



KPMG Law

Unsere Expertise. Ihre Sicherheit.

Cost control

How to keep costs under control with Legal Spend Management

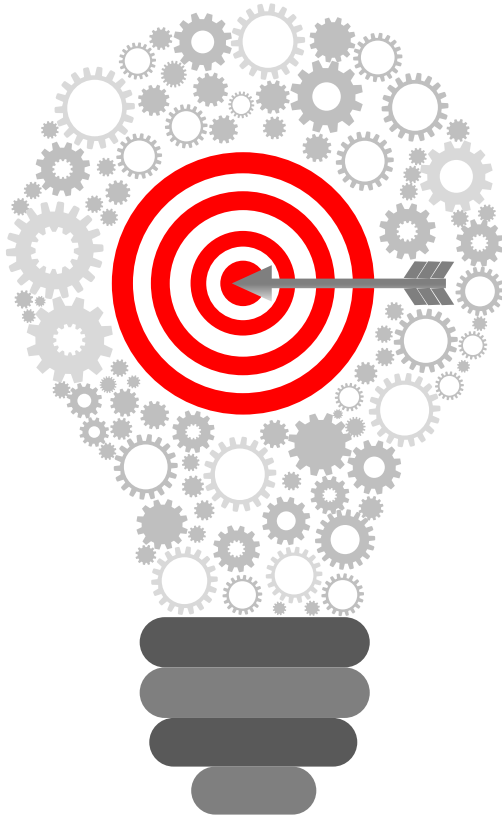
Philipp Glock, LL.M. (UWC)
David J. Deutsch

—

December 5th, 2018



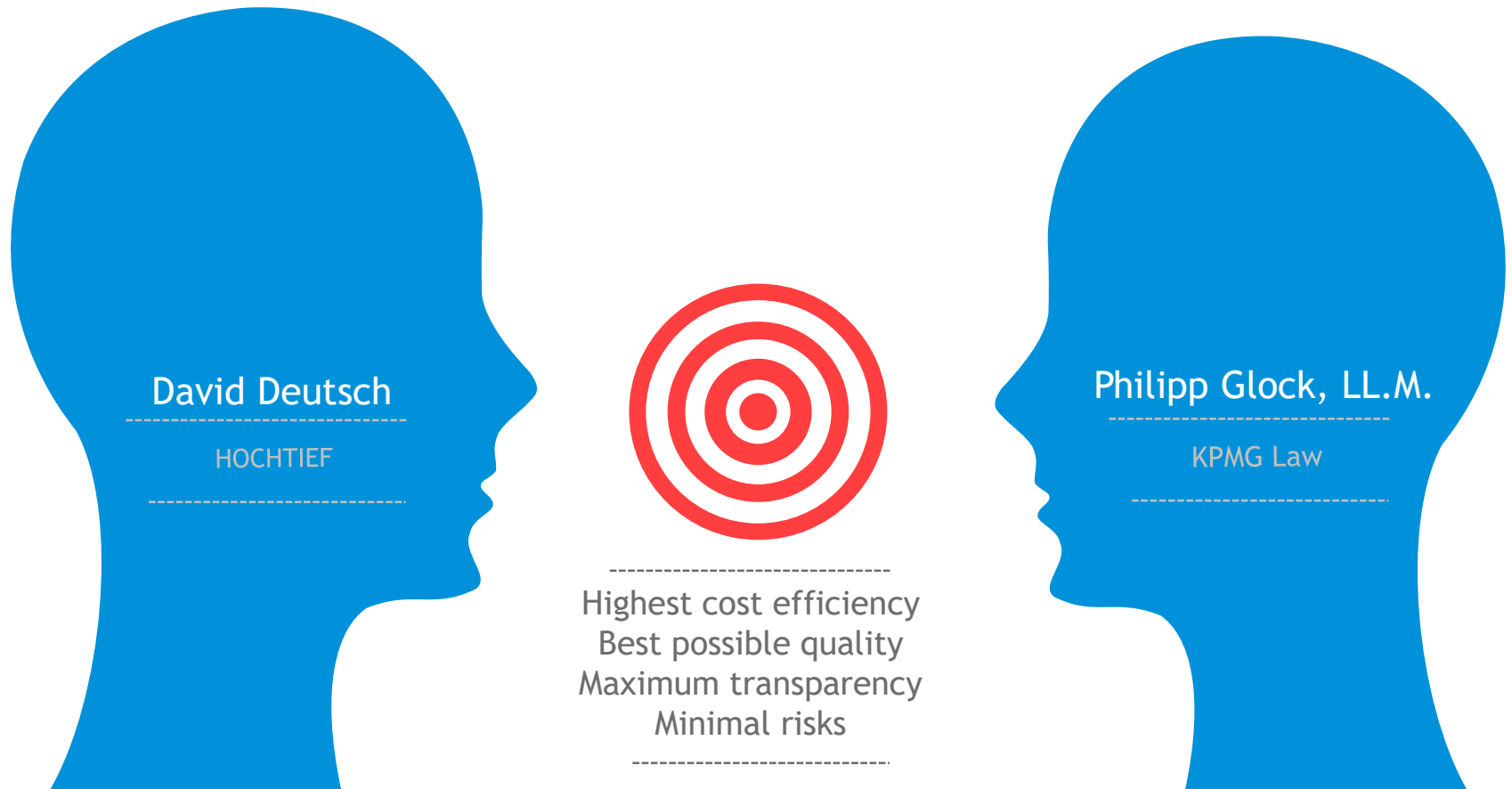
Legal Spend Management means much more than purchasing a software ...



Legal Spend Management contains ...

- ... the development of end-to-end processes
- ... holistic digitization of workflows
- ... (re)definition of roles
- ... determination of clear make-or-buy criteria
- ... strategic panel management
- ... flexible matter management
- ... transparent controlling
- ... continuous development based on KPIs
- ... **but also:** a break-up of grown structures and dealing with changed, sometimes radically new approaches and solutions.

... and benefits from two perspectives - brought together in a common approach.



1

Overview Legal Spend Management



2

Elements of a Legal Spend Management



3

Legal Spend Software

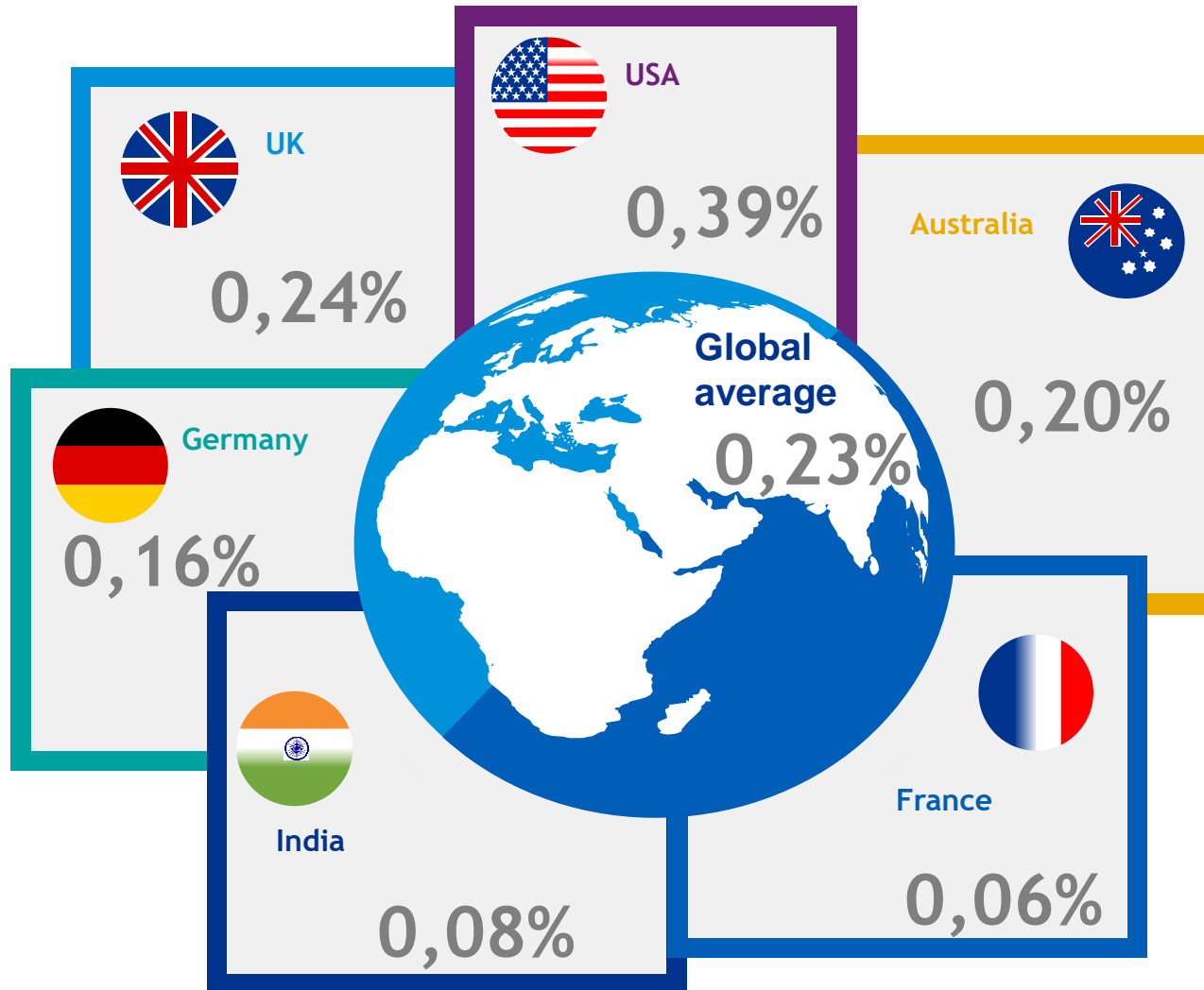


4

Project Implementation



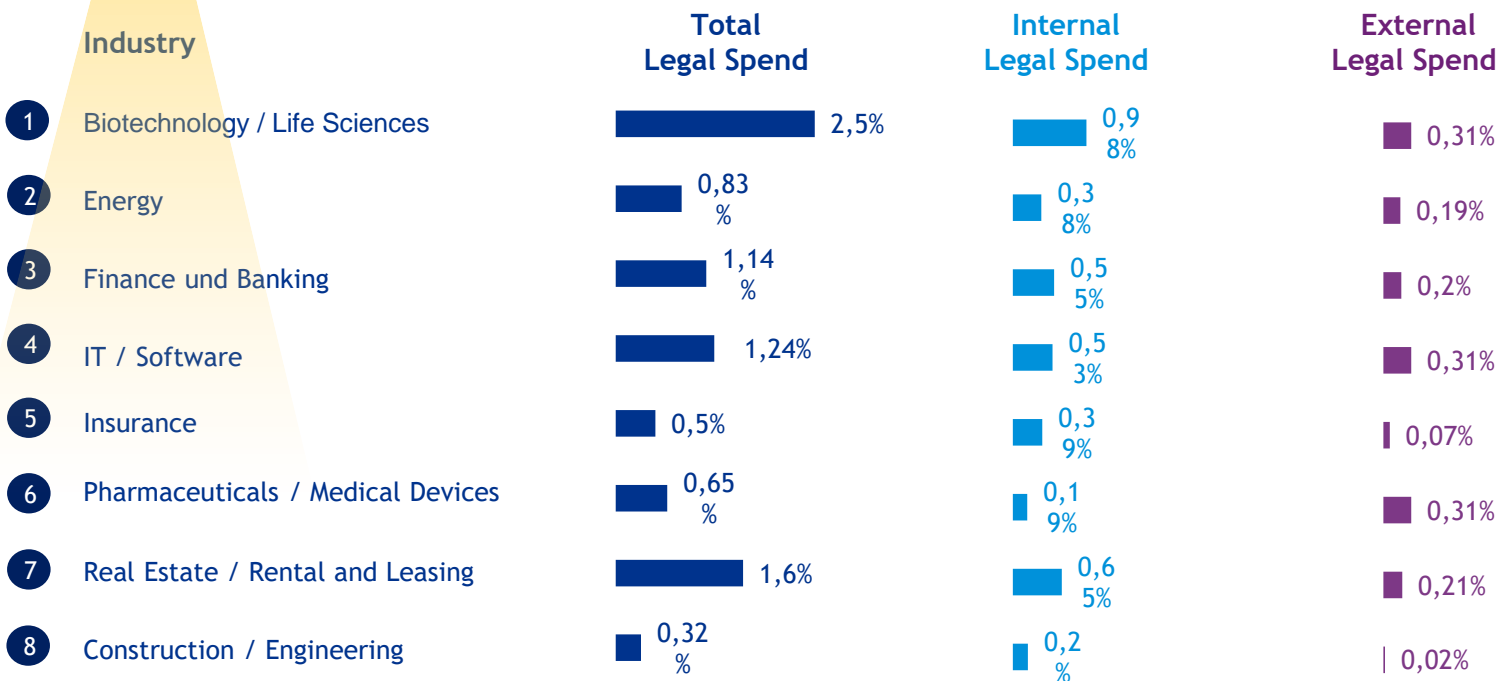
Legal Spend varies by country*, ...



*Graphic shows the percentage of legal spend in relation to companies' annual revenue in different countries. The results are based on the survey Acritas Patterns in Legal Spend Report, questioning 2,200 inhouse senior counsels worldwide.

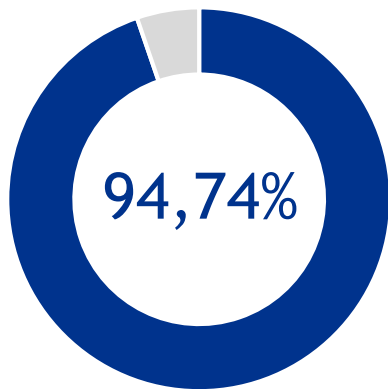
Overview Legal Spend Management

... industries* ...

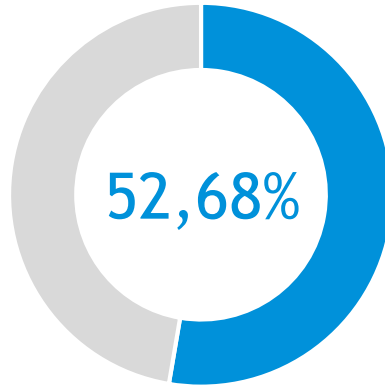


*Graphic shows the percentage of legal spend in relation to companies' annual revenue in different industries. The results are based on the ACC Chief Legal Officers 2018 Survey, that interviewed 1275 CLOs from 48 countries.

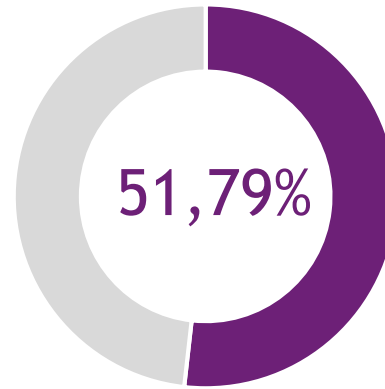
Overview Legal Spend Management ... and fields of law*



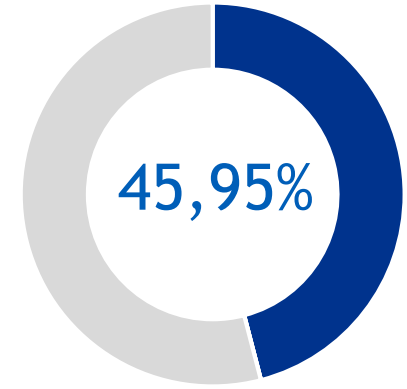
... **Complex Litigation**



... **Due Diligence**



... **Patent Services**



... **E-Discovery**

*Graphic shows the percentage proportion of tasks being outsourced to external law firms.

The results are based on the ACC Legal Department Benchmarking 2018 Report (Large Company Supplement), that interviewed 132 companies worldwide with an annual revenue of at least \$ 3 Billion.

Overview Legal Spend Management

Drivers of digitization challenge legal departments of companies.

Increased workload due to increasing **regulation**

Growing demands on **efficiency** and **quality**

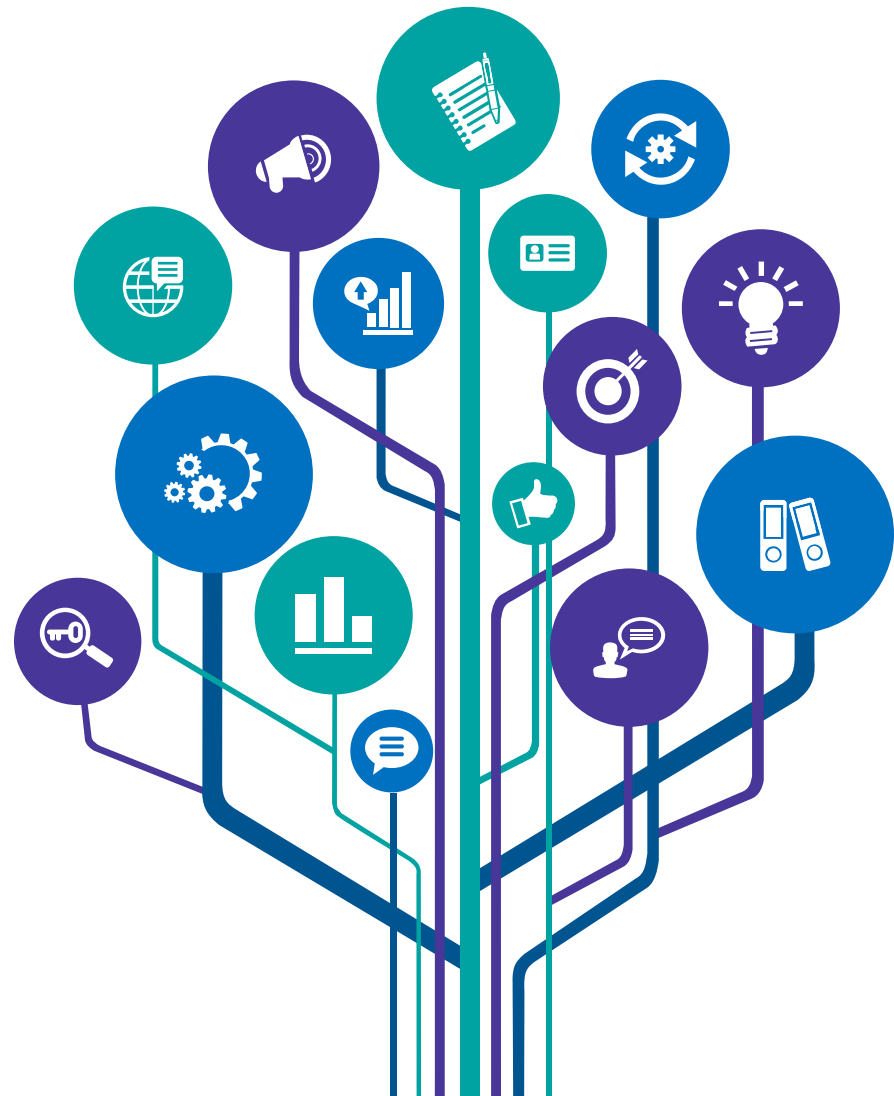
Globalization / coordination of various locations and regions

Positioning as strategic **Business Partner**

Rising **costs** in legal advice

New **technologies**:
Legal Tech and Big Data

Pressure for innovation



Elements of a Legal Spend Management

In overcoming these challenges, legal departments can make a significant contribution to the economic success of the company, ...



Elements of a Legal Spend Management

... for example, by employing a legal spend manager who controls the end-to-end processes and makes strategic decisions based on aggregated data.



Legal Spend Software

Legal Spend Software also helps ...

BusyLamp

YOU ARE HERE: HOME > DASHBOARD

Hi, Manuel Bell | Last login: 16.04.2018 14:36 | LOGOUT

CONTROLLING

DASHBOARD

32 time entries need to be accepted [VIEW](#)

4 expenses need to be accepted [VIEW](#)

3 Invoices to be reviewed [VIEW](#)

4 Invoices to be released [VIEW](#)

1 Invoice to be approved [VIEW](#)

4 Invoices to be paid [VIEW](#)

3 Invoices are waiting in "submitted" state since two weeks. [VIEW](#)

KEY FIGURES (YTD)

Content	Value
Cost	27,434.83 EUR
Hours	6.05 h
Hourly rate (Avg.)	82.60 EUR
Matters	10
All Law firms	2
All lawyers	4

KEY FIGURES (THIS MONTH)

Content	Value
Cost	0.00 EUR
Hours	0 h
Hourly rate (Avg.)	0.00 EUR
Matters	0
All Law firms	0
All lawyers	0

Spend by matter

Legend: Spend (blue bars), Avg hourly rate (dotted line), Billed hours (red line)

Overview Other

497,717.25 EUR (26.1%)

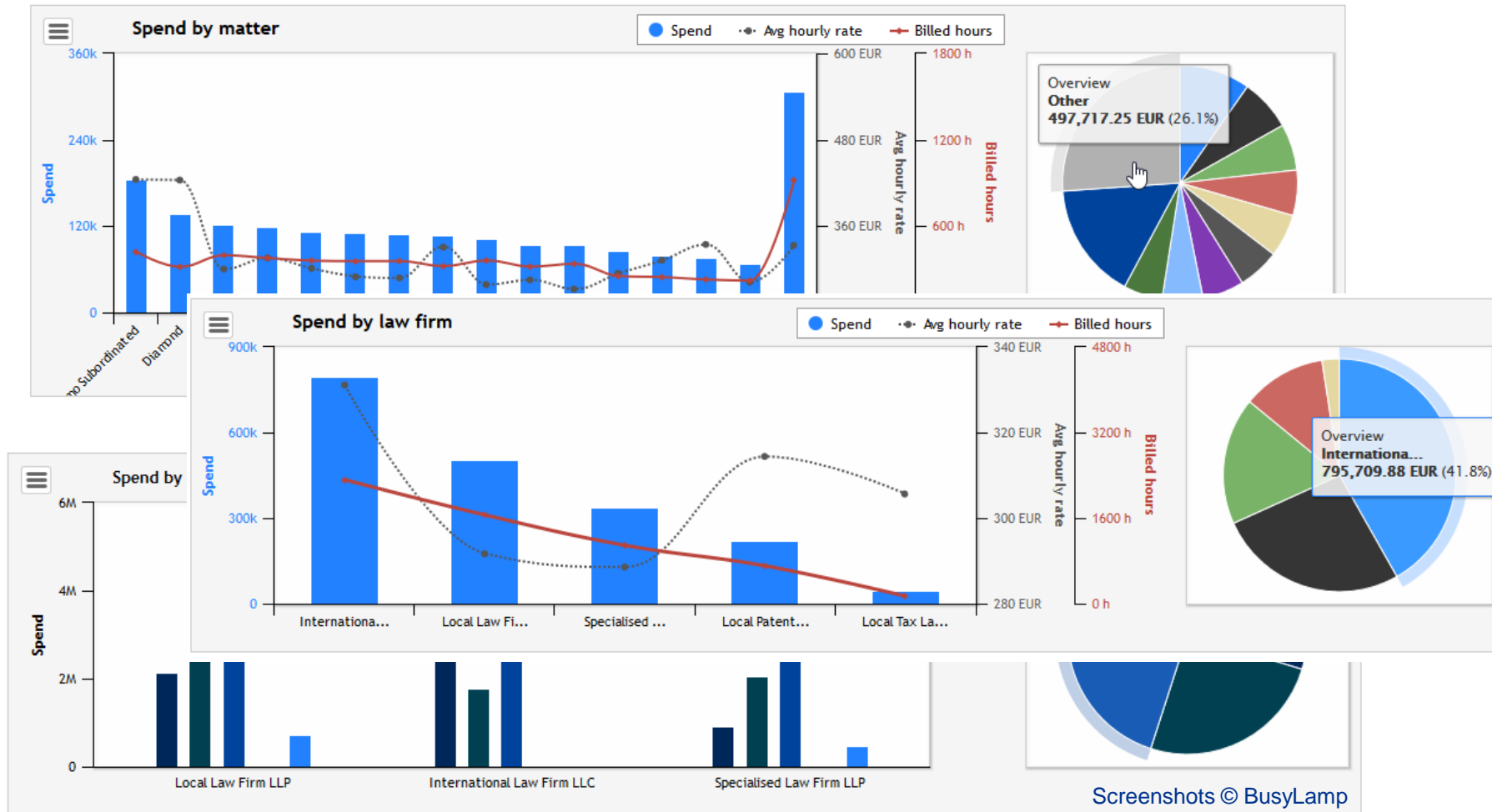
Übersicht Chart

Projekt	WIP	In Rechnung gestellt	Gesamtkosten
9 Sample Patent 3	€ 119,528.50	€ -	€ 119,528.50
10 Demo Patent	€ 68,491.06	€ 18,803.44	€ 87,294.50
11 Merkur	€ 86,398.50	€ -	€ 86,398.50
12 Foreign Currency Project	€ 53,169.00	€ -	€ 53,169.00
13 Sample Patent 1	€ 107,063.50	€ -	€ 107,063.50
14 Sample Patent 4	€ 66,855.00	€ -	€ 66,855.00
15 Amethyst	€ 61,244.50	€ -	€ 61,244.50
16 Sample Patent 2	€ 76,700.00	€ -	€ 76,700.00
17 Opal	€ 82,600.50	€ -	€ 82,600.50
18 Jupiter	€ 89,905.38	€ -	€ 89,905.38
19 Diamond	€ 104,863.00	€ 18,794.00	€ 123,657.00
20 Mars	€ 85,001.00	€ -	€ 85,001.00
21 Solaris	€ 96,459.00	€ 1,200.00	€ 97,659.00
22 Demo Subordinated	€ 82,022.00	€ 11,590.00	€ 93,612.00
23 Peter Pan	€ 62,653.00	€ -	€ 62,653.00
24 Uranus	€ 89,154.00	€ -	€ 89,154.00
25 Venus	€ 37,300.00	€ -	€ 37,300.00
26 Stones	€ 79,722.50	€ -	€ 79,722.50
27 Signum Laude	€ 62,830.00	€ -	€ 62,830.00
28 Sapphire	€ 28,493.50	€ -	€ 28,493.50
29 Saturn	€ 9,156.00	€ 68,212.40	€ 77,368.40
30	€ 1,549,609.94	€ 118,599.84	€ 1,668,209.78

Screenshots © BusyLamp

Legal Spend Software

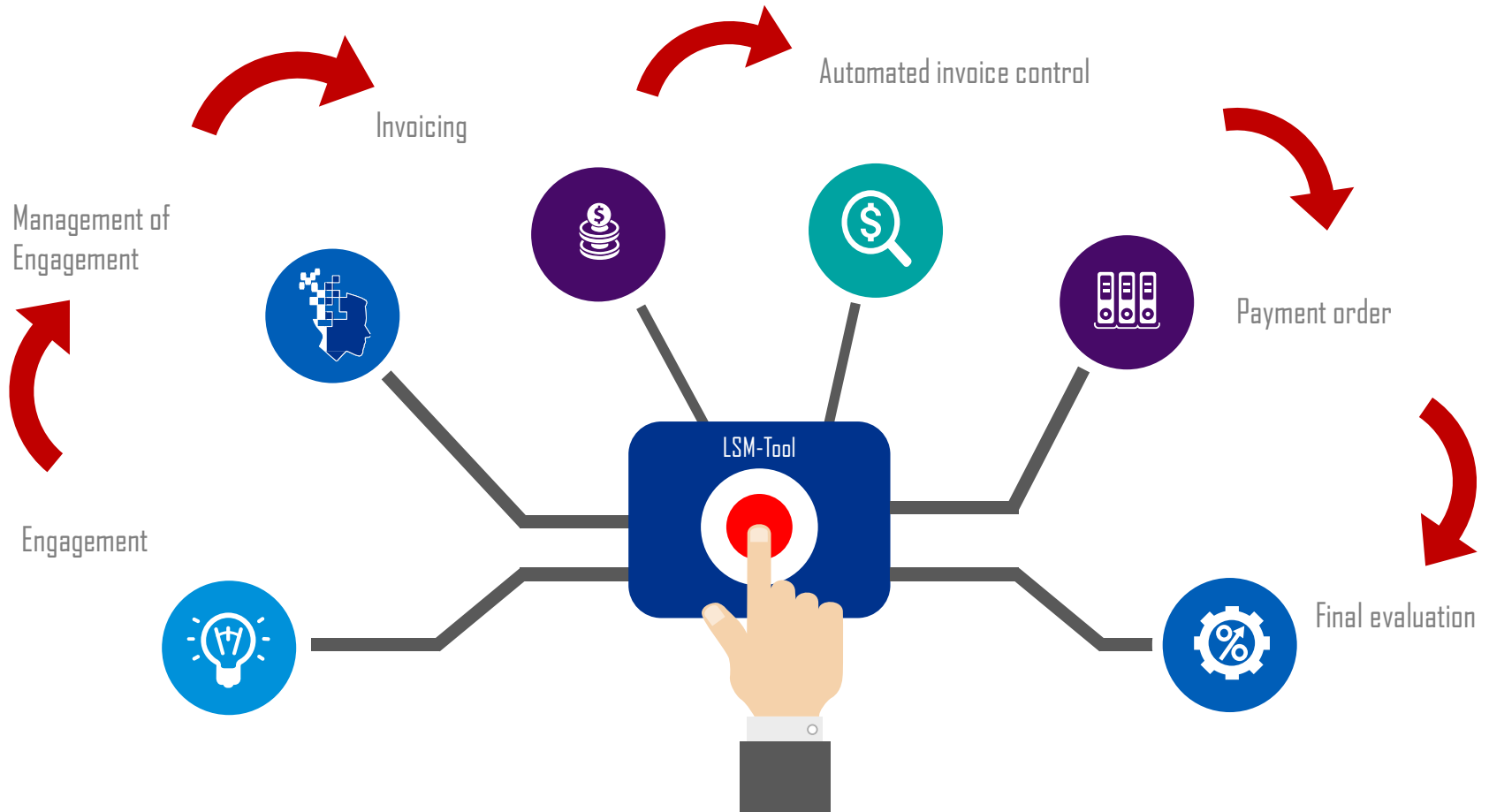
... to create transparency and make captured data usable, ...



Screenshots © BusyLamp

Legal Spend Software

... so that within a seamless digital workflow...



Legal Spend Software

... the potential for savings, for adaptations and undesirable developments becomes visible.

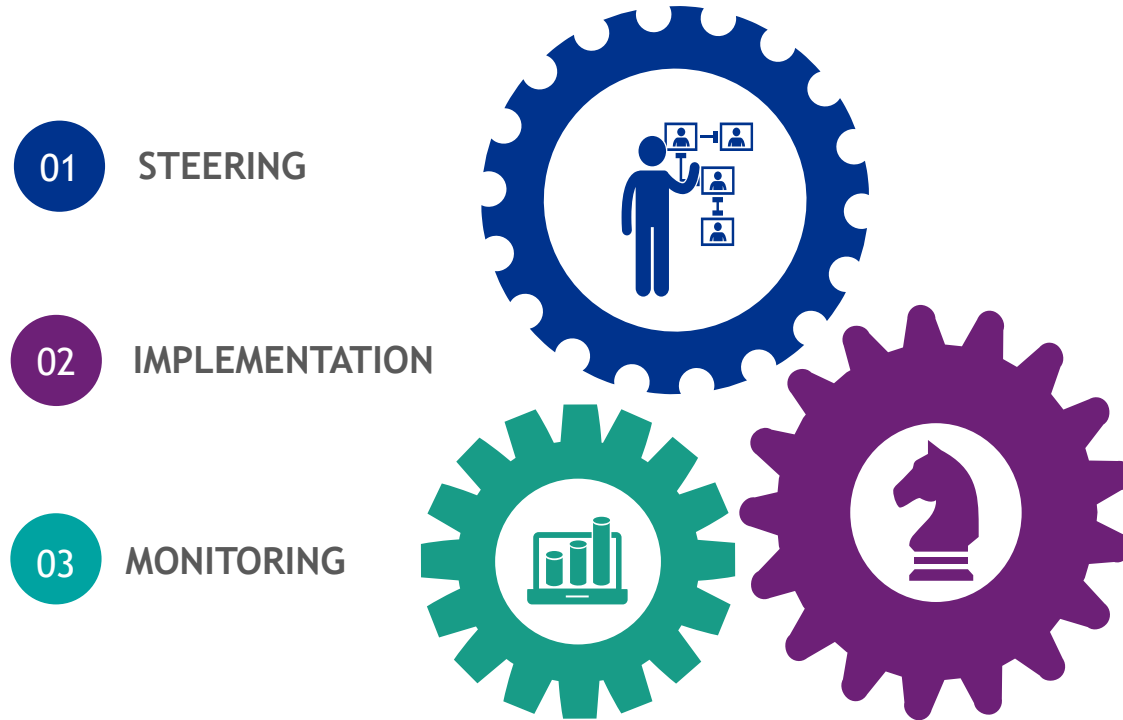
Included functions are among others:

- Automatic invoice verification (e-billing) through standardization of invoicing as well as direct reading and evaluation of invoice data (processing times, hourly rates) and the comparison of the invoice with engagement conditions.
- A central database enables an overview, an analysis and the creation of cost reports at any time.
- Budget control (mandate related) in real time with warning function
- Use of AFAs – e.g. through transparency when approaching discount limits
- Dashboard overviews with to-dos; project overviews including cumulative costs and list of expenses
- Comprehensive reportings, e.g. spend by law firm
- Statistics on law firms (period of cumulative costs, attorney activity hours/costs)
- Matter management system (Overview law firm panel)



Project Implementation

The design of legal spend processes is always based on three essential elements, ...



... that interact with each other ...

1 Steering process

- Ensuring an effective engagement process
- Control of the engagement process
-> reduction of the panel if necessary, as consulting „from a single source“ is easier to manage and facilitates negotiations
- Formation of the panel on the basis of certain criteria (e.g. Know-how, revenue, process skills etc.)
- Possibility of alternative fee arrangements (AFAs) with a clearly arranged panel
- Ensuring the necessary transparency
- Processes and role distribution
- Interface to Purchasing



2 Implementation process

- Conclusion of new framework agreements and renegotiation of existing ones
- Set-up of billing guidelines
- Conclusion of individual engagement letters
- Prevention of „Maverick-Buying“
- Controlling (audit process)
- Establishment of a Legal Spend Manager
- Ongoing Change Management

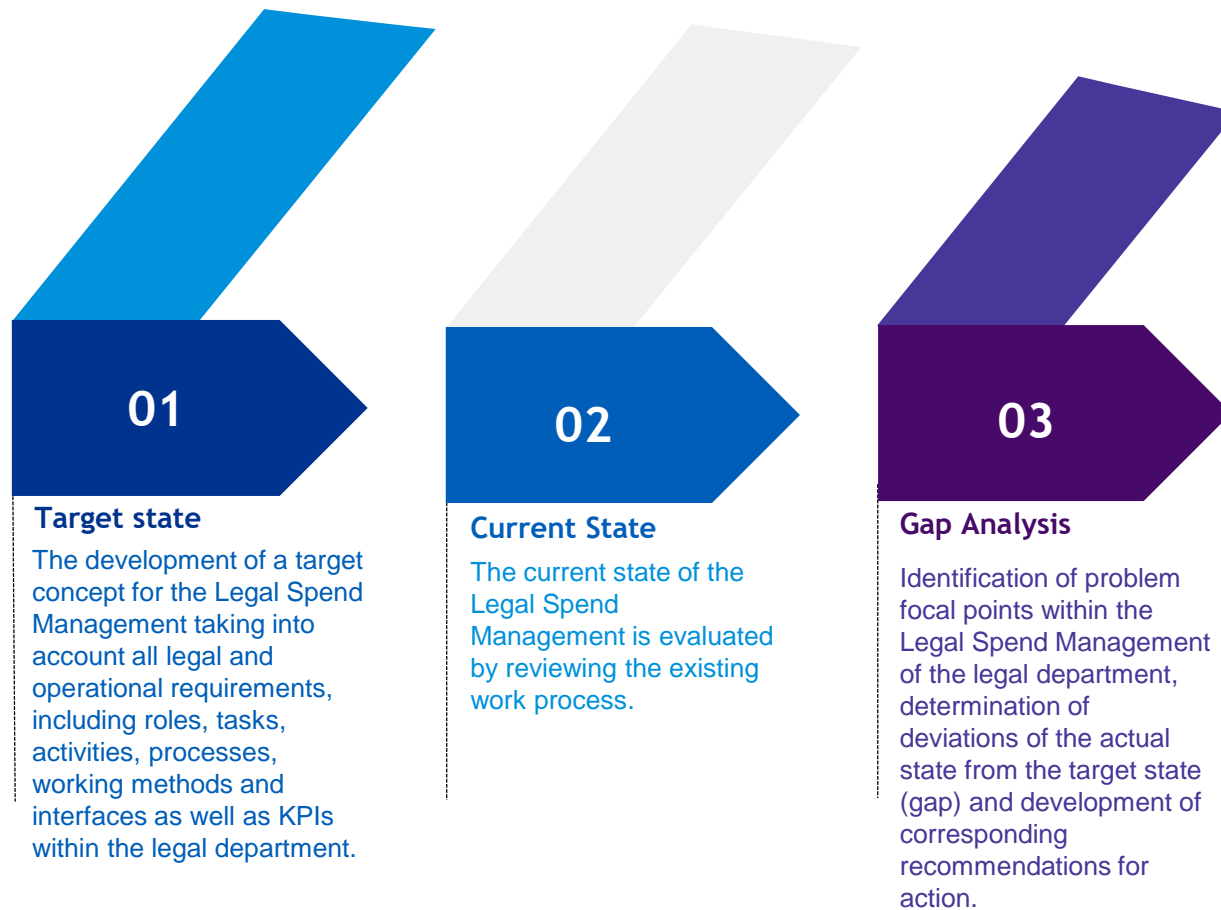


3 Monitoring process

- Evaluation of the outputs of the individual process steps
- Ensuring economic efficiency and quality
- Definition of KPIs to assess performance and/or selection
- Determination of the degree of satisfaction for sustainable cost optimization

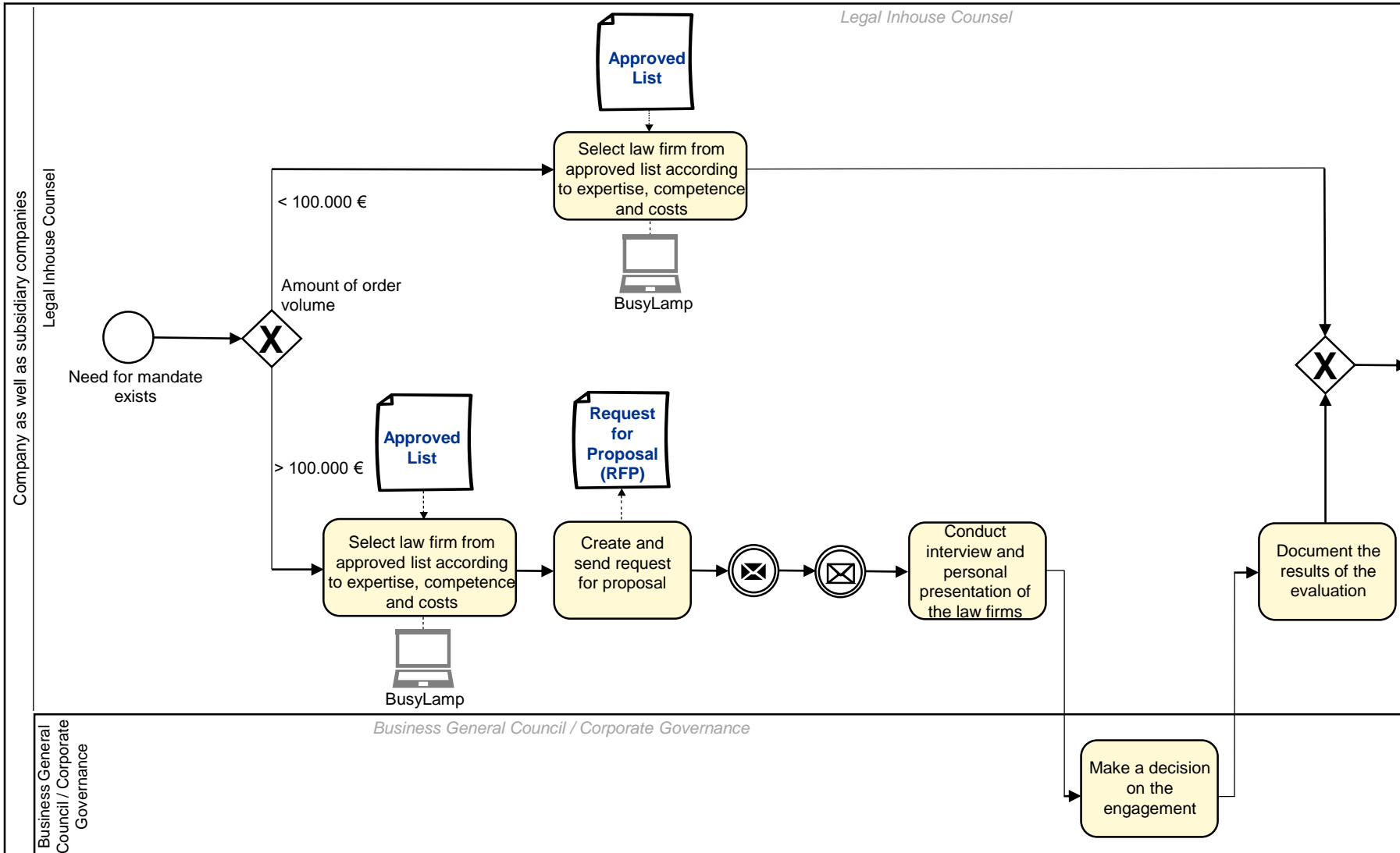


... to form a holistic process.



Project Implementation

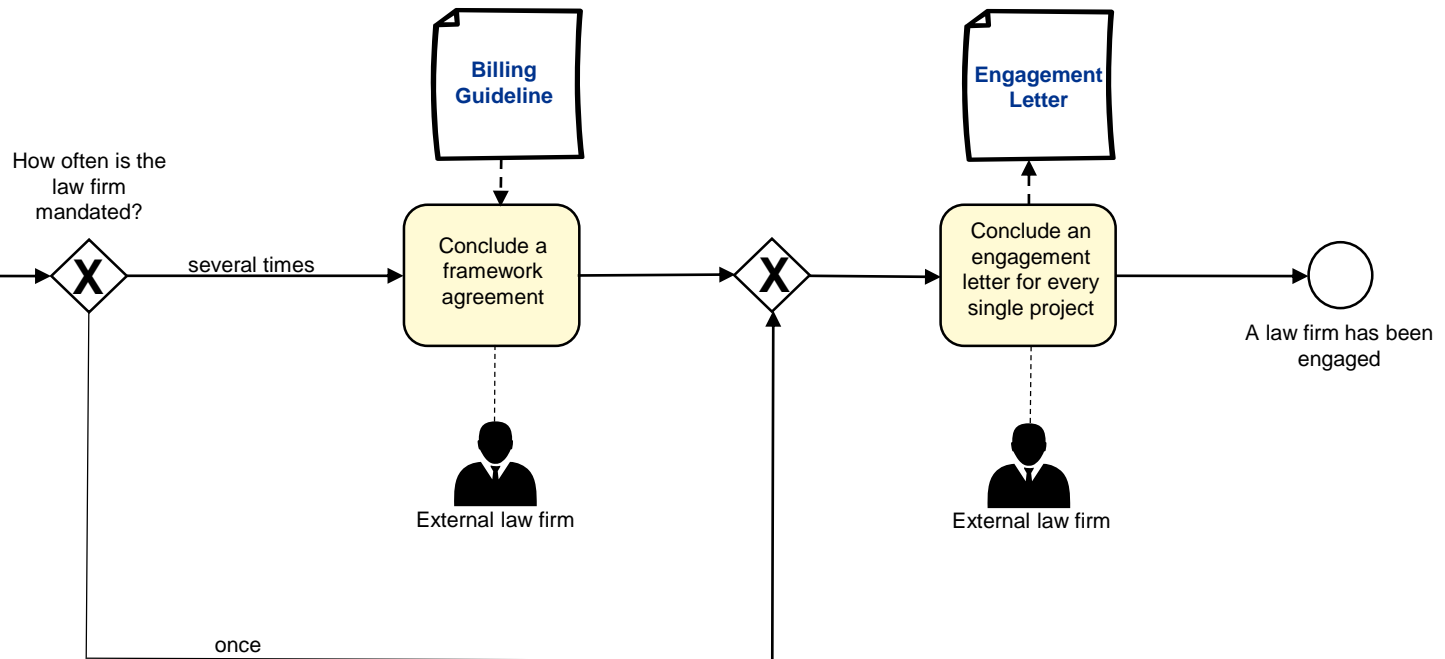
Engagement Process Part 1



Project Implementation Engagement Process Part 2

Legal Inhouse Counsel

Company as well as subsidiary companies
Legal Inhouse Counsel



Business General Council / Corporate Governance

Business General Council / Corporate Governance

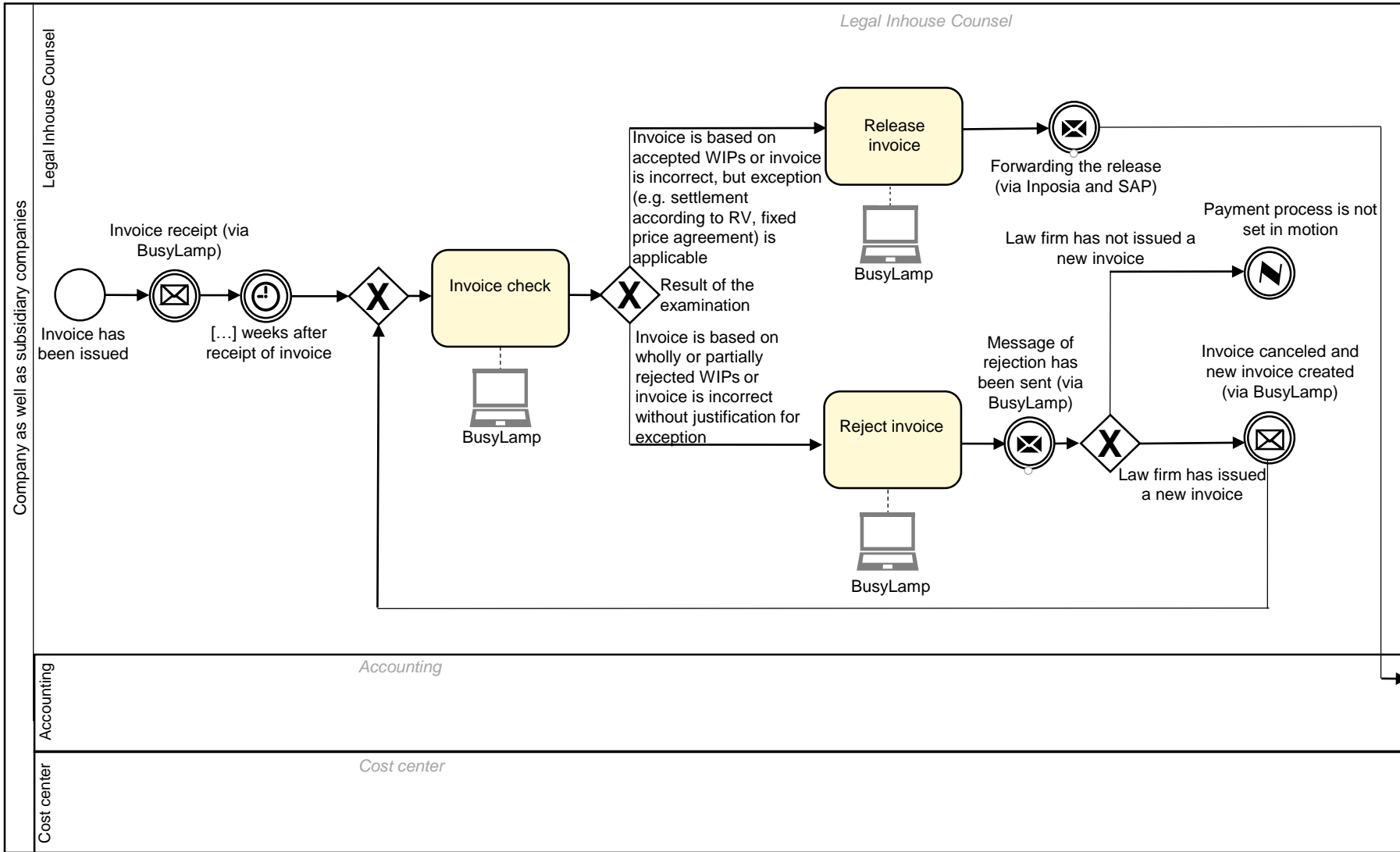


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Project Implementation

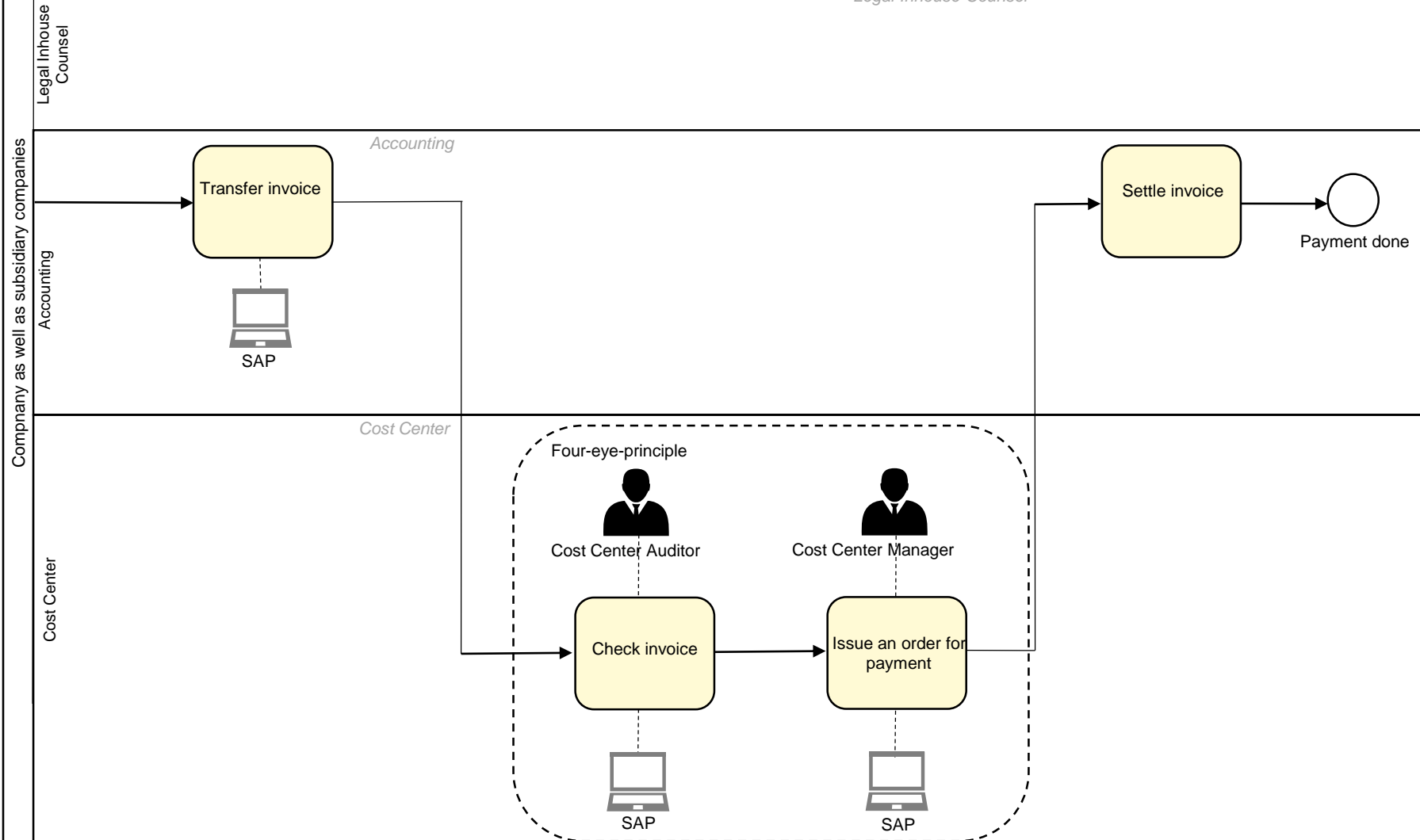
Audit Process Part 1



Project Implementation

Audit Process Part 2

Legal Inhouse Counsel

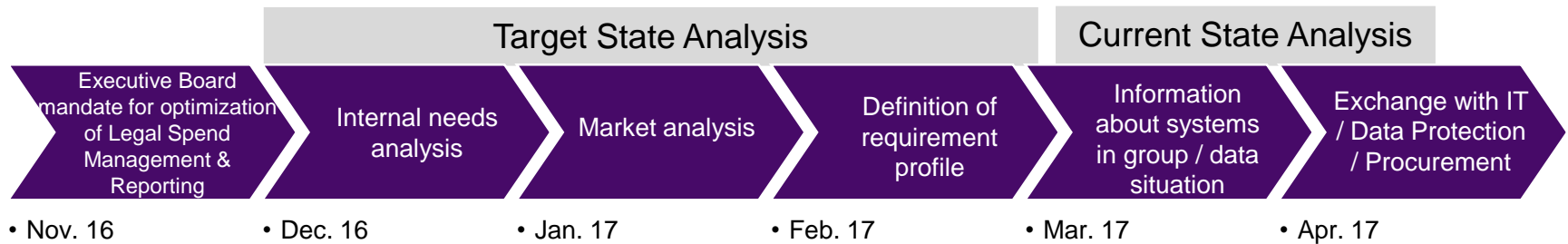


The introduction requires comprehensive coordination ...



Project Implementation

... in order to achieve the desired optimizations even in larger units ...



Project Implementation

... and to be well positioned in the long term.



Thank you very much for your attention.

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