

Building a Data-Driven Relationship with Law Firms

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By Alex Kelly, COO at Brightflag

Billable hours have been a cornerstone of the legal industry for generations, but as many corporate legal teams shift toward more value-based pricing models, the typical client-law firm relationship may be poised for tremendous change.

Instead of relying on time increments and task codes provided by their law firms, many companies are establishing more holistic performance criteria, particularly amid a rising need for outside counsel. Nearly a third of teams surveyed in the ACC's 2021 Law Department Management Benchmarking Report reported that they engaged more law firms last year than in the year before.

Analyzing granular data on a host of factors to compare law firm services, corporate legal teams are identifying efficiencies, setting benchmarks and establishing expectations to reset relationships.

This data-driven approach to better manage outside counsel services is beneficial for both camps. The heightened transparency helps the in-house legal team make better decisions on resource allocation and helps outside counsel identify its strengths and shortcomings relative to its peers. Both sides become more accountable on the work they do and how.

Ensure strategic clarity

Marching forward with a data-driven approach to outside counsel management can be a delicate endeavor. Without sufficient motivation from both sides, progress will

inevitably stall. But objectivity is a principle all can appreciate.

Today's legal teams can access data across scores of categories: Spend by month, spend by matter, billing guideline compliance rate, spend by vendor, and timekeeper breakdown, to name a few. The data allows the legal team to establish benchmarks for costs based on comparisons among firms.

With clearer data about matter duration, hours worked and timekeeper roles, alternative fee arrangements become an increasingly viable option. Equipped with the knowledge that a particular kind of motion takes about two hours to draft and four hours to edit, approve and close, the corporate legal team and law firm can agree to a fixed fee for that specific request in the future. These alternative fee arrangements create substantially more predictability in the legal budget.

By analyzing such granular data, the legal team can begin to quantify "value" with objective benchmarks. The law firm gains insights into its own practices, as well. Why are they charging differently than other firms on similar matters? Why is the time spent differently? Who on staff is doing the work? Why? Such insights can compel law firms to reevaluate their own ways of doing business.

Commit to align on the principles

The client-law firm dynamic under a data-driven approach flourishes with a commitment to align on how outcomes will be achieved through shared principles. Factors such as identifying priorities, how a given matter should be done and who will handle it are mutually agreed upon.

The legal team establishes what it sees as best practices. In turn, the law firm has an opportunity to elevate its own operations based on the granular data it likely has not had before.

When both parties are clear in how best the work should be done, the partnership moving forward can be much more beneficial for each.

Communicate clearly and often

Success hinges on open communication. The legal team should be open and transparent about its expectations and how the law firm is meeting them. The legal team created a strategy and communicated it. Consistent evaluation should follow.

The legal team can do pulse checks on what's working and reward outside firms that are meeting or exceeding expectations. Evaluating outcomes will lead to continual changes along the way.

Although a snapshot of data from the corporate legal department can provide value, the best insights come from observation of the data over time. The legal team should integrate data insights into its review process with external firms and ask the firms to explain why its staffing decisions were necessary.

Data can show whether a firm is substantially above or below the average cost to handle matters in a given country. Data analysis also can demonstrate an overreliance on partner hours for simple tasks or judge external firms against previously agreed upon DEI benchmarks.

With actionable data in hand, legal teams can much more easily compare law firms and shop for the best, most efficient ones for particular matters. Law firms, in turn, should welcome the opportunity to gauge their work against competitors and make the case for their continued partnership.

Both parties can be on the same page every step of the way. Did delivery match expectations? How did the vendor compare to peers doing similar work? If changes need to be made, collaborate on new expectations going forward. Performance

reviews, based on quantitative and qualitative data, allow both sides to communicate their perspectives.

Good communication maintains a good relationship with external law firms, but it also holds both the legal team and the law firm more accountable. The data-driven approach reframes the relationship based on objectivity. Clarify your strategies. Align on goals. Communicate the good and bad. In the end, both parties benefit.

About Alex Kelly

Alex Kelly is the COO and co-founder of Brightflag, the AI-powered legal operations platform. Prior to founding Brightflag, Kelly advised financial institutions and global enterprises as a corporate lawyer within a large international law firm. Kelly is responsible for growing and enabling every corner of the Brightflag team as the company aims to fundamentally redefine how corporate legal services are procured and delivered.