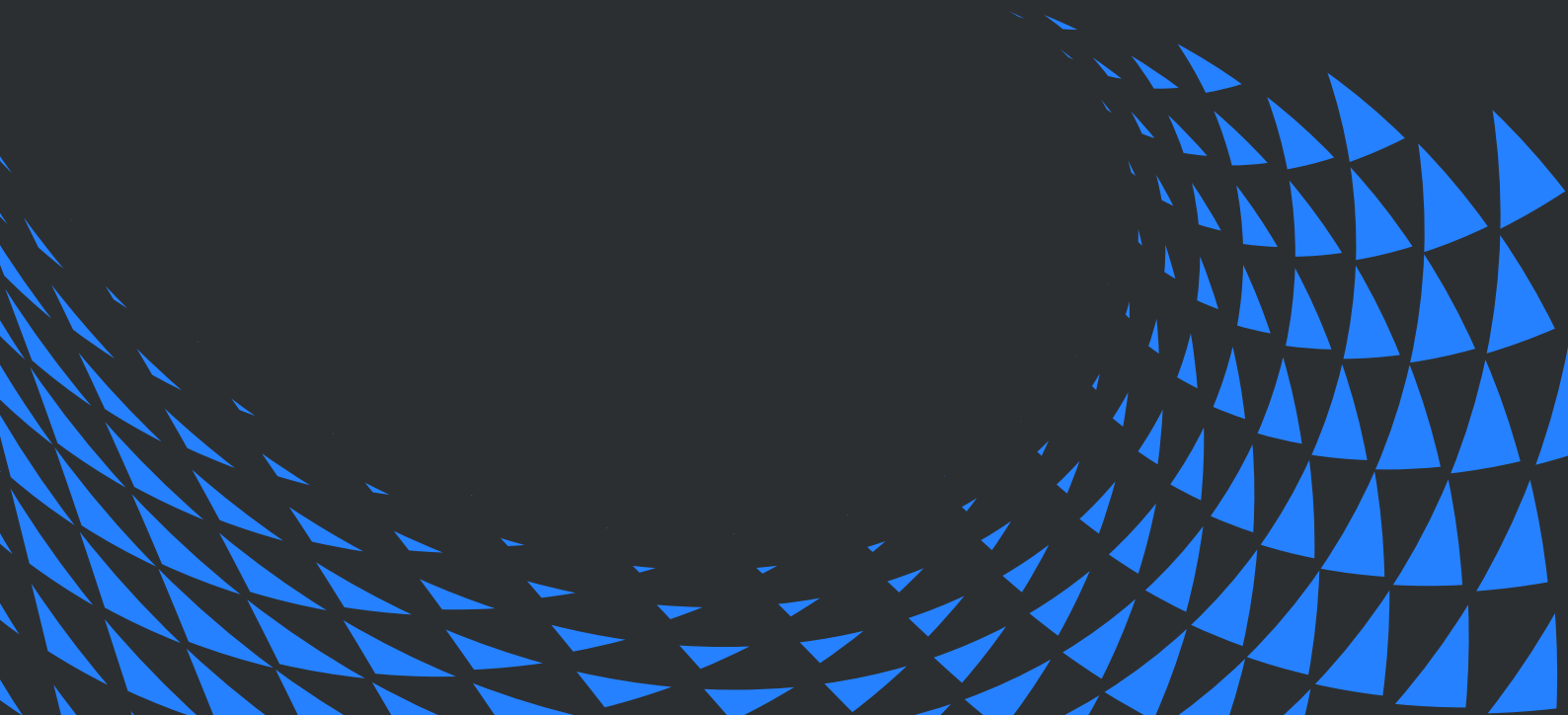


BusyLamp

IN-HOUSE GUIDE:
BUILDING A BUSINESS CASE
FOR LEGAL EBILLING

HOW TO TRANSLATE THE BENEFITS INTO
SAVINGS AND RETURN ON INVESTMENT





WHAT IS LEGAL EBILLING AND WHY DO YOU NEED IT?

In its most basic form, legal eBilling, or electronic billing, is a bill payment method by which external legal services providers, mainly law firms, submit invoices to customers electronically. Review, approval and payment of bills by the corporate legal department is entirely digital.

In this form, legal eBilling is no different to electronic bill processing used by other business departments, and many finance and procurement departments will query why legal needs a dedicated system rather than using the company approved accounts payable (AP) solution.

This leads us onto the distinction between full eBilling versus uploading a PDF of a paper bill, or keying in invoice details to a system. Full eBilling produces an electric file, specific to legal. It contains not only the invoice header, matter information and bill totals, but a detailed breakdown of timelines, timekeepers and expenses coded against tasks, activities and expenses. A legal specific eBilling solution is essential to capture this level of detail, and also completely removes the need for a paper/PDF version of the bill to be created. eBilling solutions can be integrated into the company's accounts payable system but adds a legal-specific detail AP systems do not have.

The creation of detailed line items creates data which can be analysed across multiple parameters. It is this resulting discipline that is sometimes referred to as Legal Spend Management, an evolution of eBilling, which rather than just being the process of electronic billing, refers to the activities used to control, measure and manage external legal costs.

With the increased pressure on legal departments to improve efficiency and control costs, eBilling is a solution that quickly generates savings that pay for the investment. eBilling automates processes and allows legal departments to identify cost-saving measures both in the immediate term and by making use of data-driven strategies for the future. However, your stakeholders may need more than a list of benefits in order to approve the purchase of a Legal Spend Management solution. By creating a business case and expected return on investment, you are making the first step in positioning yourself and your department as a valuable part of the business, rather than a cost centre.

This whitepaper explains six different areas of time and cost savings along with an estimated monetary value for each benefit area. Expected costs are also considered, so you can make an educated ROI calculation.



WHAT EBILLING CAN DO FOR YOUR LEGAL DEPARTMENT

- Full control and visibility into matters and their cost
- Significantly reduced external legal spend
- Manual processes automated so counsel can focus on high-value work
- Visibility of work in progress costs – no need to wait for the invoice
- Accurate, consistent and reliable data across all matters
- Improved collaboration internally and with outside counsel
- Data-driven strategic legal operations and management
- Like-for-like comparison and review of law firm rates, work, and value for money
- Fairer, competitive proposals from firms



EBILLING IS A PROVEN SOLUTION ESSENTIAL FOR SUCCESSFUL LEGAL OPERATIONS

eBilling is not a high-risk, new and emerging technology. A recent Corporate Legal Operations Consortium ("CLOC") survey found that 83% of respondents were using eBilling. EBilling has its roots in the US insurance and investment banking market, when regulatory complexity meant these corporations demanded electronic billing from their law firms. This was back in the mid-90s, when a handful of US based software vendors formed and gradually corporate legal departments in other industries adopted the technology, though it was the reserve of large enterprises.

It wasn't until around 2003 that eBilling migrated over to Europe, and even then, it was driven by US headquartered companies insisting on eBilling from their international firms. The only software options available at this time were from American vendors that had been established in the 90s and offered on-premise solutions that were elaborate, rather cumbersome and affordable only to the largest organisations in Europe. The law firm and corporate legal relationships in Europe were much less commoditised than in the US and this was a sticking point in the adoption of eBilling technology, as although there were benefits for corporates, law firms perceived little value and saw the process as unfair scrutiny that undermined the business of law. Fast forward to 2013, and still only a minority of European companies were using eBilling.

Until very recently, eBilling has remained overly complex and too expensive for most organisations, this is true even in the US where it all started. Another factor, especially for smaller legal departments and those in less regulated industries, was less pressure to improve efficiency and reduce legal costs, key benefits of Legal Spend Management. This has changed in recent years, and legal departments of all sizes around the world are under pressure to demonstrate that their teams are more than just costs to the business, to maximise productivity, evaluate value from their firms, and manage expenditure.



83%

of Legal Operations professionals use eBilling*

*(CLOC State of The Industry Survey)
November, 2017, Corporate Legal Operations Consortium

We see this trend reflected in the increase of the Legal Operations role as a dedicated full-time position. Almost half of in-house legal departments in the U.S. now have at least one person assigned to legal operations¹, up from 20% in 2015², and the first conference dedicated to European Legal Operations professionals was held by CLOC in London in January 2018. Pressure to improve legal operations doesn't always mean a huge software budget though. Fortunately, a number of new software vendors like BusyLamp have started up in this same time period, offering modern Legal Spend Management solutions that align with the needs of legal departments today, an alternative to existing legacy solutions that have been adapted to meet changing market requirements. There are now more tools available to choose from, with more SaaS based solutions (these are cheaper to manage than on-premise solutions), and the market is less US dominated too, with a few, like BusyLamp, headquartered in Europe with a deeper understanding of European legal market nuances and country billing regulations.

EBilling is well understood by law firms now, they expect to use it and they are seeing benefits from doing so, including faster payment of bills and increased client retention. It is said, that 70% of US mid-sized firms' revenue is electronically billed³. This is only 25% in the UK but is rising⁴. The main challenge we hear from corporate legal departments with starting a project is how to quantify the benefits into an expected return on investment and make a solid business case, which this white paper will explain.

1) "ACC Chief Legal Officer 2017 Survey," March, 2017, Association of Corporate Counsel. 2) "2015 ACC Global Census: A Profile of In-House Counsel," October, 2015, Association of Corporate Counsel. 3) Tim Arvidson, Director of Accounting and Billing, Hawkins Parnell, Atlanta, USA. 4) Bryan King, Independent eBilling Consultant to Law Firms, UK.



SAVINGS AREAS

There are many benefits of Legal Spend Management software in a corporate legal department, many of which will be specific to your organisation. Sometimes this is as simple as meeting company-wide digitalisation objectives. The six main areas in which monetary savings can be most easily calculated are enforcement of guidelines, real time cost transparency, invoice processing and time efficiencies, reporting efficiencies, analytics for strategic decision making, and vendor sourcing. Since a figure can be calculated, they are the most compelling areas to include in a business case, though there are a number of other benefits that are hard to quantify, such as improved law firm relationships, risk mitigation and law firm reviews. If any of these are particularly aligned with your company's goals, you should include these in the business case, even if you can't quantify a monetary saving prediction.

ENFORCEMENT OF GUIDELINES

EBilling software automatically checks invoices against billing guidelines such as caps on hours, total spend, expenses, overtime or staffing rules. Human reviewers will make mistakes and miss certain invoice and line item violations. This is especially the case for departments with multiple guidelines or different rules for different firms. Your company's specific rules can be loaded into the eBilling software, which then automatically evaluates invoices during processing. Non-compliant invoices that may have previously gone unnoticed will be rejected or flagged for review, and compliant invoices automatically approved for payment. The most significant savings will be made in the first year. This reduces as firms become more aware of how to comply, but savings are made every year as the system continues to catch errors humans may make.

Savings: Automated enforcement of billing guidelines saves at least 5% in the first year and 2.5% in subsequent years.



A typical legal department can expect to save 9% in the first year of using Legal Spend Management software

REAL TIME COST TRANSPARENCY

EBilling assists with cost control in many ways. It allows for visibility and consistency of how legal bills, matter information and budgets are input, processed and centrally stored, and reduces manual errors. This creates greater control vs. spreadsheets by default. EBilling can make adhering to budgets easier as they can be input consistently, dashboards and reports provide easy visibility of matter budgets and spend status, and alerts will flag if a matter hits a certain budget threshold. Modern Legal Spend Management software like BusyLamp allows law firms to enter work in progress (WIP) before invoicing the respecting line items so the legal department doesn't need to wait for the bill to get this information. This level of transparency results in more accurate billing and the avoidance of unexpected costs. Over time, budgets get more accurate, as historic matter data can be referred to in the creation of new budgets.

Savings: Not all work can be tracked in real time and some matter costs can't be reduced, for example, those on fixed fees. Therefore, we estimate 5% of legal spend on 25% of matters is the expected saving when outside counsel submit their WIP data ahead of the invoice.

INVOICE PROCESSING AND TIME EFFICIENCIES

As with many software tools, eBilling dramatically improves efficiency and accuracy. With eBilling, information is processed digitally with no need for sorting and organising, as bills are forwarded automatically to a designated person and checked for guideline compliance. Auditing and reporting is also automated. This saves a huge amount of administration time spent doing tasks which carry the risk of significant manual errors, and some tasks are made redundant, such as data entry, scanning and filing. Coupled with other process automation, lawyers are freed up to spend time on actual legal work, their area of expertise, not tedious manual tasks. The software is faster than a human reviewer too, so more invoices can be processed in less time. This also means your firms get paid faster, which can help you negotiate early pay discounts. Modern eBilling allows law firms to enter line items as they complete the work, and this can be reviewed and approved/rejected before the invoice is even raised. This means when the invoice is raised, the work has been pre-approved and the invoice is approved and paid even faster.

Savings: We estimate a 5 second saving per line item. Based on the average hourly cost of an in-house counsel, the savings are estimated at EUR 1600 for every 1000 invoices. Time spent on legal work instead of manual tasks mean legal department staff are adding more value, though this is hard to quantify.

REPORTING EFFICIENCIES

Having real-time, secure, accurate and consistent centralised data saves a lot of time accessing and reporting on documents, matters and financials. A lot of time is wasted by legal staff of all seniorities manually compiling reports from multiple on- and offline sources. By using Legal Spend Management software, custom reports as required by the business can be scheduled for automatic creation, and delivered to stakeholders by email. When ad-hoc reports are inevitably required, they can be compiled in just a few clicks.

Savings: Electronic and automated reporting will save a lawyer 30 seconds per matter. For an admin role, this will be closer to 30 minutes per matter. This equates to EUR 1.16 or EUR 30 per matter respectively.

LEGAL ANALYTICS FOR STRATEGIC DECISION MAKING

Over time, the use of eBilling creates a database of all historic matters and their associated spend, broken down into UTBMS and LEDES codes. Analytics can be used to gain insights into legal spend and inform data-driven decision-making by comparing savings, spending trends and budget-to-actuals across law firms, matter types, practice areas, jurisdictions, timekeeper seniority, and more. Firms can be compared for value and results. Costs and performance can be benchmarked. Decisions can be made on which work to outsource (and to whom), and which to conduct in-house. Expectations can be set with law firms. Contracts and rates can be negotiated fairly.

eBilling captures spend accurately and comprehensively. Without it, analysing spend is incredibly time and resource intensive. With eBilling, the legal department is armed with valuable information for long-term spend management and is positioned to contribute to business goals and achieve year over year improvements, becoming a driver of value and savings for the company instead of a cost centre.

Savings: Making data-driven decisions from spend analytics and improved vendor management can save 5% of annual legal spend in year two onwards.

VENDOR SOURCING

Modern eBilling solutions like BusyLamp include tools to submit RFPs and cost estimates for work to law firms. Pre-structuring the requests in a consistent format ensures a fair and easily comparable response from the firms. Proposals are more likely to be competitively priced, as firms know they are competing for the work. Using data from responses and estimates can empower a legal department to make more informed resourcing and budgeting decisions, faster.

Savings: Using sourcing features can generate additional savings of 2.5% of legal spend per year.



POTENTIAL COSTS OF IMPLEMENTING LEGAL SPEND MANAGEMENT

All those areas of potential savings make eBilling a compelling proposition. Some will be achieved almost immediately, like the efficiency and billing rules compliance savings and others will take time, such as those achieved through analytics. Efficiency savings will be very high in year one but reduce over the years as the department becomes more productive. You may also choose a phased on-boarding approach (starting in one country before rolling out globally, for example), with less overall legal spend going through the system in year one compared to year three, so some of your savings won't be achieved until later. Software costs may also increase as your department grows, depending on the vendor's pricing model, even though your legal spend may have declined. For this reason, we recommend a three-year return-on-investment (ROI) calculation. Although year one will generate immediate savings and these should be prominently highlighted in your business case as a reason to act now, it's important to note that a one-year ROI calculation will not give an accurate longer-term indication.

TYPICAL COSTS TO CONSIDER IN YOUR CALCULATION

- **Cost of software.** This is usually a fixed subscription fee per annum but may also include hosting, training, and maintenance costs and may be higher in the first year depending on the vendor's pricing model. Subscription fees may be based on legal spend, numbers of users, matters and/or law firms, so consider the best model for you now and in the future as your department grows. Also consider the cost of additional modules not included in standard packages.
- **External implementation fees.** Unlike on-going subscription fees, these are one-off costs payable to the software vendor and/or consultants you may have involved. This is the cost of on-boarding internal users and law firms, integrations, and customisations such as reports, data migrations and add-ons outside the basic package.
- **Internal IT costs.** These are significantly reduced with a SaaS based solution.
- **Internal project costs.** Temporary contractor fees, or calculate the impact cost of assigning the project to an existing member of staff who will have less time to work on their day job.
- **Training and support costs.** Consider what level of support and training you require at implementation and beyond as these range from online help only through to fully managed services.
- **Upgrade costs.** Do you need to pay to upgrade to future versions of the software or is this included? Consider internal costs of upgrades, which are lower with SaaS solutions.
- **Future costs.** While you don't have a crystal ball, try to anticipate potential integrations and ask the vendor about cost increases as you add more users, spend or firms, and account for these add-ons over the years in your ROI calculation.



CALCULATING POTENTIAL RETURN ON INVESTMENT

Here is a reminder of the savings calculations from earlier and the assumptions that were made. These are based on feedback from BusyLamp customers, insight from the invoices processed through BusyLamp, and industry averages. They will not be perfect but will give a good indication of your expected savings.

If you know your business' actual figures for any of these assumptions, such as average hourly rate, you can adjust your calculations for a more accurate result.

- **Enforcement of Guidelines**

Automated enforcement of billing guidelines saves at least 5% in the first year and 2.5% in subsequent years.

Annual legal spend x 5% =

- **Real Time Transparency**

5% of legal spend on 25% of matters is the expected saving when outside counsel submit their WIP data.

(Annual spend * 25%) * 5% =

- **Invoice processing and time efficiencies**

5 seconds saved per line item. Based on hourly rate of in-house counsel of EUR 140 which equates to 20 cents per line item.

Line items x 0.2 =

- **Reporting efficiencies**

In-house counsel saves 30 seconds per matter. Admin staff save 30 minutes per matter. Based on hourly rates this equates to EUR 1.16 and EUR 30 per matter.

(Number of matters x 1.16) + (number of matters x 30) =

- **Legal Analytics for strategic decision making**

Making data-driven decisions from spend analytics and improved vendor management can save 5% of annual legal spend in year two onwards.

Annual legal spend x 5% = (Y2 onwards)

- **Vendor Sourcing**

Using sourcing features can generate additional savings of 2.5% of legal spend per year.

Annual legal spend x 2.5% =

EXAMPLE CALCULATION

As an example calculation, this is the expected ROI for a fictional legal department with the following assumptions made.

Assumptions:

	Year One	Year Two	Year Three
External legal spend (EUR)	5,000,000	4,562,500	4,049,219
Number of invoices	1,500	1,369	1,215
Number of line items	12,001	10,951	9,719
Number of matters	500	500	500

* Assumes an average of 300 invoices per million EUR spend and 8 line items per invoice.

Based on the calculations above, the following savings would be expected for a legal department spending EUR 5,000,000 in external legal spend per year. Vendor costs are for example only. No internal costs have been factored into the ROI calculation so in reality, this will be lower but demonstrates how to calculate ROI.

Savings	Year 1 EUR	Year 2 EUR	Year 3 EUR
Enforcement of Guidelines	250,000	114,063	101,230
Real Time Transparency	62,500	57,031	50,615
Time Savings	2400	15,580	15,580
Reporting Efficiencies	15,580	6,232	6,232
Legal Analytics	0	228,125	202,461
RFP	125,000	114,063	101,230
Total Savings in EUR	455,480	531,051	473,061
Vendor Costs in EUR	110,000	99,000	99,000
RETURN ON INVESTMENT	414%	536%	478%

*Return on investment is savings divided by cost/x 100



GOOD LUCK!

Legal Spend Management helps legal departments and legal operations heads deal with the pressure of managing the department more like a business unit. eBilling offers a way to free up legal staff to work on high-value work instead of tasks that can be easily automated by software. It also provides visibility into global matters in a format that is consistent and accurate, with status reports only a click away. Law firm work in progress can be tracked before the invoice is even raised, eliminating surprises. Analytics provide data from which to make strategic spend and vendor management decisions. All of these benefits can be assigned an expected savings amount that for most companies far outweighs the cost of investing in a modern Legal Spend Management solution.

For help calculating ROI, or for a demo of the BusyLamp Legal Spend Management solution, which includes eBilling, reporting, analytics and vendor sourcing, contact info@busylamp.com

ABOUT BUSYLAMP

Founded by a team of lawyers and powered by frustrated users of endless spreadsheets and clunky legacy eBilling and matter management systems, BusyLamp is the leading SaaS alternative for efficient enterprise legal management.

We help legal departments save time, significantly reduce overhead and collaborate more effectively with inside and outside counsel by simplifying and improving their legal operations.

Today's legal departments leverage our end-to-end solution to drive efficiencies from pitch to completion. Become a member of the BusyLamp user family and take advantage of our sophisticated sourcing, fee tracking, matter management and eBilling, as well as analytics and reporting features.

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