

## Procuring the future

Law firms have been dismissive at best and downright rude at worst about 'sourcing managers', but, warns **Silvia Hodges**, they had better swallow their pride and get to know them

**Y**ou don't have them on your speed-dial, you don't have their mobile numbers, you are not connected to them on LinkedIn, Google+ or Facebook. And that is your problem. Or, at least, it will be soon.

Unless you sit across from them in a pitch, corporate purchasing, procurement or sourcing managers are the faceless people accused of everything from interfering with the lawyer-client relationship, having no knowledge and ability to judge the quality of legal services, unreasonably squeezing law firm margins, to playing firms against each other and cherry-picking to get the lowest price. Recently, after losing a pitch, one outraged lawyer complained that 'they [the procurement managers] probably got their brains for a discount'.

### **Greater accountability**

Three years of cost cutting have created a new dynamic in the lawyer-client relationship. In-house counsel now face greater accountability in relation to legal expenditure. They are increasingly in the spotlight as companies expect them to budget legal expenses on a basis similar to other departments. In addition, many companies now bring in procurement or sourcing professionals to help evaluate providers of legal services and negotiate a good deal for their employers.

It is unlikely that procurement – or supply management, as it is now often referred to in corporations – will go away when the economy finally improves. After buying raw materials, goods and services for their employers, corporate purchasing departments started sourcing engineering and

architectural services in the late 1980s, marketing, public relations and advertising services in the mid-late 1990s, accounting and tax services in the mid-2000s – and now it is the legal profession's turn.

Procurement's tactical potential as a cost killer is no secret. That is the corporate mandate – spending less on suppliers can directly improve the bottom line. A 2007 *McKinsey Quarterly* article entitled 'Inventing the 21st-century purchasing organisation' proclaimed that '[a] decade of globalisation-fuelled competition has opened the eyes of executives everywhere to the strategic benefits that can be achieved through the intelligent use of purchasing and supply management'. The role of procurement has always been based on the idea of cost control, getting external suppliers to reduce their prices and preventing departments from unnecessary spending through managing what is purchased. This starts with initiating firm reviews and continues to acting as the contract negotiator.

### **Defining scope**

Ideally, procurement brings skills, processes, discipline and focus to complement the service-specific knowledge and experience of the internal users, to the in-house legal department. It assists in-house lawyers with defining the scope of a project, selecting the right supplier, negotiating, and structuring compensation, evaluating supplier performance, and leveraging business with preferred suppliers.

According to the McKinsey article: '...the intelligent use of purchasing helped [a company] rein in rising legal

costs by separating legal services into commoditised segments (including paralegal and research needs) and creating sourcing strategies for each individual segment. Meanwhile, the company introduced systematic performance metrics – such as indemnity averages – and created an independent general-counsel office staffed with lawyers trained in purchasing basics.'

Indeed, companies with a sophisticated approach to procurement pay attention to talent by upgrading their procurement skills and exploring ways to connect employees across the organisation in a common purpose. They set high aspirations and establish goals that balance their vision of the future with a clear focus on how to achieve it, according to McKinsey. Top procurement professionals place a special emphasis on aligning their sourcing efforts with strategic corporate goals.

### **Improving performance**

The new role of procurement and sourcing managers is not confined to the reduction of costs. They aim to work with functional leaders – including general counsel – to improve performance and focus on business value as well as cost.

There is little doubt that the involvement of procurement is an important factor behind a power shift towards the client in the legal sector. Procurement today has its seat at the table when it comes to sourcing professional services. Our colleagues in advertising, architecture, accounting, and engineering among others, have had to learn to deal with this. It seems that it is our turn now. If private practice law firms have not done so already, make it a new year's resolution to get to know the chief procurement officer of your top clients.

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