



Making Money from Your Technology: Return on Legal Technology



Oklahoma Bar Association
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- Marquette Univ. Law School, 1986 (Law Review)
- Founded MicroLaw in 1985
- Legal Technologist
- Chair, Milwaukee Bar Association Technology Committee, Chair Midwest Law & Technology Conference 2002-2005
- Technolawyer Consultant of the Year 1999, Contributor of the Year 2001, 2002, 2005, 2006
- Over 850 law practices assisted
- Developer of the "Paper LESS Office™" process
- Obsessive author and speaker nationwide on legal technology subjects with over 1200 presentations including dozens for ALA Annual and Regional meetings
- Chair, ABA LPM Section Computer & Technology Division since 1998 and Member, TECHSHOW 1998-2001 Board; Co-Chair, LegalTech Planning Board for all U.S. Conferences (1999-2005)
- Former Board Member, State Bar of Wisconsin Law Practice Section; Technology Resource Committee Co-Founder, Legal Technology Alliance

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ROI Introduction – Business 101 for Lawyers



- No one has ever accused most lawyers of being good businesspeople
 - *The vast majority of lawyers have had little or no business education or training*
- Most U.S. law schools have virtually no coursework on running a law practice as a business
 - *If we use an acronym like “ROI”, familiar to every business undergrad, and most lawyers’ eyes will glaze over*
- ROI = Return on Investment
 - *In other words - for every dollar spent on technology and practice management streamlining, you should know in advance you will make two, three, four or more dollars back - a positive return on investment*
 - *Any technology that cannot be shown, on paper, to have a positive ROI in a defined time period is something you should avoid!*



Technology Becomes a Law Practice Profit Center



- *That all changes.* The “new” economy and the threat of financial extinction create a new class of lawyers who learn that understanding business techniques = the best chance to thrive in modern law practice
- *A shift to leveraging only technology that can be shown to generate a positive ROI and which generates more profit than it costs*
- Visualizing technology as nothing more than an expense and a necessary evil becomes the hallmark of all the failed law firms that dot the landscape of the near future.



How Much Otherwise Billable Time Do You Waste Every Day?



- How much time do you spend/waste
 - *Looking or waiting for files?*
 * 15 min * 30 min * 1 hr * 2 hr +?
 - *Trying to determine case status for clients?*
 * 5 min * 15 min * 30 min * 1 hr +?
 - *Cutting and pasting or retyping documents*
 * 15 min * 30 min * 1 hr * 2 hr * 3 hr +?
 - *Typing duplicate info into multiple programs?*
 * 10 min * 30 min * 1 hr * 2 hr +?
- And don't forget - how much time does your STAFF waste on those same tasks?



Where Does the Wasted Time Go Every Day?

- Assume: Small firm size of 5 attorneys, 5 staff, billable rate of \$200 per hour for lawyers, cost of Staff time, \$35 per hour
 - Looking or waiting for files?
 * *Attorney: 15 min, Staff: 30 min*
 - Trying to determine case status for clients?
 * *Attorney 5 min, Staff: 15 min*
 - Cutting and pasting or retyping documents
 * *Attorney 15 min, Staff 1 hr*
 - Typing duplicate info into multiple programs?
 * *Attorney 0 min, Staff 10 min*
- What does all that cost???





For 5 Lawyers / 5 Staffers - The Cost of Inefficiency is Staggering!

- Looking or waiting for files:
 - * Attorneys: 312 hours, \$62,500 per year
 - * Staff: 625 hours, \$21,900 per year
- Trying to determine case status for clients?
 - * Attorneys: 104 hours, \$20,840 per year
 - * Staff: 312 hours, \$10,940 per year
- Cutting and pasting or retyping documents
 - * Attorneys: 312 hours, \$62,500 per year
 - * Staff: 1250 hours, \$43,750 per year
- Typing duplicate info into multiple programs?
 - * Attorneys: 0 hours, \$0 per year
 - * Staff: 208 hours, \$7,290 per year
- What does all that cost???

That's \$229,700!

Even if you ultra-conservatively discount it by 75%, that's still over \$57,000!



Now Look at 50 Lawyers (75 staffers) . . . Mind-Boggling Financial Revelations

- Looking or waiting for files:
 - * Attorneys: 3120 hours, \$625,000 per year
 - * Staff: 9375 hours, \$328,000 per year
- Trying to determine case status for clients?
 - * Attorneys: 1040 hours, \$208,400 per year
 - * Staff: 4688 hours, \$164,000 per year
- Cutting and pasting or retyping documents
 - * Attorneys: 3120 hours, \$625,000 per year
 - * Staff: 18,750 hours, \$656,250 per year
- Typing duplicate info into multiple programs?
 - * Attorneys: 0 hours, \$0 per year
 - * Staff: 3120 hours, \$109,375 per year
- What does all that cost???

That's \$2,716,025!

Even if you ultra-conservatively discount it by 75%, that's still over \$679,000!





Where Does the Wasted Time Go Every Day?

This “typical” 5 lawyer firm with 5 staffers wastes between \$57,000 and \$229,000 per year on these tasks alone. If CMS saves just 50% of that time (in reality, it’s much more than that in many areas), it can amount to more than \$28,500 to \$114,500 per year in additional revenue



The choice is yours . . .



The Big Seven “Technology=Profit” Moves

- Get a version of Windows that actually works (in other words, ban anything below Win2K) - save at least 15 minutes per day, per lawyer and staffer
- Deploy a well-implemented and well-planned case/practice management system - another 15 minutes per day
- Use a document manager - and make sure people ALL know how to use it - 5-10 minutes each day
- Deploy a knowledge management strategy which is far more of a liveware issue than a hardware and software issue
- Train often, train right and train again -think CL(T)E - Continuing Legal Technology Education
- Manage paper by going Paper LESS™ and make more money - another 15 minutes per day
- Assemble documents - and bill flat fees for the documents!



Info.Flow . . . Logical Next CMS Step

Leveraging all that info you've been entering . . .

- Case/practice management systems, properly selected and implemented well are powerful money makers
 - *Conversely, poorly selected/implemented case managers will eat you alive financially*
- For those that have case managers, you've been diligently entering matter info, dates, deadlines, ticklers, to-do's, case notes, and more . . . for years
- *Now it's time to leverage that info by focusing on the "info.flow" or the processes used to generate work product and provide client services*
- Info.flow is how all that CM info gets used in some meaningful, profitable way



Info.Flow . . . Where CM Becomes a Profit Center . . . a Big One

Info.Flow Refinement Makes Money

- When you bring Info.Flow analysis and re-engineering to your case manager, it turns into a virtual money machine - a new profit center in your practice
- Every single lawyer and legal professional should be able to bill at ***LEAST*** 15 more minutes per day, every single day, without increasing the length of their workday
- Every day you don't do this, that's how much you're losing . . .



Info.Flow . . . Mapping Your Practice Flow

What are you doing with all that information?

- It's one thing to have, track and store all that matter information
- But it's an entirely different matter to figure out how to best use it
- This is where case management can become the "road" on which your law practices "drives" (instead of just being the "fuel" in the "gas tank") (does that make sense?)
- So begin to map out your matter handling process, step by step . . .



Info.Flow . . . How to Practice Law?

Question Everything, Streamline Everything

- A whiteboard is your best friend in this process
- Map out each step in handling a client's matter
- Then see what information you need at each step
 - *Are you tracking that information in your case manager*
 - *Is the case manager's interface presenting what you need, in the way you need it, the way you need to view it every day?*
- It's time to tweak your case manager's interface to present maximum information in minimal screens
 - *Get to the true "at a glance" situation for your lawyers and staff*





Info.Flow . . . The ROTI Factor (Return on Technology Investment)

- If your average billing rate is \$200/hour . . . what does 15 more billable minutes per day mean?
 - *That's \$50 more per day*
 - *Which is \$200 more per week*
 - *Or about \$900 per month*
 - *That's about \$11,000 per year, per lawyer*
- In a 50 lawyer firm, that's \$550,000 (or be really conversative and cut it by 50% - it's still \$275,000)
- If the project costs \$100,000, that's at least \$175,000 positive return in the first year alone
- It would be *sheer economic insanity* not to do this
 - *And that's not even considering the effect on staff time*



Info.Flow . . . Reverse ROTI: (What you're losing without it . . .)

- The ROTI analysis is even more telling and dramatic when reversed
- Failure to implement a case manager and then failure to develop your info.flow means you're losing as much as it makes . . .
- The 50 lawyer firm is losing at **LEAST** \$275,000 per year
 - *\$137,500 in a 25 lawyer firm*
 - *Nearly \$70,000 in a 12 lawyer firm*
 - *About \$35,000 in a 6 lawyer firm*
- And that just doesn't make any kind of business sense, does it?



Case Study: Case/Practice Management System

- No other legal technology has the potential for positive return on investment
- A well-selected, well-implemented PrMS can generate a financial return in the high multiple of the project cost in a relatively short time period
- The opposite is also true if the system is poorly selected and implemented



Case/Practice Management System: Where the Positive Return Comes From

- Positive returns can be attributable to several areas of functionality:
- Lawyer and staff time no longer wasted looking for information that could otherwise only be found in paper files
- Document assembly / document generation
- Eliminating the wasted lawyer and staff time subsidizing duplicative entry of contact and matter information



Case/Practice Management System: Returns Expected – Based on Field Experience

- Practical returns to expect – the basis for calculation:
- Recovering wasted time looking for paper
- Average reported billable recovery = 15 minutes per day per lawyer and 15-30 minutes per day per staffer
- Document assembly
- Harder to calculate as an average since many firms never get this far
- Reducing or eliminating duplicative entry:
- Average reported billable recovery = 15 minutes per day per staffer, negligible impact on most lawyers



Small Firm Case/Practice Management System Costs: Solo to 3 Users

- Firm Size: Solo - 3 Users
 - PrMS Budget (SW only):
 - \$300 - \$2000
 - Abacus Law
 - Time Matters
 - Amicus Attorney
 - Practice Master (f/k/a Case Master) from STI
 - PC Law (now from Lexis-Nexis)
 - ProLaw Ready



Solo/Small Firm Case/Practice Management System Costs

- Implementation Costs – 1-3 Users
- *Product selection consultation – Free to \$2000*
- Configuration (“Customization”) and project planning
- *Data migration time can vary considerably and is hard to predict with certainty until underway – look for “ranges”*
- 1 - 20 Days in Firm
- *\$500 for a guided “DIY” project to - \$20,000+ (for comprehensive workflow analysis, workflow and practice streamlining for multiple practice areas with document assembly)*



Solo & Small Firm Case/Practice Management System Costs - Training

- Training Costs: 3 Users
- Initial Training: 1 - 3 Days
- Initial Costs: \$500 - \$3000



Solo/Small Firm Case/Practice Management System Cost Summary

- Cost Summary
- Product consultation \$0 - \$2,000
- Software \$300 - \$2000
- Implementation \$500 - \$20,000
- Training \$500 - \$3,000
- Total Cost Range \$1,300 - \$27,000
 - (Or More! Excludes non-billable lawyer/staff time value)



Small Firm Case/Practice Management System Costs (10 Users)

- Firm Size: Solo - 10 Users
- CMS Budget (SW only):
- \$2000 - \$10,000
- Abacus Law
- Time Matters
- Amicus Attorney
- Practice Master (fka Case Master)
- PC Law
- ProLaw Ready



10 User Small Firm Case/Practice Management System Costs

- Implementation Costs - 10 Users
 - Project consultation – Free to \$5,000
 - *Configuration (“Customization”) and project planning*
 - Data migration time can vary considerably and is hard to predict with certainty until underway – look for “ranges”
 - *3 - 20 Days in Firm*
 - \$500 for a guided “DIY” project to - \$30,000+ (for comprehensive workflow analysis, workflow and practice streamlining for multiple practice areas with document assembly)



10 User Small Firm Case/Practice Management System Training Costs

- Training Costs: 10 Users
- Initial Training: 2 - 4 Days
- Initial Costs: \$1000 - \$6000




10 User Small Firm Case/Practice Management System Costs


- Cost Summary
- Product consultation \$0 - \$5,000
- Software \$2,000 - \$10,000
- Implementation \$500 - \$30,000
- Training \$1,000 - \$6,000
- **Total Cost Range** **\$3,500 - \$51,000**
 - (Or More! Excludes non-billable lawyer/staff time value)


ROITI – 5 Person Firm




	Projected Time Recovery Per Day, <i>Per Lawyer and Staff</i> (Hours Per Day)	Number of Legal Personnel (Lawyers and Billable Staff)	Value of Time Billable or Recoverable (regardless of hourly, flat fee or contingent fee situations - time has value) <i>Per Hour</i>	Daily Dollar Value of ADD'L. Billable Time or Recovered Productive Time <i>Per Day</i>	Monthly Dollar Value of ADD'L. Billable Time or Recovered Productive Time (based on 22 workdays per month)	50% Conservatively Discounted in First Year	25% Conservatively Discounted in Each of Next Three Years (per year)
ADD'L. Billable time projected for per day for each lawyer	.25	2	\$200.00	\$100.00	\$2,200.00	\$1,100.00	\$1,650.00
ADD'L. productive time for billable staffers per day for each staffer	.5	3	\$35.00	\$52.50	\$1,155.00	\$577.50	\$866.25
MONTHLY PROJECTED TOTAL RETURN (1 st Column = Non-Discounted, 2 nd Column = 50% Discounted for 1 st Year, 3 rd Column = 25% Discounted for Years 2-4)					\$3,355.00	\$1,677.50	\$2,516.25
UNADJUSTED ANNUAL PROJECTED TOTAL RETURN (Figure = Monthly Projected Total Return x 12 months)					\$40,260.00	\$20,130.00	\$30,195.00
PROJECTED ADD'L. BILLABLE/ RECOVERED TIME DURING 48 MONTH FINANCING/LEASE PERIOD (ADD 1 st Year Discounted Return plus 3 x Discounted Annual Return for Years 2-4)						\$110,715.00	
SUBTRACT COST OF NON-BILLABLE TIME FOR LAWYERS AND STAFF (Calculation must be based on hourly rates listed above. Then take number of lawyers involved in the planning x 40 hours x hourly rate, then add number of billable staff x 60 hours x hourly rate) and insert figure to the right. Lawyers: 1 x 40 hrs = 40 hours x \$200/hour = \$8,000 Staff: 1 x 60 hrs = 60 hours x \$35/hour = \$2,100 Total Non-Billable Time Value = \$10,100 Figure to Right is Net 4 Year Return (Return Less Value of Lawyer/Staff Time in Implementation)					\$10,100	\$100,615.00	

MICROL <small>Legal Technology Lawyers Helping</small>		ROITI – 5 Person Firm				
<p>ENTER YOUR PROJECTED MONTHLY PAYMENTS (Includes Software Costs, Consultation Assistance, Implementation Costs, Training)</p> <p>Software Cost for 5 users (incl. Templates) = \$2000 Planning/Customization for 4 Practice Areas/Project Management = \$4000 Data Migration/Conversion/Installation = \$2000 Document Assembly Planning/Coding/Testing/Training = \$2000 Training = \$3000 Floor Support During Training = \$1000 120 Days Projected "Hand-Holding" Support = \$1500</p> <hr/> <p>PROJECT COST PROJECTION = \$15,500</p> <p>\$15,500 x .275 (48 Month Prevailing National Lease Rate) = \$582/Month 48 Month Total Cost = \$582 x 48 = \$27,936</p>					<p>\$15,500.00</p>	
<p>CONSERVATIVELY PROJECTED POSITIVE RETURN OVER 48 MONTHS (Discounted Total Return Less Payment Total)</p> <p>THIS IS ALSO WHAT IT COSTS THE FIRM NOT TO IMPLEMENT CASE MANAGEMENT</p>					<p>\$85,115.00</p>	
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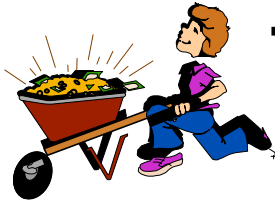
MICROL <small>Legal Technology Lawyers Helping</small>		ROITI – 18 Person Firm					
	Projected Time Recovery Per Day, Ex. Lawyer and Staff (Hours Per Day)	Number of Legal Personnel (Lawyers and Billable Staff)	Value of Time Billable or Recoverable (regardless of hourly flat fee or contingent fee situations - time has value) Per Hour	Daily Dollar Value of ADD'L Billable Time or Recovered Productive Time Per Day	Monthly Dollar Value of ADD'L Billable Time or Recovered Productive Time (based on 22 workdays per month)	50% Conservatively Discounted in First Year	25% Conservatively Discounted in Each of Next Three Years (see page 2)
ADD'L Billable time projected for per day for each lawyer	25	9	\$200.00	\$450.00	\$9,900.00	\$4,950.00	\$7,425.00
ADD'L Productive time for billable staff per day for each staffer	5	9	\$35.00	\$157.50	\$3,465.00	\$1,732.50	\$2,598.75
MONTHLY PROJECTED TOTAL RETURN (1 st Column = Non-Discounted, 2 nd Column = 50% Discounted for 1 st Year, 3 rd Column = 25% Discounted for Years 2-4)					\$13,365.00	\$6,682.50	\$10,023.75
UNADJUSTED ANNUAL PROJECTED TOTAL RETURN (Figure = Monthly Projected Total Return x 12 months)					\$160,380.00	\$80,190.00	\$120,285.00
PROJECTED ADD'L, BILLABLE/RECOVERED TIME DURING 48 MONTH FINANCING/LEASE PERIOD (Add 1 st Year Discounted Return plus 3 x Discounted Annual Return for Years 2-4)						\$441,045.00	
SUBTRACT COST OF NON-BILLABLE TIME FOR LAWYERS AND STAFF (Calculation must be based on hourly rates listed above. Then take number of lawyers involved in the planning x 40 hours x hourly rate, then add number of billable staff x 60 hours x hourly rate) and insert figure to the right. Lawyers: 2 x 40 hrs = 80 hours x \$200/hour = \$16,000 Staff: 2 x 60 hrs = 120 hours x \$35/hour = \$4,200					20200	\$420,845.00	
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MICROLAW ROTI – 18 Person Firm		
<p>ENTER YOUR PROJECTED MONTHLY PAYMENTS (Includes Software Costs, Consultation Assistance, Implementation Costs, Training)</p> <p>Software Cost for 18 users (incl. Templates) = \$6500 Planning/Customization for 4 Practice Areas/Project Management = \$10,000 Data Migration/Conversion/Installation = \$8000 Document Assembly Planning/Coding/Testing/Training = \$7000 Training = \$8400 Floor Support During Training = \$3000 120 Days Projected "Hand-Holding" Support = \$4000</p> <hr/> <p>PROJECT COST PROJECTION = \$48,900</p> <p>\$48,900 x .275 (48 Month Prevailing National Lease Rate) = \$1345/Month 48 Month Total Cost = \$1345 x 48 = \$64,560</p>		<p>\$64,560.00</p>
<p>CONSERVATIVELY PROJECTED POSITIVE RETURN OVER 48 MONTHS (Discounted Total Return Less Payment Total)</p> <p>THIS IS ALSO WHAT IT COSTS THE FIRM <u>NOT</u> TO IMPLEMENT CASE MANAGEMENT</p>		<p>\$356,285.00</p>
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MICROLAW Making Money from Your Technology – Ross L. Kodner, Esq.		
<h2>Case Study: Document Assembly ROTI</h2> <hr style="border: 2px solid purple;"/>		
<ul style="list-style-type: none"> ▪ Mortgage Foreclosure ▪ Document Type: Portfolio of Tax Lien Mortgage Foreclosures. 100 new portfolios a month. Most actions handled on default judgments. Fixed fees for each stage of litigation. Standardized litigation forms. Total fee per matter capped at \$2,500. <ul style="list-style-type: none"> ▪ PreAutomation: Use of paralegals to draft set of 20 standard form pleadings, motions, and affidavits. 20 hours at \$50/hour of Paralegal Time, 15 hours at \$100/hour for Attorney time to review documents and appear in court. ▪ PostAutomation: Paralegal drafting time reduced by 10 hours. Attorney review time reduced from 5 hours to 2 hours. <ul style="list-style-type: none"> ▪ Increased Revenue per case: \$800 ▪ Cost of Automation \$15,000 out of pocket and \$5,000 in nonbillable attorney time ▪ ROI on Investment: \$960,000 in one year (12 * \$800/case * 100 cases per month) 		
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At the End of the Day -Technology Can Make More Money Than Any New Associate



- Steps to take **NOW**:
 - **Educate** - Teach lawyers about the concepts of **ROTI** and especially, **Reverse ROTI**
 - Understand that “not making money” because time is wasted that would otherwise be billable is the same as spending money
 - Same negative net effect on the bottom line!
 - **Find the Holes** - look at your practice -where is the time wasted?
 - **Fill the Holes** - Intelligently select and implement technology tools/systems/processes that will “buy back” wasted time and turn it into new billables
- That’s how to harness technology as your firm’s new profit center!



Now Go Out and Make Techno.Dollars!



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