

What is Spend Management?

If your legal department outsources any work to **outside counsel firms**, then legal spend management is an absolute must-have to control costs, manage firm selection and engagement, and understand the true value being delivered by creating visibility into the trade-offs between cost and outcomes. Not to mention gain foresight into budgeting and future spend to improve the predictability of department results.

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Medium to large-sized corporate legal departments may process thousands of invoices from law firms every year. When companies manage this process without a specialized invoicing system (or worse – try to manage it manually) chances are their staff becomes overwhelmed and overpayments are inevitable. Not to mention, staff is required to process invoices and provide the first line of review. Even for a small legal department, the investment of staff time to really review invoices and catch errors is daunting.

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 5% to 10%** each year due to undetected errors.



What is Legal Spend Management?

In essence, spend management is a management discipline that is concerned with giving corporate legal departments oversight of their outside counsel spend - and other legal costs. Today, various spend management software products support this discipline. One essential element of a spend management software solution is an e-billing portal that allows firms to transmit LEDES invoices. E-billing portals should be easily accessible, secured with encryption, and able to support any of the different approved LEDES formats.

Legal Spend management is another **essential component** of any capable Enterprise Legal Management platform typically designed with functionality in multiple areas of corporate legal management and operations.

Another way to think of this? As the management of “spend data” - through software tools built around core data classification and enrichment technologies. There are many ways to slice and dice your legal spend data, which is further enriched with spend analytics tools focused on alerting, measuring and reporting on legal spend.



As Lora Cecere of AMR Research says:

“The benefits include the ability to analyze the impact of sourcing strategies on key categories, along with assessments of business results (savings), and measurement of KPIs (periodic review of compliance with preferred suppliers and contracts, savings realized, etc.) along with ongoing control of spend for improved profitability.”



While her comment specifically addresses spend management from a procurement standpoint, the core of her message also applies directly to Legal. In fact, many legal operations professionals have moved beyond enforcing billing guidelines and timekeeper rates, and are now utilizing analytics to inform sourcing decisions, firm negotiations and selection, and run targeted programs with high value firms to further drive down legal spend overall.

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What exactly are the benefits of implementing spend management software? Here are just a few examples:

- Reduce your legal spend and improve outcomes through enforcement of billing guidelines,
- Reduce the time spent processing and approving invoices, and take advantage of early pay discounts
- Track and report matter budgets by time period or matter phase and improve the accuracy of forecasts over time. Track accruals and actuals against these budgets throughout the matter lifecycle.
- Automatically require firms to submit timekeeper profiles and rates for approval before starting work to make sure inside counsel are always working with the most recent information.
- Maintain an automatic audit trail of all modifications to bills, including approvals, reviews, adjustments and rejections.
- Optimize firm and timekeeper selection through visibility and reporting that enables assessments over time – allowing your team to look at value rather than just cost.



Perhaps most importantly, many companies with a strong e-billing solution in place realize a **5-10% reduction in legal spend annually**.

The list of benefits could go on and on, but we'll sum it up with this quote from **Brian McGovern**, former Legal Chief Data Officer at AIG and now Mitrastech Executive Director, who implemented the **TeamConnect** matter management and e-billing solution:

*"We did notice dramatic improvements in our data quality and our standardization of processes. The e-billing implementation alone saved us an **average of about 6.7% on legal invoices**. In some areas, those cost savings were even higher....It's a gift that keeps on giving."*



Why Corporate Legal Departments Need Spend Management

If the ROI isn't enough to convince you as to why many corporate legal teams are turning to spend management, this type of technology solution is also critical for addressing other challenges in Legal.

“Until today, operational competence was barely the standard. Today, as companies are expected to deliver at the highest levels, legal departments must do their share to deliver service optimally and be run like a business, develop strategic plans, thoughtful budgets, implement efficiency enhancing tools, develop talent, leverage knowledge management, manage vendors, and do so much more,”
CLOC.

In a study conducted by Hobson & Company, they identified two key business challenges driving Legal towards a spend management solution:

1. Inefficient, burdensome processes
2. Unenforced billing guidelines and negotiated rates

Now let's zoom in a little closer on each.



1. Inefficient, Burdensome Processes

Without a single view into external legal spend, in-house counsel and administrative staff can easily spend a mounting number of hours responding to individual payment inquiries and communicating with law firms.

With essential documentation and invoices spread out among a number of platforms and systems – email, cloud drives, individual servers, and spreadsheets, just to name a few – trying to compile everything needed for invoice review can be inefficient and burdensome, as well as consume countless hours of expensive staff time.

Moreover, these manual, time-consuming tasks can drain staff morale as well. Oftentimes attorneys, hired for their knowledge of the practice of law, are instead required to devote attention to administrative tasks, draining their productivity and distracting them from more important work.

Adobe Research found 81% of US office workers ranked up-to-date technology as a key factor in keeping them happy on the job. If your company can implement tools that drive efficiency so people spend less time on process and more time on the job they were hired for, you'll not only drive greater productivity and profitability, you'll also inspire happier employees.

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2. Unenforced Billing Guidelines and Negotiated Rates

One of the biggest billing offenses outside counsel commits? 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.

Any spend management solution worth its salt should be able to reliably check invoices against firm-specific guidelines – automatically – and notify attorneys of discrepancies. That way, you don't miss any of the following:

- Important opportunities for cost savings
- Opportunities for volume discounts and Alternative Fee Arrangements as work increases
- Invoice errors
- Line items that are noncompliant with billing guidelines

And any other important elements that can be so easy to overlook when using a manual review process.

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Meeting Business Goals with Spend Management

Since Legal shouldn't live in a silo, legal spend management is not only essential to the health of a legal department, but also to the health of an entire enterprise. When used properly, it's a tool that can place Legal at the center of innovation and excellence within their organization, and drive strategic value for the rest of their company.

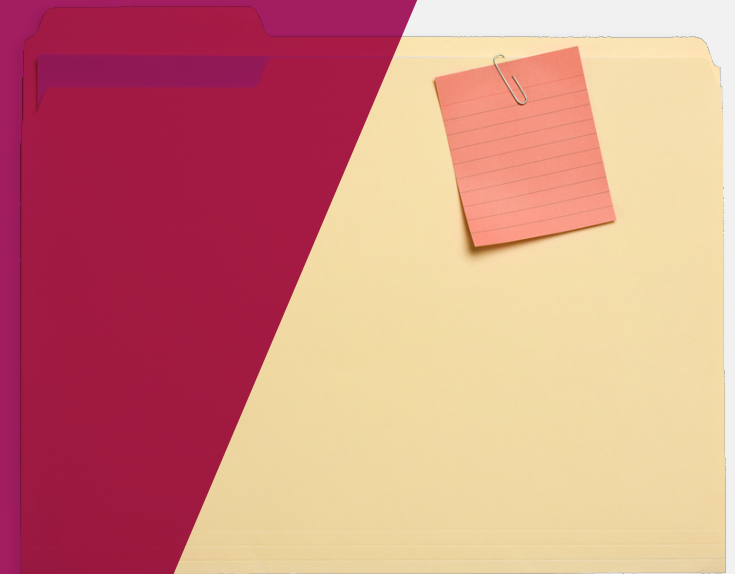
After all, according to SpendSource:

“A successful spend management plan aligns all of your business goals and helps you make the appropriate decisions and establish the right vendors to meet your goals.”



Brian McGovern backs this up. As a strong proponent of putting business goals and KPIs first, McGovern says:

“While it’s very important to establish where you want to be and why from a technology standpoint, it’s also important that you make changes to the management side of the process. That way you can set the standards for what you’re doing and where you’re moving as a company...While ultimately, your technology roadmap for legal management solutions must address pressing Legal needs, it has to address business concerns too.”



There's almost nothing more concerning for a business than the need to control spend. With a proper spend management solution in place, therefore, the legal department can light the way for the rest of the enterprise.

Looking for more info related to spend management? Check out these helpful resources:

- [The ROI of E-Billing](#)
- [12 Ways Workflow Automation Delivers ROI for Legal Ops](#)
- [10 Must Haves of Enterprise Legal Management](#)

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About Mitratesch

Mitratesch 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 Mitratesch's proven portfolio of end-to-end solutions, operational best practices spreads throughout 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.

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