

The Top 10 Things Excellent Finance Managers Need to Know to Unlock 20% Savings in Legal

The world is changing, rapidly, and innovative companies are forging success in many areas that were for a long time hard to transform. Legal is a prime example. Old-school mindsets like “legal fees are impossible to predict” or “litigation costs what it costs” are increasingly giving way to stronger approaches to data analytics, predictive cost modeling, and law firm savings. Sophisticated companies, guided by savvy Finance / Operations Managers and In-House Lawyers, are shifting the paradigm to now ask – what should this matter cost? How can we properly assess the risk it poses? Which law firms have a track record of producing the best results (outcomes + cost)? And what fee terms should we implement for savings and cost predictability? They are also increasingly asking, “why should we pay by the hour?”

Gone are the days – at least in the best-managed companies – of focusing overwhelmingly on law firms rates and discounts as a plan (or hope) for cost-effectiveness. Similarly outdated are practices like assessing law firm efficiency “at a gut level,” or allowing law firms to blow through budgets without proper planning, communication or accountability. If your company’s financial management of Legal matters could use some sharpening, read on to discover the Top 10 things excellent Finance Managers need to know to unlock 20% savings in Legal, without sacrificing quality.



1) The Legal Industry is Changing . . . not as quickly as some would like, but progress is certainly underway. This can be measured empirically, by tracking the increase in the number of Legal Operations professionals hired to improve management within Legal Departments. According to a 2018 survey, over 75% of larger Law Departments (more than 50 attorneys) have a Legal Operations Manager.¹ Overall, 39% of all Law Departments surveyed employ a Legal Operations Manager, up from 33% in 2016.² The following quote from the same survey captures well the changes emerging in the Legal Industry. Question: “Thinking back over the last 3 or 4 years, what changes in legal management (in law departments or law firms) have you felt to be most significant? Sample answers: “Managing a law department like a business is a key expectation of CEOs,” and “Emphasis on driving efficiencies in a law department through technology, processes and operations management.”³

2) Cost Pressure is Increasing. In various surveys of Legal Departments, cost control is cited as a top strategic priority.⁴ This cost pressure is also evident in what Law Departments seek from their law firms. The Top 3 service improvements and innovations desired from outside counsel are: greater cost reduction (59%), non-hourly based pricing structures (38%), and improved budget forecasting (35%).⁵

3) Law Departments are Under-Resourced. While the growth in the Legal Operations role has been significant, reports have noted that companies staff this role “very leanly.”⁶ Multiple surveys cite limited resources as a top challenge facing Law Departments.⁷

4) Skilled Finance Managers are Playing Key Roles in Law Department Transformation. Sophisticated companies are supplementing Legal Operations roles with specialized Finance support. In fact, 54% of Law Departments report having additional professionals working in the Finance / Budgeting area within Legal.⁸ Why are they doing this? Well, the upside of “getting it right” is very high. **40% of Law Department Operations (LDO) professionals reported saving 11-25%, while 11% of LDO professionals reported saving 25-50%.**⁹ Think about that for a moment, in terms of what is possible. How does that mesh with what you’re seeing in your company?

5) Technology is Sometimes in Place, but Often Under-Utilized. According to a recent survey, 71% of Legal Operations executives “felt that their legal technology infrastructure did not meet the needs of their company operations.”¹⁰ The following quote captures an emerging observation in this area. “Despite all the talk about new legal tech, either technology has stagnated or adoption has as the lawyers who use it are not heeding the advice of the LDO [Law Department Operations] professionals to change the way they work.”¹¹

The answers are not coming quickly enough from external partners either. 54% of LDO professionals indicated that e-billing and matter management providers are not “keeping up with our needs,” and 53% indicated that law firms are not “leveraging technology to deliver legal services more effectively with cost efficiency.”¹²





















6) Change Management is Key. 85% of LDO professionals surveyed agreed with the statement, “Corporate law departments will be the primary drivers of innovation and change in the legal sector” [as opposed to law firms], and 62% agreed with the statement, “My job is primarily change management.”¹³ Driving / implementing change was cited as the #1 challenge Law Department Operations professionals expect to face over the next 3 years.¹⁴

7) Pilot Projects are Critical to Show What is Possible. “Change Management 101” suggests launching a pilot project as an effective start down the path. Pick a manageable subset to prove the concept, illustrate the benefits to be gained, win support from key members of the team, and further build momentum from there. These principles are especially true in Legal, where it is important to win over the lawyers by showing that judgment and the “art” of lawyering continue to be of primary importance, even after the introduction of data “science” to enable better results.

8) Data Analytics and Case Studies from the Law Department's Own Experience are Often Most Convincing. In thinking about change management and pilot projects, it is important to start with case studies and illustrations from the Law Department's own experience in recent years. That is what truly engages the in-house lawyers – for two reasons. First, when they know the details and nuances of the data set, they can confidently make apples-to-apples comparisons across similar matters or law firms. (That is not the case with external benchmarking.) Second, by analyzing their own matters in a new light, and selecting the metrics that are most interesting to them, the in-house lawyers become much more involved in the process and “shape the clay” to a greater extent. This helps with stronger implementation of change for the long term, and higher levels of savings.

The environment is ripe for internal case studies and data analytics pilots as well. 73% of law departments surveyed said that none of their top 10 law firms provided an analysis of spending data that was useful to the department.¹⁵

9) Law Firm Efficiency Assessments and Financial Scorecards are Powerful. Visualization of data is a key part of a strong pilot project focused on analytics for Legal. The goal is to show how data and metrics will not only deliver better results, but make life easier for in-house counsel, freeing them up to work on more strategic legal issues. Here are examples of what is possible.

Financial Management Scorecard: Law Firm A				
Metric	Matter 1	Matter 2	Matter 3	Matter 4
Timeliness for Budget & Quarterly Update Submissions				
On Budget Performance (Variance)				
Staffing per Budget Plan (Headcount variance)				
Reliability of Forecast (e.g. reduced earlier in the year)				
Activity Accuracy (Unit count forecast)				

10) Credibility is Vital. The most effective Finance Managers earn and maintain a high level of trust from the teams they support. They drive better performance by matching sophisticated Finance principles with the customized needs of their Law Department clients. This is vital in the Legal context, and there are expert partners out there who can help guide you with the right subject matter expertise, to maintain the highest levels of credibility. Bottom line, by effectively analyzing the right data, making credible recommendations, and helping your Legal colleagues build out their own success even further, you can boost your effectiveness as a Finance Manager and help deliver great savings for the Company.



¹2018 Chief Legal Officer Survey, Altman Weil (p.ii).

²Id.

³Id. at 48-49

⁴See, for example, Consero 2019 Corporate Legal Operations Survey Report (p.4): The top priorities for Legal Operations executives are “legal technology management” (55%) and “cost control” (54%).

⁵2018 Chief Legal Officer Survey, Altman Weil (p.45).

⁶Consero 2019 Corporate Legal Operations Survey Report, (p.3)

⁷2018 Corporate Legal Department Efficiency Report by Thomson Reuters (p5): Key challenges faced by legal departments – #1: limited resources, (31%), #2: reducing outside legal costs (29%). See also, Blickstein / Consilio LDO Survey Dec 2018 (p.15) (listing “obtaining funding or resources” as among the top 3 challenges over the next 3 years).

⁸2018 Chief Legal Officer Survey, Altman Weil (p.10)

⁹Blickstein / Consilio LDO Survey Sept 2018 (p.30)

¹⁰Consero 2019 Corporate Legal Operations Survey Report, (p.5)

¹¹Blickstein / Consilio LDO Survey Sept 2018 (p.14)

¹²Blickstein / Consilio LDO Survey Sept 2018 (p.17)

¹³Blickstein / Consilio LDO Survey Sept 2018 (p.30)

¹⁴Blickstein / Consilio LDO Survey Dec 2018 (p.15)

¹⁵2018 Chief Legal Officer Survey, Alman Weil (p.24)