

**MCC INTERVIEW: Kevin Caulfield /
Wolters Kluwer ELM Solutions**

IN-HOUSE OPS

Is It Time to Automate?

Eager to avoid being seen as cost centers, law departments are increasingly leveraging technology

Kevin Caulfield, a product line director at Wolters Kluwer ELM Solutions, understands that general counsel don't want their departments to be viewed solely as cost centers. Many of them strive to show how they can be good business partners with other parts of their organization by focusing on initiatives that will help reduce costs and generate revenue. To Caulfield, one of the ways this can be achieved is through enterprise legal management technology. Although many long-established corporate legal departments have already made good use of this technology, he says, there are many growing companies that still may not realize the benefits of an enterprise legal management solution. His remarks have been edited for length and style.

MCC: Let's start with a basic question. What is enterprise legal management?

Caulfield: The core of enterprise legal management, or ELM, is legal matter management and e-billing (or spend management), but it also includes claims management, document management, business process management, and reporting and analytics. ELM is all about leveraging the solutions that are used by the legal function to achieve its overall business goals. So when we talk about ELM, we cite phrases such as "best practice workflows," "invoice routing rules," etc. These are some of the ways in which ELM helps corporate legal



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departments achieve goals such as improving efficiency, better managing costs, gaining visibility that improves decision making and enhancing collaboration with law firms. Simply stated, ELM is about better managing the business of law.

MCC: What are some of the trends and priorities for legal departments that are leading them to consider an enterprise legal management system with integrated matter management and e-billing?

Caulfield: There are a number of growing trends among legal departments, so I will focus on three: compliance with billing guidelines, security and data privacy, and cost containment. The nice thing about billing guideline compliance is that

we actually have a standard in the legal industry called LEDES, which stands for Legal Electronic Data Exchange Standard, which is a formatted file that is exchanged between law firms and corporate legal departments. So when a law firm is submitting an invoice, it comes in a format that the e-billing solution can check against outside counsel guidelines and flag or adjust items, saving time for invoice reviewers.

Data security and data protection: That's becoming more and more relevant as they have implications on how corporations conduct their business. There was an instance, in Panama, where there was a breach of data at a law firm. It really undermined the trust between this law firm and its client that they're working on behalf of. Private information was able to get out into the public domain. So making sure that you have the tightest security protocols, whether that's on their business operations side or whether that's on the technology platform side, such as an e-billing or matter management solution, is really integral to the corporate legal department's success. Not only do you as a corporate legal department need to have the proper controls in place at your law firms, your ELM solution provider also needs to have proper security as the conduit between the corporate legal department and law firms. Data accuracy, data retention policies and how they are

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collecting the data are important factors. Some ELM solution providers conduct audits and have been certified to help corporate legal departments know that they are safeguarding their information.

And the third point is about controlling cost. We are seeing a trend where corporate legal departments are bringing more work in-house, giving them more control over their processes. They're using data and analytics to help make better-informed and more strategic decisions on things like staffing, managing alternative fee arrangements, budgeting, rate management and other things. It's becoming more important that Legal operates like any other business function, and so they are evolving from cost centers to more strategic value centers. As the law department matures, it can then take all that data that flows into their e-billing and matter management system to get more advanced analytics and find even more opportunities for savings.

Finally, I think every corporate legal department wants to be a good strategic partner with their business. They are looking to align more closely with their internal clients on business priorities. They're expected to have a deep understanding of the company's overall goals so that they can not only provide strategic counsel but also be seen as a true business partner.

MCC: You mentioned Panama. Were you thinking about the Panama Papers?

Caulfield: Yes, precisely.

MCC: Do you think that's having a strong influence on law firms and their clients these days?

Caulfield: I do. I think it was a prompt for firms to look at themselves and say, "Are we doing the best job that we possibly can in terms of data protection?" And on the corporate legal department side, they are only as strong as the weakest link. So they might have a great technology platform with all the data security, yet their information is exchanged with their outside legal counsel. So they have to make sure that there are certain guidelines in place with outside law firms that ensure the firms are adhering to the guidelines and practices that have been set forth by those corporate legal departments.

MCC: Now, many legal departments already have solutions in place to help them with at least some aspects of their legal operations. Why would they consider moving to an ELM system?

Caulfield: I would agree that many of what I would call more established legal departments have used some of these automated systems for quite some time, and they're probably further along the maturity curve for ELM technology solutions when it comes to matter management and e-billing. But these departments are always looking for ways to better control their costs and better improve collaboration with their law firms, particularly when it comes time for budgeting.

Even where this problem has been solved, there's a greater push for leveraging data for better decision-making. So when it comes time for looking at your existing system and asking, "Have I solved most of my matter management and e-billing needs?" I would think that many of the more established corporate legal departments have said, "Yes, we have. We've got a robust platform with core capabilities. We know how invoices are submitted, how they're processed." Great. Now it's all about looking at the data and understanding who are my top 10 law firms by month, by quarter, by year, and asking, "Am I harnessing all the data that I can extract from my ELM system to make better decisions around each of those law firms?"

So they can actually take the data through these enterprise legal management systems and say, "How do I want to present this data to the general counsel?" Not all law firms are the same, so they can actually break it down by practice area. And they could say, "For litigation, these are the top 10 law firms. And more important, this is the average hourly rate we're spending for these attorneys." But if you look at, for example, family law, these are a different set of law firms and this is the hourly rate. So it just gives them more insight as to how they want to plan and how they want to budget, not just for the current year but for years out as well.

At the same time, what we're starting to see is that many corporate legal departments that have foundational or somewhat evolving needs don't always have the scalable tools to support their operations. They're starting to take advantage of some of the efficiencies that

they see gained by the Fortune 500. Today they might be using spreadsheets or some manual processes. But they, too, are now looking for more automated solutions because they can see the benefits that other companies have reaped by automating these processes.

MCC: Some corporate legal professionals think of legal matter and spend management, ELM systems, as software for the very top of the Fortune 500, which you were just referring to. And they may feel that it is a bit overwhelming and maybe too expensive for departments whose matter and spend management needs are still developing. What would you say to them?

Caulfield: Well I would say to them that it's not a one-size-fits-all type of value proposition. ELM doesn't have to be an overwhelming or expensive undertaking. The best systems offer simple or preconfigured options priced to meet the department's budget and the complexity of their legal operations. So I would say that whether you're an enterprise client or a corporate legal department just starting to see the need for automation and basic reporting, there are solutions out there that should fit your needs.

Systems such as Passport Pro and TyMetrix 360° provide the core functionalities straight out of the box that support industry standards. They allow corporate legal departments to drive the efficiency that they're looking for. So, I would tell them that you don't need to be a Fortune 500 company to really benefit from controlling costs and seeking the efficiency you want.

MCC: What considerations should general counsel and legal operations professionals in those growing departments keep in mind when deciding what type of legal matter management and e-billing system best suits their needs?

Caulfield: I think it really depends on what they're looking to solve for. I would suggest that they look for standard, out-of-the box features, because many of them offer a wide range of features and functions. What are you looking to achieve in terms of e-billing, matter management, spend management, that sort of thing? You certainly want to be able to run reporting. Easy to run reports that are intuitive to

understand are important and allow you to make well-informed decisions based upon those reports.

I'd also suggest something that can be deployed in a quick time frame so that you can have a palatable ROI when it comes time for making that business case. You want to make sure there's a fast deployment.

You also want to make sure that you have high end-user adoption. Many attorneys leverage Microsoft Outlook. They spend a lot of time in Outlook using email or Microsoft Word and Excel. You want to make sure that you're choosing a matter management or a spend management system or platform that interfaces with those tools and provides a great user experience. Attorneys do not want to spend their day toggling between a number of different disparate systems. Research shows that they spend most of their day using Microsoft solutions, so an ELM solution that has a user interface with Microsoft Office will go a long way.

And then you also want to decide, in terms of data security and risk, what approach does your company and your IT team prefer? Do you want a solution that's installed onsite, known as "behind the firewall"? Or is a private cloud or hosted solution a better fit? Some organizations prefer to own all aspects of their solution's infrastructure. Others would rather have a provider manage hosting, maintenance, etc., because it reduces reliance on internal IT resources.

MCC: From the perspective of a general counsel, what is the business case for ELM to senior management? Would you think that they'd be hammering away at cost savings?

Caulfield: Yes, I would think that cost savings would certainly be a big part of the reasoning. It's been proven that if they implement a solution, a typical midsize legal department with about \$20 million in outside legal spend can expect about a 450 percent return on investment just in one year alone. So, the numbers are certainly there.

But I would say there are a few other major points. It's about increasing the speed of business. You want to have a solution within your corporate legal department that allows you to provide excellent legal service delivery, and in a way that you can have the approvals and the processes and the tools at your fingertips. Advancing the strategic direction is also important. You want to show that there needs to be a shift in the mindset. No longer do you want to be viewed as that cost center or the corporate legal department notoriously known for saying no. That's all changed. The typical GC wants to be viewed more as a business partner, and they want to make sure that they're seeking win-win outcomes, not just for themselves and their business partners but also for the customers they serve. They want to be viewed as that entity that provides the business acumen, the good judgment and the advocacy that maybe other corporate legal departments don't have.

So, these are all the things that can be

provided when you select a really comprehensive matter management and e-billing solution.

MCC: What is the one nugget of advice you'd give to a GC considering matter and spend management and ELM?

Caulfield: I'd tell the GC it really comes down to understanding what their overall legal department's goals and objectives are. And then coming up with a plan of action for success. Many successful companies grow because they've got a strong legal department. So, they want to make sure that they have the solutions that allow the legal department to scale. It's all about planning for a solution, then implementing the solution and doing that look-back to make sure that it's accomplished the objectives that you've set forth, particularly around that return on investment.

MCC: When we talk about automation, lawyers sometimes get nervous at the idea that automating some of the functions of the legal department may result in ultimately eliminating some of their own jobs. Is that a legitimate concern?

Caulfield: While I can appreciate the concern, I am not sure I agree. I don't see technology replacing attorneys' jobs. I see it as complementing their workload, not displacing it. I think it's all about making them more efficient and allowing them to spend more time focusing on things that are important to the success of the corporate legal department, such as collaborating with internal stakeholders on important legal matters.

[Editor's note: To view a free webinar on this topic that features Caulfield and a colleague, go to bit.ly/2qXwXT3, fill out the form and then click on "Register."]