



THE FUTURE OF LAW

Getting what you want for your Legal Tech budget

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Getting What You Want for Your Legal Tech Budget Best Practices for the Budgeting Season

We all know how budgets are tight and budget season is a stressful time of the year. While you need to secure funding for your existing products, you are expected to innovate and keep your firm ahead of your competition from a Knowledge Management perspective. New tools that help you to differentiate your firm include Legal Analytics, Machine Learning and other new legal technologies. But how can you convince your partners to provide the funding?

Our panel: Jean O'Grady, Publisher at Dewey B Strategic Blog, Greg Lambert, Publisher at 3 Geeks and a Law Blog, and Josh Becker, CEO at Lex Machina, discuss budgeting approaches and techniques. Get answers to questions such as:

- How do you negotiate a successful 2018 budget?
- How can you measure the value of technology?
- How do you convince your partners to give you the funding?

Speakers:



Josh Becker
CEO
Lex Machina



Jean O'Grady
Publisher
Dewey B Strategic Blog



Greg Lambert
Publisher
3 Geeks and a Law Blog

Josh Becker:

Hello and welcome to the Future of Law 6. The 6th in our series of webcasts on the future of law. I'm Josh Becker, CEO of Lex Machina, and we are very fortunate to have two very distinguished guests with us, two of the biggest names in knowledge management in law. Jean O'Grady is the Senior Director of Research and Knowledge Services at DLA Piper. She's also well known for her very influential blog, Dewey B Strategic, and also serves on the board of AALL.

[00:00:30] Greg Lambert, known to many of you as well, Chief Knowledge Services Officer at Jackson Walker. He is the current president of AALL and also one of the principle authors of the also influential blog 3 Geeks and a Law Blog.

Today we're going to be talking about getting what you want for your legal tech budget, best practices for the budget season. We all know budgets are tight, budget season is a stressful time of the year, and while you need to secure funding for your existing products, [00:01:00] you're also expected to innovate and keep your firm ahead of the competition from a knowledge management perspective. We could not have two better guests to talk to us on this topic. I'd like to ask them to each start off with some thoughts for all of us. Then we'll get into some Q&A with some questions that I have and then we'll open it up to the audience listening here as well.

Jean, perhaps, do you want to start us off?

Jean O'Grady:

[00:01:30] Okay, I'd be happy to. As many of you know, my career goes back, way to the bad, old 80's when library budgets were largely print budgets and everything we bought was largely for associates. Over the course of my career, I've seen that change, both the mix of products and the way we budget. One of the things I like to point to is that 2007 was very much a wake-up call. I saw a dramatic shift in the way law firms budget for information resources. One of the positive changes, although almost universally 2007, 2008 were terrible years, it was good for budgeting in the sense that lawyers understood immediately that we had to be very, very careful stewards of the firm's resources. It became much easier to engage partners in conversations about: were different resources

[00:02:30] really needed, and how could we prioritize and make sure we were making the best use of our assets?

The other thing is that, unfortunately, the bad news is that there has been an explosion of very interesting, very innovative new products over the past 10 years. It doesn't mean that budgets have expanded. One good piece of technology developments that has helped with that is the evolution or the emergence of **digital resource trackers, which help us get actual data**, to have conversations with partners about resources. The entire environment has changed, I think, very much for the better but there are still many challenges.

Josh Becker: Good, thank you. That was very helpful to start us off. Greg, some opening thoughts?

Greg Lambert: Sure, I'll just tack onto Jean's comments here. In that really, [00:03:30] especially over the past 10 years, I think that the law librarian's knowledge service folks that are in charge of the budget that adapts to the role of advisor and almost consultant to the firm, an expert on what the firm needs, new products that are coming out, how to move things in and out of the budget, [00:04:00] be seen as a resource for the firm or organization that you're working for, and **be very much an expert on new products** that are there, and truly evaluating what's important for the firm, itself. That's really all I wanted to tack onto that.

Josh Becker: Good, well certainly that's what we've seen dealing certainly with you folks and that's interesting to hear. [00:04:30] My first question is a broad one but maybe one to kick us off a lit bit and you touched on it a little bit. How do you fight for the budget you want and justify it? I know that's a broad question but perhaps I can kick off some conversation then we have a bunch of follow-ups. Jean, do you have any thoughts on that?

Jean O'Grady: We don't start budgeting at the end of the year [00:05:00] when it's time to do the budget. We pretty much anticipate all year long that we're going to need to do a budget. We look at new products throughout the year. We get feedback

from lawyers, if lawyers are interested in specific things. Often the way we justify new products, one of the key tools, is by **the ongoing evaluation of everything we've already purchased**. We use the data, we track the utilization and we try and, on an ongoing basis, even [00:05:30] throughout the year, we are trying to identify things that can be dropped, so that we can invest in new and more innovative resources.

That's not always possible but that is one of the techniques we use to get new things into our budget. Another thing would be pointing out to partners **what are our peer firms doing**, and that our peer firms are already using this technology and we should really be looking at it very seriously. [00:06:00]

Greg Lambert: That's a good point, Jean. I have a saying that nobody likes to be first in legal to try out new products and no one wants to be third. Everyone wants somebody to run it first, test it and then jump in immediately once they realize that the product works.

As far as budgets, one of the things that I tend to really stress, especially with the partners, [00:06:30] **when you're in a partnership like this is, it's their money**. We're there to help them and advise them on how best to spend that money. In law firms we don't necessarily lack for resources, we tend to have more resources than we actually need. It's part of being risk adverse. [00:07:00] What we do lack for is the ability to **understand what product needs to be used at what time**. As products become obsolete, as practices change, as new products come in, again, we're there to help advise the partnership on what works for us.

Josh Becker: I like that, not first, not third. It's not like Will Farrell in "Talladega Nights," you know first from last. It can be in the middle there.

Greg Lambert: First loser.

Josh Becker: [00:07:30] Greg, is your process similar to Jean's in that are you constantly reviewing? Is there really a fixed budget cycle or

are you constantly reviewing existing tech and looking at new tech?

Greg Lambert: Yeah, on paper, yes, we have a fixed cycle. We do a calendar year budget. We do have to have a budget and stick to the budget. That being said, though, having [00:08:00] come previously from an academic state institution, it was a lot different there where you had a set budget and getting things changes was nearly impossible. Here it's much more fluid. The demands, both up and down, can happen throughout the year. We could get a new practice group in. We could lose a practice group. **We are constantly evaluating what we're spending throughout the year**, looking at [00:08:30] new products, getting them evaluated, constantly get partners that come to us or others that say, "Hey, we absolutely have to have this product." We do have a flexibility. If it makes sense and the firm's willing to pay the money, we can add things in during the year. That's typically not the norm but it does happen.

Josh Becker: [00:09:00] If you're locking in for say, 2018, is that done by November 1st of the previous year or is there a set date, generally?

Greg Lambert: Yeah, for us we usually try to set everything by mid-October, get everything reviewed through November and then approved early December.

Josh Becker: That's very helpful. [00:09:30] Related to that, both of you are at large firms and many times, I'm sure, there's different offices and maybe different agendas at those offices. How do you think about consolidating the needs for your firm across different offices?

Jean O'Grady: I would say it's gotten easier as resources have become more digital. It used to be [00:10:00] very decentralized. Even so, we had bar coded all our local resources so we could understand the utilization. Having that data actually helped us really shrink print resources. **Now our budget is, by a large margin, digital.**

We actually do more budgeting by practice group than by locality. [00:10:30] We're such a large firm, we buy firm-wide resources. There are some exceptions where there are certain resources that are only used in Texas or only used in California. By and large, we are purchasing nationally.

The other thing, I'm a really strong believer in, is centralization. I really think when you have too many, it's very hard to control a decentralized budget or decentralized [00:11:00] purchasing. While it's very important to take the local needs into account, at the end of the day, we really retain control centrally. We have much better control because even if they're local requests, everything passes through a standardized process and still has to meet muster and be justified by some level of testimonial or by a partner who says we still need this print [00:11:30] resource. It's also then justified by data so we do make exceptions but **we are largely very much a data driven budget making process.**

Greg Lambert: I think Jean hit the nail on the head there in that a lot of things now have gotten away from an office-based budgeting. There's more practice or industry group focused because those tend to be a [00:12:00] lot of products now are very specialized. We want to make sure that those are going to the right people. Those people can be in multiple offices. It's important to understand how the firm is set up, how the needs are and set your budget in your operation so that it fits that need.

Jean O'Grady: I just want to add one more thing to that tacking on the practice group. We [00:12:30] work very closely with our practice groups at the end of the year to **show them the utilization data and the cost per use, and the cost per attorney for every resource** that's purchased for that practice group. We have wonderful relationships with our practice group directors and we collaborate with them. We understand we're all trying to make sure the attorneys have what they need. It's a very thoughtful, very collaborative process.

Josh Becker: [00:13:00] That's interesting and I'm sure vendors think a lot about this, too, in terms of you guys are very data driven. We joked about this, using analytics to buy analytics. How do you think about ROI? In some cases, it's amount of use but are there other factors, as well?

Jean O'Grady: To tell you the truth, I [00:13:30] think level of use is always a key indicator. There are some rare exceptions where either we can't track the use because it's a digital resource but it has weird characteristics that can't be picked up normally. Then we know who is the key stakeholder and we actually document who that is. If I get a question about why are we still buying this? [00:14:00] I can point to the exact lawyer or the exact practice group for everything we buy and explain. Most of my career, I did not have that level of data or information and we have just built a very robust tracking system so we know why we're buying everything. I think that, in turn, builds up the good will and the understanding by the financial services [00:14:30] people and the accounting department, that they know that we know exactly what we're doing.

Josh Becker: Having that trust with the finance folks, as well. Sorry, Greg, you were going to say?

Greg Lambert: I was going to say that I know that Jean and a lot of firms use products like Onelog or Research Monitor to help track those sorts of usage. We do not but it's definitely something that we look at all the time. A lot of the products [00:15:00] that we tend to focus on, especially anything that we purchase that's a new purchase, we really put the onus on the partner that's making the request to bring that product in to give us some solid, here are the wins that we had due to this product when it comes time for renewal. Surprisingly, you would think you would get more fight, a little more pushback on [00:15:30] asking for things like that, but actually they're pretty good at it.

Again, I point to them and said at the end of the day it really doesn't affect my paycheck when you buy this ultra-expensive product, it's really coming out of your pocket. It's really trying to put that back on them when you're not using something that really tracks it, especially those products that

come in via email rather than say online [00:16:00] service where they log in and you can track it like that. It's important that everyone have a little skin in the game on this.

Jean O'Grady: I agree.

Josh Becker: Yeah, and get those stories. That's interesting because I know for us, speaking as Lex Machina, sometimes we hear, "I might not have won that piece of business without Lex Machina." Those stories, how do you think about that in the context of ROI? We must be doing something right because we're happy to say both of your firms are customers and we've been increasing each year, so happy about that. It's helpful, I think, for everyone to understand a little bit more about that. I'm sure sometimes when you guys, as you're constantly reviewing this new tech as you've discussed, you see something you think would be good for the firm. I'm sure you have skeptical partners sometimes. How do you convince skeptical [00:17:00] partners about the need for new technology?

Jean O'Grady: We try and get them onto demos and allow them to kick the tires, look under the hood and ask their questions. I think that understanding who in the practice, and it may not be the practice group leader, but sometimes maybe it's the senior associate in a practice group. Again, I will often go to [00:17:30] the practice group director and have a conversation. I start with them and I say, "Do you see the benefit of this? Who do you think would be the person most interested or the sub-group most interested in this?" We start that way, a demo.

Often it does turn out that we go through the process of having the demo. We test it. We monitor [00:18:00] the testing. We get feedback. We do surveys. We have a fairly formal review process whenever we're bringing in, again, so we can explain it. As I said, in my environment we generally don't buy things mid-year out of the budget cycle unless a partner has come forward and,

again, as Greg referenced, maybe a new practice group or something has happened where they suddenly need a new resource. That is the one exception [00:18:30] where we will go and look at something mid-year. Generally when we're looking at new products, we're looking at them for the following budget cycle.

Greg Lambert: I agree with that. We're probably a little more informal than Jean is but then we're quite a bit smaller, head-count than Jean is, as well. The things that kind of pop out of nowhere usually come through a partner that [00:19:00] has seen it somewhere or has been in court and shown up by someone else because of the certain usage of a product. That doesn't happen very often but it does happen.

There are times where you have something that, let's say there's a format change where there's a product that we normally get in print but all of a sudden it's available electronic [00:19:30] and we can expand that. Some of the times you have to make a command decision and say, "You know what, this is going to be for the betterment of the firm." It either has a broader usage potential or it's cheaper than what you're doing now. There [00:20:00] are times where if I had to go to every partner and ask for permission to do that, it would take forever, if it would happen at all. On that, I tend to get one or two key stakeholders on, make a command decision and roll that out. That's a risk sometimes you have to take with the position that you have.

Josh Becker: In terms of convincing skeptical partners, it sounds like getting them on demos and [00:20:30] use cases. It sounds like also seeing what peer firms are doing, given what you said earlier, that helps as well?

Jean O'Grady: Yeah, but one other thing that I wanted to say. One type of marketing product that I've seen from one vendor that really was very powerful in convincing a partner was when vendors do some study or documentation to show how their product improves efficiency. I have found that [00:21:00] to be a real attention getter. I am surprised at how few vendors produce that kind of marketing collateral.

Even if you say, "Okay, maybe 100% of the time it's not going to produce that kind of efficiency." Firms are very much focused on efficiency today. I have found that to be a very dramatic attention getter.

Greg Lambert: I'll double down on that one. I've heard presentations [00:21:30] where people off-handedly say that attorneys don't like to be efficient because it cuts into the billable hour. That's B.S. It may happen but I would say that's the exception and far from the rule. Attorneys want resources that help streamline the job that they're doing. They do not want to spend a lot of time on doing this type of work. They [00:22:00] don't want to be having their associates, paralegals or other staff spending more time than they absolutely need to doing a project. If a product can speed up that process or improve the process, overall, that's something that's looked on very positively.

Josh Becker: Very powerful and good concrete advice from both of you so that's very helpful. We're going to open it up to questions [00:22:30] now. Please type in your questions, if you have them. One last question from me is, as people are doing that. Law firms are much more complex businesses than they were 20 years ago. Can you lose this a little bit? Libraries used to be very focused on a system of legal research, today really most management's about supplying information to marketing, bus deb, practice leaders and other things that we've talked about here. How do you guys deal with that and [00:23:00] think about that changing nature of the role? Greg, you talked a little bit about that as being more the role as the expert, the advisor and both that's reflective also that in your writing as well, being able to stay on top of new technology. Any other thoughts on that? Greg, do you want to start?

Greg Lambert: I think I kind of lost your question, Josh? Sorry.

Josh Becker: It seems in much more complex businesses and [00:23:30] ... I guess, I'm more concerned with the changing role of knowledge management and having to think about many more stakeholders within the firm.

Greg Lambert: Yeah, I would say the biggest challenge that we have right now is that there are a ton of specialty products that are out there, very niche markets. At the same time **we are creating very niche practices** within our practice groups. Being able to advise them on the needs, on the products that are available, what works, what doesn't work, what we already have versus what's out there that may be better. I see that there's a void there that knowledge services and knowledge management folks and librarians are filling for that need. [00:24:30] Hopefully that answered that question, Josh.

Jean O'Grady: I'd like to add to that. There are certain functions where often it's around business news. I think when I have gone to other business units and said, "Let's procure collaboratively and we can actually reduce the cost by figuring out what is the best product that will suit all the needs of [00:25:00] research, marketing, lateral partner hiring, whatever it is." **People really respond incredibly positively when we say we're going to help you shrink your budget.** We're going to look at what is the best product and how do we get the best license. That's another thing I want to add. I think we also have the best expertise in negotiating licenses and understanding how important it is to get a license that matches the work flow, to make sure we're buying [00:25:30] licenses that comply with our process. We're not going to buy three licenses when we really need twenty. **We take that all very seriously and figure out how is the user base and what is the best way to structure the license?** I think pretty much there's no one else who needs those products that understands those all issues as well as we do.

Josh Becker: Unfortunately, with a few minutes, we're getting lots of good questions in. [00:26:00] One is any suggestions for a relatively new librarian working on a budget for the first time, things you wish you did or might have known or things to avoid, et cetera?

Greg Lambert: The best thing that I can say is maybe work with other departments to see how they've set their budgets up, understand what the expectations are and it sounds simple, but **format and presentation are hugely important** when you go in to defend your budget for the year. The more consistent you are with how the firm lays that out, the better. Also, remember that you are looking at solving the needs of the firm, not necessarily just the needs of the library. If you're seen as being a part of the overall picture or machinery of the budget, [00:27:00] you can help explain that then I think you're setting yourself up for success.

Jean O'Grady: The one thing I would add to that. It might not be possible during your first budget but if your firm does not budget by practice group, I recommend that you go out and you start to collect the data so you can **associate everything you buy with a practice group**. That gives you much more power later on as you build up that information to be able to engage in the kind of discussions [00:27:30] I mentioned previously.

Josh Becker: A lot of good questions here. Do small firms typically have more budgetary flexibility and what portion of budgets allocated to miscellaneous expenses that are not knowable at the time of the budget creation?

Jean O'Grady: We use last year's. I guess because we've been doing it for a couple years, we use whatever proportion was last year. We might do a cost of living increase to that but we don't [00:28:00] alter that radically from year to year. I'm not sure that answers your question but you can email me and I'll see if I can figure it out.

Greg Lambert: A rule of thumb that I tend to use for the library budget, and again your mileage may vary on this. Typically, we look at the overall revenue of the firm, and anywhere **between one to two percent of revenue is generally what I've seen to fit for the library resources budget**. I think that may exclude salaries but when it comes to resources, between one to two percent. If you're .5 than

you're probably way under. If you're 2.5, then you're way over. That's my rule of thumb.

Josh Becker: For Jean, do you negotiate contracts or do you have a third party negotiating the contracts?

Jean O'Grady: I've done both but for the most part, I do them myself. [00:29:00] We have hundreds of small contracts so it would make no sense to bring in a consultant for every small contract. Certainly, some times, occasionally when there have been very large situations there's been a firm-wide decision to engage a consultant.

Josh Becker: This one, maybe last one. Who runs the test usually for a product that you're going to use? How much feedback do you seek from [00:29:30] experienced researchers and how much do you pass that information to the partners making the decision? A few things there, I don't know if there's a piece of that either of you can take on.

Jean O'Grady: All of it. We do all of those things. I was just going to say, if people don't respond, we go out. We do what I refer to as concierge. We actually sometimes seek out people, sit with them and try and get an understanding. Do one on one conversations with people [00:30:00] to get feedback.

Greg Lambert: We have researchers that are assigned to specific practice groups. They attend the practice group meetings, they build the rapport with those groups. When it comes time to evaluate and test or demo new products or even old products, those are my point people on the ground. They have those relationships there or at least can ask, [00:30:30] who are the point people within the practice groups that need to be on those evaluations and who we need to get feedback from.

Josh Becker: Last one and because we have a new accelerator class here of seven start-up companies and meeting with them in a few minutes. What recommendations do you have for new start-ups trying to sell your firm. Jean, I know you had a big thought on this when we talked earlier.

Jean O'Grady: **Know your competition.** It really drives me crazy when [00:31:00] someone comes to me with a new product and they don't know what's already in the market. They don't know what distinguishes their product from the competitor products that are already in the market.

Greg Lambert: Yeah, also tone down the A.I. right now. I think that it's somewhat a little overblown. Also remember you're selling me a product. I can't tell you the number of times where I've talked [00:31:30] with new entries into the market where they're selling you the person that's developing the product and not the product. It's a real odd situation because we're not buying that person. We're buying whatever the product is. We need to make sure that we understand how that product fits a need within the market.

Josh Becker: Excellent, that's very helpful. The system's going to kick us off in a minute, twenty-three. Closing thoughts [00:32:00] from each of you, key recommendations to our listeners to get the budget they want. Some closing thoughts?

Jean O'Grady: I was going to say that, especially for anybody's that's on the call that's new to running a budget. I think **building your own credibility as a careful steward of the firm's resources goes a long way** in helping you have credibility when you're presenting budgets year [00:32:30] over year. Demonstrating to everybody at the firm, whether it's partners, whether it's finance, whether it's the executive director that you know what you're talking about, you look at what's being used, you're careful and considerate and you're getting **feedback.** You don't pull the plug on products that partners really care about. It takes a while but I think being very sensitive to the priorities of your firm [00:33:00] are very important in building your own credibility in presenting budgets over the years.

Josh Becker: Lots of discussion, be on the lookout for our next Future of Law 7. Thank you very much all of you for participating.