

Driving efficiency in the procurement of professional services: Insights from Legal Procurement conference by Buying Legal Council

Recently, I was very kindly invited to attend the 'Buying Legal' conference organised by [Dr Silvia Silverstein](#), Executive Director of the '[Buying Legal Council](#)'. The focus of this conference was 'efficiency'. Over the past month, I have had the chance to go through my detailed notes frequently and reflect on them. The objective of this blog post is to log some of the ideas that have emerged.

Efficiency is a concept that has been well-discussed in the operations management literature. Arguably much of the earlier writings on the issue of efficiency could be found in the manufacturing contexts, particularly the automobile sector, thanks to the Japanese model of management and the Toyota Production System. Sometime around the 1970s, however, the idea of efficiency in the services settings began to take shape. The [argument](#) was that the services can be made efficient by applying the techniques that have worked well in the manufacturing industries. Although well applicable to the standardised, factory-like settings (for e.g., fast food chains, retail banking, BPOs etc.), the ideas around the concepts of efficiency and productivity have been largely ignored in the professional services context. The primary reason for this is that the professional services are complex in nature owing to the relatively higher degrees of buyer-seller interaction involved and that the fact they exhibit relatively higher degrees of customisation. Efficiency, on the other hand, is arguably driven by the potential for standardisation in the process. Therefore, efficiency in a professional services setting, at first, sounds counter-intuitive. However, it was quite refreshing to see the exchange of ideas on the concept of efficiency and understand the 'meanings' from the client-firms' as well as the law-firms' perspective.

The conference started with the keynote address by Professor Stephen Mayson, a detailed account of which can be found on [his blog](#). It was concise yet one of the most comprehensive addresses I have heard in a while. Whilst it addressed the existing issues and practices prevalent in the industry, it also satiated my curiosity from a theoretical standpoint. I recommend a read of the same to everyone, it has been certainly worth a couple of repeated readings for myself. The most interesting aspect of his address was his hypothesis that the mismatch between cost, price, value, and the relationship between the firms, leads to dissatisfaction in terms of the process and outcome of these complex service exchanges. Furthermore, he argued that 'value' in the client-lawyer relationship is of three types: value-created, value-added, and value-for-money, and it is very important to understand the difference and the implications of the difference for the firms.

His opening address was followed by a number of subsequent talks by the senior executives from client firms, law firms, and specialist consulting firms. The key issues that came up during those addresses and the subsequent discussions are presented below along with my commentary on the same, from an academic standpoint.

- There is a triadic relationship that exists between the legal department (or the general counsel), the procurement department, and the law firm. This was one of the most discussed issues at the conference and highlighted some of the issues that could emerge because of the differing expectations of the budget-owner and the procurement department from the service provider. This results in them sending

mixed signals to the service-provider and negatively affecting the satisfaction levels. It is the communication-gap and the instances of maverick buying in these triadic relationships that lead to the service quality breakdowns. This triadic relationship needs to be managed in order to manage the quality of these service relationships. This reminds me of an excellent [study](#) on the issue by Tate *et al.* (2010). One of the recommendations from this study is that the procurement department should take on a role similar to that of an internal consultant and operate in the advising capacity to the budget-owner and should control the outcome by investing more time in the service-specification processes. It should be noted that few firms today actually leverage their procurement departments in the early stages of the professional service procurement.

- The procurement departments still have some way to go before they can exercise a more active role in the procurement of professional services. Understandably, there is an element of resistance from the budget owners, but Supply Managers need to develop and demonstrate project management and risk management competencies and practise a form of internal selling and get a level of ‘buy-in’ from the budget owners and the senior management. A recommendation was given by one of the speakers that legal procurement professionals should be made a part of the legal department instead of the Supply Management/ SCM department. This is a radical view and a departure from the conventional wisdom, and at the very least needs more exploration in order to understand the value of the idea. I personally do not agree with the idea as it could potentially lead to decentralised purchasing practices if not managed carefully.
- Client firms need to wield power responsibly (clearly still in an issue in spite of extant literature) and build relationships based on trust, fairness, and reciprocity.
- At the same time, law firms need to become more careful about how they manage clients’ money. They should refrain from demonstrating opportunistic behaviour in the face of uncertainty, which is in the very nature of these services. There is a lot of literature, particularly from the transaction cost economics perspective, that addresses this issue. It remains to be seen how legal-procurement managers can develop effective governance mechanisms to mitigate this issue.
- Project management is a key competency expected from both the client and the law firms. This was another one of the most discussed issues and clearly highlights the growing expectations of the procurement professionals.
- There is a growing recognition that the existing performance measures do not help in managing these complex relationships, however, more understanding of this issue needs to be developed. This is not easy as client expectations evolve in the projects and it is hard to keep track of them.
- A behavioural experiment, based on the theory of constraints, led to an insight that there is little understanding of how the inter- and intra-firm relationship processes are managed in tandem in order to achieve the optimum service quality. The clients and the service providers do not communicate effectively and this impacts the efficiency of processes. As one of the speakers noted, “Between good people and a faulty process, the faulty process will always win!”
- An interesting view was presented by one of the speakers that “effectiveness should not be sacrificed at the altar of efficiency.” He argued that efficiency is essentially a mediating variable in the whole equation and not the end goal. Therefore, the firms should not lose sight of the true goal, i.e. value, for the sake of efficiency. An interesting and important point indeed.
- Legal firms are increasingly looking at managing their resources more efficiently and modularising and productising their services. For e.g., one of the speakers from the legal firms said that they use of a combination of senior lawyers and paralegals in a

project and the clients have no problems with this, which is interesting as many clients complain about being assigned ‘junior’ professionals post the award of the contract. Moreover, another speaker argued that law firms are segmenting their offerings based on the degree of client demands and client firms should employ similar schemes to address the complexity. The speakers called it the ‘productisation’ of legal services. I personally don’t agree with this term ‘productising’ sounds like the service-provider can develop a legal service on its own and the client can just go and buy the solution, which, as most would agree, is an oversimplification of this issue. However, the idea of modularising these services and being agile to the client needs is an interesting one and has recently gained attention in the operations and supply management literature.

- The rate of innovation is being over-estimated. Even though technology is being utilised to better manage the procurement as well as the management of legal services, the rate at which this is happening is still lower than expected and more and more firms need to embrace collaborative measures in order to ease the management of these issues. However, in order to do this, it is very important not to ignore the inherent human-intensive nature of these professional services and embrace the relational, social, and most importantly, behavioural aspects of these service interactions.
- Lean is not just for manufacturing, it can greatly help in buying and managing the legal services. This is another interesting area to explore.

It is important to acknowledge these existing issues in order to understand where the improvement efforts need to be directed. The good news is that the firms are indeed acknowledging these issues and are ready to keep an open mind. They are ready to have ‘grown-up conversations’ in order to achieve ‘efficiency’ in the management of professional services.

An insight that emerged from the discussions was that these professional services are not being given the strategic importance they deserve. They are not considered important from a strategic management perspective as they do not often add to the value of the client firms’ core offerings. Therefore, there is a history of maverick buying and decentralised procurement in these services. Even in more modern scenarios where centralised procurement is the norm, legal services procurement is often managed by young, “rookie” supply managers, who often have less power in the client firm, thus causing a disproportionate distribution of power in the general counsel-procurement department relationship in the overall general counsel-procurement-law firm service triad.

Thanks to motivated thought-leaders like Dr Silvia Hodges Silverstein, these issues are now receiving increased attention. Dr Silverstein has created a platform for the discussion of these poorly understood and painful issues. A lot is being done, and there is a growing recognition that much more that remains to be achieved.