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# :: Leveraging Collaboration and Technology

## Manage Costs and Improve Litigation Outcomes

Corporate legal departments are all too familiar with the cumbersome nature of manually processing paper invoices received from outside counsel. The sheer volume of data coupled with the wide variety of formats used by outside firms makes pertinent information difficult to define and even harder to decipher.

At the same time, the human element associated with physically processing invoices creates further hurdles, with documents bouncing from inbox to inbox awaiting review and the necessary approvals. In some cases, legal departments must increase staff just to handle settlement of these invoices. Despite the effort, invoices too often receive only cursory review to ensure that, for example, an organization's billing guidelines are being followed. This opens a potentially very expensive door to timekeeper errors or overpayment for services rendered.

All of the factors related to the receipt of paper invoices combine to make it nearly impossible to accurately quantify and manage legal spend against a budget. For effective legal spend management, in-house counsel must gain more visibility into the types of information that will help guide actions and strategic decisions.

### Legal Spend Management Essentials

Getting started on the road to better legal spend management requires two essentials: collaboration and today's technologies. Each has its challenging aspects. Yet, when used effectively, these elements become a powerful single force, driving greater insight, efficiency and control of legal matters and associated costs.

Certainly, collaboration created through technological innovation is not a new concept. What is new — and much needed — is its application to law firm relationships. Companies can effectively approach the

containment of various legal costs through collaboration, first by working with outside counsel to carefully plan the stages of each assignment, and then by managing the process through comparison of actual results to the current plan. Only the thoughtful application of technology can extend the consistent application of this process to large numbers of legal matters with tens or even hundreds of law firms.

### A Two-Way Street

Successful collaboration demands the willingness of the participating parties to align their interests. The criteria used to select outside counsel should include their understanding that communication and a commitment to collaboration will be at the core of the relationship. Regardless of technologies and process changes implemented, costs will not be positively affected without this commitment.

Collaboration in the context of managing legal spend begins by analyzing the details of the legal assignment and developing a strategy with the law firm. Increasingly, this strategy is codified in the form of a matter-based budget that is agreed to by both client and outside counsel. Through an open, upfront dialogue, the client and firm develop a working budget based upon the mutual determination of the cost/benefit of each task, thus ensuring the efficient application of legal effort towards an optimal result. In this scenario of collaborative planning and accountability, each party is responsible for ongoing oversight of the process, to confirm that all is on track and to be aware of new factors that could necessitate a change in strategy or anticipated costs. Without constant monitoring, the results may differ greatly from expectations.

Working collaboratively to manage matters can have a positive impact for both law departments and law firms in the following ways:

**Explore cost expectations upfront.** By forecasting the costs that will be associated with a specific matter at the start of the process, law departments can lessen the possibility of surprises or disputes further down the road. Dispute resolution can be a time-consuming process, potentially adding weeks to the invoice review process and altering all of the predetermined budget arrangements.

**Build a strategic framework.** Discussing all of the anticipated costs at the beginning of an engagement forces both the law department and firms to focus on the strategic framework for the matter, determining specific factors such as tasks, staffing requirements and the need for third-party resources (*e.g.*, expert witnesses, investigators, consultants). General counsel and law firms can also use this opportunity to consider alternative strategies and the impact they may have on the desired resolution (whether positive or negative).

**Align case handling strategy.** Taking the time to align case handling with the overall strategy offers the chance to map out anticipated costs, which in turn provides a benchmark for measuring and monitoring costs and activities. Outlining anticipated costs in advance also helps to contribute to reduced billing disputes that may delay payments or even weaken working relationships.

## Bridging Traditional Gaps

In Web-based technology, collaboration has found a partner capable of bridging the gaps created between individuals and business partners separated by geography. While various types of solutions have received their fair share of hype in the last decade, some, such as electronic billing, have steadily matured and are today reshaping the dynamics that constitute the interactions between inside and outside counsel.

Electronic billing removes the paper from the legal invoicing process. By capturing invoice data electronically through the use of sophisticated e-billing systems, law departments have been able to quickly and easily accelerate the approval of invoices from their outside counsel relationships, while gaining invaluable insight into performance and spend metrics. With the number of legal e-billing initiatives on the rise, many law departments have established best practice approaches to these invoice management steps:

**Step 1 — Invoice creation.** Rather than printing and mailing an invoice, law firms upload an electronic file for immediate delivery to a client's e-billing Web site using the standard Legal Electronic Data Exchange Standard (LEDES) format. With the more advanced e-billing services, once an invoice is loaded, the law firm has a mechanism to track the status of the invoice as it progresses through the approval and payment process.

**Step 2 — Validation.** Prior to being viewed by the law firm client, the e-billing system automatically validates the detailed invoice data to determine:

- The firm is authorized to invoice against the matter
- All required fields are present
- The matter number is included and tax identification number valid
- The calculations are correct
- The invoice is not a duplicate

Any invoice failing to pass this initial validation test is returned to the law firm for adjustment and resubmission. This immediate validation gives the law firm the opportunity to correct the invoice and streamline the payment process. Automating the validation process relieves the corporate legal department of a time-consuming and costly administrative task.

**Step 3 — Guideline compliance.** More sophisticated e-billing systems then apply a second, more substantive validation to ensure that the invoice is compliant with the client's outside counsel guidelines. For example, the invoice should:

- Reflect current timekeeper negotiated rates and applicable discounts
- Accurately depict reimbursable expense items
- Comply with instructions related to specific tasks

This process, all of which happens before the client receives the invoice, results in cleaner, more accurate invoices. Client review is streamlined, disputes are handled quickly, and invoices are paid faster. Importantly, the ability to identify potentially disputable invoice entries prior to submission enhances the firm's professionalism.

**Step 4 — Invoice and budget review.** Once the invoice is ready for review, the approving attorney logs on to the system to compare the current and historical invoices to the budget, make any necessary adjustments to the invoice, request clarifying information from the law firm, or approve the invoice for payment.

Utilizing a system that dynamically displays real-time invoice data against a budget provides both the firm and corporate client with the opportunity to monitor the legal spend against the plan. Through the use of system alerts on potential cost overruns, both parties can revisit the case strategy and anticipated costs in advance of incurring unanticipated costs.

**Step 5 — Approval.** Approved invoices are automatically delivered to the client's accounts payable system for payment. At the same time, data from the e-billing system can be exported into a matter management system and/or the organization's enterprise reporting system. These electronic, automatic data transfers eliminate the cost of manual data entry and the potential for inaccurate data entry due to human error.

**Step 6 — Archive and reporting.** Now that all of the invoice line-item detail has been captured electronically, there is a rich database of cost elements associated with each matter and law firm. Using the historical information, the law department can generate reports to monitor specific matters or groups of matters against a budget to gauge actual spending versus expected cost. The same data set can be used to rate the performance of a law firm against an average or against another law firm working on similar matters. The tracking of all invoices within a legal spend management system also helps the legal department generate internal financial reports on payment cycle times, historical cost and quarterly accruals without the need for costly research or calculations.

## Capitalizing on the Power of Data

By selecting an e-billing solution capable of marrying the power of collaboration with the accessibility and flexibility of the Web, corporate legal departments can become empowered to manage legal spend effectively and control costs without sacrificing results. For instance, corporate counsel can select a legal assignment with a mouse click and view real-time case progress and expenses against pre-set plans and goals. Instead of wading through documents to chart the progress of a case against a plan and budget, legal expense information can be displayed instantly on the user's computer screen. This level of access to data and performance metrics means that operating within the boundaries of the budget to achieve the desired resolution stays top-of-mind for both the legal department and its law firms.

While it can be argued that the possibility exists to engage in this level of collaboration in a paper environment, the only means of measuring costs against a budget is at the point in which the cost is invoiced. To conduct the proper analysis at this juncture requires time and resources that in today's business environment are most often unrealistic. Only through legal e-billing can law departments and firms leverage defined business rules to quickly and easily monitor the progress of matters and work collaboratively to ensure that budgets are adhered to.

The benefits of leveraging technology to manage legal spend aren't limited to corporate legal departments. Through an automated invoice submission process, outside counsel can improve cash flow as a result of faster invoice approval, not to mention the ability to monitor disputed invoices. In addition, systems exist that can also accommodate supporting documentation and facilitate online discussions about a matter or budget — two more examples of focused technology that delivers relevant information in real time to authorized users.

## Build a Better Relationship

As law departments feel ever-increasing pressure to control costs, legal expenses have become an area of opportunity for cost savings and greater efficiency. With annual legal expense increases outpacing annual revenue growth, even the slightest improvement in managing legal spend has the potential to translate into meaningful profit increases. Central to managing legal spend and improving litigation outcomes, however, are people and information.

The relationship between legal departments and their law firms has always featured an element of collaboration, but through the convergence of collaborative tools and Web-based solutions, corporate counsel and their law firms can forge a more effective relationship that generates positive results for both parties.

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