

Law Libraries are Profit Centres

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I am pleased to have this opportunity to discuss with you how law libraries can become profit centres. Since I have been a librarian for 26 years, I would like to give you a short description of my background. I received my Masters in Library and Information Science from the University of South Florida in Tampa, Florida. Beginning my career in public libraries, I moved to school and law libraries and ultimately to West Group.

For fourteen years, I worked in law firm libraries in Florida and Colorado. My first position was as a research librarian in a firm with 165 attorneys in four locations. Over those years, I managed three law firm libraries. The first position I held as a manager was at a 75- lawyer firm with no print or electronic catalogue. At this point, I had the challenge of having the collection catalogued and learning how to do a budget. As my career progressed in law firms, I was given larger assignments beyond the library. I became manager of conflict of interest and records departments. The organisational skills I had learned back in library school became very handy. At the last firm where I worked in Denver, I was also in charge of developing and managing the research content for our Intranet.

As Chair of the American Association of Law Libraries Private Law Libraries Special Interest Section, I was fortunate to work with librarians who shared with me their experiences and challenges in law libraries. Those years became a real launching point for the next step in my career. In mid 1998, I accepted the position of Director of Librarian Relations at West Group. These past few years at West Group have been a wonderful experience since I now work with law librarians from all parts of the legal environment – law firm, corporate, academic and government. My job at West Group is to be an advocate for librarians both internally and externally. A large part of this job is also offering educational seminars such as this to librarians.

Changes in Law Firms and Law Libraries

Law libraries hold special challenges for all of us. Not only are librarians expected to be expert researchers, trainers and organisers, but we are also asked to be good business people. When I was in graduate school in the 1970's, I took a course on administration of libraries – public libraries. That course was primarily a broad overview of how to manage staff, assess a collection and deal with the physical setup of a library. The course did not prepare me for planning and administering a budget or increasing a law firm's profitability. So, as I began to manage that first law library, I had a huge learning curve. Virtually all of my knowledge about the business side of law libraries had to come from on the job, day-to-day work. I imagine that many of you have had the same experiences and frustrations. Today, library schools take more time to give practical courses in administration.

What I would first like to talk to you about today is how the practice of law and law librarianship has changed from what I think of as a "cottage industry" to a business focused industry. We must remember that law libraries are actually small businesses within a larger unit. To gain some perspective on how management of a law library has changed, let's look back on the changing nature of law firms over the past few decades.

In the pre-1990's, groups of lawyers worked together in less formal environments. Their main interest was in practicing law. Lawyers' practices and time centred solely on solving their client's needs. They avoided the mundane tasks of billing time, collecting clients' fees and juggling staffing ratios. Every lawyer had his or her own secretary. There were vast proofreading and word processing departments to produce documents. Lawyers were a group of professionals working within a comfortable network.

Even the intake of new clients was much less formal. A handshake between a lawyer and a client was good enough to seal a relationship. A lawyer simply walked down the hall to inquire whether a fellow partner was also doing a potential client's work. Conflicts of interest were settled easily. Law firms seemed like very civilised places to work.

So, who ran the practice? Administrators ran the business with the help of their accounting departments. From the lawyer's perspective, only managing partners really got enmeshed in the financial dealings of the firm. That was part of the responsibilities they inherited when elected to be a leader in the firm. Lawyers did not have to collect fees from

their clients. Their collections departments had that task. Lawyers did not have to negotiate with their clients over those fees. In other words, law firms were businesses run by non-lawyers. Lawyers could spend their time on their practices and being rainmakers.

Now, let's step forward to post 1990. Times changed and lawyers now had to be a part of the management of their firms in addition to practicing law. The economic turmoil of the early 1990's changed the law firm landscape. The old days of a gentlemanly practice were gone. Survival meant facing the tasks associated with making the firm a business.

What these events meant to many lawyers and their firms was a turnabout in who actually got their hands dirty in the business. Many firms had to scale back their practices if they had fewer clients. These facts changed how they hired lawyers and whom they hired. There seemed to be less hiring of new associates who did the bulk of the research and more hiring of laterals. The goal was to hire laterals who, hopefully, came with a large number of clients. But, these laterals were also lawyers who did much less research than new associates.

Along with these changes, librarians suddenly became more valuable in the research equation. Librarians began to perform more associate-level research and left rainmaking and business development to lawyers. Law firms came to the realisation that using librarians as expert researchers truly is more cost efficient.

At the same time that law firms were challenged to operate successfully, they were also highly competitive with other firms. A sagging economy meant that clients were hesitant to pay the larger fees that they had easily paid in the past. To counter smaller revenues, many firms boosted their attorneys' per hour fees dramatically and also charged higher disbursements for services, especially computerised legal research. Law firms were profiting from online research by escalating the per hour charges paid by clients. Although firms made more money this way, clients complained about the higher cost of research in an online environment.

ABA Ethics Opinion

In December 1993, the American Bar Association issued an Ethics Opinion (ABA Formal Opinion 93-379) entitled "Billing for Professional Fees, Disbursements and Other Expenses." This opinion said, "... a lawyer must disclose to a client the basis on which the client is to be billed for both professional time and any other charges." The opinion requires a lawyer to make disclosure for any charges made to a client. Of particular note is the section on "In-House Provision of Services" which deals with computer research charges.

The ABA Opinion states that computer research charges must be passed on to clients as an actual cost unless specified in a specific agreement to the contrary, such as in an engagement letter. The implications of this guidance regarding law firms' billing of online research were tremendous. Previously, firms had "marked up" hourly charges to make a profit on computerised legal research. After the ABA Opinion was issued, librarians who were the administrators of online contracts found themselves urging firms to either charge cost or add different arrangements to their client agreements. The result was the lowering of profits for firms from online research.

Changes in Law Firm Libraries

How were law firm librarians responding to these changing times? First, we must remember that in pre-1990, libraries were considered pure overhead and the cost of doing business by firms. Print libraries had been growing steadily since real estate was relatively inexpensive. Libraries were getting larger. Online research was relatively new. Westlaw was used primarily for case and statutory research. Secondary sources were still on the shelf. The library was the hub of research and a busy place.

Librarians were regarded as researchers, cataloguers, and acquirers of information. Although they managed large print, CD-ROM and online contracts, no revenues or profits were expected from the library. In fact, many librarians did not bill research to clients with any consistency. If they did bill, lawyers wrote off much of the charges.

In post-1990, libraries began to be asked to show their value and that meant as businesses. In other words, libraries have had to become profit centres for firms. Now, it would be incorrect to suggest that a law firm library is entirely a profit centre. There will always be overhead expenses that cannot be captured and charged to clients. But today, library budgets have to reflect the expense of maintaining a library, show cost efficiencies and forecast revenues.

As we know, librarians are being challenged to cut expenses from all parts of their operations – print, CD, online, staff, supplies, filing services, copies, etc. Librarians now must bill clients for research. Firms expect revenues from librarian research and services. How realistic a challenge is this?

Making the Library a Profit Centre

If libraries are going to be profit centres, librarians need to look at how they do business. One of the best ways to set the library's vision is to write a business or strategic plan. Why should you do this?

Writing a Business Plan

The first reason is that you need to show your value to your firm. Librarians need to market their managerial capabilities to their lawyers. You are top-notch researchers and information navigators. You are also knowledgeable acquirers and evaluators of information. Your skills are invaluable to the smooth running of a library or resource centre. A business plan is a marketing tool that makes your expertise very clear.

Second, you are more credible to firm administrators and managing partners who routinely focus on the business side of the organisation. You prove to them that you understand how a law firm works. You speak the same language with a business plan that organises your efforts.

Third, you may want to acquire funding for new applications and information products and take on new projects. You need the backing of the firm both financially and supportively to successfully accomplish your goals. If you want to be a part of your firm's Intranet or Portal expansion, you need to make that case in a plan. You are, after all, the expert on Westlaw and its advanced Intranet and Portal technologies and content.

How do you begin? Business plans vary by specific applications, but most have a common language. Take a look at a typical business plan on the U.S. Small Business Administration site at <http://www.sba.gov/starting/indexbusplans.html>.

The Small Business Administration advises you what to include in a plan. If you think that the Small Business Administration has nothing to do with libraries, think again. Remember that your library is a small business within a larger body. You are going to demonstrate that it is an effective business unit by writing a plan.

Your plan should be complimentary to the firm's plan. Most law firms have plans that outline their strategies and business for the next several years. If you have not seen the firm's plan, you should ask for it so that the library's plan supports it.

You should also ask to review the firm's marketing plan. Most law firms now have marketing plans in place as well as marketing directors or marketing consultants. It is increasingly important for librarians to have the same long-range goals as those set out by the marketing department. By including a section on supporting the marketing functions in the library's plan, you show the value of the library's research capabilities. If this is the first plan you have written, you should include the following sections:

- **Mission Statement and Description of the Library and Its Services**

The library's mission statement is your vision for the library, including recommendations for acquisitions of information products and technology. You describe the services that are of greatest value to the firm. You also describe the librarian's ability to make the library a revenue-generating department. And, you tell how you will measure the success of making the library profitable.

- **Business Trends and the Legal Environment**

In this section, you write about the value of librarians in acquiring and analysing research sources in the most cost effective manner. You should include facts such as:

- Law librarians are information-driven and budget-conscious
- Librarians monitor the balance of print, CD-ROM, and online collections and assess the costs to the firm and to clients
- Law librarians' value is in analysing and recommending information products
- Law librarians are experts at offering new technologies that bring value to legal professionals' research needs

- **Budget and Forecasts**

The reality of the firm is that it has financial goals it must meet. Your budget is a piece of this larger picture. The budget gives you the opportunity to demonstrate how you will generate revenues for the firm as well as create an information-rich, research environment. Forecasts should include revenue projections. Forecasts are also a directional tool for the firm.

You need to understand how your library fits into the organisations' goals and what financial pressures the firm faces. A possible approach when planning your budget might include asking the firm how much they want to spend and how much revenue they would like for the library to generate. Most likely, the firm will not know and will ask for your guidance. This is your opportunity to show how the library is profitable.

You also need to assess closely what kind of revenues your firm already expects from your libraries. If there are no expectations at the present time, then any profits will be surprising and greatly appreciated. Your task is to carry out your profit making goals and to market this added value to the firm. The firm needs to know that the library is contributing positively to the bottom line of the firm.

If you are already expected to generate revenue, your ongoing task is to plan carefully, realise the necessity of creating revenues and report to the firm on a regular basis. I recall that in my own experiences as a law firm librarian in the late 1990's, the firm carefully analysed my budget on a monthly basis and asked for explanation of any variances in expenses. Although challenging and a lot of work, it gave me a better perspective of where the library and the firm were going. A well laid-out budget will help you with this task.

As you write your plan and tackle the budget, you also must assess how the library will create profits and keep expenses at a minimum. There may be many different strategies specific to individual firms. However, there are major tactics that any law firm can use.

Staff Right-sizing

As law firms go through boom and/or bust times, staff sizes reflect the fortunes of the parent organisation and the economy. You should be able to show that librarians' time when billed properly and promptly results in recovery of at least a portion of staff salaries.

Another ongoing challenge with library staffing is finding the right ratio of professional librarians to library assistants. If the professional librarian must check in mail or type labels, then that person's time is not profitable. Library staffing trends in the last few years have shown a reduction in clerical positions. These have been replaced by software and outsourcing services. How does this position the professional librarian to the firm? It shows that librarians are critically needed for their research and management skills.

Online Revenues

Online revenues give the most opportunity for creating profits for the firm. Several strategies should be reviewed to impact profitability.

First, if you have not begun billing the library staff's research time, start now. Most law firms currently bill their librarians' time at paralegal or associate rates. An annual review of those rates should be undertaken since firms raise their attorneys' rates either annually or periodically. Even library assistants' time pulling cases and documents from Westlaw should be charged to clients. All billable research contributes to the firm's revenues.

Following the actual billing process there should be a thorough review and analysis of how much the library is charging to client work. A monthly report from you to management should detail how valuable librarians' research is.

One concern that many librarians have is that their time may be or is written off by attorneys in order to reduce client charges. Librarians should work with their accounting departments to see what those write-offs are. Once they are identified, it may become apparent that certain lawyers are consistently writing off librarians' time.

You may want to consider approaching lawyers who write off librarians' time and asking why they do this. Not only will you show your concern for the firm's profitability, but also it is a good marketing opportunity for you to show the value of librarians' research to the attorney's practice. I know one law firm librarian who has been both persistent and successful in inquiring about and changing write offs in his firm. In fact, he asks his accounting

department to generate a report that shows where the library staff's time is not charged. He follows up with a visit to the lawyer to inquire about the write-offs.

Direct Client Research

Some librarians are now taking requests and conducting research directly with clients. Librarians' work creates another valuable, direct link to the firm by the client. Although there are strict regulations dealing with conflicts of interest and legal advice, librarians should be able to provide value-added research when approved by the firm. Valuable research can be provided directly to clients, especially in non-legal areas.

Controlling Client and Firm Billing

Another way to bring more control to online costs is to create mandatory client/matter screens before each research session. The sign on screen should not allow access into the service unless a valid client identifier is entered. Many firms tie this screen directly into accounting records so correct client identification is facilitated. Even if your firm allows a "firm charge" number, this reminder helps attorneys bill their legitimate clients.

What do you do, however, if that firm number is being used too often? Two suggestions are: One, you can send a copy of the online bill to attorneys who have large "firm" charges. This will often remind them that they were doing billable work and prompt them for a client charge.

Second, talk with the Managing Partner or Library Partner about having the firm issue a message to all researchers about the nature of valid "firm" charges. Both of these strategies will help put tighter controls on charges billed to the firm.

Today, libraries are able to bill online charges much more quickly than in previous times. The advantage is that the client is charged on a timely basis with, hopefully, faster payment of fees to the firm. ChargeBack on Westlaw [westlaw.com.au] provides daily access to charges that can be uploaded into firms' accounting systems. Be sure to make your administrator and managing partner aware of this proactive approach to billing.

In addition to Westlaw usage reports, you also receive the firm's monthly, budget analysis report. With these two tools, you should be able to monitor client and firm charge-backs and the amount of revenue generated. If your firm has a fixed rate contract with Westlaw, you are receiving a discounted price. By showing the firm's discount and attorney usage, you have proof that online research is generating profits. At the last firm where I worked, we billed approximately 93% of our Westlaw charges to client related research. Because of our discount, we realised a revenue stream that was included in the library budget. Since seemingly everything else in the library appeared to be overhead, it was terrific to see credits to our account. Remember also that a fixed rate contract allows the firm to budget online costs in advance and provide value added information to its clients.

Cutting Library Expenses

Cutting expenses also counts toward showing profitability. As we all know, every year there is the same request from management to cut costs but also keep information flowing. As you analyse where there are opportunities for savings in print, CD-ROM and online, report them to management. Even if your firm thinks your budget is purely overhead, you can show the efficiencies you are putting into place and how much you are saving the firm.

An excellent place to review costs is in the "office copy" category. How many books do your attorneys keep in their offices? Are they all necessary? A survey that details the titles and costs may make some attorneys realise that they do not need certain titles in their offices any more. Certainly, with the rapid addition of secondary sources into the online environment, many office copies may be cancelled. Westlaw now has over 2,500 secondary sources online that can be accessed from the desktop.

Marketing the Value of Law Librarians to the Profitability of the Firm

Just as you have sharpened your look at the expenses that the library incurs each year, you should also remember to market the library and librarians' value. Showing your expertise is as important as budgeting well and creating revenues. I like to think of profitability as both quantitative and qualitative.

An annual report will remind the firm that the librarian is guiding the resources, maintenance and filtering of information for researchers. Without your expertise, lawyers are more apt to use resources that are inefficient and, perhaps, not as current as those on Westlaw. The newer lawyers of the Internet generation need to be reminded that librarians can provide value added resources and training that make them better researchers. As librarians also take on

more training duties in what is perceived to be a “point and click” world, your expertise is even more valuable. Librarians can team with Westlaw account managers to provide expert training on information sources and search strategies.

We know that librarians are expert researchers in both legal and non-legal resources. As you report to management, let them know that librarians provide better research in areas unfamiliar to lawyers. If your firm takes on a new practice area, you are the authority on how the collection needs to be developed. You might also suggest that lawyers send unfamiliar research to the library in order to keep their time more cost effective. Especially in business and client development, the librarian should be the prime researcher. In fact, many librarians report doing the majority of their research in business information these days. Much of this research is not billable to an existing client. If you are providing information about a prospective client or industry to the marketing department and the firm gains a new client, you have just contributed to the success of the firm. Be sure to track how your client development research is used successfully. Include these projects in your report to management. It is part of the library's profit centre attitude.

Online Resources and Profitability

As I was preparing this discussion, it occurred to me that technology is playing a much larger role in creating profitability for the library. Many firms and corporations now have Intranets and Extranets established. The resources that Intranets provide on the desktop contribute to the efficiency of research by lawyers, librarians and paralegals. Secondary sources, once harboured only in the library, are now available at your desk. Legal opinions and statutory materials are a click away on westlaw.com.au .

How do these tools affect the bottom line? First, they free a lawyer's time to research rather than mark and copy pages. Second, instant access gives the researcher the ability to quickly follow an idea to the pertinent information source, removing the time-consuming need to track down print resources. There's something to be said for being able to find a resource and put it into a document immediately.

Third, current news and business information generated by Internet technology, such as WestClip on Westlaw, give the researcher the ability to follow practice, client, and industry trends instantly. If time is money, instant information is worth millions.

Fourth, Westlaw's 15,000 databases give researchers a wealth of global information that is also cost efficient. Combined with the power of Westlaw Integration Solutions for Intranets and Portals, information teamed with technology gives the firm a competitive edge.

Conclusion

When I began this discussion, I gave you an overview of the ways in which law firms and law libraries have changed in the last decade or two. I have tried to give you some ideas about increasing the profitability of your law library. I hope that you will be able to use this information to generate revenues and add value to your institutions.

Putting theory into practice, I suggest that you follow these guidelines:

- Understand your firms' environment and business strategy. Track down the organisation's business or strategic plan. Ask for financial reports that show the revenue and operating costs of the firm.
- Write and correlate the library's business plan with that of the firm. Find out what your budget target for the next year is. Clearly detail and market the components that show revenues generated by the library.
- Prioritise the library's needs for the coming year as contrasted with expected revenues. Identify and market the opportunities for creating both quantitative and qualitative profits for the firm.
- Lastly, remember that no one knows more about the library and the vast world of information resources than you. You are essential in making information both available and useful to researchers. Your management skills make the firm a more profitable business. And, you, the librarian, are a key player in the firm's success.

For more information about West Group's Librarian Relations program, please visit the Librarian Relations' web site at www.westgroup.com/librarians.

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