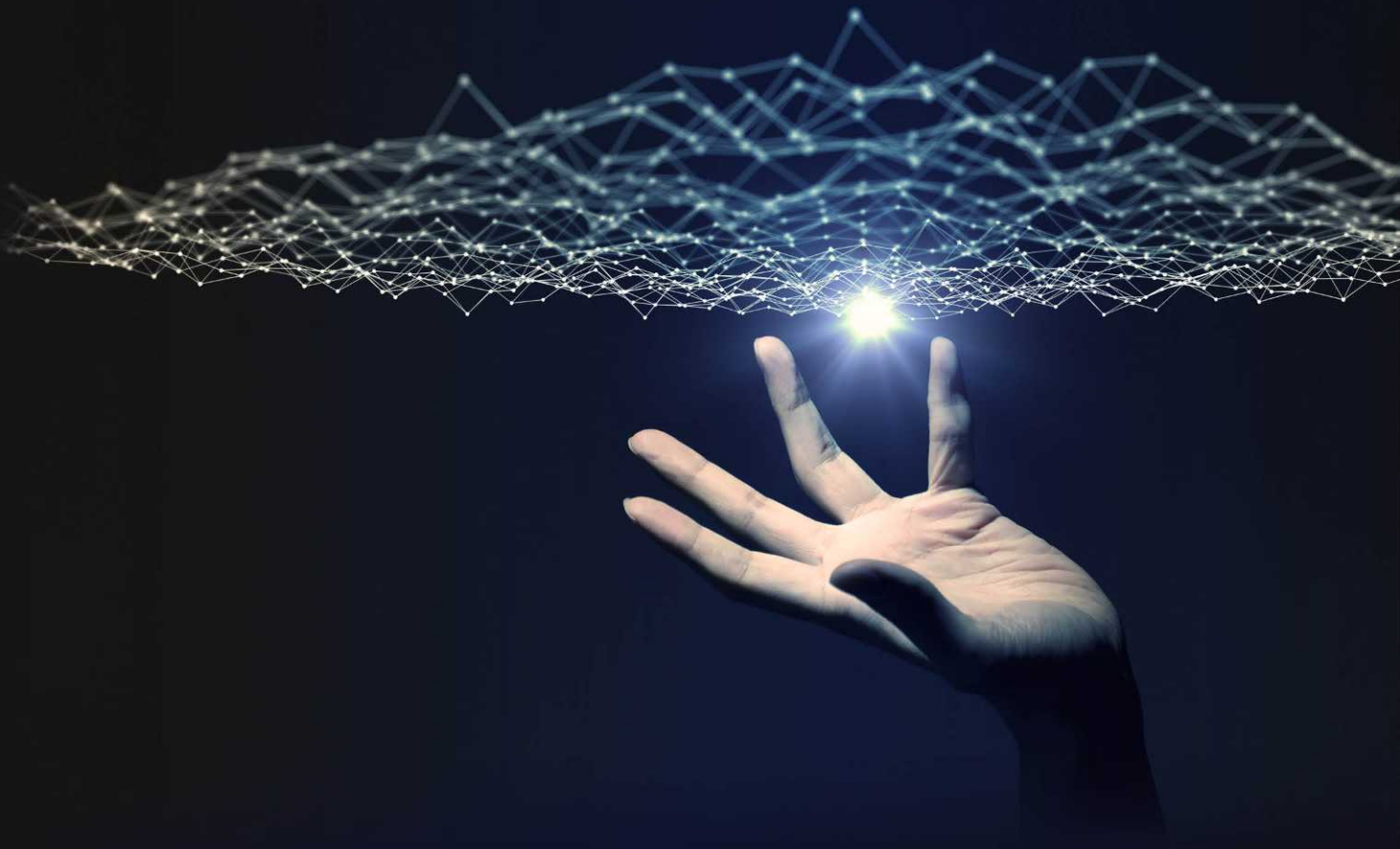


Deep Analysis

Custom Research

# Slash Non-Billable Hours and Risk with a Little Technology

By: Alan Pelz-Sharpe



# Executive Summary

Despite an abundance of caution, the legal world has transformed over the past few decades. Document management systems have automated much of the work of legal admins, email has eliminated the need to send many physical documents in the mail, and it's become clear that AI will have a major impact in the coming years – triggering much-needed debates regarding ethics, accuracy, fairness, and legal accountability.

What's more, the pandemic, with its temporary office closures and staffing disruptions, has provided challenges and opportunities for law firms large and small. The challenges are obvious, but often lost is the fact that this is an opportunity to update many common administrative tasks typically carried out by junior staff. Given the Great Resignation and the related hiring challenges, law firms should be doing everything possible to retain their trusted, reliable junior associates, including giving them upgraded technology tools to reduce repetitive activities.

It's clear that despite the appeal and debates around high technology, a burden of administrative tasks persists. That's where this report comes in: to provide a framework to think about and methods to address this challenge.



This report was commissioned by iManage Closing Folders and prepared by Deep Analysis.

# Identifying Areas for Improvement

At Deep Analysis, we recommend focusing first on administrative structures and processes within your firm.

Such initiatives will likely be supported and indeed can be championed by both partners and junior staff. Partners are rightly concerned about cost, risk, unnecessary change, client retention, and maximizing billable hours. Juniors are in turn concerned with completing their work effectively and reducing errors while maintaining their professional reputations early in their careers. Addressing objectives at both levels can provide a solid business case for changes within a legal firm.

Although law firms will differ to some degree in their appetite for risk, change, and adopting new technology, core principles such as eliminating busy work can be applied to identify the most likely situations where using modern technologies can bring about positive improvements to a practice. A good example of a situation where legal transaction management (LTM) software can help is managing all the signatures involved in closing a deal. Though technology cannot make this work 100% error-free, it can go a long way to reduce the risk of a reputation-killing error occurring. Automating the creation of documents such as contracts is another use of technology that could benefit law firms.

Stories about grand, sweeping digital transformations make for good reading. But in reality, most business improvements happen at a more practical and granular level. The key is to find a balance: taking on a business improvement project that will bring significant benefits while not exposing your firm to unnecessary risk.



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# Variability versus Control

Any deal or transaction – be it M&A related to a multibillion-dollar corporation or a small real estate transaction – involves the generation, management, and collation of multiple and diverse documents and the coordination of different parties.

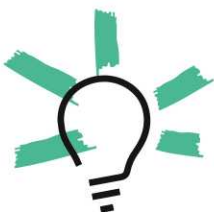
What is common across the board, regardless of the size or complexity of the deal, are the following elements:

- Multiple documents will be created.
- Multiple parties will be involved in the transaction.
- Multiple signatures will need to be collected and collated.
- There will be multiple approvals and filings.
- All the various document components will need to be reviewed.
- All the various document components will need to be compiled into a deal book.
- There will be an order in which each document component can be worked on.

Given the inherent variability of these elements, no two deals are identical. In theory, one could apply workflow technology to automate this work, but in practice, this is not a viable option. With too many variables to account for, it is not feasible to program every variable.

In many cases, variability can be controlled and minimized. For example, an index or agenda can be generated to manage all the components that will make up the final binder. That agenda could be a Word document maintained by an administrator. Or – as is becoming more common – it can be an electronic checklist that is shared with all parties, showing the actions and rules applied to each element and between elements. The electronic checklist brings centralization, coordination, visibility, and structure to hard-to-manage, highly variable activities. It's a simple but highly effective way to reduce time, errors, and costs.

The old way of doing closing books is under pressure from clients who demand online access and faster, less expensive service, as well as from competitive law firms that have taken this first step into automation. Clients today expect service that is impossible to provide manually: visibility on the process, online access wherever they are, up-to-date technology, and error-free work. If you can't provide this, they'll go to a competitive firm.



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# Case Studies

The following case study snapshots come from the research we conducted for this report. The law firms are based in North America and use technology that simplifies the deal closing process. We have summarized our findings to focus on the benefits realized by each firm.



## Case Study Snapshot 1

**Profile:** A full-service regional law firm with 200 lawyers, recognized as a leader in insurance law.

**Prior Situation:**

- Agendas were managed in Word documents, and there were regular version control issues caused by different parties working on different versions of documents.
- The firm depended on hard-copy paper documents, nearly habitually. Employees were resistant to changing to digital.

**Benefits of Automation:**

- Now able to create closing books in a single day.
- Reduction in non-billable hours. In the past, creating a physical closing binder (non-billable work) would get put off and could take two months.
- Support for remote workers, a lifesaver during the pandemic.
- Printer use drastically reduced, leading to cost savings; partners had underestimated printing and scanning costs.



## Case Study Snapshot 2

**Profile:** A global leader in full-service business law with seven offices and over 400 lawyers.

**Prior Situation:**

- The firm was struggling to scale and relied on hiring more and more staff, shifting slowly to improved efficiencies and automation.
- Clients pressured the firm to embrace digital processes and close deals faster.
- Due to high deal volume which pushed rates to \$1,100 per hour, the hours required to manually build signature packages simply could not be justified to the client.

**Benefits of Automation:**

- Eliminates the non-billable hours this manual work used to take, thus reducing the internal time costs.
- Drastically reduces the 11<sup>th</sup> hour horror of closing – the last-minute panic of missing documents, missing signature pages, and different versions of the truth – since the process is hands-off.
- Major cost savings of print and toner since the firm's 60 printers on four floors are rarely used these days.



### Case Study Snapshot 3

**Profile:** A premier transaction law firm with over 200 lawyers working on M&A deals and other corporate transactions.

**Prior Situation:**

- The firm was losing money on fee-capped work that ran over schedule.
- Leadership needed to improve profitability and work more collaboratively with clients.
- Because the firm does a lot of fee-capped M&A work for start-ups, internal cost containment was key.

**Benefits of Automation:**

- Clients are impressed by the speed and quality of the production of closing books.
- The transparency of a live, online closing agenda that everyone can see is of huge value.
- E-signature integration streamlines the signature page process and reduces busy work.



### Case Study Snapshot 4

**Profile:** A leading regional full-service law firm with 700 lawyers and five offices.

**Prior Situation:**

- Many bank clients were frustrated with the firm's slow turnaround.
- In addition, clients pushed back hard on billable hours, generating multiple disputes and even lost clients.
- With hundreds of binders that must be updated annually, the firm had a wall full of closing books.

**Benefits of Automation:**

- Bank clients now enjoy automation for the loan approval process.
- Manual reviews and reprints of the binders are no longer necessary now that they're all digital.
- The firm has been able to step away from billable hours as a measuring stick; automation makes flat-fee billing more predictable and profitable.
- Many bank forms are standardized; the firm can code them into the system to accelerate loan closings and reduce the risk of error.

# Visualizing Automation and Simplification

By reducing the number of variables in a deal process, you can decrease the risk, time, and effort involved in closing, reduce errors, and – importantly – dramatically reduce the cost of non-billable hours, thus increasing profitability.

In the traditional manual methods of legal transaction management, an excessive number of emails are exchanged between parties, multiple versions of documents exist and are difficult to control, signatures need to be coordinated, and reworks and edits are plentiful (see Figure 1). In many cases, at the junior level, the actual closing folder (or binder) is considered such a tedious and time-consuming job that the work is put off for as long as possible.

Each of the firms in the case studies centralized and structured as many variables in the deal process as possible (see Figure 2). They used technology to augment the work of their staff and, where possible, to provide a unified view of the documents and their relative status to all the involved parties. The work of creating the final closing book took very little time to formalize.

Figure 1

## Manual Closing Book Production

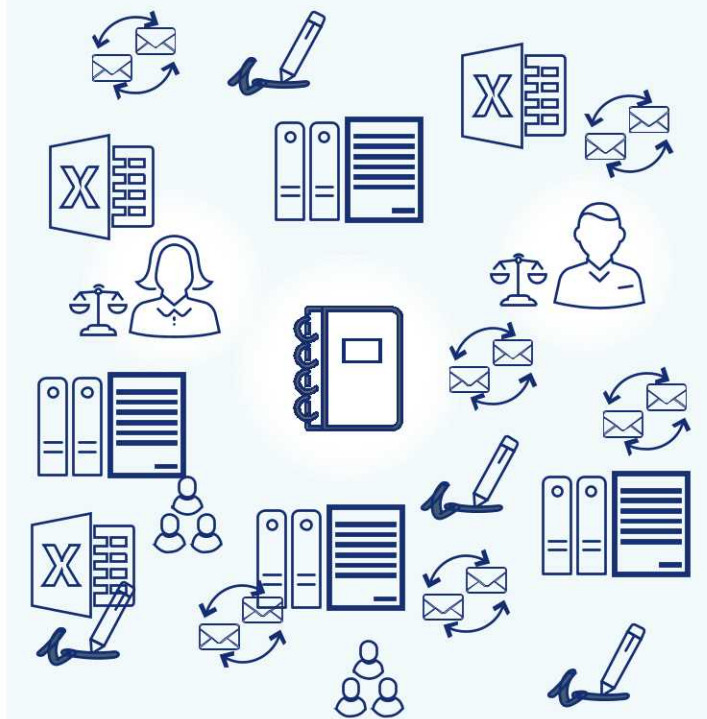
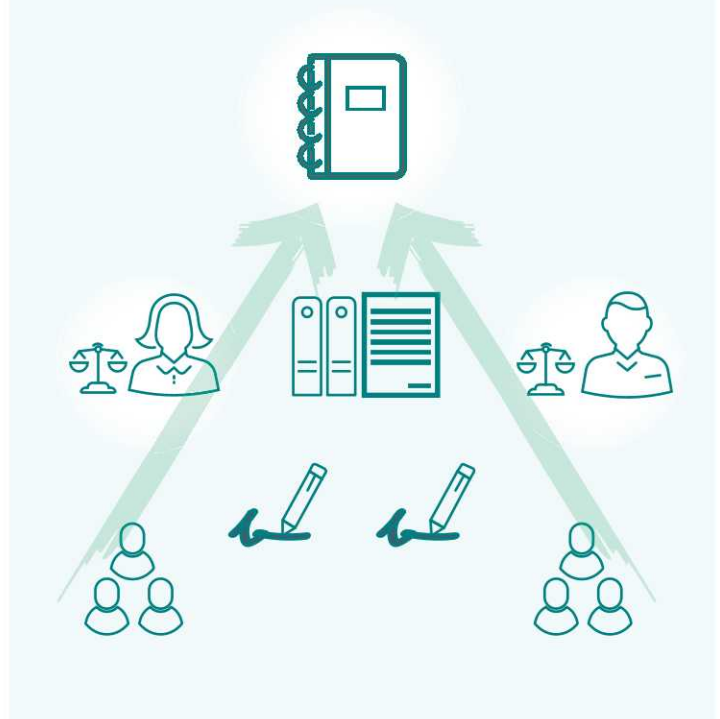


Figure 2

## Technology-Augmented Closing Book Production



# How to Measure Success with a Business Case

Implementing and training staff on technology costs money, time, and energy. Efficiency gains are good, but how are they measurable? It depends.

When you are considering the use of new technology within your law firm, we recommend that you first create a business case listing the benefits and the costs involved. Equally importantly, we recommend that you take time to understand who benefits. It is normal in any firm – legal or otherwise – to have a natural disconnect between senior and junior staff. Recognizing that disconnect and then constructing a business case that explains and identifies these different priorities and metrics will be of great value and will increase your probability of success.

For example, reducing the cost of non-billable hours is far more critical to a partner than a salaried junior. Similarly, the ability to provide all parties with immediate access and visibility to the current status of a deal will be seen as being of higher value by a junior team member, who would otherwise have to field calls and inquiries from multiple parties to do the same. In Table 1 we list some of these benefits, though there are others, and some benefits will vary depending on the structure of the law firm and its specific legal work.

Table 1  
**Sample Benefits of Automation and Partner/Junior Perspectives**

Benefit of Automation	Value to Partners	Value to Juniors
Reduction of non-billable hours	High	
Increased predictability of fixed-fee estimates	High	
Process control over remote workers	High	High
Elimination of printing costs	High	
Elimination of printing and collation labor		High
Providing doc viewing to opposing counsel	Medium	High
Compiling signature packages		High
Matching signature pages		High
Global date changes to multiple closing docs		High
Easy creation of blacklines		High
Reduction of errors and risk	High	High





# Summary and Recommendations

Automating administrative tasks is an opportunity for law firms for two major reasons. Industry developments such as a trend toward fixed-fee engagements and the sheer volume and complexity of assembling deal documentation will only continue to grow. Reducing busy work and freeing up junior staff for higher-value work are increasingly important. At the firm level, reducing risk, improving the quality of service to clients, and being seen as a market leader in the industry are equally paramount. Following are recommendations for partners and juniors.

## For Partners

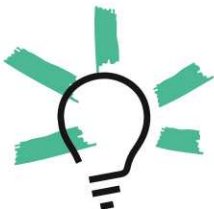
- Ask your clients what type of technology they expect to see.
- Survey your team and ask for process improvement recommendations – then listen.
- Audit your administrative costs: don't assume this is simply a cost of doing business, because major cost savings can be made here.
- Openly communicate what is and is not working when evaluating new technologies.

Reducing unbillable hours is critical to ensuring that fixed-fee work is predictable and smooth. Unnecessary paper filing, printing, scanning, and searching for hard copy documents is more costly than most want to admit.

## For Juniors

- Be informed. Find out what your peers in other firms are doing with automation tools.
- Recommend process improvements to your boss.
- Be willing to try new things: be supportive of peers and bring them along.

Ultimately, you are the future of law: you are future partners. You will bring law firms forward and manage their embrace of technology. Although partners may be unaware that there are better ways of working today, they do care about how their firm and its work is perceived.



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# About Deep Analysis

**Deep Analysis** is an advisory firm that helps organizations understand and address the challenges of innovative and disruptive technologies in the enterprise software marketplace.

Its work is built on decades of experience in advising and consulting to global technology firms large and small, from IBM, Oracle, and HP to countless start-ups.

Led by Alan Pelz-Sharpe, the firm focuses on Information Management and the business application of Cloud, Artificial Intelligence, and Blockchain. Deep Analysis recently published the book "Practical Artificial Intelligence: An Enterprise Playbook," co-authored by Alan and Kashyap Kompella, outlining strategies for organizations to avoid pitfalls and successfully deploy AI.

Deep Analysis works with technology vendors to improve their understanding and provide actionable guidance on current and future market opportunities.

Yet, unlike traditional analyst firms, Deep Analysis takes a buyer-centric approach to its research and understands real-world buyer and market needs versus the "echo chamber" of the technology industry.

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## About the Author

Alan Pelz-Sharpe is the founder of Deep Analysis. He has over 25 years of experience in the IT industry, working with a wide variety of end-user organizations like FedEx, The Mayo Clinic, and Allstate, and vendors ranging from Oracle and IBM to start-ups around the world. Alan was formerly a Partner at The Real Story Group, Consulting Director at Indian Services firm Wipro, Research Director at 451, and VP for North America at industry analyst firm Ovum. He is regularly quoted in the press, including the *Wall Street Journal* and *The Guardian*, and has appeared on the BBC, CNBC, and ABC as an expert guest.