

SMALL BUT MIGHTY:

How Small Law Departments Can Apply
Value Levers to Do More with Less



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Since 2012, the Association of Corporate Counsel (ACC) has named the annual ACC Value Champions, honoring in-house legal departments and their external partners that apply diverse tactics to reduce costs, increase predictability and improve outcomes. Among the Champions, there are several small legal departments, with fewer than 10 attorneys. Smaller departments often are required to do more with less, so employing value tactics is key to their successful management of legal resources. These ACC Value Champions demonstrate that despite their unique management challenges and resource constraints, small legal teams can uncover the rich potential of these tactics to increase their efficiency and effectiveness.

Some common misconceptions may deter small departments from beginning their value journey: not enough repeatable work, so insufficient leverage with outside law firms; insufficient data; and scarce time and resources. Although these can seem like barriers to implementing value techniques, it is precisely these challenges that make undertaking the value journey worthwhile. As you will see from the case studies presented here, these ACC Value Champions just started small, employing one value tactic at a time, winning big-value results.

These ACC Value Champions work in industries as diverse as construction, mining and professional services, but they have many things in common. They are united by their focus on the company and departmental mission, and committed to formulating and deploying strategies and tactics that enable them to serve those missions well. We think you'll find their experiences instructive and inspiring.

VALUE LEVERS



Alignment with the business. Key to the success of the in-house legal department is alignment with the interests and goals of the client. To ensure alignment, savvy general counsel will review the enterprise strategic plan to identify priorities that may require or drive legal services. The next step is plotting legal services on a “value matrix” (considering risk and competitive advantage) and sitting down with business leaders to discuss their needs and how the legal department will meet them. Proactive agreement upon which legal services to invest in (or not), as well as service standards, yields alignment.



Legal project management. Put simply, deliberate planning, budgeting, communication and review yield sound management of legal matters. Start by “scoping” the matter — articulating the goals and being clear about what’s in and what’s out (i.e. what does not have to be done), then establish the parameters within which the work will be accomplished — the schedule, people and budget. Once launched, regular meetings and reports ensure the project stays on track, and improvement in future projects comes with conducting quick reviews upon completion of each matter.



Value-based fees. Any fees that are not primarily based on hours worked are value-based fees. Value to clients is often a matter of achieving predictable spending, so fixed fees are valuable. There are many variations, but the key is alignment of incentives — when outside counsel are specifically incented not to work as many hours “as it takes,” but rather to focus on efficient delivery of legal services, and on the clearly articulated outcome that the client wants, value is achieved.



Process improvement. There are several disciplines borrowed or adapted from the manufacturing context to improve legal work processes — Six Sigma, Lean, etc. They can be useful, but the point is simply to eliminate waste, such as extra steps; streamline processes to be more efficient; and, most important, to relentlessly address root causes — not just of mistakes or inefficiencies, but also of legal work itself. Prevention of disputes is the most potent way to control legal expenses.



Knowledge management. This is the process of capturing, distributing and effectively using knowledge. In its most evolved state, there is an integrated approach to identifying, capturing, evaluating, retrieving and sharing all of an enterprise’s information assets. These assets may include databases, documents, policies, procedures and “know-how” in individuals.



Technology. In the value context, legal teams leverage technology to automate processes that lawyers should not be doing, or to make those processes more efficient. Another important application of technology is to capture and provide data to assist in decision-making and to assess progress against goals — even to predict outcomes.

CASE STUDIES

CSA Group



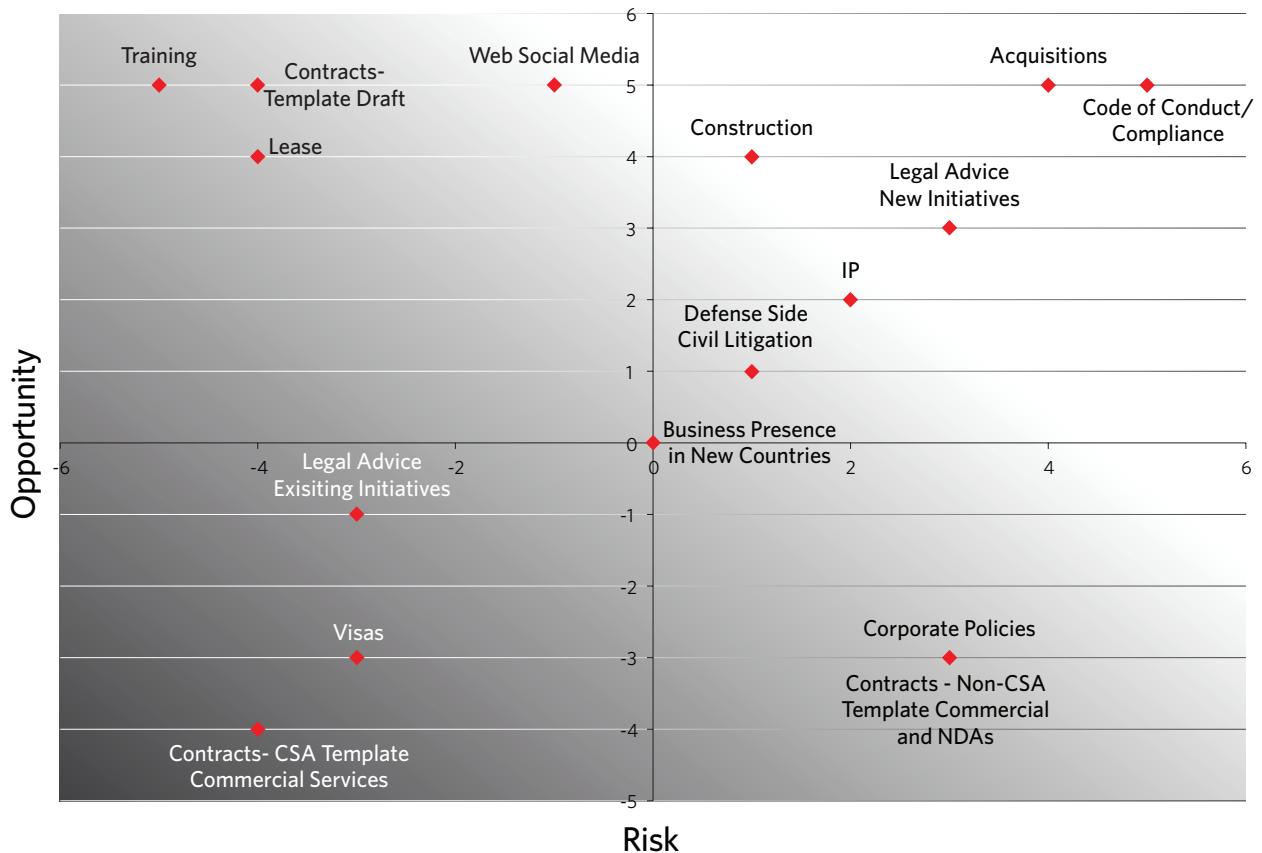
SUMMARY

The law department at CSA Group, a global engineering professional services firm headquartered in Canada, examined the enterprise strategic plan to identify which legal services best supported corporate goals and honed resource allocations to enhance alignment. Using a “heat map,” the four attorneys focused on high-value, cross-functional projects and outsourced and streamlined routine work. The effort has resulted in the department being consulted at earlier stages, permitting more effective and proactive legal solutions.

BACKGROUND

The arrival of a new president and CEO in 2009 provided the impetus for CSA Group’s value journey. He challenged the in-house legal department, which had been operating without process controls or legal line of sight, to forge stronger links between its activities and corporate goals. The department pursued three main objectives: align the legal department with corporate strategy, manage costs and lead people effectively.

Legal Strategic Plan



APPLYING VALUE LEVERS

GC Ellen Pekilis and her staff used the ACC resource, “[Law Department Strategy: Balancing Immediate Cost Savings with Sustainable Results](#),” as its roadmap. A detailed line-by-line review of the CSA Group strategic plan helped them to identify the legal work necessary to enable each item in the plan; these tasks were then grouped by theme and skill requirements. Using the ACC Value Matrix, the team identified the highest-value tasks for focus by in-house counsel; those in the middle range that were best handled by in-house counsel managing external resources; and those of low value, that required less hands-on legal time. Tools for self-service, such as templates and guidance tip sheets, were developed for those low-value tasks, and CSA Group staff were trained to use them.

Pekilis attacked value-based fees by negotiating a flat-fee arrangement for commercial and employment work for German operations with a local German firm. She also selected a third-party vendor of investigative services.

CSA Group’s legal department now focuses on such challenging and complex work as compliance, acquisitions and enterprise risk management. Its members are viewed internally as trusted advisors in achieving corporate goals, rather than tactical legal service providers, and are routinely included on cross-functional teams working on strategic projects.

RESULTS:

- Fees for commercial and employment work in Germany reduced by 30 to 50 percent.
- Costs for responding to code-of-conduct inquiries reduced by 90 percent.
- Increased predictability of fees for immigration services.

China State Construction Engineering Corporation



SUMMARY

A small legal department of only five professionals oversees the legal issues of China State Construction Engineering Corporation (CSCEC), the largest real estate and construction company in the world. Legal department members use technology to share information and knowledge with clients in the business units, leading to better legal outcomes and enhanced internal reputation for the legal department. CSCEC also deployed value-based fee arrangements linked to outcomes — quite the motivator for external legal counsel.

BACKGROUND

In 2012, China State Construction Engineering Corporation, which employs nearly five thousand people in the Middle East, began its quest for lower costs and improved value in its in-house legal department. Recognizing that the days of expansive legal teams are over, leadership turned to technology and innovation to extend reach and bandwidth; and reengineered fee arrangements with outside counsel.

APPLYING VALUE LEVERS

The legal staff at CSCEC leverages up-to-the-minute technology, including micro-blogging and instant messaging, to interact with one another and with their internal clients. Using a central online system, the department tweets out legal updates, classifying subjects through the use of hashtags.

Instant messaging, available on mobile devices and desktops, allows regional staff to interact with the legal team. It aids prompt resolution of problems and serves as an early warning system of burgeoning issues. In addition, updates on pending corporate legal cases are available to upper management with a single click, through the central online system.

Greater efficiency has been achieved by pulling contracts in-house, aided by the use of templates. Legal staff personally draft and review major contracts rather than outsourcing them. The work is aided by a system that permits the population of 20 key, regularly used contract documents through customized pro forma. Activities are tracked in a central database that issues reports on time expended in each country.

Even the handoff of work to outside counsel is made more efficient through the use of technology. An online folder protocol establishes a period of 30 days for claims to be considered and resolved. At the end of that period, access to the folder is disabled and external counsel is appointed.

CSCEC also improved its fee arrangements with outside counsel. External law firms must submit estimates of a fixed minimum fee and a potential success fee prior to the commencement of work. This value-added fee structure incentivizes the law firm, expedites project completion and enhances the prospect of recoverability for the company.

RESULTS:

- Outside legal fees reduced \$5 million in 2012 over 2011 through contract insourcing.
- Legal fees reduced a further \$15 million by requiring advance fee estimates and fixed minimum fees; recoveries improved by 60 percent.

HIROC and Borden Ladner Gervais

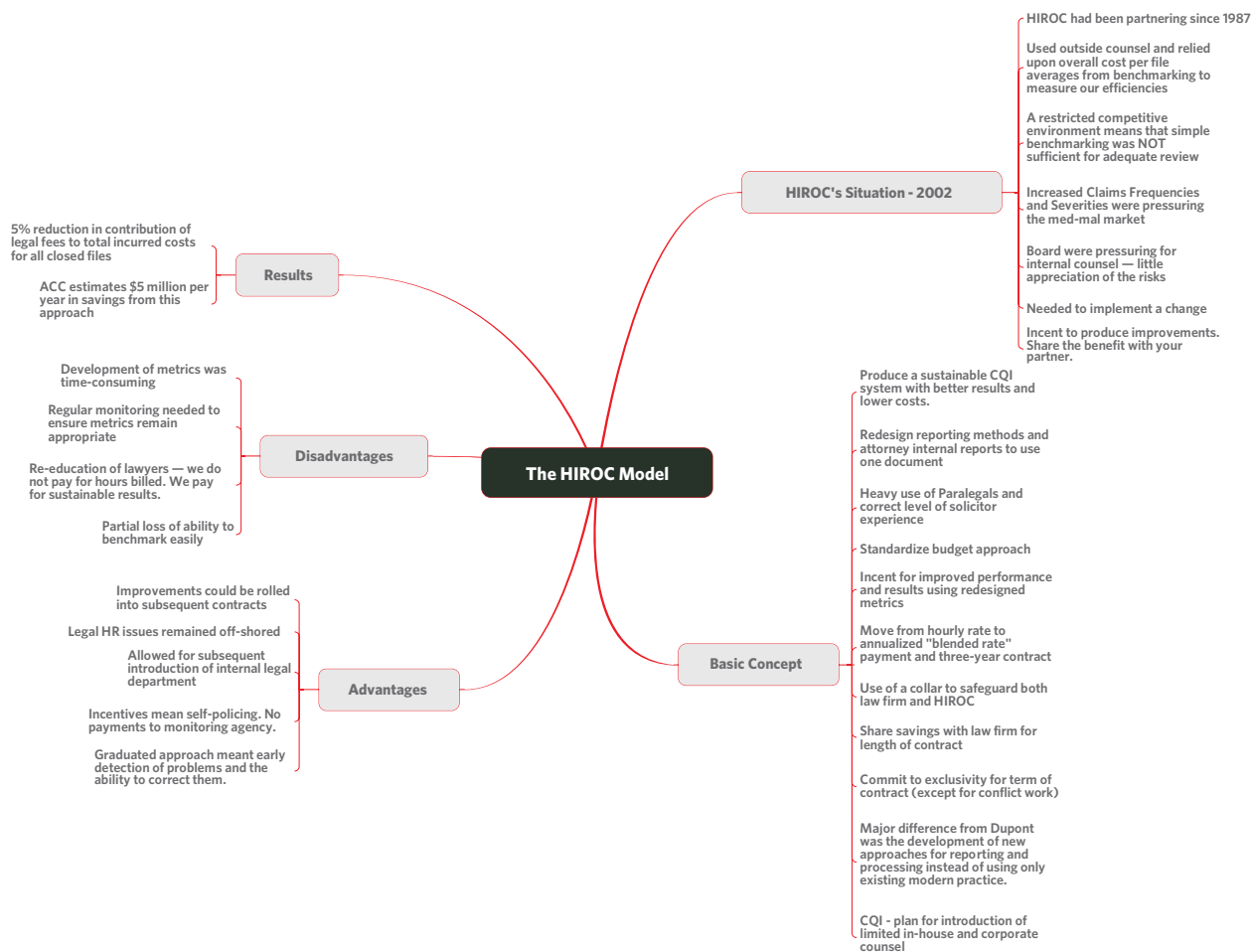


SUMMARY

The partnership between Healthcare Insurance Reciprocal of Canada (HIROC) and its external legal counsel, Borden Ladner Gervais, is an example of radical convergence: a new configuration of business fundamentals that includes work measured by number of matters rather than hours, insourcing work to the in-house legal team, the rigorous use of legal project management and a multi-year fee arrangement of a base amount with performance bonuses.

BACKGROUND

HIROC (a department of only three attorneys) and BLG had already ventured into alternative fee arrangements together in phases: first, an average hourly rate plus a 10 percent productivity incentive; then, a new average hourly rate discounted for volume instituted in 2009. Even so, HIROC wanted increased predictability of legal fees and sought a new approach to pricing its work.



APPLYING VALUE LEVERS

HIROC brought in Catalyst Consulting of Vancouver, British Columbia, to conduct an in-depth analysis of four years of matters with five levels of complexity for litigation; and to study average and total hours and staffing patterns for each level. To this was added a five-year forecast of the demand and growth in matters by level of complexity.

In August 2011, HIROC issued a request for agreement for legal services only to BLG. The scope of work included slightly more than 300 new matters per year across five levels of complexity. The request detailed criteria for the configuration of a team of about 20 lawyers and 10 paralegals, rigorous protocols for the preparation and approval of matter budgets, and the use of legal process management methodologies. Compensation would be in the form of a base fee combined with a performance fee determined by such value criteria as process management, responsiveness, predictable costs and results delivered.

The base fee includes all professional fees; all office-related expenses such as binding, copying, courier and postage; and increases for timekeeper experience and inflation. The agreement also accounts for an eventual reduction in number of matters to BLG because of HIROC's insourcing plans.

RESULTS:

- Increased budget predictability
- Improved talent retention
- Improved succession planning
- Minimized bureaucracy.

Hyundai Motor Manufacturing Alabama



SUMMARY

Hyundai Motor Manufacturing Alabama (HMMA) combined strategic division of work, cultural change and technology leverage to create a plant-based legal department that could manage the demands of the company's first US location. Although HMMA employs thousands in Alabama, the legal department consists of only five attorneys.

BACKGROUND

When its Montgomery manufacturing plant began producing vehicles in 2005, the Hyundai Motor Manufacturing Alabama legal team faced challenges common to a startup: quickly establishing legal systems and controls from scratch with limited resources, including systems for providing legal assistance, contract management, litigation management, outside counsel management and training.

APPLYING VALUE LEVERS

The legal department developed its own legal management software program rather than purchasing an off-the-shelf solution. Adopting a startup mindset, the team designed an online system that offers contract, litigation, outside counsel and workload management; and even delivers important just-in-time legal training. Automation makes tracking and reporting performance to company executives easy.

The legal department worked with HMMA's IT department and a vendor to develop a proprietary technology-based solution: the Electronic Legal Management (ELM) online computer program. ELM comprises the entire legal service lifecycle, from initial request to project completion. It provides contract management and legal management systems that store documentation electronically for easy retrieval and review. To reduce legal disputes, especially in employment, it also hosts legal training videos for viewing by HMMA employees and tracks their completion rates.

The legal department also stores key information on all outside counsel in ELM. HMMA attorneys complete "report cards" on outside attorneys quarterly; these reports allow the department to select the best outside counsel for projects and facilitates with greater budget predictability.

RESULTS (2010-2013):

- Recordable legal assistance provided increased by 44 percent.
- Number of contracts collected and stored increased by 61 percent.
- Employee training sessions increased by 123 percent.
- Employment litigation decreased by 20 percent.
- Outside counsel spend decreased by 48 percent.

HMMA ATTORNEY REPORT CARD

Attorney: Matter:		Law Firm: _____ Evaluation Month: _____
Project/Case Management 5 <ul style="list-style-type: none"> ▪ Understood objectives/tasks ▪ Achieved (is achieving) favorable results ▪ Required little or no management or oversight from Legal Department ▪ Paid attention to detail ▪ Zealously advocated for HMMA & its legal interests ▪ Displayed ethical behavior ▪ Served as a positive representative of HMMA 	Comments:	
Timeliness/Responsiveness 5 <ul style="list-style-type: none"> ▪ Completed assigned tasks timely with little or no follow up ▪ Promptly returned phone calls and e-mails ▪ Promptly submitted legal bills (10th of the month) ▪ Timely updated HMMA with significant developments in project/case 	Comments:	
Communication 5 <ul style="list-style-type: none"> ▪ Verbal and written communication was concise and clear ▪ Communicated practical advice; limited legalese ▪ Written work required little or no revisions ▪ Communicated well with Team Members outside Legal Department, including Korean Coordinators 	Comments:	
Knowledge of Law and HMMA 5 <ul style="list-style-type: none"> ▪ Demonstrated he/she is an expert in his/her legal specialty ▪ Demonstrated knowledge of HMMA and its business operations ▪ Knew and applied legal developments and trends 	Comments:	
Cost Effectiveness 5 <ul style="list-style-type: none"> ▪ Efficiently performed hourly work ▪ If possible, delegated work to associates/staff with lower hourly rates ▪ Did not perform work unless essential to the assigned project/case ▪ All work was performed to bring real value to HMMA ▪ Fully complied with HMMA's billing guidelines 	Comments:	

MSA Safety Incorporated + Reed Smith



SUMMARY

Seeking to lower litigation settlement costs, MSA Safety Incorporated forged strong outside counsel partnerships to augment a small department. Working with a national coordinating counsel in a phased approach, MSA’s lawyers challenged their own assumptions about value and risk as they drove clear strategy objectives throughout their local counsel network. They leveraged change management techniques to achieve shared responsibility for risk with internal clients, thereby saving significant time and expense on lower-risk categories of legal work. The department also engaged in process improvement to make its work more efficient.

BACKGROUND

MSA Safety Incorporated and national coordinating counsel Reed Smith maintained a tight focus on innovation as they pursued their value journey to sophisticated risk management. A law department of only four full-time attorneys, only one of whom is dedicated to litigation, its members challenged their own assumptions about the connection between value and risk to reduce costs without sacrificing quality, and applied multiple value levers in a phased approach to increase value even more.

Action Plan: What will actions achieve?	Champion(s): List		2012-2013 Milestones: What are key milestone dates?											
	Owner(s)	Impact	23	24	25	26	27	28	29	30				
Develop list of triggers to begin case settlement discussions	SS	-	☆											
Streamline RFSA form and settlement chart	JS	-		☆										
Designate drafters and approvers	JS	-		☆										
Create online RFSA form	MP	-						☆						
Create standard settlement notification distribute and data	SS	-		☆										
Payment release and upload code in KCIC database	MP	-						☆						
Develop checklist of key required docs to upload in casefile & audit met	MP / SS	-												
Train LC on use of database	MP / NS / JS	-											☆	
Ensure use of standard settlement posting date consistent with MSA acco	NS / MP	-				☆								
Recirculate standard definitions	MP	-											☆	
Throw away paper releases	SS	-			☆									
Create list of banking info	JS / SS	-		+	+	+	+	+	+	+			☆	
Confirm Plotkin wire info	SS	-	☆											
AP sends payment confirmation doc to Chris	SS	-							☆					
Chris uploads payment document and pay on date	SS	-							☆					
Move trial chart online and develop report for case approaching trial	MP / AI	-				☆								
Develop approved billers list		-				☆								

Legend: ☆ Scheduled Completion ☆ Actual ☆ Missed

APPLYING VALUE LEVERS

The initiative began with data: consolidation to one, broadly accessible cloud-based technology platform that automates basic metric calculations and many other previously manual features. All claims documents are maintained electronically. Retention of proper settlement documentation was increased from 70 percent to 100 percent.

MSA retained Reed Smith LLP as its national counsel, to drive clear strategy objectives throughout a local counsel network in 30 states. First working in a high-cost, low-risk set of jurisdictions as a pilot, the team learned that they could deliver real cost reductions with no increased litigation risk. Eventually the approach was rolled out nationwide to include all toxic tort product liability litigation.

Next, MSA created a virtual law firm, made up of outside firms with whom the company had worked successfully in the past. These external firms were assigned to defend the most complex cases based on expertise rather than geography, leading to greater efficiencies; knowledge sharing among the member firms ensures consistency and eliminates redundancy.

Outside counsel, inside counsel and MSA's internal continuous improvement specialists collaborated to map the value streams of MSA's current settlement process and developed an ideal future state. This exercise permitted the legal team to identify and eliminate waste and increase retention of key settlement documentation. And it was not a high-tech process — it involved sticky notes on walls.

A standardized weekly reporting process for defense activity was instituted, which aids in early identification of emerging risks and cost drivers. Local counsel now submit reports via a standard template on a set day each week. The data is processed in real time into a template every Monday.

MSA and Reed Smith jointly develop a targeted annual budget, each year aiming for greater savings than the last based on improved efficiencies. For every firm and vendor representing MSA, they monitor work levels weekly and track the budget bi-monthly against pre-established targets.

RESULTS:

- Defense expenses reduced 20 percent over previous year.
- Total settlement expense reduced by millions of dollars.

United Retirement Plan Consultants + Porter Wright



SUMMARY

Having leveraged technology to bring a dispersed team together as a high-functioning legal department, United Retirement Plan Consultants began its value journey. Seeking greater budget predictability as well as expertise in two major areas of work, securities and real estate, the eight-person team retained trusted outside counsel to evaluate value-based fees, share risk and create a true partnership. Their success hinged partially on the creation of simple but effective tools.

BACKGROUND

In 2009, the legal department at United Retirement Plan Consultants consisted of eight attorneys, no two of whom were located in the same office. Since then, the creation of bi-monthly team calls, a blog and a SharePoint site have improved communication and collaboration, and created a sense of teamwork among the attorneys.

United Retirement began its value journey by exploring value-based fee arrangements with its longtime counsel, Porter Wright Morris & Arthur LLP. The initial agreement was for a monthly adjustable retainer for routine securities work; in addition, United Retirement pays a fixed amount on a monthly basis for “routine securities matters.” The law firm and the in-house department collaboratively defined what work qualifies as “routine securities work.”

The United Retirement legal department and Porter Wright agreed to a separate fixed fee for a number of lease negotiations. When structuring a fixed fee for review and negotiation of leases, the firm raised concerns about the unpredictable nature of challenging lease provisions and onerous one-sided leases — that is, certain lease provisions (escalation of rent clauses, building allowances and the cost of tenant improvements, and generally onerous leases in favor of the landlord) that may cause the firm to spend an inordinate amount time in negotiating the lease. More importantly, the negotiation of these challenging lease provisions could cause the firm to spend more time than budgeted.

Porter Wright and United Retirement developed a Risk Chart to address the specific risks as a mechanism for managing uncertainties relating to a fixed fee engagement. After noting the fee, scope of the engagement, decision points and makers in the Risk Chart, the parties documented the risks, consequences, gave the risk a probability, mitigation strategy, triggers and time for a project review. As a result of completing the Risk Chart, United Retirement and Porter Wright were able to negotiate a fixed-fee arrangement that addressed United Retirement's need for predictable legal expenses while allaying Porter Wright's concerns regarding the time required to negotiate onerous lease provisions.

Risks	<ul style="list-style-type: none"> Time-consuming issues such as escalation of rent clauses, reimbursement of a building allowance or the cost of tenant improvements upon default and termination of a lease agreement Completely onerous lease
Consequence	<ul style="list-style-type: none"> Result in more time spent by firm than budgeted
Probability	<ul style="list-style-type: none"> Time-consuming issues have a 70% probability. Completely erroneous lease is unlikely and only a 5% probability.
Mitigation	<ul style="list-style-type: none"> Develop points and position with respect to time-consuming issues in advance and specifically address the most problematic issues in advance of a LOI or term sheet Rely on LOI or term sheet provisions to help reduce time on onerous leases. Also, company to share in overage above the fixed fee on completely onerous leases. Parties to review and agree after completion of the lease.
Trigger	<ul style="list-style-type: none"> Approach for this item applies to all leases Upon notice from Partner after initial review of lease
Project Review	<ul style="list-style-type: none"> CLO and partner to review engagement after completion of lease project to determine effectiveness and examine whether there are any areas for improvement

APPLYING VALUE LEVERS

For routine securities work, the firm tracks hours and submits shadow bills to help determine the appropriateness of the retainer. If the billable hours exceed the fixed-fee amount, then the company is responsible for 50 percent of the excess. Similarly, if the billable value of monthly hours worked is less than the fixed-fee amount, then the company will be provided a discount of 50 percent of the amount minus the fixed fee.

Both parties agreed to review the fee arrangement at six-month intervals to confirm that it continues to be viewed as successful for the in-house law department and the firm. The program was successfully implemented for 18 months, resulting in reduced legal costs and improved budget predictability, and was discontinued only because United Retirement went private.

RFPs of outside counsel, legal project management and value-based billing arrangements are now part of daily work at United Retirement. The company has used structured risk sharing, fixed-fee, capped and collared arrangements and hold-back structures. Value-based billing, in-sourced legal work and project management techniques have helped the legal team prove its value to its internal client.

RESULTS:

- Outside counsel spend reduced by 65 percent over first three years.
- Improved budget predictability due to 83 percent of legal expenses being in value arrangements.
- Risk Chart for lease negotiations provides continuity and consistency of risk identification.

ZS Associates



SUMMARY

To overcome the challenge of too few resources during a time of company expansion, ZS Associates' six-person legal department had to be smart. They took a multifaceted approach using several value levers, pairing specialized in-house counsel with offshore attorneys and using value-based fee arrangements with legal process outsourcers to predict expenses, even when workloads grew. This enables them to do more with less, while increasing quality and results.

BACKGROUND

ZS Associates is a global sales and marketing consulting company. Prior to beginning its value journey, the legal department focused primarily on client contracts. Steeply increasing demand for legal support occasioned a change in the way department members worked. The department devised a new mission statement that emphasized the expertise its six attorneys and two paralegals could bring to appropriate legal work — “to provide pragmatic, responsive, value-added and cost-effective legal solutions, while balancing risks and rewards” — then set about finding efficient solutions for everything else. Their value journey ultimately comprised four phases.

APPLYING VALUE LEVERS

That journey began with a re-casting of the department's mission, which focused on its desired transformation. The legal team was divided into “expertise centers,” each managed by a senior attorney. An offshore legal team of two Indian attorneys was created to support the onshore senior attorneys and helps to address legal needs more promptly and efficiently.

Its internal teams in place, ZS Associates began the process of outsourcing routine legal tasks by sending out a request for proposal seeking fixed-price bids to support contracting, corporate, forms, HR and

research processes. A single India-based outsource provider was selected and playbooks were developed for the relevant support services. The success of that arrangement inspired the ZS team to issue RFPs for other matters on “chunks” of legal work that could be easily delegated. Outside legal costs are more predictable, and the utilization of RFPs led to capped and fixed legal fees for all major matters.

ZS Associates used yet another value lever: technology. They sought and obtained an electronic portal and suite of tools to track and report on legal matters, automate workflow, create electronic files and facilitate communication.

RESULTS

- Per-hour costs to review and finalize contracts reduced by 50 percent in the first nine months.
- In year two, 30 percent increase in legal matters managed internally, including a 13 percent increase in master service agreements, and a 34 percent increase in confidentiality agreements.
- Increased predictability of outside legal costs.

CONCLUSION

As these case studies demonstrate, value approaches hold rich potential for small in-house legal departments. Although they can be undertaken in a variety of ways, all are scalable and replicable. Whether you begin with a small pilot on a discrete chunk of work as MSA Safety Incorporated did, reevaluate your mission and hone in on critical work like ZS Associates and CSA, or just begin to use technology and social media to communicate with your internal clients, as demonstrated by China State Construction and HMMA — there is a path that will work for you and your organization. Commitment, creativity and top-down support are crucial elements. Perhaps some culture change will be in order. However, as all of our small-department ACC Value Champions emphasize, the main thing is just to begin.