When your only tool is a hammer, every problem looks like a nail.

By and large, legal professionals have the expertise to accomplish high-quality outcomes. Unfortunately, their view of billing and matter management has often been constrained by tools that did not capture or provide access to the structured data essential to gain a comprehensive view of the end-to-end process. With limited tools, it can be difficult diagnosing problems, determining appropriate remedies and responding quickly to opportunities.

Corporate legal departments are accountable for achieving the best outcomes in the most cost-effective manner. Never has this balance been more critical than in today’s challenging times, where every dollar saved benefits the bottom line. Likewise, law firms need to ensure their results measure up against expected outcomes and that rates and operating costs are in line with those of their peers.

Over time, forward-looking legal departments have integrated matter management, e-billing and reporting systems to access detailed performance information and gain maximum control of their legal matters. These three integrated tools – matter management, e-billing and reporting – are the foundation needed for a legal department or law firm to harness the power of their data. However, simply having these tools in place does not automatically lead to optimal performance. Ensuring quality results, providing the best service and operating efficiently require fully leveraging these tools and the data they capture.

A CHANGING MARKETPLACE

Today, several forces have converged that make leveraging data essential for effectively managing law department operations.

- **Power Shift.** The economy has shifted power from law firms to corporate legal departments. Corporate law departments are more aggressively negotiating rates and managing costs like other purchasers of services. However, effective negotiation requires objective reliable information.

- **Portfolio Management and Convergence.** There is a growing drive to reduce complexity and create predictability of costs. Companies are consolidating their law firm panels, and increasing the amount of work assigned to law firms that provide the highest quality performance with billing models that are closely aligned with corporate law departments’ objectives. Legal departments are using data to assess which law firms to keep, leverage or cut. Yet, without information about rates, success percentages and payouts across various firms, it is difficult to make well-informed decisions.

- **Expense Pressure.** Convergence and the power shift have led to greater competition among law firms. Legal departments need to share an array of metrics with their firms to drive correct activities and make sure they are aligning with

For law firms, shifts in market dynamics have opened the door for regional players and non-traditional providers to win specialty and commodity work from law departments that formerly relied heavily on large firms. Law firms are beginning to measure how their results and fees compare to their peers.

To meet these needs, there is a heightened demand for “tools of empowerment” that provide the knowledge, transparency and real-time technology to take advantage of opportunities generated by the shifting economy.
priorities. Like every other area of business, legal departments and law firms are under intense pressure to reduce expenses without increasing risk.

- Alternative Fee Arrangements (AFAs). Law departments are utilizing AFAs to increase effectiveness in predicting and controlling cost. A steady increase in the use of AFAs to realize greater value from law firms requires that the law department have the ability to access and analyze detailed historical matter and invoice data.

- Globalization. As corporations become more global, it is harder to make decisions about law firms based solely on relationships with a small, local panel of law firms. Corporate law departments need to leverage systems and knowledge across the globe. Legal business intelligence allows for analysis of lawyer performance, rates and other metrics across a growing geographical footprint.

Without detailed data, companies face a number of problems, including:

- Difficulty controlling/predicting costs
- Challenges in assessing whether results are optimal
- Lack of visibility needed to effectively manage both case loads and law firms
- The inability to provide the business side insight into their legal matters so it can better manage the business

GUIDED INTUITION

Technology cannot supplant the knowledge and skill of legal professionals. However, legal departments and law firms often lack ready access to structured, consistent data and the tools to analyze it and optimize their efforts.

Today's leading technology solutions incorporate detailed, structured data as a key component combined with analytics to augment the personal judgment, experience and intuition of legal professionals. Legal departments are increasingly seeking out integrated matter management, e-billing and reporting systems that provide the structured, consistent and accessible data needed to enable guided intuition.

By leveraging an integrated platform that delivers actionable intelligence, legal departments achieve quality results, consistently superior service and cost effectiveness.

Quality Results. Business intelligence enables legal departments to stay on top of matters. For example, high-risk matters can be identified, tracked and aggressively managed. Performance can be compared across law firms and across lawyers. Historic and recent results can be compared and the best performing law firms and lawyers can be rewarded with more work.

Legal departments have always endeavored to keep track of the firms that deliver consistently good results, and they have an intuitive understanding of what matters should cost and the likely outcome. However, access to robust, objective data can support this understanding and explain why those results occur. Business intelligence tools explain “why” by providing data-driven evidence that can be used to develop and execute strategies and budgets. Simply having the ability to manage costs, provide more certainty, and avoid surprises gives corporate legal departments added credibility with other business units.

With an integrated, intelligence-driven platform, legal departments can compare matter cycle times, resource assignments, budgets, risk-management profiles, outcome information and other metrics. This analysis allows matters to be segmented appropriately and directed to firms that have proven best at handling particular issues. Likewise, law firms can identify top performers objectively and move them into areas of greater responsibility.

Using its integrated platform, one company was able to analyze billing and outcomes related to specific cases in a particular jurisdiction during a three-year period. Its goal was to determine which firms were providing the best overall results and why. It used business intelligence tools to first identify the top performers by reviewing staffing profiles, billing practices, time allocations, case durations and other metrics. The results of its research determined that the best results were achieved by firms who had a high degree of partner engagement early on and resolved matters within the first six months. This analysis gave the company greater insight into their top performers and provided guidance for future matter strategy and planning.

"Legal departments and law firms need to combine their staff expertise with technology that provides data-driven, actionable intelligence to support the best decisions."
Service. With an effective, integrated system that delivers data on projected and actual performance, legal departments can better serve the company. Routine reporting and transparency adds credibility as the legal department proactively identifies and defuses potentially problematic matters and invoices. Budgeting, forecasting, strategic deployment, outcome metrics and communications can be strategically deployed and the legal department can present itself as a credible business partner.

During a recent annual budget review, a large law department was using the data it had captured in its integrated platform to prepare the CEO for what “its budget ask” would be for next year. Historically, this had been a lengthy meeting with many questions and few answers about the current spending patterns and how the budget would be allocated in the coming year. By analyzing its billing data, the team was able to quickly put the budget proposal into terms the CEO could relate to, resulting in fewer questions, a quick meeting and an approved budget.

Cost Effectiveness. Law departments can achieve cost savings by reviewing and comparing invoices and matter outcomes. Invoice information that suggests inaccurate billing is easily identified by individual invoice review – or by aggregating invoice entries over time, examining practices by individual, task and hours and benchmarking practices of one individual against many others. Matter information that suggests extraordinary costs can be easily identified, as can groups of matters or activities that can be better handled by alternate resources or processes.

After putting an integrated business intelligence platform in place, one legal department recognized that a law firm was charging reasonable rates, but had the worst per-case cost in its jurisdiction. An analysis of billing data uncovered the cause – unit billing, redundancies and excessive entries for individual line items, indicating that the firm may have been more interested in generating fees than in matter resolution. Further comparison of similar matters across different firms determined that the firm in question was also retaining the worst case outcomes. Uncovering these results enabled the department to take informed action.

Legal departments have found that putting an e-billing and matter management system in place can save between 5-15 percent in legal fees solely by pre-screening invoices for accuracy and compliance with performance guidelines. As they learn to capitalize on the data-driven business intelligence solutions, legal departments have been able to drive savings of as much as 50 percent by making fully informed and data-driven decisions.

Cost savings and improved performance are also assured by the ability to develop, implement and leverage best practices in areas such as:

- AFAs
- Budget disciplines
- Invoice analysis and review
- Rate management
- Litigation support
- Vendor management
- Law firm and lawyer assessments
- Panel counsel consolidation
- Cycle time reduction
- Loss projection analyses
- Trial date management

BEST PRACTICES IN THE PARTNERSHIP OF TECHNOLOGY AND DATA

There are five essential qualities that legal departments and law firms should expect from their e-billing/matter management solution.

1. **Structured, detailed data capture.** Many e-billing and matter management systems do not capture data at a level of detail that is sufficient to support true business intelligence. The optimal solutions should make consistent use of line item invoice information such as timekeeper names, levels, rates, hours worked and associated UTBMS (Uniform Task-Based Management System) codes, all captured at a granular level that can drive customized analyses at the matter, lawyer, law firm, matter or practice area levels.

2. **Policy enforcement.** Data output is only as good as the data input. A strong solution ensures high-quality, consistent and well-structured data beginning with enforcing policies around detailed data input by law firm billers. Policies should be easily configurable based on the unique needs of the legal department. A good matter management system also allows companies to configure fields and data capture elements important to each practice and business area. These fields should only be presented when appropriate and not left to the end user to determine when they apply. Experience has demonstrated that a design focused on user- and matter specific needs leads to better quality data and improved processing times when compared to a “generic” design.

3. **Detailed management reporting.** Best practices incorporates detailed management reports that cover everything from matter updates to departmental business forecasts.
Additionally, the platform should deliver industry standard reports “out of the box” and provide custom report-building to meet the specific needs of clients and business partners. Additional capabilities should include querying that allows users to move beyond static report-building to reveal cause-and-effect relationships.

Access to these reports should be intuitive to the end user, ranging from direct access through the software to the ability to schedule and deliver reports to users via e-mail. Having these capabilities allows legal departments to evaluate information in a consistent format and present it objectively to business partners and law firms.

4. **Analytical modules.** Management processes around budgeting, accruals, rate management, AFA management and other workflows should be configurable by the business as it evolves, rather than requiring custom coding by the vendor as the law department becomes more sophisticated.

5. **Training and support.** If a legal department has been “flying blind,” it can be overwhelmed by the flood of information a good business intelligence platform will quickly deliver. The solution provider should offer assistance in identifying and developing high-value analytics and prioritizing new data-driven management tasks designed to improve the quality of outcomes. Support services should help legal departments and law firms identify areas for additional cost savings, disposition strategies and reporting metrics.

**BECOMING DATA-DRIVEN**

People, processes and technology are all essential components of effective legal spend management. An integrated e-billing, matter management and business intelligence tool supports the people entrusted with managing end-to-end legal processes by providing structured, consistent and accessible data and allowing legal departments to capture and segment key information.

Simply implementing technology doesn’t guarantee that a legal department will fully realize the potential of its data. That data needs to be translated into meaningful metrics and actionable information that can drive informed decisions.

By fully leveraging intelligent technologies, legal departments can attain the information needed to optimize performance through better financial management, stronger law firm engagement decisions and more effective strategic planning. Both legal departments and law firms can identify problems and opportunities, put processes in place to remedy or capitalize on them and monitor the results for ongoing improvement.

Business intelligence creates the foundation for an in-depth understanding of the drivers for costs, quality and outcomes – ultimately leading to higher performance in managing legal matters. Corporate, financial and legal executives should ask whether their law departments have incorporated business intelligence to inform their activities and strategies for managing operations, matters and law firms. If the answer is no, identify and overcome the obstacles with people, process or technology.

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CT TyMetrix is the market leader in providing Web-based systems for electronic invoicing, performance management metrics, matter management, budgeting and forecasting, document management, and collaborative knowledge management.

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**Real Data. Real Rates.**

**THE 2010 REAL RATE REPORT**

The 2010 Real Rate Report, a collaboration between CT TyMetrix and the Corporate Executive Board, is the legal industry’s first data-driven guide for the pricing of legal and matter staffing. For more information, visit [www.realratereport.com](http://www.realratereport.com).