



MAXIMIZING VALUE FROM IN-HOUSE/OUTSIDE COUNSEL RELATIONSHIPS

TOP TRENDS AND TECHNOLOGY FOR LEGAL PROJECT MANAGEMENT
AND OUTSIDE COUNSEL COLLABORATION

BERNADETTE M. BULACAN
OHIO CHAPTER OF ASSOCIATION OF CORPORATE COUNSEL
AUGUST 25, 2011



THOMSON REUTERS

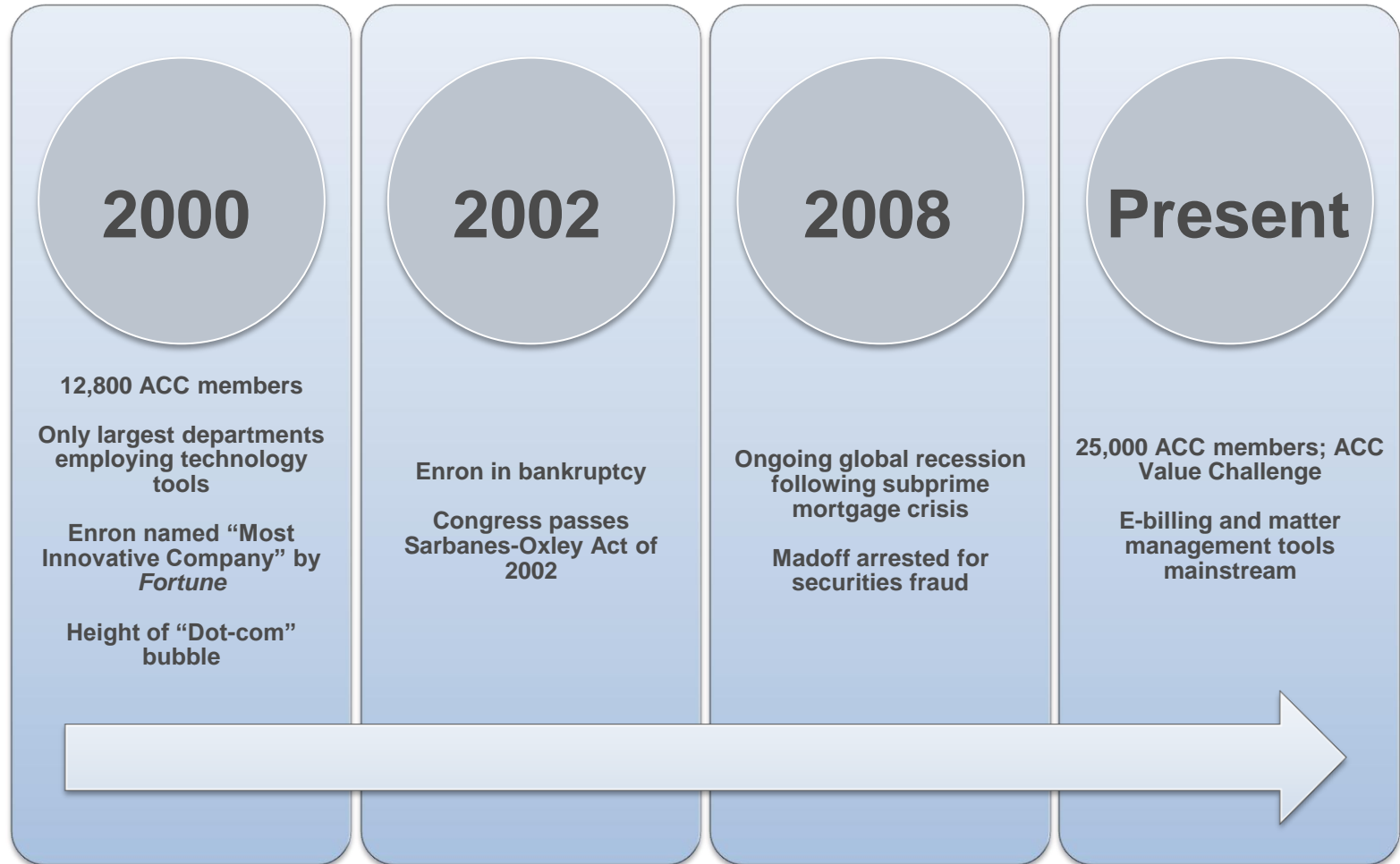
TODAY'S AGENDA

- Managing legal departments and legal teams – latest trends & best practices
- Applying best practices to produce favorable outcomes
 - Promote stronger in-house/outside relationships
 - More effective deployment of in-house resources
 - Reduce costs and increase productivity

TRENDS IN LEGAL DEPARTMENT MANAGEMENT

- Ten years ago, the Association of Corporate Counsel (ACC) and Serengeti first to track the evolving relationships between in-house counsel and their law firms.
 - Annual 150+ page survey report.
 - A decade of data, from more than 2,000 companies.
 - Used by **legal departments** to compare their management techniques with the profession's best practices.
 - Used by **law firms** to improve their delivery of legal services.

THAT WAS THEN, THIS IS NOW



RESPONDENT DEMOGRAPHICS

Respondents

- 178 law departments (non-hourly rate portion of the survey);
- 299 law departments (hourly rate only)
- General Counsel (56%); Assistant General Counsel/Staff Attorney (27%); Other/Administrator (27%)

Company Size

- “Small” (<\$100 M in annual revenues) — 31.5%
- “Medium” (\$100 M - \$1B in annual revenues) — 30.3%
- “Large” (>\$1B in annual revenues) — 38.2%

Department Size

- “Small” (one attorney or no attorneys) — 30.3%
- “Medium” (two to ten attorneys) — 45.5%
- “Large” (more than ten attorneys) — 24.2%

IN-HOUSE TRENDS: WHAT KEEPS YOU UP AT NIGHT?

“Reducing Outside Legal Costs” is the most pressing issue facing legal departments.

**REDUCING
OUTSIDE
LEGAL COSTS**

83%

Keeping apprised
of company
activities that
may have legal
implications

71%

Too much work
for too little
resources

61%

Staying
apprised of
changes in
the law

44%

Keeping
management
apprised of
developments

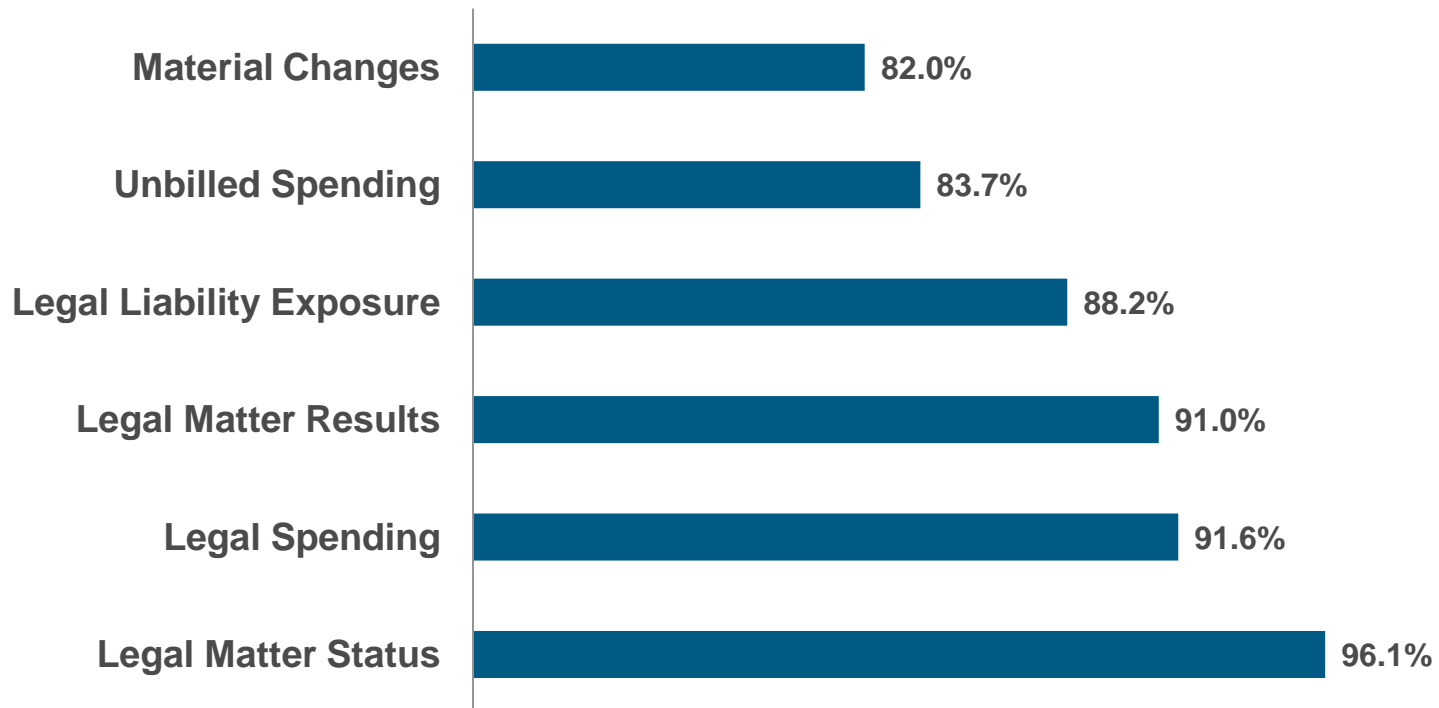
59%

Technology
(internal
efficiency &
law firm
collaboration)

38%

COMPLIANCE REPORTING OBLIGATIONS

Use of Compliance Reports



GROWING RELIANCE ON IN-HOUSE RESOURCES

- Although overall legal spending is taking a bigger bite out of company revenues, law firms are getting a smaller share relative to corporate law departments.

	2000	Current	Change
Law dept. spending as a percentage of company revenues	.17%	.23%	Increased by 35%
Outside spending as a percentage of company revenues	.29%	.33%	Increased by 14%
Ratio of outside spending to inside spending	2.2	1.5	Decreased by 32%

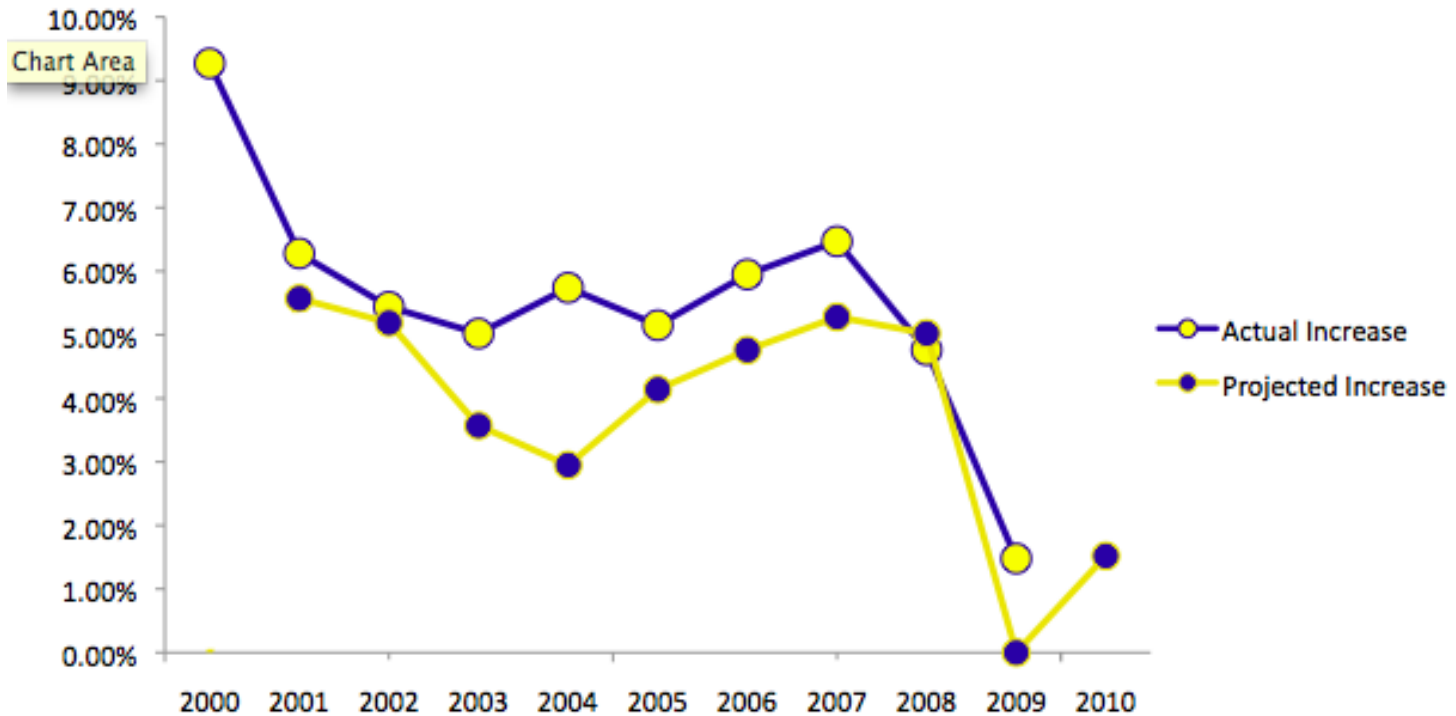
INNOVATIVE TECHNIQUES MOVE MAINSTREAM

- A growing minority of activist in-house counsel engage in less common techniques to better control outside legal spending.

	2000	Current	Change
Minimum associate experience requirement/years required	21.7%/3.65 years	63%/5 years	Increased by 190%
Convergence process (past two years)	30.0%	31.5%	Increased by 5%
Use requests for proposals/average number of responses to each RFP	23.2%/1.33	25.3%/14.7	Increased by 9%
Receive discounts for early payment/average discounts	8.1%/5.1% discount for payment w/in 21 days	24.2%/7.0% discount for payment w/in 26.5 days	Increased by 198%

IMPACT ON HOURLY RATES

- Although actual rate increases generally exceed projections, in-house counsel are having an impact on reducing law firm rate increases.



DEATH OF THE BILLABLE HOUR?

- Hourly rates still predominate, but use of alternative fees on the rise.

	2000	Current	Change
Use some alternative fees	63.4%	67%	Increased by 6%
Use fixed fees	25.5%/10% of work	45.5%/10% of work	Increased by 78%
Percentage of in-house counsel with no company resistance to alternative fees/relative company resistance	50.5%/1.87	58.4%/1.79	Increased by 16%
Percentage of in-house counsel with no firm resistance to alternative fees/relative firm resistance	8.3%/3.14	14.0%/3.02	Increased by 69%

GROWING ADOPTION OF TECHNOLOGY

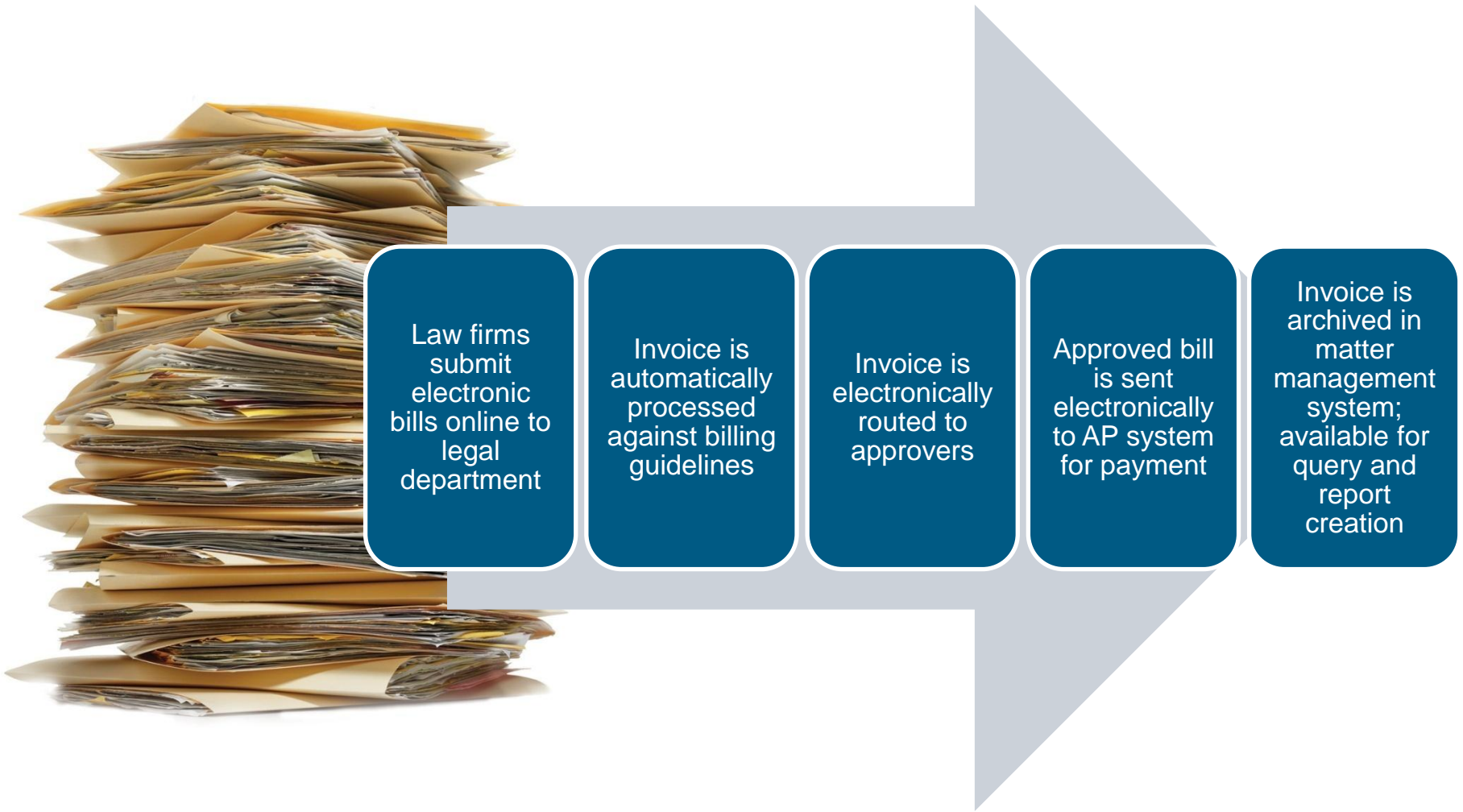
- More active management of outsourced legal work is driving sharply higher demand for new client-centric technologies.

	2000	Current	Change
Use of law firm extranets	21%	13.5%	Decreased by 36%
Adoption of Internet-based systems to manage legal work	10.8%	41.6%	Increased by 285%
Adoption of e-billing	1.1%	34.8%	Increased by 3064%

WHAT IS MATTER MANAGEMENT?



E-BILLING: THE PAPER(LESS) CHASE



Law firms submit electronic bills online to legal department

Invoice is automatically processed against billing guidelines

Invoice is electronically routed to approvers

Approved bill is sent electronically to AP system for payment

Invoice is archived in matter management system; available for query and report creation

TODAY'S AGENDA

- Managing legal departments and legal teams – latest trends & best practices
- Applying best practices to produce favorable outcomes
 - Promote stronger in-house/outside relationships
 - More effective deployment of in-house resources
 - Reduce costs and increase productivity

BEST PRACTICE: SET RULES OF ENGAGEMENT

- Use of Billing Guidelines/Spending Rules
 - *Used by 51.1% of legal departments. **Average savings: 21.9%***

	Current
Require discounts from standard rates	74.7%
Project budgets required	64.6%
No change of assigned attorneys without client consent	63.5%
Travel expense rules	60.1%
Early case assessments	59.6%
Client ownership of work product	46.6%
Policies encouraging alternative dispute resolution	29.8%
Technology requirements	24.7%
Policies regarding diversity of service providers	18.5%

BEST PRACTICE: ENFORCE BILLING GUIDELINES

- Electronic Bill Review/Auditing
 - *Used by 42.7% of legal departments. Average savings: 22.2%*

New Timekeepers

Action	Name	Rate	Hours	Firm Adj.	Fees
Hold	D. Roberts	\$250.00	4.8	--	\$1,200.00
Hold	Jeffrey Gow	\$250.00	3.4	--	\$850.00
Hold	Mike Tomlinson	\$350.00	8.3	--	\$2,905.00
Hold	Rosemary Nichols	\$455.00	0.3	--	\$136.50

Timekeeper Rate Changes

Action	Name	New Rate	Old Rate	Hours	Firm Adj.	Fees
Hold	Jolene Sidirius	\$400.00	\$350.00	4.6	--	\$1,840.00
Hold	Samantha Wickham	\$455.00	\$400.00	4.3	--	\$1,956.50

accept all Exp. rates for this invoice only

Expense Rate Violations

Action	Expense Item	Net Rate	Guideline	Units	Expense
Hold	Copying	\$0.50	\$0.10	250.0	\$125.00
Hold	Facsimile	\$0.75	\$0.50	50.0	\$37.50

Expense Total Violations


Action	Expense Item	Billed Amount	Guideline
Hold	Experts	\$3,200.00	\$0.00
Hold	Local Travel	\$500.00	\$0.00
Hold	Meals	\$300.00	\$100.00



BEST PRACTICE: OPTIMIZE STAFFING

- Better Staffing Analysis/Outside Counsel Selection
 - *Used by 29.8% of legal departments. Average savings: 14.3%*

TIMEKEEPERS - Name

Timekeeper Rates:  Timkeeper_Rates(1).xls [\[download\]](#)

Timekeeper	THIS INVOICE <input type="checkbox"/> compare to all matter invoices					
	Rate	Hours	(%)	Adjustment	Total	(%)
Bill Smalls (LA)	\$250.00	6.1	(34.3%)	--	\$1,525.00	(27.0%)
Merrit Johnson (AS)	\$375.00	2.6	(14.6%)	--	\$975.00	(17.3%)
Dale Crunkett (PL)	\$250.00	3.6	(20.2%)	--	\$900.00	(15.9%)
Roar Amundsen (AS)	\$350.00	2.3	(12.9%)	--	\$805.00	(14.3%)
Anna Hart (PT)	\$450.00	0.6	(3.4%)	--	\$270.00	(4.8%)
Christopher Martin Madill (PT)	\$450.00	2.6	(14.6%)	--	\$1,170.00	(20.7%)
Total:	\$317.13	17.8	(100.0%)	--	\$5,645.00	(100.0%)

TIMEKEEPERS - Classification

Classification	THIS INVOICE <input type="checkbox"/> compare to all matter invoices					
	Rate(Avg)	Hours	(%)	Adjustment	Total	(%)
Associate (AS)	\$363.27	4.9	(27.5%)	--	\$1,780.00	(31.5%)
Legal Assistant (LA)	\$250.00	6.1	(34.3%)	--	\$1,525.00	(27.0%)
Paralegal (PL)	\$250.00	3.6	(20.2%)	--	\$900.00	(15.9%)
Partner (PT)	\$450.00	3.2	(18.0%)	--	\$1,440.00	(25.5%)
Total:	\$317.13	17.8	(100.0%)	--	\$5,645.00	(100.0%)



BEST PRACTICE: CREATE A PLAN OF ATTACK

- Require and track legal spend through budget
 - *Used by 64.0% of legal departments. Average savings: 26.9%*
- Require outside counsel to **provide plans** (strategic and financial) by phase or time period; analyze exit points
- Electronic billing automatically tracks progress vs. plan

BEST PRACTICE: AUTOMATE BUDGET TRACKING

Actual vs. Budget			
Fiscal Year 2010 Budget (01/10 to 12/10)	Budget Total	Budget Fees	Budget Expenses
FY 2010 Budget	\$120,000	\$90,000	\$30,000
FY 2010 Budget to Date	\$80,000	\$60,000	\$20,000
FY 2010 Actual Billings	\$13,921	\$12,773	\$1,148
% Actual vs. Budget (FY 2010 to Date)	17%	21%	6%

Total Matter Budget			
Total Matter Budget	Budget Total	Budget Fees	Budget Expenses
Total Matter Budget	\$240,000		--
Total Matter Budget to Date	\$200,000	\$150,000	\$50,000
Total Actual Billings	\$49,089	\$47,239	\$1,850
% Actual vs. Budget (Total to Date)	25%	31%	4%

Budget Spreadsheet				
View Budget Phases				
Difference between Total Matter Budget (\$240,000) and amount allocated in spreadsheet below (\$240,000): \$0				
<input type="checkbox"/> Preparation	\$40,000	\$30,000	\$10,000	\$23,724
Time Period	Budget Total	Budget Fees	Budget Expenses	Invoices Billing Party
May 2009 - Jul 2009	\$40,000	\$30,000	\$10,000	\$23,724 Show Invoices
<input type="checkbox"/> Waiting Period for Office Actions	\$40,000	\$30,000	\$10,000	\$4,976
Time Period	Budget Total	Budget Fees	Budget Expenses	Invoices Billing Party
Aug 2009 - Oct 2009	\$40,000	\$30,000	\$10,000	\$4,976 Show Invoices
<input type="checkbox"/> Prosecution	\$80,000	\$60,000	\$20,000	\$11,134
Time Period	Budget Total	Budget Fees	Budget Expenses	Invoices Billing Party
Nov 2009 - Dec 2009	\$40,000	\$30,000	\$10,000	\$6,468 Show Invoices
Jan 2010	\$40,000	\$30,000	\$10,000	\$4,666 Show Invoices

ADDRESS BUDGET ISSUES EARLY

Matter Name ▲	Substantive Law	Actual Spending	Budget	Actual/Budget%	Last Invoice Amount
TOTAL ITEMS (17)		\$7,612,176.52	\$8,924,312.91	85%	\$148,648.02
Aardvark Drilling v. Acme	Construction	\$72,752.30	\$369,500.00	20%	\$15,184.50
Acme Pipeline Defect	Computers/Software	\$1,080,508.74	\$1,342,780.54	80%	\$6,947.10
Acme Trademark Matter (Int'l)	Intellectual Property - Trademark	\$288,456.40	\$250,300.00	115%	\$9,538.75
Big Boom TMs - UK	Intellectual Property - Trademark	\$103,964.35	\$183,725.00	57%	\$6,162.50
Big Boom TMs - US	Intellectual Property - Trademark	\$717,740.71	\$658,779.01	109%	\$7,028.75
Chicago Leases	Real Estate	\$266,865.67	\$329,332.00	81%	\$16,070.00
Dual-sleeved Pipe Coupler	Intellectual Property - Patent	\$49,089.35	\$240,000.00	20%	\$9,255.19
EU Off-Shore	Business Governance	\$375,403.89	\$260,000.00	144%	\$3,029.50
Georgie Corp. Merger	Mergers/Acquisitions/Divestitures	\$447,567.92	\$588,479.42	76%	\$5,644.50
Green Tree Lit	Environmental Law	\$456,659.71	\$371,498.00	123%	\$550.00
Ireland Tax Restructure	Tax - International	\$638,579.36	\$791,976.72	81%	\$13,187.00
Juno Contract	Antitrust/Unfair Competition	\$587,686.30	\$445,030.59	132%	\$575.00
REXAL Doc Request	Contracts	\$471,429.95	\$628,500.00	75%	\$21,857.56
RFID Patent Filing	Intellectual Property - Patent	\$50,125.23	\$202,000.00	25%	\$743.38
Roadrunner v. Acme	Employment-Discrimination/Disabilities Law	\$842,247.35	\$831,000.00	101%	\$625.00
Sprengen International Divestiture	Corporations/Business Entities	\$25,789.40	\$62,000.00	42%	\$20,144.90
Yessler Agreement	Contracts	\$1,137,309.91	\$1,369,411.63	83%	\$12,104.40

BEST PRACTICE: EVALUATE PERFORMANCE

- Re-allocation of work to firms with lower rates.
 - *Used by 45.5% of legal departments*
 - **Average savings: 18.5%**

- Re-allocation of work to higher performing firms/use of outside counsel evaluations.
 - *Used by 29.8% of legal departments*
 - **Average savings: 14.3%**

- Track lessons learned and apply to future projects.

ACC ADOPTS SERENGETI SCORECARD

Matter Profile Status & Notes Events & Diary Budget Invoices Documents Participants

New Evaluation

« indicates a required field

Evaluation Date: « ?

Firm: Shriber Handy

Attorney: « ?

	Unacceptable 1	Mediocre 2	Good 3	Very Good 4	Excellent 5	N/A		
Understood Client's Goals: « <i>e.g., business and legal objectives</i>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	? <input type="button" value=""/>	
Expertise: « <i>e.g., knowledge and expertise about issues, substantive law</i>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	? <input type="button" value=""/>	
Efficiency: « <i>e.g., staffing and time spent, overall fees</i>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	? <input type="button" value=""/>	
Responsiveness: « <i>e.g., to deadlines, client policies, communication</i>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	? <input type="button" value=""/>	
Predictive Accuracy: « <i>e.g., reasonableness of budget and predicted results</i>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	? <input type="button" value=""/>	
Effectiveness: « <i>e.g., strategy, execution, results</i>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	? <input type="button" value=""/>	
Internal Comments: «	<input type="text" value="We hired Greg for his expertise, but he allowed his younger associates to do most of the heavy lifting with very little supervision. Much of the drafting and agreements needed to be overhauled by Greg, which doubled our fees. It was difficult to reach him during the transaction. Poor client service."/>						? <input type="button" value=""/>	
Good value; would you use this attorney/firm again?: «	<input type="radio"/> Yes						<input checked="" type="radio"/> No	? <input type="button" value=""/>

TRACK SUBJECTIVE PERFORMANCE

Outside Counsel Evaluations Detail with No Grouping

Report Criteria

Report

Print Report...

Export...

Legend

1 = Unacceptable 2 = Mediocre 3 = Good 4 = Very Good 5 = Excellent

<u>Firm</u> ▲	<u>Reviewer</u>	<u>Matter Name</u>	<u>Overall Rating</u>	<u>Understood Goals</u>	<u>Expertise</u>	<u>Efficiency</u>	<u>Responsiveness</u>	<u>Predictive Accuracy</u>	<u>Effectiveness</u>	<u>Recommended</u>
<u>Outside Counsel</u>	<u>Review Date</u>	<u>Substantive Law</u>								
Totals & Averages: 6 evaluation(s)			3.2	2.2	3.0	3.3	3.5	3.8	3.5	
■ Show details										
Coleridge & Keats Lawyer, Samuel	Admin, Acme 05/22/2006	Sprat v. Acme Contracts	2.8	2.0	3.0	3.0	3.0	4.0	2.0	Yes
Coleridge & Keats Lawyer, Samuel	Admin, Acme 06/01/2006	Sprat v. Acme Contracts	3.0	2.0	3.0	3.0	4.0	3.0	3.0	Yes
Coleridge & Keats Lawyer, Samuel	Admin, Acme 06/01/2006	Sprat v. Acme Contracts	3.0	2.0	3.0	3.0	3.0	4.0	3.0	Yes
Harper & McCord Lawyer, Robert	Admin, Acme 05/22/2006	Custer v. Acme Liability - Products	3.0	2.0	2.0	3.0	4.0	3.0	4.0	Yes
Harper & McCord Lawyer, Robert	Casemanager, Rob 09/05/2006	Juno Contract Antitrust/Unfair Competition	4.0	3.0	4.0	4.0	4.0	5.0	4.0	Yes
Shriber Handy Lawyer, Greg	Admin, Acme 05/22/2006	Covote v. Acme Liability - Products	3.5	2.0	3.0	4.0	3.0	4.0	5.0	Yes



TRACK OBJECTIVE PERFORMANCE

Home Matters Financial Documents Reports Users/Firms

Home > Reports

My Reports Matter Info Spending Budgeting Counsel

Spending To Budget by Lead Outside Firm

Report Criteria

Report

Print Report...

<u>Lead Outside Firm</u> ▲	<u>Number of Matters</u>	<u>Actual Spending</u>	<u>Budget</u>	<u>Actual / Budget %</u>	<u>Detail Report</u>	<u>Export CSV</u>
Totals:	8	\$3,830,264	\$3,589,818	107%		
Baxter & Phillips	1	\$503,295	\$364,171	138%		
Coleridge & Keats	1	\$324,078	\$199,498	162%		
Harper & McCord	1	\$420,270	\$326,181	129%		
Honeychurch Emerson	1	\$471,430	\$628,500	75%		
Shriber Handy	4	\$2,111,191	\$2,071,468	102%		

BEST PRACTICE: MINE LEGAL DEPARTMENT DATA

- Generate Matter Management Reports
 - *Used by 31.5% of legal departments. Average savings: 14.5%*
 - Look for developing problem areas; practice preventive law
 - Perform triage to spend time on areas of greatest impact-- high spend vs. exposure; projects off-plan or over-budget
- Request Discounted/Alternative Fees
 - *Used by 61.2% of legal departments. Average savings: 23.9%*
 - Use data to create alternative fees to incent faster resolution, lower spending, and better results

BEST PRACTICE DATA DRIVEN DECISION MAKING

Report Results

Name: **MATTER DRILL-DOWN: Total Spending** run by Rob Casemanager on 04/21/2011 2:07:17 PM Pacific Time

Report Filters: [Matter: Open/Closed: any value] [Total - Billed: greater than \$0] [Organizational Unit > Select from list: Corporate - Acme, Inc. > Department: Research & Development, Corporate - Acme, Inc. > Department: Finance]

Description/
Print Comment: View Spending by department, then matter type, then matter name (then open matter to view invoices)

<input type="checkbox"/> Organizational Unit > Org. Unit (w/o path)					
<input checked="" type="checkbox"/> Matter Type > Matter Type (w/ path)					
<u>Matter Name</u> ▲	<u>Lead Firm</u> <u>Lead OC</u>	<u>Total - Billed</u> <u>Total - Approved</u>	<u>Fees - Billed</u> <u>Fees - Approved</u>	<u>Expenses - Billed</u> <u>Expenses - Approved</u>	<u>Tax - Billed</u> <u>Tax - Approved</u>
TOTAL ITEMS (7)					
		\$3,786,301.96	\$3,367,814.54	\$417,760.34	\$727.09
		\$2,972,519.98	\$2,835,505.43	\$136,287.47	\$727.09
<input type="checkbox"/> Department: Finance (4)					
		\$3,037,531.83	\$2,674,127.46	\$362,711.95	\$692.41
		\$2,344,252.24	\$2,219,218.88	\$124,340.95	\$692.41
<input checked="" type="checkbox"/> Litigation/Dispute > Litigation (3)					
		\$2,243,960.16	\$1,983,135.89	\$260,201.20	\$623.07
		\$1,705,672.88	\$1,620,751.99	\$84,297.83	\$623.07
<input checked="" type="checkbox"/> Advice & Counsel > Advice (1)					
		\$793,571.67	\$690,991.57	\$102,510.75	\$69.35
		\$638,579.36	\$598,466.89	\$40,043.12	\$69.35
<input type="checkbox"/> Department: Research & Development (3)					
		\$748,770.14	\$693,687.08	\$55,048.38	\$34.67
		\$628,267.75	\$616,286.55	\$11,946.52	\$34.67
<input checked="" type="checkbox"/> Filings > TM Registration (1)					
		\$348,853.35	\$311,781.60	\$37,071.75	--
		\$288,456.40	\$282,061.90	\$6,394.50	--
<input checked="" type="checkbox"/> Filings > Patent (Phased Budget) (2)					
		\$399,916.79	\$381,905.48	\$17,976.63	\$34.67
		\$339,811.35	\$334,224.65	\$5,552.02	\$34.67

SUMMARY: MATTER MANAGEMENT = REAL SAVINGS

- Matter management & e-billing generate significant savings and departmental efficiencies

Method	Percentage of Law Departments Using Method	Average Savings
Case/Matter Budgets	64.04%	26.89%
Discounted/Alternative Fees	61.24%	23.91%
Billing Guidelines/Spending Rules	51.12%	21.87%
Re-Allocation of Work to Firms with Lower Rates	45.51%	18.46%
Electronic Bill Review/Auditing	42.70%	22.21%
Matter Management System/Reports	31.46%	14.52%
Evaluations of Outside Counsel	29.78%	14.26%

WHAT'S IN STORE? FUTURE OPPORTUNITIES & CHALLENGES

- Continued Reliance on Technology
- Rise of Legal Process Outsourcing
- Use of Social Media Tools
- Reliance on Business Intelligence and Data



QUESTIONS?