



Practice Management Systems Report

April 2008

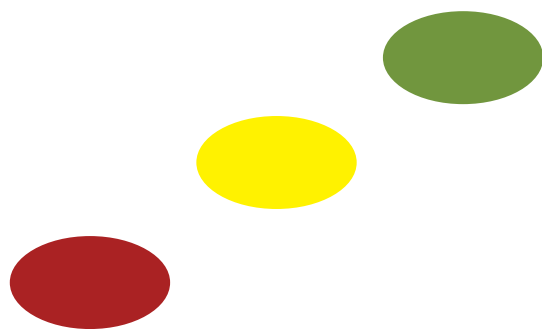


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The Legal Information Technology Innovators Group (LITIG) was founded as a not for profit industry-wide body in 2002. It is an organisation specifically for senior professionals such as the Director/Manager, CIO, Partner in Charge or Department Head involved directly in all aspects of implementation, use and support of legal IT systems in the UK.

LITIG is self-funded with a £500 annual subscription fee (£300 for in-house legal counsel). The LITIG constitution allows for membership from individuals who are:

Partners in, or employees of legal partnerships or LLPs

Employed in In-House Legal Departments

Employed in Local or National Government Departments

Employed by or volunteer workers in 'Not for Profit' Legal Organisations

Whilst on a regular basis we work closely with suppliers and service providers, LITIG does not accept applications for membership from such organisations, unless they are 'not for profit' organisations or the applicant's sole role is one of In-House Legal Counsel.

LITIG has 58 member organisations including 22 of the top 50 law firms in the UK.

LITIG has undertaken a wide range of projects including electronic filing, innovation in law firms, corporate social responsibility, the publication of a number of best practice guides and the development of a UK-focused E-billing Standard which was published under the umbrella of the LEDES Oversight Committee.

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MANAGEMENT SUMMARY

Overview

LITIG members reported that suppliers of Practice Management Systems (PMS) need to become more proactive in their approach in order for law firms to get the best from those systems. Given the longevity of the PMS within the firm, the law firm/supplier relationship is worth an investment of time and energy to ensure that it is effective. Throughout the whole lifecycle of the PMS, from the point at which the law firm needs assistance to ensure that the way they set the system up is most effective, through its installation and usage, LITIG members reported that suppliers need to work in closer partnership with their client law firms.

Suppliers should see this as an investment in their own continued income stream, rather than as one of opportunities to charge the law firms extra money for advice. Without a greater involvement from the suppliers, it was reported that law firms are unlikely to fully exploit the potential of their existing systems and are more likely to consider changing to another provider, often in search of functionality that they already possess in their current system without being aware of it.

Although their methods of working may differ, law firms are looking for remarkable similarity in the functionality of their PMS. When that functionality does not appear to be included, the law firm will raise it with the supplier. Very often, different law firms are asking for the same things; however, it is reported that it is not uncommon for a PMS provider to tell more than one of its customers that the request is unique to them and not an industry requirement. It would therefore be helpful if the communication channels within the PMS providers were good enough, such that they maintain a database of all requests that they receive for changes, in order that they can see where such repeats occur.

It has been suggested that a 'kite mark' be introduced for systems that are fully compliant with all aspects of Solicitors Accounts Rules and client accounting requirements. This would enable law firms who want to look more widely than the traditional practice management suppliers to do so with confidence that the software they are looking at will meet the basic requirements of law firm operation. With the increasing tendency to look outside the industry and to consider mainstream 'enterprise-wide' solutions, this suggestion makes significant practical sense. The difficulty would be finding a body to introduce such a mark, given the risks attached with such guarantees.

Another key area requiring greater attention is e-billing. It appears that rapid, widespread adoption of e-billing standards is unlikely. It was reported by the law firms that they need the PMS providers to be more proactive in identifying solutions, to the plethora of requests, for different formats of e-billing information that are currently received, together with a more flexible approach to UTBMS codes.

Considering the name of 'Practice Management' systems, widespread dissatisfaction was reported with the abilities of systems to manage the practice. In particular, it was reported that many suppliers have paid insufficient attention to the reporting side of the system. Although most systems include a core suite of reports, these are rarely in the format that a law firm requires. This may be due to the individual approaches that firms take, however, the frequency with which this view was expressed would also suggest that the suppliers need to spend more time understanding the reports that their clients have written to supplement the core reports. Time spent on this area could considerably increase satisfaction levels.

LITIG members reported that suppliers should take more time to understand the commercial direction of law firms in the UK and to listen to the business needs that their clients have. It was reported that there are many ways in which the PMS providers do not appear to be keeping pace with a rapidly changing market or that the suppliers expect these changes to be driven by requests from clients for bespoke changes to meet their needs.

Overall, it was reported that all the systems currently in use have significant weaknesses and within this sample there is not apparently a 'killer PMS' that outshines the other systems in use. Sadly, this may be the reason that some of the suppliers show such high levels of complacency.

There appears to be room in the market for a thorough, efficient and forward-thinking supplier to introduce a system that would find widespread favour across the industry. However, the infrequency with which law firms change their PMS and the ongoing debate between 'best of breed' versus 'enterprise-wide' applications does not make success for such a system a certainty.

Key Points Raised

The following list includes the key areas of concern that were reported with existing PMS systems. Further details of these concerns are included in the body of the report:

- Insufficient investment of time by PMS suppliers in their relationships with their law firm clients and in understanding the trends in the legal market

- Greater flexibility and support for e-billing

- Greater flexibility for client or law firm specific task codes and UTBMS inclusion

- Provision of key reports within the system in a format that is likely to be used by a law firm

- Complete, unfailing, integrity of the system

- Comprehensive multi-currency operation for both client and office ledgers that can be relied upon for complete accuracy of recording, processing and reporting without the need for transactions to pass through sterling, unless this is necessary to the transaction

- Ability to deal with commoditised, volume transactions with a more streamlined, efficient process than traditional legal transactions

- Ability to deal with effectively all aspects of both 'Solicitors Accounts Rules' compliance and other UK legal regulations

- Adequate bill production, without the need for additional 'bolt-on' products

- Ability to produce credit notes

- Adequate credit control, without the need for 'bolt-on' products.

- Greater flexibility in the pricing of work

- Improved purchase ledger functionality

- Adequate facility for budgeting and financial analysis, integral to the PMS system

- Ability to provide greater support in the computation of the year-end Work In Progress (WIP) position

- Effective and consistent technical advice and support
- Reduced needs for the 'rekeying' of data
- Workflow processes as part of the 'out of the box' package
- Easy 'two-way' integration to other systems, without this compounding the difficulties of upgrading the PMS
- More flexible security model, allowing different levels of access within the system
- Greater flexibility for remote working, including transaction processing

METHODOLOGY

Purpose of the Report

The objective of this report is to provide a review of the views of LITIG member firms and client members, with regard to the usability and effectiveness of Practice Management Systems (PMS).

Process Undertaken

An initial questionnaire was sent to LITIG members to obtain basic information on what systems are in use, together with the volumes of transactions, user base and other systems with which they are expected to integrate (Appendix 1).

Stage two was to undertake a further questionnaire by telephone, involving IT, Finance and Fee Earner representation where appropriate (Appendix 2).

Number of Firms and Clients Taking Part

For the purpose of confidentiality, those firms and companies taking part have not been listed. In summary, taking part in the survey were:

- 26 member firms
- 3 client members

Number of Systems Commented On

The total number of different systems included in the study were:

- 9 suppliers
- 12 systems (for this purpose different versions of the same system have not been counted separately). It should be noted that not all of these systems are regarded as current by their supplier companies.

The systems covered are listed in Appendix 3.

Although many of the major suppliers were covered by the responses, of those systems in use in Law Firm top 100 this survey does not include representation of SAP, CS Group (Videss etc), Timeslice, Solace Millenium or Microsoft Dynamics within the sample.

DETAILED REPORT

Introduction

LITIG members reported that 'Practice Management' system is a misnomer for the core system in many law firms. Although they sit at the heart of the transaction process and offer a solution to SAR compliance, they are not primarily designed for the overall management of the practice. Many PMS focus tightly on time and billing and have not adapted to the changes in business structure of modern law firms. The 80:20 rule applies extensively, with most of the systems in use being good or at least performing acceptably in perhaps 80% of areas. However, none of the systems in use by the firms involved in this survey covered all requirements effectively. It also appears that suppliers have focussed on a different 80% to each other and the key systems often fall short in dissimilar ways.

General

Average Life of PMS

The length of time that a practice management system is retained appears, from LITIG member responses, to be driven more by the supplier than by

the law firm. For those firms who have a plan to change their PMS, their existing system will have been in use for a minimum of eight years and a more likely average of around 13 years. Those who tend to change their PMS at an earlier stage often do so as a result of the supplier ceasing to support an older version of the software, or the perception that because of the release of an entirely new product by the supplier, their existing products will cease to be kept as up to date.

On the whole, as a law firm grows, the PMS is expected to grow with them. With the longevity of the PMS within the firm, it is very difficult when specifying system requirements to be able to forecast the requirements over such an extended period. What is almost certain is that law firms are depreciating their PMS over far too short a period of time and, in looking at the return on investment of installing a new PMS, are likely to be overestimating the annual cost to the business. It may be that in looking at replacement systems, some would offer significantly greater longevity because of their ability to grow and develop with the business over an extended timeframe, but may be being compared over the same short timeframe as other products that are less likely to deal with such long term growth by the business.

Frequency of Upgrade

LITIG member responses indicate that many law firms are not on the latest version of their PMS. New releases may occur at regular intervals, but due to the scale of work that can be involved in upgrading, many firms take only those upgrades that contain features they particularly want. In some instances, firms are still using PMS that the suppliers have said will be discontinued. However, it is not uncommon for the timescales for withdrawal of support for a system to be repeatedly postponed by the suppliers. These postponements may be due to the unwillingness of the law firms to undertake the wholesale changes that would be required and, in some circumstances, to the lack of resource on the part of the supplier to undertake simultaneous changes at a number of firms. The main problems arise where the upgrade involves a technology change or where the law firm has undertaken a large amount of customisation that has not been written into the main code of the system and where extensive integration is involved.

Firms were asked whether being on the latest version would resolve the issues that they had, but in most instances, firms are aware of the changes that would come as part of an upgrade and these were not the key issues being faced by the firm. By contrast, some firms are eagerly awaiting the next release of their software as it promises to solve some key issues. This is tempered by experience, which shows that what is promised and what is later delivered are not always the same thing. Where a software supplier phases out a product and necessitates a move to a newer product to benefit from changes, this can present a huge obstacle to their clients who need to balance such upgrades with other developments within the firms IT structure. In some instances where these major changes take place, it drives firms to consider alternative suppliers as part of their decision. Suppliers need to consider carefully the plan and charging that they offer to their clients to make such upgrade paths easy, rather than losing them to other suppliers or leave them on older versions with greater dissatisfaction and the inability to resolve key issues.

There is a disinclination of firms to be the first to undertake a major upgrade, with firms preferring to see it tried and tested by another party before implementing the changes for themselves.

When software suppliers release a major new piece of software, their existing users are often concerned that this will ultimately lead to the demise of the product they are currently using. Suppliers should keep their existing customers better briefed on their plans and if there is a plan to cease the development of an older piece of software, a constructive and relatively inexpensive transition path should be provided to the new piece of software. Without this, there is a much higher risk of a supplier losing its own client base to other PMS suppliers.

Level of Discipline

LITIG members reported that some of the systems enforce a greater level of discipline upon their users than do others. This may be considered a strength or a weakness, depending on perspective. From an accounting perspective with SAR compliance and possible LLP accounting to consider, a strong discipline environment is a useful support. From a fee earner perspective, it can provide a more rigid environment in which to work and can therefore be unwelcome. The larger systems tend to be more prescriptive than the smaller ones.

This increased discipline is a consideration at the point a law firm changes its system. There is a need for the project plan to include the preparation of users for the changes they may face. Users will need to be provided with a thorough understanding of the benefits of these changes if they are to embrace them rather than fight against them.

This issue of a possibly unwelcome progression highlights the difficulty in establishing what constitutes a 'better' system. It demonstrates the need for a law firm to be clear on its own specific needs and objectives when comparing the relative merits of competing systems. This would be an even greater consideration in considering a move away from a PMS to a less industry-specific ERP, with the cultural fit and the preparedness of lawyers to work as the system requires rather than have the system fit their ways of working at the heart of any such projects success.

System Integrity

It has been reported with regard to more than one system that there can be issues of the system going 'out of balance.' This is wholly unacceptable, and the causes of it within any system should be tracked down and addressed. If suppliers believe that it is occurring due to user error, they should be more proactive in identifying the incorrect usage that is giving rise to the problem and advising the law firms on how to prevent this occurring. On more than one occasion, the response of the supplier to such critical issues has been to say that it is a 'one off' and cannot be replicated. Given the problem that an out of balance ledger presents to the firm, suppliers should offer greater support in eliminating the causes for the situation occurring.

Possible 'Kite Mark'

There are certain basic requirements of any law firm PMS in order for them to meet all requirements under SAR. These range from how money is held to when payments out can be made. They also cover the calculation and application of interest. Traditional accounting systems do not contain the concept of holding 'client money' separate from office transactions or the facility to handle the accounting for disbursements. It would be possible for a schedule of basic compliance issues to be drawn up for any potential law firm PMS to be measured against. This could either be in the form of a single compliance kite mark or a check list of areas that are adequately covered. The latter might be appropriate to reflect the different methods that law firms might take to obtaining money laundering information and the controls they want to emanate from this. This might help to ensure that any 'work rounds' that are proposed by software suppliers to enable their software to meet the specific law firm needs do not open up potential SAR audit risks requiring significantly greater internal control and audit to be put in place to support them.

Conferences and User Groups

Firms were asked about the frequency and usefulness of both supplier conferences and user groups, as well as their convenience. Replies were mixed and suggest that not all firms are aware of the opportunities that exist to benefit from these activities. The convenience of both the timing of events and their location was considered and, whilst in general, those that are UK-based fared better than their US counterparts, even within the UK there was a preference to proximity to the firm themselves and a lack of being prepared to travel. One concern that was raised about both conferences and user groups was that in some instances they are too heavily used by suppliers as a sales opportunity rather than for the education of users. Understandably, there is a reluctance by clients to spend a large amount of money attending

events that are principally selling opportunities for the supplier. Some of the issues noted by law firms, particularly where the supplier tells them an error is unique to them, might be addressed more easily by the effective use of user groups, bringing together common issues and speaking to the supplier as one voice.

Records Management

The answers received to the questionnaires suggest that many firms do not use their PMS for records management. The reasons for this vary between those who consider it to be inadequate for their requirements, to those who have simply not attempted an effective installation of the records management processes. Specific criticisms that were raised covered issues such as lack of security and the failure of 'hand-held bar code readers.' This is an area that might quite rightly fall outside the remit of 'practice management' and be better left to specialist system providers. However, if this were the case, there would need to be an effective flow of information between the PMS and the records management system in order to avoid significant duplication of work.

Accounting Operations

Multi-Currency

Most of the firms taking part in the study are based primarily within the UK. Many of these do undertake transactions in other currencies than sterling. For those whose transactions in other currencies are not significant in number, there is a preference to translate all parts of the transaction into sterling before posting it to the PMS, rather than rely on any multi-currency aspects included within the system. LITIG member responses indicate that this is the case even if there is additional cost to the law firm in the form of exchange and bank processing fees. In some instances, this is due to doubts that the PMS will cope with the nuances of translation, in others it is because the PMS is known to deal only with, for example, the holding of the client balance, rather than any corresponding office transactions. There are even situations in which the firm has a small European office, but, due to the low level of transactions going through that office, they are still being translated back into sterling for processing.

It would be useful for suppliers to provide clear 'fact-sheets' not only to include how their system deals with multi-currency transactions, but also with clear, worked examples of how these would be dealt with in the system at every stage of the transaction, and what the postings would look like. This should also include an explanation of any reconciliation schedules that the law firm will need to use to ensure that their accounts remain balanced and compliant with SAR.

As law firms grow, this issue can become increasingly important and, in many instances, the law firm accounting team lacks the confidence to make the step change to become truly multi-currency. There is work needed by both the suppliers and the accounts teams to address this important issue.

Ability To Deal with 'Bulk' Transactions

LITIG members report that the processing of bulk and volume transactions has become increasingly important to many law firms in recent years. In an attempt to compete in a world of increased competition, it has been essential for many firms to take on and differentiate 'commoditised' work. Although the core of the process is not dissimilar to the work previously undertaken, success in this field has required streamlining of processes and a move to the work being heavily systems driven. In many cases, changes in the PMS have not kept pace with these requirements, and, although it is common for a significant amount of this processing to be undertaken within the case management system where this involves the billing and cash allocation, there is a need for close integration to the PMS. The reason that many firms have had to generate billing from the case management systems is that the PMS is not set up to handle this sort of volume efficiently. For the most part, the same process of bill production must be followed for all billing regardless of size or type, whether this is a single bill for a million pounds or 4,000 bills of £250. The same is true of cash allocation for receipts on these transactions. There are also issues when billing through third parties and producing consolidated bills.

Although the legal industry has moved on and changed shape, many PMS providers have not kept pace with these changes. This is one reason that law firms have started to ask the question: "What other accounting systems are there on the market that maybe able to provide a more efficient transaction processing system?"

At present, some law firms within the report sample have addressed this by wrapping a workflow process around the PMS front end. In other situations law firms are running separate systems for their volume areas, whilst others are struggling to achieve the necessary levels of integration with a PMS that does not fully meet the challenge.

The change of law firm structure is likely to increase over the coming years, driven by the increased competition and deregulation of some areas of work. PMS providers need to spend time gaining a better understanding of these changes and looking ahead to how their systems will respond to these challenges.

Money Laundering

Although included here as an accounting issue, the money laundering responsibilities of a law firm are not specifically of an accounting nature. Methods of undertaking money laundering checks and the choice of storage of this information are developing areas within law firms. As a result of this, firms within this study are as yet unclear on what role the PMS should take, if any, within the process. There is no agreement on whether a client who has not provided their information, within a reasonable timescale, should have their account stopped automatically or whether there should be discretion and management of it in the hands of the fee earner. With this in mind, PMS providers should be aware of the types of requirements of law firms with regard to money laundering and, where possible, build into their systems the flexibility to support this important process, without tying the law firm down to a specific way of working.

The checking of money laundering information can be done manually, direct with the client. There is, however, an increasing tendency to undertake these as on-line checks, in the same way that a credit check might be undertaken and therefore to refer back to the client only where an issue arises that needs to be resolved. The possibility of triggering such a check as part of the account creation within the PMS would be useful.

Once money laundering information is received, the very least that is required is the ability to flag the account in the PMS to confirm that everything is in order. Beyond this, it may be appropriate to include a direct link to the storage of the money laundering information, or to have a system that generates a reminder after a set period of time, if the checks have not been completed satisfactorily.

Some firms within the report are looking to create 'pending clients' that only become full clients once these checks have been carried out. This is similar to the idea of automatically blocking the account if the information is not received by a certain date. However, not all firms wish to work in this way. Where the firm has chosen to activate the client only after securing the appropriate information, there is a problem with preventing fee earners from starting to time record against the client before it is live. This is partly because there are work rounds within time recording, ahead of receiving the client account number, for time to be recorded against dummy codes. At present, pending clients tend to prevent financial postings but not time recording. Further thinking would be required to design a solution that minimises the risk of this occurring. Some systems prevent billing prior to the checking of the money laundering flag to 'completed.'

It would be helpful if the PMS could display and record where as a result of the client's longstanding with the firm, money laundering checks are not required. Difficulties may arise where the PMS has been installed subsequent to 1994 and the original date of the client relationship is not recorded.

Some of these processes are being put together using workflow in conjunction with the practice management system.

As a result of the diversity of requirements and the developing ideas in this area, it was not thought appropriate to include comments on the particular strengths or weaknesses of any particular supplier in this area. It is an area that law firms would appreciate a more proactive approach from law firm suppliers.

Month End Closure

LITIG members reported that the respective strengths and weaknesses of systems, when considering month end closure, are clouded by the different levels of expectations amongst the users. What is considered an acceptable time to run month processes on one system may be considered unacceptable on another. The major issues affecting the length of time that the closure takes are 1) the underlying technology, 2) the way the system is set up, 3) the volumes of data on the system. Some of the frustrations that arise are due to accounting safeguards that have been built into the systems to protect the integrity of each period's data. Some of the suppliers of smaller systems may need to ensure that these areas are satisfactory in order for their systems to be used by larger firms, in particular the potential to handle large volumes of data efficiently.

Some systems will fail in their month end processes if users are still logged on; this is an area that firms would appreciate greater help from suppliers to address.

Client Interest Calculation

LITIG members reported that there are varying degrees of trust in the capabilities of PMS when it comes to the calculation of client interest. With some systems, the process can be run automatically without any manual intervention. For others, the accounting staff need to undertake much greater involvement to ensure that the calculations are correct. Some of the problems experienced are due to the incorrect set-up by inexperienced accounting staff, rather than to underlying system weaknesses. Problems may also be experienced where data is imported direct into the PMS and the previous interest calculation date is not clear.

One issue that arises is the allocation of interest at final billing and closure stage. If this is not done automatically, it can lead to the reopening of closed files, simply to allocate client interest. Although manual processes can be put in place to sweep up these transactions, it would be better if this was an automatic process within the PMS. Even where systems are efficient, they rarely take this a stage further to enable the calculation of a 'what if?' scenario, with regard to funds potentially to be held.

This is an area where some clear 'fact sheets' from the PMS providers would be useful to ensure that the law firms using their systems are able to benefit from all their functionality. It would not be difficult to produce documents covering system set up and some worked examples of the stages at which interest may be applied and the methods of undertaking this to ensure that the law firm can be SAR compliant whilst undertaking little if any manual intervention. This would need to include how best to set up transaction types within the system to ensure that items not due for client interest were automatically excluded from the calculation. It would also need to cover which dates to enter, when calculating interest for a date range, to ensure that there are no 'overlap' days counting twice for interest and no days inadvertently omitted.

The PMS is rarely designed to manage the complexity of charging interest on overdue accounts. This is a separate issue and is covered within 'credit control.'

Bill Production

According to LITIG members, bill production is a function that should be core to a transaction processing system such as a PMS; however, some suppliers expect their clients to bolt on a separate product in order to undertake this effectively. In some instances the PMS provider does include the ability to bill in basic form but requires an add on product to ensure that the bills have a professional appearance. This bolt on product will also enable different formats of bill to be produced for different types of

work. These are basic functions required by every firm, and it seems inappropriate that the PMS does not adequately cover them.

The number of firms producing their bills centrally or locally is evenly split, as are the number that have bills produced by accounts as opposed to those allowing production by fee earners. In some instances where billing has been produced centrally, there is a move to allow for more localised production.

A concern was expressed by client members about the increased tendency for bill production by accounts teams, as this can degrade the level of client service unless there is adequate fee earner review before submitting to the client. It was suggested that an effective solution to this might be by the use of a workflow process, permitting fee earner review before final bill generation.

Some clients would like to receive their billing on a monthly basis as long as the amount to be billed exceeds a certain value. Although some firms seek to undertake an automatic billing process, in general this seems to be on an across the board basis. It would be useful for the PMS to include the facility to flag, at client or matter level, that a monthly bill should be generated as long as the amount to be billed exceeds the set amount. This could either generate the bill for review or send a reminder to the appropriate person to raise the bill, whichever is preferred by the law firm.

To truly meet client needs, the billing module should include the facility to show differing levels of detail for different clients. This might include basic purchase order information and narrative on the work undertaken, the charge out rates agreed and the lawyers undertaking the work, but it might also go as far as showing a summary of the work already undertaken and billed on the matter and the budget that has been agreed for the work. This is to allow the client to better manage the work that has been agreed and have a clearer picture of status.

Very few PMS appear to handle the whole of this in a manner that fully meets law firm needs.

Credit Notes

From the LITIG members taking part in this study, it was reported that historically the American based systems have not included a concept of 'credit notes.' They have relied on bills being reversed and re-raised, which is not only time consuming and irritating but can cause confusion with the client and issues on the timing of VAT. This is being addressed by suppliers but should have been addressed as an integral part of selling to the UK market.

Credit Control

LITIG members reported that credit control is a weak area in many PMS. It is common for the PMS itself not to include a credit control unit but to expect the law firm to bolt on a specialist credit control product. This is commonly the ARCS credit control system but some firms have undertaken their own development.

Where law firms are undertaking credit checks, this is normally through one of the main 'on-line' providers, the information received is then stored against the client record often in the manual file. Some facility within the PMS to store this information would be useful, in order that it can be viewed by any party involved with the client; however, if this is the case it should include an appropriate alert system for the information to be updated or reviewed for continued relevance at regular intervals.

Less than half of the firms responding use their PMS for credit control. This does not seem consistent with the term 'practice management system' and is an area which should be improved by the providers.

Ability To Set Rates Flexibly

With the changes in the structure of work undertaken by law firms taking part in this study, there is a need for the PMS to be more flexible on the pricing of work, not dealing solely with the billable hour. There is a need to be able to set rates per transaction or per stage of transaction, as well as

more traditional pricing methods. This is critical in the valuation of WIP for the firm, where the application of traditional methods to non-traditional work can lead to lengthy manual intervention in order to arrive at the correct year-end WIP valuation.

There are wider considerations on alternative pricing methods that cannot be considered in detail here, however the PMS should be able to support the fee earner in working out possible pricing models using a range of methods, with the ability to build 'what if' scenarios based on cost rates and charge out rates within the PMS. Whilst this may not occur within the PMS itself, it should at least be straightforward to feed appropriate information out to such a pricing system.

Changes to Billing Rates

At the request of a client member of LITIG, firms were asked about the ability of their system to update charge out rates, whilst leaving untouched long-term agreed rates, for specific clients that should not alter. Many law firms do not undertake a blanket update of rates and for them this is not an issue. For those firms who do implement an across the board rate increase, it is important that this does not affect rates prior to the increase date, or any specifically agreed rates that do not increase as part of the process. The capabilities of the systems in use are very varied in this area. Some suppliers have written separate pricing modules that allow greater flexibility than the core system but available to their users at an additional fee, others include it as standard functionality. With some systems, users have to muddle through. The ability to price work flexibly and to be able to efficiently change rates without error ought to be standard to any PMS.

Purchase Ledger and Payment Processing

LITIG members reported that some systems allow for the posting of mixed batches of payments, disbursement and non-disbursement items, whilst others insist on these being processed separately. The same is true with cheque production for payment of these items to suppliers. In a large operation, separating these transactions may not present a difficulty, however, in a smaller law firm the increase to the time and cost of processing is more pronounced.

Additionally, there is a perception that the purchase ledgers of some PMS are less efficient and user friendly than their mainstream accounting system counterparts. This may be a matter of perception rather than reality and users of other purchase ledgers may raise similar issues with regard to their own system's quirks. It may be worth suppliers comparing their own systems to general industry leading packages in order to ensure that they are not overlooking basic improvements that they could make.

Follow-Up of Old WIP and Disbursements

Although one might assume that the ability to follow up on WIP and disbursements would be an essential part of a system designed to manage a law firm, LITIG members reported that this is not necessarily the case. The lack of reporting as an integral part of some PMS makes this area more difficult than should be the case. Most firms when asked about this said that they had no choice but to wrap their own processes round the system in order for it to be effective. Although the approaches taken by law firms may vary, there seems to be a gap in understanding between PMS suppliers and their clients as to what resource is required.

Some systems do include an alerting module, which enables old items to be flagged for attention. Although when set up correctly these can be very effective, there remains a need for adequate reports in support of this to ensure that action is taken.

Budgeting

LITIG members reported that budgeting and financial analysis are rarely provided as an integral part of a PMS. They are essential parts of managing a practice but are more normally dealt with through specialist 'bolt on' products. In many instances, this area seems to have been very much an afterthought by the PMS providers and the even the bolt-on products fall a long way short of the standard of other products that are

separately available. Given that this is an area raised by users of even the largest systems, suppliers would do well to pay it greater attention and seek more appropriate solutions for their users.

WIP Valuation and Managing Time Entries

It was reported by those taking part in the study that many PMS providers have not paid sufficient attention to the needs of law firms with regard to the valuation of their WIP for year-end purposes. Extensive manual calculations often have to be undertaken outside of the PMS to make adjustments for business areas that are valued on a different basis and to write down time based on the expectation of billing. For the purpose of the calculation of the WIP for the accounts, there is a need to exclude certain items, revalue other amounts to the collectable total and ensure that transaction based billing is reflected at the transaction cost and not an hourly rate. More thought should be given by suppliers, to how they might provide greater support to their clients in this important area.

The revaluation of time on an individual matter is more complex with some systems than with others.

In addition to this some systems give rise to difficulties when moving time between matters and, for example, provide insufficient flexibility to select individual fee earners for a range of dates to be moved.

Time Recording

LITIG members stated that the standard measure for comparison of a time recording systems' capabilities tends to be 'Carpe Diem'. Many firms suffer from new joiners to the practice criticising the time recording system in use, because it does not measure up to Carpe Diem. However, many time recording systems that are built into PMS are adequate for the job they need to undertake, with much improvement in this area in recent years. In some instances, firms recognise that the time recording unit of their PMS would be perfectly adequate for their needs but they would face a major cultural issue in moving from Carpe Diem to a different product.

Where Carpe Diem is used in conjunction with a PMS, the major criticism is that time is only uploaded on a daily basis, which means billing at the end of a matter is, of necessity, delayed by a day to ensure that all time is included. The frequency of time upload to the PMS is an important consideration with some firms having addressed this by building in an hourly feed to overcome the problem.

A criticism that is sometimes raised of time recording systems is that they lack the ability to produce the narrative for an attendance note easily or the breakdown for the bill itself. This may be due to insufficient characters being allowed for the narrative or simply the difficulty of extracting the narrative from the time recording system and feeding it into the PMS.

Although the traditional law firm model involves all billing being associated with the recording of time, this is increasingly not the case. Within the survey, some firms record as little as 35% of their work by volume based on time. This throws up different issues for the way that work is processed, which have not been completely addressed by PMS providers. The work that is not time recorded is often undertaken through a case management system on a cost per transaction basis or by the phase of the work. This necessitates different pricing models and a different approach to billing. These are covered elsewhere in the report. However, one question that arises is whether some firms continue to record their work based on time because this is the only way that the PMS adequately manages the work rather than because it is the most effective way for them to work. It is possible that PMS providers should be working with law firms to develop new models for the future, including effective means to manage work and performance that is not being undertaken on a billable hour/ time recorded basis.

There is no correlation between the proportion of work that a law firm undertakes on a non-time recorded basis and the PMS that they use. This may be because the PMS predates the move to volume work or it may be

that there is no particular differentiation between systems with regard to their usability in these circumstances.

Recording of Non-Chargeable Time

From the responses of those taking part in this study, there are mixed views throughout the industry on the recording of non-chargeable time. Some firms do not record non-chargeable time, whilst others want the flexibility to record it in some detail. From a client perspective, although many firms do not see the value in recording non-chargeable activities against their clients, there are circumstances in which the client would like to see this. In particular, this may be the case with research undertaken in preparation of their work, which is seen as an added value service and in extreme situations, where the work is of a unique nature, they may be willing to pay for the cost of this research.

From the perspective of the law firm, recording non-chargeable time against a client code, gives a greater opportunity to assess the true profitability of each piece of work. This may be particularly important in assessing the effectiveness of marketing and client entertaining. These activities may well be recorded within the customer relationship management software; however, recording them within the PMS gives the possibility to look at the complete financial and time picture.

Systems Administration

Opinions of LITIG members taking part in this study as to the complexities of systems administration vary from system to system and also between law firms on the same system. More common than complaints about the administration itself were the requests that 'cross system' administration should be considered to reduce re-keying and improve data integrity. One suggestion is a greater integration with Microsoft's Active Directory; however, this would not be without its own complications. This is a much wider issue than one that can be addressed by PMS providers alone and is one driver in the consideration of enterprise wide systems.

There are criticisms of some systems for the unnecessary complexities that are added to the creation of nominal ledger codes. In some PMS where a code is required for only one location, it has to be created for all locations and then individually blocked for all the locations for which it is not required. In another PMS, nominal accounts have to be allocated to a user. Whilst this may safeguard against the code's incorrect use, it does mean that the code has to be specifically attributed to every finance user.

The structure of nominal ledger codes with some PMS provides greater flexibility to the firm than others. This may be a result of the way in which the system has been set up. Where this is the case, it demonstrates another area where suppliers need to provide a greater level of support and advice to firms to ensure that the system is set up initially in a manner that can provide greatest long-term benefit.

Report Creation

The inadequacy of reports included in the core system was the most widespread complaint of LITIG members taking part in the report. When asked what they did not like about their current system and when asked what they would like that they did not currently have, almost every firm referred to the problems with reports. In general, the specific requirements that were given were not unreasonable, and although these may have been addressed by some suppliers, this is not the norm. One common complaint was that reports are not available at the touch of a button, whilst another is that the running of reports that draw data from across the business take a significant amount of time to run and can in, some instances, slow the operation of the system. Some suppliers have sidestepped this issue by splitting away the whole reporting process and suggesting the use of a third-party tool, which the client themselves sets up. In many senses, this is an abdication of responsibility and for the smaller firms that cannot justify a specialist skilled resource to write and produce reports, a major difficulty arises.

Included amongst the specific requests were:

Reporting that is simple to use.

Reports that can be set up and run by an average user and which do not require a detailed knowledge of the data tables.

Client profitability reporting

Fee earner performance

Better WIP reporting

Basic P&L account comparing actual figures to previous year and budget

Basic balance sheet — that balances

Cash flow modelling for year ahead, updating from actual data

Enquiry

In talking about the perception of fee earners on the usability of their PMS, more comments were received from those LITIG members within the study on the 'look and feel' and the intuitive nature of the system than on the actual functionality. It is not uncommon to find that fee earners are aware of only a small range of the PMS capabilities according to their immediate needs. What is apparent is that the commonly used functions need to be available to them by using as few 'clicks' as possible, with a clear layout that makes the process speedy and efficient.

There does seem to be inconsistency even within the same system on the capabilities of the 'drill-down' functionality included. The ability to start with a global view of information and be able to drill down into department, team and individual figures, as well as being able to do this by office or client, is one of the most sort after features from the PMS.

When displaying information on an individual client, there is also a range of responses on what information is displayed in one view. Some of the requirements at this level are basic to all law firms, and it seems inexcusable that there are PMS suppliers that have still failed to identify what these are and deliver them to all their users, without treating them as 'bespoke' developments.

On the whole, systems perform better for on-screen enquiry than they do for reporting.

Technical Support

It was reported that suppliers have differing approaches to support and system development. A criticism that has been levelled at some suppliers is that they are too prone to making changes as separately charged 'bespoke' changes for individual clients, where they should be industry-wide changes and, therefore, built into the core PMS. This is even the case where it is to bring an American system in line with the UK market. Although this may be an opportunity for the UK operation to generate higher fees, it creates bad feeling and is not in the long-term interest of client relations.

Support is a very important consideration to all users. The quality of front-line support does vary between suppliers, but common to most is a tendency to use less experienced personnel as the first point of contact. This can lead to a poor impression of the support as a whole and a need by the users to circumvent the appropriate path of contact as laid down by the supplier.

There is a concern that suppliers are not forthcoming in helping law firms adequately in specifying the hardware required to run their PMS software. There is a perceived tendency, which comes at a great cost to the law firm, that the supplier 'over specifies' in order to ensure that if any problems arise there is no likelihood that these are hardware issues. Although there is a logic to this, firms operate to a tight budget and need assistance in arriving at the most cost efficient solution, which allows an adequate growth margin but which does not involve them purchasing hardware significantly greater than their needs.

Where software issues arise, there is criticism that suppliers patch the problem rather than addressing its cause.

In a departure from the more traditional pricing models for support and enhancements, at least one supplier has been prepared to negotiate an all-inclusive three-year deal. Whilst it is too early to assess whether the supplier does sufficient for the law firm to feel it has received value from this arrangement, it is an interesting departure from the normal approach that is taken.

For those systems running on the less common platforms and database software, there can be issues of lack of experienced internal resource to support the product and particular difficulties in finding disaster recovery solutions.

Rekeying of Data

LITIG members reported that one of the prime reasons for considering an ERP system is the intention of reducing the number of occasions on which the same data has to be keyed into the system. Even within the same system, it is not uncommon to find the same data needing to be entered at different stages rather than drawing on the original data entered. As more systems are bolted on to the PMS, this problem is escalated, and rarely do the additional products share the same core information as the PMS.

Reducing the rekeying of data is important not only to reduce unnecessary work, but also to improve the integrity of the data. The more times the same information has to be entered, the greater the chance of it being incorrect. If this data later needs to be updated, it is not always clear how many areas of the system will need to be changed, and it is not uncommon for some of the needed changes to be overlooked.

Although this is a problem commonly associated with the installation of a CRM system, the root lies with the plethora of systems in operation across the firm, together with the usually inadequate data control procedures. Data is rarely checked and updated as a matter of course. This being the case, the multifarious databases are rarely kept synchronised. The responsibility for finding solutions to this problem rests partly in the hands of the law firm, needing to have adequate checking and updating processes, and it is partially the responsibility of the suppliers to find ways that their systems can improve their performance in this area.

Licensing

As with most areas of software, there were criticisms from those members taking part in the study of some supplier's licensing models. In some instances, the concern is that the licence covers all aspects of the supplier product, even those that a firm does not plan to use, and in others, that the fees are simply too high. In some instances, what is called for is a simpler licensing model, allowing all essential users to remain logged in rather than to have to log in and out, because of concurrent user limits.

Whatever approach is taken, it is almost certain that this will remain an area of complaint.

Workflow

LITIG members reported an increasing demand for workflow processes to automate areas around the PMS. In some instances, this is provided as part of the PMS package, but often the PMS is integrated with one of the major specialist workflow packages. The most common add-on packages are Metastorm and Flosuite, and PMS providers have started to work to provide a good level of integration with these products. Other firms are using their case management systems to provide some of the workflow processes.

Not all law firms are using workflow, but where it is used, one of the most common applications appears to be the client and matter inception process.

Increasingly, as law firms look for ways to improve the efficiency of their processes, they are looking for automated solutions, many of which can be

provided using workflow. This is an area where PMS providers could improve their products by providing some of these processes 'out of the box' rather than leaving them all for law firm development.

Functions Performed within the System and Integration with Other Systems

LITIG members reported that integrating the PMS with other products is key to many law firm operational efficiencies. Whilst some firms are starting to look for a PMS that provides enterprise-wide functionality, others are equally keen to implement best of breed solutions for each application, with integration between the key functions. Very often, the higher the level of integration, the more difficult it becomes for the law firm to implement PMS upgrades and over time, the less happy they become with their PMS. Where the PMS provider can provide solutions to integration that are in themselves 'upgradeable,' without having to rewrite processes from scratch, this is of great benefit to the law firm. The same is true where the PMS provider has written specific developments for the law firm; when it comes to upgrade, there is a concern that these will be lost and have to be rewritten. Ironically, this means that widespread integration and bespoke development may move a law firm ahead at the time it is undertaken, but regularly holds them back at a later date.

It is not uncommon for a PMS to be capable of providing feeds to other systems but resistant to accepting data into its own processes. Whilst there are very good accounting reasons why this occurs, with the appropriate checks, balances and audit trails, a greater flexibility for PMS in accepting data would ease the flow of work within the law firm and help overcoming some of the other areas of weakness within the PMS, which currently lead firms to be dissatisfied.

Case management and CRM are covered within paragraphs of their own and in addition to these, law firms require integration between the PMS and a number of other areas:

Banking. Some firms require integration of the bank reconciliation software to their banking feed, to speed the process of reconciliation. They may also seek to use an automatic bank account and sort code checking facility for accounts set up within the purchase ledger. In addition to this, an electronic output file is required for a BACS feed.

Data Integrity. Address checking and completion of addresses from postcode may be required.

Document Management System. This is more likely where case management is not in operation and where the law firm still wishes to be able to access all areas of a client record from one point of entry. This type of link may also be used to automatically populate records produced through the DMS with key client information held within the PMS, such as address, etc.

Cost Recovery. The use of cost recovery software for the recovery of disbursements is reasonably widespread and for it to operate effectively, it needs a level of integration with the PMS. In some instances where different recovery rate tables are in operation for different types of work or different clients, it may need to draw some or all of this information from the PMS. Once the cost itself has been captured, it will need to feed this into the appropriate client matter records to enable billing and recovery.

Human Resources Systems. This may be for both maintaining and updating of fee earner records and information on grades and billing rates and for the details of staff for expenses payments.

Budgeting and Forecasting. This is where they are inadequately provided within the PMS itself.

Conflict Checking Software. Where this is not accommodated by the PMS.

One suggestion is that PMS providers, whose products are not enterprise-wide in their application, should consider the life cycle of a matter in order

to identify all areas where full integration ability is likely to be required. They should then design their products to provide seamless integration to appropriate third-party products, together with a path to make upgrades to all those products an ongoing possibility.

Case Management

The use of case management systems is not universal. Of those LITIG member firms taking part in the report, some firms who are undertaking traditional legal work find less need for such systems and manage adequately by having an appropriate document management system in operation. Case management becomes essential to manage 'volume' areas of work and to undertake the commoditisation of some of the traditional legal areas in order that they can be undertaken in a cost effective manner. As competition in certain areas of the legal process increases, demand for such streamlining of functions will inevitably increase.

There are a wide range of case management systems being used with the different PMS. In some instances, the case management is part of the supplier's suite of products and is a step towards an 'enterprise-wide' environment for the law firm. In other situations, the law firm has chosen the 'best of breed' case management system for the particular function they are looking to address. This latter approach may involve the law firm using a number of case management systems for the different areas of their business.

The ability to have an element of integration between the PMS and case management system is essential in order to maximise the efficiencies that case management can bring. If the system is 'stand alone,' then the PMS ceases to cover the whole business from a practice management perspective and would not have all billing and client information within its realm. This being the case, it is no longer possible to look at the PMS alone when considering team and fee earner performance or when looking at the wider areas of lock-up and cash flow.

The normal approach appears to be that the PMS will provide extracts to other systems, and very often does not permit data from other systems to be fed into its own tables. Two-way flow of data is for the most part a dream. This is one of the factors that drives firms to consider the benefits of an enterprise wide system; however, unless it is a system written specifically for law firms, it is unlikely to have the types of functionality that are required as these are not traditional manufacturing processes. Resource management, case and matter management, time recording and the management of client accounts are not a widespread list of requirements outside of the legal world and are likely to provide difficulties to be achieved under one umbrella system.

Customer Relationship Management (CRM)

LITIG members report that despite the hype, there seems to have been remarkably little progress in integrating CRM and PMS systems. These two systems, although serving completely different purposes, do share a considerable amount of the core data within the law firm. Both need to hold the details of all clients as well as all marketing spend. In order to reduce the risk of errors in the base data and updates to data not being applied to all records, this is one area where the single keying and sharing of data becomes critical. In some instances, firms have progressed to a feed from their PMS to the CRM system of new records, and rarely has any substantial integration been achieved. Even where the PMS and CRM system are provided by the same supplier, this does not mean that there is a sharing of data tables; they are effectively set up as two entirely separate products.

Law firms need to consider their real requirements in this area and put them forward to both the PMS and CRM suppliers. However, to make any real difference, the law firm also needs to take responsibility for putting in place its own data control and checking procedures.

Information Required by Clients — Accessibility and Usable Format E-Billing

LITIG members taking part in this study report that very few law firms are undertaking E-billing. So far, the majority of client demand has been for a

breakdown of information to be provided electronically, using formats such as Excel, Word or PDF rather than true E-billing. It is not uncommon to find law firms saying that any E-billing they undertake is performed outside the system. It is not clear whether this is due to the lack of functionality within the PMS or a lack of understanding of how it can be used.

A recurrent point raised by law firms is that one difficulty that they experience is clients wanting any E-billing in non-standard formats. This makes its widespread use difficult to operate. Despite the recent standards introduced, the industry seems a long way from their adoption.

Those firms that adopted E-billing or the use of UTBMS codes at an early stage, paid for customisation of their PMS systems to include these functions.

Even where the PMS supplier sells a separate E-billing module, this is not a guarantee that it will be an effective solution, with issues on both the information selected and the treatment of VAT.

From the client perspective, the suppliers of the PMS should be building in suitable workflow to their E-billing processes, to allow review and sign off internally before the bill is sent electronically to the client. Without this, it becomes more likely that issues will arise that need to be resolved before a bill can be passed for payment.

Even where E-billing is handled effectively, it remains difficult for law firms to manage the added complexity of E-billing through intermediaries. It is difficult for the PMS to provide all the formats and checks that may be required and the assistance of PMS suppliers to resolve this issue would be appreciated.

Clients, for their own audit purposes, are seeking information such as:

- number of billed hours
- total number of hours worked on the matter (including unbilled time)
- type of legal work done, by whom and at what rates
- research that has been undertaken

Clients may find it useful to receive pre-billing information of areas such as WIP and where the matter stands against budget. It has been suggested that it might be appropriate to include clients in the emails sent out, as part of an alert system, for any of their matters. For such information to be effective, it becomes essential for fee earners to be fully up to date with posting their time transactions.

Law firms face additional problems where they are being asked to undertake E-billing through any one of a number of intermediaries. In these situations, it is common to find that additional verification information is required and that the PMS does not easily produce the differing fields and formats required. It appears unlikely that there will be rapid adoption of a standard format for E-billing and law firms need their PMS suppliers to become more proactively involved in finding a solution to the problems that this presents.

In some cases, the lack of flexibility and capability in this area is leading law firms to seek alternative 'bolt-on' solutions to accommodate their requirements. This area should be considered a fundamental part of the transaction processing of a modern day law firm. There appears to be little excuse for the poor performance of PMS for these functions.

UTBMS Codes/Client-Specific Codes

For the LITIG members taking part in the study, the level of familiarity with UTBMS codes remains low. Although some systems include task codes, these are, in some instances, hard-coded into the system and cannot be adapted to either the UTBMS codes or any client specific requirements. Work is still required by suppliers to ensure that the full functionality, required by both law firms and clients, is included within their systems. This needs to include the ability for a firm to record their work in a manner appropriate to

their business, but set up conversion tables, specific to clients if necessary, converting these to the UTBMS codes or client codes as required. This would reduce the current levels of rework required to provide clients with the level of detail and the format of information they require.

From the client perspective, many firms are attributing work to the wrong codes. Historically this may not have presented a problem; however, as the clients now start to use these codes to compare the performance of the different law firms that they use, there is a risk that miscodings may give rise to the appearance of poor performance by the law firm.

Client Access to Information

LITIG members report that clients are more likely to request to view the case management; however, there are circumstances in which they may ask for access to information held within the PMS. In most such cases, the law firm presents data through a web interface rather than providing access to the PMS directly. Attention was given to whether it is possible to present a view of the PMS directly and what the immediate problems associated with this would be. No specific comments have been made about individual systems in this area, as it has not been widely tested by law firms.

Providing direct access to the PMS in limited form is not an easy process and is not without risk. It is more important that PMS providers ensure that the types of data that a client might want to view, can be easily extracted for display through a separate product, but in so doing the complications of providing a view of transactional data need to be addressed.

Whether viewing such information within the PMS, extracted to an extranet or having been added to a screen of the case management system, it is unprofessional and confusing to display transaction level details including everything from mis-postings and their corrections, to time adjustments both up and down. A filtering process is required to ensure that the picture presented provides clarity without the additional extraneous information being visible.

Where information can be provided, it is widely liked by clients and makes it much easier for them to undertake any internal auditing of transactions, without the need for constant request for additional information to the law firm.

Most PMS do not include security models that allow a variety of different levels of access. For example, to provide a client with a direct view, it is necessary to be able to restrict access to a single client account number or to a range of account numbers. Where there are subsidiary elements to the business, it may be necessary to restrict access to individual matter level, in much the same way as case management systems that allow external access permit.

The level of detail that is provided in this way needs to be born in mind by the lawyers when they choose the wording for their narrative. In many instances, where the narrative is automatically generated for billing, this is already the case. However the greater the level of transparency being offered the more conscious of this lawyers and their support staff need to become.

From the client perspective, there is a preference for having information they require passed into their own matter management systems rather than finding themselves having to access multiple systems set up by the various legal service providers.

Ease and Flexibility of Remote Working

LITIG members report that with modern approaches to working requiring significant flexibility, the PMS must now be accessible from a wider range of locations. In reality, most enquiries and demands for posting information when working remotely are for other systems than the PMS. However, there are particular demands when looking at a firm's performance that may be required outside the main office base. Very few firms are set up to undertake transaction processing outside of the key office locations and the majority of requirements to date have been from fee earners and management.

For many firms the answer has been to offer their PMS through Citrix. Little has been done to make the PMS available through handheld mobile devices, and this is principally because there has been little demand to go down that route. Some of the older systems do have an issue working across a wide area network, particularly when month-end volumes are taken into account. What is important in whatever approach is taken is that the security provisions are adequate.

Where there is a requirement for time recording through handheld devices, this is often approached by using separate time recording software that then integrates with the main time recording package.

Specific Points Raised

In surveying the firms taking part in this study, the questions were asked as to what they like about their current system, and what they would like to have that they do not have at present. The following list are key points that were raised that law firms appreciate or would like to have included within a PMS. These features may not be absent in all systems. The list may help to provide a measure of whether a system deals with the full range of law firm requirements in an effective manner. These should be seen as supplementary to any other points raised in this report.

A flexible system that is easy to customise.

Easy integration with case management.

A system that allows the facility to insist on a purchase order being obtained (if this is a client requirement) but which is not purchase order driven as some manufacturing systems are.

Effective credit control within the PMS itself.

There should be a different access screen for accounts users than for fee earning staff, in order to make the application more appropriate to the user.

Effectively integrated workflow processes, providing increased automation.

Delivery and support should be as good on the core product as from some of the 'bolt on' product suppliers.

A well-integrated and usable budgeting module — this should include an ability to look at trends without significant difficulty.

Effective and usable bank reconciliation capabilities. This should include auto-matching of items where appropriate.

A number of firms said they would like a purchase ordering system and a human resources element as part of their PMS but recognised that this was moving the PMS towards being an ERP.

Real-time matter inception.

Customer portal.

Knowledge management — although, once again, this moves towards an ERP environment.

Fewer 'bolt on' applications — products should be included within one streamlined product.

Facility for resource planning – again this moves towards an ERP environment. Even within other professional services that depend more heavily on resource planning this tends to be the function of a separate product.

Conclusion

LITIG members report that the existing PMS delivers around 80% or the required service and functionality that a law firm has from this type of system. Different suppliers are missing different aspects of the system, but no single system in use within this survey stands out as providing a complete solution to practice management. There is definitely room in the market for a supplier to deliver a system that more closely meets the needs of the modern, growing law firm. The fact that none of the existing systems deliver a more complete range of functions is driving some law firms to look at enterprise-wide solutions and to being prepared to shoe-horn a legal practice into such a system where this is necessary.

The results of this report suggest that for the existing legal industry suppliers to meet the challenge that this presents, they need to spend more time with existing and potential client law firms, understanding the current challenges facing the industry and the way that law firms are trying to adapt their businesses to deal with this. It is no longer acceptable for suppliers to ignore the need for a system to deal with commoditised or volume business transactions, or the need to provide adequate information to manage the whole practice regardless of whether all areas time record.

Whether a PMS is effectively a law firm-specific enterprise-wide solution or whether it is a series of separate bolt-together units, more attention must be given to the sharing of databases and a reduction to the duplication of data entry. From the responses of LITIG members there are also some key areas that all PMS providers should address and for which there is little excuse for their poor performance. These are principally, reporting, E-billing, all aspects of SAR compliance, credit notes, credit control and the ability to work effectively over a wide area network.

The best way for a PMS provider to ensure the satisfaction and loyalty of its customers is to spend time with them understanding the business and ensuring that the product has been set up to best effect. They must also communicate their own strategy effectively and ensure that where they are making wholesale product changes, they provide a cost-effective and sympathetic transition path to their existing clients.

From the responses of LITIG members it appears that with the infrequency of the change of PMS, suppliers have been able to get away with a higher level of complacency than is acceptable. There is room in the market for a supplier to introduce an industry beating PMS and to win a significant number of law firms to it. If as part of this the supplier invested sufficient time in helping the law firm to project their expected development path over a number of years and then offered effective support and proactive development, they would be able to continue to build a very healthy customer base with long term, loyal and satisfied customers.

STATISTICAL ANALYSIS

Turnover

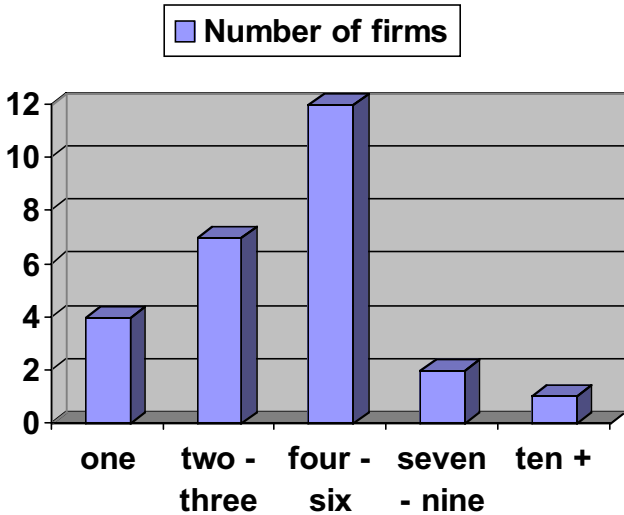
This report covers law firms with a total annual turnover of £1,685m. This represents 9.92% of industry turnover by revenue (Law Society Statistics 2006).

Law Firm Top 100

21 of the Lawyer – Law Firm Top 100 are included in the survey.

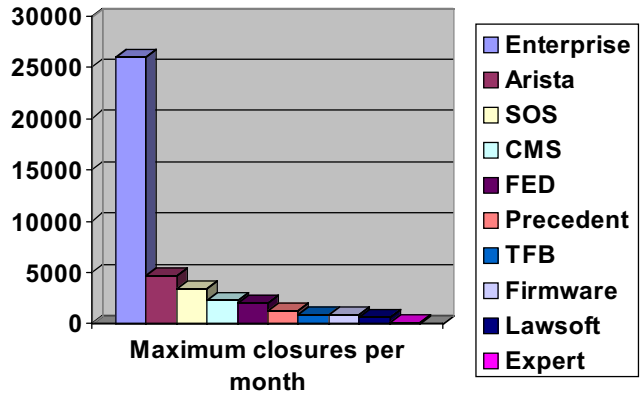
Number of Locations

The breakdown of the number of locations in which the participating firms have offices was as follows:



Systems Used by Maximum Monthly Matter Closure

Maximum Number of Closures Per Month	System Used
26,000	Elite Enterprise
4,800	Axxia Arista
3,500	SOS
2,300	ADERANT CMS
2,100	Norwel FED
1,300	Miles 33 Precedent
1,000	TFB
900	Tikit Firmware
650	Pilgrim Lawsoft
240	ADERANT Expert
Unknown	ADERANT Keystone



Systems Used by Maximum Annual Bill Volumes

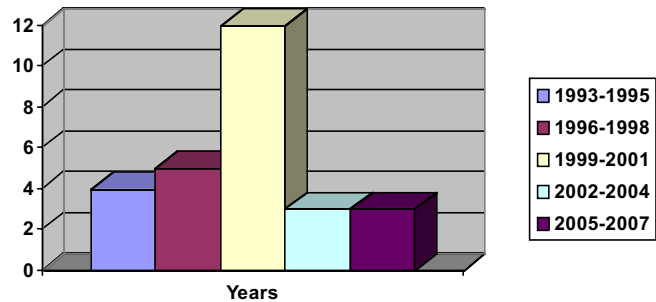
This has been used as a measure rather than turnover so that the comments about volume processing may be taken in context.

Maximum Number of Bills Annually

System Used

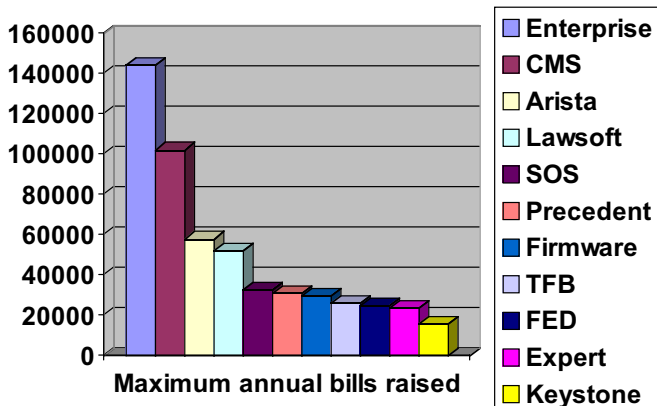
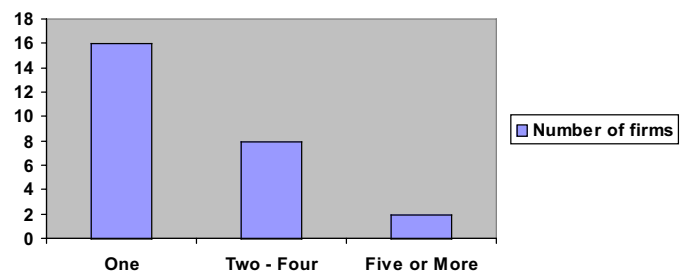
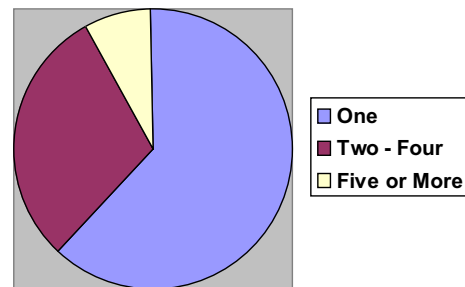
144,000	Elite Enterprise
102,000	ADERANT CMS
58,000	Axxia Arista
52,000	Pilgrim Lawsoft
33,000	SOS
31,000	Miles 33 Precedent
30,000	Tikit Firmware
26,000	TFB
25,000	Norwel FED
24,000	ADERANT Expert
16,000	ADERANT Keystone

Year System Installed



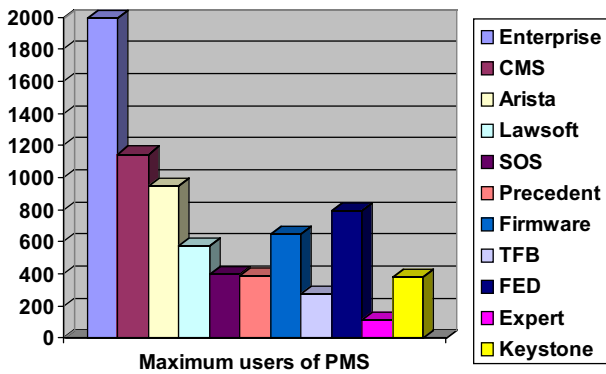
Number of Currencies Used

As a proportion of firms responding.



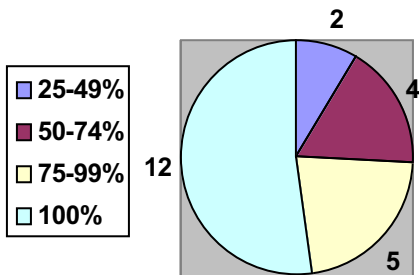
Maximum Number of System Users of PMS

Maximum Number of System Users of PMS	System Used
2,000	Elite Enterprise
1,150	ADERANT CMS
950	Axxia Arista
800	Norwel FED
650	Tikit Firmware
580	Pilgrim Lawsoft
400	SOS
390	Miles 33 Precedent
385	ADERANT Keystone
280	TFB
115	ADERANT Expert

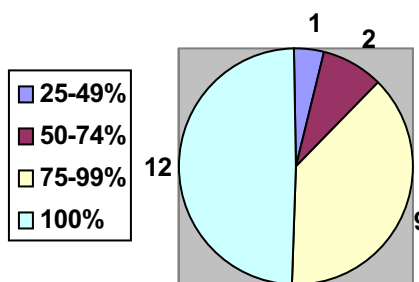


Proportion of Work Undertaken by Time Recording

Number of law firms by volume of work.



Number of law firms by value of work.



APPENDIX 1

Initial Questionnaire (with annotations in red)

- Total turnover for most recent year in £'000:
- Total number of transactions annually: **this has been adapted to the number of bills raised annually to provide a consistent measure.**
- Number of live cases / case closures per month:
- Number of currencies in which you work:
- Number of countries in which represented:
- Number of worldwide locations:
- Number of UK locations:
- Total number of staff:
- Number of qualified fee earners: **where trainees have been disclosed separately they have been excluded from the numbers.**
- Number of Paralegal fee earners:
- Number of other staff set up as 'fee earners' in PMS:
- Name and version of PMS:
- Date of last minor upgrade of PMS:
- Date of last major upgrade of PMS:
- Date current PMS was installed:
- Date next anticipate changing PMS:
- Total number of users of PMS:
- What version of what system is used for time recording:
- How many 'time-keepers' do you have:
- What proportion of your work by value is Time recorded?
- What proportion of your work by volume is Time recorded?
- How and with what frequency does time information pass to your PMS?
- Is invoicing conducted centrally or locally?
- Is invoicing conducted by accounts or by individual fee-earners?
- Do you use workflow?
 - Is it part of PMS?
 - Which supplier and version is your workflow?
 - Does your workflow integrate with your PMS?
- What case management system(s) do you use? For each one please give the supplier and version number and state whether they integrate with your PMS:
- What CRM system do you use? Please give supplier and version and state whether it integrates with your PMS:
- How does your firm undertake money laundering checks and where is the information stored?
- How does your firm undertake credit checks and where is the information stored?
- What system does your firm use for credit control? If not your main PMS please state whether it is integrated with your PMS:
- Which other systems do you integrate with your PMS? Please state supplier, version and what the system is used for:
- Please list the means by which your PMS can be accessed (i.e. Web, Windows, Blackberry, other handheld, Citrix etc.) For each type please note whether this is read only, full function or a combination of the two (i.e. certain functions read only.)
- With regard to the User Conference for your PMS:
 - How often is this held?
 - In which country is it held and how convenient do you regard this location?
 - How convenient is the timing of the conference for the finance team?
- With regard to your suppliers User Group:
 - Is this one group or are there specific groups for different areas of functionality? (If multiple please list)
 - How often does it meet?
 - How useful is this user group?
- Please add any additional points that you consider useful, including any areas you specifically wish to have covered within the telephone interview.

APPENDIX 2

Questions Asked as Part of Telephone Follow Up (with annotations in red)

1. Thinking about your current practice management system
 - a. What works well?
 - b. What does not work so well?
 - c. What features would you like that it does not provide?
2. How well does your PMS deal with bulk transactions
 - a. In terms of volume
 - b. In terms of composite billing and related transactions
3. Was your system designed specifically to deal with client / office split and if not how is this handled? **All systems involved in the project were specifically designed to deal with the client / office split. From the sample involved it has not been possible to draw any conclusions about those systems that are being adapted to work in this way, rather than designed for purpose.**
4. Where does your firm hold account checking / money laundering information? Do you use your PMS within this process?
5. How well does your PMS handle Ebilling / UTBMS codes? Does it allow for client specific codes to be used?
6. Is your PMS integrating with other products? How well suited to integration is it?
7. How well does your PMS deal with country specific information? (Both in terms of UK requirements under SAR / VAT etc and where you are using it in multiple countries, with any country specific requirements they may have?)
8. How good is your system for the speed of month end closure?
9. How good is your PMS for dealing with multi currency?
10. Does your PMS enable the calculation and allocation of interest , including the setting of detailed parameters to enable automatic calculation?
11. Does your PMS allow for the processing of expense payments split between disbursement and non-disbursement in one transaction?
12. How well does your PMS record time or do you use it integrated to another time recording product? In particular does it enable the time recorder to deal with large numbers of open matters?
13. Does your PMS allow you to differentiate types of non-chargeable work, including where appropriate charging these against client matters?
14. Does your PMS have the required functionality to enable a team leader to manage a team against individual and team targets?
15. Does your PMS enable the easy follow up old WIP / disbursements, including items more than twelve months old?
16. How good is your PMS at records management and the tracking of files as they moves through teams?
17. Does your PMS provide the ability for a fee earner to log on and continue to work in any location, including recording of time as though they were in their normal location?
18. Does the system enable the presentation of a view to clients, of their information as held within the system, if required?
19. How easy is your PMS for systems administration?
20. How easy is it to do upgrades to your PMS?
21. Are you on the latest version of the PMS software and if not why not?
22. Would any problems you have discussed be resolved if you were on the latest version of the PMS software?
23. How convenient are the annual conference and any user groups for your PMS?
24. How good is your PMS supplier for support?
25. How well does the PMS system cope with updating charge out rates? Can the firm make blanket changes, which leave untouched those clients for whom specific rates have been agreed? **(This question was added during the process following a question from a client member.)**

APPENDIX 3

Suppliers and Systems Covered Within the Report

The numbers using each system and the version in use have not been disclosed to preserve confidentiality

<u>Supplier</u>	<u>System</u>
ADERANT	.CMS
ADERANT	.Expert
ADERANT	.Keystone
Axxia	.Arista
Elite	.2.80B
Elite	.Enterprise
Miles 33	.Precedent
Norwel	.Fee Earner Desktop
Pilgrim	.Lawsoft
SOS	.Practice Manager
TFB	.Partner for Windows
Tikit	.Firmware

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DEFINITIONS

Bill: Invoice.

Client Accounting: The requirement to keep client money separate from money belonging to the law firm, including holding it within separate designated bank accounts.

Case Management System (CMS): System managing matters (cases) through their life cycle of activities, allowing the system driven progress through the necessary stages of work.

Client Balance: money belonging to the client, held in a separate designated account.

Client Interest: There is a requirement under the Solicitors Accounts Rules (see below) to pay interest to clients on the balances of their money held by the law firm.

Consolidated Billing: The invoicing of multiple matters within one overall invoice.

Credit Note: An invoice for a negative amount reducing or cancelling a previously invoiced transaction.

CRM: Customer Relationship Management

Disbursements: Those costs incurred in the completion of a matter that can be passed on to the client.

E-Billing: The submission of invoices through electronic interchange.

ERP: Enterprise resource planning — enterprise-wide system.

Fee Earner: Lawyer or para-legal whose work is recorded for invoicing to the client.

Kite Mark: Mark that a product successfully meets a specified set of criteria.

LLP (Limited Liability Partnership): A form of business structure in which the liability of the partners within the firm is limited.

Lock Up: The total funds tied up within the business in the form of work in progress, disbursements and client debt.

Nominal Ledger - General Ledger: Ledger in which double entry bookkeeping for all accounting transactions is held.

Practice Management System (PMS): The name given to the main financial management system within the law firm. This covers all aspects of office and client cash management, billing and management of law firm costs and those third-party costs passed onto the client, work in progress management and basic analysis of the profitability of the business.

Records Management: The management of the location of client files, both physical and electronic, including both those archived to a third party location and those resident within the buildings of the law firm itself.

Solicitors Accounts Rules (SAR): Detailed set of working practices and procedures that govern the operation of all UK law firms and their management of client files and client money. Every UK law firm must be audited for compliance with these requirements on a six monthly basis with a report being sent to the Law Society of any breaches which occur. In extreme situations breaches of these requirements can case the individual solicitor responsible for the file to be 'struck off.'

Sort Code: Code to differentiate bank branches within the UK.

UTBMS: Uniform Task-based Management System.

VAT: Value Added Tax, effectively a sales tax.



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LITIG Limited ("LITIG") is the independent, not-for-profit group for professionals involved in all aspects of legal IT within the UK. The group provides a unique forum to meet and share ideas on how best to address issues facing the UK legal sector. LITIG is self-funding via a joining fee/subscription, which is set by the members and is reviewed annually.

The LITIG constitution allows for membership of individuals who are:

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- Employed in In-House Legal departments
- Employed in local or national government departments
- Employed by or volunteer workers in 'not for profit' legal organisations

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LITIG meets for an all day session each quarter at a member's office and covers an agenda based on topics and presentations suggested by its directors and members. Attendance at meetings and access to the member's area of the LITIG website is only available to paid-up members.

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Please complete the application form at www.litig.org or email rjk@rjkind.me.uk.