

INHOUSE

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E-billing efficiencies

By Gerry Blackwell

Electronic legal bills provide legal departments with access to a wealth of spending information.

When you talk to in-house law departments that have implemented electronic billing for outside legal services, most say the same thing: e-billing saves them money in the short term by introducing efficiencies and improving contract compliance, but the longer-term benefit of being able to see clearly how and where they're spending on legal services is ultimately more important.

With e-billing, law firms submit invoices to their corporate clients electronically, either through an intermediary service provider or directly to a corporation's computer systems, and the company in turn pays electronically. Computer-based solutions first began to make inroads in corporate legal departments six or seven years ago. Today, e-billing is increasingly the norm in the U.S.

DataCert Inc. of Houston, which provides legal-specific spend management products and services, including e-billing, says it has more than 7,300 law firms and other suppliers submitting invoices through its systems.

E-billing gains Canadian momentum

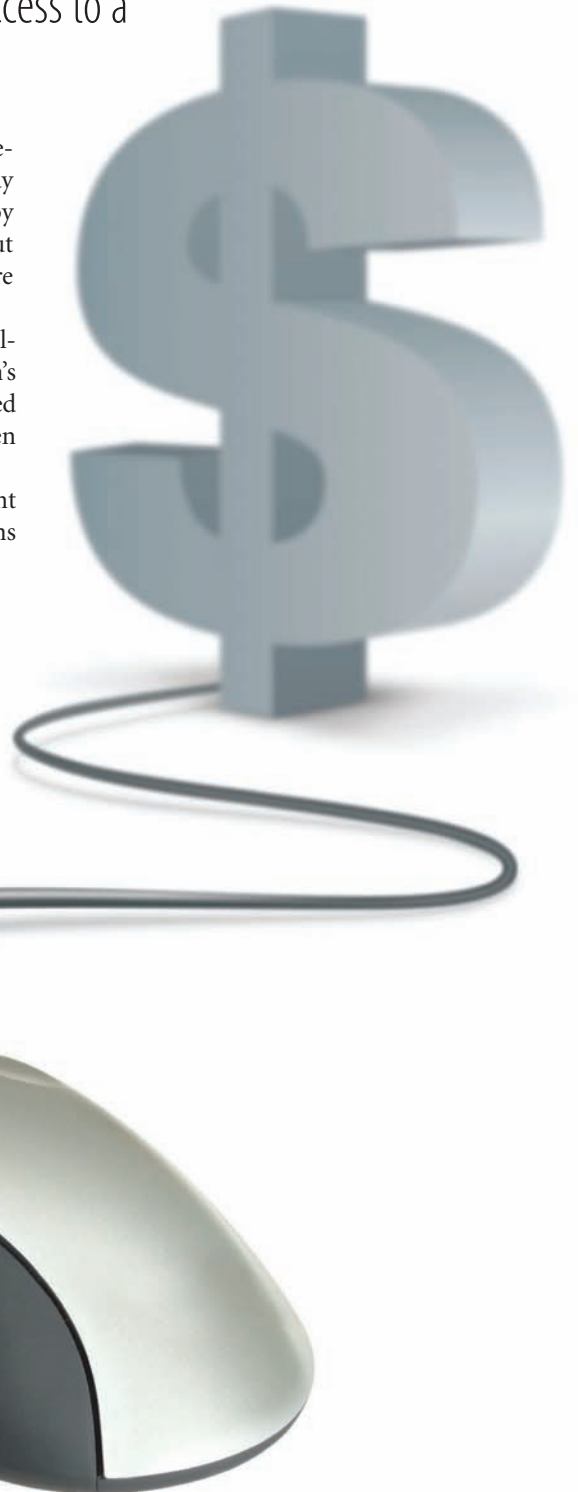
Now e-billing is beginning to catch on in Canada. It's not hard to see why. Richard Brzakala, law firm manager at RBC in Toronto, recently helped introduce e-billing to his company's dozens of internal clients — the bank's business units — and 130-odd outside law firms.

Cost savings were an important driver. Brzakala quotes industry analysis that suggests companies spend \$50 to \$60 in administrative costs to process paper invoices, but only pennies to process electronic bills. And purely administrative cost savings are just the beginning.

The benefits

E-billing systems automatically analyze invoices to ensure that the rates charged for each line item comply with the master contract signed with the firm. Some kick non-compliant invoices out and send them back to the firm for amendment, others flag them for the reviewer. "Compliance monitoring was at the forefront of the argument for us to implement e-billing," Brzakala says.

Automated compliance monitoring saves legal departments money because it catches overcharges that human reviewers — business managers



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and company lawyers — miss. Automated compliance monitoring also saves reviewers' time. When the invoice reaches them, they already know the rates are correct and can focus on whether value was received.

This was a compelling argument for Brzakala. As the person responsible for managing outside firms at RBC, he received every single bill. "It was snowing paper," he says of the period before RBC implemented e-billing.

Compliance monitoring was also a big factor in Canadian National Railway Co.'s decision to implement the DataCert solution. CN, which now uses 100 to 125 law firms — down from a one-time high of 1,100 — planned to turn the system on this May.

"Each of these firms may have as many as 1,000 litigations they're working on for us," explains Olivier Chouc, CN's assistant vice president, general counsel, and managing partner in Montreal. "The bills can be six-inches thick. If you have to go through them line by line, it takes a lot of resources. Now the system does that automatically."

Direct cost savings and efficiencies are only part of the story, though. CN believes the savings will more than pay for the project — about \$500,000 — but would have implemented DataCert anyway. "The primary driver for us," says Chouc, "was the need to understand where we spend the money and how."

Track spending

E-billing systems provide analytical tools for parsing the enormous volumes of data they generate about legal spending. Which business units are spending the most? Which regions? Which outside law firms are billing the most? Which firms are charging most or least for a given matter? And ultimately, which firms are providing the best value for money?

"When we demonstrated the analytics for [RBC's] top two lawyers, their jaws just dropped," says Ken Scott, RBC's senior manager of procurement infrastructure. "They'd never seen anything like it."

The bank will use analytics, among

other things, to create an aggregate picture of how much it's spending with each firm. This was difficult to obtain before because RBC has so many business units and offices. Now if it sees that one firm's billings have increased, for example, it can leverage that information to negotiate better rates.

"For many of these firms, there's a significant value to them in their relationship with us," Brzakala says. "And generally they're receptive to wanting to maintain that relationship. We have asked some in the past to cut us some slack [on rates]."

At CN, the business units make the decisions about how to use legal resources, but Chouc's group covers all the costs out of its budget. He wanted to be able to clearly show internal clients the consequences of their decisions. E-billing analytics will also allow him to track previously unnoticed trends in legal spending — a sudden increase in employee litigation in one region, for example — that might indicate management problems. "We think we can help the client identify and fix some of these problems," Chouc says.

He also wants to see trends in what firms are charging for different types of matters. It will help the company make better decisions about where to send business in the future. Firms in some regions, for example, may tend to offer better rates for certain types of matters. To save money, the company could direct business to that region, even if the matters originated elsewhere.

E-billing will eventually be mandatory at RBC and CN for firms above a certain threshold in billings. No firms have declined to participate at either company so far, though Brzakala admits that smaller firms probably "cringed" at the prospect of e-billing. They have the option of using a simplified process that only requires them to have Microsoft Office Excel. CN will cover some costs for smaller firms, Chouc says.

Law firm incentives

There are potential benefits for law firms too. CN and RBC are both promising re-

duced turnaround times for payment of electronic bills — now an average of six to eight days from 30 to 45 days in RBC's case. "That can be a tremendous value to a law firm if they otherwise have to carry those receivables for 30 to 45 days," Brzakala points out.

The bottom line, though, is that whether law firms see a benefit or not, e-billing will become the norm. Corporations have too much to gain from using it, and practically nothing to lose. ■



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