Breakout #1:
Rethinking Service Delivery & Process Engineering in Response to New Competition

Facilitators:
Mark Klender, Principal, Deloitte Consulting LLP
John E. Murdock III, Partner, Bradley Arant Boult Cummings LLP
Brad Newman, Practice Innovation Manager & Staff Attorney, Cooley LLP
22nd Annual Law Firm Marketing Partner Forum: 
Building Collaborative Strategies Across the Firm and with Clients

Rethinking Service Delivery & Process Engineering in 
Response to New Competition

Mark Klender, Principal, Deloitte Consulting LLP
The “golden age of law firms has passed”

- Growth in demand for legal services remains slow, in some cases, flat or declining
- Revenues have been declining and the average collected realization rate has been falling
- Shift in the level and type of fees clients are willing to pay, with traditional rates card models scrutinized and challenged
- While revenue flat and profit margins squeezed, expenses not proportionally decreasing
- Mergers and acquisitions continue to create additional opportunities for market share, synergies and cost efficiencies
- In response, law firms restructuring how provide services to clients, how they are organized, and how to more cost-effectively operate
# Segmentation of firm activities

<table>
<thead>
<tr>
<th>Function</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Front Office</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Client and market-facing</td>
</tr>
<tr>
<td></td>
<td>➢ Legal Services</td>
</tr>
<tr>
<td></td>
<td>Legal service delivery (accounts and matters)</td>
</tr>
<tr>
<td></td>
<td>➢ Marketing &amp; Practice Development</td>
</tr>
<tr>
<td></td>
<td>Marketing (external communications, public relations, events) &amp; selling (proposals and pitches)</td>
</tr>
<tr>
<td><strong>Middle Office</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>To clients indirectly</td>
</tr>
<tr>
<td></td>
<td>➢ Direct support of front office activities</td>
</tr>
<tr>
<td></td>
<td>➢ Legal Services</td>
</tr>
<tr>
<td></td>
<td>Strategy (leadership and services), management (industries and accounts), and quality</td>
</tr>
<tr>
<td></td>
<td>➢ Marketing</td>
</tr>
<tr>
<td></td>
<td>Marketing, communications, web and creative</td>
</tr>
<tr>
<td></td>
<td>➢ Risk Management</td>
</tr>
<tr>
<td></td>
<td>Client intake, conflicts, docketing, and records</td>
</tr>
<tr>
<td></td>
<td>➢ Library &amp; Research</td>
</tr>
<tr>
<td></td>
<td>Electronic services, legal research, library procurement, technical services, and library support</td>
</tr>
<tr>
<td></td>
<td>➢ Analytics</td>
</tr>
<tr>
<td></td>
<td>Business research, market analytics, client analytics, firm &amp; practice profitability/targeting</td>
</tr>
<tr>
<td><strong>Back Office</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>➢ Executive director/COO functions (people, process, &amp; technology)</td>
</tr>
<tr>
<td></td>
<td>➢ Transactional activities of Front and Middle Offices</td>
</tr>
<tr>
<td></td>
<td>➢ Finance &amp; Accounting, Human Resources, IT, and Operations</td>
</tr>
<tr>
<td></td>
<td>The list is long ………………….</td>
</tr>
<tr>
<td></td>
<td>➢ See above</td>
</tr>
</tbody>
</table>
State of the service delivery

**Law firms** are operating archaically — *5 to 10 years behind corporate America and advanced professional services* — relative to embracing new ideas, innovation, new operating models, and change .....  
- Nature of partnerships (and attorneys)
- All have a say (or like to have)
- Everyone is very smart
- Debate everything, endlessly
- Highly political organizations
- Lack of process and transparency
- Squeaky wheel (esp. the top producers) get the grease
- Change is hard (until the problem is overwhelming the firm and often too late)

**External factors** are pushing and necessitating action .....  
- Demand is and will continue to be down  
- Alternative buying models (procurement)  
- The completion (old and new) is intensifying  
  - Nature of services  
  - Cost to serve  
  - Pricing  
  - Delivery
The response – Buffeting the winds of change

*In the Front office…..*

<table>
<thead>
<tr>
<th>The Wind</th>
<th>Buffeting</th>
</tr>
</thead>
</table>
| Bifurcation of the industry – McKinsey (strategy – the few) vs. PwC (transactional – the many) | ▪ Corporations buying transactional work from Tier 2 market firms  
▪ Alternative service providers  
▪ Two-tiered rate structures  
▪ Alternative delivery |
| The rise of the procurement | ▪ Accept this trend is here to stay  
▪ Understand corporate procurement  
▪ Understand profitability and pricing  
▪ Gain “preferred provider” status  
▪ View clients as accounts and build strong relationships with buyers  
▪ Orient selling to results and value provided |
| Merge / acquire | ▪ Helps gain market share, but determine where in “bifurcation”  
▪ May not address fundamental delivery and cost structure deficiencies  
▪ Insure fundamental issues being addressed in why merge, in merger targets, and integration  
▪ Merger integration is rarely the time for transformation, but should have strategy and plan |
**The response – Buffeting the winds of change**

_In the Front office (cont.) …._

<table>
<thead>
<tr>
<th>The Wind</th>
<th>Buffeting</th>
</tr>
</thead>
</table>
| Alternative service providers (the bigs / traditional vs. new / internet) | ▪ Big BPOs focus on core competencies (IT, HR, FIN) and not invested in the space  
  – small market and small size of buy  
  – existing LPO specialists  
  But some expanding into the area, mostly in area of contract mgmt. / lit support  
  ▪ LPO players  [prismlegal.com -- 111 listed]  
  – Top-tier: CPA Global, Integreon, Thomson Reuters (Pangea 3), UnitedLex  
  – Mid-tier: Williams Lea, Mindcrest, Clutch Group, Quislex  
  ▪ Boutiques/Process: Axiom (contract attorneys), Pangea3, Deloitte FAS (doc review, e-discovery, lit support), Huron, eCase Solutions, Exigent, Exigent, LegalEase  
  ▪ Contract attorneys                                                                                                                                 |
| Low-cost service delivery                                               | ▪ Segmenting the work (processes) by the nature of the work, the relationship to the processes owner, and the impact on the customer |
| • Work split                                                            | ▪ e-discovery \                                                                                                                             |
| • Contractors                                                           |  • relationship to the process owner \                                                                                                  |
| • Location (on-shore and offshore)                                      |  • docketing \                                                                                                                           |
|                                                                          |  • practice management \                                                                                                                  |
|                                                                          |  • contract management \                                                                                                                  |
|                                                                          |  • intellectual property \                                                                                                               |
|                                                                          |  • client intake/conflicts \                                                                                                             |
|                                                                          |  • legal research \                                                                                                                        |
|                                                                          |  • paralegal support \                                                                                                                     |
The response – Buffeting the winds of change

In the Middle office / Back office ….

<table>
<thead>
<tr>
<th>The Wind</th>
<th>Buffeting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service delivery transformation</td>
<td>▪ Demand management / service level realignment</td>
</tr>
<tr>
<td></td>
<td>▪ Process reengineering and transformation</td>
</tr>
<tr>
<td></td>
<td>▪ End-to-end process management</td>
</tr>
<tr>
<td></td>
<td>▪ Organization redesign and realignment</td>
</tr>
<tr>
<td></td>
<td>▪ Improving and applying technology</td>
</tr>
<tr>
<td>Flexible and variable cost structures</td>
<td>▪ Outsourcing</td>
</tr>
<tr>
<td></td>
<td>▪ Out-tasking</td>
</tr>
<tr>
<td></td>
<td>▪ Contractors</td>
</tr>
<tr>
<td></td>
<td>▪ Contract employees</td>
</tr>
<tr>
<td>Remote siting</td>
<td>▪ Segment the process / work by the nature of the work, relationship to the processes owner, and impact on the customer</td>
</tr>
<tr>
<td></td>
<td>▪ Centralize / economies of scale</td>
</tr>
<tr>
<td></td>
<td>▪ Location – on-shore and off-shore</td>
</tr>
<tr>
<td>Change billing model</td>
<td>▪ Standardization</td>
</tr>
<tr>
<td></td>
<td>▪ Self-service</td>
</tr>
<tr>
<td></td>
<td>▪ Technology / automation</td>
</tr>
<tr>
<td></td>
<td>▪ Centralization</td>
</tr>
<tr>
<td>Bolster procurement</td>
<td>▪ Create / improve the function</td>
</tr>
<tr>
<td></td>
<td>▪ Establish / improve governance</td>
</tr>
<tr>
<td></td>
<td>▪ Strategic sourcing</td>
</tr>
<tr>
<td></td>
<td>▪ Outsource</td>
</tr>
<tr>
<td>Legal secretaries</td>
<td>▪ Restructure service levels, work, roles and ratios</td>
</tr>
<tr>
<td></td>
<td>▪ Pooling</td>
</tr>
</tbody>
</table>
Looking forward

The law firm of the future …..

- Forward thinking
- Scanning for trends in buyers and competition
- Nimble
- Free form / blue sky innovation
- Chief Innovation / Transformation Officer

- Look outside of the industry
- Reward change and innovators
  (*he who hesitates is lost*)
- Change management

- Customer-centric
  (not white shoe, but in their shoes)

- New operating models

- Deloitte as example

The law firm of the future will require forward thinking, scanning for trends in buyers and competition, being nimble, and free form / blue sky innovation. It will also involve looking outside the industry, rewarding change and innovators, having a customer-centric approach, and new operating models. Deloitte serves as an example.
An Operations View of New Wave Strategies and Responses

John E. Murdock III

jmurdock@babc.com

January 23, 2015
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Author: Frederick Winslow Taylor

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W. Edwards Deming
An Operations View of New Wave Strategies and Responses

John E. Murdock III

jmurdock@babc.com

January 23, 2015
Marketing Innovation in the Emerging Companies Ecosystem

Brad Newman (bnewman@cooley.com)
Practice Innovation Manager / Staff Attorney
Cooley LLP
Emerging companies (esp. in Silicon Valley):

- “Lean Startup” methodology (though often spend too much of their undervalued time on early-stage legals)
- DIY/Sharing Economy mentality
- Flood of DIY apps (LegalZoom, Clerky, Shake)
Big Law vs Newcomers

**Big Law incumbents**

Resources to invest in external-facing VAS and internal systems to increase efficiency (ContractExpress, K2, SharePoint, etc.) to compete on cost and harness broad expertise to bring value

**Newcomers (solo/small law firms, legal tech startups)**

- Faster iteration cycles
- Low overhead
- Equity compensation available
- Broad array of industry advisors
- No Big Law complications of accommodating existing infrastructure, workflow and risk management
“[M]y documents are not what makes me special – it’s the advice behind the documents.” – Anonymous


- Legal and business judgment and guidance
- Connections and experience in the startup ecosystem
- Information and forms
- Time-savings
Start-Up Tool Kit

Orrick's Technology Companies Group is a leading advisor to start-ups, with more than 1,400 emerging company clients in the United States, Europe and Asia. The group features lawyers in nine offices around the globe, including more than 100 lawyers in our Silicon Valley office.

Orrick's Start-Up Tool Kit is a comprehensive set of resources designed to aid start-ups and their founders on the journey from the garage to the global marketplace.

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Use this reference source for the key legal documents you will need to start and grow your company.

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Attend breakfast panels and lunch seminars that focus on the needs of the start-up and venture capital communities.
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Form your startup and get a jump on your competition.

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**FINANCING**
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**OPERATING**

**HIRING**

**GROWING**

**PROTECTING**

**Document Driver**

**Capital Calculator**

**Deal Dictionary**
What’s it all mean? Key financing jargon defined.

**Start-up Success Story: Paperless Post**
Sibling founders Alexa and James Hirschfeld are redefining the tradition of paper stationery with design-driven online and printed creations.
WilmerHale

Expanding on Launch

A resource for entrepreneurs at various stages of growth.

Startup Dictionary
Knowledge Navigator
Document Generator
Equity Calculator
Q&A Forum

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Vesting
Investor
Venture Capital
Patent
Compensation
Debt

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Click here for an overview of all available document generators.

Y Combinator SAFE Financing Documents Generator
Document Generator
Startup accelerator Y Combinator (commonly referred to simply as "YC") released a set of financing documents (referred to as SAFE, or Simple Agreement for Future Equity). They come in a few different flavors, all of which we present here.

Sample VC Due Diligence Request List
Sample
This sample due diligence request list will help you understand what VCs will look for before they'll close your financing.

KISS Convertible Debt & Equity Financing Forms
Document Generator
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Convertible Note Term Sheet

Document Generator
**Venture Financing Report Q2 2014 — Deal Activity Rises as Up Rounds Increase**

This report provides a summary of data reflecting our experience in venture capital financing terms and trends. Information is taken from transactions in which Cooley served as counsel to either the issuing company or the investor.

Overall, our data pointed to a quarter marked by increased deal activity and a sharp rise in up rounds of financings. In Q2 2014, Cooley handled 87 deals representing over $1.5 billion of invested capital. Median pre-money valuations were mixed, as Series B, C and D+ deals saw valuation decreases, while Series A deals saw valuations rise to a level not seen in over a year. We also saw a spike in up versus flat/down rounds from the prior quarter. Up rounds represented 87% of all financings in Q2. Additionally, the percentage of deals structured in tranche decreased in Q2 and the percentage of recapitalization transactions also declined to just 1% of all deals. Deal terms in Q2 2014 also reflected a company-friendly investment environment. We saw decreases in the use of fully participating preferred provisions in all deal stages during the quarter. The utilization of pay-to-play provisions also declined significantly, compared to the prior quarter.

View the full report below or [download the PDF](#) (157KB).

Read Cooley GO posts related to Venture Capital. You can also download our [2013 Venture Financing Year in Review](#) (160KB)

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**Q2 2014—Deal Activity Rises as Up Rounds Increase**

Overall financing activity in the second quarter of 2014 showed robust increases over the prior quarters. In Q2 2014, Cooley handled 87 deals representing over $1.5 billion of invested capital. Median pre-money valuations were mixed, as Series B, C and D+ deals saw valuation decreases, while Series A deals saw valuations rise to a level not seen in over a year. We also saw a spike in up versus flat/down rounds from the prior quarter. Up rounds represented 87% of all financings in Q2. Additionally, the percentage of deals structured in tranche decreased in Q2 and the percentage of recapitalization transactions also declined to just 1% of all deals. Deal terms in Q2 2014 also reflected a company-friendly investment environment. We saw decreases in the use of fully participating preferred provisions in all deal stages during the quarter. The utilization of pay-to-play provisions also declined significantly, compared to the prior quarter.
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