



THE QUICK GUIDE TO BUYING LEGAL SERVICES

This Guide is aimed at procurement professionals who are engaged in, or are seeking to be engaged in, buying legal services. While legal services used to be outside the area of activity of procurement in many organizations, it is a category in which procurement professionals can add tremendous value for the benefit of their organization.

During the last few years, an increasing number of procurement professionals have gotten involved in the legal category. As 'legal procurement' professionals they are able to use a professional procurement approach for legal services in a productive way, driving value and competitive advantage for their employers. Legal procurement's value extends beyond cost cutting and includes strategic spend management initiatives.

Legal procurement professionals fulfill their corporate mandate of better managing legal spend and supporting the legal department in data-driven decision-making. They help the legal department buy a range of services and manage the business side of the relationship with their providers: Clients today can obtain legal advice from qualified in-house lawyers, law firms, law companies aka alternative legal services providers (ALSPs), legal process outsourcing companies (LPOs), or from leveraging legal technology and applied artificial intelligence. But more about this in a moment.

Any organization with significant external legal spend that does not involve procurement today is not practicing best practice.

This Guide helps you make the case for getting involved in buying legal services; it provides you with several important benchmarks, and gives you information about the legal system, the legal market, law firms, and other legal services providers.

It was composed and is based on research by the Buying Legal[®] Council, the international trade organization and only dedicated source of education and research for professionals tasked with sourcing legal services and managing supplier relationships.

Get involved in the legal category and join the Buying Legal[®] Council: www.buyinglegal.com/become-a-member

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What you should know about legal procurement

What does legal procurement do?

Typical legal procurement tasks include:

- Establishing an efficient and robust vendor selection process, Issuing RFPs and running the RFP process
- Identifying and short-listing best value legal services providers, including law companies, LPOs, ancillary legal services providers, legal technology providers
- Helping to “unbundle” legal services and match different tasks with the most appropriate suppliers (law firms, law companies, LPOs etc.)
- Influencing decisions about law firms, law companies, LPOs, ancillary legal services providers, legal technology providers legal technology decisions
- Negotiations for price, terms and conditions, identifying opportunities for innovative fee arrangements
- Managing the relationship with providers (law firms, law companies, LPOs, ancillary legal services providers, legal tech providers)

Ideally, legal procurement is involved in the entire process of buying legal services, including the selection and on-going management of suppliers (law firms and other legal services providers), not just during the RFP phase.

Procurement’s influence on buying legal services varies depending on the type of legal service bought and the service’s perceived risk level. Many legal procurement professionals are initially tasked with sourcing routine matters and so-called “ancillary” legal services (think court reporting or litigation consultants). Generally speaking, procurement has more influence on routine matters and ancillary services than high-risk, “bet-the-company” work (such as IPOs or mergers & acquisitions).

Most legal procurement professionals also influence legal technology purchases, including eBilling software and other technology for the legal department. Given that procurement professionals frequently have a background in purchasing complex IT, this is a natural fit and lets the legal department benefit from their experience buying technology in other areas.

We adapted Kraljic’s Portfolio Purchasing Model to the legal industry (see Exhibit 1). It shows where procurement has the ability to most drive savings in legal issues. Please note that “supply scarcity” is rarely an issue for clients as there are many capable legal providers for most legal issues.

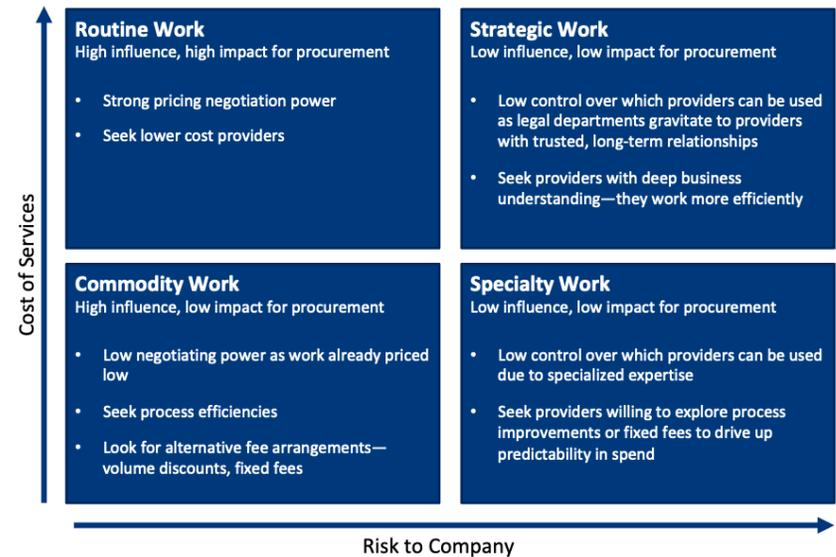


Exhibit 1. Adaptation Of Kraljic’s Portfolio Purchasing Model To The Legal Industry
(Buying Legal® Council)

What does it take to be successful in legal procurement?

The most successful legal procurement professionals have a positive relationship with their colleagues in the legal department and with legal operations (“legal ops”). Legal Ops is a multi-disciplinary function intended to help the head of the legal department (“general counsel”) better manage the legal department and optimize legal services delivery within the organization.

Their activities include:

- Evaluating and implementing technology solutions
- Optimizing the management of the legal department
- Managing internal resources
- Working with external providers (such as litigation support & eDisclosure; intellectual property (IP) management; information/data governance and records management; knowledge management; financial planning, analysis and management etc.

Most legal operations professionals have a legal background and report to the general counsel. Legal ops has the data you need. Together, you can have a positive influence in many aspects of legal spend management.

Practice Tip: If your organization has legal ops professionals, get to know your colleagues. Befriend them, work with them!

The other component for success in legal procurement is tenure. We found that legal procurement professionals with a longer tenure are significantly more successful in driving value for the organization than those relatively new to it. When procurement first gets involved in the legal category and uses a professional sourcing approach to buying legal services, companies are very likely to see significant quick wins. However, once the “low hanging fruit” have been picked, a deeper understanding of the category may be necessary to continue to achieve large savings.

Note: Success is built over time in the legal category. Legal is not a category procurement professionals can work in for a few years, only to switch to the next category. It takes time to gain knowledge about the legal industry, it takes time to establish trust and build relationships with the legal department, and to know what is working for their organization. In the legal category, clients continue to have more and more choices of legal services providers and significant negotiation power, which they can use to their advantage.

Get involved in the legal category

A little bit of background: Legal services used to be largely exempt from the intense cost scrutiny other business units and functions have been facing for years. The financial crisis a decade ago acted as a catalyst and accelerated the adoption of legal procurement, particularly in large corporations.

Companies with significant legal spending started to involve procurement in the evaluation and selection of legal services providers in the early-to-mid 2000s, with the earliest legal procurement activities dating back to the mid-to-late 1990s.

Among the first industries to embrace legal procurement were highly regulated industries such as pharmaceutical companies and financial services institutions, as well as energy companies and utilities.

Procurement professionals are typically brought in to:

- Help the legal department reduce external legal spend: Legal procurement does this by applying procurement processes to the legal function
- Help better capture and analyze spend data: With more and more accurate spend data available, internal base lining and external benchmarking, procurement can apply its data-driven approach to decision-making in the legal category
- Assist better managing legal work: Clients now routinely pay close attention to how legal work gets done, how their work is scoped, staffed, and delivered. They ensure that outside counsel guidelines and budgets are adhered to, and benchmarks reached. Sophisticated procurement professionals know that managing the delivery process offers the biggest lever to drive continuous improvement.
- Facilitate implementing formal strategies and processes: Managing the selection of vendors (law firms and other legal services suppliers, including software companies and other technology providers), including the use of RFPs; Establishing payment terms; Negotiating contracts and managing fee proposals; Monitoring compliance with negotiated engagement terms; Evaluate law firms together with in-house counsel based upon criteria important to the legal department

Make the case for getting involved: The benefits of legal procurement

Legal departments sometimes resist the involvement of procurement professionals in the buying of legal services. You may have to help the legal department overcome its fear of loss of power and influence when you introduce new (procurement) processes and mitigate their concerns about a business and process-driven approach disrupting long-standing relationships with firms. Another challenge could be in-house counsel’s perceived need for confidentiality for certain matters which they do not want to be disclosed to procurement. There is also the fear that procurement will always favor price over quality of firms, implying that higher price equals better quality.

PRACTICE TIP: Be resilient: do not be put off by Legal’s less than warm “welcome”. Do your homework. Provide useful updates and dashboards. As we mentioned before, get to know your colleagues in legal ops. Also learn about what’s going on in the legal industry in general and meet with the business people

on the law firm side. Most corporate law firms today have a business person that is a natural counterpart for you. The person may be in pricing, operations, project management, business development, marketing, or finance. Ask educated questions and learn from your industry peers.

Move the legal category from transactional to strategic

The first steps in legal procurement are often transactional and sporadic: Procurement may be tasked with running a request for proposal (RFP) or be involved in price negotiations. Strategic sourcing involves procurement professionals with further projects and on a more on-going basis. Global supply management is the final step in the model below. Aim to continuously improve the performance and efficiency, integrate the sourcing process and proactively coordinate practices, processes, and technology. The results will be larger value creation.

	Traditional Purchasing	Strategic Sourcing	Global Supply Management
Paradigm	Transaction	Project	Enablement
Focus	Price, Transaction management, Compliance	Firm and Spend rationalization and consolidation, Standardization	Balancing Total Cost and Quality; Maximizing shareholder value; Enabling service innovation
Reach	Local; Many suppliers	Multi-regional, Some collaboration with related functions	Global; Highly collaborative across the enterprise and visible at executive levels
Technology	Spread sheets	Auctions, eBilling, Basic optimization	Technology enablement across all strategic sourcing processes
People	Decentralized Buyers	Legal Procurement Teams, Centre-led or centralized	Cross-functional teams Global

Exhibit 2. Adaption of Evolution of Procurement Model to Legal Procurement (Buying Legal® Council)

Take the first steps

How you handle the first 100+ days in the legal category will be crucial for your success as it sets the tone for building the necessary trust with your colleagues as well as the providers of legal services.

Here are some tips for starting out in the legal category:

- Reach out: Start building relationships with your colleagues in the legal department and legal ops and strive to become a real partner. Do not “do” procurement “to” them, but seek collaboration.
- Listen and understand: Learn how your colleagues in the legal department and legal ops currently source legal services and how they manage supplier relationships. How do they approach “make or buy” decisions? Understand how in-house lawyers switch between their roles as “doers” of legal services/managing internal resources and managers of external resources/outside counsel. What do they think works well, what do they see as areas for improvement? Take the time to find out.
- Educate yourself: Every area has its lingo, commonly used terms, and abbreviations. Learn about basic legal concepts and how to speak “legalese.” Subscribe to legal publications (online and/or in print) and attend legal seminars or webinars.
- Offer your help: Find out which issues keep your colleagues in Legal up at night. Is there anything that you can address that is outside their primary area of expertise but needs to be done? For example, get visibility into spend data, spend drivers, data security, project management of outside counsel, matter management systems, eBilling, benchmarking data or rate cards etc. Understand how your colleagues get measured and strive to make their life easier.
- Gain credibility: Start with a “pilot” project –ideally an ancillary legal service– and showcase how you can add value. Present the business case and make your colleagues in the legal department look good: help them be seen as good stewards of the company’s money. Having an executive champion – the general counsel, CFO, COO or CEO- will make or break your success in this category

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