

# Specialists pip in-house counsel

CHRIS MERRITT  
LEGAL AFFAIRS EDITOR

General counsel at the leading companies in the US are losing the battle for control over the purchasing of legal services which is increasingly controlled by procurement officers.

The transfer of control over the purchase of legal services started in highly regulated industries and is now increasingly in the hands of non-lawyers.

The shift, however, has been accompanied by big savings in the legal bills of those companies that have embraced the change.

This is the assessment of Silvia Hodges Silverstein, a legal academic who is also executive director of the Buying Legal Council, a trade organisation based in New York that focuses on the purchasing of legal services by procurement officers.

Dr Hodges Silverstein, who is a lecturer at New York's Columbia Law School and an adjunct professor at Fordham Law School, was in Sydney for this week's Legal Procurement Forum — a conference aimed at supporting procurement officers who buy legal services.

In the US, the Buying Legal Council has published research showing companies are making big savings when procurement officers, instead of in-house legal departments, are responsible for buying legal services.

A report produced by the Buying Legal Council and Bloomberg Law estimates that procurement officers have been cutting their companies' legal bills by an average of 11.4 per cent.

"The 'most successful' legal procurement departments were able to achieve an average saving of 23.3 per cent and the highest overall saving was 35 per cent of spend," says the report known as the 2017 Legal Procurement Survey.

Dr Hodges Silverstein said savings of this size meant any large company that was buying legal services without using procurement officers was making a big mistake. Her research indicated that procurement officers were more likely to consolidate the number of law firms working for their companies.

They typically introduced or enforced billing guidelines, determined what services could be provided by alternative providers and then negotiated the contracts with those providers.

She said pharmaceutical company GlaxoSmithKline saved millions of dollars by renegotiating contracts. "It's really unbelievable how much companies waste if it is not sourced in a professional manner," Dr Hodges Silverstein said.



Legal academic Silvia Hodges Silverstein says large companies buying legal services without using procurement officers are making a mistake

JAMES CROUCHER

She recognised that the use of procurement officers was sometimes resisted, but she said the same response had been apparent when the supply of other services was transferred to procurement professionals.

However, she doubted that in-house legal departments would be able to resist the change.

She quoted one procurement officer in the US who told her: "Once we get our hands on an area, we don't let go".

"Once you do it in a more structured, business-driven, process-driven way it is really hard to argue against it," Dr Hodges Silverstein said.

She said best practice for companies would be for in-house legal departments to work closely with procurement officers instead of seeking control of the purchasing decision.

"Legal needs to be very clear about what type of qualifications and expertise they are looking for," she said.

"When you have procurement involved, the roles of the legal department and the procurement department are typically that of 'good cop' and 'bad cop'."

## Corporate matchmaker looks to lock in stability



Richard Stock's business has a clear goal: to help corporate and government legal departments strike better deals with law firms.

But as he explained in Sydney this week, better deals for clients can also mean better deals for law firms — if they are willing to take a long-term view.

Stock is a founding partner with Catalyst Consulting, a firm that specialises in working with corporate and government in-house legal departments in Can-

ada, the US, Australia and Europe.

Before addressing this week's conference on buying legal services, he took the time to outline the extraordinary deal that one big international company did last year with a big international law firm.

The company was Turkish Airlines and the law firm was Eversheds — which is now known as Eversheds Sutherland.

The airline gave the law firm access to all its legal work. But it also meant that in those cities and countries where the law firm did not have an office, it was responsible for finding and managing local law-firm subcontractors.

This meant the airline was no longer burdened with managing relationships with 150 law firms — just with Eversheds.

One of the most surprising aspects of the deal was that Eversheds had not been among the firms that had worked for Turkish Airlines previously. However, it had done a similar deal with the International Air Transport As-



Richard Stock

sociation and the terms of that arrangement did not escape Stock, who was helping Turkish Airlines through this process.

He says Eversheds won because it was able to deliver what he wanted: "What I look for is the capacity of the firm to manage a network, to guarantee the quality, and to retain and pay all of its subcontractors on a fixed budget."

Eversheds already had those runs on the board following its work for the International Air Transport Association. In 2013, IATA made Eversheds its general contractor across several regions — Europe, the Middle East and

Asia but not North America.

The deal with Turkish Airlines, according to Stock, has major benefits for both parties. The airline gained a degree of certainty about the size of its legal bills over the next few years while ensuring there was enough flexibility to accommodate unforeseen events.

But what about the law firm? The benefit, according to Stock, is that the deal gives Eversheds the credibility to lock in similar big deals with other corporate consumers of legal services.

"Eversheds would say 'I can sell this model to 240 other airlines'," Stock says. "It's huge."

The other aspect of the deal he says is worth noting is that the firm's remuneration includes access to an innovation fund to help it develop better ways of servicing the airline.

Over time, Stock believes this will entrench the relationship. As the client grows and increases its demand for legal services "they can't go with anyone else — they're married", says Stock.