ELM Solutions

Managing corporate legal costs in an unpredictable world

Wolters Kluwer

ELM Solutions

Three ways to control spend – no matter what happens

"Our research also shows that, as a group, corporate legal departments with mature e-billing and legal ops have been remarkably effective at preventing growing legal costs. They do this despite the high degree of volatility going on in individual corporate law departments in any given year."

Nate Cemenska

Introduction: Managing costs in a disrupted environment

The struggle to gain control

Corporate legal departments (CLDs) have been feeling the pressure to contain and manage costs for a while. Now, however, macroeconomic factors have dialed that pressure up even further.

There are several factors that are making it increasingly difficult for CLDs to follow their mandate for cost management, including:

- Inflationary pressures that are driving up costs in just about every market—including legal
- A world where business disruption has become the norm, making it difficult to predict what might be around the next corner
- Increased matter complexity due to globalization, multiple jurisdictions, and the potential for conflicting regulations

Each of these issues is leading to other cost challenges. Outside counsel rates have been increasing and will likely continue to do so, thanks in part to increases in law firm salaries. Meanwhile, legal matter complexities are increasing cycle times, slowing the pace of business, and elevating legal costs.

Using technology to meet these challenges

Fortunately, general counsel and their CLDs can use technology to track costs and identify opportunities for spend optimization. They can identify and automate costly and time-consuming manual methods (for example, manual efforts during legal bill review processes), cut costs, define strategies to be better prepared for potential future disruptions, and display their true value to their executive teams.

In this whitepaper, we'll explore how CLDs can use technology to:

1. **Transform legal bill review processes**
2. **Improve panel management**
3. **Accurately budget for outside counsel spend**

In short—we'll examine how CLDs can use technology to strengthen their alignment with broader business goals and drive value for their organizations—all while navigating a disrupted world.

Transform legal bill review

Current legal bill review processes can lead to spend leakage

The disruptive environment is compounding the many bill review challenges that CLDs have long been struggling to overcome—particularly when it comes to managing billing guideline violations. Violations can cause legal to pay out more than is necessary for outside counsel. Unfortunately, many violations are so subtle, they can be easily missed by human eyes.

Top billing guideline violations

- **Non-billable work –** Like administrative and clerical work, these are often billed and shouldn't be billed at all. Our AI solution, backed by expert reviewers, flags and corrects these entries, ensuring accurate billing.
- **Vague descriptions –** Unclear task descriptions can conceal hidden costs. Our team and technology work together to identify and clarify vague entries, eliminating noncompliant charges and ensuring transparency.
- **Late invoices –** Invoices that are late or delayed by 31+ days. Such delays can cause challenges that affect budget and spend. AI-enabled bill review can help optimize workflows and keep invoices on track for payment.
- **Alternative fee arrangements (AFAs) and special rates –** We enforce adherence to AFAs and agreed rate structures, catching rate discrepancies that lead to overbilling.
- **Lack of prior approval for billable actions –** Actions like motions or expert consultations without prior approval can lead to unexpected costs. Our solution enforces approval protocols, protecting client budgets.

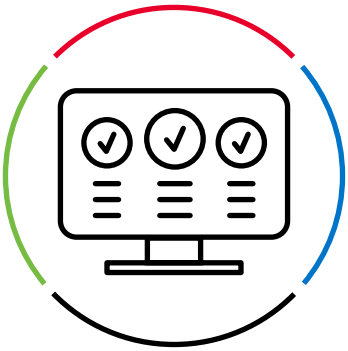
Unfortunately, many CLDs do not have the necessary data or insights required to improve these processes. They find it difficult not only to manage the problems but also to pinpoint where the problems are originating from. As such, they're unable to effectively identify areas for improvement and instead continue to struggle.

Legal technologies that incorporate AI into their bill review processes can alleviate issues by automatically analyzing invoices, finding patterns within the information, and immediately flagging potential billing violations. The AI can scan through hundreds of line items much faster than is humanly possible, quickly ascertaining the accuracy of invoices.

Machines alone are not enough, however. Accurate bill review still requires the use of human experts to confirm the accuracy of the results and perform adjustments as necessary. Their feedback is then input back into the AI, helping the system become smarter over time and resulting in even greater accuracy and efficiency gains as new invoices are received.

The resulting cost management benefits include:

- Corporate attorneys spend less time reviewing invoices and more time performing high-value work
- Improved billing guideline compliance, resulting in less spend leakage and lower outside counsel costs
- Higher data quality, allowing teams to have honest conversations with outside counsel (thus strengthening relationships with them)
- Better transparency, allowing teams to discover areas of improvement



Only six percent of corporate legal professionals say their guidelines are very easy to audit. None are completely satisfied with outside counsel's billing guideline compliance.[1]

Using AI for legal bill review can result in an estimated 10 percent additional cost savings due to efficiencies gained and more accurate billing.[2]

1 2017 Gartner/Wolters Kluwer ELM Solutions Survey
2 According to estimates from Wolters Kluwer ELM Solutions

Improve panel management

Legal teams can no longer rely on “gut instincts”

Creating and managing outside counsel panels is a great strategy for maximizing value from law firm partners but only if CLDs can capture key performance data regarding the performance of their firms.

For panel management to be effective, legal teams must be able to discern which firms are providing the most value depending on their previous experience with matters, past adherence to billing guidelines, the time it takes them to resolve matters, and more. This can be done by analyzing matter details (including time to resolution and outcomes), firm ratings, timekeeper rates, and the history of invoices.

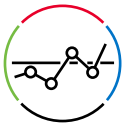
All too often, however, panel management is done via gut instincts and intuition, rather than through measurable data. CLDs are likely to use a firm based on past relationships or recent wins, as opposed to whether the firm is right for a matter, their compliance record, or other important metrics.

Legal teams must be able to discern which firms are providing the most value based on data, not instincts and intuition.

Use data to manage law firm panels

Legal software can help CLDs move beyond relying on instincts and intuition by providing data-driven recommendations that help them choose the right firms for the right matters. With these recommendations in hand, legal teams can define groups of preferred firms, derive maximum value from outside counsel partners, and reduce unnecessary spend.

Three ways software can help CLDs manage panels and control costs



Benchmarking. Legal teams can easily create benchmarks and compare firms to determine where they align with other panel members with similar criteria. Users will have all the data they need to streamline rate negotiations and make more informed cost-saving decisions.

Scoring. Teams can create legal scorecards to collect data about the experience of working with a firm and other objective data points. This information can be compiled into reports used to consistently measure a firm's capabilities and successes against pre-established metrics. This intelligence can spark thoughtful conversations on strengths and weaknesses.

Tracking. Teams can track, enforce, and report on volume discounts to strengthen negotiations with both panel and non-panel firms. This gives teams an edge when choosing the best and most cost-effective firms for their matters.

Plus, CLDs can gain a broader view of panel, firm, and performance data to identify opportunities for vendor consolidation to capture cost savings and simplify operations. Firms can be held accountable, preventing overspending and surprise costs and leading to better and stronger outside counsel relationships.

Accurately budget for outside counsel spend

Build budgets based on data for better cost control

Setting and adhering to budgets is critical to cost control, especially in volatile markets. But many legal teams do not bother to set outside counsel budgets. When they do, only a small number enforce them.

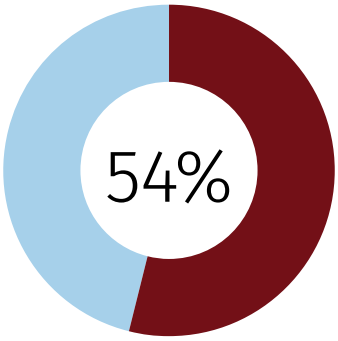
When matters drag out or when outside counsel is not well aligned to the matters they're working on, dollars tend to skyrocket. To keep this from happening, CLDs must manage their outside counsel budgets effectively, accurately, and predictably. This will allow them to improve decision-making when it comes to choosing the right firms and mitigate excessive spend.

Predictive analytics are invaluable to this effort. Predictive analytics use a combination of historical data points from actual law firm invoices to determine reliable and accurate budget and cycle time estimates, regardless of the complexity of the matter.

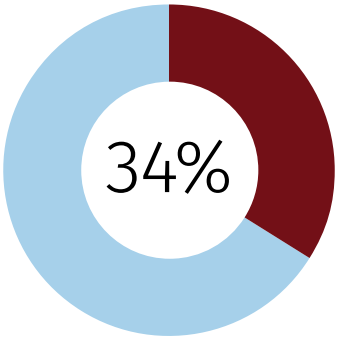
Three ways software can help CLDs improve budget management

1. Identify which firms are likely to deliver the highest value on specific matters
2. Predict cycle times and gain cost insights to better understand and anticipate potential red flags
3. Identify, enforce, and evaluate alternative fee arrangements (AFAs) to ensure CLDs are getting the highest possible value

According to Altman Weil, only 54 percent of CLDs require outside counsel budgets from their law firms. Only 34 percent enforce them.[3]



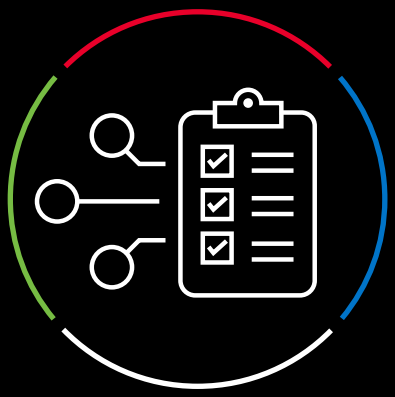
*CLDs that **require** outside counsel budgets*



*CLDs that **enforce** outside counsel budgets*

3 2019 Law Firms in Transition Survey - Altman Weil, Inc.

Keys to success in 2025 – and beyond



Checklists for accomplishing two core goals

Change is the new normal. It's imperative that legal teams look beyond near-term cost management solutions to establish forward-looking strategies that prepare their businesses for what may be coming.

Here are two core areas to focus on and how technology can help CLDs accomplish them.

Establish a legal technology roadmap	Data-driven decision-making
→ Identify problem areas that could benefit from technology-aided support or process improvement → Define technology investments that deliver value on business priorities and advance legal operations maturity where it's needed most → Improve cross-functional buy-in due to alignment on critical goals → Visualize and communicate the incremental steps necessary to reach long-term goals	→ Leverage technology solutions designed to improve data quality to set the stage for better-informed decisions → Reduce in-house counsel's reliance on personal relationships by implementing data-driven outside counsel selection, rate negotiation processes, and reliable benchmarking practices → Increase knowledge and documentation of alternative supplier capabilities, leveraging insights for improved rate negotiations → Define KPIs that signal critical red flags

Controlling costs to drive value

A better way to manage costs

More than ever, CLDs must find ways to control costs, but external market forces and pervasive business disruption have made this even more challenging. In the face of these headwinds, legal teams need a better way to manage their spend and drive value for their businesses.

Employing advanced technologies that leverage AI, predictive analytics, automation, and other features can help CLDs strengthen cost management and align with the big-picture goals of their businesses. These technologies can bring clarity to billing and law firm management and help teams balance legal costs with associated outcomes.

In the process, they can help crystalize the value that CLDs bring to their organizations and show that the legal team isn't just about legal counsel; it's about driving the best outcomes while optimizing and managing costs.

Learn more

Contact us to learn more about how ELM Solutions can help your organization leverage industry-leading technologies to manage costs and drive value.

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Wolters Kluwer ELM Solutions is the market-leading global provider of enterprise legal spend and matter management and legal analytics solutions. We provide a comprehensive suite of tools that address the growing needs of corporate legal departments to increase operational efficiency and reduce costs, including a legal spend database featuring more than $200 billion in invoices. Corporate legal and insurance claims departments trust our innovative technology and end-to-end customer experience to drive world-class business outcomes.

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When you have to be right