



Legal Spend Management: Doing More with Less



In a business landscape defined by escalating regulatory complexities, cybersecurity risks, and unpredictable global markets, the demand for expert legal counsel has never been more critical. Yet, as this need intensifies, in-house legal teams face mounting pressure to reduce costs and improve operational efficiency. The familiar refrain of “doing more with less” has become all too common, as legal departments must now navigate heightened responsibilities while delivering greater value to the business.

General Counsels and their teams are no longer just legal advisors; they are strategic business partners tasked with safeguarding the organisation while maintaining financial discipline. Balancing these competing demands requires a fundamental shift in how legal resources are managed and expenditures controlled.

Spend management tools provide real-time visibility into legal costs, tracking expenses across external counsel, alternative legal providers, and internal operations. By centralising and automating invoice review, they enforce billing compliance, prevent overbilling, and identify cost-saving opportunities. These tools also benchmark

spending against industry standards, helping legal teams negotiate better rates and optimise vendor relationships. With advanced analytics, they enable accurate forecasting, improved budgeting, and data-driven decisions that enhance overall value.

Recent research underscores the importance of effective legal spend management in achieving this balance. A **Forrester Total Economic Impact study** revealed that organisations leveraging Legal Tracker — a leading legal spend management solution from Thomson Reuters® — experienced significant financial benefits, including:



A 372% return on investment (ROI) over three years



Net present value (NPV) savings of \$2.99 million

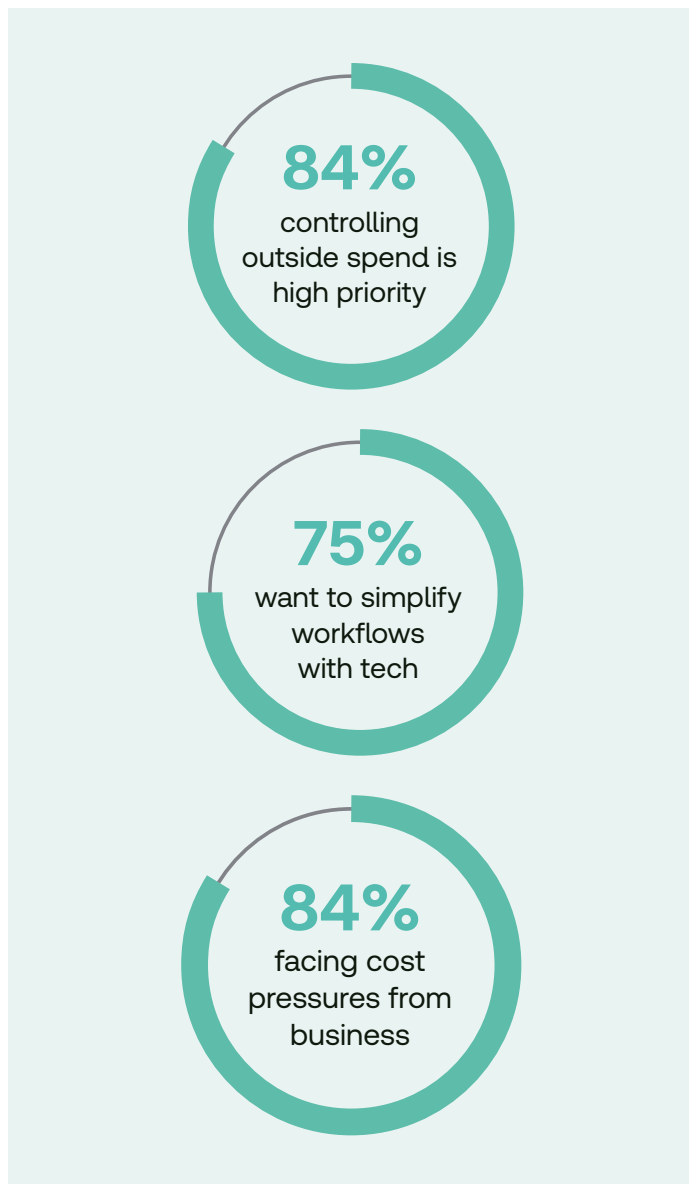


A payback period of less than six months

Although the idea of investing in software to reduce spending may seem counterintuitive, the results speak for themselves. Legal Tracker not only curbs unnecessary expenses but addresses chronic issues like inefficient budget oversight and a lack of transparency, delivering immediate and lasting value.

Current Challenges in Legal Operations

Legal departments are grappling with increasing pressures to boost productivity, achieve cost savings, and effectively manage risks in an ever-evolving landscape. Recent data from the [2024 Legal Department Operations Index](#) underscores the urgent necessity for more sophisticated tools and strategies to meet these demands:



In this complex environment, legal teams must track and comprehend a growing array of risks while simultaneously advancing their priorities. Yet, they are confronted with significant financial constraints; 84% of General Counsels report controlling costs as a high priority, experiencing cost pressures from business leaders. This is a 6 percent increase on the previous year. Additionally, a striking 84% of corporate legal department leaders have identified managing outside counsel costs as their top priority, while 75% emphasise the need to leverage technology to simplify workflows.

These statistics underscore the critical need for an effective and comprehensive spend management solution capable of addressing the multifaceted challenges faced by the legal departments of today.



The Evolving Landscape of In-House Legal Teams

No longer confined to the reactive task of “putting out legal fires,” today’s legal departments are expected to be proactive partners in driving business growth and managing risk. This shift has been driven by several key factors:

1. Expanding Responsibilities and Expectations

- a. **Strategic Business Partnership:** General Counsel are increasingly taking on the role of strategic advisors to the C-suite, participating in high-level decision-making processes that go beyond traditional legal matters.
- b. **Risk Management:** With the rise of cyber security threats, data privacy regulations, and complex international trade issues, legal teams are at the forefront of identifying and mitigating a wide range of business risks.
- c. **Compliance Oversight:** The proliferation of regulations across various industries has placed a greater burden on legal departments to ensure company-wide compliance and develop robust governance frameworks.
- d. **Technology Adoption:** Legal teams are expected to leverage technology not just for their own operations, but also to guide the organisation through the legal implications of digital transformation initiatives.

2. Economic Pressures and Cost Control

The global economic landscape, marked by uncertainty, has pressured legal departments to cut costs while maintaining service quality. Budget constraints compel teams to enhance efficiency and automation, while hiring freezes force them to manage increasing workloads with fewer resources. Additionally, there is a growing trend to evaluate which legal tasks can or should be outsourced more cost-effectively.

3. The Shift Towards Data-Driven Decision Making


As the role of in-house legal teams evolves, there’s a clear trend towards deeper integration of data analytics in legal operations:

- a. **Performance Metrics:** Legal departments are utilising key performance indicators (KPIs) to measure effectiveness and showcase value to the organisation.
- b. **Spend Analytics:** Tools like Legal Tracker offer enhanced visibility into legal spend, enabling teams to identify trends, benchmark against industry standards, and make informed resource allocation decisions.
- c. **Predictive Analytics:** Legal departments are leveraging predictive analytics within Legal Tracker to forecast future legal needs and costs, facilitating proactive planning and budgeting.

Embracing data-driven insights is crucial for legal teams to redefine their roles as not just cost-effective operators but as strategic drivers of organisational growth. The integration of advanced legal spend management tools is a vital step in this evolution, empowering teams to navigate complexities and enhance their contributions to overall business objectives. But before these benefits can be realised, clear goals must be set in considering a spend management strategy.


What should your goals be when considering a spend management strategy?

1




Internal efficiencies

2




Maximise the value of outside counsel

3



Triage and reallocate work

4



Implement spend-based KPIs

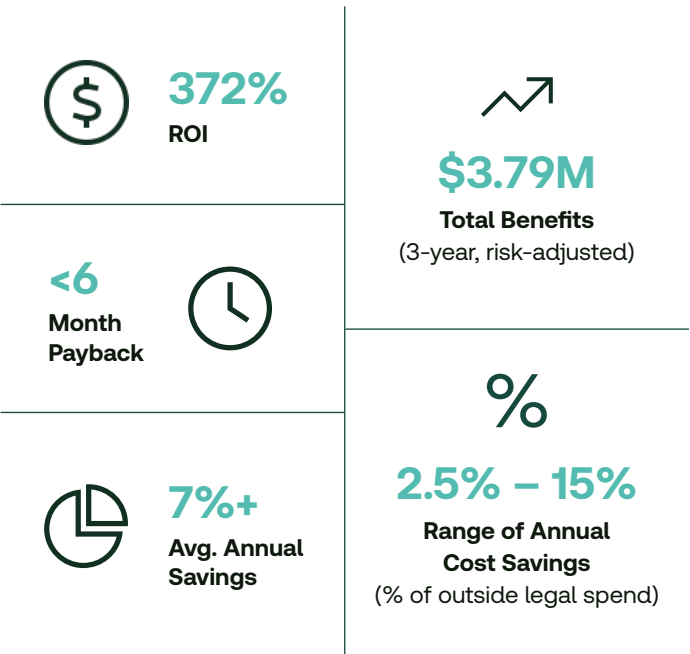
Our Offering:

Thomson Reuters understands that effective legal spend management encompasses several critical elements:

- Comprehensive Visibility:** Real-time tracking of spend across all matters and vendors, coupled with advanced analytics for trend identification and forecasting.
- Automated Invoice Review:** AI-driven processes that ensure accuracy and guideline compliance, significantly reducing manual review time and human error.
- Rate Optimisation:** Data-driven strategies for rate negotiation and benchmarking, ensuring competitive pricing and value.
- Matter Management Integration:** A holistic view of legal operations that connects spend to outcomes, enhancing budget planning and resource allocation.

The Result:

Beyond immediate cost savings, adopters have reported long-term financial improvements stemming from better budgeting and resource allocation. These are in addition to the operational benefits realised through increased process efficiency, allow legal departments to focus on the high-value, strategic work that they do best.



3-Year Cost Savings Breakdown	
Lower Timekeeper Rates	\$2.5M
Billing Guideline Enforcement	\$746K
Improved Spend Visibility	\$398K

Based on a Forrester Total Economic Impact™ study of a composite organization with \$50M annual outside legal spend.

Legal Department Maturity Model

Thomson Reuters Legal Software can meet you where you are — and take you where you want to be

The Legal Department Maturity Model illustrates the progression of legal operations from chaotic to predictive states across four key areas: Data, Collaboration, Spend Management, and Reporting. This model helps organisations assess their current state and identify areas for improvement. Use this model to evaluate your current position and set goals for enhancing your legal operations.

	Data	Collaboration	Spend management	Reporting
Predictive	See the future —predict legal outcomes	Leveraging data from real-time system collaboration between multiple parties is normal course of business — mitigate potential risk	Accurate spend forecasts, detailed matter budgets — controlled legal spend	Demonstrate value
Optimised	Data-driven decision making and analysis	Documents and information consistently shared and available	Rate management, RFPs/AFAs/Discounts	Benchmark for competitive advantage
Proactive	100% LEDES invoice submission for clean data	Visibility into current matter status and relevant documents	Using billing guidelines, audits, and invoice review to control costs	Reporting on key performance indicators (KPIs)
Reactive	Data is centralised	Connected to outside counsel	All invoices in e-billing system	Real-time visibility
Chaotic	Siloed and in disparate systems	Internal and external connection is ad-hoc	Legal invoices in multiple places	No consistent way to report; manual, time-consuming process

Thomson Reuters Legal Tracker

Market-leading spend management, matter management, and reporting & analytics



Clear ROI helps legal departments save an average of **2.5%–15%** on outside counsel spend in the first year. Analytics with benchmarking highlight spend trends to help you identify additional opportunities for savings.



Market leader. Over 1800 legal department customers influence best-practice spend and matter management workflows.



Benchmarking and Analytics Industry leading legal spend benchmarking database with over **\$230B** in legal spend data. Benchmarking data is embedded in timekeeper rate reviews, dashboards, and analytics workflows.



Patented invoice hold workflow makes Legal Tracker the only solution to hold invoices until law firms complete required matter budgets, status and matter updates.



Law firm adoption and support gives access to the Tracker worldwide law firm directory including more than **121,000 legal vendors in 192** countries using legal tracker reducing time for retraining.



Data-Driven Decision Making: Legal Tracker integrates powerful analytics and insights to help legal teams make informed decisions. The combination of our Rate Management Insights and Matter Pricing and RFP modules, enhanced by proprietary expertise from the Counsel Management Group (CMG), empowers teams with actionable data.



Meeting Complex Needs: Legal Tracker helps corporate legal departments navigate economic pressures by automating matter management and e-billing solutions. The underlying goal is to better track costs, control matters, improve communication, and provide insights that enhance the bottom line.





Volkswagen, A Case Study

Volkswagen Group of America's (**VWGoA**) legal team previously used a manual, time-consuming approach to review law firm rate increase requests, involving scattered communications and limited data analysis. This made it difficult to manage costs effectively and ensure consistency across the firm portfolio.

VWGoA launched a new initiative to process rate increase requests more effectively, leveraging Thomson Reuters® Legal Tracker Advanced. Key elements of the solution included:

- Established a centralised, uniform approach managed by legal operations
- Set a designated submission window for rate increases
- Used Legal Tracker's analytics for benchmarking and comparisons
- Introduced Compound Annual Growth Rate (CAGR) metric for multi-year analysis of rate increase history
- Modelled dollar impact of increases per timekeeper
- Implemented data-driven governance and decision logic from leadership

Results:

- Increased automation, saving weeks of legal operations time
- Strengthened use of data analytics with industry-wide benchmarking
- Saved money by trimming rate increases (e.g., to about half of original requests for various timekeepers)
- Improved consistency in decision-making across the firm portfolio
- Enhanced ability to identify and adjust high outliers
- Built a strong business case showing legal's use of data and technology to increase efficiency

VWGoA successfully leveraged data analytics and technology to streamline their rate increase process, delivering significant time and cost savings. This initiative demonstrates how legal departments can use data-driven approaches to increase efficiency and manage finances responsibly, even in challenging economic times with inflation at a 40-year high.

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