

# THREE PROCUREMENT PRIORITIES FOR LAW FIRMS IN 2022



## INTRODUCTION

Few, if any, law firms were prepared for the disruptions of 2020—or for the continuous upheavals that the pandemic continued to spark throughout 2021. But law firms that paid heed to our recommendations from last year, particularly promoting flexibility and adaptability and centralizing the procurement function, have likely weathered the storm better than their counterparts who approached procurement piecemeal.

The continuing pandemic and social justice movements have shifted the mission statement of many procurement departments. Over the preceding five years, firms consistently focused on building their capabilities in risk management, sourcing, and contract management. Now, many firms have expanded their focus to include environmental, social, and governance initiatives too.

In this year's law firm procurement survey, we once again asked procurement leaders across the country to identify their current and future points of focus. From those discussions and our own ongoing client experiences, HBR Consulting has selected three strategic priorities to guide the efforts of law firm procurement offices in the new year: increasing supplier diversity, managing spend, and building greater sustainability.



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## INCREASING SUPPLIER DIVERSITY

Spurred by client expectations and the changing social climate, law firms are increasingly adopting supplier diversity programs. Most Fortune 500 companies (97%) have set supplier diversity goals. 42% currently incorporate and 33% plan or are in the process of incorporating diversity information into their RFPs or firm selection process, according to the [2021 HBR Law Department Survey](#). These businesses also expect the law firms they work with to support initiatives that give underutilized and underrepresented suppliers equal access to sourcing and purchasing opportunities. This expectation will only continue to expand as the minority population in the U.S. grows. By 2024, it is estimated that 41 percent of the U.S. population will be a racial or ethnic minority.

Suppliers supported by these programs include small business enterprises and businesses in historically underutilized areas as well as those owned by women, underrepresented racial groups, veterans, LGBTQ+ individuals, and people with disabilities. Supporting these suppliers confers a number of benefits on law firms:

- It demonstrates corporate social responsibility in keeping with today's social climate.
- It gives them a competitive advantage because they will appeal to a broader client base and gain access to greater revenue with clients that require supplier diversity.
- It fosters innovation by injecting creative and diverse solutions and services into the firm's supplier base.
- It improves talent recruitment and retention because many employees prefer to work for companies with corporate responsibility programs.
- It supports business growth and job creation, strengthening the firm's community as well as the global economy.
- It complies with federal contractor diverse supplier spend requirements and client reporting requests.

## LAW FIRM SUPPLIER DIVERSITY PROGRAMS



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Recognizing these benefits, most law firms (65%) have already established a supplier diversity program, and 71 percent of firms that have yet to establish a program are planning to do so in 2022, according to the [2021 HBR Law Firm Procurement Survey](#). But law firm supplier diversity programs are lagging behind those of other industry sectors, and 40 percent of surveyed law firm procurement leaders reported that they are still taking no formal steps to increase diversity among their suppliers.

This is where procurement teams can step in. Because they handle contract review and administration, procurement leaders are best able to advocate for engaging the services of more diverse suppliers.



**TO PROGRESS TO THE NEXT LEVEL OF SUPPLIER DIVERSITY MATURITY, FIRMS MUST TAKE THOUGHTFUL, INTENTIONAL ACTIONS.**

## HOW LAW FIRMS CAN INCREASE THEIR SUPPLIER DIVERSITY MATURITY

HBR classifies supplier diversity programs into three tiers of maturity:

**Level 1:** Has established a formal supplier diversity program, including creating and communicating a policy and related processes; 15 percent of firms fall into this category.

**Level 2:** Understands their current spend with diverse suppliers, tracks supplier diversity performance metrics, and adapts policies and processes to address client and public needs; 54 percent of firms are at Level 2.

**Level 3:** Has set supplier diversity goals and objectives, has developed a diverse supplier pipeline that promotes partnership and growth opportunities, and communicates consistently with suppliers about diverse supplier initiatives and options; 31 percent of firms have achieved this level.

To progress to the next level of maturity, firms must take thoughtful, intentional actions. Here are some suggested steps:

- 1 Build a sustainable supplier diversity program.**  
First, make sure that your supplier diversity program aligns with your firm's long-term goals. Then make sure you have set forth clear goals with measurable objectives for the program. Articulate a supplier diversity policy that establishes reporting requirements on third-party diversity spend and regular reviews of vendor diversity classifications.
- 2 Look for new opportunities to engage with diverse suppliers.**  
With every contract decision, procurement teams have the choice to look beyond the status quo, existing networks, and their current knowledge of the market. Instead, they should evaluate whether a diverse or underutilized option is available or would be preferable. For many firms, it will take proactive research to identify, engage with, and add diverse suppliers to their networks, a step that only 40 percent of firms are currently taking. To add more diverse options to your vendor roster, consider joining a diverse business group.
- 3 Ensure current processes do not exclude diverse suppliers.**  
Selection criteria and contracting requirements should not have a disparate impact on smaller vendors or suppliers. Study your agreements to make sure threshold requirements are reasonable and give all vendors equal opportunity. Then evaluate your preferred vendor lists to ensure that they are inclusive.
- 4 Look for ways to help diverse suppliers grow.**  
Suppliers benefit from clear, specific feedback on RFP submissions—so be sure to provide that feedback to diverse suppliers. You can go the extra mile to support diverse suppliers by helping them navigate the complexities of the certification processes. You might also create training, onboarding, or mentorship programs to nurture diverse suppliers' progress.



The goal in many procurement functions is to centralize the negotiation and contracting processes to add visibility to the firm's spending and ensure the coordination of efforts across the firm.

## CENTRALIZING PROCUREMENT AND INCREASING SPEND UNDER MANAGEMENT

In many law firms, a variety of people have the authority to negotiate contracts and spend money. But this creates a quandary for firms that want to get their costs under control. The goal in many procurement functions is to centralize the negotiation and contracting processes to add visibility to the firm's spending and ensure the coordination of efforts across the firm.

But coordinating, or even knowing where to begin, can be hard. Problematically, in many firms, shadow procurement prevails, with multiple teams leading the charge of finding and engaging vendors. When each team conducts its own recruitment process, there is little opportunity to streamline the contracting process or negotiate optimal rates. This risk is exacerbated by the sheer number of vendors involved in many firms: 93 percent of firms have more than 1,000 active suppliers in their environment.

Still other firms misunderstand the role of procurement, which is not just to choose a vendor but to make sure that the firm gets the most value from the vendors it decides to engage and that each engagement aligns with corporate initiatives.

Many departments may overlook the importance of coordinating their efforts with procurement because they do not recognize the full scope of procurement's work.

Though procurement functions have evolved steadily in the last five to ten years, they are leaping forward now because clients are asking firms more questions about how they manage their vendor base. This trend should encourage more firms to opt for a centralized model.

When vendor management is centralized in the procurement team, there is a greater opportunity to align vendor and firm priorities in many areas aside from just spend. For example, when procurement takes the lead on vendor management, they are better able to control spend as well as lead change in sustainability and diversity. They can also ensure the standardization of contract terms and conditions, leverage greater buying power through consolidation of purchasing across departments and offices, and maximize the firm's internal resources by freeing team members for other work.



## HOW LAW FIRMS CAN IMPROVE THEIR SPEND MANAGEMENT

Many firms begin centralizing procurement's control in phases. Here are four suggested steps to take.



### Create a set of policies and procedures governing spend.

Your policies should set forth who has the ability to negotiate and sign contracts as well as who must review the contract terms before signing. Other policies should set forth expense management guidelines and explain how you will monitor compliance.



### Improve financial hygiene.

To gain greater visibility into spend, centralize the intake of all firm invoices. Set a fixed cycle for firm payments rather than paying invoices daily or on a rolling basis.



### Start tracking budgets.

All firms should take a proactive approach to budgeting. Include a process for capturing and realizing budget savings in your plans.



### Establish control over the accounts payable function.

Curbing expenses requires procurement to have a say in how every dollar above a certain threshold is spent. To accomplish this goal, mandate multiple levels of approval for all spending over a certain limit. Consider restricting the responsibility for adding new vendors to the system. Finally, require that all spending over a certain level be sourced by the firm's procurement team.



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## BUILDING GREATER SUSTAINABILITY

More than a third of law firms (38%) currently have an environmental sustainability program, according to the 2021 Law Firm Procurement Survey. Much like with supplier diversity, firms are feeling pressure from clients who are increasingly reporting on their environmental efforts and from their communities, which are holding corporate stakeholders increasingly accountable.

Law firms that establish a sustainability program are able to accomplish the following goals:

- tackling climate change by understanding and reducing their carbon footprint
- meeting client requirements
- meeting the expectations of employees and recruits
- showing leadership in the market
- achieving financial sustainability by investing in carbon reduction initiatives to improve resource efficiency

## HOW PROCUREMENT TEAMS CAN HELP LAW FIRMS ADDRESS SUSTAINABILITY

HBR has established three levels to denote sustainable program maturity in law firms:

**Level 1:** Implementing firm-wide policies that support environmental initiatives and provide company-wide buy-in and accountability.

**Level 2:** Setting and reporting on key performance indicators to deliver insight into where firms are doing well and where they need to improve and to quantify the firm's sustainability initiatives.

**Level 3:** Establishing long-term goals for travel and community, usage of energy and other resources, recycling, and pro bono and volunteer work.

To start a sustainability program, procurement teams need to take three steps.

- 1 Develop a baseline of understanding.** Work with stakeholders and third-party vendors to determine current emission and waste metrics that you can address and include in the overall program. Baseline what your carbon footprint is and understand what category



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## The firm needs to walk the talk.

your emissions fall into using the Greenhouse Gas Protocol standards. Scope 1 includes direct emissions from company facilities and vehicles. Scope 2 includes indirect but owned emissions, such as the energy you buy for your firm's use. And scope 3 includes indirect emissions that you do not own, such as travel, waste generation, purchased goods and services, leased assets, capital goods, and other downstream activities.

Scopes 2 and 3 are where firms should focus their efforts. Items to consider here include the following:

- how much the firm spends with sustainable suppliers;
- how many trips each attorney takes by air and by ground;
- how employees commute to work, whether by car, public transport, or net-zero methods (e.g., walking and biking);
- how much paper and other materials the firm recycles and; otherwise diverts from landfills
- what percentage of the firm's real estate is LEED-certified.

### 2 Determine what you can control.

Identify key areas of emissions and waste where your firm can make meaningful progress. Look for opportunities to reduce consumption of resources, such as energy and water, or to promote recycling, reduce travel, and downsize real estate holdings. Set the appropriate measurements, then benchmark your metrics, goals, and progress with peer firms.

### 3 Communicate your goals.

The firm needs to walk the talk. Procurement leaders should set and communicate goals and policies using science-based targets to facilitate the steps necessary for the firm to achieve reductions in each key area identified in step 2.

Here are sample goals to consider:

#### EARLY STAGE MATURITY

- We will form green committees in every office.
- We will strive to reduce our paper consumption by using email instead of paper whenever possible, employing double-sided printing, and repurposing used paper for notes.
- We will buy renewable energy credits to offset the electricity we use for business operations.
- We will commit to achieving an annual greenhouse gas reduction of two metric tons per year through our recycling program.
- We will only operate from LEED-certified office buildings.





## MORE MATURE PROGRAMS

- We will reduce our annual global carbon emissions by 50 percent by 2030.
- We will reduce our scope 1 and 2 emissions (using 2018 figures) by 5 percent per employee by 2023.
- We will set a business air strategy by 2024.
- We will report publicly on targets and emissions by 2025.
- We will reduce our energy usage by 20% by 2026.

## CONCLUSION

As clients demand more of law firms, firm leaders should reach out to procurement to ensure they are positioning themselves well in the market. In many firms, this will require procurement to educate the firm about its ability to make an impact on supplier diversity, overall spend, and sustainability. The procurement team will also have to convince partners and others engaging in “shadow” procurement that the value they will get from relinquishing the responsibility for vendor engagement will be worthwhile.

Procurement teams prepared to demonstrate their value to firm leaders in improving supplier diversity, spend management, and sustainability will help firms prepare for whatever future disruption lies beyond the pandemic.

## CONNECT WITH OUR EXPERTS

To learn more about how HBR Consulting can help your firm meet its 2022 procurement priorities, please connect with one of our experts:



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