

**NUCLEUS  
RESEARCH**

RESEARCH NOTE B26

ROI ANALYSIS YOU CAN TRUST™

## ROI Profile: Microsoft SharePoint — U.S. Legal Firm

### **THE BOTTOM LINE**

The legal profession is changing, and the increased efficiencies technology can bring are driving lower costs for clients while increasing the competitive advantage for technology-savvy firms. The firm profiled in this case is using SharePoint to manage an extranet that will both increase access for its clients and reduce costs for the firm. The end result will be greater client satisfaction at a lower overall cost.

**ROI: 161%**

**Payback: 11 months**

### **THE COMPANY**

The company profiled in this case is one of the United States's leading law firms practicing in the area of intellectual property and technology law. For more than 100 years, the firm has helped its clients protect their intellectual property through patent and trademark, copyright, and trade secret protection. With more than 1,000 clients and offices nationwide, the firm helps to protect ideas, nurture innovation, and bring new concepts to market. Its attorneys are specialists in high-tech litigation as well as dealings with the U.S. International Trade Commission, the FCC, and the FDA.

### **THE CHALLENGE**

Like any law firm, the company has significant document management challenges. Because of the technical nature of the firm's litigation, each client file includes hundreds of thousands of documents – larger clients' cases may generate millions of documents.

Documents stored in client files include research, discovery, and brief documents. Although some, such as briefs, are created by the case teams, many are received from external sources and must be scanned and then entered into the system.

There is also a significant amount of non-client-specific information and documents stored in databases. The firm already had a document management system, but because client teams are often distributed among other offices and work sites, it needed a way to provide secure, managed access to information over the Web, as well as an environment for document-based team collaboration.

The firm also recognized an important opportunity in the way technology could be used to interact with its clients. As with any law firm, having billable hours is the key to revenue for the partners. From a strict revenue standpoint, implementing technology that would increase efficiency would only reduce billable hours. However, unlike other firms facing this quandary, this firm recognized the value of providing high quality and efficient services to clients. The result would be lower costs for clients with a long-term increase in the amount of business referred to the firm.

As part of this effort, the firm wanted to provide its clients with secure extranet access to their case materials, to keep them better informed and reduce its own internal case management burden. Other key

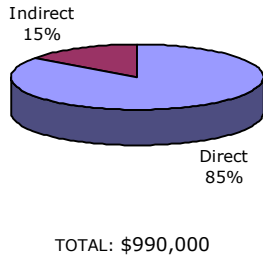
requirements included document-level security and audit trails, integration of research databases, and enhanced search capabilities.

### THE STRATEGY

The firm was already using Microsoft products for its office environment and network server infrastructure. With help from Vedas, a Microsoft Gold Certified partner, the firm evaluated SharePoint portal server as well as a number of other existing portal products. It selected SharePoint because the application met the firm's functionality requirements and because the firm believed that integration would be faster and easier with another Microsoft product.

The firm planned to work with Vedas to identify specific requirements and specifications, to plan the development strategy, and to support the initial deployment and long-term support of the SharePoint-based extranet.

### BENEFITS



### KEY BENEFIT AREAS

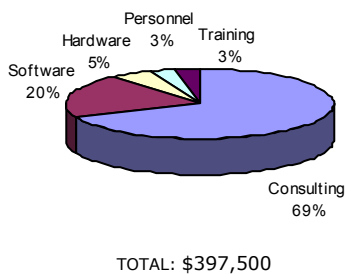
Nucleus identified a number of key areas where the firm will experience benefits by supporting case-based collaboration and information access with SharePoint:

- Increased productivity will enable attorneys to deliver successful litigation to clients for a small number of billable hours, providing cost benefits to clients.
- Increased productivity of case managers will enable the firm to grow its caseload without the need to hire additional case managers.
- Client extranet access will reduce administrative and call support costs.
- Better management of research teams and databases will improve the effectiveness of firm teams involved in litigation.

### KEY COST AREAS

The need to enhance security capabilities, integrate databases, and develop an appropriate user interface makes consulting the largest area for investment in this SharePoint deployment. However, by using SharePoint, the firm avoids the costs that would be associated with deploying a Web-based interface to its document management system. Other cost areas included in the ROI calculation are software, hardware, personnel, and training.

### COSTS



### LESSONS LEARNED

Although the firm has a document management system, rapid searchable access to information from many different sources and the ability to collaborate on documents instead of just accessing them is a key additional benefit a portal environment brings. Although the greatest long-term benefits from improved collaboration — better litigation for clients at a lower cost — may be difficult to quantify, the benefits of reduced need for case managers and administrative support, as well as elimination of an additional investment in the firm's document management system, justified the costs associated with the project.

### **CALCULATING THE ROI**

The largest benefit area for the firm is in the increased efficiency of its case managers. The firm believes it will be able to continue to grow its caseload without the expense of additional case managers. Other benefits quantified included reduced administrative overhead and paper and printing costs; however, these were minimal.

## Law Firm

### Summary

Project:	<b>Microsoft SharePoint</b>
Annual Return On Investment (ROI)	<b>161%</b>
Payback Period (Years)	<b>0.93</b>
Net Present Value (NPV)	<b>200,225</b>
Average Yearly Cost of Ownership	<b>132,500</b>

Annual Benefits	Initial	Year 1	Year 2	Year 3
Direct	0	240,000	300,000	300,000
Indirect	0	50,000	50,000	50,000
<b>Total Benefits Per Period</b>	<b>0</b>	<b>290,000</b>	<b>350,000</b>	<b>350,000</b>

Depreciation Schedule	Initial	Year 1	Year 2	Year 3
Software	0	0	0	0
Hardware	0	0	0	0
<b>Total Per Period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Expensed Costs	Initial	Year 1	Year 2	Year 3
Software	20,000	20,000	20,000	20,000
Hardware	20,000	0	0	0
Consulting	115,000	90,000	36,000	36,000
Personnel	0	3,500	3,500	3,500
Training	0	10,000	0	0
Other	0	0	0	0
<b>Total Per Period</b>	<b>155,000</b>	<b>123,500</b>	<b>59,500</b>	<b>59,500</b>

Financial Analysis	Results	Year 1	Year 2	Year 3
Net cash flow before taxes		166,500	290,500	290,500
Net cash flow after taxes		83,250	145,250	145,250
<b>Annual ROI - direct and indirect benefits</b>				<b>161%</b>
Annual ROI - direct benefits only				128%
<b>Net Present Value (NPV)</b>				<b>200,225</b>
<b>Payback (Years)</b>	<b>0.93</b>			
Average Cost of Ownership (TCO/Years)		278,500	169,000	132,500
3-Year Cumulative ROI	358%			
3-Year IRR	127%			

### Basic Financial Assumptions

All Government Taxes	50%
Discount Rate	15%

All calculations are based on Nucleus Research's independent analysis of the expected costs and benefits associated with the application profiled in the accompanying case.