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A Systemic Approach to Legal Document Automation Part 2 of 2: Defining the ROI

By Seth Rowland

INTRODUCTION

Wouldn't you like to gain 30 minutes a day?

I am not selling you a "Time-Turner" of the kind used by Hermione in "Harry Potter and the Prisoner of Azkaban" to "do over" parts of her day. This is not the world of flesh-and-blood wizards. Rather, I am talking about how electronic wizards (aka software-based automation systems) can enable you to accomplish more in the limited time allotted for work each day.

What is 30 minutes a day worth? Let me run the math for the average timekeeper:

- 30 minutes * 5 days = 150 minutes per week.
- 150 minutes * 48 weeks = 120 hours per year.
- 120 hours * \$200 per hour = \$24,000 for each timekeeper.

So a gain of 30 minutes per day equates to \$24,000 a year for each timekeeper. In reality, the amount of savings from a well-implemented document automation system could be as much as one or two FTE (Full-Time-Equivalent) staff members, a value of \$150,000 to 300,000 per year.

So what are you waiting for?

This article examines the return on investment or ROI for investment in document automation. By ROI, I mean for you to quantify whether and how quickly the time and money spent on development of an automated process will be repaid in your particular situation. The ROI will differ depending on the nature of the process being automated, the value of the improved efficiencies, and the amount of time and money spent on automating the process.

A DOCUMENT ASSEMBLY PRIMER

"Document assembly" is the practice of law writ large, using a combination of automated and manual processes. All documents created by a law practice are assembled. Such documents are the product of a discrete set of questions and answers, which are used to guide the appropriate language for the creation of the document. What document assembly does differently from the manual document creation process is: (1) codify the questions, (2) structure the answers, and (3) rationalize the outputs.

The amount of savings from a well-implemented document automation system could be as much as one or two FTE staff members.

The more comprehensive the questions in the automated system, the more structured and logical the answers, the more thought out the branches of the decisions tree, the better the outcome. In the world of document assembly, the quality of a system is measured by how close the "first draft" coming out of the system is to the ultimate final draft submitted by attorney to client. In a well-developed system, with a comprehensive interview, the "automated draft" should be the final draft.

Document assembly, properly understood, is a means to systematize the practice of law. Under such a system, you could achieve the same results, or better results, in a fraction of the time.

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WHAT IF YOU COULD ... ?

In determining the ROI, begin by defining a goal. Ask yourself the question: "What if you could ...?" Clearly define the process you wish to automate.

Below I've listed some processes worth automating. What if you could ...

- Generate engagement letters at the initial client meeting.
- Put together a complete estate plan in a day.
- Prepare a complete set of loan documents, including the closing statement, the same day you receive client instructions.

Properly implemented, document assembly will improve baseline work product; better forms mean better first drafts, period.

- File a complete set of responsive pleadings, discovery requests, and pleadings in an afternoon.
- Prepare a demand letter and complaint, along with specific prayers for relief in under an hour.
- Meet with a client in a virtual meeting, such as that provided by [GoToMeeting](#) or [Webex](#), hammer out the terms of a lease, and produce a comprehensive term sheet at the end of the meeting.
- Prepare the operating agreement for 20 special purpose LLCs and all supporting formation papers overnight.

WHETHER YOU SHOULD ... ?

Just because you can, doesn't mean you should. Some projects lack sufficient "bang for the buck." A word of caution! Document assembly is NOT cheap. Building an automated system is NOT easy. The design process will force you to rethink how you draft documents. And PARTNERS will have to spend REAL time.

That said, you should think seriously about document automation under the following circumstances:

- Before a major marketing push.

If you plan to release a television commercial featuring your firm as specializing in Elder Law planning, get your document assembly processes in order first so you can handle the increased work volume.

- Before the dog and pony show.

If you plan to make a presentation to a regional bank director about handling transactional work (or get referral estate planning business), you should figure how you can cost-effectively deliver the work to this new client at prices below that of your competitors.

- Before you hire a new associate or paralegal.

If you are considering hiring new staff to handle your workload, consider first whether your current staff can be made more productive. By productive, I don't mean working more hours (the traditional approach), but rather the ability to handle more transactions in the same time.

RISK MANAGEMENT IN A LAW FIRM

Risk management has been typically applied in a business context. While lawyers specialize in advising their clients on "risks," few law firms actually consider their own risk. In a law firm, risk is often measured solely in terms of possible malpractice suits.

Properly measured, however, a law firm also faces (1) risk of non-payment from dissatisfied clients; (2) risk of short payment from clients who balk at large fees; (3) risk of lost referrals from clients who fail to speak highly of your law firm to their colleagues; (4) risk of actual loss to your clients from errors in your documents; (5) risk of non-repeat business from clients who do not return; and (6) risk of lost potential business from clients who are turned away because you are either too busy or deem their work insufficiently profitable given your current fee structure.

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Document assembly is a means to reduce these quantifiable risks. Properly implemented, document assembly will improve baseline work product; better forms mean better first drafts, period. When you move from “merge templates” to automated forms that contain real business logic and decision trees, you will reduce risk because you have addressed similar issues consistently with the same text across multiple clients and multiple transactions.

When all is said and done, you should not commence a project unless the ROI for the entire project is returned in profits within six months of delivery.

Further, when you work with templates, as opposed to the document you did for another client, confidential client-specific metadata never gets into the document. If you have any concerns, [Hot-Docs 2008](#) has a feature that strips the metadata, if any, from the template during assembly. Such automation systems can be developed centrally and then made available to multiple offices using Windows Terminal Server; smaller offices can dedicate a PC and make it available using [Windows Remote Desktop](#), [GoToMyPC](#), or [LogMeIn](#).

Finally, automation reduces the risk of non-completion — the decision of a law firm to abandon a project half-way through because it has become too costly. In fact, systems free up time for more document review and client-facing consultations.

WHERE IS THE ROI?

Before you can sell a \$50,000 to \$100,000 project to your partners, you need to make a business case for automation that suits your practice.

1. Identify Potential Points of Growth.

Law is a business. Where can your business grow? There are opportunities to get more work from existing clients. There is an opportunity to

handle existing business (particularly fixed fee business) more efficiently. Perhaps, you can bring more “contingency” cases if the cost of initiating each action is reduced. Certain types of actions have fee-shifting provisions, but the typical fees are too low, unless you automate.

2. Evaluate Risk of Inaction.

If you do NOTHING, there are risks, a number of which were enumerated above. If your competitors stand still and do nothing, you will be OK. If you automate and eliminate the “risks” you will be more profitable.

3. Consider Client Perceptions.

What could you do if you had “more time?” Spend more time with each client, turn around documents faster, provide more cost-effective services, and you will bring more value to your existing clients and get new clients.

DETERMINE YOUR BASELINE

So what should go into your calculator? Start with baseline measurements.

1. Define the Market and the Deliverable.

The product of a law firm is not “time.” Any ROI calculation requires you to define a set of deliverables. What are you actually producing: an estate plan, a closing, a loan package, or a corporate formation? That is what your clients are shopping for. Identify what the market will pay for those “deliverables.”

2. Drafting Time.

Currently, how much does drafting the documents you intend to automate cost? Be sure to factor in the cost of the initial draft by a junior attorney or paralegal, the secretarial time, the review time by partners, and the cost of revisions and redrafts.

3. Turnaround Time.

The time from assignment to delivery is often overlooked by attorneys, but not clients. Clients expect to receive documents shortly after they meet with the attorney. Measure, by document

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type, the current time it takes from client meeting to delivery of completed documents.

4. Work to Collection Ratio.

Measure the time that is: (a) not billed, (b) written off, and (c) not collected. If you can “eliminate” this time, it frees up time for clients who will pay full-freight.

DETERMINE THE COST OF DEVELOPMENT

Now that you have decided to “automate” a defined set of documents, you need to look at the costs of developments. The initial choice is whether to buy or build. Buying has the advantage of a fixed cost. There are several automated form systems marketed by LexisNexis, Westlaw, and independent developers. If you buy a system, you need to determine whether the documents produced by the system meet your needs and match your drafting style.

If you don’t buy, you can purchase a document assembly platform, such as HotDocs, [qShift](#), [Exari](#), [Pathagoras](#), or [DealBuilder](#), and build it yourself or retain a consultant to work with you on designing a custom system. You need to factor in the subject matter expertise of the consultant, as well as the cost of your time and your staff in the development process. Do not look just at the “dollar cost” of the engagement. Consider that while the consultant is working on the system, you can focus on getting new clients or do client work.

When engaging a consultant, don’t just look at the hourly rate. Some consultants are more productive than others. You are better served to define a set of documents and send them to the consultant for a project quotation and time estimate. If you choose to build it yourself, and even if you work with a consultant, be prepared to spend substantial non-billable time and money.

CONCLUSION: BALANCING THE EQUATION

When all is said and done, you should not commence a project unless the ROI for the entire project is returned in profits within six months of delivery. If you can’t conceive of getting all your money back within six months, you have either chosen the wrong processes to automate, or the wrong people to do the automation.

There is a strong business case for document automation. Don’t let “gee wiz” and “can do” rule the day. You must dispassionately review the ROI for your particular project, and determine that on-balance you will be better off, more profitable, and carry less risk if you automate than if you stick with the status quo.

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ABOUT THE AUTHOR

Recovered attorney Seth Rowland was named TechnoLawyer Consultant of the Year in 2002 for his contributions to TechnoLawyer on the subject of document assembly and law practice automation. He is a nationally known technologist whose company, [Basha Systems](#), has helped many law firms and content providers build document assembly applications for both internal use and for resale. Please feel free to visit his [blog](#) for the latest on document assembly or the [video tours page](#) to see what such a system can look like. Basha Systems currently offers document assembly consulting services in HotDocs, DealBuilder, and GhostFill, with integrations to Time Matters, Amicus Attorney, and Access/SQL.

Contact Seth:

E: sgr@bashasys.com

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