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Cost control

How to keep costs under control with Legal Spend Management

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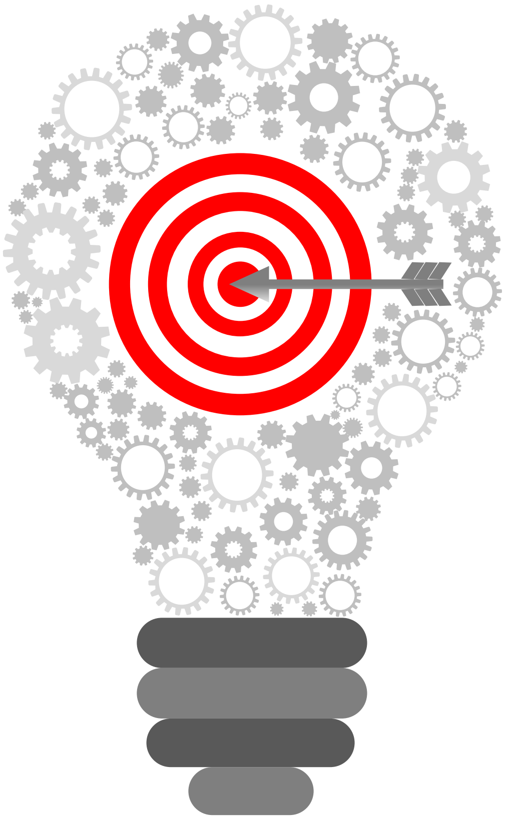
Legal Spend Management means much more than purchasing a software …



Legal Spend Management contains …

- … the development of end-to-end processes
- … holistic digitization of workflows
- … (re)definition of roles
- … determination of clear make-or-buy criteria
- … strategic panel management
- … flexible matter management
- … transparent controlling
- … continuous development based on KPIs
- … **but also:** a break-up of grown structures and dealing with changed, sometimes radically new approaches and solutions.

… and benefits from two perspectives – brought together in a common approach.

1 Overview Legal Spend Management

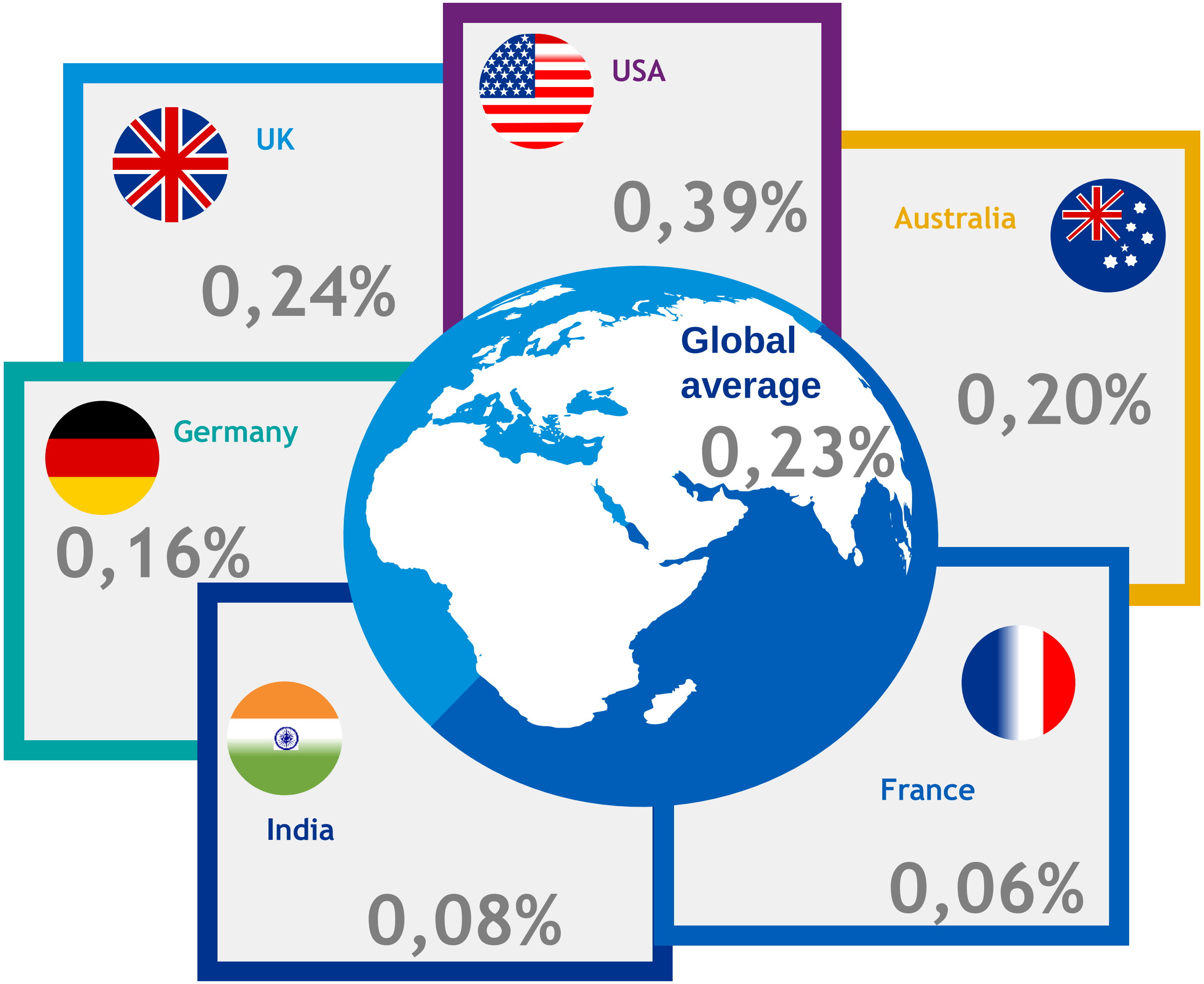
2 Elements of a Legal Spend Management

3 Legal Spend Software

4 Project Implementation

Overview Legal Spend Management

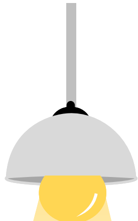
Legal Spend varies by country*, ...



*Graphic shows the percentage of legal spend in relation to companies' annual revenue in different countries.
The results are based on the survey Acritas Patterns in Legal Spend Report, questioning 2,200 inhouse senior councels worldwide.

Overview Legal Spend Management

… industries* …



	Industry	Total Legal Spend	Internal Legal Spend	External Legal Spend
1	Biotechnology / Life Sciences	2,5%	0,98%	0,31%
2	Energy	0,83%	0,38%	0,19%
3	Finance und Banking	1,14%	0,55%	0,2%
4	IT / Software	1,24%	0,53%	0,31%
5	Insurance	0,5%	0,39%	0,07%
6	Pharmaceuticals / Medical Devices	0,65%	0,19%	0,31%
7	Real Estate / Rental and Leasing	1,6%	0,65%	0,21%
8	Construction / Engineering	0,32%	0,2%	0,02%

*Graphic shows the percentage of legal spend in relation to companies‘ annual revenue in different industries.
The results are based on the ACC Chief Legal Officers 2018 Survey, that interviewed 1275 CLOs from 48 countries.

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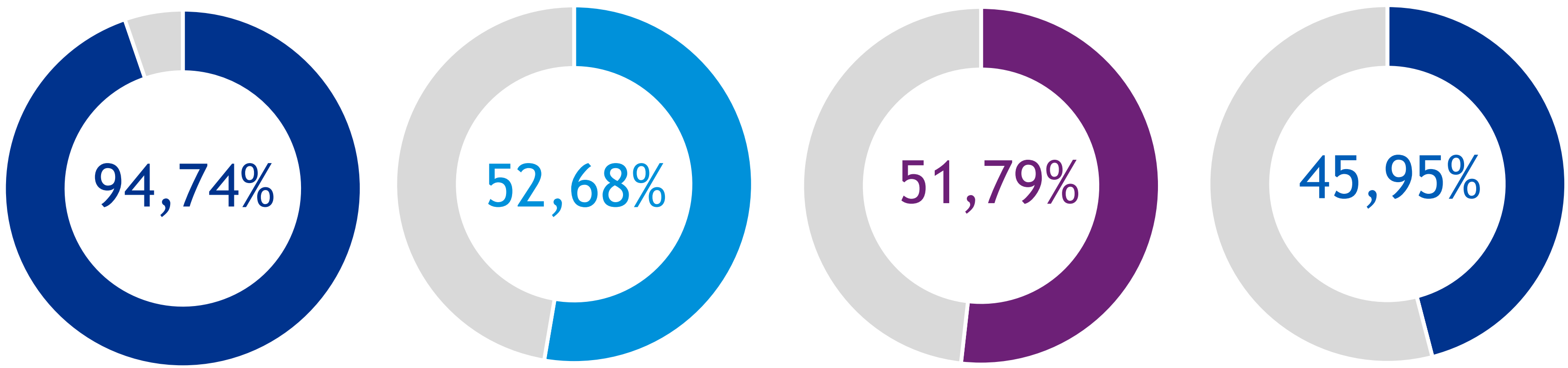
Overview Legal Spend Management

… and fields of law*.



… Complex Litigation

... Due Diligence

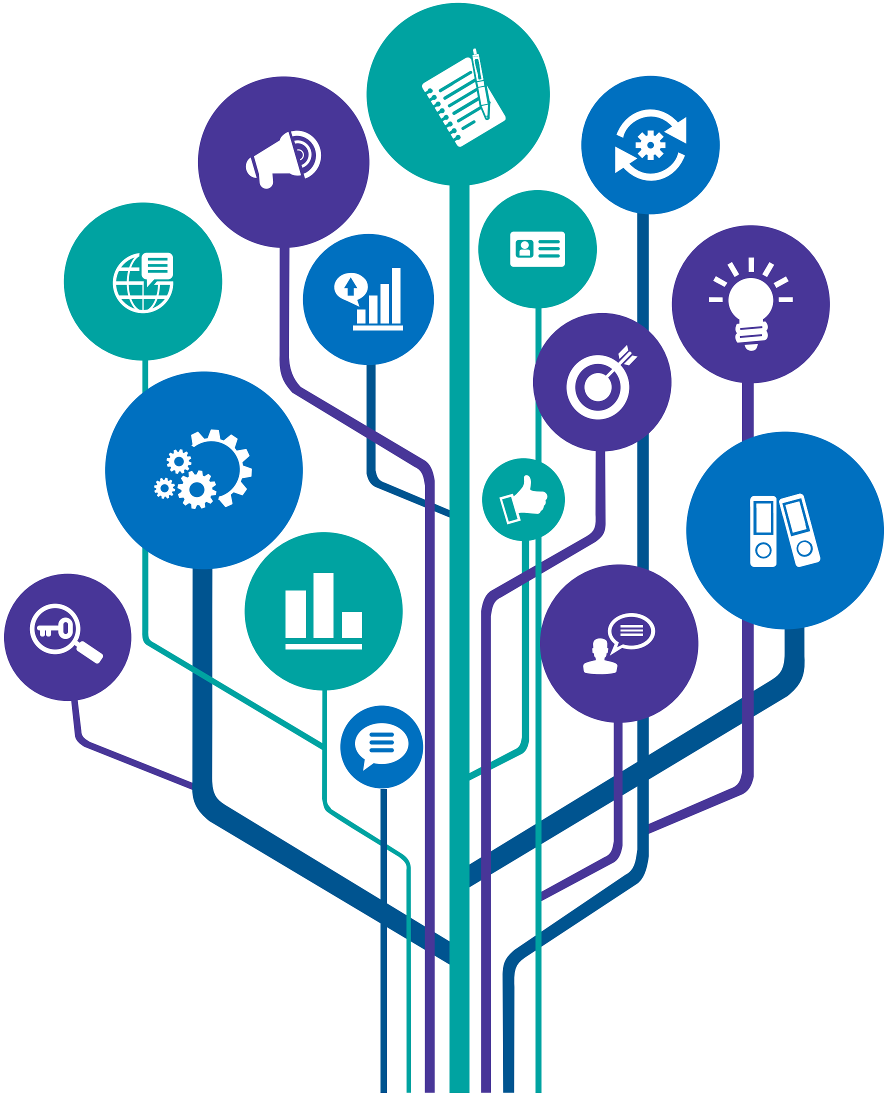
… Patent Services

… E-Discovery

*Graphic shows the percentage proportion of tasks being outsourced to external law firms.
The results are based on the ACC Legal Department Benchmarking 2018 Report (Large Company Supplement), that interviewed 132 companies worldwide with an annual revenue of at least $ 3 Billion.

Drivers of digitization challenge legal departments of companies.

- Increased workload due to increasing **regulation**
- Growing demands on **efficiency** and **quality**
- **Globalization** / coordination of various locations and regions
- Positioning as strategic **Business Partner**
- Rising **costs** in legal advice
- New **technologies**: Legal Tech and Big Data
- **Pressure for innovation**



In overcoming these challenges, legal departments can make a significant contribution to the economic success of the company, ...

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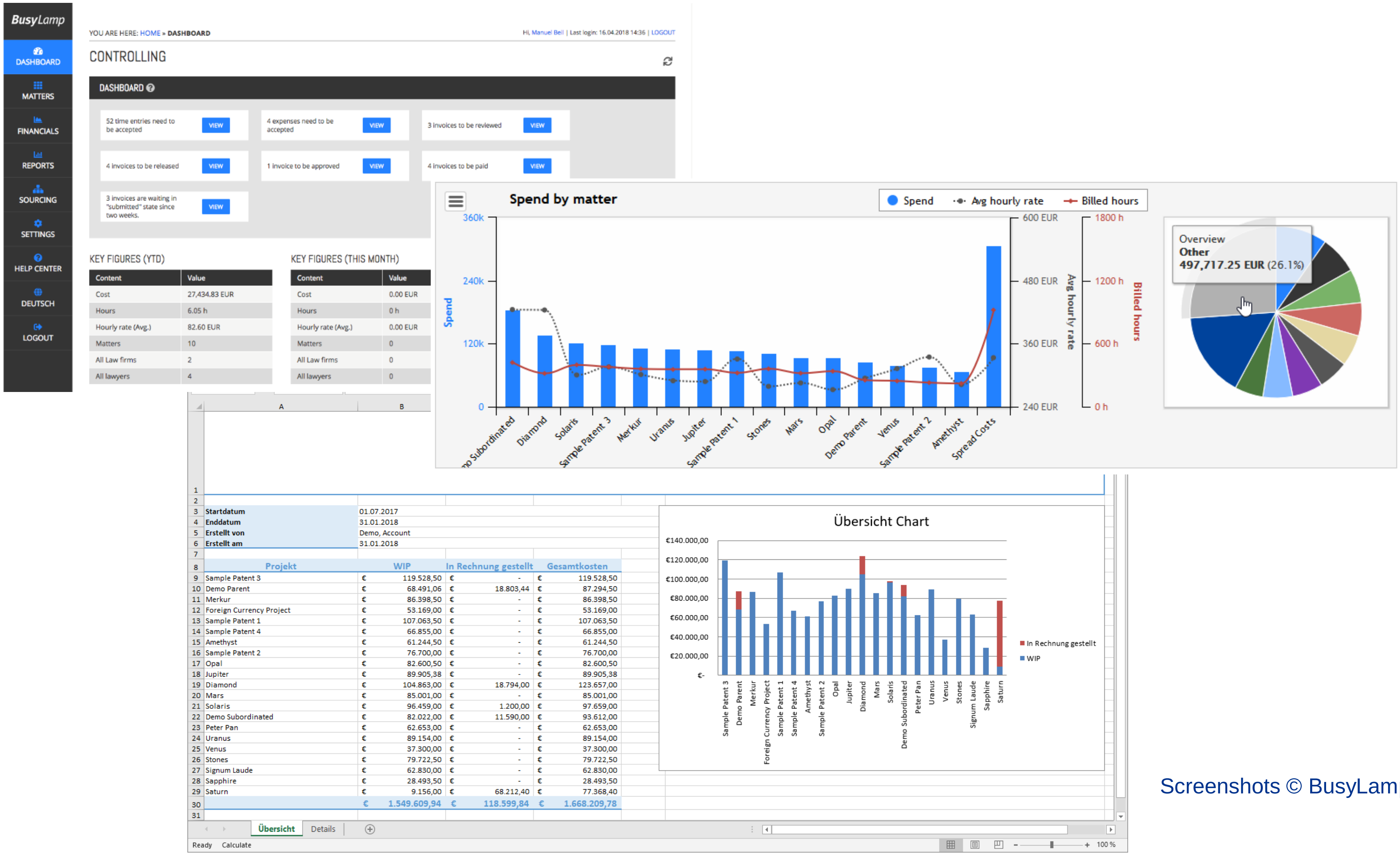
Elements of a Legal Spend Management

… for example, by employing a legal spend manager who controls the end-to-end processes and makes strategic decisions based on aggregated data.

Legal Spend Software

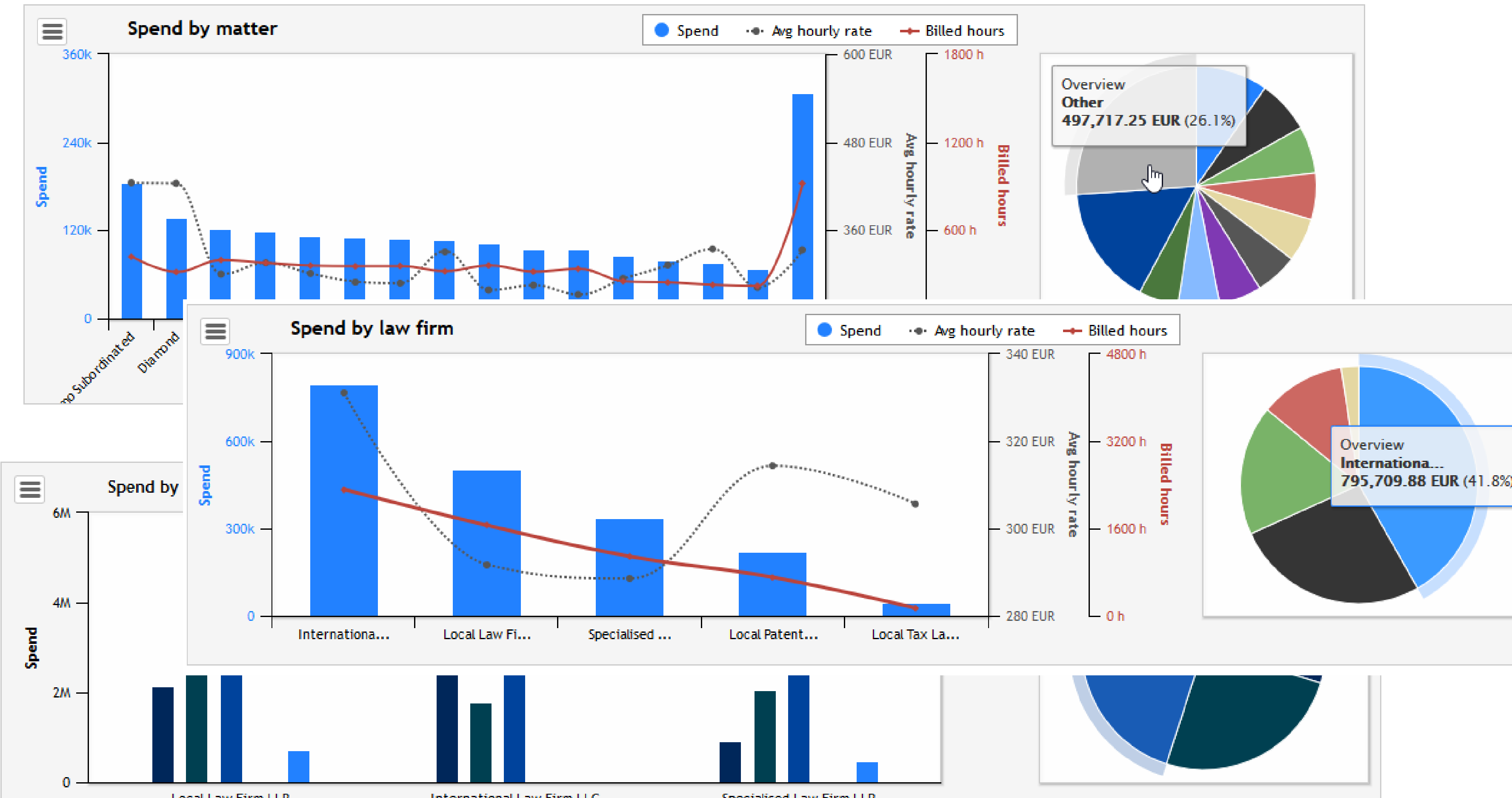
Legal Spend Software also helps …



Screenshots © BusyLamp

Legal Spend Software

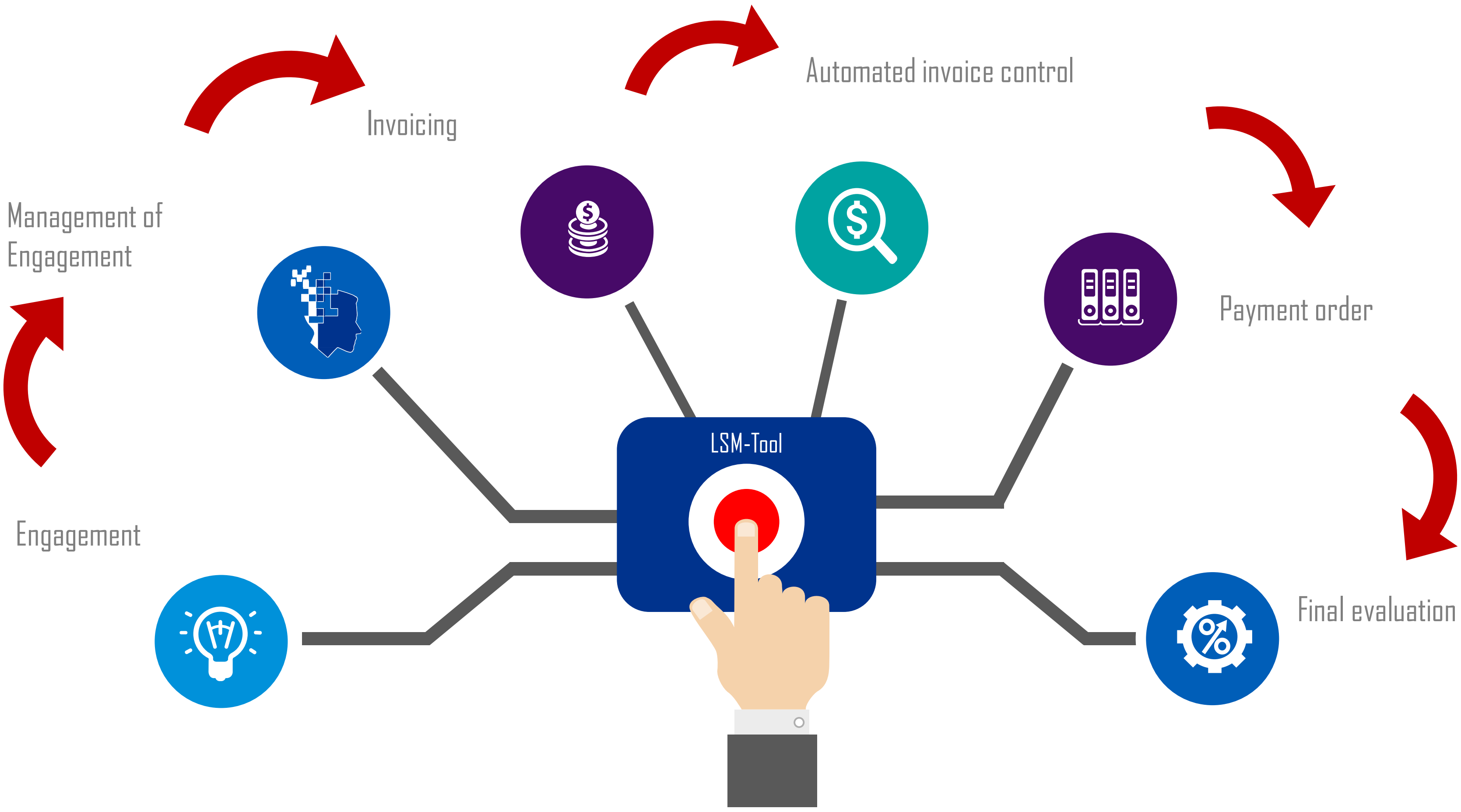
… to create transparency and make captured data usable, …



Screenshots © BusyLamp

Legal Spend Software

… so that within a seamless digital workflow…



… the potential for savings, for adaptions and undesirable developments becomes visible.

Included functions are among others:

- Automatic invoice verification (e-billing) through standardization of invoicing as well as direct reading and evaluation of invoice data (processing times, hourly rates) and the comparison of the invoice with engagement conditions.
- A central database enables an overview, an analysis and the creation of cost reports at any time.
- Budget control (mandate related) in real time with warning function
- Use of AFAs – e.g. through transparency when approaching discount limits
- Dashboard overviews with to-dos; project overviews including cumulative costs and list of expenses
- Comprehensive reportings, e.g. spend by law firm
- Statistics on law firms (period of cumulative costs, attorney activity hours/costs)
- Matter management system (Overview law firm panel)

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The design of legal spend processes is always based on three essential elements, …

01 STEERING

02 IMPLEMENTATION

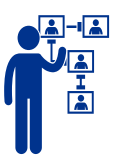
03 MONITORING

Project Implementation

… that interact with each other …

1 Steering process

- Ensuring an effective engagement process
- Control of the engagement process -> reduction of the panel if necessary, as consulting „from a single source“ is easier to manage and facilitates negotiations
- Formation of the panel on the basis of certain criteria (e.g. Know-how, revenue, process skills etc.)
- Possibility of alternative fee arrangements (AFAs) with a clearly arranged panel
- Ensuring the necessary transparency
- Processes and role distribution
- Interface to Purchasing



2 Implementation process

- Conclusion of new framework agreements and renegotiation of existing ones
- Set-up of billing guidelines
- Conclusion of individual engagement letters
- Prevention of „Maverick-Buying“
- Controlling (audit process)
- Establishment of a Legal Spend Manager
- Ongoing Change Management

3 Monitoring process

- Evaluation of the outputs of the individual process steps
- Ensuring economic efficiency and quality
- Definition of KPIs to assess performance and/or selection
- Determination of the degree of satisfaction for sustainable cost optimization

Project Implementation

… to form a holistic process.

01

Target state

The development of a target concept for the Legal Spend Management taking into account all legal and operational requirements, including roles, tasks, activities, processes, working methods and interfaces as well as KPIs within the legal department.

02

Current State

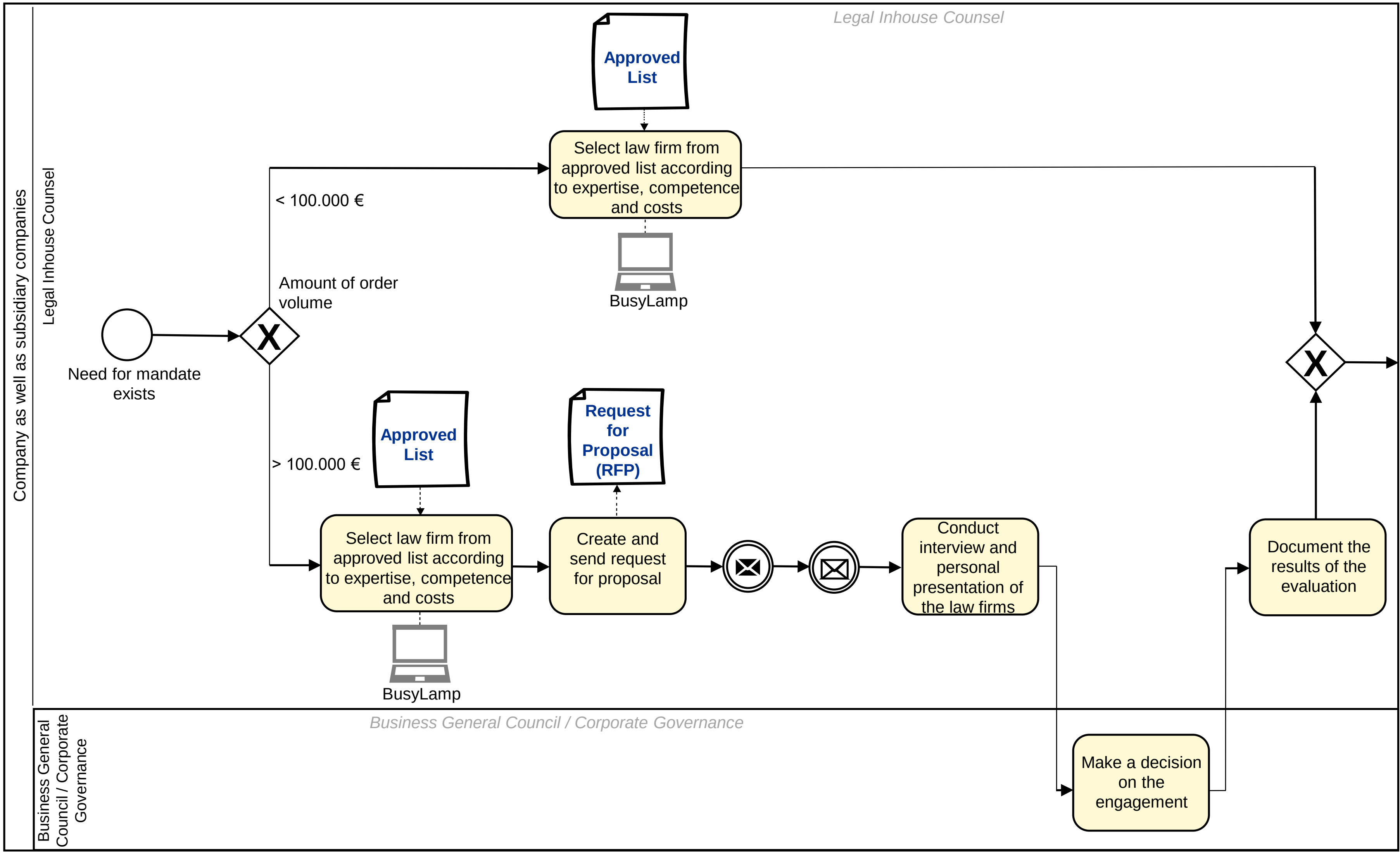
The current state of the Legal Spend Management is evaluated by reviewing the existing work process.

03

Gap Analysis

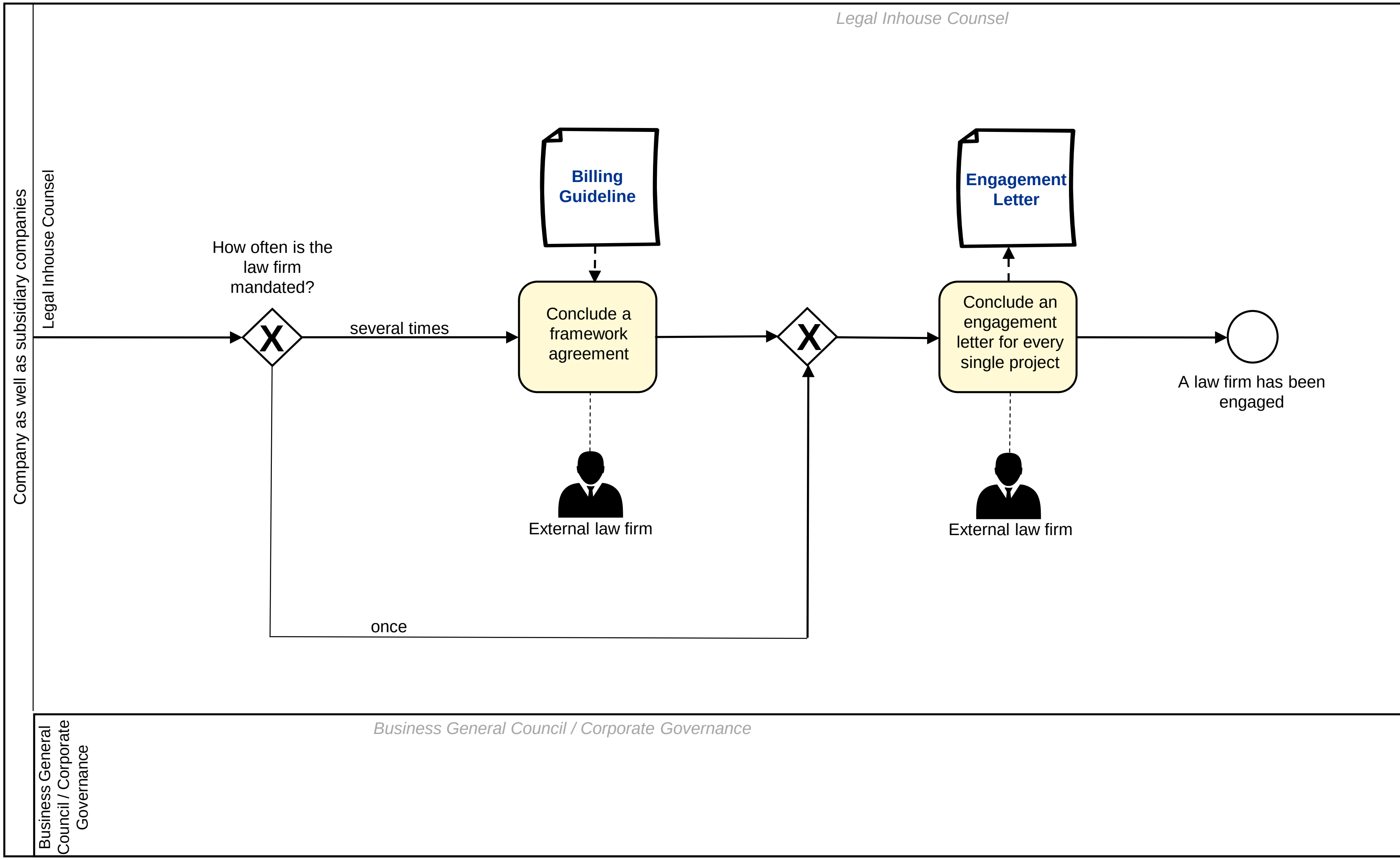
Identification of problem focal points within the Legal Spend Management of the legal department, determination of deviations of the actual state from the target state (gap) and development of corresponding recommendations for action.

Engagement Process Part 1



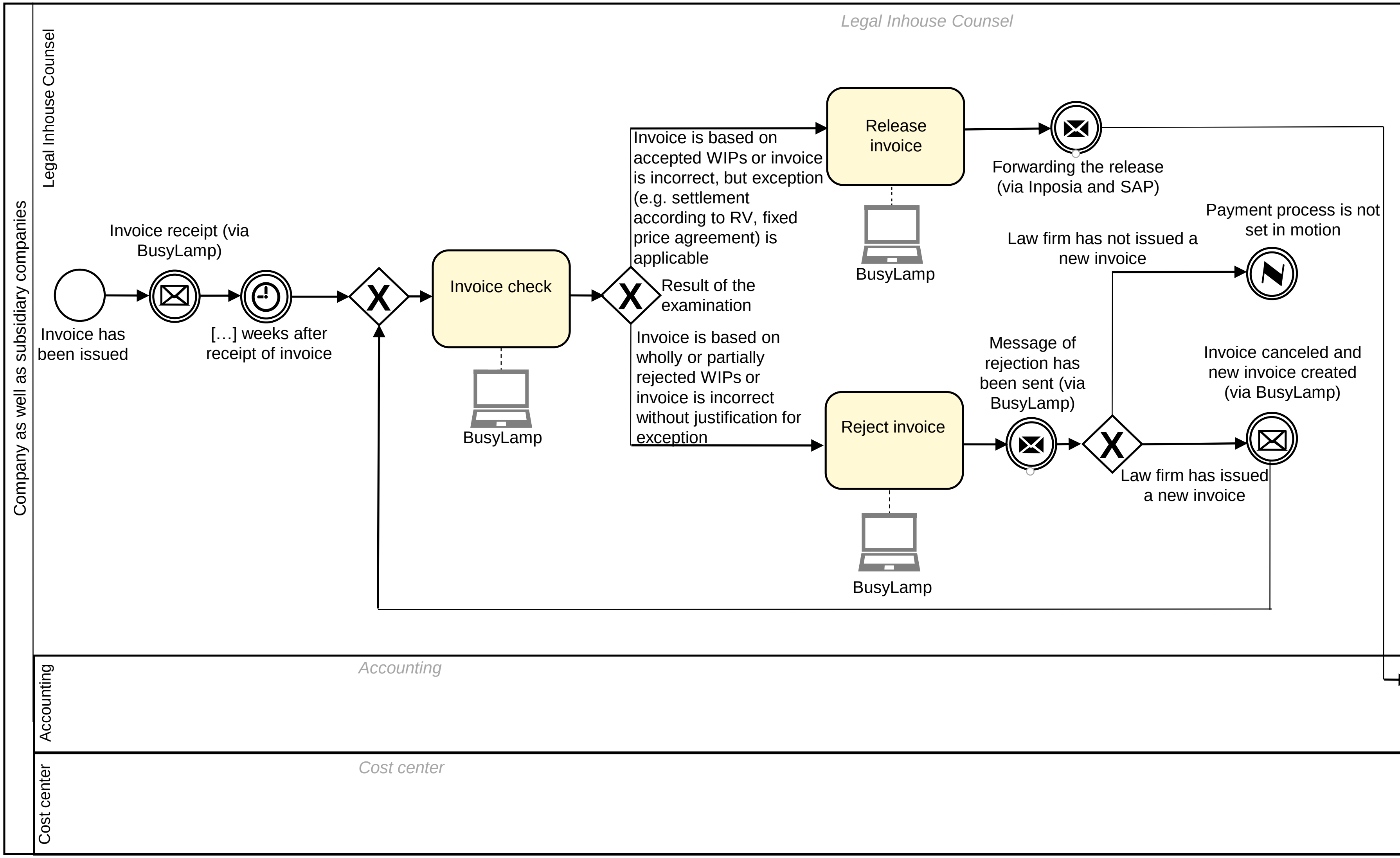
Project Implementation

Engagement Process Part 2



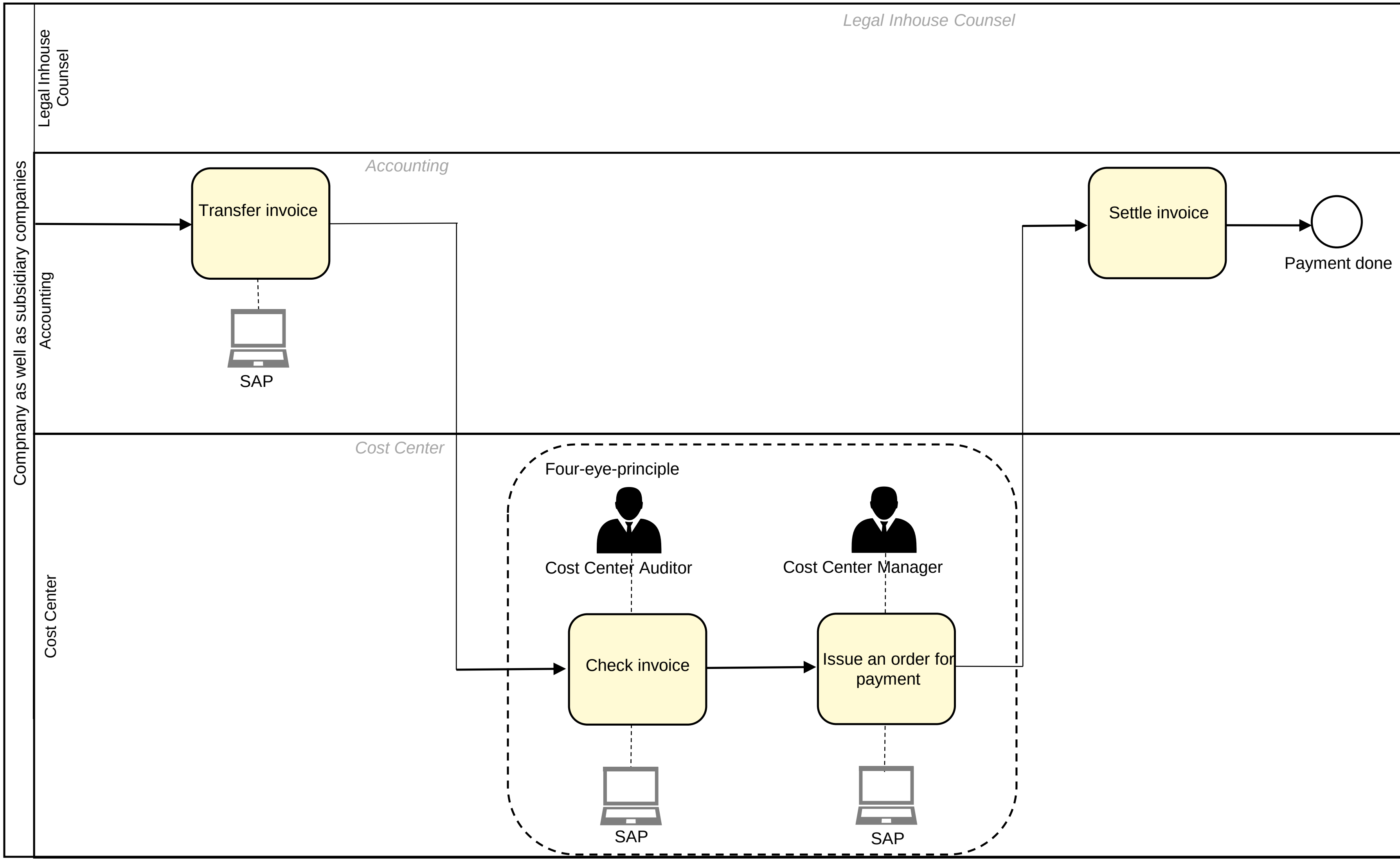
Project Implementation

Audit Process Part 1



Project Implementation

Audit Process Part 2



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Project Implementation

The introduction requires comprehensive coordination …

Legal Spend Manager

- First contact person and interface
- Agreement on the course of the project
- Project Management

Other Departments

- Involvement in interface analysis and definition
- Consideration of the needs of the business

Further Divisions

- Questionnaires
- Workshops
- Support for department heads

IT

- Timely involvement in the selection of Legal-Tech-Tools
- Coordination with existing IT infrastructure and processes

Management

- Presentations / votes according to wishes and needs
- Orientation to management requirements

… in order to achieve the desired optimizations even in larger units …

Target State Analysis | **Current State Analysis**

- Executive Board mandate for optimization of Legal Spend Management & Reporting
  - Nov. 16
- Internal needs analysis
  - Dec. 16
- Market analysis
  - Jan. 17
- Definition of requirement profile
  - Feb. 17
- Information about systems in group / data situation
  - Mar. 17
- Exchange with IT / Data Protection / Procurement
  - Apr. 17

Multiple Sourcing

- Supplier selection (short list)
  - May. 17
- Contract negotiations
  - Jun. 17
- Board approval
  - Jul. 17
- Conclusion of contract & internal communication
  - Aug. 17
- Project Kick-Off
  - Sep. 17
- Finalization HOCHTIEF account and project schedule
  - Oct. 17

… and to be well positioned in the long term.

Change Management

Transfer of the existing data into the running system	Oct. 17
Training of internal employees	Oct./Nov. 17
Start onboarding law firms in Germany	Dec. 17
New Billing Guidelines / Framework Agreements	Dec. 17
Go Live Germany	Jan. 18
Start Europe	Jan./Feb. 18
Go Live Europe	Mar. 18
Kick Off SAP Interface Project	Apr. 18
Start SharePoint Legal	Apr. 18
Start process management Review (KPMG)	Jun. 18
Go Live SAP Interface Project	Aug. 18
Start Interface EU/ Americas / AsiaPacific	Sep. 18 - now

Thank you very much for your attention.

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