

Best Practices

Managing Global Law Departments on a Tight Budget: Opportunities, Dangers & Tips

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Background

You head the law department of a global company based in Europe.

You have successfully built a “go-to” and “hands on” reputation with your management. Now management is demanding that you continue to deliver the same standard of legal services using external counsel on a much tighter budget.

Opportunities and Challenges

The financial crisis has affected the legal services industry, providing law departments with opportunities, though certain challenges remain.

- Law firms tend to be more willing to compromise on fees in order to keep their business base intact.
- Quality still has a price. Lower budgets risk leading to lower quality levels.
- Finding the right balance between price and quality is still not easy.

Contingencies

Many variables and contingencies exist on the path to a quality legal product at a fair price:

- **Structural changes?** Changes in deal structure cause significant impact on legal analysis, documents and costs.
- **Deal or no deal?** The parties need to have a deal before deploying legal resources. If they are unable to agree on a deal and churn draft documents this will be wasteful.
- **Cheapest/best?** A cheaper law firm may be less expensive, but more inexperienced.
- **Support?** There may be less in-house support than expected.

More for Less

Establish proper procedures from the beginning if you want to achieve “more for less”:

- Base your project budget on a joint definition of project goals and phases with the manager in charge. Indicate potential contingencies and assumptions made.
- Decide which portions of the project shall be handled internally. Experienced project managers with resources will involve a law firm only on aspects which are vital.

- Invite the law firm to brainstorm on the project with you. A beauty contest may be a good way to pick the right law firm for the best price.
- Agreeing on fee budgets and discounts for specific project phases incentivizes the law firm to keep costs under control, whereas fixed fees may lead to unwanted results.

Securing Success

Monitoring the law firm’s services throughout the project is key for securing success.

- **Keep track of the work flow:** this will allow the law firm to perform only required tasks and avoid lawyers doing clerical work (e.g., organizing conference calls, chasing project members for input) or attending meetings where the parties are negotiating commercial aspects of an agreement.
- **Speak with one voice:** different service requests made by various project members lead to overlaps and confusion.
- **Arrange post-closing sessions:** a good law firm will be pleased to attend such a session without charge to wrap up the project.

Conclusion

There are many ways to achieve the unachievable. Careful management can enable a reduction of costs without impairing quality of performance.



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