

The Price-Value Gap:

Competitive Dynamics in the Legal Services Industry

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Introduction

Law firms have long struggled with the perception that the services they offer cost too much. Year in and year out, a consistent message emanates from corporate legal departments: firms are not innovative; they charge for peripheral activities that are not necessary and for personnel who are not effective; they are, relative to other providers of services and goods, too often unresponsive, inflexible, and lavishly expensive.¹

What is troubling for both law firms and corporate counsel alike is that these perceptions are indeed supported by the hard reality of data, a reality that has proven remarkably resistant to alteration despite more than a decade's worth of attempted remedies.² They are by now familiar: Convergence; Alternative Billing; Risk Sharing; The DuPont Model; In-Housing; UTBMS and E-invoicing. All represent serious, useful, and yet ultimately unsuccessful attempts at addressing the central challenge facing the legal services industry today, as it heads into an era of increased commoditization, vastly intensified competition, and tighter management under the aegis of CEO/CFO-supported strategic sourcing initiatives.

Not an encouraging prospect for law firms and managing partners can be easily forgiven for their frustration. After all, the practice of law remains a difficult, grueling, and (for many) unrewarding affair. The hours can be brutal, and both competition and client scrutiny grow ever more intense. Moreover, law firms have made significant efforts to address the concerns of their corporate clients: participating in "beauty contests", enduring audits, taking on alternative billing structures, and writing down fees. And yet none of these efforts seem to have affected the fundamental perception that law firms, as a collective group, charge too much for the value they provide. Despite all the efforts at innovation, responsiveness, and cost control, the perception of a "price-value gap" remains stubbornly persistent.

That this perception exists is well accepted; what is relevant to corporate counsel and their law firms is where things are going and what can be done. It is a central thesis of this paper that law firms and their clients have been having, in effect, the wrong conversation - a conversation about the price law firms charge for legal services when the issue going forward really is the costs law firms face in providing those services in an increasingly competitive, commoditized, and transparent market environment. We believe that law firms must address their cost structures - potentially in radical fashion - or risk being eclipsed by more innovative and efficient entities that can provide legal services far less expensively.

Certainly this view is controversial. However, in arriving at this conclusion we have considered several aspects of the current legal services market that are both decidedly fundamental and decidedly not controversial (in terms of their validity):

¹ For the last three years, roughly 60% of corporate counsel surveyed by ACCA have fired, or considered firing, one of their outside law firms, primarily for reasons of cost. *Chief Legal Officer Survey: The Opinions of Chief Legal Officers on Issues of Importance* (Association of Corporate Counsel/Altman-Weil, 2003).

² Both lawyer compensation and standard bill rates have significantly outpaced inflation for the last twenty years. See *2003 Survey of Law Firm Economics* (Altman Weil, 2003).

- *Poor customer satisfaction.* Corporate legal officers remain unhappy with the value provided by their law firms relative to the fees their law firms charge. Nor do they consider their law firms to be particularly innovative in addressing this price-value gap.
- *Value proposition that is both non-core and high-cost.* Spending on legal services contributes nothing to the quality of products a company produces, nor does it reduce the cost to a company of that production. The price of legal services continues to rise, in most cases more rapidly than the cost of other (non-commodity) goods and services purchased by corporations.
- *Increasingly intense and efficient procurement methodologies.* CEOs are now fully behind the idea of implementing strategic procurement across the enterprise. Strategic sourcing groups, operating under senior executive mandate, are moving beyond core areas of spend into traditionally “off-limit” areas such as legal.³ And there are no sacred cows; contrary to the stereotype, strategic sourcing teams are unafraid of complexity, and have grown quite comfortable in assessing, modeling, and accounting for any “qualitative” differences among service providers. If you really are different from the others, they will be able to establish what that difference is worth. Transparency, impartiality, and fair but rigorous sourcing processes will prevail where relatively unsophisticated, first generation sourcing procedures have to date been the norm.
- *Inefficient provider economics prone to disruption.* Law firms have highly profitable⁴ but highly inefficient cost structures, characterized by high labor costs, relatively lax operations management, high turnover, and low job satisfaction. Such structures are highly vulnerable to shifts in market dynamics - e.g., technology removing traditional barriers to entry - wherein new, more efficient entrants into the market disrupt the profitability of the incumbents. (Note that this phenomenon has affected markets all across the spectrum, from disk drives to retail and from power shovels to management consulting, in both product and service arenas.)⁵

These factors lead us to believe that the trend is toward a lower-cost, higher-efficiency legal service delivery model that will both benefit corporate clients (over the long run) and substantially challenge those law firms that are unable or unwilling to adjust to the new environment.

To flesh out this thesis, we will begin by considering what might be called the “first generation” of modern competition and cost management in the legal services industry, which began well before the introduction of the Dupont Model in 1992 and continues as the operative paradigm today. We first will evaluate the various first-generation measures in-house counsel have implemented to increase the return on their outside counsel investment and how (in this context) law firms have operated as economic entities. We will then turn to consideration of what the “second generation” model of legal services might look like and the implications of that structure for law firms and the companies they serve.

³ For first generation sourcing/auction issues, see “Reverse Auctions Bid Up Anxiety,” Minneapolis-St. Paul Business Journal, July 19, 2004.

⁴ The net profitability of the 2004 AmLaw 100 was 36.67%. (Raw data courtesy of American Lawyer Media, 2004)

⁵ See Clayton Christensen’s seminal work, *The Innovator’s Dilemma* (Harper Business 2003).

First Generation Competition in the Legal Services Industry

While still developing in many respects, and uneven in its incidence across the corporate legal landscape, first generation “modern” management of outside legal spend involves several recognizable themes/trends.

In-Sourcing

The expansion of internal law departments has allowed companies to perform certain legal tasks in-house at lower cost, and be more effective consumers/negotiators of outside legal services. It has also (to a degree) permitted companies to manage a greater number of law firms, a capability which in turn enables companies to engender greater competition for their outside counsel spend. However, budgetary realities tend to limit internal headcount, capping the effective span of control law departments can effectively exert. Indeed, the trend has, in many instances, been in the other direction, toward convergence, with companies reducing the number of outside law firms and essentially outsourcing much of the supervision and coordination of their activities.

Convergence

Convergence became more popular as the rolls of law firms grew far beyond the capability of in-house counsel to effectively supervise or manage them.⁶ By reducing the number of law firms, companies could more effectively manage their activities and negotiate better pricing in exchange for giving fewer law firms greater volume. The concept aligned nicely with the early 1990s trend toward outsourcing the corporation’s non-core activities. However, convergence presents several challenges that make it more a supplemental strategy than the comprehensive silver bullet solution envisioned by some.

Having fewer law firms take on more work reduces the pool of available firms possessed of sufficient scale and breadth of expertise to manage the business, thereby reducing competition. Outsourcing the supervision and project management of legal spend might reduce the burden on in-house staff, but its effectiveness depends on how well (or poorly) law firms manage projects and coordinate activities across regions. Law firms may actually be worse at this than in-house managers who are focused and closely familiar with the company’s business requirements.

As outside counsel takes on more responsibility, it further integrates into the client’s processes - a good thing as long as all goes well, but troublesome if they do not, as the law firm’s tie-in to the company increases both switching costs and the pain of transition.

Alternative billing

While generally positioned as substitutes for the dreaded bugbear of hourly billing, alternative billing models (e.g. fixed fee, blended rates, risk sharing and task billing) represent attempts to close the price-value gap by better aligning rewards and incentives. Some of these structures have proven

⁶ See *Inside/Outside: How Businesses Buy Legal Services*. Smith, Larry. (ALM Publishing, 2001).

valuable. Fixed fees make budgeting simpler and legal spend more predictable. Blended rates likewise reduce complexity. Risk sharing, outcome-based bonuses, and other contingent structures help move law firms away from what can be a troublesome “cost-plus” mentality.

Whatever their value, alternative billing approaches suffer from two major deficiencies.⁷ First, in solving one problem they tend to create another. Flat fees, for example, succeed in eliminating the upside variability of hourly billing. However, in so doing they transfer the risk of bearing that variability onto the law firm, which often is less able to bear it. If a large company represents, say, 25% of a smaller law firm’s revenues, then the law firm will have, in a fixed-fee arrangement, a *financial* risk of far greater relative magnitude than the *budget* risk the client company would bear under an hourly-billing scenario. Oftentimes the cost of this risk imbalance can be obscured, but there is no question that it is real. It will manifest itself in flat fees that are higher than the total equivalent value of hourly billings, reduced service levels, law firms failing or enduring financial distress, or - as was the case with Wal-Mart - outside counsel avoiding fixed-fee work altogether.⁸

Second, and more important, alternative billing arrangements only address the *price* component of the outside counsel relationship, but leave the issue of *underlying costs* up to the law firms to solve. While it is true that competition and market efficiencies will, over the long run, reward those law firms best able to make the necessary adjustments and penalize those that do not, it is also true that such a shakeout can involve a great deal of pain and risk for the corporate client as well.

It is not clear, therefore, that these first-generation attempts to deal with first-generation competition in the legal services industry will prove sufficient in the second-generation competitive environment going forward. Before addressing this second-generation market dynamic, we need to examine the structure of how law firms operate today and where those structures may prove most vulnerable to increasing competitive pressure going forward.

Law Firm Operations⁹

Much of what we have to say about law firms may prove troubling to outside counsel. However, there is no doubt that - for the time being, at any rate - the business of law remains a very good business indeed. As noted previously, profit margins at the AmLaw 100 remain comfortably high. There are few, if any, industries that produce equivalent results.¹⁰ Standard bill rates have

⁷ For a more in-depth discussion of alternative billing structures, see: *ABA Commission on Billable Hours Report*. (American Bar Association, 2002); *Winning Alternatives to the Billable Hour: Strategies that Work*. James A. Calloway and Mark A. Robertson, editors. (American Bar Association, 2002); *ELawForum: Transforming Legal Services*. Clayton M. Christensen and Scott D. Anthony. (Innosight LLC, 2004).

⁸ *Wal of Shame: Wal-Mart Lawyers Settling Customer Suits Retailer Resisted for Years* (Bloomberg News, 7/26/02). Wal-Mart in response decided to end fixed fee arrangements.

⁹ *Law Firm Accounting and Financial Management* (3rd Edition). Quinn, John P., Joseph A. Bailey, Jr, and David E. Gaulin (Law Journal Press 2001); *Results-Oriented Financial Management: A Step-by-Step Guide to Law Firm Profitability*. John G. Iezza (American Bar Association, 2003).

¹⁰ The AmLaw 100 figures appear to be after-tax. The average operating expense ratio of firms responding to Altman-Weil’s 2003 *Survey of Law Firm Economics* was 41.1%, equating to an astounding 58.9% pre-tax profit margin.

continued their upward march. Compensation - for new associates and partners alike - remains unmatched outside of other high-value professions as management consulting and investment banking. Outside counsel, however buffeted by the discomfiting winds of formal reviews, bill audits, and Requests for Proposal, remains - relative to other suppliers to the corporation - a trusted and valued partner.

Law Firms - Basic Economics

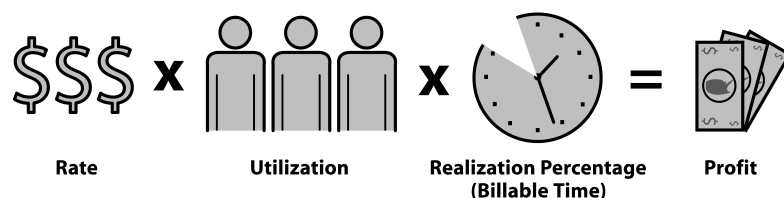
Law firms as a group are immensely profitable. They have achieved this success historically via a very high-cost, but very high-margin business model.

- *Costs are effectively fixed.* Most firm expenses - personnel, occupancy, technology, recruitment, capital, marketing, etc. - are fixed over the medium-term.
- *Revenues are variable.* Whether produced at very high markup on a per-hour or, under alternate billing regimes, per-project (matter or practice segment) basis.
- *Efficiency is low.* Collections generally proceed at a leisurely pace, resulting in a very slow “inventory turn” model - work is done and expense incurred months before the bills are paid. Overheads are heavy. The culture is professional, not managerial. Few enter the profession of law to become “managers” of law firms. Success is defined by rainmaking and the effective practice of law, not by the possession of superior project management talents. This fact, coupled with the inherently inefficient partnership structure, makes many firms fairly inefficient (and hence inflexible) businesses.
- *Margins are high.* A healthy law firm generates a very high return on each hour realized and collected, with pre-tax profit sometimes as high as 70% percent of revenue.

Law firms typically generate superior partner returns through the use of leverage - i.e., generating excess profit off of salaried fee-earning lawyers. This allows a partner to spend their time on non-fee producing activities (firm management, training, and business development) and offer their services to clients at a rate that, on an hourly basis, may be below that which would be required to cover their total costs. With compensation fixed, each additional non-equity fee-earner produces incremental profits per partner - *as long as bill rates, hours billed, and realization rates remain above certain thresholds.*

The Profit Equation

These three drivers - rate, utilization (hours billed) and realization (write-down percentage) - are critical to a law firm’s profit equation. If one driver deteriorates - for example, if an insurance case is

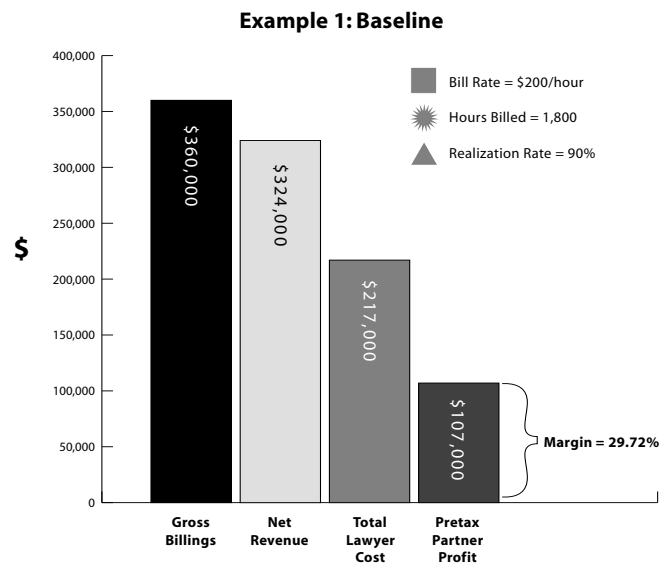


taken on that involves very low hourly bill rates - the other two must compensate. In the instance of the insurance case, it is likely that the lower rates must be made up at the individual level by billing more hours, and, at the firm level, having more fee earners assigned to and billing on the matter. This rate/utilization/realization equation has served law firms well traditionally. However, the model can be stressed to the breaking point, particularly in the case of less experienced fee earners who are, by their lack of experience, less productive and more open to billing challenge by clients.

Example 1: Baseline

Consider the following example of a second-year associate at a large law firm. At a bill rate of \$200/hour, and an industry-average realization rate of 90%, the associate is producing profit for the law firm - albeit at a vigorous annual billable hour production total of 1,800 hours.

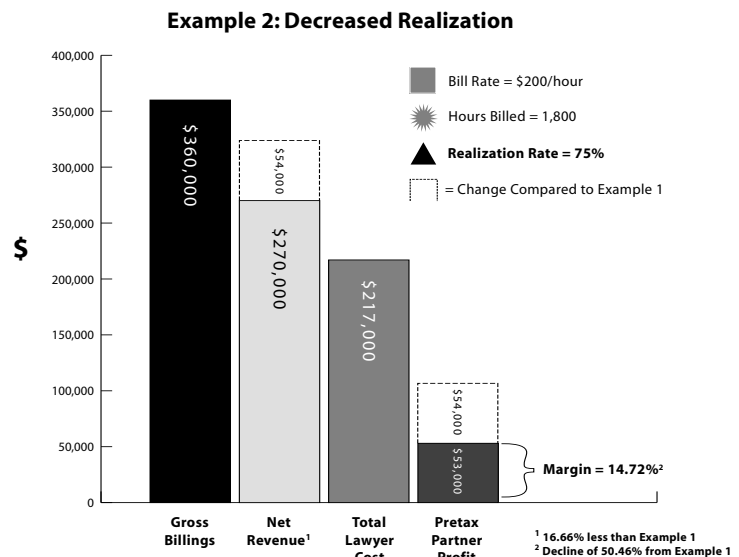
REVENUE	
Bill Rate	\$200
Hours Billed	1,800
Gross Billings	\$360,000
Realization Rate	90%
Net Revenue	\$324,000
EXPENSE	
Comp & Benefits	\$117,000
Overhead	\$100,000
Total Lawyer Cost	\$217,000
Pretax Partner Profit	\$107,000
Margin	29.72%



Example 2: Decreased Realization Rate

Now let's assume for a moment that all revenues are generated from a single client, and see what happens when the client objects to the managing partner being billed for this person's time at this

REVENUE	
Bill Rate	\$200
Hours Billed	1,800
Gross Billings	\$360,000
Realization Rate	75%
Net Revenue	\$270,000
EXPENSE	
Comp & Benefits	\$117,000
Overhead	\$100,000
Total Lawyer Cost	\$217,000
Pretax Partner Profit	\$53,000
Margin	14.72%

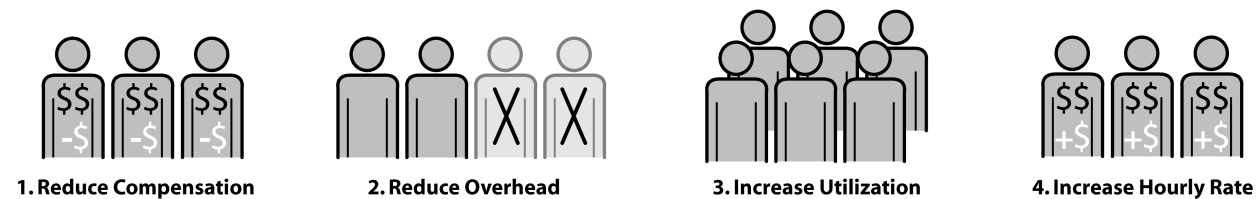


rate. He is a new lawyer who is taking (and billing) far more time to complete a task than seems reasonable to the client given the fee. Anxious to keep the client happy, the managing partner writes down the billings another 15%, resulting in a net realization rate of 75% versus the initial 90%.

Net revenue drops to \$270,000, cutting the pretax partner profit by half, to \$53,000. In order to maintain the previous level of profitability, the law firm has four options:

- Option 1: Reduce compensation
- Option 2: Reduce overhead
- Option 3: Increase the number of hours billed (utilization)
- Option 4: Increase the hourly rate

Profitability Options

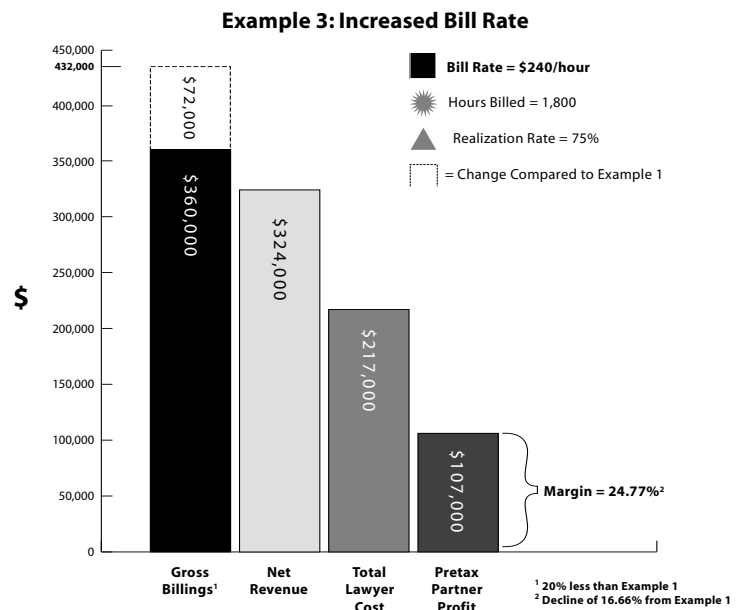


Example 3: Increased Bill Rate

In the short term, reducing compensation and overhead represent significant challenges. Raising rates clearly is not an option, given that the client already feels that he's overpaying for the value received. But even assuming the client were amenable to a rate increase in theory, the size of the increase required to maintain the law firm's profit level would surely give him pause:

Note that the bill rate has risen by 20% to \$240 in order to compensate for the lower realization percentage. To generate the \$107,000 in partner profit, the associate now must produce, through higher rates, \$432,000 (versus the initial \$360,000) in unrealized billable hours to offset the higher write-downs. Even then, the law firm's profit margin on the work has declined to 24.77%.

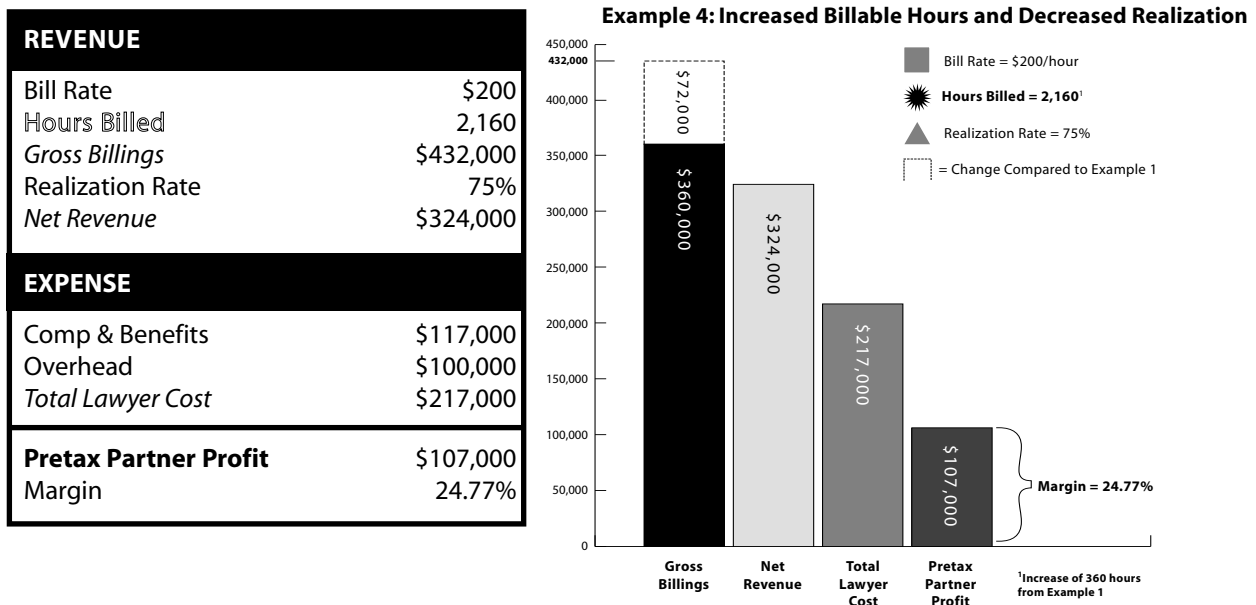
REVENUE	
Bill Rate	\$240
Hours Billed	1,800
Gross Billings	\$432,000
Realization Rate	75%
Net Revenue	\$324,000
EXPENSE	
Comp & Benefits	\$117,000
Overhead	\$100,000
Total Lawyer Cost	\$217,000
Pretax Partner Profit	\$107,000
Margin	24.77%



Example 4: Increased Billable Hours and Decreased Realization

Of course, it is highly unlikely that the law firm will be able to raise its bill rate at all. That leaves only the third revenue driver, utilization. How many hours will the associate thus have to bill in order to offset the realization shortfall? Quite a few; the associate will clearly be busier next year.

He now must bill 2,160 hours simply to stay even on the profit front.



Profitability Model: Implications

We have now seen that law firms remain vulnerable to changes in realization and bill rates - precisely the areas under greatest pressure as the environment transitions from first to second-generation competitive dynamics. In practice, of course, good lawyers are highly valued by their clients, most of whom are happy to pay well for a service well rendered. It is at the lower experience levels where the vulnerability exists. Clients do not like paying to train new lawyers. At the same time, law firms need to hire and train a large number of new lawyers in order to produce a pool of qualified lawyers who clients *are* willing to pay for.

Unfortunately, this is a very expensive proposition. New lawyers command generous salaries; they involve great recruiting and training expense; their overhead is only slightly lower than those of more established attorneys. Sweatshop billing production requirements lead to poor job satisfaction which leads to high turnover - in turn leading to higher cost and lower productivity.

The outlines of a vicious cycle appear to be forming. Leverage drives profitability, which encourages law firms to bill as many fee earner hours as possible. This pressure reduces quality of life, increasing turnover costs and retarding productivity. As it becomes more difficult to realize billings on the least experienced leveraged attorneys, those attorneys have to work more hours, further intensifying the cycle. Moreover, the efficiency of those billings at the margin deteriorates further, as clients are even less willing to accept more hours of attorneys they don't really want to use.

All of this is manageable, if not particularly enjoyable, as long as the law firm has lawyers of sufficient skill and experience to bill enough to offset the cost of non-productive, unprofitable junior attorneys - who are, as a group, the “raw material” from which productive lawyers are developed. But if the pressure on profitability both intensifies at the low end of the experience curve, and (even more troubling) moves upward, making even fairly qualified but expensive associates less profitable, the entire high-cost, high-margin, leverage-based structure upon which law firms have staked their economic viability could find itself in crisis.

Second-Generation Competition in the Legal Services Industry

Strategic Procurement

With the advent of strategic sourcing as a core corporate focus, relationships with outside counsel will be increasingly governed by corporate, versus law department-internal, procurement standards and processes. While at times painful at the outset, the involvement of strategic sourcing groups in the legal sourcing process will likely prove a boon to forward thinking in-house legal teams. New decision support tools allow for vastly superior evaluation of the cost *and value* of services outside counsel provide. Analytical rigor and procedural objectivity championed and supported by strategic procurement groups are becoming the order of the day.

Executed effectively, these programs make the inside-outside relationship fairer for and more transparent to, all participants. However, it is also true that they make things much more competitive for law firms bidding on a company’s work. Not only does the strategic procurement approach allow for analytical measurement of previously subjective differences among the service levels law firms provide, it also permits consideration of entirely different methods of delivering that service in the first place. And, as the market for legal services continues to shift, entities are appearing that can and do offer those services at greatly reduced cost.

Market Disruption

Professor Clayton Christensen first introduced the concept of competitive disruption in his seminal work, *The Innovator’s Dilemma*. The concept of disruption is, by now, a familiar one to students of industry. A market, often enabled by a technological innovation, develops around a previously unmet need. Leading firms succeed first through breakthrough innovations, and later maintain their incumbent position through “sustaining” innovations that are tailored to the needs and requirements of their best customers. Think General Motors building cars to suit the perceived needs of American consumers in the 1950s; IBM delivering customized, proprietary mainframes to corporate customers; door-to-door World Book Encyclopedia salesmen selling \$1,000 encyclopedia sets to parents anxious to ensure their children’s admittance to college.

Over time, however, new entrants appear. They almost always begin at the low-end, addressing what incumbents usually perceive as the least desirable, least profitable segments of the market. Toyota and Honda begin imports to the U.S., but the cars are small, cheap, and not, from Ford’s perspective, profitable or attractive to the American consumer. Indian software developers take on work

previously performed in the United States - work that many American firms see as commoditized and undesirable. Michael Dell sells computers over the phone, but is ignored by Compaq and Packard Bell, who are tightly focused on their traditional retail-channel, sales-floor distribution model.

In each case, the cheap, low-quality, marginal competitor grows stronger over time, eventually moving upward and taking the incumbents' core customer base. The operational and cultural competencies that Dell, Wal-Mart, and Southwest developed serving the customers Compaq, Sears, and United ignored made them lethal competitors once they took on the incumbents directly.

The beginnings of this disruption in the legal services market are clearly evident today. Companies such as General Electric are off-shoring aspects of their internal legal work. Others, such as American Electric Power, are deploying innovative contract staffing structures that take advantage of the large supply of lawyers¹¹ willing to work on a contract basis - an approach that replaces the fixed-compensation, high-overhead structure of a law firm with a low-cost, low-overhead, variable compensation model that can deliver equivalent service at far lower cost.

Typically, these approaches address the low-end, commodity segment of the market. The spirit-crushing document review, the price-grinding insurance case, the low-level discovery road march are handed off - gratefully, in many cases - from outside counsel to a new entity: a contract attorney, an off-shore law firm, or a specialized project team led by a skilled project manager and staffed by contract attorneys.

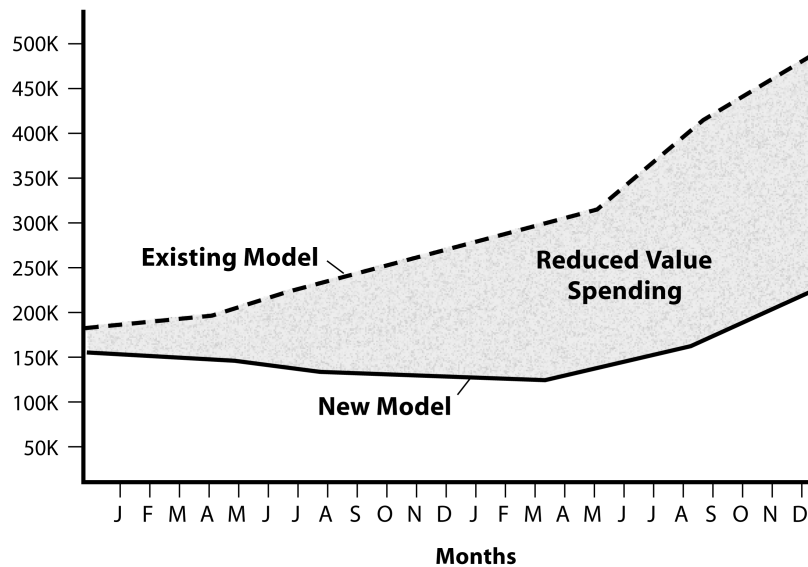
In an era of ever-more efficient legal procurement, we can expect to see more of this type of activity, as corporate clients more effectively match legal tasks with the cost structure most appropriate relative to their value. The obvious question, of course, is to what extent these low-cost entities will be able to move upward, in disruptive fashion, and take on the high-value services law firms have traditionally considered core to their profitability. Of equal interest, however, is the amount of disruption a traditional law firm can stand, given its leverage-based profitability model. The future impact of competitive disruption on the traditional law firm is not clear as yet, but we can draw some general conclusions - both for the law firm, and for the corporate clients it serves.

The Future of Legal Service Delivery: Closing the Price-Value Gap

Law firms will need to adjust their internal economics to effectively serve different market segments, or exit those segments entirely. A law firm interested in competing at the lower end of the legal services market will likely have to take on more of a variable-cost, low-overhead, project-management focus. The use of contract staffing teams is an approach that many firms have taken, in partnership with their corporate clients. By reducing overhead and turnover cost, shifting low-rate work to variable, low-cost contract staffing, and maintaining the realization rate of high-value internal fee earners, law firms will be able to maintain their viability and continue to drive profits through leverage.

¹¹ There are over 1,000,000 lawyers in the United States. Each year, law schools graduate an additional 40,000 lawyers, half of whom are women. There are only 93,000 lawyers working at AmLaw 200 firms. The very high attrition rate at law firms, coupled with the large number of non-firm lawyers with the requisite skills and training to perform many legal tasks, indicates that the supply side of the legal service equation will remain well sufficient for years to come.

Price-Value Gap



- *Law firms must re-examine their internal recruiting and professional development approach.* In the process of adjusting internal economics, law firms must take care to reduce the fixed cost of internal personnel - i.e., recruit, train, develop, and retain a *smaller* group of more productive fee earners. There is a great deal of direct and indirect cost associated with a model that requires a law firm to recruit, hire, train, and compensate two-to-three times as many lawyers as eventually become long-term profit producers. A smaller, more focused recruiting and retention program will better enable law firms to attract and keep great prospects.
- *Project management and operations excellence will become core competencies of the law firm.* While business development and high-quality legal work will remain the hallmarks of partner-level performance, the ability to precisely staff, cost, forecast, and track complicated projects will be critical for law firms interested in handling high-volume, low-margin legal work.
- *Competition on price and value will intensify.* On the client side, chief legal and chief procurement officers will work together in driving down cost and increasing value delivered through increasingly sophisticated negotiation and sourcing methodologies. In the marketplace, the true cost of providing legal services will continue its march downward, as technology increases productivity and permits non-traditional delivery of lower-cost service - a law firm in Pittsburgh teaming with a contract project group in Columbus and an IT/administration group in Bangalore, India to take over a company's litigation discovery at half the cost of the incumbent outside law firm.

While the pace of change in the legal services industry today is open to debate, the magnitude of the change over time is substantial. The environment is growing more competitive, services are less differentiated, and clients are increasingly willing to take fresh approaches to improve the return on their outside legal spend. The key question that remains is whether law firms will adapt to this new environment or will new entrants supersede them in an ever-more disrupted legal marketplace.

Implications for Corporate Counsel

Our focus has been on offering you, the corporate counsel, a broad strategic perspective on the legal services industry. We believe that there are three practical steps that corporate counsel can take right away to improve the return on outside legal spend:

- *Consider partnering with your key law firms on ways to **reduce their costs**.* Corporate counsel understandably can be reluctant to “meddle” with the internal operation of their law firm. As we have seen, however, focusing on the pricing structure alone is not very effective. Often companies will have valuable expertise and insights to offer that law firms simply do not possess internally. Equally as often, frank discussions with outside counsel can help identify areas where a company’s own actions are driving higher costs or creating inefficiencies.
- *Explore alternative legal service delivery structures, especially for commodity work.* Contract project teams, low-cost/task-specific firms, and judicious use of offshoring can have a significant impact, allowing companies to use budgets for higher-value tasks.
- *Seek out and partner with your company’s strategic procurement group.* These teams often can provide expertise and resources that will greatly enhance your sourcing of outside legal spend. If your company does not have such a group, consider negotiations and/or strategic sourcing training; there are also 3rd-party providers that can assist in setting up and managing a strategic sourcing program for your department.