



THE ROI OF LEGAL MANAGEMENT TECHNOLOGY

How much value can an integrated matter and legal spend management solution provide a legal department? The numbers in our study might surprise you.

WHITEPAPER

INTRODUCTION

Legacy Systems and Manual Processes Put Legal at a Disadvantage

All corporate legal departments face two major challenges as they grow:

- A) How to manage and allocate new matters and requests for legal services across practice areas in a way that maximizes staff efficiency.
- B) Managing legal spend and engagement with outside counsel.

Companies that attempt to manage these processes manually or with disparate or in-house built systems are at a severe disadvantage as digital transformation continues to shift expectations around how enterprise legal teams should perform.

The reality for corporate legal today is that the pressures to do *more with less* increases by the minute. More than ever, legal departments fall under the microscope and feel the pressure to not only protect their companies from risks and legal challenges, but to drive value for their entire organization.



INTRODUCTION

Legacy Systems and Manual Processes Put Legal at a Disadvantage

Large enterprise legal teams have long benefited from the power of single source of truth platforms for matter management and spend management operations. But decision-makers at small and mid-sized organizations have faced a lot of uncertainty in terms of the right technology to meet their needs. Will an investment in a legal operations SaaS solution deliver real return on investment? How long will it take for that ROI to manifest? Will the staff adopt the technology we implement? Consider this quick analysis for legal teams beginning to look seriously in investing in legal operations:

Time

Teams spend 3x as much time creating a matter, 10x more time creating a report, and twice as much time hunting down information during attorney research without a matter management solution.

Money

Teams lack visibility into outside counsel spend and are unable to automatically enforce billing guidelines without a legal spend management solution.

Efficiency

Teams can't meet the "do more with less" mandate without accurate data governance and discipline around processes.

Conversely, by implementing a proven SaaS legal operations solution, a 10-person legal department can expect to realize:

Time

Decrease of 90% in the time spent generating reports for business users and 50% of the attorney time spent searching and reconciling matter data.

Money

Reduction in legal spend of \$250,000 per year through automatic enforcement of billing guidelines, as well as a 75% reduction in the time spent reviewing and approving invoices.

Efficiency

A 6% efficiency gain across the entire legal team, which can add up to over \$100,000 in staff time even in a department of 10 people.

In this white paper, we'll look closely at matter and legal spend management, the ways in which legal teams have conventionally handled them, and how digital technologies are transforming them. We'll establish that the only way to do more with less is to have the right processes – and technology – in place to make your department run as efficiently and effectively as possible. And we'll show you best ways to free up your team members to focus on what they're actually getting paid for – to do legal work.



CHALLENGES

For Legal Departments

If the routine processes of opening matters, managing the workflow during the matter lifecycle, and reporting the matter progress and results are decentralized, they burden the entire legal department staff. When it is difficult to communicate with outside counsel and delegate work to the right firms, companies end up unnecessarily increasing their legal spend. Over time, this could add up to millions of dollars in lost productivity and over-expenditure.

To get better insight into these issues, we conducted a series of interviews with our long term clients whose legal operations and IT professionals grapple with legal management every day. These included an Assistant General Counsel, Directors of IT, and Directors of Legal Operations and Administration at a dozen US corporations who could attest to both the prior state of results and the impact delivered by legal management technology. During these talks, two key business challenges specifically around matter management surfaced:

1. A lack of standardized processes.
2. Inefficient systems

Now let's take a closer look into each.

Challenge #1: Inefficient Matter Management

Lack of standardized processes for opening new matters, managing matter lifecycle and reporting on matter progress consistently reduced staff efficiency. Whether the company managed matters manually or used a disparate application such as a document management system, the task of collecting all the data and documents needed to open new matters was

cumbersome. Without standard matter templates that capture the required information important to the staff across all major practice areas, it's difficult to establish and enforce a standardized process to streamline the effort.

For companies where other internal databases are sources of new matters (such as a claims database for insurance companies, or a CRM system for sales contracts), the burden is frequently put back on the legal staff to track down the critical information needed to work on the legal matter. In this scenario, each member of the legal team has to keep up with the matters they are working on without any central visibility into resource allocation. Additionally, legal would have to come up with solutions on their own to store the information, emails and documents related to that matter work. This cumbersome nature of opening and tracking new matters, and the added burden of data entry errors and gaps, greatly reduces staff productivity.

“ Right now the data is entered into TeamConnect and based on the matter type the system knows all the required fields. The information only needs to be entered once by our admins or junior paralegals. It takes just minutes to open a new matter.”

DIRECTOR OF OPERATIONS

Fortune 500 Health Products Corp.

CHALLENGES

For Legal Departments

Throughout this study, companies mentioned two key problems with storing matter data in systems not specifically designed for legal:

1. A lack of access to matter data.
2. A lack of analytics/reporting capabilities.

In both scenarios, business users commonly rely on technical IT staff or Finance to run reports or to create report templates for Legal, which increases reporting lag time and limits the ability to use data effectively. As a result, legal departments are unable to fulfill their reporting needs and are perceived as somehow behind the other departments within the company.

Additionally, the inability to easily access complete matter data makes the task of managing matter portfolios cumbersome for staff attorneys. With disparate systems, staff attorneys spend a lot of time searching for data, reconciling data gaps and inconsistencies, and compiling data for analysis and reports. For each company interviewed, the results were the same. Across tens, hundreds, and, in some cases, thousands of staff attorneys, this inefficient process was a major drain on the legal department's productivity.

“Senior level managers were spending significant time emailing and calling around looking for and asking about documents. The whole process was very inefficient.”

DIRECTOR OF OPERATIONS

Fortune 500 Health Products Corp.



CHALLENGES

For Legal Departments

“ Making it easier for law firms to communicate with their clients would be a particular benefit for smaller firms that have fewer resources. We work with a decent number of small firms on tactical, local and focused work.”

DIRECTOR OF LEGAL AND COMPLIANCE TECH

Fortune 100 Pharmaceutical Corp.

Challenge #2

Spend Management

In virtually every client interview conducted, legal professionals told us that inefficient systems for communicating with and managing outside counsel lead to increased billings. Outside counsel provide staff attorneys with regular updates on matters via phone and email, which are not efficient channels. Whenever law firms have to spend more time communicating with their corporate clients, the timekeeper's billings inevitably increase while the speed to process a matter decreases.

Taking advantage of any existing company relationships with law firms can help the company negotiate lower rates and AFAs. However, when it's difficult to share information across the legal department these opportunities are often missed,

or negotiated terms are not captured and the staff members processing the invoice are caught unaware. It's also challenging to assign new work and manage the workload of both law firms and timekeepers in a manual or decentralized system. Many companies have preferred law firms they work with, whether they have defined a formal program or not.

Yet, while companies may have relationships with tens to hundreds of law firms, their goal is to select outside counsel based on value. Both the cost and result of the matter must be analyzed to determine value provided by firms completing the majority of the department's work. To do this, companies need to be able to eliminate the poorer performing firms at the bottom of the scale and recognize the better performers at the top.

“ In the past a lot of staff attorneys would talk to an outside attorney about a new retention without knowing that the company has been working with the firm for years. As a result, the company misses the opportunity to leverage the relationship to help negotiate a better rate.”

DIRECTOR OF LEGAL ADMINISTRATION

Fortune 500 Entertainment Corp.

SOURCES OF VALUE

Legal Matter and Spend Management

The value of an integrated matter and spend management solution is immediate and significant. Based on interviews with our long term clients who represent business, operational and technical leaders of their respective legal departments at a number of US corporations, the benefits gained from legal management technology come through three primary sources of value:

1. Increased operational efficiencies
2. Reduced Expenses
3. Improved outcomes

Each value source is best understood in terms of specific benefits to legal operations - matter management and legal spend management. Integration of these two Legal Ops solutions along with workflow automation can digitally transform both the department and the organization. These three key sources of value were universally mentioned or agreed to by the clients that participated in this study:

1. Matter Management
2. Legal Spend Management
3. Matter and Spend Management Integration

Increased Efficiencies

What is the benefit?

- Staff time savings

Inputs for calculating savings:

- Time spent on tasks currently
- Average salaries, days worked
- Volumes of work (reports, documents, contracts)

Ways you can present the benefit:

- Allow existing staff to focus on more strategic work
- Allow current staff to do more with less
 - reduce need for more people

Expense Reduction

What is the benefit?

- Hard dollar savings

Inputs for calculating savings:

- Current legal spend
- Metrics around law firm performance, guidelines
- Current infrastructure costs

Ways you can present the benefit:

- Reduction in legal spend
- Optimized law firm selection
- Reduction/elimination in infrastructure costs

Improved Outcomes

What is the benefit?

- Elimination of a risk or adverse event to protect revenue

Inputs for calculating savings:

- Average cost of adverse events (settlements, incidents, claims, contract milestone)
- Frequency of adverse events

Ways you can present the benefit:

- Reduced cost per settlement/incident/claim, etc.
- Revenue protected

SOURCES OF VALUE

Legal Matter and Spend Management

Matter Management

Calculating the ROI of matter management taps into two of our sources of value, increased efficiency and improved outcomes (also can be stated as risk mitigation). The chart on the following page displays the benefits for each one. For example, the reduction in time to open new matters or generate reports represent efficiency gains for matter management, while reducing the number of missed contract milestones represents a reduction in risk, as revenue is protected, resulting in an improved outcome for the legal department.

It is important to understand that not all the benefits will necessarily resonate with the entire legal team. As a legal operations professional, you will have to select benefits that you know will resonate with your team as an area where efficiency gains can definitely be made.

To quantify an efficiency gain, we must consider how long the individual task takes currently and how long it will take with a technology solution. Once measured we multiply the time savings by the frequency of the task, for example we generate 500 reports per year.

The final step is to take the total time saved and relate the task back to the salary of the different members of the legal staff. It also can be great to grab quotes from process managers along the way to validate your business case further. In the end, you might be shocked by how much time was being used on low-value administrative tasks.



Matter Management Benefits

Increased Efficiency - Staff-Time Savings

- The effort to open new matters and budgets for legal administrator
- Time to generate reports for business users
- Reduce time to generate and store legal documents
- Improve staff attorneys' management of assigned matters - reduces research
- Streamline contract collaboration with non-legal groups
- Improves end user productivity due to integration and navigation benefits

Risk Mitigation - Protects Revenue

- Reduces fraudulent claims payouts
- Prevents missing contract milestones
- Improves legal outcomes

SOURCES OF VALUE

Legal Matter and Spend Management

Calculating the Benefit of Staff Time Savings (example)

	CREATING A MATTER	GENERATING A REPORT	ATTORNEY RESEARCH
Current time spent	1 hour	2 hours	120 mins/week
Time using matter management	15 minutes	10 minutes	60 mins/week
Time saved per matter / report / week	45 minutes	110 minutes	60 mins/week
# matters / reports / attorneys	2000	500	20 attorneys
Total minutes saved	90,000 mins	55,000 mins	57,000 mins
<i>Factor in Salary, Days worked, Time:</i>			
Fully weighted salary	\$900,000	\$80,000	\$200,000
Daily salary (236 working days)	\$381	\$339	\$845
Hourly salary (8 working hours)	\$48	\$42	\$105
Annual Value of Time Savings	\$71,500	\$63,500	\$99,750

\$234,750 annual savings

“ We had a person who spent a considerable amount of time updating spreadsheets to create reports and now it’s done in the click of a button.”

DIRECTOR OF OPERATIONS
Fortune 500 Health Products Corp.

SOURCES OF VALUE

Legal Matter and Spend Management

Legal Spend Management

Calculating the ROI of legal spend management taps once again into two of our sources of value, legal spend savings and increased efficiency of anyone engaging with outside counsel on legal spend.

An overall reduction of a least 5.5% through simple implementation of e-Billing is widely accepted across the industry, and can be easily validated by any of your corporate legal operations peers or industry groups, but it is also important to consider the improved efficiency of the legal staff that no longer need to manually input and reconcile paper and emailed invoices.

The chart on the following page display the basic spend management benefits and an example of spend reduction for a hypothetical legal department with \$10M in annual outside counsel spend - as you can see the example department can save \$550K annually with an integrated solution for both corporate legal and law firms.



Legal Spend Management (e-Billing) Benefits

Expense Reduction - Legal Spend Savings

- Enforces billing guidelines and negotiations
- Improves accuracy of invoices due to greater scrutiny by law firms
- Eliminates overpayments and duplicate payments
- Streamlines collaboration with outside counsel to reduce costs
- Allows legal department to take advantage of early pay discounts

Increased Efficiency - Staff Time Savings

- Reduces time spent processing invoices and responding to law firm inquiries
- Saves attorneys time approving invoices

SOURCES OF VALUE

Legal Matter and Spend Management

Calculating the Benefit - Reductions in Legal Spend (example)

Legal Spend with Outside Counsel - \$10M

Enforces billing guidelines	X	3.0%	=	\$300,000
Improves accuracy of invoices	X	0.5%	=	\$50,000
Eliminates duplicate payments	X	1.0%	=	\$100,000
Streamlines collaboration with OC	X	0.5%	=	\$50,000
Early pay discounts	X	0.5%	=	\$50,000

5.5%
\$550,000
annual savings

“ We’ve saved \$1.5 million since go live two years ago due to the ability to enforce compliance with the terms of engagement.”

DIRECTOR OF LEGAL ADMINISTRATION
Fortune 500 Entertainment Corp.

“ Our system won’t allow outside attorneys to bill at rates other than what’s in the system. This is a huge savings for us.”

ASSISTANT VP OF LEGAL SERVICES
Fortune 1000 Commercial Insurer

SOURCES OF VALUE

Legal Matter and Spend Management

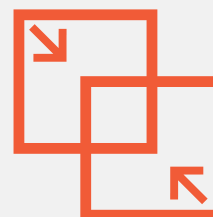
Matter and Spend Management Integration

When matter and legal spend management are integrated, maximum benefits and ROI are realized. This can even be multiplied further through the integration of workflow automation for legal services requests and document processing. This is where the ROI gets interesting.

At the end of the day, user adoption is the key to maximizing the return on any technology investment – and solutions are more valuable when connected. When users do not have to go back and forth between disparate systems, and a single source of truth for all operations are realized, the entire work environment for the team is improved.

This tight integration can completely eliminate the 30 to 60 minutes per week a typical team member otherwise would have spent switching between disparate applications, navigating screens, and re-inputting information. Data is structured and centralized, removing the risk of mismatched records or information on costs without understanding legal outcomes.

In the sidebar to the right we list some of the additional benefits of an integrated matter and spend management solution.



Platform Integration Benefits

Expense Reduction - Legal Spend Savings

- Optimizing the mix of law firms through sourcing to reduce costs (1% to 2%)
- Tendering (1% to 2% on select matters)

Increased Efficiency - Staff Time Savings

- Budget collaboration
- Reduce the time spent switching and inputting data into disparate systems

PUTTING IT ALL TOGETHER

Now that we have explored the sources of value and benefits from integrated matter and legal spend management, we are able to calculate our ROI. It is important to understand that the legal team will not receive the full benefits of technology on Day One; so for our example below we used a conservative 50% adoption rate factor for Year One, 80% in Year Two, and 100% adoption by Year Three.

In terms of investment, we used a total investment of \$100K annually and a one-time implementation project of \$150K. This is actually a large investment number for the technology; a solution for an average legal department would be less, but a high number is selected to display that a total of \$2M in benefits can be realized by a legal department in three years, an overall 340% gain, or 3.4X the amount invested.

Calculating the Total Annual Benefit (example)

	YEAR 1	YEAR 2	YEAR 3
E-Billing - Legal spend savings	\$550,000	\$550,000	\$550,000
Matter Management - Staff Time Saved	\$234,750	\$234,750	\$234,750
Integration Benefit - Additional Savings	\$100,000	\$100,000	\$100,000
Total Annual Benefit	\$884,750	\$884,750	\$884,750
Adoption Rate	50%	80%	100%
Total Benefits	\$442,375	\$707,800	\$884,750
	\$2,034,925 in benefits over 3 years		
Annual Software Subscription	\$100,000	\$103,000	\$106,090
Project to Implement Software	\$150,000		
Total Annual Cost	\$250,000	\$103,100	\$106,090
	\$459,090 total cost over 3 years		

ROI = (Benefits/Cost)-1 3.4x ROI over 3 years

ROI OF LEGAL MANAGEMENT Checklist

Some of the key takeaways to remember when considering the ROI that an investment in legal management technology can yield include:

- ❑ Consider the benefits and return on technology when prioritizing your legal projects.
- ❑ Consider how long it will take to implement the technology - if you are new to legal operations, finding quick wins through e-Billing and legal spend management will create momentum for additional technology and process improvements.
- ❑ Collect inputs on the current state of work, so you can measure improvements over time.
- ❑ Vocalize and quantify benefits that you know are achievable and your audience will respond to
- ❑ Understand that it will take time for users to fully achieve benefits, and realize that training and change management are key.
- ❑ Consider whether your current systems can handle any new projects and challenges. If the answer is “no” then consider investment.
- ❑ Track your benefits and savings post implementation, it may fund additional projects
- ❑ Ask for help! Mitrastech has Account and Client Success teams that specialize on understanding the ROI our clients are striving to achieve and know how technology can help.



CONCLUSION

The ROI of Legal Management Tech

As one of the most highly trained and skilled – and frequently the most highly trained and skilled divisions within an organization, the legal department is expected to perform as a best-run department. To the extent they can, Legal Operations decision-makers should be looking for opportunities to actively demonstrate reductions in inefficiencies and expenses while promoting growth through increased insight and smarter planning.

An effective Legal Operations SaaS solution can enable the accomplishment of these exact goals, as we have shown through our ROI study. The returns and benefits may amortize the cost of a legal management platform or point solution in relatively short order, and deliver efficiencies in other areas as well, such as attorney utilization, enterprise collaboration, and improved outcomes.



ABOUT MITRATECH

Making the case for investing in a legal management technology to an internal audience of legal, IT and business decision-makers can be long, challenging process. Which is why working with a knowledgeable, proven vendor is critical. You want a partner that provides technology with proven best practices to manage legal operations and control legal spend, one whose software is sophisticated yet easy to adopt and use, and doesn't require in-house resources to support and administer it.

For 30+ years, Mitratesch has been helping legal professionals leverage the most intuitive, adaptable and flexible platform and solutions available. TeamConnect is the most-awarded legal management platform in the industry and was recently ranked the most widely used system in the 2017 HBR Consulting Law Department Survey, receiving even more accolades in the 2017 MarketView™ Report on Enterprise Legal Management by Hyperion Research.

Our team would like to partner with you and empower the transformation of your legal operations, making Legal a hub of innovation and excellence for the entire organization. To discuss the benefits and ROI of legal management further contact us today.

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