

MITR/TECH

THE ROI OF MATTER MANAGEMENT SOFTWARE

Just how much money can a proven matter management system save a company? The numbers might surprise you. Read this detailed analysis from Hobson & Company to find out just how much ROI your company can expect.

INTRO:

The ROI of Matter Management Software

Corporate legal departments face the challenge of managing thousands of new matters every year originating from internal and external sources. Companies that manage this process manually or with a legacy/homegrown matter management system tend to have less automation and control throughout the matter lifecycle.

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

An electronic matter management system is essential for corporate legal departments to make their staff more efficient and to control spending with outside legal firms.

Only a comprehensive solution that can provide the key features to manage end-to-end operations and integrate with other third-party products will meet a company's long-term needs for matter management.

What key features should this solution provide?

- E-billing
- Document Management
- Legal Hold
- Calendaring of litigation deadlines

To better understand the true value and ROI behind matter management software, Hobson & Company conducted an in-depth research study of the market leading solution in matter management - TeamConnect.

The results?

The research shows that the value of the solution is immediate and demonstrable.

For example, a sample company moving from a legacy system that invests \$1.4 million in TeamConnect can expect over **\$6.7 million** in annual efficiency gains and cost savings.

Research Findings Summary

- Participating companies saw strong value creation with **ROI ranges of 7-10X** over 3 years, well above typical targets of 2-4X.
- The solution paid for itself in **less than one year**.
- Even if clients had a legacy or homegrown system before, they noted that TeamConnect's functionality is much richer with a comprehensive solution.
- Combined cost savings from combining matter management and e-billing components resulted in a **reduction in external legal spend of \$6 million-\$48 million** per client.

KEY CHALLENGES

Facing Corporate Legal Departments

During interviews with Assistant General Counsel, Directors of IT, Directors of Legal Operations and Administration at several major US corporations, two key business challenges surfaced:

1. A lack of standardized processes
2. Inefficient systems

Now let's take a closer look into each.

Challenge #1:

Lack of standardized processes for opening new matters, managing matters and reporting on matter progress reduces staff efficiency

Whether a company manages matters manually or uses a legacy system, the task of opening new matters can be cumbersome for legal administration. Without an automated system, it's difficult to establish and enforce a standardized process to streamline this effort.

For companies where other internal databases are sources of new matters (such as a claims database for insurance companies) the information needs to be manually entered into a matter management system because it's usually difficult to integrate different systems. This cumbersome nature of opening new matters, and the added burden of data entry errors and gaps, greatly reduces staff productivity.

When it comes to the companies interviewed for this study, who have anywhere from 2,500 to 90,000 new matters each year, this reduced productivity is no trivial issue.

“Information from our claims department did not flow into our legacy matter management system so legal staff had to manually input the data into the system every time they opened a new matter.”

- Vice President and Assistant General Counsel,
Fortune 100 P&C Insurer

Throughout this study, companies mentioned two key problems with manual and legacy systems:

1. A lack of access to matter data
2. A lack of insight into legal spend

In both scenarios, business users rely on technical staff (their own or a vendor's) to run reports or to create report templates, which increases reporting time and limits reporting ability. As a result, companies are unable to fulfill their reporting needs.

This inability to easily access complete matter data makes the task of managing matter portfolios cumbersome for staff attorneys. With a manual or legacy system, staff attorneys spend a lot of time searching for data, reconciling data gaps and inconsistencies and compiling data for analysis and reports.

CHALLENGES FACING Corporate Legal Departments

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 Corporation

Challenge #2

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. Given the number of matters and different clients law firms work with, this process is highly inefficient. 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.

“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 Technology, Fortune 100 Pharmaceutical Corp.

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

It's also challenging to assign new work and manage the workload of law firms in a manual or decentralized system. Many companies have preferred law firms they work with whether they have a formal program or not. Yet, while companies may have relationships with hundreds of law firms, their goal is to have a small group of select firms completing the majority of the 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.



KEY SOURCES Of Value

The value of a comprehensive matter management system, specifically TeamConnect, is immediate and significant. Based on interviews with business, operational and technical leaders of corporate legal departments at a number of major US corporations, the benefits gained from TeamConnect fall into two main categories:

1. To increase operational efficiencies
2. To decrease legal spend

Each value area can be further broken down into a set of specific benefits. This analysis focuses solely on the five key bottomline benefits that were universally mentioned or agreed to by the clients that participated in this study:

1. Reducing the effort to open new matters
2. Increasing the capacity to run reports for business users
3. Improving portfolio management by staff attorneys
4. Streamlining communications with outside counsel to reduce costs
5. Optimizing law firms and vendors to proactively manage costs

We'll fully explain the benefits for each in the following section. First, let's establish the sample company used to conduct this research.

The value of a comprehensive matter management system, specifically TeamConnect, is immediate and significant.



CASE STUDY

TeamConnect

The following ROI example illustrates the potential value of a comprehensive matter management solution, specifically TeamConnect, for a representative company that invests \$1.4 million in year one and has the following legal department profile.

Note: Rates vary widely based on the number of users and specific legal department needs

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

Benefit #1

Reducing the effort to open new matters for legal admins

TeamConnect gives companies the option to use existing templates for opening new matters or to create them in the system to standardize the process across the legal department.

The system also guides users through conflict checking (opposing counsel), specifying the elements of the budget (time, costs, plan of action) and parties involved (internal and external) to ensure completeness.

The system integrates with other databases that are sources of new matters (e.g. claims database for insurance companies or the Service of Process provider) and the existing e-billing system to receive new matter budgets electronically. Interoperability with other systems is essential for reducing the manual entry effort and rework due to unavoidable data entry gaps and errors.

TeamConnect's functionality helped the sample company reduce the time to open a new matter from 60 minutes to 15 minutes. With an annual volume of new matters of 60,000 this adds up to a **\$1.3 million** annual productivity improvement for the sample company.

“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**

KEY BENEFITS

“TeamConnect is our system of record for all reporting on active matters.”

**DIRECTOR OF LEGAL AND COMPLIANCE TECHNOLOGY,
FORTUNE 100 PHARMACEUTICAL
CORP.**

Benefit #2

Increasing the capacity to run reports for business users

TeamConnect Business Intelligence makes it easy for legal operations to create a full library of reports. Business users can run reports on-demand for ease of use and reports can be scheduled for delivery. This allows the entire team to take advantage of the data captured in the single source of truth.

The system also provides extensive ad hoc and custom reporting capabilities so that business managers can run additional reports to meet all of their data needs. These reports can be inserted into the end user’s TeamConnect dashboard for instant access to real time information.

Reducing the time business users spend running a single report from 75 minutes to 10 minutes led to a two-fold increase in the volume of reports (from 60 reports to 120 reports per year for the sample company). While the size of the annual productivity gain is relatively small, there is tremendous value in using data insights to provide visibility to the entire legal team through reporting.

KEY BENEFITS

Benefit #3

Improving portfolio benefit by staff attorneys

TeamConnect provides real-time access to data related to matter progress and spending. A centralized location for all matter data ensures completeness, accuracy and establishes 'one source of truth,' which was repeatedly mentioned as an important benefit during the client interviews.

Beyond access to better data, the solution provides comprehensive analytic capabilities that allow attorneys to do custom searches to fulfill all their data needs.

TeamConnect's ability to integrate with existing document management systems via integrated APIs ensures that attorneys can continue their work without worrying about what system a document is retained in. Again, all from within a single source of truth.

When TeamConnect is linked with e-billing, the ability to receive invoices and monthly accruals electronically adds to staff attorney's ability to manage their caseloads efficiently.

Reducing the time staff attorneys spend searching for and reconciling matter data by just 5 minutes per week (from 60 minutes to 55 minutes) results in a \$407,000 annual productivity gain for the sample company that employs 400 staff attorneys that have a weighted average hourly rate of \$431.

“Since all of the key information is in one place we've seen an increase in the adoption of TeamConnect by attorneys.”

**DIRECTOR OF LEGAL AND COMPLIANCE TECHNOLOGY,
FORTUNE 100 PHARMACEUTICAL CORP.**

KEY BENEFITS

Benefit #4

Streamlining communication with outside counsel to reduce costs

Outside counsel can collaborate with the legal department using workflow automation to provide matter updates in TeamConnect. Clients attribute a slight reduction in external legal spend due to eliminating or dramatically reducing the number of emails and phone calls that would otherwise be required to keep staff abreast of all active matters.

TeamConnect's ability to connect with other systems such as e-billing to receive invoices and monthly accruals electronically from outside counsel can double the savings in external spend. This savings is realized in years 1 and 2 when outside counsel are seeing the biggest time savings and then it goes away in year 3 when they've adjusted to the new communication process.

With an external spend budget of \$400 million for the sample company a 0.75% reduction results in \$3 million in cost savings per year for the first two years.



KEY BENEFITS

Benefit #5

Optimizing the mix of law firms and vendors to proactively manage costs

A key feature of TeamConnect is that it is a centralized source of matter data. This allows companies to better manage their workload and improve load balancing between preferred firms. Reducing the number of low performing firms improves quality and reduces the corporate management effort.

TeamConnect can also provide information so the legal department can analyze rates by firm and across firms to help negotiate better rates.

The companies interviewed for this study supported a 0.5% reduction in external spend for this benefit. For the sample company with an external legal spend of \$400 million this leads to \$10 million in savings over five years.

“We use TeamConnect to produce financial reports on outside counsel so we can determine who we spend the most with, what attorneys are billing us for a lot of hours, etc”

**ASSISTANT VP OF LEGAL SERVICES,
FORTUNE 1000 COMMERCIAL
INSURER**

CASE STUDY: Overall Value

The five TeamConnect benefits add up to an annualized value of \$6.7 million to deliver a 5:1 ROI for the sample company.

The other benefits?

- The company’s \$1.4 million investment in year one generates a positive return in 9.9 months.
- The three year net present value (NPV) and return on investment (ROI) are strong at \$10.1 million and 480% respectively.*

**The key financial metrics for the sample corporate legal department were calculated by standard methods and are*

Financial Metric 3-Year Value

Payback (months) 9.9 months

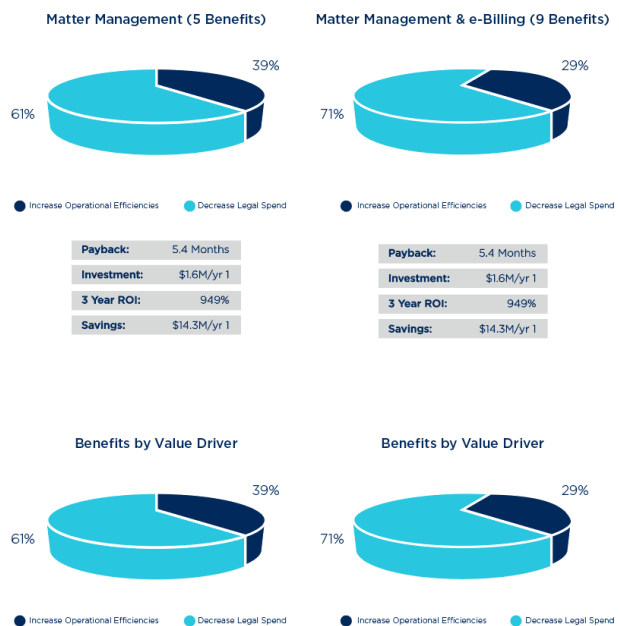
NPV \$10,096,700

ROI 5:1 (480%)

The chart below shows the extent to which each value driver contributes to the total value of the TeamConnect solution.

For the sample company the ‘Decrease Legal Spend’ category delivers the majority of the value due to the size of the company’s annual legal spend budget (\$400 million), which is used to calculate the two cost savings benefits.

The annual returns are even greater when e-billing is combined with matter management, which is illustrated in charts. The additional investment of \$200,000 in an e-billing system resulted in more than double the savings of a matter management system on its own.



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

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

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