Maximizing the Value of the Government Law Department

New Concepts in Law Office Management and Managing through Tough Times

Miami, Florida
20 October 2009

Presented by James Wilber
Altman Weil, Inc.
Milwaukee

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Context for Presentation

- Altman Weil, Inc.:
  - Founded 1970
  - Consulting exclusively to legal organizations (law firms, corporate law departments, government legal agencies)

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Context for Presentation

- James Wilber:
  - Lawyer and law office manager 15 years
  - 20th year with Altman Weil
  - Firm's Managing Partner

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Overview of Presentation

- Evolution of the In-House Role
- Why even have a law department?
- Law Department Trends
- Best Practices (following slides)

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Overview: Best Practices

- Technology Tools
- Metrics and Benchmarking
- Triage
- Preventive Law
- Law Department Business Managers
- Outside Counsel Best Practices

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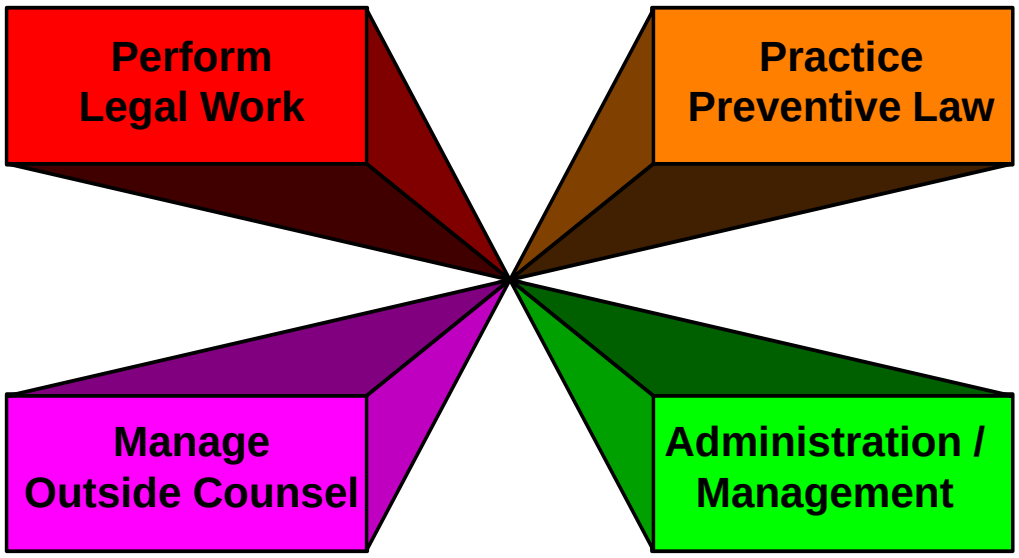


Evolution of the In-House Role

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In-House Counsel Roles



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In-House Counsel Roles

- This presentation is about law office management
- Overall, leaders of the law department need to manage their people and their operations in each of these four aspects
- Avoid the common problem of not devoting sufficient attention to your management role

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Why even have a law department?

- A question every law department leader needs to be able to answer
- Why, after all, should the entity not simply outsource all its legal work to law firms?

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Competitive Advantages – the answers to the question

- Traditionally, less expensive
- Better knowledge of the business / people / issues
- Availability
- Legal cost management

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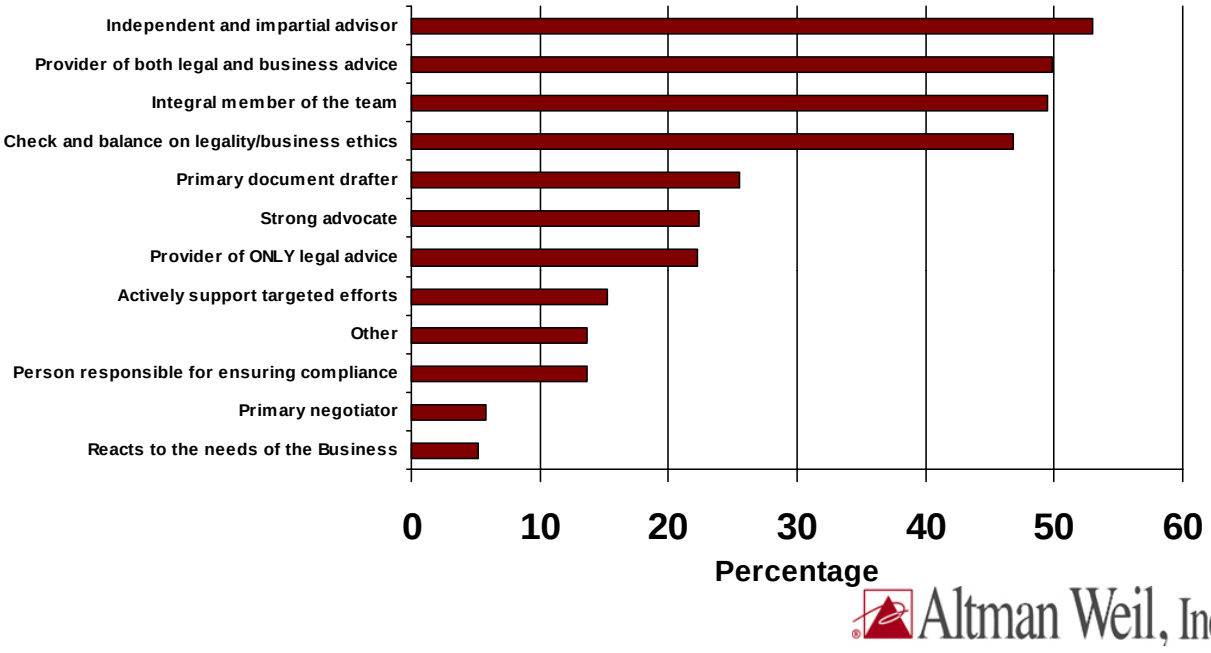
Competitive Advantages – the answers to the question

- Be certain that these are, indeed, competitive advantages of your law department

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What do you believe is the proper role for a law department lawyer to play in advising its client?



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Law Department Trends

- Highly sophisticated and experienced lawyers
- Constantly changing organizations
- High degree of turnover in government, at the top
- Law departments become institutional memory
- Legal departments asked to do non-legal work
- More attractive working conditions

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Law Department Trends

continued

- However, hours, work and stress have increased
- Legal organizations have become flatter with fewer career advancement opportunities

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Best Practices

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Best Practices: Some Fundamental Tools

- Document management
- Contract management (*if* many)
- Intranet

- Matter management
- E-billing

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Metrics

Another Best Practice

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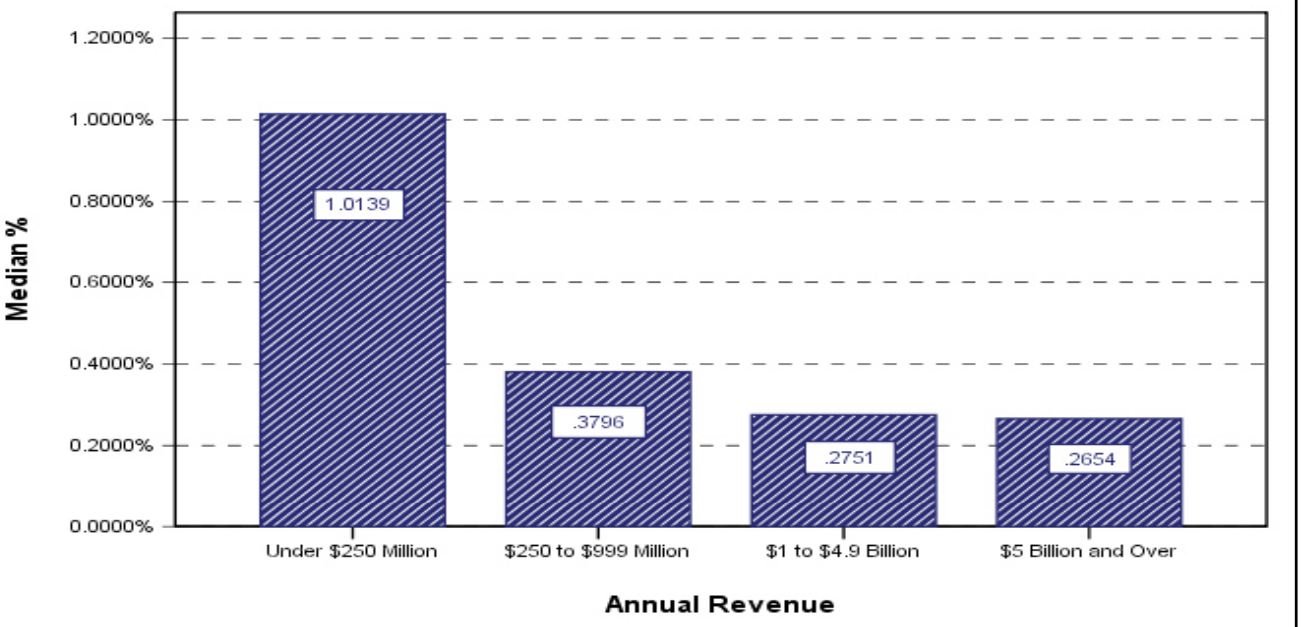
Metrics

- Not much available for government law offices to benchmark against
- Conduct your own benchmarking survey via IMLA?
- Should always at least benchmark against self, year-on-year
- Next slides: corporate law departments – the two gold standards

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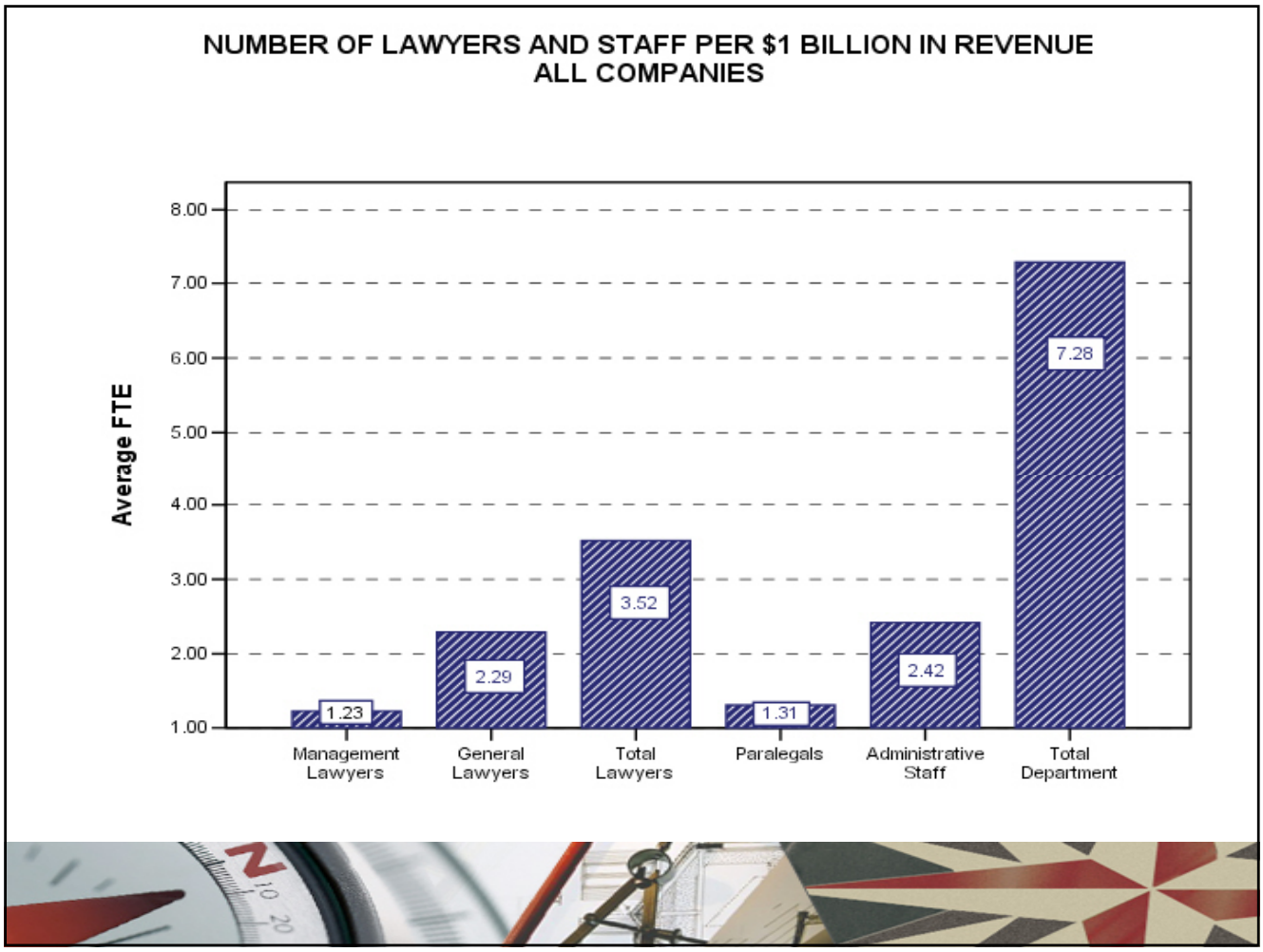


TOTAL LAW DEPARTMENT FEES/EXPENSES AS A PERCENT OF REVENUES BY ANNUAL REVENUE





NUMBER OF LAWYERS AND STAFF PER $1 BILLION IN REVENUE
ALL COMPANIES



Best Practices continued

- Triage
  - Push back non-legal work
  - *Not everyone* can seek legal advice
  - Training the managers
- Facilitating the mission and operations of the organization
  - Need to be partners with the elected officials and the managers
  - Need to be “go-to” lawyers

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Best Practices continued

- Preventive law
  - Needs to be another competitive advantage!
  - Requires systematic and comprehensive training of the entity's managers and employees in the legal areas that recur for them
- Law Department Business Managers (next several slides)

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Business Managers

- Idea started in law firms: turn business management over to non-lawyers
  - Frees lawyers to concentrate on practice
  - Provides better trained, more motivated person on management/business issues
- Allows you to do more for less

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Business Managers

- Different titles: legal administrator, administrator, executive director, chief of staff, etc.
- Requires both a “numbers person” and a “people person” – financial and human resources roles

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Business Managers

- Typical responsibilities:
  - Budget preparation and oversight
  - Complete human resources oversight of support staff
  - Staffing/headcount planning
  - Lead manager of outside counsel relationship, including payment and billing issues

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Business Managers

- Typical responsibilities:
  - IT oversight and liaison with main IT group
  - Meeting planner/facilitator
  - Purchasing
  - Oversight of filing and record keeping
  - Management of space needs of office

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Business Managers

- Typical qualifications:
  - Several years' experience in accounting, operations, HR, IT and project management
  - Strong analytical, organizational, planning and project management skills

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Business Managers

- Typical qualifications:
  - Strong communication and interpersonal skills
  - Sound judgment, professionalism and discretion
  - Excellent problem-solving and time management skills

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Business Managers

- Key to success – authority that matches the responsibility!
- Authority that is apparent to all
- Authority that is not undermined – the right to be wrong
- Authority to decide the issues within his or her bailiwick

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Best Practices continued

- Benchmarking (discussed earlier – metrics)
- Categorization of work (discussed later – stratification)
  - For staffing matters internally or for use of appropriate law firms which match up with value
- Understanding the cost of legal services (charge-backs) – do we do it? Should we?
  - Inside services
  - Outside services
- Establishing and touting the value-add of the law department (see earlier: competitive advantages)

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Best Practices continued

- Outside Counsel Best Practices:
  - Reverse seminars with outside counsel
  - Outside counsel provide training and development of in-house lawyers
  - Secondment
  - Getting work to the right firms (discussed later
  - Alternative fee arrangements (discussed later
  - Convergence (discussed later)

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Staffing or Pricing Considerations:

Stratification of Legal Services

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	Applying the Body of Knowledge	Customizing the Body of Knowledge	Grey Hair	Rocket Science
The Problem	Efficient solutions to common problems	Making informed choices; guidance through process	Complex issue; client has no experience	“Bet your organization” issue
Key Skill	Efficient, low cost delivery; established methodology	User-friendly advice; relieve anxiety	Real time diagnosis and judgment	Innovative and novel solutions
Critical Success Factors	Established methodology; efficient, low cost delivery	Established methodology and low cost delivery, plus relationship	Experience in similar problems; technical, functional knowledge	Highest level diagnostic skills; state of the art knowledge
Cost Driver	High volume; high leverage	Above average fees; good leverage	High fees; low leverage	Premium fees; very low leverage
Staffing/ Pricing	Better; faster; cheaper	We’ll help you with choices and give ongoing support	We’ve seen similar problems; trust us, we’ll help you	Smartest brains around



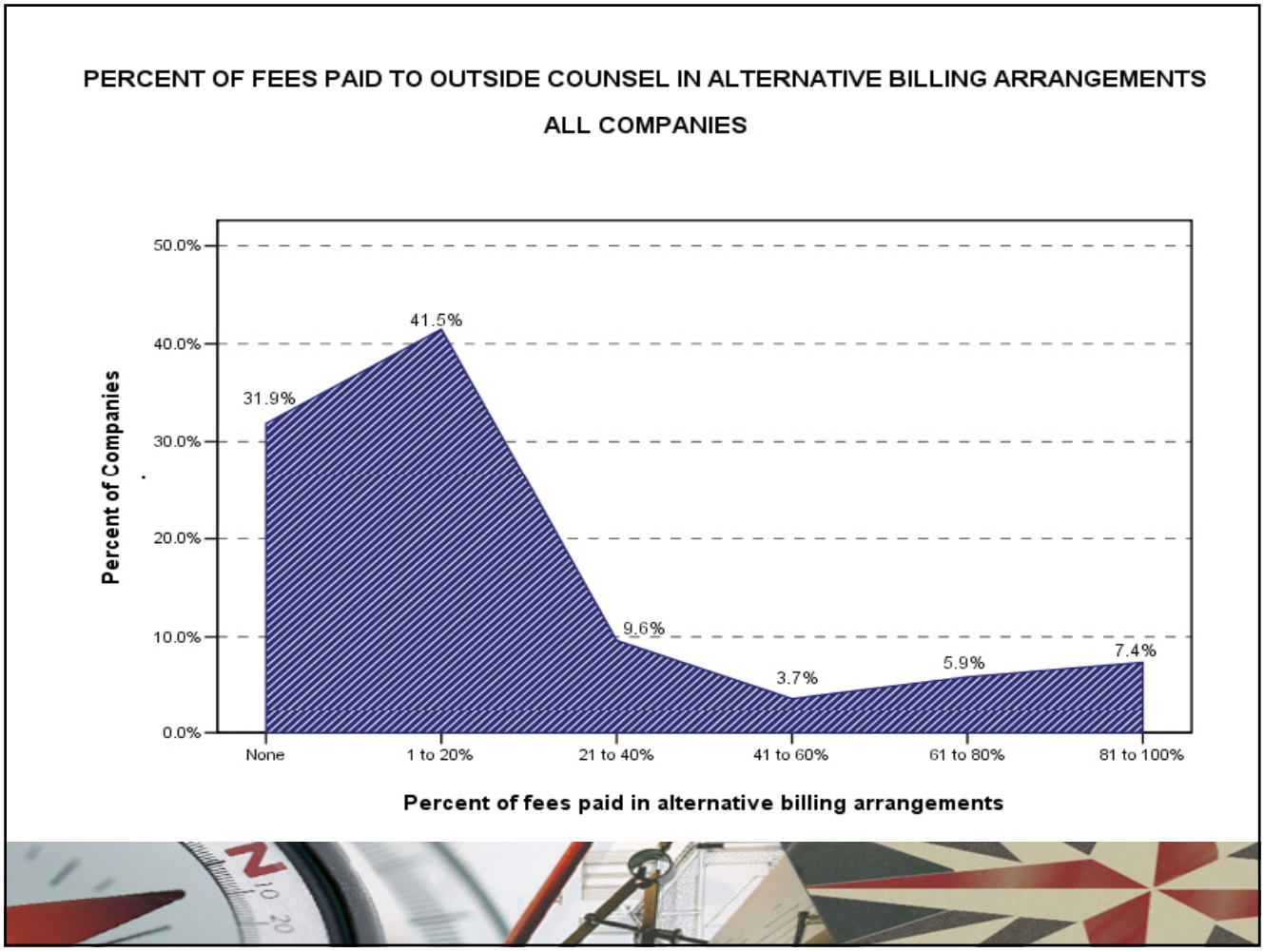
Alternative Pricing of Outside Services

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PERCENT OF FEES PAID TO OUTSIDE COUNSEL IN ALTERNATIVE BILLING ARRANGEMENTS

ALL COMPANIES



Value, not time or price, rules in today's legal services marketplace

- Win/win pricing is that which benefits *both* the client and the lawyer
- The question thus becomes, how does one translate concepts of value into creative fee strategies?

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Other Observations

- Hourly rates are the least favored fee structure among most clients, but the most used, by far
  - The “devil you know”
  - Up to the law department to force the issue and drive the discussion
- Volume discounts can produce lose/lose results
- Fixed fees are where the action is

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What is an Alternative Fee?

- NOT based on billable hour
- Creates incentives to manage costs and operate efficiently .
- Encourages partnering through risk sharing.

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What is an Alternative Fee?

continued

- Fixed fees / flat fees
  - For all an organization's outside work, for portfolios of matters, for individual matters, or for components of individual matters
- Contingency (partial or full)
- Task based / project based
- Success fees

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Fee Structures – Ranked by Frequency

1. Hourly rate
2. Reduced hourly rate (discounts)
3. Fixed fee
4. Results oriented
5. Blended rates

Only numbers 3 and 4 are alternative fee arrangements!

Source: 2007 Law Department Metrics Benchmark Survey

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Convergence Programs – Why?

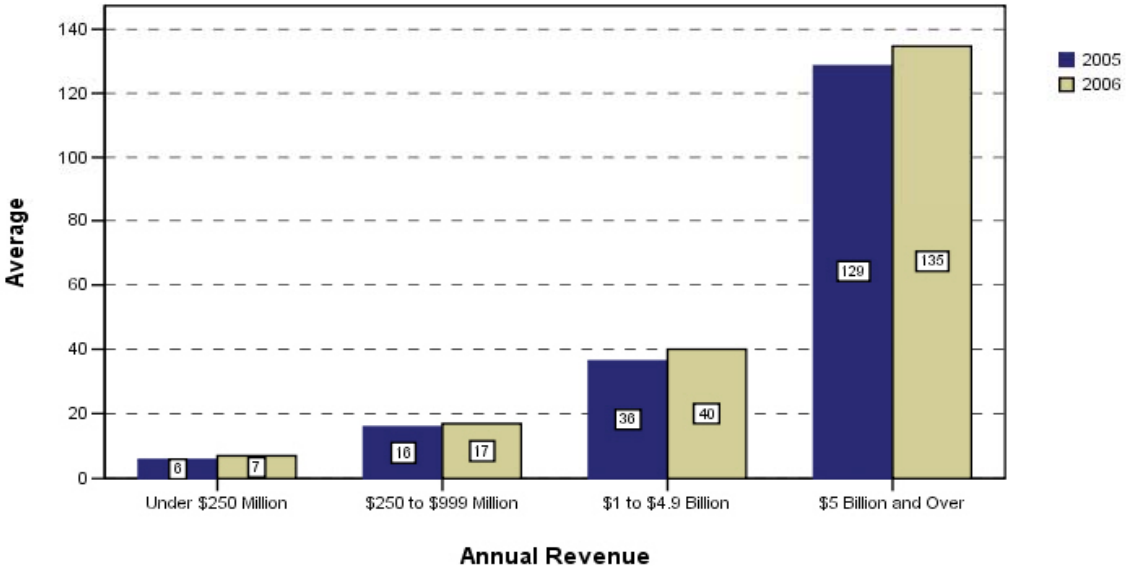
- What are they?
- Leverage purchasing power
- Reduce management time
- Build partnerships
- Consolidate the number of law firms engaged
- Increase spend efficiencies
- Improve quality of legal services
- Maximize information available to in-house counsel
- Create metrics to measure success of the process.

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TWO YEAR TREND

AVERAGE NUMBER OF LAW FIRMS EMPLOYED BY ANNUAL REVENUE





Use of Alternative Sources

- Contract lawyers / paralegals
- Temporary lawyers / paralegals
- Off-shoring
- Additional vendors

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Questions and Answers

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Thank You!

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