

7 STRATEGIES TO REDUCE LEGAL SPEND NOW

(WITHOUT REDUCING HEADCOUNT)



The start of the new financial year has arrived, yet budgets are already under pressure and the legal department is no exception. Developing achievable plans is critical as legal teams are now challenged to do sufficiently more with even less than they had before (the pandemic).

We have prepared 7 strategies that have been proven to reduce legal costs, and what is more they can be implemented very quickly. Let's get started.

1. Competitive RFPs for matters over \$20k

You are likely to be familiar with large-scale RFPs for large projects or for law firm panel appointments. It is becoming more and more common for competitive RFPs or tenders to be used for matters that are not routine. We have nominated \$20,000 as the threshold, however you may have your own internal guidelines as to when to enforce a competitive RFP.

Why? Simply because this is the only way that you will be able to leverage competitive tension and ensure you are getting today's market rate. Anecdotal evidence suggests that even if you issue RFPs to three law firms of the same tier (e.g. top tier) you can receive a significant price variance.

“ Use RFPs to leverage competitive tension and ensure you are getting today's market rate

This strategy will work best if you:

- Scope the matter in enough detail for the law firms to apply a pricing methodology (see below)
- Consider whether you want a price estimate only or fixed/capped fees
- Contemplate if larger matters require a phased briefing approach
- Use technology to automate the issuing of the RFPs or tenders, and the compilation and comparison of responses ([check out Lawcadia's RFP leading capability in this area](#))

2. Pre-matter scoping

A focus on pre-matter scoping is a tactic that has been getting a lot of attention as a cost reduction initiative for the legal function, according to global legal procurement expert Dr. Silvia Hodges Silverstein in our [recent interview](#).

Scoping legal matters is hard, but it will save you money. So, it is worthwhile building skills and processes in this area. Appropriately scoping out a matter prior to engaging a law firm takes practice and procedure. The right level of scope will ensure that law firms provide more accurate fee estimates (or fixed fees if that is the preferred fee structure) and will also help prevent law firms from claiming “scope-creep” further down the line.

Scoping a matter itself is a skill, especially a matter that is not a regular type of matter for the legal team. Lawyers in a private practice who run these matters are in a much better position to know what items are likely to come up during the course of the matter.

In-house lawyers should, therefore, ask their law firms the following questions prior to engagement:

- (a) What other information do you need to be able to provide an accurate price estimate (or to provide a capped or fixed price)?
- (b) What out-of-scope items are likely to arise in this matter that are not currently included in the matter brief?

Again, the use of technology to assist in classifying in-scope, out-of-scope and assumptions can be very helpful for in-house legal teams and their law firms in being able to compare apples with apples, and to have transparent discussions.

3. Enforcing scope control as matters progress

In a recent interview, Dion Gooderham, Director of Legal Services at Uniting Church in Australia (Synod of Victoria and Tasmania), highlighted that there appears to be a reticence by law firms to have transparent discussions about fees and estimates and try to anticipate early when there might be changes or variations coming down the track.

This observation is not uncommon.

One of the best ways of reducing wasted resources, in terms of time and money, is to monitor and manage change of scope throughout the life all legal matters.

What can quite often go wrong is that both law firm and client agree on a price estimate, set out a scope of work, but then both sides get busy.

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The legal work progresses, strategies change, emails fly back and forth, and before you know it, invoices arrive well beyond expectations.

Best practice in legal (and other industries) holds that when the scope of work alters, the client must be updated formally, and in writing, to advise them of the revised scope and corresponding price. The client should always have the option to approve, reject, or discuss. Following this process, inbound invoices align with expectations, and they get approved efficiently and paid quicker.

This approach could take some practice, but it will improve your processes, reduce wasted spend, and alleviate frustration.

This is a practice that we, at Lawcadia, built into our platform from the outset as it enables legal teams to have complete transparency over their legal spend and hold providers accountable for keeping scope and budgets updated as matters progress.

4. Increase headcount

Whilst hiring additional staff may seem counter-intuitive when you are trying to save costs, it is a legitimate strategy, and successfully pursued in the US whereby in May 2020, in-house legal hiring elevated according to a report by the [Bureau of Labor Statistics](#).

“One of the things we saw [from 2008 to 2010] is that when the economy takes a hit, corporations will move to hire in-house attorneys because it can be a cost-saver,” reported on-line media company [Law.com](#).

If you consider that an in-house lawyer could be utilised in place of a private practice lawyer, there are certainly cost saving advantages.

While hiring additional senior lawyers could be a stretch, consider the following options:

- Hiring a contract lawyer or appointing a secondee
- Employing a junior lawyer or legal co-ordinator
- Consider if commercial skills could suffice and whether a commercial or procurement specialist could assist with contracts and other routine work
- Monitor current and forecast future anticipated legal matters - there may be advantages and opportunities to justify the hire of a senior lawyer

Capturing and reporting on key metrics and workload is essential and technology is there to assist.

In a [recent interview](#) Charles Cho, General Counsel at NSW Treasury, said “each of my managers gets a weekly report from the Lawcadia platform showing on a weekly basis the number of matters that each of my lawyers has opened and have closed so that we keep a track of the spread of work and also, the workload on each of my lawyers.”



5. Workflow automation

Imagine if your legal team could significantly reduce their time on admin and allocate that time to high value, high impact work that might otherwise need to get briefed out?

Even saving 30 minutes a day, per in-house lawyer, would make a big difference across a year.

There is a lot of time tied up in receiving instructions. To achieve the right level of information accuracy, often it requires emailing back and forth, triaging, allocating, then finally commencing the work internally or briefing externally.

Reviewing and making small changes to how you manage your matters and especially your matter intake can all add up to having a big impact on efficiency, capturing valuable data, and reducing wastage.

Technology providers like Lawcadia have workflow solutions that are easily configured and set up quickly to automate the flow of work. An example of this is the [COVID-19 Legal Workflow that Lawcadia built in collaboration with Gadens](#) in just a few days.

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6. Review your Law Firm mix

This strategy can make a big difference, however it does require access to meaningful data as well as an understanding of who in your team is briefing whom, for what and why.

What you might discover is that top-tier firms are being briefed simply because that is the way it has always been done. Alternatively, an in-house lawyer may have previously worked at that particular firm, or they may have an

existing relationship that provides a level of comfort.

We are not saying that relationships are not important, they are.

However, you need to be able to review the data, understand trend lines, and plan strategically to optimise your buying strategy in this evolving cost-conscious environment. Unbundling legal work is a strategy that has been successfully employed by many organisations in recent years. Its purpose is to make sure the right providers are doing the type of work best-suited to their firm (top-tier, mid-tier, alternate legal service providers, and contract lawyers).

Essentially, it reflects a change in mindset, that you don't always need the big name on the letter when you're seeking advice.

These are some points to consider:

- Do you already have good quality mid-tier or boutique firms that you work with that you might be able to utilise more?
- Explore the grouping of your higher volume routine work together and consider how you might be able to leverage technology to brief this directly to a mid-tier. This could be cost effective for you and reasonably profitable for them
- Could you reduce the number of firms that you use, in favour of developing deeper relationships with a select few? The likely outcome may improve your own processes, ways of working, and potentially negotiate better rates due to the increase of work
- Question everything, use data and ask for help – this is an area where procurement professionals thrive, so utilise your procurement colleagues!

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7. Use out-of-the-box legal tech solutions

There are some legal technology providers that can take upwards of 6 months to implement and can be quite disruptive to law firm billing processes causing frustration and non-compliance.

Search for a solution that can be implemented quickly, generating immediate savings on external spend, and reducing waste immediately. A Change Manager would call this a 'quick win', or to use a cricket analogy, getting runs on the board.

If you are strategic and exercise patience, you can start to demonstrate and showcase your success and pitch for additional solutions that will continue to deliver even more of an impact.

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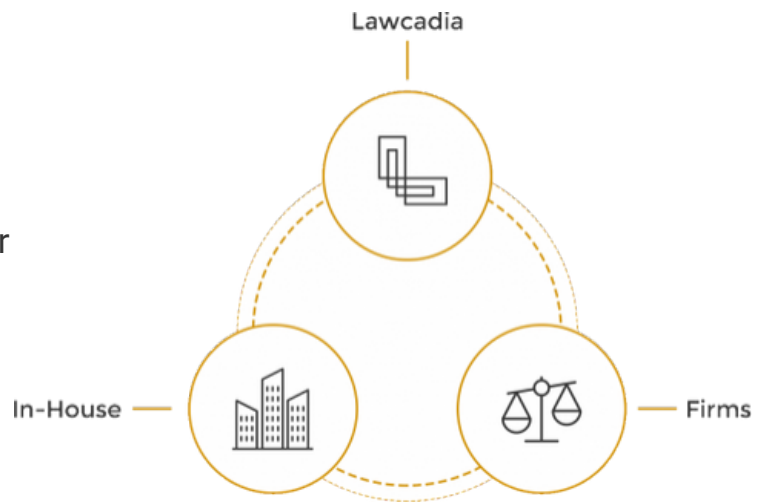
These are some points to consider:

- Search for technology solutions that are end-to-end, meaning they include the full matter process including intake, triage, matter collaboration, RFP, tendering, scope control and invoicing
- Ease of configurability is key – you want the solution to match your processes and systems as much as possible. And also, one that you can easily configure when you want to improve workflows and processes again in the medium and long term – continuous improvement is important too!
- Choose a provider that is easy for your law firms to work with, perhaps one that they already use for other clients
- If you are unsure about the long term return on investment, consider a 4 or 6 month pilot – this way your investment Business Case will be based on your actual data
- Choose a solution that is easy to implement and one that will do a majority of the on-boarding work for you, plus will provide all the training and support you need for success.

This paper has presented a number of different alternatives to consider when looking to reduce legal spend without cutting headcount. Remember that doing nothing is the worst strategy of all, so choose one strategy to start with, measure, evaluate, and keep going. If you would like some ideas or to hear how other legal teams have tackled a similar problem please get in touch with the team at Lawcadia – we are always happy to help and connect you into our network.

ABOUT LAWCADIA

Built for in-house legal teams and their law firms, Lawcadia's cloud-based platform automates workflows, maximises value for your legal spend, reduces wastage, and provides the transparency and accountability organisations are looking for.



SMART, SIMPLE TECHNOLOGY TO MAKE THE MOST OF YOUR RESOURCES.

Its single interface allows you to manage everything including:

- ✔ Matter intake & workflow automation
- ✔ Matter management & collaboration
- ✔ Matter RFPs and tenders
- ✔ Spend management, including budgets, scope control & invoicing
- ✔ Reporting & analytics



8+

Industry Sectors



5+

Geographic Regions



155+

Law Firms On-Boarded



4,500+

Law Firm Users



4,500+

Client Users

CONTACT US

T: +61 7 3188 4145

E: enquiries@lawcadia.com

W: www.lawcadia.com

