

INDUSTRY ANALYSIS

Why finance shouldn't be left behind in law firm transformations

Alison Regan, EVP global enterprise solution delivery at Fulcrum GT, makes the case for bringing a firm's finance function to the foreground of the transformation journey to create a more agile, responsive and client-focused organisation

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Law firm management largely focuses on integrating cutting-edge technologies into client-facing areas, such as legal research or client relationship management. However, one critical functional area is often overlooked in the transformation journey: finance.

While finance systems are sometimes perceived as static or less glamorous as compared to client-facing innovations, this viewpoint risks missing a significant opportunity for enhanced operational efficiency and, ultimately, increased revenue generation. Successful firms know that finance should not be sidelined in transformations and that integrating advanced technologies into this function can drive substantial benefits for the firm, its lawyers and its clients.

What is the status quo?

Finance systems are often categorised as “keeping the lights on”.

They run core and often manual processes and, most likely, have not seen significant investment for several years. They likely lack the sophisticated automation available in contemporary cloud-based solutions. It is a struggle to fight for investment and any money tends to go on further regulatory compliance or client-led demands (eg e-billing). The function is historically seen as a back-office operation, far removed from the firm’s strategic goals.

As a result, it does not always receive priority, investment or attention when it comes to transformation initiatives.

Aligning finance initiatives with firm-wide strategy

Law firms today face the dual challenge of growing revenue while delivering exceptional client service. Transforming the finance function is integral in achieving these goals.

The PWC Annual Law Firm’s Survey 2023 noted that: “[M]any firms seem to be taking a ‘wait and see’ approach to transformation, whether that be structural, scale or operational technology. Being slow to act will hinder firms’ ability to capitalise on innovative technologies such as genAI and cloud, manage rising costs and weather the macroeconomic volatility ahead. Instead, firms need to act decisively and take bold steps to transform into a sustainable ‘law firm of the future’.”

So, what will it take to influence leadership to prioritise investment in this area? A strong business case that demonstrates a return on investment is of course key. Better data equals better decision-making, which supports revenue growth. Increased automation streamlines teams and processes. The introduction of artificial intelligence (AI) can be used to support pricing, targeted and therefore improved debt collection, and things like outside counsel guideline (OCG) compliance.

But supporting improved working capital must feature heavily in any transformation business case. Investment in technology and processes to reduce lockup is on law firms’ minds, but change will take time to embed as this is not an area that can be quickly improved, so change needs to begin now.

Importantly, a streamlined finance function also indirectly contributes to better client service. Efficient billing processes and accurate financial reporting reduce the risk of errors and misunderstandings, enhancing client trust and satisfaction. Furthermore, a modern finance system enables greater transparency and quicker response times, which are essential for maintaining strong client relationships.

Making lawyers’ lives easier

Don’t underestimate the value of making the lives of lawyers easier by simplifying their administration work. The right technology can vastly improve a lawyer’s experience across all finance processes. From streamlining new matter intake, to providing helpful prompts

when time recording (and indeed ensuring time is recorded in-line with client requirements) to vastly improving billing, which is often seen as an administrative burden by lawyers.

Modern finance systems can integrate seamlessly with practice management tools, ensuring that financial data flows smoothly across different functions. This integration helps in reducing duplication of efforts and enhances overall workflow efficiency. It also ensures lawyers feel better supported by good data, enabling them to share key aspects more proactively with their clients and benefit from AI and automation.

In conclusion

In the ongoing transformation of law firms, the finance function should not be relegated to the background. By embracing cloud-based solutions, AI and automation, firms can unlock significant efficiencies, improve financial management, and ultimately drive better outcomes for clients and lawyers alike.

Transforming finance is not just about keeping up with technology; it's about leveraging these advancements to create a more agile, responsive and client-focused organisation. As law firms continue to navigate the complexities of the legal market, the strategic integration of finance technology will be a key driver of long-term success and sustainability.

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