Choosing the Right Financial Management System for Your Firm
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Introduction

Every law firm, regardless of size or practice areas, needs to find ways to remain and improve efficiency and profitability. A big part of staying efficient and on-track includes using a financial management system that goes beyond your typical accounting system and can not only meet your firm’s existing needs but can support your firm as it grows and evolves over time.
As a law firm administrator, you have a lot of day-to-day responsibilities on your plate. Beyond those daily and weekly tasks, you also need to keep the larger picture in mind to help ensure the firm's operations continue to run smoothly in the future — a future nobody knows exactly what will bring as technology and software capabilities evolve and change. However, in a firm that plans to maintain or grow activity and revenue in the future, being proactive about anticipating the future needs of the firm, its partners and its associates can be the difference between success and less than stellar performance.

Rather than waiting until your firm needs a new financial accounting system and you're forced to choose one quickly, be proactive. You want to choose to migrate your financial accounting system on your own terms as Frank Schipani of Gilbert, LLP discusses in his article “Migrating on Our Own Terms: A Finance System Conversion.” By planning for efficiency, growth and vendor changes while re-evaluating your needs over time, you'll be ahead of the curve.

• Plan for Efficiency

When it comes to financial and other data management, there are a number of reasons why efficiency can be a struggle for law firms. In some organizations, data is stored in multiple systems that don't integrate with each other. Someone must manage and maintain information on more than one platform, which increases the potential for errors or other issues because someone isn't looking at the most current information and takes away from time spent working on other responsibilities.

There is also a surprising number of firms that try to track client and financial information using offline tools like Microsoft Word documents or Excel spreadsheets. Doing so makes collaboration between attorneys and staff difficult, if not completely impossible. Even if you're tracking changes in a shared Google Doc or Spreadsheet, it can be difficult to collaborate firmwide. And while it's possible in a one-person firm to keep your financial accounting data in a spreadsheet, you risk losing your data or struggling with sharing and translating that data with others as your firm grows.
• **Plan for Growth**

As is true of any kind of business owners, most partners want to see their firms serve more clients and increase billable hours or transactions year-over-year. In order for that to happen, firms will need to bring on new associates and legal staff. Planning for those staffing changes well ahead of time is critical; if a firm isn't ready to support its personnel, it will quickly learn that its personnel won't be there to support the firm.

In addition, the needs of a five- or ten-person firm are vastly different from the needs of a 75-person law firm. What are your firm's one-year, five-year and ten-year growth goals? Planning for how many attorneys and staff members your firm will need, and considering the different ways that might happen (i.e. organic growth vs. mergers/acquisitions), is an often-overlooked but critical step in selecting tools to help run the firm.

• **Plan for Vendor Changes**

Maybe you're considering moving to a new firm accounting, document, client or case management system because you're planning for future growth. Or perhaps, instead, you need to change vendors or tools because the system you were using has become outdated, is being sunsetted or was acquired by another company. Whatever the reason for changing system providers, law firm administrators can leverage those vendor relationships to improve efficiencies. When it comes to law firm management systems, vendors understand the challenges and opportunities facing firms of every size.

By treating your product vendor as a valued business partner, you can learn from each other to make the firm/vendor relationship that much more valuable for everyone.

• **Evaluate Your Needs Every Few Years**

If you've been diligent about planning for efficiency, growth and vendor changes, you'll be well-prepared to select and implement a firm management tool that will help you realize, and maintain, efficiencies in your firm. Be aware that your firm's needs will change over time — your forecasts for future needs may or may not be accurate. Even if they're on the nose, what is currently working or good for the firm now may not work well a few years from now.

Technology and software will likely continue to change over time, so that the latest and greatest tools today will be of limited value later on. When you're evaluating vendors, ask about their track records. How have they adapted to changing technologies in the past? Look for a vendor that is nimble and prepared to implement new technology, helping ensure both their own future longevity as well as yours.
Choosing the Right Financial Management System for Your Firm

For most law firms, taking a one-size-fits-all approach to technology will be of limited value. Every firm has different needs when it comes to using, sharing and reporting on data. When you’re implementing a new financial management tool, you should have the opportunity to tailor the system to meet your firm’s specific needs, helping to improve efficiencies. In doing so, it’s important to be deliberate about evaluating and identifying what you need today and what the firm might need in the future.

• Evaluate Your Current System

The first step is to take an honest look at what you’re using today for financial management. If you’re not currently using a law firm financial management dashboard for example, this October 2016 ABA article, Awesome Databases: Capture, Track, Share by Richard Marx, provides some compelling reasons to implement one. If you are using a dashboard tool, look at it critically. When it comes to using the system, accessing information, sharing and collaborating and reporting on data, what is working well? What are the system’s shortcomings? Are you implementing up-to-date technologies?

If multiple people in different roles at your firm use the tool or its data in different ways, ask them to answer the same questions. You can learn a lot about what users want out of a system, and about where there are procedural bottlenecks or other inefficiencies today, just by giving users the opportunity to share their thoughts. Although your current system may be both comfortable and familiar, it may not be meeting your firm’s needs.

• List Your System Requirements

The next step in the process is to identify what you need your financial system to be able to do for you. Start with the features you, and other system users, identified as things that are working well in your current system, then build on those features. Your list might include some or all of the following:

  • The ability to transfer your current system’s processes and procedures
  • System upgrades with minimal expenditure
  • Seamless, timely and minimal down time upgrades
  • Automated workflow processes
• Customizable and flexible time management and reporting capabilities designed to meet both the firm's and individual users' preferences
• The ability to provide partners with dashboards that can provide deeper insights into the performance indicators that matter most to them – including key profitability analytics that go beyond your typical cash basis financial statement
• The ability to consolidate other practice management tools and functions including conflict checks, records management and docketing
• Paperless efficiencies
• Enhanced billing features – electronic and paperless
• Better accounting and reconciliation controls

Whatever is included on your firm's systems requirements list, it's important that it be designed to encompass both where your firm is today and where you want to be in the future.

• **Dream Bigger — What Features Do You Wish You Had?**

Now that you have your list of what you need your new system to do for you, it's time to take it a step further and identify what you want your system to actually do for you. This is your opportunity to create a “wish list” of sorts, of the capabilities your ideal new financial management system would include.

By this point, you've probably already identified several things you and other system users wish you could do with your financial management system. Some common “wish list” items for law firms include:

• Cloud solutions
• Browser based applications
• Any device support
• Mobility
• A more user-friendly interface
• Improved reporting – on-line interactive dashboards with full drill down capability
• Features to minimize time entry rejections, adjustments, appeals and write-offs
• Email automation – invoice PDFs, collections, calendaring and contacts
• Being able to image payables at the source
• Paperless efficiencies including – client intake, expense reporting, distributed and collaborative billing
• Flat fee forecasting through advanced profitability analytics
• Paperless imaging – expense reporting, billing documentation, financial statement drill down
• Business continuance & disaster recovery
• Fixed cost for entire system; no need to purchase individual modules upfront or in the future
• Predictable IT cost with no need for a dedicated IT staff to manage software and hardware
• Annual upgrades included
• Better vendor support

Don't be afraid to dream big when it comes to this list. Of course, you may not find an available solution that will meet everything on your list, so it can be helpful to prioritize your list of “nice-to-have” options.
Now that you know what you need, and what you want, your financial management system to be able to do, the next step is to identify what type of system hosting makes the most sense for your firm. If you're not a technology guru, you may be intimidated by the thought of trying to understand the difference between cloud, hosted and on-site systems let alone choosing one for your firm. Don't let the lingo overwhelm you! The examples below can help you understand the differences so you can select the option that works best for your firm.

**Evaluating Your Best Options: Cloud, Hosted or On-Site Systems?**

- **On-Site Systems**

  An on-site accounting system is a program you launch on your computer every time you want to use it. The information you enter and store in an on-site system is only available to those people in your firm who have been given access to it, and only on those computers where it’s been installed. The firm will have their own server where data is stored. The firm is responsible for all data backup and disaster recovery. It’s typically not a web-based tool, and is usually a solution where there is very little customization available for users. **The firm’s IT staff will install, upgrade and maintain the necessary hardware, software and environment to run an on-site system.**

  Typically, fees for on-site solutions are one-time and upfront, depending on the number of user licenses you need to purchase. This solution will always have an associated ongoing monthly or annual maintenance fee. Future software upgrades or releases will need to be installed by the firm, and in most cases, require a fee to receive these upgrades. Additionally, over the life of the product, new licensing and server hardware replacement costs will need to be considered.

- **Hosted Systems**

  A hosted system is moving your server or utilizing a server through a software provider and datacenter sometimes referred to as co-location. In a co-location environment, you are not running any software within your firm and will access your software and server remotely via the internet.
Hosted systems are sometimes labeled as cloud solutions but don’t be misguided. A hosted environment with 200 Firms has 200 different servers in one or many locations, with each Firm having their own server, with associated licensing fees. This can be misleading when selecting a vendor. A true cloud solution will have a single instance of software supporting many individual multi-tenant databases on one server. This allows a cloud vendor to manage licensing, software upgrades, security, connectivity and disaster recovery on a very large scale. A hosted vendor will need to manage a single environment for each individual firm for every aspect of the technology being hosted.

Because hosted systems cannot achieve true economies of scale environment, these solutions may need to pass on these higher costs to the firm.

• **Cloud Solutions**

The third option for law firm financial management tools is using a cloud-based system. The current information technology trend is to move key applications to the cloud or SaaS (software as a service) solution. With a cloud-based financial management solution, your data is accessible from anywhere and with any device as long as you have internet access and a browser. This can make collaboration among users easy and seamless and can be a great option for firms of any size. Cloud solutions are able to deliver a more robust software solution (tier one) with increased functionality for firms of all sizes which historically were only affordable by larger firms.

A true cloud-based solution delivers a very secure and robust solution through advanced technologies and is able to keep subscription fees lower while providing more value to the firm through the infrastructure design of these systems. Cloud solutions will include many of the following features for a law firm – scalability, single software environment, with one subscription fee, vendor SLA/Risk, optimal performance, major annual release software upgrades (at no additional cost), business continuance and disaster recovery.

Vendors offering cloud-based solutions are also very aware of the need for data security and privacy, so these tools typically incorporate stringent security measures and protections, keeping your firm’s, your clients’ and your employees’ information secure. Some key security features include: high availability data centers, built in redundancy with second site failover capability, high level encryption protocols, data storage encryption at rest, multilayer backup and recovery options, strong password and multi factor authentication policies and features.

Cloud solutions are continuing to grow in popularity with all types of legal practices. According to a 2016 FindLaw survey, 68% of corporate IT departments use cloud-based systems, and that number is going to continue to grow. Part of doing business today means having access to the all the tools necessary at a few clicks.
The current trend in the market is to replace on-site and hosted systems with Cloud solutions that address connectivity from anywhere, any device access, scalability, security, disaster recovery and software upgrades much more efficiently for a law firm today. Cloud technology allows firms of any size to run the most up-to-date software tools to keep their firm efficient, competitive, profitable and adaptable to
Choosing a law firm financial management system that's highly rated or that includes all kinds of bells and whistles is only as good as how it meets your firm's specific needs in this moment and how it will continue to grow as your firm grows. These four system features should be taken into consideration as you future-proof your financial management system:

• **Integration**

Will your financial management system integrate seamlessly with your document, client, and case management systems to create a comprehensive view of your firm's performance? Creating efficiency in today's legal landscape is one of the most important considerations for many law firm administrators, and you do that by sharing data across your management systems.

• **Mobility**

It's a mobile world. More and more people are working outside of the office. Whether the attorneys and staff at your firm work remotely on a regular basis or simply need accessible technology solutions from time-to-time, being able to access the system anywhere is key to improving efficiency.

According to a recent *Law Technology Today* article, the American Bar Association estimates that 20 percent of attorneys work from home, and that only 63 percent work in traditional office settings. Look for a tool that will allow users to access and interact with data where, and in the ways, you need them to be able to.

• **Security**

Can the system be secured so that only the necessary people have access to sensitive information and files? In this day and age of privacy breaches and cyber-security fraud, your clients depend on you now more than ever to keep their information safe and secure. Look for a vendor who takes security seriously.

• **Longevity**

Is the vendor you’re looking at going to be in it for the long-haul? A fly-by-night vendor could leave you back at square one, having to analyze and implement another new system long before you would otherwise need to do so. Choose a vendor who has a proven track record of helping law firms similar to yours with their financial management software needs.
Conclusion

Your law firm’s financial management system plays a critical role in helping the firm’s partners, associates and staff serve clients better, and more efficiently. When choosing a tool to support your firm, take the time to evaluate your current and future needs, wishes and the pros and cons of different options. Doing so can help position your firm for continued growth and success.
About RK

Since 1980, law firms of all sizes have relied on Rippe & Kingston for the financial tools to run their practice. With our company roots started as a CPA firm, and as IBM’s Americas Partner for the legal industry, Rippe & Kingston is a trusted name with hundreds of firms throughout the U.S., Canada and the Caribbean.

Our unique partnership produced Legal Management System (LMS) Software to dramatically change the way prevailing law firms operate. Financial and Practice Management systems offering both “Cloud” and on-premise solutions. Whether your firm is a ten lawyer, intellectual property boutique or an international firm with multiple worldwide locations, Rippe & Kingston delivers systems that are tailored specifically to you.

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