



## Keeping tabs on external counsel

**Budgeting and cost control gets easier with client-centric practice management systems.**

*By Luigi Benetton*

**I**n-house counsel have struggled for years to assert more control over their dealings with — and the billing practices of — outside law firms.

Law firms, long accustomed to managing their relationships with clients, have had the luxury of picking from several high-powered practice management systems that integrate billing, matter management, document management and other tools used to oversee work done for multiple clients.

But software developers have come to realize that in-house law departments have similar needs just as sophisticated as those of law firms. And they are responding to their growing demands.

Consider corporations with a high volume of ongoing legal files that are handled by several law firms. Their legal departments must constantly monitor their progress and face increasingly complex risk management scenarios. And though they field hundreds of legal bills in various different currencies, they are mandated to keep costs in check.

These needs, plus an increasing acceptance of the technology it takes to handle them, drive in-house counsel to explore client-centric practice management systems.

Law firms don't mind this shift. "It helps facilitate better communications with clients," says Lee Matthews, principal business consultant for online practice management system vendor CT TyMetrix.

"Law firms are one of our major sources of new business," adds Rob Thomas, vice-

president of strategic development for online practice management system vendor Serengeti Law.

Still, getting a grip on billing appears to be the main reason inside counsel consider client-centric practice management systems.

"The system we had was adapted from an enterprise expense tracking tool," says David Allgood, executive vice-president and general counsel for the Royal Bank of Canada. "It was designed at a corporate level to do things for the organization."

While RBC is several months away from completing its CT TyMetrix practice management system implementation, Allgood looks forward to leaving the old system behind. "It's like trying to put a square peg in a round hole," he says. "You can chip away at the edges to eventually get it in, but it never really fit."

Michael Maxwell, the manager of IP administration for BlackBerry maker Research in Motion, explains his firm's decision to use Serengeti as a third-party billing system.

"Our group deals with patent regulation and prosecution," Maxwell says. "We deal in high volume. We're one of the biggest filers right now at the Canadian patent office. No one firm could possibly handle the work that we currently have."

Of the 46 Canadian and U.S. firms sharing RIM's workload (RBC uses about 150 firms in each country), Maxwell notes: "We were approaching 4,000 invoices to the patent group per month. We had to get collaborative with law firms to get a handle on

billing, so we introduced fee schedules."

Since RIM implemented Serengeti and schedules, Maxwell says RIM has seen filings per year and prosecution go up, while costs have flatlined.

Maxwell also appreciates the system's expense allocation features. "You can create fields to apply specific legal costs to specific products and business units," he says. "As bills come in, they are automatically allocated to specific products or units, and Serengeti passes this data to the accounts payable system."

Budgeting the legal spend provides more opportunities for cost control, among other objectives. "At the start of a case, counsel can put a budget in place as a plan, to get the firm to think about how to staff a matter, to build a strategy to bring the matter to resolution," Matthews says.

"With more sophisticated approaches, you get the discipline of checking against contractual arrangements with law firms," Allgood adds. Any one of these vendors will tell you you'll save 3 to 5 per cent of legal spend just by checking bills.

"Meanwhile, procurement will tell you that processing a paper bill is costlier than electronic. You can reduce human intervention in paying your bills to reduce this cost."

RIM counsel also use their system to track legal exposure for specific business units, "so that issues don't become lawsuits," Maxwell says.

Thomas mentions another practice management feature: enhanced project management. "As lawyers, we don't learn to be good project managers," he says.

“Practice management systems help us follow basic project management principles.”

Review of past projects offers opportunities for improvement, but for many in-house lawyers, game-changing insights hide behind piles of paper and screens of email. “You can’t manage what you can’t see,” Thomas notes.

Practice management systems also enable lawyers to file messages about a matter with other information pertaining to the matter, whether they be messages created in the systems themselves or traditional email.

“Up-and-coming attorneys are ‘digital natives’ who adopt systems like ours more quickly, but ‘digital immigrants’ are the decision makers of today, so tying email to specific matters remains important,” Matthews says.

The next step, according to vendors, is to encourage inside counsel to combine matter management, billing, document management and all other legal project management components into one system “for the workflow to make sense,” according to Thomas. (Both vendors say their systems are ready for this.)

“Years ago, clients came to us for e-billing, and people still want to save money on legal bills,” Matthews admits, “but every RFP that comes across my desk has some element of collaborative practice management.”

On the smartphone front, Matthews sees data visualization and reporting as the first features from CT TyMetrix that will land in lawyers’ palms.

“Currently, my system doesn’t let me approve invoices from my BlackBerry,” says RIM’s Maxwell. “Just that would be great.”

“I’d like to see more auto-approvals in the workflow, like all invoices that meet certain criteria go straight to approvals,” Maxwell adds.

Meanwhile, clients still focus on legal spend. Some want to analyze law firm

rate increases, while others want to capture accrual of unbilled time.

While the leading systems cover most of these bases and provide reporting tools to let clients analyze data as they wish, “sometimes the more strategic use of the


system doesn’t happen right away,” says Thomas. “All this data is available. It’s a matter of pulling it all together to help counsel see how to change behaviour.” ■

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