

In-House Economics for 2016:

Managing the Supply and Demand for Legal Services in Law Departments

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AGENDA

- Law Department trend of growth
- Reasons behind the trend
- Internal and external effects of the trend
- How to better manage work in supply and demand of law departments

TREND: LEGAL DEPARTMENT GROWTH

- Corporate legal departments are giving law firms less work in 2016 by creating in-house law firms with specialist expertise

Reported in Managing Partner News | October 15, 2015, reporting on Thomson Reuters Survey of 303 attorneys working in legal departments

REASONS BEHIND THE TREND

- Cost savings strategy
- Greater efficiency
- Better knowledge of industry and company
- Facilitates building relationships of trust with internal clients

EFFECT ON DEPARTMENT STAFFING

- Increasing full-time attorneys
 - 33% created new positions in the last year
 - Mostly contracts and compliance
- Hiring temporary contract lawyers
- Employing legal managed services
- Implementing new technologies

EFFECT ON OUTSIDE COUNSEL

- Many law departments are engaging fewer firms
- One third of law departments reported a decrease in reliance on outside counsel
 - Due in part to a decrease in volume in overall legal work
 - However, 79% have attributed the decrease to the redirection of work to in-house resources

DEMAND SIDE: POSSIBLE ACTIONS TO REDUCE INFLOW OF WORK

Demand Side: Possible Actions to Reduce Inflow of Work				
Filter	Incent	Post-Filter	Priorities	Understand
Circuit Ride	Full-Cost Data	Disciplined Meetings	Status Reports	End-to-End Review
Client Over/Under Use	Hour Budgets	Service Level Agreements	Rank Priorities	Survey Process
Manager Approval	Charge Time	Set Information Required		Timely Involvement
Self-Service				Clarify Lawyer Roles
Gatekeeper				Clarify Law Department Scope
Quasi-Legal				Preventive Law
Set de minimis Review Standard				

DEMAND SIDE: FILTER

- **Circuit Ride:** Visit client sites to train; answer quickly; build trust
- **Client Over/Under Use:** Determine over-use by clients and under-use
- **Manager Approval:** Before someone calls, they must get approval from their manager
- **Self-Service:** Show clients how to do some of their own legal work on lower-risk issues
- **Gatekeeper:** Have intermediate-level client monitor requests for legal services
- **Quasi-Legal:** Stop doing what clients should do
- **Set de minimis Review Standards:** Only on an exceptional basis, weighted for risks, will lawyers review

DEMAND SIDE: INCENT

- **Full-Cost Data:** Charge back for work done by law department and/or outside counsel
- **Hour Budgets:** Give clients a budget of hours to use on internal lawyers
- **Charge Time:** Charge back for work clients could do

DEMAND SIDE: POST-FILTER

- Disciplined Meetings: Don't over-invite lawyers; cc them on email traffic; etc.
- Service Level Agreements: Set expectations for responsiveness and turnaround
- Set Information Required: For common requests, lay out what clients need to provide

DEMAND SIDE: PRIORITIES

- Status Reports: With clients, jointly decide the priorities
- Rank Priorities: Clients have only so many urgent requests

DEMAND SIDE: UNDERSTAND

- **End-to-End Review:** Post-handling, review matter with clients for lessons learned by clients and lawyers
- **Survey Process:** Gather information on elapsed time, touches, frequency, roles
- **Timely Involvement:** Urge clients to bring lawyers in at the right time
- **Clarify Lawyer Roles:** Make clear to clients what lawyers on a team should contribute, and not
- **Clarify Law Department Scope:** Make sure the law department's scope of work is clear
- **Preventive Law:** Take steps to lessen the likelihood of legal problems arising

SUPPLY SIDE: POSSIBLE ACTIONS TO MEET DEMAND BETTER

Supply Side: Possible Actions to Meet Demand Better					
Efficiency	External	Knowledge Sharing	Lower-Cost	Talent	Tools
On-Call Lawyers	Clients Direct to OC	Share Techniques	Low-Cost Locations	Practice Specialists	Playbook; Tips
Bullets; Top "n" Risks	Legal Service Providers	Intranet Portal	Budget Levels for OC	Backup; Cross-Train	Time Tracking
	De-converge	Single Point of Contact	Non-Lawyers; Temps	Empower Inside Lawyers	Software
	All-You-Can-Eat			Autonomy; Less Review	Templates; Forms
	Fixed Fees			Train Staff	
				Upgrade Talent	

SUPPLY SIDE: EFFICIENCY

- **On-Call Lawyers:** Rotate duty for centralized intake and triage of all new legal requests
- **Bullets; Top n Risks:** Give written answers in bullet format and the top 3 risks involved (or whatever number)

SUPPLY SIDE: EXTERNAL

- **Clients Direct to OC:** Allow clients to go to pre-approved outside counsel directly for certain work
- **Legal Service Providers:** Send routine, high-volume work to alternative providers (document review; contracts; etc.)
- **De-converge:** Use more firms if you have too few so that you can match cost-structure of the firm to the risk or complexity
- **All-You-Can-Eat:** Pay fixed fee to a firm for unlimited questions that can be answered on the telephone or by email
- **Fixed Fees:** For legal areas with enough demand, use RFPs and choose outside firms for two-year periods at set prices for all the work in question

SUPPLY SIDE: KNOWLEDGE SHARING

- **Share Techniques:** Share techniques among law department staff regarding how to balance supply and demand
- **Intranet Portal:** Self-help materials for clients; where to go in law department for different issues
- **Single-Point-of-Contact:** Designate a law department single point of contact for a business unit or corporate

SUPPLY SIDE: LOWER-COST

- **Low-Cost Locations:** Move some staff and lawyers away from high-cost locations
- **Budget Levels for OC:** Give outside counsel budgets to individual lawyers or practice groups
- **Non-Lawyers; Temps:** Have work performed by lower cost non-lawyers (paralegals; temp lawyers)

SUPPLY SIDE: TALENT

- **Practice Specialists:** Employ professionals who help with knowledge management (British law firm model)
- **Backup; Cross-Train:** Build in skills for more flexible handling of spikes in demand for recurring legal work
- **Empower Inside Lawyers:** Empower inside lawyers to make decisions and balance risks appropriately
- **Autonomy; Less Review:** Reduce types or levels of legal work that requires internal review by supervising
- **Train Staff:** Upgrade the technical and substantive knowledge of lawyers and paralegals
- **Upgrade Talent:** Terminate under-performers; hire better professionals and staff

SUPPLY SIDE: TOOLS

- **Playbook; Tips:** Draft playbooks, with tips, etc., for recurring matters (i.e., process-oriented, not forms)
- **Time Tracking:** Have lawyers, paralegals record detailed time; incorporate into matter management system; manage under and over expenditures of time by individual lawyers, paralegals, function/department
- **Software:** Technology tools/systems (document management; matter management; e-billing; etc.), email, lawyers
- **Templates; Forms:** Create standard document templates

QUESTIONS?



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THANK YOU

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