

Red paper

# Nimbus

A Next Generation Business Management System  
for the Legal Sector

# A Next Generation Business Management System for the Legal Sector

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## UK legal market landscape

The future of the UK economy today precariously balances on a knife-edge. The sluggish economic recovery, forecast for a few more years yet, is having a negative impact on the revival of the legal services marketplace. In addition, new regulations such as the Legal Services Act 2007 (LSA) and the Solicitors Regulation Authority's (SRA) outcome-focussed regulation, are reshaping the legal sector, taking this traditional industry outside its comfort zone and in so doing making the business environment even more challenging for law firms to operate in.

With the LSA now in full effect, the introduction of Alternative Business Structures (ABS) and Multi-disciplinary Practices (MDPs) allows any organisation, regardless of whether they have prior legal sector experience, to offer legal services. This is accelerating the commoditisation of legal products and services. New entrants in the form of retailers, supermarkets, banks, credit card companies, insurers, claims management organisations and co-operatives are now already offering or considering offering their customers legal services.

The increased competition is leading to a number of law firms devising merger and acquisition strategies for both survival and competitive advantage. The outlook is bleak for many firms who are unable or unwilling to change in response to the new competitors.

To safeguard consumer interest in this diverse and evolving legal sector landscape, the SRA has devised outcome-focussed regulation, which centres on the high-level principles and outcomes that should drive the provision of legal services for consumers. It aims to enforce the same service standards on ABSs and traditional law firms alike. The new SRA Handbook replaces the incumbent prescriptive rulebook that law firms are accustomed to. The flexibility offered to law firms in how they achieve outcomes for clients is seen by many as a double-edged sword – the onus of being compliant with open-ended concepts such as acting in the best interest of clients, undertaking proper governance, sound financial and risk management, is challenging to both interpret and achieve.

The poor economic outlook is also resulting in the buyers of legal services, in particular General Counsel, to re-assess legal spend. Under pressure to do more with less, they are looking harder at the value delivered by law firms, demanding both efficiency and quality improvements, often leading to the imposition of alternative fee arrangements. In addition, many organisations are exploring new models for sourcing legal services, causing the disaggregation of legal services and making differentiation between law firms a crucial factor in their survival. While there is scope for differentiation amongst firms providing complex advisory services, which in turn gives the legal services providers negotiating power; firms providing commoditised legal services are at the mercy of outsourcing legal service providers who can offer significant cost advantages to any General Counsel tasked with making significant reductions in legal services bills.

Ultimately, regardless of the preferred business model, operating as profitable, commercial entities while delivering customer satisfaction is imperative for legal services providers. They need to undertake good financial management, demonstrate superior business practices and ensure fool-proof regulatory compliance.

## Beyond practice management

Technology will play an even more significant role in law firm operations as the key legal services support platform. It is indispensable to the achievement of efficiencies that enable firms to lower costs without lowering profits. Standardisation and best practice, compliance and flexibility to rapidly respond to changing market conditions are also achievable when the right core financial and business management solution is in place.

Law firms already appreciate that traditional practice and case management systems will increasingly become inadequate in this new legal market landscape. Practice management systems are primarily designed to manage law firms' case, client and time records, billing, schedules, appointments, case deadlines and client files. They also facilitate legal sector-related compliance such as with document retention policies and courts' electronic filing systems.

However, today legal services providers face new business challenges and evolving trends. The technology systems need to deliver against those requirements.

### Internationalisation

With the liberalisation of the legal sector, growing trend of mergers and acquisitions and entry of ABSs and MDPs, even UK only focussed law firms will require the ability to operate in the international arena to leverage new business and expansion opportunities. This necessitates strong multi-jurisdictional, multi-currency and global reporting capabilities to compete across geographies.

### Resource management

Effective resource management is fundamental to profitable business operation. Legal services providers need to properly manage all resources including human (experience, capability, capacity and reward), and physical (offices, goods, equipment); to a granular level to reduce costs, maximise expertise, deliver client satisfaction and cost-effectively comply with legislations across geographies.

Strategic human resource management is becoming indispensable. Regular workforce skills and competency analysis to forecast and manage the need for new skills or development of existing ones in preparation for new business or expansion plans will become the norm. The importance of skills analysis is likely to be heightened in merger and acquisition situations where knowledge of the skill set residing in the respective organisations is not known to the newly merged entity or where it may well play an important role in the discussions and negotiations.

### Alternative fee arrangements

As fixed and capped fee pricing models becomes the norm, legal services providers need to predict cost and determine the right level of staffing to create profitable outcomes for themselves – while still delivering high quality legal services. A report published by the Legal Ombudsman in March 2012 says that legal services providers must be prepared to present a cost-benefit analysis to customers to explain their pricing model.

### Operational efficiency

Where stringent pricing, operational efficiency and a tight handle on firms' financial position are paramount, law firms require full visibility of the overall business liabilities, as opposed to just client and matter related expenditure, as has been the case traditionally.

To illustrate, typically, there is visibility of a liability only when an invoice has been logged in to the firm's system. But as a commercial entity, legal services providers must have visibility of a liability right from when a purchase order is raised for a product or service to effectively manage cashflow.

### Client demand for information

With growing pressure to reduce costs, there is increasing scrutiny by General Counsel on the investments or costs incurred by law firms on their behalf. As legal services providers themselves adopt the outsourcing model, to reduce the cost of providing legal services, where previously it may have been an acceptable practice to inform clients of the cost of outsourcing at the time of billing, now both General Counsel and individual clients expect law firms to be completely transparent and open prior to committing any expenses on their behalf.

Traditional practice management systems are not designed to deliver against these much more complex commercial requirements. Business management systems (BMS) however have always been much wider in scope, encompassing business, financial and practice management functionality often underpinned by workflow. They are designed to work across legal and non-legal environments, delivering the flexibility and adaptability required to operate in a commercially volatile business world. BMSs integrate internal and external management information across all business functions, facilitating seamless flow of information within the boundaries of the firm while managing connections to outside stakeholders.

## Nimbus - powered by Microsoft Dynamics AX 2012

### Productivity management

- Matter management and accounting
- Time management
- Travel and expense management
- Conflict management
- Sales and marketing

### Financial management

- Purchase ledger
- Sales ledger
- General ledger
- Cash and bank management
- Fixed assets
- Budgeting
- Invoicing
- Procurement and sourcing

### Performance management

- Role centres
- Business analysis
- Standard reports

### Foundation

- Security / Workflow / Alerts / Questionnaires / Integration / Languages / Global address book / Source code

### Human resource management

- Organisation management
- Position management
- Absence management
- Recruitment
- Employee development
- Course administration
- Competency management

# Nimbus – a legal sector BMS powered by Microsoft Dynamics® AX 2012

Nimbus (codename), from LexisNexis Enterprise Solutions, has been specifically designed for law firms. Based on the company's experience of providing software to the UK's top 250 law firms, LexisNexis has taken the stable and solid foundation of Microsoft Dynamics AX and added law firm-specific functions and processes.

As a result, it includes all the traditional and trusted practice management features, along with best practices for client time recording, financial management, human resources, analytics and more. Legal services providers have everything they need to address the business challenges faced in one integrated offering.

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## Why Microsoft Dynamics AX 2012?

LexisNexis chose Microsoft Dynamics AX 2012 for a number of reasons:

### Preferred technology

Microsoft is the preferred technology in the legal industry. Microsoft SQL Server, Microsoft SharePoint and Microsoft Office are critical to the day-to-day operations of law firms. A solution based on Microsoft technology lowers costs and minimises risk for law firms. Utilising the familiar Microsoft environment also minimises the need for user training, facilitating smooth adoption of the solution and causing minimal disruption to day-to-day operations.

### Powerful foundation

Microsoft Dynamics AX provides a powerful foundation for developing a specialised BMS. LexisNexis has created a truly global product in Nimbus, providing multi-company, multi-currency and multi-lingual functionality.

### Modular approach

Microsoft Dynamics AX enables Nimbus to be implemented in a phased manner. This means that law firms are not compelled to implement the full solution at the outset. They can deploy functionality purely based on business requirement.

### Cloud-ready

Microsoft is developing cloud capability into Microsoft Dynamics AX. The solution will be available through private cloud providers with ongoing enablement as part of the Microsoft Dynamics AX roadmap.

### Future-proof

Microsoft is committed to the long term development of the Dynamics AX platform. This future-proofs Nimbus as a solution, which in turn future-proofs the investment made by legal services providers in the system.

### Winning partnership

As Microsoft's only global independent software vendor partner in the legal sector, LexisNexis benefits from dedicated technical and architectural advice from the company. Consequently, the Nimbus development team has early access to code drops, allowing the latest changes to be simultaneously incorporated into the solution on an ongoing basis.

Conversely, Nimbus is enabling Microsoft to provide Microsoft Dynamics AX, a horizontal solution, to the legal vertical sector. Microsoft chose LexisNexis based on the company's deep understanding of law firm requirements, knowledge of the sector and history of proven solutions in the market.

"LexisNexis was an obvious partner choice for us, given the company's proven track record in the legal sector. Through our partnership with LexisNexis, we are committed to facilitating the development of a solution that will help all types of players in the legal sector meet their changing business needs."

Pat Fitzhenry, Director, Global Independent Software Developers, Microsoft

### Nimbus functionality

Nimbus goes beyond traditional practice management software available to legal service providers. It integrates and harmonises all aspects of firms' operations – from client time recording to collection, financial management and human resources – to drive operational efficiencies. It also supports the evolution of competitive business models.

### The solution offers the following key functionalities:

- Differentiation through quality of service. Nimbus helps firms complete actions within agreed timescales and costs by providing real-time visibility of client financials, and allowing budget tracking to preempt cost overruns. Furthermore, the solution helps firms expose the skill gaps in the practice; recruit more efficiently; streamline employee appraisal, development and training; and offer flexible compensation and incentive plans – all of which facilitates better talent management.
- Flexible fee structures versus maintenance of profit. The new solution allows firms to properly manage legal matters, resource cases commensurate with requirement, accurately estimate service costs, accommodate flexible invoicing and optimise administrative costs through best practice processes for finance, procurement, fixed assets, invoicing, expense management and human resource management.
- Increasing demand from clients for transparency. Nimbus offers inbuilt mechanisms for effective reporting, justification of fees and demonstration of compliance. The solution uses standard Microsoft reporting tools that users are familiar with such as Excel, SQL Reporting Services and Management Reporter. To help show compliance, the solution maintains audit trails for financials and conflict searches throughout the matter lifecycle and ensures anti-money laundering procedures are being followed.

- Preventing price erosion of legal services. Nimbus helps firms analyse and understand the costs associated with each type of matter by allowing flexible time recording and billing options for different types of work, storing all financial information about clients and matters in one place and using electronic workflow authorisation to accelerate financial process execution.

Nimbus has passed the stringent Software Solution Test (SST) for Microsoft Dynamics, which is a major milestone towards achieving the final Certified for Microsoft Dynamics accreditation – the highest Microsoft standard for partner-developed software.

“We congratulate LexisNexis on the software test results. By requiring Nimbus to meet our highest standards, we are assuring LexisNexis customers of the quality of the solution and safeguarding their investment in Microsoft Dynamics. We are very pleased with the development of the solution. The enhancements to the Microsoft Dynamics AX 2012 platform clearly demonstrate LexisNexis’ in-depth understanding of the technological and business requirements of legal practices.”

Steve Morrow, General Manager of Microsoft Dynamics in the UK

## Summary

By adopting Nimbus as the platform for conducting business, legal services providers can confidently adapt their organisations to deal with the changes taking place in the sector.

Quoting from a research note published by the oversight regulator of legal services for England and Wales, the Legal Services Board:

“The success of firms offering legal services will, in the end, depend on their ability to offer services that satisfy consumers. Growing competition, the adoption of new technologies, access to sources of capital and new forms of service delivery are likely to change the way the legal services market operates in the future, but it is harnessing those to meet consumers’ needs that will be the decisive factor.”

Nimbus offers the most advanced functionality to enable specialist legal services providers to deliver the highest quality of service, value for money and transparency. For high volume legal services providers, Nimbus helps leverage economies of scale and prevents price erosion for services.

## For more information

To find out more about [LexisNexis InterAction](#) and to discuss your firm’s specific business requirements, please visit [www.lexisnexis.co.uk/enterprisesolutions](http://www.lexisnexis.co.uk/enterprisesolutions), email [salesinfo@lexisnexis.co.uk](mailto:salesinfo@lexisnexis.co.uk) or call +44 (0)1132 262065 to speak to a LexisNexis Enterprise Solutions consultant.



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