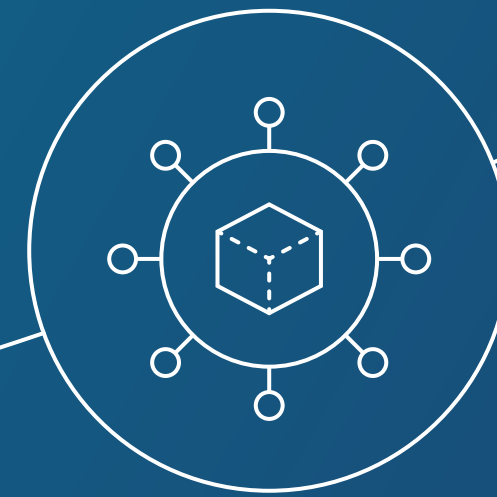


Maturity curve: Legal spend management



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Is this ebook for you?

Ever wondered if you're getting the most out of your legal spend? This ebook is your guide to unlocking hidden value, whether you're:

Corporates

Want to take control of your external spend and accelerate your legal department's efficiency?

Private funds

Looking to optimize fund management costs and boost those investment returns?

You're in the right place.

Legal leaders: Imagine a legal team that operates like a well-oiled machine, perfectly aligned with your organization's goals. Our maturity framework will show you how.

CFOs: Tired of opaque legal expenses? We'll show you how to collaborate effectively with your legal department, ensuring every penny spent is transparent, controlled, and strategically aligned.

Legal operations professionals: Looking for practical advice on streamlining operations, boosting data use, and leveraging technology? We've packed this ebook with insights to help you reach new levels of spend maturity.

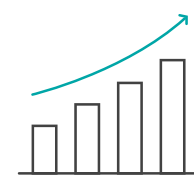
Let's get to it.

Building the case for legal spend optimization

Think legal spend optimization is just about slashing costs? Think again. It's about optimizing value from every dollar or pound you spend on legal services. Imagine having:



Access to real-time views of staffing to impact the biggest driver of legal spend



A legal team laser-focused on high-value activities that drive your business forward



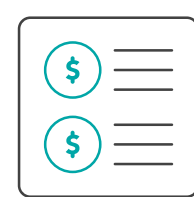
Full transparency into where and how spend is used



Legal teams can communicate the value of external legal work to senior stakeholders based on data



Real-time, accurate data at your fingertips for smarter decision-making and automated processes



Enable finance to accurately report accruals with real-time data—reducing risk and costs of audits



Stronger relationships with external counsel, built on clear expectations

That's the power of effective **legal spend management**. It's not just about controlling costs. It's about allowing legal operations to become a powerhouse that adds real value to the business.

Ready to take your legal spend from a necessary evil to a competitive advantage?

This ebook is your roadmap. We'll walk you through practical steps to optimize your legal spend, helping you achieve greater efficiency, control, and strategic impact.

We'll start by assessing where you are in the legal spend management journey.

What is legal spend management maturity?

Legal spend optimization maturity is a framework that categorizes an organization's legal spend management practices into four distinct stages—from basic manual tracking to cutting-edge optimization using advanced tech and data insights.

This framework provides a clear roadmap for legal departments to assess their current practices, identify gaps, and implement strategies to improve their management of legal spend.

The aim: By progressing through these stages, organizations can achieve greater efficiency, cost-effectiveness, and strategic value in their legal operations.

Benefits of achieving higher maturity

Higher levels of legal spend management maturity offer numerous advantages:

Improved financial control

- Better control over legal expenses through structured processes and technology
- Real-time spend tracking, cost reduction, and the ability to proactively manage live matters

Elevate the value of the legal team internally

- Use simple data and metrics to effectively communicate the value of legal work to senior internal stakeholders
- A real-time view of all spend and adjustments show the cost savings that the legal team have achieved through careful fiscal management of external spend

Enhanced decision-making capabilities

- Access to accurate, real-time data enables informed decision-making
- Select the right law firms, negotiate better rates or AFAs, and ensure ongoing value from legal services

Greater transparency and accountability

- Clear visibility into spend allocation and usage
- Improved relationships with external counsel through clear expectations and proactive policy compliance monitoring

Increased operational efficiency

- Automation of manual tasks and streamlined processes reduce time and effort in managing legal spend
- Frees up resources for more strategic activities and high-priority tasks

Better risk management

- Automate accruals using real-time data to reduce audit risk
- Proactively address issues before they escalate, ensuring more secure and compliant operations, reducing the cost of audits

Enhanced vendor relationships

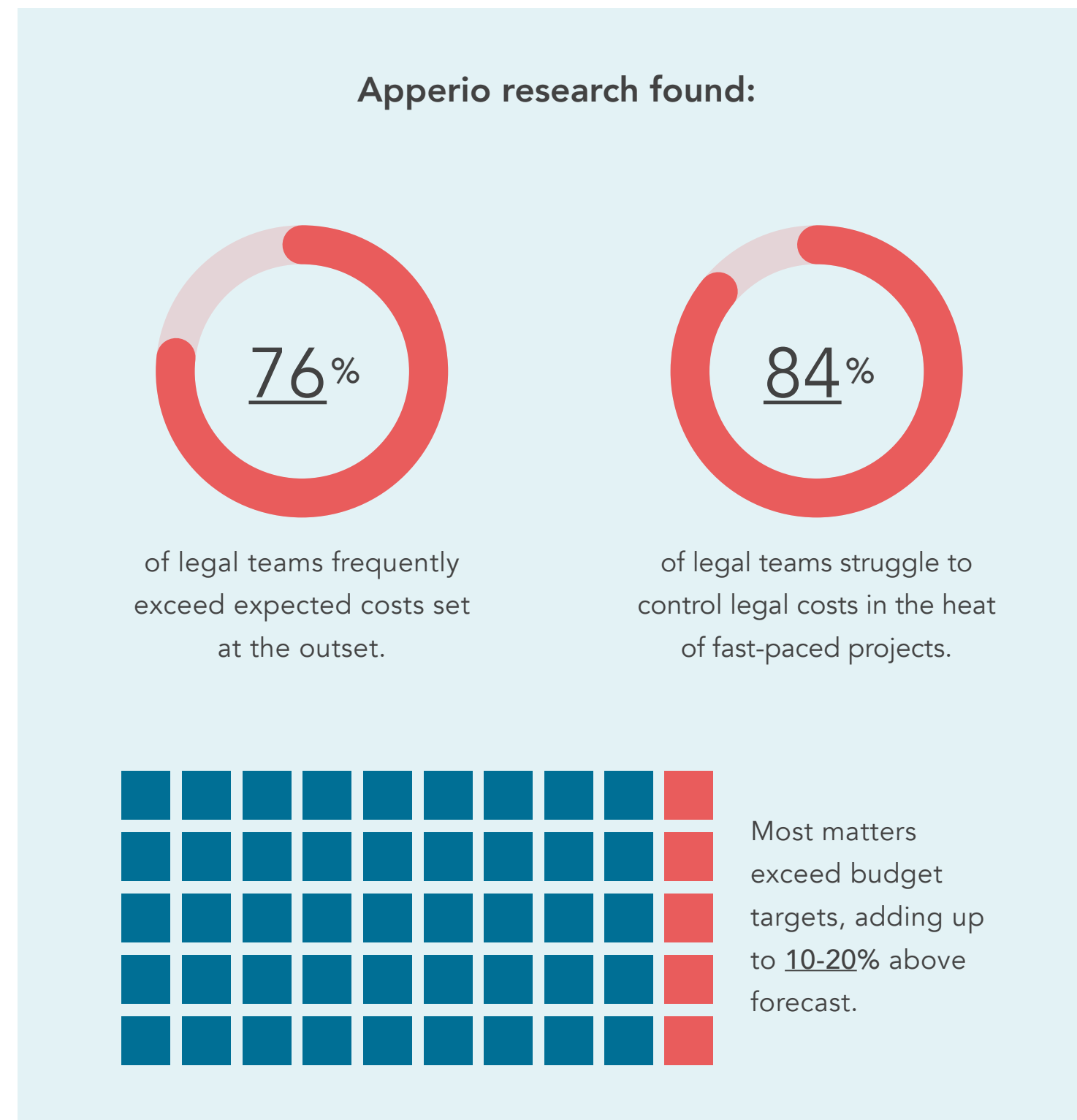
- Build stronger, more collaborative relationships with external counsel
- Clear policies and consistent communication lead to better service delivery and more favorable terms

Improved budget predictability

- Better forecasting capabilities through accurate tracking and reporting
- More precise budgeting, reducing unexpected expenses and ensuring spend stays within allocated limits

By advancing through the stages of legal spend optimization maturity, organizations can transform their approach from a reactive, ad hoc process into a proactive, strategic function that delivers significant value and drives overall business success.

Why legal spend management can be so hard



If you're not sure if legal spend management is an issue, the quickest way to sense check is by running through these common problems. If they sound familiar, it's unlikely you've hit legal spend management maturity:

Complexity and volume of legal work

- **Diverse nature of legal matters:** Legal teams handle a wide range of issues, from routine compliance to complex litigation. Each matter has unique requirements and costs, making standardization challenging.
- **High volume of transactions:** The sheer number of invoices, time entries, and expense reports can be overwhelming, requiring robust systems for efficient management.

Lack of standardization

- **Inconsistent billing practices:** Law firms often use different billing practices and formats, making it difficult to compare costs and ensure compliance with agreed terms.
- **Varied internal policies:** Without standardized procedures, legal departments struggle to maintain consistency in spend management, leading to inefficiencies.

Manual processes and data entry

- **Error-prone manual tracking:** Manual data entry is time-consuming and prone to errors, potentially resulting in inaccurate financial reporting.
- **Resource-intensive approach:** These manual tasks consume significant time and effort, diverting resources from strategic activities.

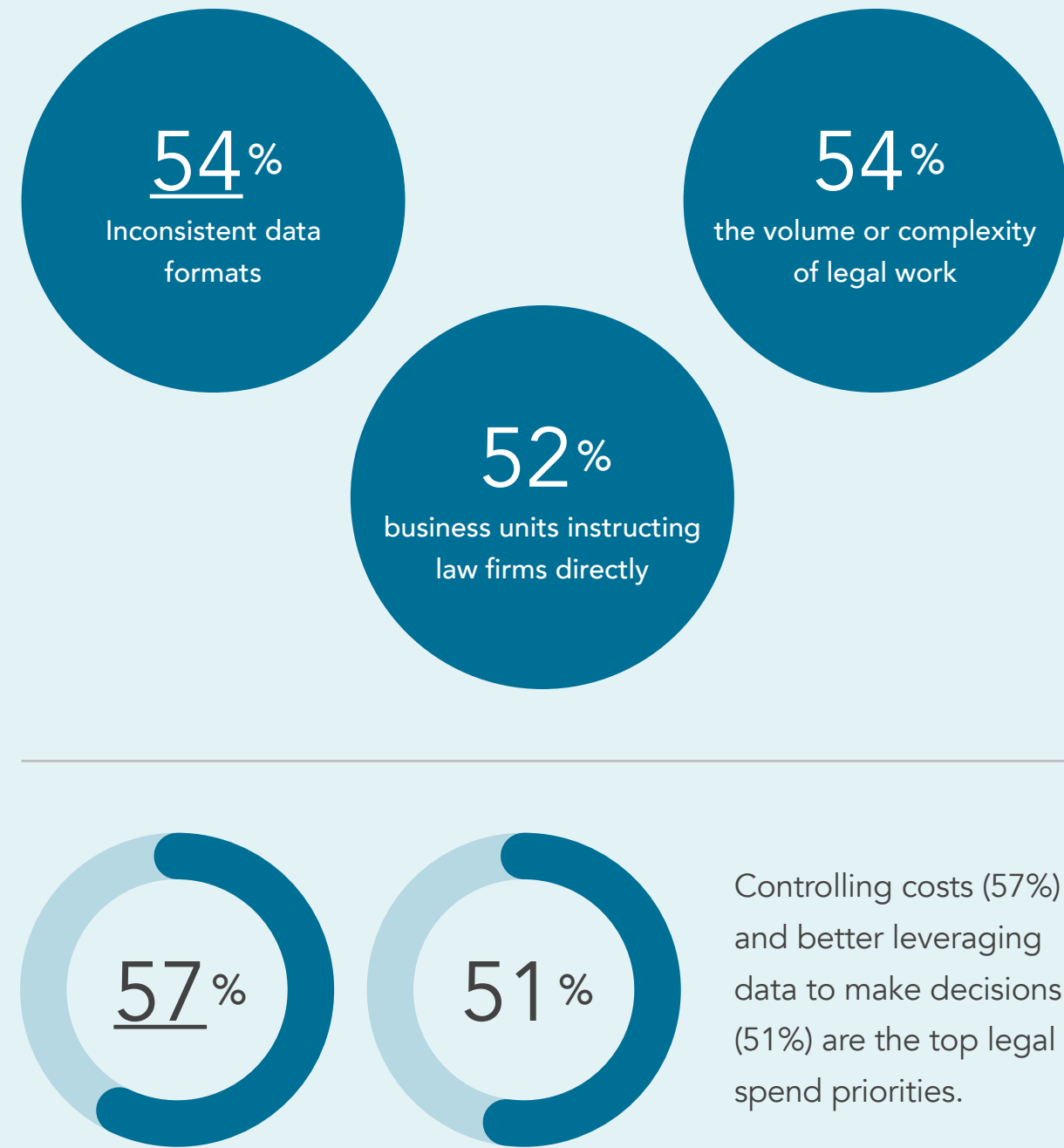
Limited visibility and reporting

- **Fragmented data sources:** Legal spend data scattered across multiple systems hinders overall visibility and obscures important trends.
- **Inadequate reporting tools:** Many legal departments lack advanced tools for timely, accurate reporting, making it hard to monitor spend and assess performance.

Vendor management challenges

- **Managing multiple law firms:** Coordinating with various firms, each with different practices and standards can be complex and time-consuming.
- **Negotiating rates and terms:** Securing the best value requires detailed knowledge of market standards and firm performance.

Barriers to legal spend data collection



Controlling costs (57%) and better leveraging data to make decisions (51%) are the top legal spend priorities.

Compliance and risk management

- **Ensuring policy compliance:** Maintaining compliance with internal policies and external regulations is a constant challenge.
- **Balancing cost and risk:** Effective legal spend management involves both controlling costs and managing associated risks.

Rapidly changing legal environment

- **Evolving regulations:** Keeping up with new laws and industry standards and adapting spend practices accordingly can be difficult.
- **Emerging technologies:** The fast pace of technological innovation presents both opportunities and challenges for legal spend management.

Budget constraints and pressure

- **Tight budgets:** Legal departments often face pressure to reduce costs while maintaining high-quality services.
- **Justifying expenditures:** Demonstrating the ROI of legal spend to leadership can be challenging but is crucial for securing resources.

Understanding these challenges is the first step towards developing more effective and strategic legal spend management practices.

Why is this still the case?

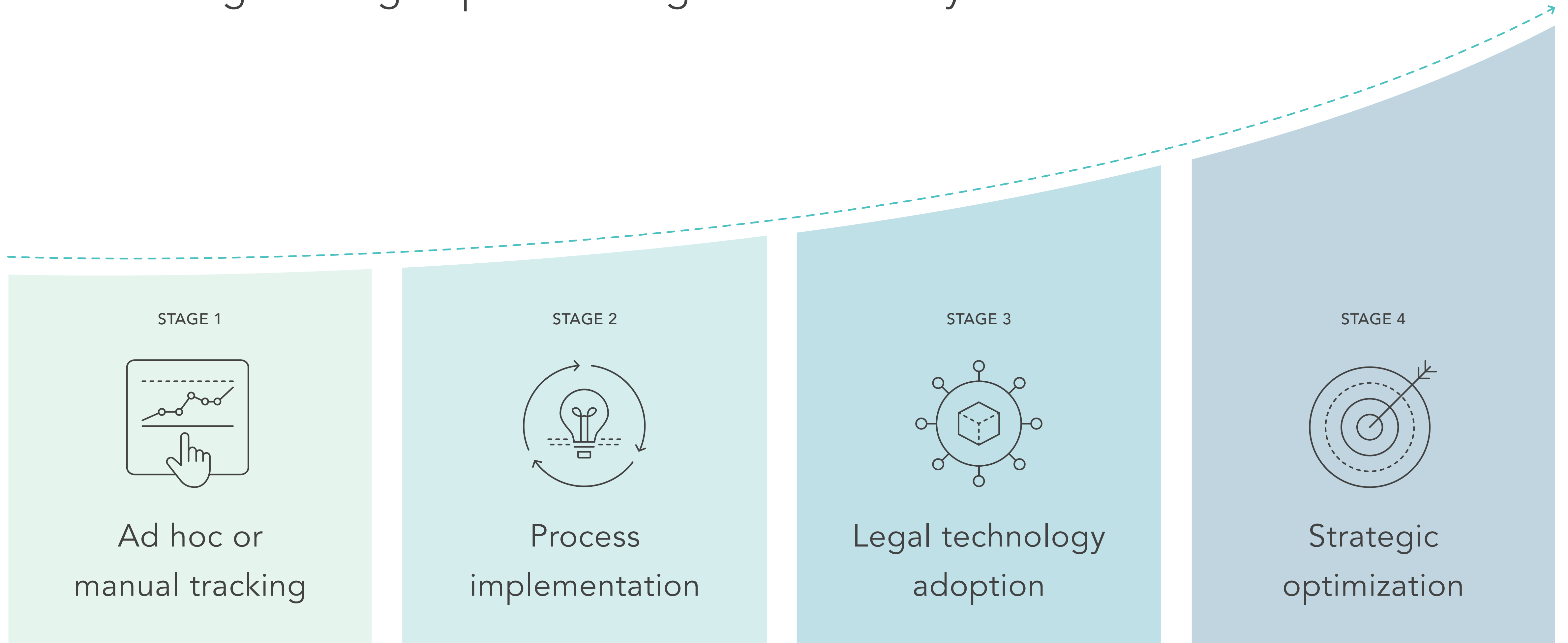
You might be thinking, “Surely in 2024, we should have this figured out?” Well, it’s not that simple. Several factors keep legal spend management difficult to get under control.

Legal teams are often under-resourced and struggle with finding time to manage spend effectively. CFO’s are frustrated by the opacity of legal as a cost center, but are often unaware of the challenges in managing it. Add to that the nightmare of fragmented data systems and weak reporting capabilities, and you’ve got a recipe for confusion.

Additionally, managing multiple law firms and the ever-changing regulatory landscape keeps everyone on their toes. Top it off with organizational roadblocks like lack of executive support and short-term cost-cutting obsessions, and you can see why progress is slow.

Overcoming these hurdles isn’t just about new tools—it’s about a fundamental shift in approach. That’s where the maturity model comes in.

The four stages of legal spend management maturity



STAGE 1

Ad hoc or manual tracking



Characteristics:

- Spreadsheet-based manual tracking
- Inconsistent data collection and reporting

Challenges:

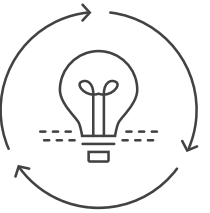
- Error-prone, time-intensive processes
- Lack of actionable insights
- Limited spend visibility and control
- A reactive rather than proactive management approach

Example: A senior legal counsel emails all firms every quarter to ask for updates and WIP estimates on key matters. The data is shared differently by various firms, and our senior legal counsel collates them into a single spreadsheet that needs maintenance and is out of date. The manual process is time-consuming and prone to errors, resulting in incomplete data.

When senior stakeholders or finance want to forecast or manage cash flow, the legal data is out of date and incomplete, impacting business performance and the credibility of the legal team.

STAGE 2

Process implementation



Characteristics:

- Established outside counsel policies/OCG
- Agreed law firm rates
- Standardized matter management processes
- Formal budgeting and forecasting

Benefits

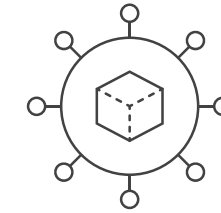
- More consistent and controlled spend
- Easier OCG compliance tracking
- Improved vendor management
- Better financial planning and control

Example: An in-house legal team has implemented clear policies with their firms to set expectations, and they pay attention to their rate increases each year. Invoice review is still a manual and inefficient task, but they are at least confident in the rates they pay.

Budgets and matter estimates can be set, allowing better visibility and reporting for the finance team.

STAGE 3

Legal technology adoption



Characteristics:

- Implementation of legal spend management software—like Apperio
- Automated spend tracking and invoice review
- Integration with other systems (like Accounts Payable)
- Advanced analytics and reporting dashboards

Benefits

- Real-time legal spend visibility
- Improved compliance and control
- Enhanced decision-making capabilities
- Reduced manual errors and inefficiencies

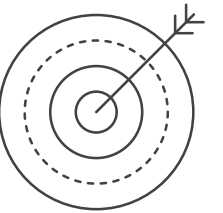
Example: Our in-house team uses legal spend management software to automate spend tracking and matter management on all external work. Invoice review is now automated, meaning they can ensure their billing guidelines are working effectively and keep their lawyers focused on high-value tasks instead.

Budgets and forecasts can be managed more robustly with real-time spend data, and the team can track and report on the cost savings they have delivered.

Credibility with finance has grown, and the legal team are recognised as responsible stewards of their budget.

STAGE 4

Strategic optimization



Characteristics:

- Proactive management of legal matters from the very beginning
- Use of data and insights to select appropriate law firms
- Insight into what is driving costs, and automated reporting to identify areas for improvement
- Benchmarking to ensure ongoing value
- Proactive discussions on the work in progress for compliance
- Managing legal work as it happens to ensure value alignment and expectations
- Fully automated accurate real time accrual processing

Benefits

- Enhanced strategic decision-making
- Maximized value from legal expenditures
- Increased transparency and accountability
- Stronger external counsel relationships
- Elevated internal relationships with finance and executive team
- Minimise audit risk and cost

For a real-world example of this stage, let's look at a case study...

REAL-WORLD CASE STUDY:

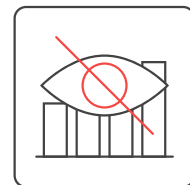
How DCC manage 75% of all deals to come within 10% of the budgeted estimate



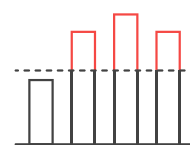
DCC plc, a FTSE 100 company, is a leading Irish international sales, marketing and support services group operating in 22 countries.

Headquartered in Dublin, the Group operates across three sectors: energy, healthcare and technology, employing over 16,000.

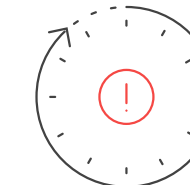
Challenges facing DCC



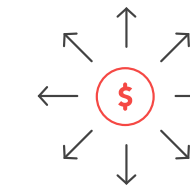
Lack of transparency on WIP and accruals between law firms and internal teams.



Unpredictability of legal spend & inability to effectively budget on M&A deals.



Difficulty in providing real-time insight to internal stakeholders while maintaining good relationships with external law firms.



Controlling decentralized legal spend, in regulated markets, across international borders.

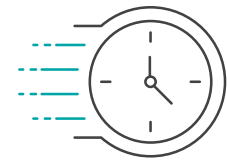
How Apperio helps



Control spend:

See WIPs and accruals in real time, having full control.

- **Visibility:** View all spend data including WIP, accruals and budgets in one dashboard.
- **Insights:** Understand and gain clarity on what makes up your legal spend.
- **Action:** Take action based on real insight and avoid going over-budget on projects.

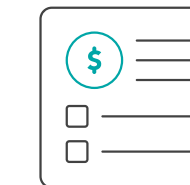


Drive efficiency:

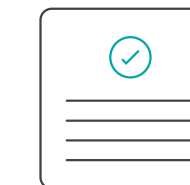
Automate manual processes and reporting, saving time.

- **Automation:** Automate data collection and invoice approval process and save time.
- **Agility:** Save time on reporting and gain instant insights for those business critical decisions.
- **Credibility:** Remove friction between internal stakeholders and external law firms and improve relationships.

Apperio dramatically increased M&A budget predictability for DCC, along with achieving the following KPIs:



Required budget estimate for every legal matter;



Every project to be completed within 10% of budgeted estimate.

“ Historically, DCC could only challenge invoices on the basis of recollection of a matter and trawling through detailed narratives. Apperio puts the balance of power, in terms of information, on neutral ground, giving us real-time visibility of our work-in-progress (WIP) and allowing us to report on legal spending quickly and efficiently. ”

Killian Kiely, Group Corporate Finance Director

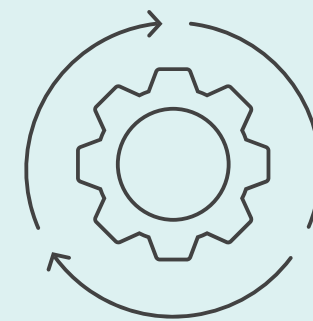
Next steps for your organization

The first step is to know where you sit on the maturity model now.
For this, you need to:

- Conduct an internal audit to evaluate your current legal spend management practices.
- Identify gaps and areas for improvement.

From here, you can select the next best action:

How to move up the stages



STAGE 1 TO 2

From chaos to control



STAGE 2 TO 3

Embrace technology

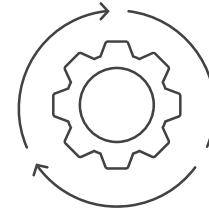


STAGE 3 TO STAGE 4

Aim for market-leading

STAGE 1 TO 2

From chaos to control



Build your foundation

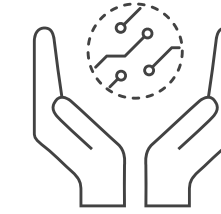
- **Create clear policies:** Establish or update your guidelines for outside counsel, covering expectations, billing, and engagement protocols. We can help!
- **Gather data:** See what data you can get from your current financial systems to understand your spend volume across the firms you work with.
- **Communicate effectively:** Once you have built your vault of data, determine with your stakeholders the best way to deliver the data, insight, and actions that will provide the clearest communications.

Review the landscape

- **How is spend tracked currently?** Are your spreadsheets accurate and useful, or are they soaking up valuable time trying to maintain them?
- **Are you getting sensible rates and discounts in accordance with your spend?** How have rates changed over the last three years, and how is it impacting your budget?
- **How is your spend trending for key matter types and across key firms?**

STAGE 2 TO 3

Embrace technology



Choose your legal spend management solution

- **Find the right fit:** Research and choose legal spend management software that meets your specific needs.
- **Vet your options:** Assess potential software providers thoroughly, requesting demos, business cases, and process documentation.
- **Map out implementation:** Develop a detailed plan with clear timelines and responsibilities.
- **Handle data carefully:** Plan data structures that enhance usability and reporting over the long term.
- **Onboard effectively:** Ensure you have a partner that provides full training and ongoing support.
- **Monitor progress:** Track cost savings and gather feedback for continuous improvement.

STAGE 3 TO 4

Aim for market-leading



Go fully data-driven

- **Create a unified view:** Create high-impact reporting views that are engaging for the target audience.
- **Leverage advanced analytics:** Use advanced tools to uncover insights on spending patterns and vendor performance and identify further ways to improve value.
- **Make data-driven decisions:** Use these insights to inform strategic choices in vendor selection and resource allocation.

Continually benchmark and evaluate performance

- **Set the bar high:** Establish performance benchmarks based on industry best practices.
- **Stay on track:** Conduct regular reviews to monitor performance against these benchmarks.
- **Never stop improving:** Regularly evaluate and refine your processes based on insights and feedback.

By following this roadmap, your organization can progress through the stages of legal spend optimization maturity, achieving greater efficiency, control, and strategic value in legal operations.

Quick recap

Legal spend optimization maturity is crucial for modern legal departments aiming for efficiency and strategic value. By progressing through the four stages—from ad hoc tracking to strategic optimization—organizations can:

- Gain better financial control
- Enhance decision-making capabilities
- Achieve greater transparency and accountability

Remember, optimizing legal spend isn't just about cutting costs. It's about ensuring every pound spent delivers maximum value and aligns with your organization's broader objectives.

Ready to level up your legal spend management?

[Book a demo](#) and our experts will take you through how Apperio allows you to move to management maturity.

Keen to learn more legal spend management best practices?

Visit our [resource hub](#).

Why Apperio

Apperio's legal spend management software provides analytics and real-time visibility on external legal matters. This empowers in-house counsel to control and optimize their spend with law firms, ahead of the invoice.

Rather than relying on data from billed invoices, Apperio works by aggregating data directly from the sources of truth – law firms' time recording systems. As a result, a greater level of granularity and analysis is possible, weeks before an invoice is received.



Contact us

Take total control of your legal and professional services spend with Apperio.

Book your free executive briefing to find out more.

Email: info@apperio.com

Tel: +44 (0)20 3778 0024

<https://www.apperio.com/demo>