



Leganomics: Applying the insights of economic theory for efficient and profitable client-lawyer relationships

Hosted by



January 20, 2011

The University of Chicago Booth School of Business

Woolgate Exchange, 25 Basinghall Street,

London EC2V 5HA

Leganomics is a one-day business programme designed exclusively for law firm partners and general and senior in-house counsel to apply economic concepts to the market for legal services. We will discuss microeconomic theories such as "frictions in markets" which won the Nobel Prize in Economics in October 2010 and its applications to the market for legal services.

If you are a partner, join us to learn how to improve your strategy next time you pitch to a big corporate.

If you are an in-house counsel, join us to learn improved strategies to manage your legal suppliers.

The programme focuses both on a deeper intellectual framework delivered through an MBA-style format and on practical lessons. Leganomics is led by practitioners and faculty from leading business and law schools in conversation with general counsel. Their discussions will illuminate how oligopoly markets, game theory, *satisficing* as a decision-making strategy and the *compromise effect* impact on competition in the City and have strong predictive effects on winners and losers both during and off the panel process.

Leganomics is hosted by University of Chicago Booth School of Business, one of the premier business schools. It is ranked #1 in the world by The Economist, 2010. Chicago Booth constantly questions, tests ideas, and seeks proof. Six of Chicago Booth's faculty members have won Nobel Prizes - a record no other business school has beaten. They have shaped the "Chicago School of Economics" known around the world.

The ability to predict how potential clients will behave in their purchasing phase can be extremely powerful for law firms - and not just when budgets are tight. At the same time the economic principles behind the client-lawyer formation experience can validate in-house counsels' judgment and provide powerful leverage in negotiations with law firms.

Leganomics aims to maximize the opportunities for gaining a competitive advantage for your law firm, company, and for yourself. Both in-house counsel and lawyers in private practice can deepen their knowledge how to better advance their business interests. Topics are presented in a variety of formats, including lectures, case studies, and discussions with senior in-house counsel.

9.00 Registration

9.15 Welcome

Module I: STRATEGY

9.30 Strategies for managing suppliers of professional services

“Companies that spent up to \$500,000 at a particular firm paid an average of \$255/hour. But those that spent \$5-10 million and had leverage and bargaining power...paid almost twice as much - \$477/hour” Sept 2010 (The American Lawyer reporting on the Real Rate Report by the Corporate Executive Board and CT TyMetrix)

In the beginning of the 90s the University of Chicago's Booth School of Business supported the research of two professors which resulted in the innovative paper "Strategies for Managing Suppliers of Professional Services." Twenty years after corporate counsel are sophisticated buyers of legal services. This session will examine "supply chain management" and decision-making techniques relied on by corporate counsel in the US and the UK. We will examine how a risk/value approach to hiring law firms has shaped the legal market in the UK and consider whether it has created any market "bottlenecks" which allow rates to stabilize at higher levels.

10.40 Is the UK legal market an oligopoly?

To what extent do the economic forces of supply and demand determine a top law firm's pricing? Are law firms charging as much as they can get away with? The effect on clients, prices and profits and how the market behaves from the point of view of the principles of economics.

Corporate counsel frequently voice concerns over the fee levels of their law firms. In the Strategic Legal Advisor general counsel survey (Feb 2009) businesses reported that nearly half of their routine legal advice was costing them more than £350 an hour. What about the strong forces of competition that keep law firms on their toes?

This session will examine whether the UK legal market has features of an oligopoly and the impact on prices and client satisfaction. We will use economics, including game theory, to model how law firms compete. We will analyze the available options to buyers and sellers in an oligopoly market. The session will help you gain tactical advantage and evaluate current practice.

11.30 Coffee break

Module II POSITIONING AND PRICING

11.50 Economics of information production

This session will focus on an economic analysis of the market for information goods and services and whether law firms, as a market sub-set, can learn from the positioning and pricing strategies of other information suppliers. We will evaluate whether the oft repeated observation "there may be too many (similar) law firms especially in the middle tier" has a foundation in the tendency by some information market segments to overproduce at close to oligopoly prices.

In this cross-disciplinary study we examine the market for information goods and apply for the first time its insights to the market for legal services. We focus on versioning and unbundling techniques which afford in-house counsel an increased flexibility to purchase exactly what they need at the right time. We examine the impact of this novel application of versioning and unbundling on client satisfaction, repeat purchases, cost efficiency, and high profitability at law firms. Is there a truly alternative model for providing legal services?

13.00 Lunch

Module III MARKETING & DECISION MAKING

14.15 Modelling complex buying decisions: Can economics explain why incumbent legal providers, favourites from yester year, keep winning the panel competition? How does a firm position optimally its offering before and during panel selection?

Part I *“I wish law firms had systematic knowledge of who, when and how corporates hire outside legal counsel.”*

We will focus on the "frictions in markets" theory which won the Nobel Prize in Economics in October 2010. The "frictions in markets" theory can be applied to the market for legal services and shows that in certain circumstances supply and demand for legal services can be matched inefficiently. This may result in higher than optimal pricing at City law firms, mismatches between law firms' skills and the "jobs" on offer, and even contribute to the difficulties in growing certain practice areas at law firms.

15.25 Coffee break

15.45 Part II *Forget the “premium work for premium clients” talk. Is it good to be a compromise solution?*

Cross-disciplinary research has demonstrated that a host of well-documented effects predictably and systematically affect choices and decision-making. We will use principles of economics to define and explain them in the context of legal panel selection. Through practical examples, we will discuss what makes a law firm's candidacy the winning solution.

We will examine the effect of *satisficing* (a combination of *satisfy* and *suffice* coined by the Nobel laureate Herbert Simon), a decision-making practice that attempts to satisfy criteria for adequacy but may sacrifice an optimal solution. We will discuss the *compromise effect* which exerts a powerful force on choice because it provides a compelling justification for the purchase of one option over another. The *compromise effect* is an economic and behavioural phenomenon that results in a favourable bias to pick the option which is positioned or exhibits the features of a compromise solution. This favourable bias is not an unconscious process, quite the contrary, it is a rational undertaking inherent in any decision making. It is this feature of rationality that allows a clever service provider to predict how likely it is that a particular offering will be successful, and thus structure its offering optimally. Corporate counsel will learn to recognize the main drivers that push decision makers to the compromise solution.

16.45 Five-minute Blackberry break

Module IV LEADERSHIP

16.50 Bankers' corner: When and on what conditions will investment professionals, bankers and those in private equity, share their lucrative fees with the lawyers on the same transaction?

This interactive session will examine a novel way of possible compensation for solicitors. Can we move away from the billable hour, fixed fees, and the usual discounts associated with alternative billing and try to “follow the cash”? Is this a better measure of the value outside counsel bring? But what will the impact be on corporate counsel?

17.40 Closing

Registration form for Leganomics, January 20, 2011 to be held at The University of Chicago Booth School of Business, Woolgate Exchange, 25 Basinghall Street, London EC2V 5HA

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£995 + VAT at 17.5% for a total of £1169.13 if you are a lawyer in private practice

OR

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Booking conditions

1. Leganomics is open to delegates who are in senior legal positions at law firms (partners and senior associates) or at in-house legal departments. Bookings can be submitted at any stage prior to the event, subject to availability. In the event the booking is not accepted by LSID, the total amount will be refunded.
2. All speakers, timing and sessions are correct at the time of printing, but are subject to variation without notice. Changes in venue or date will always be notified to the Delegates.
3. The Delegate fee covers attendance at all sessions, course materials, lunch and refreshments. Travel and accommodation are not included.
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5. LSID reserves the right to refuse admission if payment in full is not received prior to the beginning of the course.
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Thank you for your registration!

By completing and sending you this form, I would like to register for Leganomics, January 20, 2011 under these terms & conditions.

Signature

Date

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