



Remote Collaboration Services in the Legal Industry

Driving Productivity and Profitability

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Executive Summary

Although the legal industry is showing signs of mild recovery, law firms are still suffering from the effects of the economic downturn and must focus on reducing costs, finding new sources of revenue, and increasing efficiency in order to remain competitive. With the forecast for legal industry growth trending flat, not all firms will survive and those that do will not prosper equally.

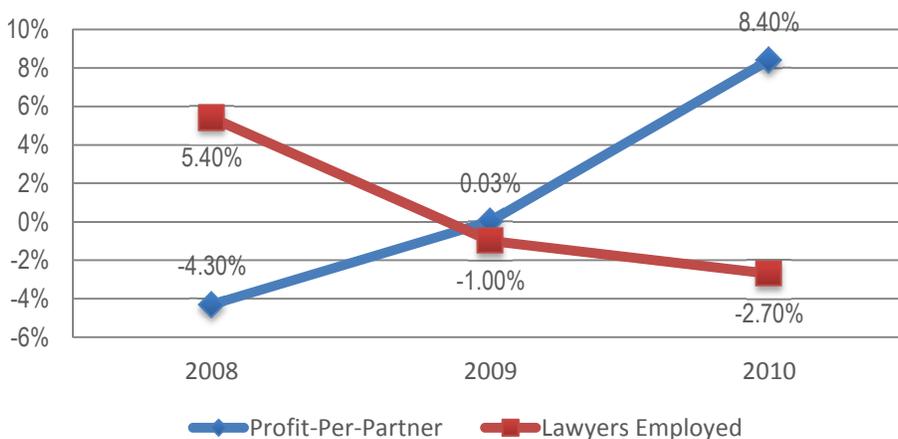
While IT budgets are experiencing a modest increase, most law firms' IT headcounts will remain stable or experience a decrease.¹ That means doing more with fewer resources. As an executive in charge of IT, finance, or human resources this whitepaper will arm you with valuable information about how remote collaboration solutions such as audio, video, and web conferencing can help law firms lower costs, increase productivity, and drive incremental revenue.

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Trends Impacting the Legal Industry

According to *The American Lawyer's* 2011 Am Law 100 report, profits per partner rose for the first time since 2008, driven in part by the economic recovery and significant headcount reductions. Over the past three years, major law firms laid off more than 15,000 lawyers and staff members to cut costs as revenues declined.²

Figure 1: % Change in Profits and Lawyers Employed



Source: American Lawyer, 2011 AmLaw Report

However, law firms still face significant challenges as overhead and other expenses grow at a faster pace than revenues. Cost cutting measures such as delayed technology upgrades, postponed

¹ "From the Mouth of AmLaw CIOs: Challenges and Trends", May 2011
<http://blog.biscomdeliveryserver.com/2011/05/09/from-the-mouth-of-amlaw-cios-challenges-and-trends>

² Layoff Tracker, Lawshucks.com, <http://lawshucks.com/layoff-tracker/>

expenditures, and deferred investments in human capital made during 2009 and 2010 had to be addressed, resulting in expense growth of 5% through the first nine months of 2011 while billing rates only increased 3.7% during the same period.³

In addition to declining growth in billing rates, clients continue to demand alternative fee arrangements (AFAs) such as flat, capped, or contingent fees. According to an American Lawyer survey, 81% of law firms have more clients asking for discounts and 92% used flat fees for at least one deal in 2011.

Yet another trend presenting a challenge to law firms today is the decline in demand for legal services. Cumulative growth in demand was 1.5% for the first nine months of 2011 and only .9% in Q3 2011, marking this the fourth consecutive quarter of declining demand for the industry.⁴

As law firms grapple with rising expenses and slower growth in revenues, many of them are looking to expand their practices through strategies such as globalization, adding new/more more lucrative practice areas through mergers and acquisitions, or lateral partner hiring to gain access to billings from loyal client followings. While these are promising areas for the creation of incremental revenue streams, they are not a panacea as they can be costly, complex, and risky propositions.

Although the ABA Commission on Ethics 20/20 posted draft proposals for U.S. lawyers to engage in cross-border practice, there are increasingly competitive and protectionist legal environments that U. S. law firms face when they seek to extend their global footprint. In addition, the overhead related to establishing a physical presence in overseas markets has caused some law firms to see decreasing revenue per lawyer and profits per partner.⁵

As building new practice areas within firms is a costly undertaking, mergers between law firms has been accelerating. A total of 60 mergers were completed on a worldwide basis in 2011, the highest level recorded since 2008 and a 54% jump from the prior year.⁶ However, the gains from increased billable hours and access to more business may not always offset the costs and operational difficulties associated with a merger. A recent Wall St. Journal article quoted a partner whose firm underwent a merger as saying, "*Operating a worldwide law firm 24/7 is an expensive undertaking. As you get bigger, you end up with many more conflicts...You end up with the costs, whether it's videoconferencing or travel.*"⁷

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³ Third Quarter 2011 Report on Law Firm Profitability, Citibank

⁴ Ibid

⁵ Center for Career Strategy and Advancement's Market Trends, Northwestern Law January 2012

⁶ Altman Weil Merger Line, January 2012

⁷ "Stark Choice for Lawyers - Firms Must Merge or Die", Wall St. Journal, January 20, 2012

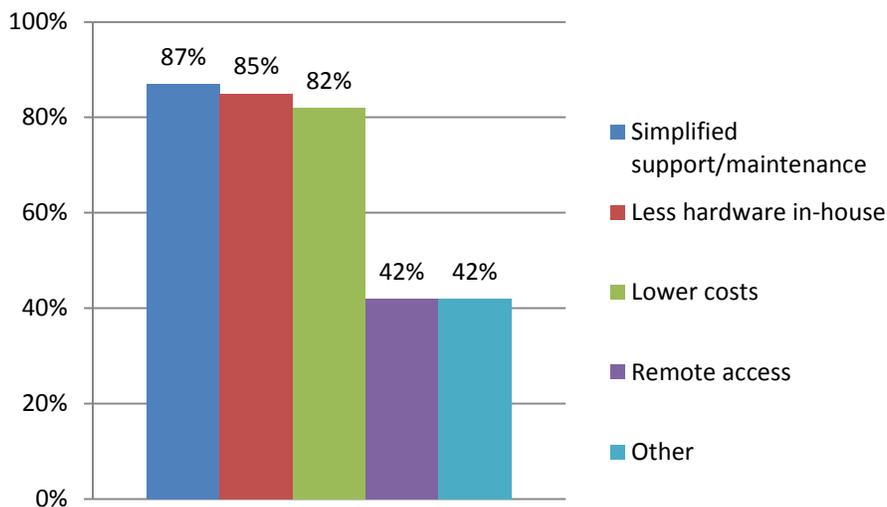
Finally, in an effort to increase productivity law firms are focusing their recruiting efforts on lateral partners. Seasoned attorneys can bring in revenue from existing clients and win new clients more effectively than entry level associates who require several years of development. However the reality is that there are material costs to consider when bringing on board lateral partners, including recruitment fees and an average ramp time of approximately 3 months.⁸

Cloud Based Collaboration Services

With all of the pressures on revenues and profitability, law firms must focus on leveraging technology solutions that help them remain competitive. 65% of law firms already use cloud computing, with the main benefits being simplified support/maintenance, less hardware in-house, and lower costs.⁹

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Figure 2: Perceived Benefits of Cloud Computing



Source: American Lawyer, Law Firm Technology 2011

According to a recent survey on law firm technology, the most widely used cloud-based application is e-discovery/litigation¹⁰. However, 97% of law firms indicate that they use web conferencing software and 99% use video conferencing technology.¹¹ Audio, video, and web conferencing solutions are now available on a global basis via a cloud-based platform from service providers such as Arkadin.

⁸ "Citibank's Third Quarter 2011 Report on Law Firm Profitability: The Good News is That Cash Collections Were Up for the Quarter; The Bad News is there is a Lot More Tunnel at the End of the Tunnel", Jerome Kowalski, November 2011

⁹ Law Firm Technology 2011, The American Lawyer

¹⁰ Ibid

¹¹ Ibid

Table 1: Applications Used by Legal Firms

Application	% Firms
E-Discovery / Litigation	63%
HR	35%
E-mail Management	35%
Storage	20%
IP Practice Solutions	8%
Document Management	8%
Payroll & Express Processing	6%
Billing	4%

Source: American Lawyer, Law Firm Technology 2011

Cloud-based audio, video, and web conferencing services enable remote collaboration and can increase productivity, client satisfaction, and revenue while reducing expenses across multiple functions within law firms:

Table 2: Remote Collaboration Benefits by Function

Function	Remote Collaboration Benefit
Partners	<ul style="list-style-type: none"> • Reduced travel time to and from out of office meetings, partner conferences, and committee meetings • Rich communications through mobile devices such as smart phones and tablets • Document review/editing with geographically dispersed co-workers • Reduced need for in-person depositions and court appearances by case experts and witnesses • Highly visual testimony using videos, slides, and screen sharing by remotely located case experts and witnesses

“Conferencing services enable remote collaboration and can increase productivity, client satisfaction, and revenue while reducing expenses.”

Remote Collaboration Services for the Legal Industry

	<ul style="list-style-type: none"> • Enhanced accessibility to clients and offices around the globe • Accelerated merger/acquisition processes and streamlined ongoing communications
HR	<ul style="list-style-type: none"> • Expanded recruitment efforts to a larger quantity of higher quality candidates • Simultaneous delivery of continuing legal education (CLE) programs and internal communications to hundreds of employees • Identification of higher quality candidates using interviewee registration and qualification tools • Ability to track attendance and participation during CLE courses or employee communication sessions • Remote delivery and scoring of post training exams • Recording and archiving of training and employee communications for on-demand access
IT	<ul style="list-style-type: none"> • Elimination of maintenance, upgrade, and IT staffing costs related to on-premise solutions • Remote dispositions without the cost or hassle of deploying specialized hardware
Finance	<ul style="list-style-type: none"> • Lower office leasing costs by enabling remotely located staff to work from home • Reduced travel expenses required to enlist testimony from remotely located case experts • More economical international calls via access to local gateways vs. international telecom rates

Conclusion

As the economic recovery continues, law firms are faced with continuing challenges in generating revenue and profits. Although layoffs temporarily boosted profits per partner, growth in demand for legal services has slowed down and clients have become extremely price sensitive. Law firms have turned to strategies such as alternative fee arrangements, mergers/acquisitions, globalization, and lateral hiring to gain access to more clients and expand into new practice areas. However, expanding into these areas comes with the burdens of additional overhead and operational complexity. The gain in billable hours may not always offset the costs of recruiting/integrating new employees, additional real estate, and the increase in travel time and expenses.

In order to remain competitive, law firms must continue to drive incremental revenue while reducing costs, elevating customer satisfaction, and increasing efficiency. Remote collaboration services can help law firms cut travel costs and improve productivity, reduce the costs to obtain testimony, simplify the delivery of CLE and employee communications, increase billable hours and customer satisfaction, and provide a competitive advantage in recruiting and retaining talent.

Law firms that are considering an investment in audio, video and web conferencing should consider the following criteria when evaluating a solution provider:

- **Reliability** - for law firms to rely on collaboration services, they need to work flawlessly 100% of the time. A provider's services should be professionally designed and located in a managed data center that is mirrored in at least one other location, with a highly reliable network interconnecting them.
- **Quality of Service** - law firms should beware of inferior network designs in which participants of a conference call are hosted on different VoIP bridges, which adds latency and degrades audio quality.
- **Security** - law firms have special needs for secure collaboration services due to the highly confidential nature of the information discussed. Collaboration services hosted on a private IP network and data center will ensure the integrity of communications at all times.
- **Global reach** - service providers that have local gateways connecting the network around the globe can complete calls based on local access fees vs. international telecom rates, resulting in significant cost savings for law firms.

- **Breadth of solution** - a services vendor that can deliver a full suite of collaboration services (audio, video, web conferencing, presence, and instant messaging) is easier to manage and can tailor a collaboration solution to the needs of a law firm as they change and grow.
- **Workforce adoption support** - best in class service providers should offer free training to accelerate widespread adoption and use within law firms, leading to faster time to benefits.
- **International conferencing support** -. in addition to 24/7 local language support, remote collaboration service providers should have operators available that are familiar with cultural differences and offer translation services.
- **Deployment options** - by choosing a cloud-based collaboration solution, law firms can convert capex to operating expenses and eliminate costs for software upgrades, maintenance, and IT staff associated with traditional/on-premise solutions. In addition, law firms can scale without limits as quickly as they want with a cloud-based remote collaboration solution.

About Arkadin

Arkadin is one of the world's leading providers of cloud-based remote collaboration solutions including: audio conferencing, web conferencing, video conferencing and webcasting. Arkadin understands that real-time communication between geographically dispersed co-workers, clients and partners is essential to succeeding in today's global business climate.

Arkadin provides customizable, cost-effective, user-friendly remote collaboration solutions including video conferencing, audio conferencing, web conferencing and webcasting. Founded in 2001, Arkadin has more than 26,000 customers worldwide and operates locally in 28 countries with 800+ people throughout Asia, Europe and North America. For more information, please visit www.arkadin.com.

ArkadinVideo is an HD video conferencing solution that empowers your entire workforce to engage remotely in face-to-face meetings with co-workers, clients, prospects and strategic partners around the globe using a personal computer and any high-speed internet connection.

About Palmer Research

Palmer Research designs and executes custom market research studies focused on helping IT decision makers and high tech companies meet their business objectives. Founded in 2001, Palmer Research delivers the data and intelligence clients need to better understand market dynamics, customers, prospects, and partners. The company is located in Los Altos, CA. For more information, call (650) 224-7439 or go to www.palmerresearchgroup.com.

About Debra Chin

Debra joined Palmer Research in 2006 as Senior Vice President. Her background includes executive level marketing and research positions for companies in the high tech, telecommunications, and consumer packaged goods industries. She holds an MBA from Columbia Business School and a BSE in Economics from the Wharton School of Business.