

DHL: Delivering on Commitments



Case Study on Value-Based Fees & Budgeting

“We need your help,” he said, as he shut the door.

Brad had heard this type of request before, he thought to himself, and grabbed a legal pad to take notes on the new issue facing the General Counsel, who had come to talk.

As the Associate General Counsel for Employment & Litigation at Deutsche Post DHL, Brad Paskievitch was used to handling a variety of important legal issues. But this request turned out to be different.

“You and your team do great work and have continuously gotten great results, but I am wondering if we can do more to help cut costs even further and really help contribute to the bottom line.”

Brad listened intently as his boss continued. After a while it became clear that this was not just an ordinary request to hit budget targets more predictably. This was about delivering real savings and greater efficiency in a substantial way. Simply turning to the law firms to ask for an incremental discount would not cut it. What they needed was a better overall approach.

Fast forward two years, and the end of this story is a successful one. The Legal team has been able to deliver the savings the business requested, while maintaining the high quality legal services his clients have come to expect. At the same time, Brad and the DHL Legal team have been able to work more effectively with outside counsel, enlisting their help as partners in this mission to deliver greater value. The key, Brad says, is “not to unreasonably ask the law firm to do it all for less,” but rather to be more strategic in what we do, and how we pay for legal fees. “We want to pay well, and fairly, for high quality – but do so in a cost-effective way,” Brad says. “To us, it is not one or the other. We want, and need, both.”

How did the Legal team accomplish their goal? There were three key facets.

- 1) Analyze the Baseline Performance via Historical Billing Data Analysis. Before crafting the plan to improve, Brad and his team needed to address some fundamental questions – improve versus what, and in what specific ways? To answer these questions, they enlisted help from The Counsel Management Group to analyze spending patterns, efficiency and cost structures evident in DHL’s historical billing data. With these findings in hand, the DHL in-house team was able to identify specific law firm patterns that contributed greater value, and lesser value, and have productive conversations accordingly. The goal was to help the law firms be more strategically cost effective, and guide them along the way.

- 2) Improve via Better Budgeting Processes & Tools. While the historical data and findings were helpful conceptually, the real benefits would come from successful implementation on existing and future matters. To deliver on this front, Brad and his team adopted a stronger approach to outside counsel budgeting. Using the AFADATA[®] system on core matters, the DHL team – inside and outside counsel together – built meaningful, track-able budget plans at the beginning of the year. They agreed on scope assumptions, strategic staffing, and verified component costs based on value (not just hours). This helped answer the question, “what should this work cost,” given its strategic posture and underlying business objective.
- 3) Strengthen Overall Tracking and Feedback as Matters Progress. Lastly, the DHL team implemented a better process for evaluating matter budget and scope progression on a quarterly basis. This provided greater transparency into areas where the budgets should be adjusted upward or downward based on unanticipated changes in case activity. This approach to managing the portfolio was key to delivering savings in the aggregate. “Through quarterly reports and scorecards, we now have a better way to trim specific budgets as warranted in light of slower case activity,” says Brad. “This can free up dollars where we might need them in other areas. This way, we have greater accountability, and a better financial story to share with the business.”

At the end of the day, the Legal team was able to deliver the needed savings by focusing on core approaches that increase value. “We could not have done it without the help of our dedicated DHL law firms, who were true partners in this regard, and without the help of CMG, who helped across all phases of our project.” By connecting effectively with our external partners on financial and administrative details, “we’ve been able to free up in-house attorney time to focus even more on core strengths like advising the business and addressing important legal issues, which is what they do best.”

“This whole project is a great example of our commitment to our clients here at DHL,” says General Counsel Joshua Frank. “We’re working to increase value in the legal services we provide, to help drive the overall success of the business.”

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