

Outside Counsel Value Management

A data-driven approach to optimizing outside counsel relationships by analyzing spend, performance, and compliance metrics to reduce costs, improve efficiency, and align legal services with organizational goals.

USE CASE IN PRACTICE

Effective Cost Management

By using strategic cost control, in-house legal teams can reduce legal spend through data-driven strategy, budgeting, and alternative fee arrangements (AFAs) and enhance ebilling and data infrastructure.

Stronger Outside Counsel Relationships

A Legal Data Intelligence practitioner led an internal summit between panel counsel, insurer leadership, internal risk management, and the general counsel to discuss an analysis of litigation trends, insurer spend, and outside counsel's impact on internal resources. Together they identified opportunities to reduce costs, enhance workflows and operations, and improve insurance and renewal premiums.

Better Outcomes from Value-Based Billing

A Legal Data Intelligence leader moved a firm to value-based billing for an insurance coverage matter, using AI for research, summarization, automation, and drafting. They set a flat fee with bonuses tied to milestones—early coverage analysis, motion wins, and settlement speed—reducing costs and boosting outcome efficiency. The client agreed to pay for some of the technology that was implemented.

INITIATE

Refine Outside Counsel Guidelines (OCGs)

- Update OCGs with clear billing rules, rate structures, and compliance expectations (include AI use and billing guidelines to ensure transparency and mutual trust)
- Establish standardized billing formats for easier review and processing
- Define billing governance mechanisms: who reviews, escalates, and approves invoices
- Build in clear enforcement mechanisms for OCG violations
- Include a requirement for timekeeper training every time a new timekeeper gets added and annually to ensure awareness and compliance
- Implement rate transparency mandates for better financial planning

How Technology Can Assist

- Validates invoices against OCGs using AI
- Tracks with real-time alerts for deviations

Notes

Clear OCGs reduce disputes. Include metrics like adherence rates to assess effectiveness.

Enhance eBilling and Data Infrastructure

- Automate rejection of non-compliant invoices
- Build a real-time spend analytics dashboard
- Streamline approval workflows for efficiency
- Forecast costs with predictive analytics

How Technology Can Assist

- Flags violations and enforces rate caps via AI-driven ebilling
- Forecasts spikes in legal spend before they happen using machine learning

Notes

Aim for a 20% reduction in processing time. Test dashboards with historical data first.

Set Up Outside Counsel Performance Management

- Develop a vendor scorecard evaluating firms on:
 - 1) Adherence to OCGs
 - 2) Cost effectiveness
 - 3) Efficiency in case handling
 - 4) Responsiveness and collaboration
- Establish a tiered firm structure: preferred, standard, and limited firms
- Conduct quarterly firm performance reviews to ensure alignment with business goals

How Technology Can Assist

- Tracks firm compliance and performance trends
- Automatically generates quarterly firm reports for review

Notes

High-performing firms typically deliver 15-25% better value. Weight scorecard criteria by priority.

INVESTIGATE

Collect Data for Analysis and Evaluation

- Assess current legal spend data for accuracy, completeness, and format consistency
- Evaluate ebilling system capabilities: automation, rejection, reporting, compliance tracking
- Ensure invoices are properly allocated to the right matter types for accurate spend analysis
- Confirm all invoices align with existing OCGs
- Gather firm, matter, and timekeeper data for benchmarking

How Technology Can Assist

- Scans, extracts, and standardizes invoice data for analysis
- Automatically flags and categorizes billing discrepancies

Notes

Incomplete data skews analysis. Cross-check with finance monthly.

Identify Trends and Outliers

- Analyze legal spend trends by matter type, jurisdiction, firm, timekeeper, and billing rate
- Search for outliers (e.g., excessive hours, unauthorized charges)
- Examine trends in billing inefficiencies (e.g., overuse of senior attorneys, excessive research)
- Compare firm performance based on spend versus value delivered

How Technology Can Assist

- Displays billing patterns and anomalies via automated reporting dashboards
- Highlights outlier invoices and predicts cost overruns using machine learning models

Notes

Outliers often signal overbilling. Focus on top 10% of spenders first.

Engage Stakeholders and Conduct Internal Benchmarking

- Meet with finance and legal operations teams to discuss inefficiencies and cost trends
- Conduct firm performance reviews to align on budget expectations
- Assess the effectiveness of alternative fee arrangements (AFAs)
- Review OCG compliance and adherence trends

How Technology Can Assist

- Generates dynamic benchmarking reports
- Predicts future budget needs using AI-powered spend forecasting models

Notes

Engage stakeholders quarterly. Use peer benchmarks for context.

IMPLEMENT

Develop Budget for Cost Control

- Implement budgeting models tied to legal spend trends
- Conduct data-informed rate negotiations with outside counsel
- Introduce AFAs for high-value matters
- Establish fee caps, rate freezes, and spend thresholds for different case types

How Technology Can Assist

- Predicts future legal spend and budget spikes
- Tracks spend by firm, matter type, and timekeeper using AI-assisted dashboards

Notes

AFAs work best for repetitive matters. Monitor savings quarterly.

Improve and Optimize Performance

- Conduct quarterly legal spend audits to identify optimization opportunities
- Update billing guidelines based on historical data and industry trends
- Track ROI on outside counsel engagements to refine cost management strategies
- Ensure firms receive regular feedback on their performance and cost efficiency

How Technology Can Assist

- Ensures ongoing OCG adherence through automated compliance tools
- Improves long-term budgeting and cost forecasting

Notes

Aim for a minimum of 10% cost reduction annually. Share feedback with firms promptly.

Implement Process for Billing Dispute Resolution

- Develop a tiered dispute resolution for billing conflicts:
 - Level 1: Auto-flagging and firm clarification
 - Level 2: Legal operations review and resolution attempt
 - Level 3: CFO/GC intervention for major disputes
- Standardize a billing dispute process with resolution timelines

How Technology Can Assist

- Flags disputes and routes them via ebilling software
- Assists with resolution using AI chatbots

Notes

Aim to resolve 80% of disputes at Level 1. Set a 7-day resolution goal.