

Value Practice:***Demand Management Practices Add Value for Royal Bank of Canada's Law Department*****Murray Aust*****Interviewed while Global Director, External Legal Resources for Royal Bank of Canada*****June 2009**

The Royal Bank of Canada law group implements a set of demand management practices that have reduced external legal expenses by 20 percent annually. Important to the success of these practices is the concept that the business clients, law department and external law firms work collaboratively to achieve the law department's goals.

The Royal Bank's law department includes 140 in-house lawyers. While the law department handles many of the company's external law firm engagements, business clients may also directly retain external legal counsel; they also use these demand management practices as part of their process.

At its core, the Royal Bank views the demand management practices as matching the complexity and risk of a matter against the expense and expertise of a lawyer.

BENEFITS OF DEMAND MANAGEMENT

For the Royal Bank of Canada's law group, benefits include:

- Twenty percent reduction in external legal spend
- Uniformity and consistency in staffing legal matters, including engagements with external counsel
- Efficient purchasing decisions- demand management brings focus to:
 - how the need for services arises
 - whether legal input is necessary
 - if yes, then whether internal or external legal services should be used

KEY ELEMENTS OF RBC LAW GROUP'S DEMAND MANAGEMENT PRACTICES

Following are some key elements of the law group's demand management practices:

- ***Include key stakeholders and obtain buy-in-*** a critical initial step in the process; the law group spear-headed the process of creating demand management guidelines for external legal services, but important players providing input into the guidelines and how they would be implemented include: in-house lawyers, business clients and external legal counsel.
- ***Find the right firms to work with-*** in order for these efforts to be successful, the law group needs to identify the 'right firms'—those firms that are willing to follow the guidelines and align with the law group in its goals.

- **Create demand management guidelines-** written guidelines are an important part of these practices; the guidelines help reinforce consistency and uniformity. (See below for more on the RBC Law Group's Demand Management Guidelines.)
- **Educate key stakeholders as part of the roll-out-** the leader on point for implementing the law group's demand management process held face-to-face meetings with key stakeholders to explain the guidelines and resulting practices that would be expected to properly implement and execute the program. For external counsel, the law group held meetings and delivered formal presentations titled 'Welcome to Our World.'
- **Track and report-** 'Demand Management Tracking' is a key component of the law group's demand management practices. Reports on initiatives and cost savings are required at least quarterly, but may be submitted more frequently.
- **Create incentives by including demand management as part of compensation-** to help underscore the importance of demand management practices, demand management is a consideration and component for compensation for internal counsel: performance on demand management can amount to up to 20 percent of a bonus.

DEMAND MANAGEMENT GUIDELINES- IN SPECIFIC

Guidelines- Practical Format

The [RBC law group's demand management guidelines](#) are written in a very practical format to give the reader information on each of four key demand management practice areas. Specifically, the guidelines describe:

- The practice
- The objective
- Why to do it
- How to do it
- What needs to be tracked
- Examples

Four Key Demand Management Practice Areas

The guidelines detail steps to take or 'how tos' to implement demand management practices in four key areas:

- **Insourcing (deciding whether external counsel is required)-** the objective is to avoid the expense of external counsel. On how to do this, the guidelines suggest:
 - Analyse nature of the work, expertise required, risk involved, level or experience and availability of internal resources to match the expertise and expense of legal resources to the risk and complexity of the matter.
 - Does internal counsel have special expertise related to the matter?
 - Is it likely that in-house counsel can resolve the matter quickly?

- By doing the work internally, can RBC Law Group acquire valuable knowledge and experience that it can re-use for the client's benefit?
- **Tiering (selecting the right firm)**- the objective is to match the complexity and risk of the matter to the expertise and expense of the law firm. On how to do this, the guidelines suggest:
 - Analyse the nature of work, expertise required, risk involved, level or experience required.
 - Consult colleagues, business units and ratesheets for lawyers and law firms under consideration
 - Market check on quote if quote seems high
- **Staffing (selecting the right lawyer/paralegal or team)**- the objective is to match the complexity and risk of the matter to the expertise and expense of the lawyer/paralegal. On how to do this, the guidelines suggest:
 - Analyse the nature of work, expertise required, risk involved, level or experience required.
 - Discuss staffing with the law firm or individual lawyer at the beginning of each file.
 - Ensure that the proposed staffing (including proposed allocation of work among senior/junior legal resources) is appropriate to the issues/risks identified. The lowest hourly rate will not necessarily lead to the lowest cost: efficiency and expertise also matter.
- **Obtaining and enforcing quotes**- the objective is to obtain cost certainty, avoid overruns and control and more effectively manage legal costs by enforcing financial accountability. On how to do this, the guidelines suggest:
 - Analyse the nature of work, expertise required, risk involved, level or experience required.
 - Consult colleagues, business units and rate sheets for the law firms from whom to request quotes.
 - The quote should include a detailed staffing plan.
 - Review all legal bills, including the final bill, for reasonableness in terms of services rendered, compliance with staffing plan and compliance with budget.
 - Refuse to pay fees in excess of the estimate unless prior approval for such excess has been given.

DEMAND MANAGEMENT TRACKING- IN SPECIFIC

An important component of the overall demand management practices is tracking and reporting cost savings.

RBC Law Group's [Demand Management Tracking Form](#) is designed as a chart to display-- by demand practice category-- information on practices implemented and amount of cost savings to RBC. As noted above, tracking forms are to be submitted at least quarterly to help centralize and track overall

cost savings from demand management practices.

Tracking- Examples of What to Track

The RBC Law Group's demand management guidelines include examples of practices and costs to track for each of the four key demand management practice areas:

- ***Insourcing/Keeping Legal Work in-house:*** Track situations where you can quantify cost savings from having moved work in-house, or decided against any legal involvement, for work which was recently/historically performed by external counsel.

- ***Tiering:*** Track examples of situations where you can quantify cost savings from having moved work to a less expensive law firm.

- ***Staffing:*** Track examples of situations where you can quantify cost savings from having moved work to, or selected, a lower cost professional or otherwise achieved the same result at a lower cost through staffing allocation.

- ***Obtaining and Enforcing Quotes:*** Track examples of situations where you can quantify cost savings from having held a law firm to a quote, or paid less on a matter as a result of moving work to a firm which provided a better quote.

Contact Information

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