

External Resource Management 2.0

Optimising your return on investment

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Managing external resources is a hot topic for the vast majority of GCs and in-house legal teams. It's clear however, from the recently published Legal Operations Health Check benchmark, that in-house legal teams tend to favour familiarity over change, opting to deepen existing relationships with law firms and legal service providers rather than regularly refreshing their panels. Whilst many in-house teams have clear rules in place for appointing external legal service providers, they often fall short when it comes to conducting performance reviews of those service providers, with few using quality and cost/value metrics to measure such performance.

Considering that a significant portion of a GC department's budget (on average 58% according to The GC350: Benchmarking Study for the In-House Community) is spent on external legal resources, it's natural GCs would want to know they're getting a return on investment.

So how do GCs and in-house legal departments extract the optimal value from these arrangements, manage their panels more efficiently and effectively, whilst continuing to build mutually beneficial relationships with business partners? It's time for external resource management 2.0.

Three trends are emerging in the management of legal vendors:

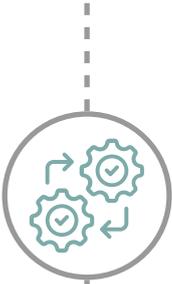


1. Take back control

Managing external spend, mostly through setting up a panel, is one of the only two historical levers (together with managing headcount) used to run a legal function, levers which are often imposed by stakeholders outside of the function (Procurement and/or Finance for the former, HR for the latter). In absentia of the GC offering a replacement set of metrics to demonstrate the robust running of their function as a business, "outsiders" have imposed these tactics onto legal.

We are now seeing a trend towards more GCs wanting to operate (and many are already doing so) as an efficient and strategic business partner. This includes articulating the value that the legal department is bringing through a broader set of levers and KPIs. The legal department is a taker of demand and can't control it. What is within its reach, though, is ensuring that it delivers to that demand in the most efficient way possible. That is where astute management of external resources comes into play – but only if Legal is in the driving seat to define who, when and how to use external resources and especially how to report on their effective use.

GCs are taking back control of how their departments are run and that includes how to manage their providers and run their panels.



2. Don't stop at running the panel process

Most departments already have a framework in place, either a panel or through formal relationships. This seems like a reasonable foundation to build on, even if that often comes at a cost (those panel processes can be cumbersome, time and resource intensive).

However, all parties share some frustration with regards to panels. Why? Nothing happens or changes once the process is complete. Ambitions, growth, promises are soon forgotten and all revert to business as usual.

The full value of a panel will be derived from its effective implementation namely:

- i. ensuring the work is being sent to those firms on the panel who have committed not only to favourable commercial terms but also to investing further in the relationship,
- ii. fostering a collaborative culture so better solutions can be crafted,
- iii. ensuring the service delivery of that legal advice meets the new standards being defined by trail blazers, and
- iv. developing a robust set of KPIs and metrics to measure performance, both quantitative and qualitative, to keep firms honest and provide objective evidence to stakeholders of sound management.

A number of legal departments are taking actions to this effect, such as:

- i. setting up pitching processes and creating templates to allocate work,
- ii. establishing forums to encourage service providers to come up with common solutions,
- iii. transparently sharing information and data points to increase trust and agree on action plans, and
- iv. developing new relationship frameworks to extract the most out of their relationships with providers.



3. Keep it fresh

Whilst some might still call the pace of change in the legal industry "glacial", it is true that the legal ecosystem is evolving faster than ever before. There is also a widespread realisation that relying on the same historical external resources might mean missing out on new developments and opportunities.

Law firms have merged, gone bankrupt, entire teams have moved across; their long term strategies are beginning to diverge and so will the services they offer their clients. Law companies, or alternative suppliers as some still refer to them, have expanded with alacrity to broaden not only their service offering but also their client base. New competition is emerging. And let's not mention how to keep up with all the novelties in legal tech.

As a result, a new trend for legal departments is to review more holistically how they are engaging with their broader ecosystem, developing commercial and resourcing strategies on how best to make sure "the right work is done in the right place at the right price". And the "right place" now presents far more options than in the past.



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Stéphanie Hamon is the Head of Legal Operations Consulting at Norton Rose Fulbright, a new and unique offering to clients. She was formerly Managing Director, Head of External Engagement, Legal for Barclays. She has extensive experience of both setting and delivering commercial management strategies for in-house legal departments as well as broader legal operations strategies and implementation.

Stéphanie Hamon led the Barclays team that was named "Legal operations team of the year" at the 2019 UK Legal 500 Awards, mostly due to her work around a new panel approach. She also developed new model for Barclays' law firm panel and relationship model, including the development of customised legal project management and pricing approaches. Stéphanie brings with her more than 19 years' experience working across an extensive range of legal and financial institutions, in markets including the UK, Europe and Asia Pacific. Stéphanie has extensive expertise in senior stakeholder management, business development, strategy formulation and execution and client-focused relationship management.

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