



Inside the GC's Playbook:

5 Practical Ways to Improve Legal Spend and Efficiency

Lavender Law

August 23, 2013

10:45 a.m. – Session 1

Pressures on Corporate Counsel

Survey: What issues do you expect will be of most concern to you in 2013?



Source: ALM Legal Intelligence report "Corporate Counsel: Agenda 2013"

Cost Control + Value Alignment

Law Departments being asked to “further reduce” legal spend



LSM 1.0:
Cost Control



LSM 2.0:
Value Alignment

- Attorney Compensation
 - Headcount
 - Use of e-billing/technology
 - Rate freezes
 - Consolidation of firms
 - Billing Guideline Optimization
 - Budgeting
- Building a Legal Ecosystem
 - Filtering work based on risk and complexity
 - Right-sourcing and unbundling
 - Criteria based counsel alignment
 - Ongoing Scorecards and Analytics
 - Value-based fee arrangements
 - Legal Project Management

Legal Ecosystem Approach

Reducing Spend through **Win-Win** Relationships

- Leverage information to gain buy in – don't force change
- Focus on value alignment instead of just spend reduction
- Engage Outside Counsel for expertise, not manufacturing support
- Leverage alternative service providers for efficiency gains
- Increase transparency with Outside Counsel
- Integrate data and intelligence into daily practice
- Incentivize and reward value add – efficiency, quality and outcomes
- Don't be all things – designate a legal spend “driver”
- Move the needle – deliver incremental improvements

The Role and Power of Data

A critical piece to the **overall** puzzle

- **Guideposts** for decision making
- Delivers opportunities that may have otherwise remain hidden
- Facilitates fact-based internal and external discussions
- Legal Outcomes = Art + Science



A Smart Approach to Spend

Information-driven Legal Spend Management



- Stage 1: Run a Performance Health Check
- Stage 2: Gain Buy In and Develop Plan
- Stage 3: Educate Preferred Firms
- Stage 4: Go After Low Hanging Fruit
- Stage 5: Deliver Ongoing Savings
- Stage 6: Get AFAs Right

Stage 1: Performance Health Check

Generate Legal Spend Dashboard and Benchmarks

Total Spend	
Total Budget to Actuals	116M/104%
Total spend as a % of company revenues	.12%/116M
Internal vs. External Mix %	25%/75%
Total Cost of Ownership per internal legal FTE	\$473K
Total Cost of Ownership per internal lawyer	\$633K

External Spend	
External Budget to Actuals	86/104%
External Spend as a % of Company Revenues	.09%/86M
No. of Law Firms Used	373
External Spend per Internal Resource	\$352K
External Spend per Lawyer	\$457K
Preferred vs. Non Preferred Firm Usage %	58%
Top 10 Firms as a % of Fees	43%
% of Firms to 80% of Fees	9.8%
% use of AFAs	29%

Internal Spend/Headcount	
Internal Budget to Actuals	29M/100%
Internal spend as a % of Company Revenues	.031%/29M
Internal spend per Internal Resource	\$120K
Internal Spend per Lawyer	\$161K
Internal Rate per Lawyer	\$137
Internal Rate per Resource	\$85.8
Lawyers per non-lawyer personnel	2.97
Lawyers per Support Staff	3.94
Company Revenue per Lawyer	\$507K
Company Revenue per Internal FTE	\$379K

■ = Strong; in-line or better than industry average and best practices
■ = Good; Within range of industry average and best practices
■ = Fair; Somewhat varied from industry average and best practice
■ = Weak; Significantly varied from industry avg. and best practices

Stage 1: Performance Health Check

Leverage Analytics for Outside Counsel Alignment Opportunities

Law Firm	Staffing Mix						Staffing Efficiency			
	Total Hours	P	AS	OC	PL	OT	# of TKs	FTEs	TKs/FTE	P/NP Leverage
Global	90,730	20%	39%	9%	5%	23%	1192	50.4	23.6	0.26
Law firm A	10,506	23%	52%	3%	0%	23%	251	5.8	43.0	0.29
Law firm B	37,151	11%	33%	13%	6%	38%	299	20.6	14.5	0.12
Law firm C	9,005	21%	28%	5%	2%	9%	120	5.0	24.0	0.26
Law firm D	1,534	31%	53%	4%	0%	12%	22	0.9	25.8	0.45
Law firm E	1,543	43%	41%	6%	2%	8%	40	0.9	46.7	0.77
Law firm F	14,306	28%	48%	13%	1%	12%	259	7.9	32.6	0.38
Law firm G	14,748	28%	46%	3%	16%	8%	162	8.2	19.8	0.38
Law firm H	1,937	60%	27%	6%	1%	6%	39	1.1	36.2	1.52
Regional	58,129	45%	30%	4%	4%	17%	762	32.3	23.6	0.82
Law firm I	1,701	82%	8%	8%	1%	1%	43	0.9	45.5	4.64
Law firm J	4,071	15%	63%	9%	12%	0%	46	2.3	20.3	0.18
Law firm K	7,098	41%	39%	0%	0%	19%	16	3.9	4.1	0.70
Law firm L	3,688	72%	20%	1%	5%	2%	53	2.0	25.9	2.62
Law firm M	559	25%	59%	16%	0%	0%	16	0.3	51.5	0.33
Law firm N	593	90%	6%	0%	3%	1%	22	0.3	66.8	8.87
Law firm O	7,197	22%	11%	3%	4%	59%	47	4.0	11.8	0.29
Law firm P	1,007	2%	85%	0%	1%	7%	10	0.6	17.9	0.03
Law firm Q	4,984	51%	25%	12%	3%	9%	75	2.8	27.1	1.04
Law firm R	1,023	30%	29%	0%	0%	41%	48	0.6	84.4	0.42
Law firm S	1,051	21%	70%	5%	3%	1%	16	0.6	27.4	0.27
Law firm T	12,078	37%	36%	0%	9%	18%	251	6.7	37.4	0.58
Law firm U	2,199	61%	21%	17%	0%	0%	46	1.2	37.7	1.59
Law firm V	7,671	55%	25%	4%	1%	15%	60	4.3	14.1	1.23
Law firm W	2,977	100%	0%	0%	0%	0%	5	1.7	3.0	
Law firm X	232	87%	2%	5%	0%	6%	8	0.1	62.0	6.61
Total	148,859	30%	36%	7%	5%	20%	1954	82.7	23.6	0.4

Stage 2: Gain Buy In / Develop Plan

- Package findings into easily understandable opportunities
- Adequately quantify and define the value and impact of missed opportunities
- Demonstrate how data was leveraged to uncover opportunities that would have remained hidden
- Develop horizon plan that provides incremental improvement with limited interruption to the business
- Gain leadership approval and communicate plan to staff

Step 3: Educate Preferred Firms

Simple, Easy to Understand Firm Performance Scorecards

Qualitative Analysis	
Category	Score
Subject Matter Expertise	3.5
Business Alignment	4
Responsiveness/ Accessibility	3.5
Project Management	4
Budgeting Accuracy	2.5
Creativity	3.5
Proactive Execution	3
Aggressiveness to Resolve	1
Communication	3
Partnership/ Trustworthiness	3
Quality and Presentation	3.5
Results/Outcomes	3

Quantitative Analysis		
Category	Performance Details	Score
Staffing Models	<ul style="list-style-type: none"> High Partner-leverage (65%) for compliance and products matters Overall, high partner leverage across all matters (47%) 	2
Staffing Efficiency	<ul style="list-style-type: none"> 55 Unique TKs used to provide 1.73 FTEs worth of work (32 TK/FTE); 52% higher than firm portfolio average (21 TKs/FTE) Legal research activities are being performed by high-level resources at very high rates (\$404 WABR); 	1
Fees/Costs	<ul style="list-style-type: none"> Partner-level rates higher than portfolio averages for compliance and products area (\$652/hr vs. \$561/hr) Associate-level rates generally in line with Client portfolio averages 	2
Compliance	<ul style="list-style-type: none"> Paralegal rates well above allowed averages (\$246 vs. \$100) Billing precision score is 3.55/5; Ranked 49/77 Firms Timely, accurate and consistent submission of invoices problematic. 	3

Stage 4: Go After Low Hanging Fruit

- Raise awareness for performance management
- Implement process for classifying and filtering legal work at the onset (based on type, significance and complexity)
- Unbundle low-risk, high volume areas of legal work (both internally and externally) to an alternative service provider
- Consolidate use of high-cost or low-spend local counsel in certain areas/regions to preferred panel firms
- Centralize disparate law firm sourcing models to a centralized corporate model (legal research, translation, printing, etc.)
- Enforce compliance to data tracking requirements and optimized set of guidelines

Stage 5: Deliver Ongoing Savings

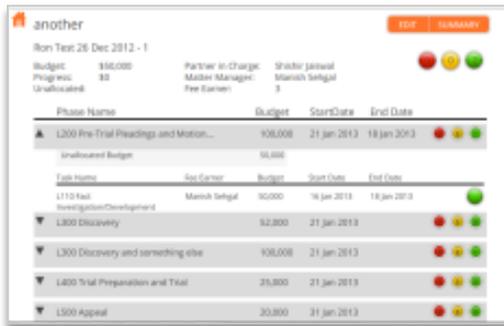
Client's information-driven toolkit for ongoing savings includes:



Online Legal Spend Analytics

Qualitative Analysis		Quantitative Analysis	
Category	Score	Category	Performance Details
Subject Matter Expertise	3.5	Staffing Models	<ul style="list-style-type: none"> High Partner-leverage (65%) for compliance and products matters Overall, high partner-leverage across all matters (47%)
Business Alignment	4		
Responsiveness/ Accessibility	3.5	Staffing Efficiency	<ul style="list-style-type: none"> 55 Unique Tks used to provide 1.73 FTEs worth of work (32 Tks/FTE); 52% higher than firm portfolio average (21 Tks/FTE) Legal research activities are being performed by high-level resources at very high rates (\$404 WABR);
Project Management	4		
Budgeting Accuracy	2.5	Fees/Costs	<ul style="list-style-type: none"> Partner-level rates higher than portfolio averages for compliance and products area (\$652/hr vs. \$561/hr) Associate-level rates generally in line with Client portfolio averages
Creativity	3.5		
Proactive Execution	3	Compliance	<ul style="list-style-type: none"> Paralegal rates well above allowed averages (\$246 vs. \$200) Billing precision score is 3.55/5; Ranked 49/77 Firms Timely, accurate and consistent submission of invoices problematic.
Aggressiveness to Resolve	1		
Communication	3		
Partnership/ Trustworthiness	3		
Quality and Presentation	3.5		
Results/Outcomes	3		

Quarterly 360° Performance Reviews



Legal Project Management

Stage 6: Get AFAs Right

Effectively utilizing AFAs requires a methodical approach to determining value-based pricing

- Determine fair value for various types of legal services (using optimal staffing models and fees)
- Prioritize the value-based drivers for the matter/portfolio (efficiency, quality and/or outcome)
- Determine level of difficulty to achieve desired outcomes based on existing variables (risk, complexity, urgency, etc.)
- Collaborate and agree upon AFA incentive (premium or discount) that best balances cost to prioritized value

Questions?

...and don't forget your handout!



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A Checklist For Jumpstarting Your Law Department's Information-driven Legal Spend Program

This document outlines specific steps and checklist items to consider when implementing your law department's information-driven legal spend management program. Specifically, this document details specific items related to the following legal spend program stages:

- **Stage 1: Run a Legal Spend Performance Health Check**
- **Stage 2: Gain Buy In and Develop Plan**
- **Stage 3: Educate Preferred Firms**
- **Stage 4: Go After Low Hanging Fruit**
- **Stage 5: Deliver Ongoing Savings**
- **Stage 6: Get AFAs Right**

NOTE: Not all checklist items and best practices mentioned in this document can be applied to every in-house or outside counsel effort.

Please share your experiences on using this checklist and/or building your legal spend program by emailing us at info@elevateservices.com.

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