

MITR/TECH

# THE ROI OF E-BILLING SOFTWARE

Just how much money can a company save with a comprehensive e-billing system? Read this detailed analysis from Hobson & Company to find out just how much ROI your company can expect.

# INTRO:

## The ROI of E-Billing Software

Corporate legal departments process thousands of invoices from law firms every year. When companies manage this process with a basic system (or worse - try to manage it manually) chances are their staff gets overwhelmed and overpayments are inevitable. Not to mention, a large staff is required to process invoices and provide the first line of review.

In the absence of a reliable system for enforcing billing standards, staff attorneys spend excess amounts of time finalizing and approving invoices across their portfolios. Aside from the extra burden this places on staff, companies often end up overpaying firms by millions of dollars each year for undetected errors.

A robust e-billing system is essential for corporate legal departments to increase staff efficiency and control spending. However, only a comprehensive end-to-end legal management solution can meet legal's long-term needs and provide insight into spend that's critical to the overall decision making process.

What should this end-to-end solution include? A few basic elements:

- Matter management
- Document management
- E-billing
- Workflow Automation

Just to name a few...

To better understand the value generated from a complete end-to-end legal management solution, Mitrtech commissioned Hobson & Company to conduct a deep research study into the ROI of the TeamConnect e-billing component.

Hobson & Company, a firm that specializes in discovering the key business benefits driving the adoption of new and emerging technologies, discovered through their research that the value of TeamConnect's e-billing solution is immediate and demonstrable.

For example, a sample company that moves from a basic system and invests \$322,000 in e-billing can expect over **\$3.1 million in annual efficiency gains and cost savings** in year one.

### Research Findings Summary

- Participating companies saw strong value creation with ROI ranges of 5-10X over three years, well above typical targets of 2-4X.
- The e-billing solution paid for itself (on average) in less than one year.
- Most of the companies interviewed for this study previously processed invoices with a basic system and found the functionality and reporting to be much richer with this comprehensive solution.
- The ROI for e-billing is compelling on its own and only improves with the additional efficiency gains from combining it with TeamConnect matter management.

# CHALLENGES FACING Corporate Legal Departments

After interviewing Assistant General Counsel, Directors of IT, Directors of Operations and Directors of Legal Administration at several major US corporations, two key business challenges were universally identified:

- Burdensome processes and reduced efficiencies
- Unenforced billing guidelines and negotiated rates

## Challenge #1:

### **Burdensome Processes for Receiving and Validating Invoices That Reduced Efficiency of Staff Attorneys**

Staff attorneys review every invoice before it is paid. The companies that participated in this study process 9,200 to 100,000 invoices every year. When that process is inefficient, it dramatically reduces staff attorney productivity.

An e-billing system that cannot reliably check invoices against firm-specific guidelines and notify attorneys of discrepancies does not provide much improvement over a manual process.

One of the biggest billing offenses outside counsel commits is raising their rates without approval from their clients. Since these charges can add up to significant overspending, staff attorneys spend considerable amounts of time checking the billed rates against the rates that were agreed to at the start of the engagement.

**“Staff attorneys spent a lot of time calling and emailing outside attorneys to explain why invoices were adjusted or rejected.”** - Law and Corporate Affairs IT Team Lead, Fortune 500 Agricultural Corporation

When invoices are adjusted or rejected as a result of billing errors, outside counsel often follow up with staff attorneys for explanations. They want to make sure they're not leaving any money on the table. Staff attorneys manage portfolios of cases so the time they spend discussing invoices with law firms is significant and further erodes their efficiency.



# CHALLENGES FACING Corporate Legal Departments

## Challenge #2:

### **Inability to Effectively Enforce Billing Guidelines and Negotiated Rates Increases Staffing Levels and Billings**

Before staff attorneys review an invoice, legal administrators are the first to receive and review. When billing with a basic or manual system, more staff is required for this part of the process.

When companies receive 9,200 to 100,000 invoices per year, this places a heavy burden on administrative staff - especially towards the end of the year when law firms rush to submit their bills to maximize annual billings.

If supporting documentation cannot be attached to electronic bills in a less sophisticated system, they are usually emailed, requiring legal admins to manually retrieve the attachment from another system before processing the bill.

Without a single view into billing and invoicing that connects law departments seamlessly to the law firms they work with, legal admins can spend hours responding to payment inquiries and reconciling missing, duplicate and unsupported invoices with law firms.

**“Admin staff had to manually enter and review bills. It used to take 50 days to process a single bill.”** - Director of Operations, Fortune 500 Health Products Corp.

The inability to automatically enforce billing guidelines and negotiated rates is the biggest disadvantage of a manual or less sophisticated system. With no way to ensure compliance with company and firm-specific billing guidelines, companies end up paying for unapproved expenses, such as more than one attorney at a deposition.

**“We used to have to spot check invoices because some firms unilaterally raise their rates.”** - Director of Legal Administration, Fortune 500 Entertainment Corp.

The largest billing offense companies cited in their interviews were unapproved rate increases. These increases are hard to catch when companies work with numerous law firms and new timekeepers are being added to the system all the time. This oversight can result in significant overspending.

**“We lost millions of dollars because we were unable to enforce compliance with the terms of our engagements. The biggest issue was enforcing centrally negotiated rates.”** - Director of Legal Administration, Fortune 500 Entertainment Corp.

When companies are unable to enforce their billing guidelines, outside counsel are less likely to scrutinize bills for accuracy. Law firms work with many clients and billing rules vary by company. When law firms don't take the time to ensure they are following the requirements for each client, there is a good chance they are overbilling them.

# KEY SOURCES Of Value

The value of a comprehensive e-billing system, specifically TeamConnect, is immediate and significant, falling under two categories:

- Increasing operational efficiencies
- Decreasing legal spend

This analysis focuses solely on the four key bottom-line benefits that fall under these two categories that were universally mentioned or agreed to by the clients who participated in this study:

1. Reduce effort to review and approve invoices for staff attorneys
2. Reduce number of FTEs required to process invoices
3. Enforce billing guidelines
4. Reduce billing amount due to greater scrutiny prior to submitting bills

The following case study is based on interviews with business, operational and technical leaders of corporate legal departments at a number of major US corporations. In the section following the case study, each benefit will be fully explained and supported.

The value of a comprehensive e-billing system, specifically TeamConnect, is immediate and significant.

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# CASE STUDY:

## TeamConnect

The following example illustrates the potential value of a comprehensive e-billing solution, specifically TeamConnect, for a representative company that invests \$322,000 in the first year and has the following profile:

### General Inputs

External legal spend: \$400 million

#### Number of system users:

- Attorneys: 500
- Analysts/Paralegals: 200
- Legal Admin: 200
- Total: 900

Annual volume of matters/claims: 60,000

### Staff Attorney Inputs

Attorney rates:

- Associate: \$200
- Senior Associate: \$400
- Partner: \$600

#### Number of staff attorney users:

- Associates: 50
- Senior Associates: 250
- Partners: 100
- Total: 400

Minutes per week staff attorneys spend searching for matter data and reconciling data gaps/errors: 60

### Analyst/Paralegal Inputs

Salary for role that runs reports with benefits: \$90,000  
Monthly volume of reports: 5  
Minutes to run a single report: 75

### Legal Admin Inputs

Salary with benefits: \$60,000  
Minutes to open a new matter: 60

### User Adoption

Year 1: 50%  
Year 2: 75%  
Years 3 to 5: 100%



# KEY BENEFITS

## Increase Operational Efficiencies

### Benefit #1

#### **Reduces Effort to Review and Approve Invoices For Attorneys**

TeamConnect delivers invoices electronically and checks them against company and firm specific guidelines. The robust rules engine, a unique feature of the system, ensures compliance with billing guidelines and custom rules can be configured to address specific billing issues. The system flags billing discrepancies for initial review by support staff to reduce the final review and approval effort for attorneys.

Staff attorneys at the sample company spent 15 minutes reviewing each bill before. That number has now been reduced to 7.5 minutes. When processing 25,000 invoices per year at a weighted average hourly rate of \$431, there is a \$1.3 million boost in annual productivity.

“Admins are on top of the latest guidelines and the extent to which firms comply with them. This gives attorneys more confidence in the warnings, which speeds up the bill review process.”

**IT DIRECTOR FOR LEGAL,  
FORTUNE 500 FINANCIAL  
SERVICES CORP.**

# KEY BENEFITS

## Decrease Legal Spend

“Before TeamConnect it took at least 50 days to pay an invoice and now it can be done in 2.5 days. This has allowed us to completely shift our resources.”

**DIRECTOR OF OPERATIONS,  
FORTUNE 500 HEALTH  
PRODUCTS CORP.**

### Benefit #2

#### **Reduces Effort to Review and Approve Invoices For Attorneys**

TeamConnect also alleviates the burden of the billing process on legal admin in a number of ways. It delivers invoices electronically with supporting documents attached so that staff does not need to go into the email system to retrieve documents or follow up with law firms for documents that are required to process invoices.

The complex rules engine automates the validation process and alerts staff to charges that require attention. A portal gives outside counsel visibility into the invoicing process and invoice adjustments so they no longer need to call and email legal admin for updates and explanations.

As a result, the sample company was able to reduce the number of support staff by 40% (from 13 to eight FTEs). This adds up to a **\$281,000 annual cost savings** and the remaining staff are now focused on higher value work.



# KEY BENEFITS

## Decrease Legal spend

### Benefit #3

#### Enforces Billing Guidelines

The biggest advantage of a comprehensive e-billing system from a cost savings perspective is making sure that every invoice meets the company's billing policies and, most importantly, that outside counsel bills at the approved rates.

While companies do not want to overwhelm law firms with too many guidelines, ensuring they do not bill at higher-than-approved rates is a top reason companies use e-billing systems.

TeamConnect only allows firms to bill at approved rates and higher rates are adjusted or rejected, which is a major reason companies choose TeamConnect. The savings from this benefit alone pays for the system many times over.

While clients supported as much as a two percent to five percent reduction in external spend due to this benefit, only a conservative one percent reduction was used in the analysis. With a \$100 million external spend budget, the sample company saved \$1 million per year through improving the enforcement of its billing standards.

“Since we can enforce rates with TeamConnect we’ve saved \$40 million since go-live. This savings is not all attributed to TeamConnect but without it, about 50% of it would have slipped through our fingers.”

**IT DIRECTOR FOR LEGAL  
ADMINISTRATION, FORTUNE 500  
ENTERTAINMENT CORP.**

# KEY BENEFITS

## Decrease Legal Spend

“We’ve saved \$1.2 million since go-live two years ago, but this has dropped off now that firms realized they have to be more careful when they submit bills.”

**IT DIRECTOR FOR LEGAL ADMINISTRATION, FORTUNE 500 ENTERTAINMENT CORP.**

### Benefit #4

#### **Reduces Billing Amount Due to Greater Scrutiny Prior to Submitting Bills**

When a system is effective at catching billing errors, law firms spend more time preparing bills to avoid raising flags. Bills with errors take more time to review, which increases the time it takes for law firms to get paid.

The ability to provide explanations of adjusted and rejected charges within the system helps law firms avoid errors over time. After two years, companies noticed that the reduction in preventable billing errors levels off because law firms become proficient on the new system to ensure that they are fully paid for their work.

The existence of a comprehensive e-billing system leads to a .05% reduction in the sample company’s \$100 million external spend budget. Over the two years it takes law firms to learn the new system, the company **saves \$1 million** in billings.

# CASE STUDY: Overall Value

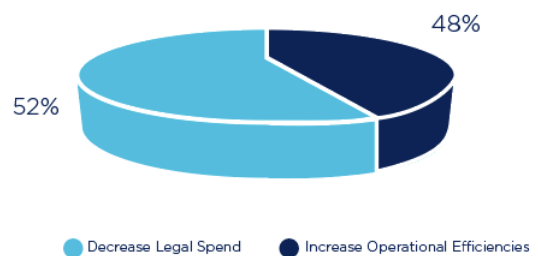
The four TeamConnect benefits add up to an annual value of **\$3.1 million to deliver a 10:1 ROI** for the sample company. The company's \$322,000 investment in year one generates a **positive return in 4.9 months**.

The three year net present value (NPV) and return on investment are strong at \$5.2 million and 928% respectively. The key financial metrics for the sample corporate legal department were calculated by standard methods and are show below. The NPV calculation assumes a 10% cost of capital.

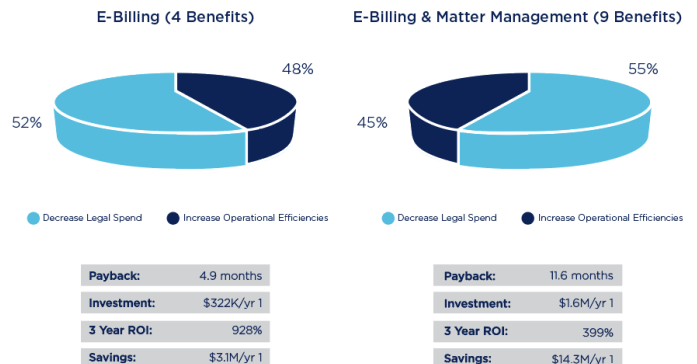
Financial Metric	Three Year Value
Payback (Months)	4.9 months
NPV	\$5,187,294
ROI	10:1 (928%)

The extent to which each value driver contributes to the total value of TeamConnect e-billing is shown in the pie chart below. The value is fairly evenly split between the value gained from increasing operational efficiencies and the value gained from decreasing legal spend for the company profiled in this analysis.

Benefits by Value Driver



When matter management is purchased with e-billing, the payback and ROI are still strong (as pictured below). Efficiency gains make up a larger portion of the total value for the combined system, which explains the slightly longer payback and lower ROI, yet the figures are still within target ranges.



# ABOUT TEAMCONNECT

The TeamConnect platform is a proven enterprise solution that brings together people, processes and information across the entire enterprise, so our clients can focus on delivering innovation and excellence.

By creating a single source of truth across legal operations and practice areas, business leaders are able to make informed strategic decisions and drive toward the KPIs that will create meaningful long-term value to the entire organization. TeamConnect provides visibility, proof and demonstrable evidence of legal best practice.

# ABOUT MITRATECH

Mitratech is a proven global technology partner for corporate legal professionals who seek out and maximize opportunities to raise productivity, control expense and mitigate risk by deepening organizational alignment, increasing visibility and spurring collaboration across the enterprise.

With Mitratech's proven portfolio of end-to-end solutions, operational best practices permeate the enterprise, standardizing processes and accelerating time-to-value. By unlocking every opportunity to drive progress and improve outcomes, we're helping legal teams rise to the challenge of serving the evolving needs of the modern, dynamic enterprise.

For more info, visit: [www.mitratech.com](http://www.mitratech.com)

# ABOUT HOBSON & COMPANY

Hobson & Company helps early stage technology vendors and purchasers uncover, quantify and validate the key sources of value driving the adoption of new and emerging technologies. Our focus on robust validation has helped many technology purchasers more objectively evaluate the underlying business case of a new technology, while better understanding which vendors best deliver against the key value drivers. Our well researched, yet easy-to-use ROI and TCO tools have also helped many technology companies better position and justify their unique value proposition.

For more information, please visit [www.hobsonco.com](http://www.hobsonco.com)

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