The end of the panel review: why collaboration now rules

Barclays is turning its back on the more traditional legal panel review process. In its place, a sophisticated relationship model that works for both the bank's legal function and its external legal teams.

Barclays' journey to call time on the more traditional legal panel review process is entering the final straight.

In a nod to convention, Barclays has recently launched a final formal refresh of its global legal panel. The bank's current two-year panel expires on 30 June. Its successor will then remain in place until 30 June 2021.

After that, instead of a panel reboot every few years – an intense process for both sides – external law firms will be graded and evaluated on an ongoing basis. Yet, this future working framework is already very much up and running.

Barclays turned to the relationship model three years ago to give the bank more flexibility in managing its external legal advisers. This has allowed it to drive efficiencies and improve service quality. Law firms are rated on a series of metrics – including billing rates, thought leadership, use of technology and service delivery – with effective fee arrangements phasing out the hourly rate.

"The panel refresh process was not supporting what we want to achieve," says Stephanie Hamon, Managing Director and Head of External Engagement at Barclays Legal. "My role is to make sure we are sending the right work to the right firm at the right price." This, she explains, is not necessarily the lowest price, but the right value for money. "As an in-house legal function, we are under pressure to effectively manage our budgets."

‘Win-win’ partnership

While this means a reduced legal roster, those that can act as an extension of the bank’s legal function give themselves the best chance of securing additional work. Underpinning it all is a greater focus on collaboration. The result? “It’s a win-win partnership,” says Hamon. Some other corporates may now be handling their law firms in a similar vein, but it’s Barclays’ sophisticated model that is changing perceptions.

“Being a good technical lawyer is now not enough,” says Hamon. “What we need is technical advice delivered to us in a way that is suitable to Barclays’ needs. Law firms also need a deep understanding from the outset of what we really want. It’s in a lawyer’s DNA to find the right answer. There shouldn’t be a challenge from Barclays when it comes to the invoice.”

It is sometimes said there is a slight disconnect between in-house counsel and their panel firms. External advisers worrying more about their share of the wallet than establishing genuine relationships. With Barclays’ new relationship model, deeper ties are being forged by both the in-house and external legal teams. It’s a mutually beneficial approach.

“One of the things we’ve changed in the last couple of years is the number of people involved in the relationship – so it’s not all run through one partner,” says Paget Dare Bryan, a partner at Clifford Chance, who is also one of the law firm’s global relationship partners for Barclays.

That can mean bringing in lawyers and other experts of the right level to support both legal and non-legal matters, which reduces costs in the long run. E-billing, pricing models, data, project management, innovation and technology are all areas of potential disconnect if handled badly.

“We’ve basically introduced our business services team into the relationship, rather than keeping them behind the scenes,” says Dare Bryan. “As we always aim to have a better expert from the firm in the room joining the partner.”

Understanding the metrics

To help allocate work, Barclays grades its law firms from A to D. As the model develops, so will expectations of what the bank wants. Last year, for instance, Barclays added ‘diversity’ and ‘innovation’ to its list of metrics.

“The ratings do not mean you are a good or bad lawyer,” says Hamon. “All firms on the panel have excellent technical abilities. It comes down to how well you have embraced what we want. Some lawyers have told me they’ve never had a ‘D’ grade in their entire life. They say our methodology is wrong. But it is our methodology. We can either work together on how you improve or you keep doing things the same way and get distanced by competitors.

“But even D-rated firms on our panel are getting work. If they are on the panel, they do deliver to a need. However, a D-rated firm is not going to get much work because we are not getting value for money.”

Barclays uses a scorecard system to measure its law firms. These results are then fed back to law firms at regular quarterly assessment meetings. “The scorecard certainly wakes up senior management to see how you are doing against your peer group, and potentially the competition,” says Dare Bryan.

Technology is also being embraced by Barclays to drive performance within its legal function. “On a pitch, you shouldn’t just talk in vague terms about bringing efficiencies and using tech tools that might help with due diligence, first cuts of drafts or using near-shore and offshore centres,” says Dare Bryan. “In reality you need to back this up and deliver what you have been talking about.”

But law firms do not necessarily need multi-million-pound IT investment spends to impress Barclays. “Some of the innovation can be on more process and re-engineering,” says Hamon. “If you solve a problem, then you have been innovative. It’s all about making it work in practice, however, there does need to be an appetite for it.”

An evolving industry

Pace of change in the legal sector can sometimes feel glacial, but Barclays’ shift from the more traditional legal panel model is certainly helping the industry evolve on a progressive trajectory.

“There’s now signposting and expectations that you will move on the journey together,” says Dare Bryan. “In some client relationships, the expectation is that the dialogue will focus mostly on rates and billing numbers. With Barclays, you expect to have more dialogue with more people about how Barclays is changing and what they want to see. They view us as part of the relationship to share ideas.”

Even so, the whole process of moving to a relationship structure has been something of a learning experience on both sides.

“The fundamental lack of trust has been the most problematic challenge from some of our law firms,” says Hamon. “Without trust, there can’t be collaboration. It can only work if both sides share data. We’ve tried to be much more transparent with our law firms. First around spending, and also where you sit in the overall picture at Barclays.

“We’ve had some law firms coming up to us saying, ‘We’ve not had our fair share of litigation’. We say, ‘Well, you are our third largest law firm, but you don’t have X, Y and Z capabilities’. It’s where the value proposition comes in; we are assessing your experiences against your peers.

“Equally, though, you are not going to come from being a challenger to our number one law firm overnight. At the end of the day, it’s still a relationship business.

“But our feedback shows you areas where you can improve. And we’ve made the improvements to make life easier for our law firms. Those that engage properly with the Barclays team will ultimately secure more work.”

Key takeaways

- Barclays has reassessed the legal panel process – turning to the relationship model to evaluate its law firms on an ongoing basis
- A ratings system ranks its external advisers on cost and service delivery
- The improvements have made life easier for both the bank's legal function and its external law firms
- Law firms who embrace the model will ultimately secure more work.

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