



The Metropolitan Corporate Counsel – August 2000

Samuel H. Gillespie III: B2B Comes To Legal Services

In this issue, the Editor interviews Samuel H. Gillespie III, senior vice president and general counsel of Mobil Oil Corporation and member of the Board of Directors of eLawForum.

Editor: *Tell us your background.*

Gillespie: I was at Milbank, Tweed before joining Mobil's law department. I have been general counsel since 1995. After the Exxon/Mobil merger, I became a member of the Board of Directors of eLawForum, a B2B service for corporations and law firms. Our department has a history of using technology and innovative business methods. We track cases and share documents real time globally and have used convergence, beauty contests and RFPs. I look for anything that can help me do a better job for my corporation.

Editor: *Is the rising cost of outside counsel a significant force on corporate counsel to find new ways to retain law firms?*

Gillespie: There is a strong concern in corporations about the rising cost of legal services. Cost has become a much more prominent factor in the selection of a law firm. We have been reading nonstop in the press about American law firms paying first year associates \$150,000. Foreign law firms are following suit. My corporation is not going to absorb these costs. We have already brought half our legal work inside. My inside legal costs are fixed and, on an average hourly basis, are 50% less in the U.S. and 100% less in the UK than my outside legal costs. The premium is the problem. As general counsel, my job is to find ways to reduce or eliminate the premium for outside counsel.

Editor: *Most corporations, like Exxon-Mobil, have Global Procurement Managers who focus on the most effective way to purchase goods and services. Are they part of the equation?*

Gillespie: Most definitely. Procurement managers use Internet exchanges to cut costs dramatically. All our travel services, for example, are purchased over the Internet. Even though we are an oil company, we spend twice as much on services as we do on products. Legal costs are among our highest service costs and the procurement managers are knocking on my door.

Management has already started to ask general counsel why they aren't using the Internet to reduce legal costs. After the Wall Street Journal wrote a major story about eLawForum on April 12th, many of my counterparts received a copy of the article from their CEO with an inquiry about their intention with regard to the new service. Often management is less concerned about relationships than cost.

From a general counsel's point of view, the question is: Do you want a tool which you can mold and shape to your needs or one that will be imposed on you? You want to be able to assess the quality and capabilities of law firms you are relying on. You want to set market forces to work to bring down costs, but at the same time you want a system that gives you the ability to make a selection of those firms that you believe will best serve the company's interests. You want to avoid tradeoffs between cost and quality as best you can. By harnessing the power of the Internet to unleash market forces, eLawForum allows you to avoid these traditional tradeoffs.

Editor: *Why have beauty contests failed to reduce significantly the premium of outside counsel?*

Gillespie: The process as we have known it is expensive, time-consuming and fails to separate cost from quality and relationships. Beauty contests boil down to meeting after meeting with the best salesman of individual law firms. Cost usually becomes secondary to other considerations. This approach is outdated and no longer competitive in today's market.

Editor: *How does eLawForum let you separate price and quality? That hasn't been possible before.*

Gillespie: Ironically, eLawForum turns the clock back by turning the clock forward. On the advice of the Advisory Board, eLawForum designed a system where corporate counsel can completely avoid discussing money with outside lawyers. The money part is done online. In a sense, eLawForum is re-professionalizing the profession by taking us back to the days when you would get a simple bill and never have to spend time discussing money. This is a great improvement over the current situation where money is getting in the way of our professional relationships. eLawForum provides a service that we can't do ourselves. The dynamic is entirely different with the buffer eLawForum offers. Corporate counsel can now have our cake and eat it too. We can have the lower price and the best quality. Lower price no longer means less quality. eLawForum is working hard to overcome the misperception that low quality goes with low prices. Neither buyers nor sellers of corporate legal services, in my opinion, have even begun to realize what a truly competitive market will mean to the corporation.

Editor: *How does eLawForum, a B2B marketplace, work?*

Gillespie: eLawForum gives general counsel the opportunity to participate in a marketplace where they can discover the price and quality of the legal services being offered by the most qualified attorneys for their case or matter. eLawForum continually opens up a broader market, allowing more law firms to be accessible and competitive. Intense price competition does not necessarily mean that general counsel are going to select the law firm with the lowest bid. General counsel may go with a firm because we think their quality is better, senior management would be more comfortable with their lawyers, and any number of factors. The preferred firm, whether incumbent (a currently retained firm) or non-incumbent, may be given the opportunity to match the price of the lowest or lower bidders. eLawForum offers a platform where the general counsel calls the shots.

Editor: *How does the RFP process eLawForum uses ensure the best quality at the best price?*

Gillespie: It is easy to use. In-house counsel benefit from an outside service that assists in drafting a clear and understandable RFP. A well-drafted RFP enables law firms to make an intelligent judgment about their capability and cost to do the assignment. A well drafted RFP helps level the playing field by improving the odds you will select a law firm you haven't worked with before. Because non-incumbent firms don't know you or your business as well as incumbent firms, you want to do everything you can to encourage the best non-incumbent firms to take your RFP seriously and make their most competitive bid.

There is a competitive advantage in gaining systematic access to the distributed knowledge and intelligence of people who have run the major legal departments in the world. You want to take advantage of a central database that contains the collective experience of other corporate counsel with their traditional law firms over a long period of time. Every general counsel has either an electronic database or some other repository which reflects the experience his or her lawyers have had with outside counsel. We all rate individual lawyers and share this information verbally with our counterparts at conferences or by telephone. Word of mouth, however, isn't good enough anymore.

You need to get your RFP out to a broad base of law firms quickly--in some cases, on a global scale. You can't do this effectively or efficiently with paper, voice or e-mail. You can't do this well without well-organized RFPs and software that let you analyze responsive bids from a large number of competing law firms quickly.

Editor: *Does eLawForum selection process take place exclusively online?*

Gillespie: Absolutely not. The first 70% of the selection process can be done online, but the last 30% of the process must be done offline. The market price is set during the online part. Then you have the quality competition. You eliminate less competitive candidates online. You only move offline after you identify strong non-incumbent candidates. You want to determine if they feel as good as they look.

Alternatively, if you want to limit the competition to your incumbent firms, the offline quality and relationship component is already taken care of.

Editor: *eLawForum has a very impressive Advisory Board. Could you explain The Board's involvement?*

Gillespie: eLawForum has an Advisory Board of retired general counsel of major corporations. Advisory Board members aren't sitting general counsel because they are eLawForum's customers. I'm in a unique position having just finished the Exxon/Mobil merger and I'm walking out the door.

The Board has assisted eLawForum in developing a B2B system that addresses the concerns and meets the needs of corporate counsel. The Board's value in part comes from the fact that eLawForum isn't working in a market where cost is the sole determinant. The Board not only shares their own experience with eLawForum but participates with management in meetings with corporate counsel. I have personally been involved in many such meetings both here and abroad. We've met with a large number of Fortune 500 general counsel and these meetings have been extremely useful. The meetings have allowed inhouse counsel to understand the value of eLawForum and how they can use the tool to fit their needs. The other side of the coin: eLawForum has learned a great deal about the needs and concerns of inside counsel. This evolving process has allowed eLawForum to adapt dramatically and develop a service that is sensitive to the complexity of retaining outside counsel and truly respects the relationship-based character of the practice of law.

Editor: *What has the reaction been among the general counsel you have talked to?*

Gillespie: The first reaction is skepticism, as was mine when eLawForum first came to my attention. I questioned whether I had any legal business that fit the mold of eLawForum before I understood how the process actually works. I could see the Internet would be used in some way in the selection of counsel, but didn't know how soon it would happen. But when I got involved in designing the eLawForum process, I realized the time was now. This has been confirmed when I sit and talk for 30 minutes or longer with other general counsel--they begin to assess and evaluate eLawForum as a tool which they can shape and use to their advantage. General counsel start to understand that there are many areas where they can really use a service like this.

The first thing is for them to pick one or more matters to begin gaining experience with eLawForum. The advantages become more apparent each time you use the system. As you become more comfortable, general counsel are inclined to move up the chain and use eLawForum for more difficult cases or matters. It is a misconception that eLawForum is only good for commodity work.

Editor: *Let's assume a case is filed and I have 30 days to respond. Would I use eLawForum?*

Gillespie: Absolutely. One of the beautiful things about eLawForum is the speed with which it can be used. The speed comes from two things: eLawForum's software and eLawForum's personnel behind the scenes. eLawForum offers a smorgasbord of options you can choose from. eLawForum replaces paper and voice with electronic means. eLawForum streamlines the selection process with efficient forms. eLawForum provides letters which you can send to your incumbent firms explaining the process. eLawForum is so efficient it is very easy for law firms to use. eLawForum has templates for RFPs in different practice areas. eLawForum's staff is highly trained and skilled to help put together quickly RFPs using eLawForum templates or combinations of RFPs used previously by your legal department. eLawForum is, in effect, an extension of your corporate counsel staff.

The key is to gain experience with usage. Corporate counsel which use eLawForum now will be further down the learning curve with important competitive advantages over corporate counsel with a wait-and-see attitude.

Editor: *So I can, in effect, tailor-make my RFP?*

Gillespie: Anything you want can be in the RFP. You style your request to bring out the special characteristics of each case or matter. Let's say you have RICO litigation, you want to make sure every bidder has a positive track record of dealing with RICO. You select the non-incumbent firms as well as include each incumbent firm you want. You set the time you want them to respond. The eLawForum process is so efficient you may have twenty or thirty firms respond in just five working days.

Editor: *What are some of the other advantages of the eLawForum software?*

Gillespie: eLawForum provides you with the ability - it's part of the online process - to have secure real time communication on a whole range of complex subjects with the law firms you have selected to submit proposals. This real time asynchronous communication is similar to AOL's Instant Messenger, except the corporate counsel is in complete control of who and how communication takes place.

To begin with, you may share questions and answers with all the bidding firms or limit an exchange to a single firm. If a distributor agreement has been broken, for example, one of the firms on the list may ask to see a copy of the agreement before bidding and you can respond by saying we're going to put it on the eLawForum website right now. We upload the document and they download it. If you desire, the other firms invited by you to participate may be given the opportunity to see the question, the answer and the agreement.

On the other hand, there may be a conflict issue limited to an individual firm. Corporate counsel can restrict access to the Q&A process because the conflict is unique to that firm. Conflicts are rapidly vetted and privilege rules established early on in the electronic part of the selection process. eLawForum's sophisticated software was designed to do exactly this and to offer secure and rapid bilateral communication with individual law firms on your short list later on in the bidding process. Face to face meetings are up to you. If you end up retaining a firm which you already know, you probably don't need to sit down with them. If you retain a new firm, the online part of the process is so fast you have plenty of time to meet and get comfortable with them.

Editor: *How have law firms responded to eLawForum?*

Gillespie: Again, the initial reaction is similar to corporate counsel. They often say: "This doesn't apply to us because of the nature of our work." They don't immediately see that eLawForum could be used for almost all of their work. When their corporate clients say eLawForum is a tool we would like to use, I believe law firms will want to participate. So far, in all of the RFPs made on eLawForum, no firm, incumbent or otherwise, asked to participate, has declined to do so. Remember, the corporate counsel is the buyer of legal services and law firms are the sellers of legal services. The customer is always right and the customer is the corporate counsel. As the success of eLawForum spreads, confusion about who is the buyer and who is the seller will disappear.

There is a lot of value for law firms that they might not see at first blush. eLawForum is a great marketing tool. There are many businesses and geographic areas in which any law firm has never had an opportunity to compete. eLawForum allows law firms to compete at an almost nonexistent marketing cost. There is no cost to the firm to register or to respond to an RFP. Law firms can put their best foot forward on a real time basis and thus take advantage of a wide range of opportunities which otherwise would never have come to their attention. eLawForum expects more than a thousand law firms will register on the basis of recommendations of our Advisory Board of former general counsel. Each Board member has written letters to individual lawyers with whom we have had positive experiences in our legal careers. As word has gotten out, the best law firms are coming forward as they see the advantage of a forum where they are being judged on the merits. eLawForum will reward the best and the brightest lawyers. The smartest lawyers realize that the world has changed and they want to be part of the new economy.

Editor: *Let's say I have read this interview. I have further questions about eLawForum or I would like to share my thoughts with the people involved. Can I do this?*

Gillespie: Absolutely. There are two ways. First you may go to www.elawforum.com where you can see a demo that shows exactly how an RFP works, how law firms respond, the give and take, and other important details. It's a wonderful way to get a feel for the process and to see how you can use this powerful software to your best advantage. You may then call eLawForum at (202) 466-0520 or send e-mail to customer_service@elawforum.com.

The list of Advisory Board members is posted on the eLawForum website. Any one of the two dozen former general counsel would be happy to hear from you, to have your suggestions, or answer any questions you or your staff may have. A former general counsel almost always goes with management on visits to corporations and gives a unique and practical viewpoint of how the system works and the range of advantages available to sitting general counsel. If you would like eLawForum to meet with your legal department, please let us know and we can arrange a meeting.

Samuel H. Gillespie III