External legal spend under control

Best Practice: Legal Spend Management use case at HOCHTIEF AG

Article by Philipp Glock and David Deutsch

Introduction
In an increasingly complex world, the need for specialised legal advice is on the rise - especially for globally positioned companies. As a result, transparency and a group-wide overview of the various matters are becoming increasingly important. A centralised legal spend management solution increases efficiency, identifies potential savings and gives in-house lawyers the freedom to concentrate on their core competencies. David Deutsch and Philipp Glock report on how HOCHTIEF successfully introduced such a system.

In many companies, external law firms are instructed by different departments or business units. Processes are inconsistent and conditions are not always comparable. An overview is created manually, which takes time and is error-prone. These challenges were also faced by international construction and infrastructure group HOCHTIEF.

A modern legal spend management tool offers a solution to these challenges. IT-supported systems map defined mandate and controlling processes and thus enable a detailed evaluation, for example, of hourly rates, hourly revenue, discounted rates or total turnover with law firms. They thus enable stringent cost control, create transparency and help to identify improvement potential, for example when it comes to the question of "make or buy". Automated invoice review, which is also enabled through a legal spend management tool, relieves the legal department of additional workload.

In 2017, HOCHTIEF decided to introduce a centralised legal spend management software system. The legal department, IT, purchasing and data protection worked together to develop a requirements profile and considered the necessary interactions between users and systems across departments. The decision for a paperless invoicing process that connects to the company’s existing ERP systems was made quickly. Invoices released in the tool were to be paid automatically from now on, thus reducing steps in the existing process.

The choice finally fell on the Frankfurt-headquartered company BusyLamp GmbH, which with its software of the same name is one of the leading providers of legal operations software.

Change process and implementation
With this decision, however, the actual work began. In order to be able to use the tool as comprehensively as possible and in a manner appropriate to the target group, David Deutsch presented the project to the legal departments at an early stage and began configuring the software together with the heads of the individual legal departments. For example, the requirements for a report on open litigation disputes were jointly defined in order to then transfer the design specifications to the software.

The company was able to avoid installation of new software because access to the system is via the Internet alone. From a technical point of view, it was therefore only necessary to network the system with the company’s ERP system.

Together with the team from BusyLamp, all existing matters and law firm relationships were integrated into the software. This ensured that all current...
client relationships and not just new matters could be managed with the help of the software after the introduction of BusyLamp and that the advantages of automated invoice verification could be used. Automated invoice verification requires billing specifications that are as clearly defined as possible. HOCHTIEF therefore took the introduction of the system as an opportunity to redesign all framework agreements, commitment letters and billing guidelines and to agree them with its partner law firms. In this step, some new methods were introduced to optimise cost structures, such as group wide sales-dependent discount thresholds and alternative fee arrangements.

In the next step, the project team redefined the process for mandating, auditing and releasing invoices. The system offers a range of audit and approval options. Based on this, HOCHTIEF redefined the roles in the process of audit and approval as well as matter management. Today, for example, a designated "Responsible In-house Counsel" is appointed for each matter, who acts as the contact person for the law firm or firms working on the matter and is basically responsible for all invoice releases in relation to that matter. They can make use of a fully automated preliminary check of the invoice in BusyLamp, but remain responsible for the final review.

Internal training and external communication

It was then time to onboard the future users of BusyLamp. - After all, they would use the software in everyday life. HOCHTIEF and BusyLamp used a combination of classroom and web-based training to teach their colleagues how to use the system.

HOCHTIEF then approached its partner law firms, who would now be required to provide updates on matters and send invoices through BusyLamp, and provided them with login details and a guide. A special onboarding team from BusyLamp took over the technical briefing of the law firms. Each matter is now managed in the system as a separate electronic file. Accounting outside the system is no longer possible. This means that HOCHTIEF’s entire legal spend is now stored in the system and can be monitored, actioned and reported on at any time and from any location.

Changes always take time and sometimes cause questions and uncertainties for those involved. In addition to a realistic timetable, assigned contact persons who could answer questions and mediate in the event of co-ordination problems proved to be particularly important. However, questions and comments on optimisation are not limited to the introductory phase of the tool, so it is advisable to have a long-term contact person who takes care of the maintenance of the tool and is available for colleagues as a contact point.

Evaluation and process documentation before roll-out

Before the rollout to all European subsidiaries, HOCHTIEF and KPMG Law evaluated and optimised the communication of the new processes. The objective view from an external perspective was important in order to detect possible weaknesses and errors and to check efficiency and stringency. In addition, the company and KPMG Law jointly created a process manual and visualised the new processes such as invoice release and payment in flowcharts - a new approach in the otherwise text-oriented legal space.

Summary

In practice, the system optimises external legal advice budgets, facilitates the control of already agreed fee agreements, and supports the negotiation of new fee agreements. The company’s law firm panel can be optimally used thanks to the cross-company transparency of costs and expertise. With further implementation of the system, this should bring additional cost and efficiency advantages in the future.

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