

Case Study: The Victorian Government

Yarris comprehensively changes the procurement and management of legal services

The challenge

When you talk to Australia's GCs some don't feel they are in positions of power. They express many frustrations, for example, 'I don't know how much I owe the law firms until they bill me, cost estimates are constantly exceeded, bills don't match estimates and they don't break down the hours, how do I know I'm getting value from my lawyers, how can I capture information in a reusable form and how can I evaluate quality realistically'.

However, a case can be put that in fact the GCs are potentially very influential. GCs are actually in the driver's seat to change practice because they are the major customers of the big firms. In the US the GCs of the largest 5% of corporations control more than half the \$100 billion US corporate legal services market. In fact 80% of this market is controlled by only 200 GCs. The purchasing power of the GCs is multiplied by the lack of concentration of the law firms, where the world's biggest law firm has only 0.8% market share and the top 20 firms account for less than 10%. (*Mark Harris, Legal Manager, 10:2011*).

If we assume a similar situation in Australia, how can Australia's GCs exercise their power for change and improvements in legal services delivery? Recent experiences have shown the value of one of the new toolsets, Yarris Legal Gateway, recently designed in Australia, which give the GC more knowledge and more ability to exert control.

The impact of these has been demonstrated by the Victorian Government who pioneered the adoption of new software to complement their new panel structure in 2009. The Legal Panel Gateway project was completed on time and on budget and all objectives of the Request for Tender (RFT) were met.

The system streamlined the management of the Government's legal practice because it:

- Helps to select the most appropriate firm and lawyers for a matter
- Manages and measures the lawyer's service and performance
- Controls the budget and eliminates 'surprise' bills
- Stores all advices and makes them available for re-use
- Enables the panel administrators to extract data and build reports.

As one would expect, the Victorian Government has a significant legal services spend. For the year 2010 to 2011 the Government spent \$39.8 million on external firms, \$5.5 million on barristers' fees and salaries and covered the costs for 112 lawyers employed in the high quality public sector provider – the Victorian Government Solicitor's Office. Many Government departments and agencies also have in-house legal teams. There is an established panel of 20 external law firms divided into 9 sub-categories.

The solution

To help achieve the Government's objective of improving the management of internal and external legal spend, balanced with its strong governance and social equity goals, they established a new legal panel arrangement in July 2009. This was supported with a web-based system called Legal Panel Gateway (LPG) to provide procurement and engagement management, allowing both internal and externally handled matters to be managed according to best practice.

The Victorian Government conducted an international search and public tender seeking the technology to operate the LPG and chose Yarris to help them meet their objectives, which included:

- Standardise and streamline access to in-house counsel and panel legal services
- Improve the process of matching client's legal needs to panel firms with appropriate expertise
- Improve panel statistical and financial information for expenditure reporting
- Improve capacity to report on equal opportunity, barrister briefings and pro bono matters
- Increase capacity to share knowledge across whole of Government
- Improve ability to manage exemptions requests register
- Improve ability to manage conflicts of interest register
- Improve ability to manage changes to key personnel register
- Improve ability to administer and report on client satisfaction surveys
- Provide one point of access to all panel needs through a web interface.

The LPG streamlines the engagement of in-house counsel and panel firms, with quality ratings recorded to indicate capabilities and past performance against requirements in a simple way to support the "informed purchaser".

The system controls actual expenditure and commitments by regulating the estimating and variation procedures. An original budget for each matter is set and the amount drawn down by the firm acting is visible at all times. Any increases to the original budget must be approved by the client. Importantly for Government, customised reporting supports social equity objectives, such as workforce equality. Firms are required to meet certain benchmarks and LPG measures and reports to ensure ongoing compliance against contractual obligations. The Victorian Government use this facility to ensure each firm's pro bono commitments are met.

Sharing knowledge and content

The new way of sharing knowledge across the whole of Government has been very successful. Header note summaries are provided and stored against advices. Appropriate safeguards are in place to ensure confidentiality across departments and personnel as needed. The result is a significant reduction in the expense of requesting further advices to replicate advice previously given. On occasion it is appropriate to engage a non-firm panel, such as for geographic reasons, and these exemptions from the norm are tracked and reported.

Identify key personnel

Key personnel, who are noted specialists in particular areas of law, are identified in each firm. These key resources are available for selection when a matter is created, providing the client with the ability to select a trusted advisor. Should a key person move firms, he or she is tracked. Performance measurement enables effective management. This is fundamental to the success of the LPG. Both in-house counsel' and panel firms' performance are measured against service level agreements, key performance indicators and client satisfaction surveys. These metrics are aggregated into a Five Star Rating (see below) that succinctly captures a firm's quality rating and displays it on all relevant screens and reports.

Online quotations

Introducing an online quotations process added further competitive tension within the legal panel for major matters. A request for an estimate can be sent to a number of firms in a “reverse auction.” For example, the request could be sent to three firms each with a rating of at least four stars and each having expertise and key personnel in the relevant area. This provides competitive price tension and the expectation of high quality.

Automating the management and reconciliation of panel firms’ claims reduced much administration activity. All invoicing is completed within the LPG and can be itemised to a granular level, at the client’s request. Invoices are maintained in a searchable database that can also be printed. Business intelligence is vital and the system provides ad hoc reporting capability from the data warehouse, enabling any data captured by the system to be quickly compiled and summarised. To date, the Government has built over 120 standard reports across a number of categories.

The results for the Victorian Government

As a result of implementing the Legal Panel Gateway, the Victorian Government achieved its objectives and equipped its buyers of legal services to become “informed purchasers,” increasing the transparency of legal expenditure, supporting its social equity goals, improving the visibility of in-house counsel and panel compliance and gaining the ability to answer questions quickly at short notice, for example to enable fast responses to questions asked in Parliament.

In conclusion, recent technology advances have greatly improved the way legal services are procured and managed substantially increasing the power of GCs to drive change. Knowledge is power, and systems such as the LPG enable knowledge in a way that has never been possible before.

About the author

██████████ is the Executive Chairman of Yarris, the Australian software company that developed and owns the software operating the Legal Panel Gateway. He is a former partner of Corrs Chambers Westgarth.

Star Ratings

Purpose

The purpose of the Star Rating is to provide the client with current information about the performance of their providers, measured against a range of criteria. The rating is calculated as a percentage (out of 100) and displayed visually using a 5 star scale (i.e. above 90% = 5 stars).

What are the Star Ratings?

The rating is based on the provider's performance in three components. These are:

1. Compliance

The provider needs to have the necessary insurance, compliance and meet any other requirements, for example, the Victorian Government requires each provider to complete a minimum amount of pro bono activity each year and submit a certificate declaring their compliance.

2. Key Performance Indicator (KPI's) Results

KPI's cover a range of activities as configured by the client. For example, KPI's can be set for matter acceptance time, matter completed by agreed end date and percentage of invoices approved without dispute by the client. There are over 100 KPI's which can be activated to automatically evaluate providers. Each of these can be given a weighting, based on their importance.

3. Client Satisfaction Surveys

At the conclusion of each matter, the client is surveyed on their level of satisfaction with the acting firm's legal services and/or advice. The questions for this survey are set by the client's senior management to ensure the right information is gathered. Currently, there are over 30 questions used for these surveys. The questions can be weighted based on their importance. Some examples of these are: "How satisfied were you of the provider's understanding and meeting of your legal needs?" and "Level of expertise and knowledge of the lawyer(s) providing of the legal services?" Answers are given numerically out of 5.

Overall Calculation

Each of the three components is also given a weighting at the discretion of the client. The results are then aggregated to make up the overall Star Rating.

Application of Results

The Star Rating is displayed for each provider throughout the system, most importantly on the provider selection screen when a client is commissioning a new matter. It displays each provider's performance history, as judged by the client's own criteria, and this information is paramount in empowering an informed purchaser of legal services. Star Ratings can also be limited to a firm's performance in a particular area of law, making specialists easy to identify.

Star Rating summaries can be created in the system's reporting portal, providing a snap shot of the entire panel and easy firm-to-firm comparison. For more granular analysis, users can report against both KPI and client satisfaction results.