

Law Firm Procurement Roundtable Executive Summary

To support law firms' continued focus on business operations, leading firms are strategically investing in procurement

The current market environment requires companies to contain costs, mitigate risks and deliver a higher level of service. In turn, corporations are projecting similar expectations on law firms and incorporating these type of goals into broader business reviews.

As a result, law firms are continually looking for ways to address these pressures to remain competitive. To support these goals, procurement is becoming a more important function in law firms as a means for managing costs, mitigating risk and implementing effective controls while enabling other internal functions to focus on core responsibilities.

HBR Consulting's (HBR) annual **Law Firm Procurement Roundtable** was established to provide law firm procurement leaders with a unique opportunity to network with industry peers, discuss key procurement trends and benchmark their firm's performance using [HBR's survey data](#), which includes data points from 30+ firms from the Global 100. The 2017 roundtable discussion focused on specific opportunities for procurement leaders to demonstrate value and develop strategies to advance the maturity of their department to better align with the needs of corporate clients.

The following Executive Summary includes findings from the Roundtable, supported by data from HBR's 2017 Law Firm Procurement Survey. Key takeaways from the Roundtable include insight on how procurement leaders can:

1. Increase earlier engagement by demonstrating value
2. Evolve procurement strategy beyond savings
3. Use metrics to validate progress and demonstrate value



Increase earlier engagement by demonstrating value

Educate and promote procurement skills and capabilities early and often.

While procurement has been prevalent in corporations for many years, it is a relatively new, but growing, trend in law firms. Today, about half of the Am Law 100 now have internal procurement capabilities, although the size, scope and focus varies. To achieve success, it is critical that procurement leaders – especially of newer functions – focus on developing a trusted partnership with internal stakeholders and executives.

Initially, resistance to working with procurement comes in the form of business partners not fully understanding the skillset and capabilities of procurement. This can be addressed by establishing a clear value proposition that positions the function as a trusted advisor with capabilities that compliment and align with business partners to drive value for the firm. Procurement functions that are viewed as trusted advisors are ones that do not try to be subject matter experts in every different practice area, but rather focus on a

collaborative partnership that allows both parties to bring different expertise and skills sets to the table.

Shift focus from control to collaboration. While many corporate environments are able to mandate procurement's role and scope, law firm environments are very different and require a unique approach. Instead, law firm procurement leaders can build trust and establish a partnership with business partners by:

1. Articulating the benefits of early engagement of procurement (e.g., effectively mitigating risk, amount of time saved, dollar savings added back to the budget)
2. Clearly defining roles (e.g., business partners are the subject matter experts while procurement is the sourcing expert)
3. Creating shared goals that are measurable
4. Meeting monthly or quarterly to communicate results (i.e., savings, speed and process efficiency, as well as discuss new projects in the pipeline)

Law Firm Procurement Survey

To provide visibility into the procurement landscape of law firms, HBR conducted its third-annual Law Firm Procurement Survey (the Survey). The results equip procurement leaders with:

- An industry-specific baseline to benchmark against peers that includes insight into current trends through year-over-year survey data analysis
- A point of reference to advance and elevate the role of procurement

- Perspectives on how peer firms are handling relevant procurement topics and overcoming common challenges

Participants were comprised of a diverse set of 30+ industry leaders from firms ranging in size and geography. Survey participants included representation from the Am Law 100, the UK Magic Circle and top Canadian (“Seven Sisters”) firms. Conducted alongside the Survey, HBR conducted a Law Firm Executives Survey to gather intelligence on how law firm procurement functions are viewed by c-level firm executives.

- Surveying internal users to understand level of satisfaction

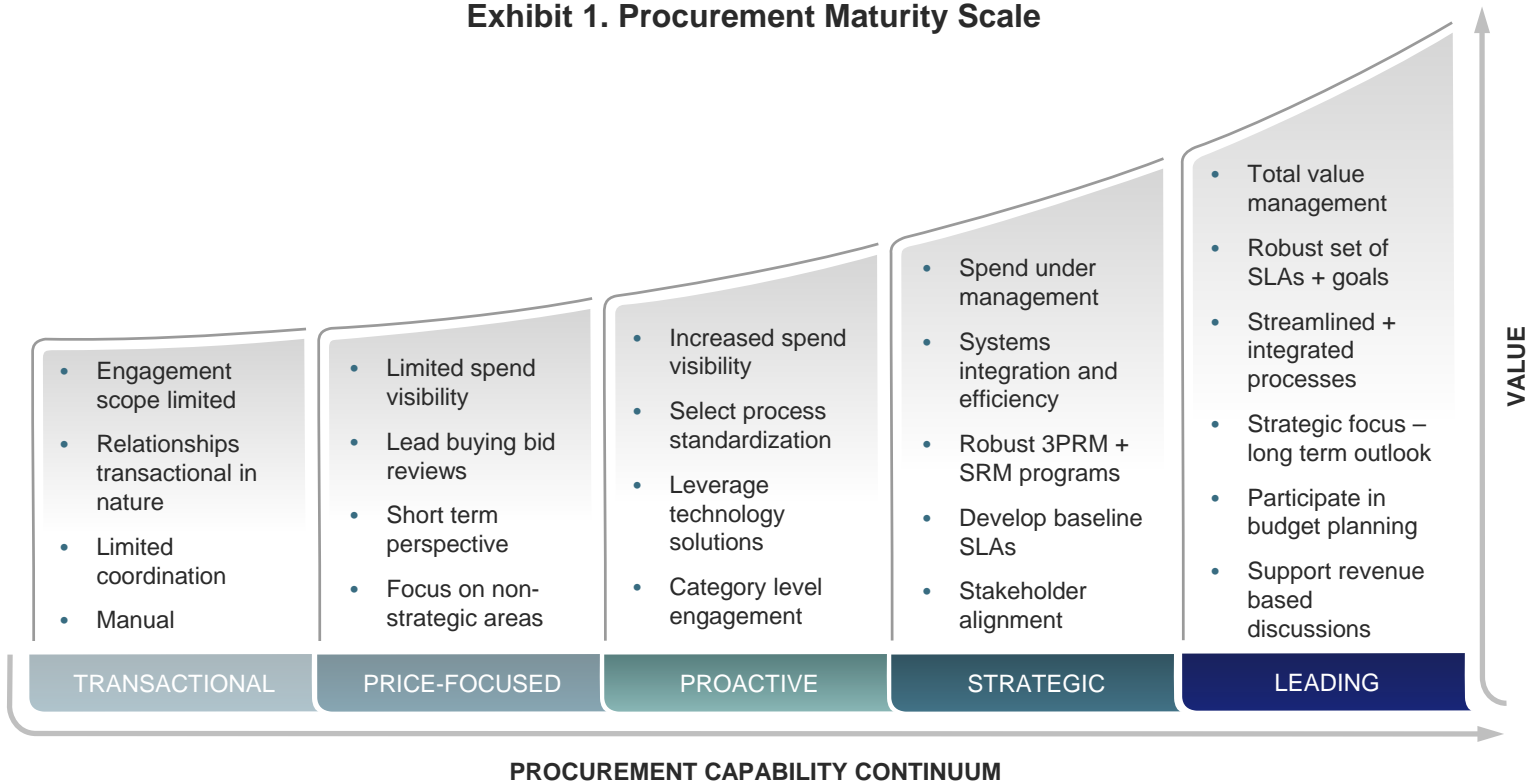
Convert stakeholders into internal champions.

Highly satisfied internal stakeholders may lead to additional engagement opportunities, however, they do not necessarily help advance the maturity of the procurement function (Exhibit 1). Procurement leaders focused on elevating their function should focus on converting satisfied stakeholders to true champions that will help support future procurement goals and objectives (e.g., build support to expand the procurement team, help elevate responsibilities or support a case for investing in new enabling technology).

The most compelling way to convert stakeholders to internal champions is by demonstrating how dollars saved can be reinvested back into the business to fund other strategic initiatives. This allows departments to accomplish more, without increasing budget.

“Some people do not understand what procurement is, so I often explain it by comparing it to recruitment. If you describe your requirements, we will pre-screen, do the due-diligence and present you with the top three candidates to meet your budget.”

Exhibit 1. Procurement Maturity Scale



Evolve procurement strategy beyond savings

Focus on things that matter most to executives and clients.

For firms where procurement is more established, law firm executive leadership expects procurement to play a more significant role beyond just driving savings. Risk mitigation and effective controls are two key areas where executives are increasingly asking procurement to focus. Finding a perfect balance between day-to-day practice group requests and broader firm-wide strategic initiatives is challenging. Prioritizing requests based on value (as opposed to department, person, supplier, etc.) will help shape a strategy that elevates the impact of the procurement function. In the end, savings will still be an important focus for procurement as it is a more tangible measure of value but also provides a much needed funding mechanism for firms to invest in other areas of focus.

Prioritize compliance and risk mitigation. Corporations today are putting a high premium on third-party risk management and data privacy, further demonstrating why this area is becoming a top priority for firms and creating an opportunity for procurement to demonstrate their value. With the average law firm working with several thousand suppliers – spanning multiple regions and experiencing supplier turnover of 30% per year – as well as ever changing regulations, like GDPR, proper supplier management is becoming increasingly critical.



According to HBR's post-roundtable survey, 67% of roundtable respondents revealed their firm was actively looking at GDPR regulations.

According to the Survey, 79% of respondents stated that a client has requested third-party risk documentation from their firm. Yet, only 42% of firms stated that they have a formal third-party risk management policy in place. From a foundational standpoint, it is important for firms to have visibility into their supplier relationships, including understanding the potential risk exposure, effectively managing contracts and having processes in place to monitor the relationships.

In 2017, 42% of firms stated that they have a formal third-party risk management policy in place, up from 30% in 2016.

Invest in supplier diversity programs. In addition to seeing an uptick in client requests for third-party risk documentation, there is a growing trend toward clients asking law firms for supplier diversity information and statistics as part of requests for proposals (RFPs) or in conjunction with outside counsel reviews.

According the Survey, more than half of firms (53%) do not currently have a supplier diversity program in place, making it difficult to respond to these types of client requests. During the Roundtable discussion on this topic, global firms vocalized how supplier diversity becomes increasingly challenging because of geography. For example, some Roundtable participants require suppliers that can do business across 45+ countries, making it difficult to identify a diverse supplier that can meet these demands.

For those firms that have a supplier diversity program in place, 89% are [tracking supplier spend](#), but only 11% have established targets for the program, according to the Survey. This demonstrates that most diversity programs are

still in their infancy and highlights an opportunity for firms to differentiate in the market through established diversity programs.

Leverage technology to expand capabilities. As procurement teams increase their scope of responsibilities, they must find ways to become more efficient to meet growing expectations and demand. Technology is widely being used to automate aspects of supplier relationship management, help manage risk, support controls around contracts, increase visibility into spend and provide digestible reporting to leadership.

Procurement functions that can demonstrate increased savings through negotiation tactics, as well as reduction in maverick spend, can build a case for why the savings should be reinvested in enabling technology. Furthermore, while procurement technology may be owned by procurement, it should not be limited to procurement. By thinking beyond how technology will directly benefit the procurement function, procurement leaders should consider and communicate how other business functions and stakeholders will benefit from new technology implementation (e.g., automated reporting, increased risk mitigation, etc.).

Use metrics to validate progress + demonstrate value

Use consistent, measurable definitions of metrics.

Developing consistent and measurable metrics is an important goal for procurement functions. Metrics help tell a story for why procurement warrants an expanded role and set of responsibilities within an organization. Furthermore, this helps procurement teams demonstrate value added and helps gain credibility with executives and stakeholders.

Build metrics around areas that executive leadership care about. Metrics, whether internal or external, are only effective if they can support procurement leaders in articulating value and clearly demonstrating results. According to the Survey, 50% of procurement leaders present updates promoting procurement's value proposition to c-level executives monthly while 22% report to the c-level quarterly and 17% report to executives just once a year. Defining a structure of when and what to report to executives should be a key part of every procurement team's strategy.



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Spend under management and savings have traditionally been the primary metrics for evaluating the procurement function. However, this mindset is changing to adapt to the more complex role that procurement must play in an environment involving sensitive data and dependence on technology. The role of procurement is evolving beyond delivering cost reduction and is expanding to include reducing risk, ensuring contract compliance and increasing process efficiencies.

Tell them, but also educate them. While presenting updates and key performance indicators (KPIs) to stakeholders is important, actions often speak louder than words. Procurement leaders are finding success in involving business leaders in meetings with suppliers to experience firsthand how procurement is adding value through employing expert negotiation tactics and strategies. Furthermore, procurement

leaders recommend bringing large deals to executives to demonstrate first-hand how they are adding value.

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To elevate your procurement function, elevate your strategy.

In an increasingly competitive and complex market, law firms are looking for every possible advantage. There is a significant opportunity for firms to leverage procurement as a means for managing costs, mitigating risk and implementing effective controls while enabling other internal functions to focus on core responsibilities. Many would say procurement in legal is long overdue, not only for cost reasons but also because of growing client expectations for law firms to operate more like a business.

As we reflect on the third-annual Law Firm Procurement Roundtable, an overarching theme was how growing market pressure can be leveraged to create an impetus for elevating the role of procurement in legal. And while many law firm procurement functions are relatively early on in the maturity curve, there are an abundance of opportunities for procurement leaders to elevate the function through involvement in more strategic areas of the business, including:

- Supplier relationship management and third-party risk management
- Leveraging procurement driven savings to fund firm

or departmental investments

- Supplier diversity programs and established metrics
- Budgeting process and strategic investments
- Client negotiations and pricing strategies
- The General Data Protection Regulation (GDPR)

At HBR, we believe that regardless of the size of the procurement function, there are opportunities for procurement leaders to increasingly add value to the firm. By building internal trust and engagement, providing effective reporting on successful outcomes and being involved in more strategic areas of the business, procurement leaders can transform their function from operational support to trusted business advisor. If you would like to discuss how those approaches can be put into work in your organization, we can help.

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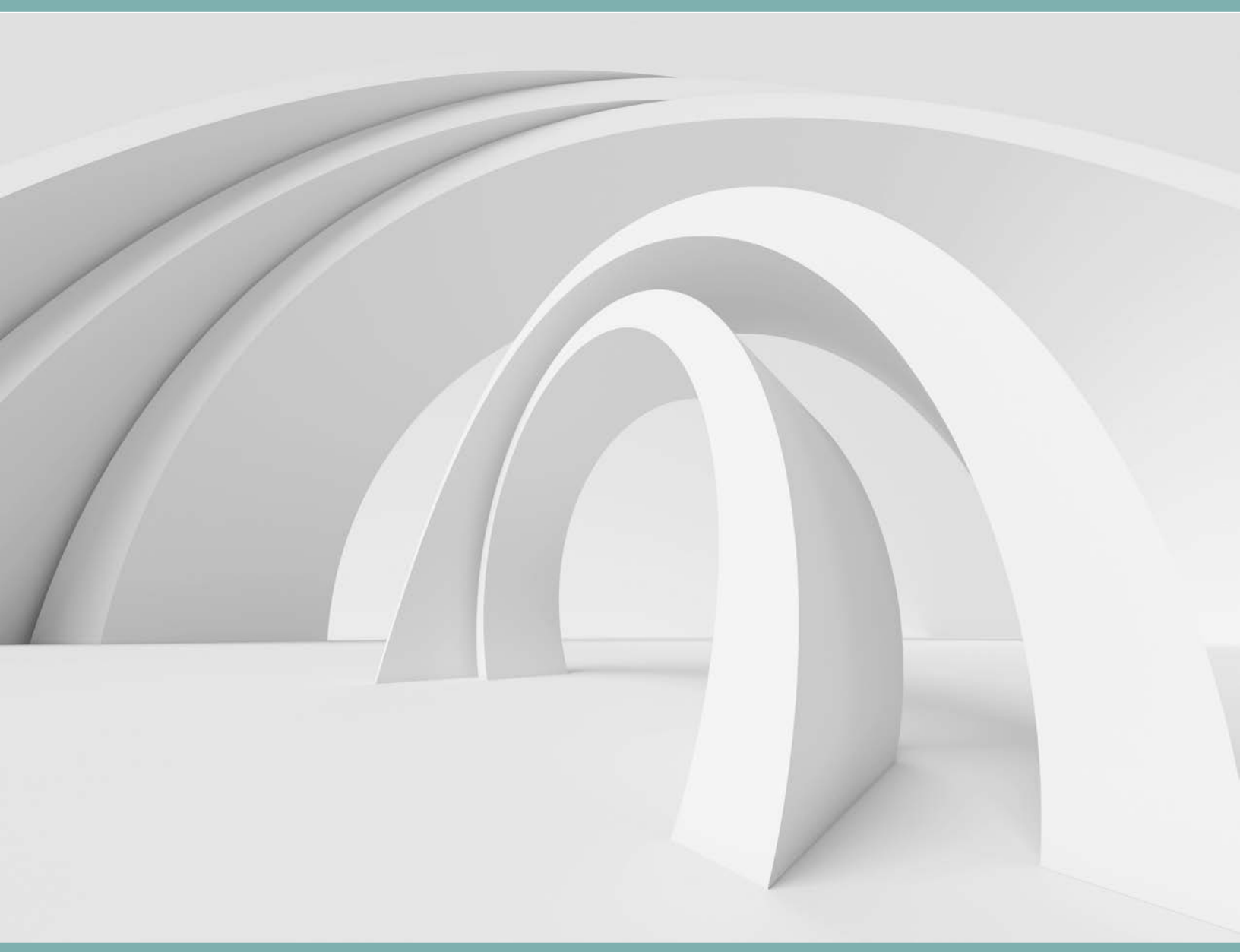


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