

ALM | LAW.COM COMPASS

PACESETTER RESEARCH

Previously known as ALM Intelligence Pacesetter Research



Supply Chain

2023 - 2024

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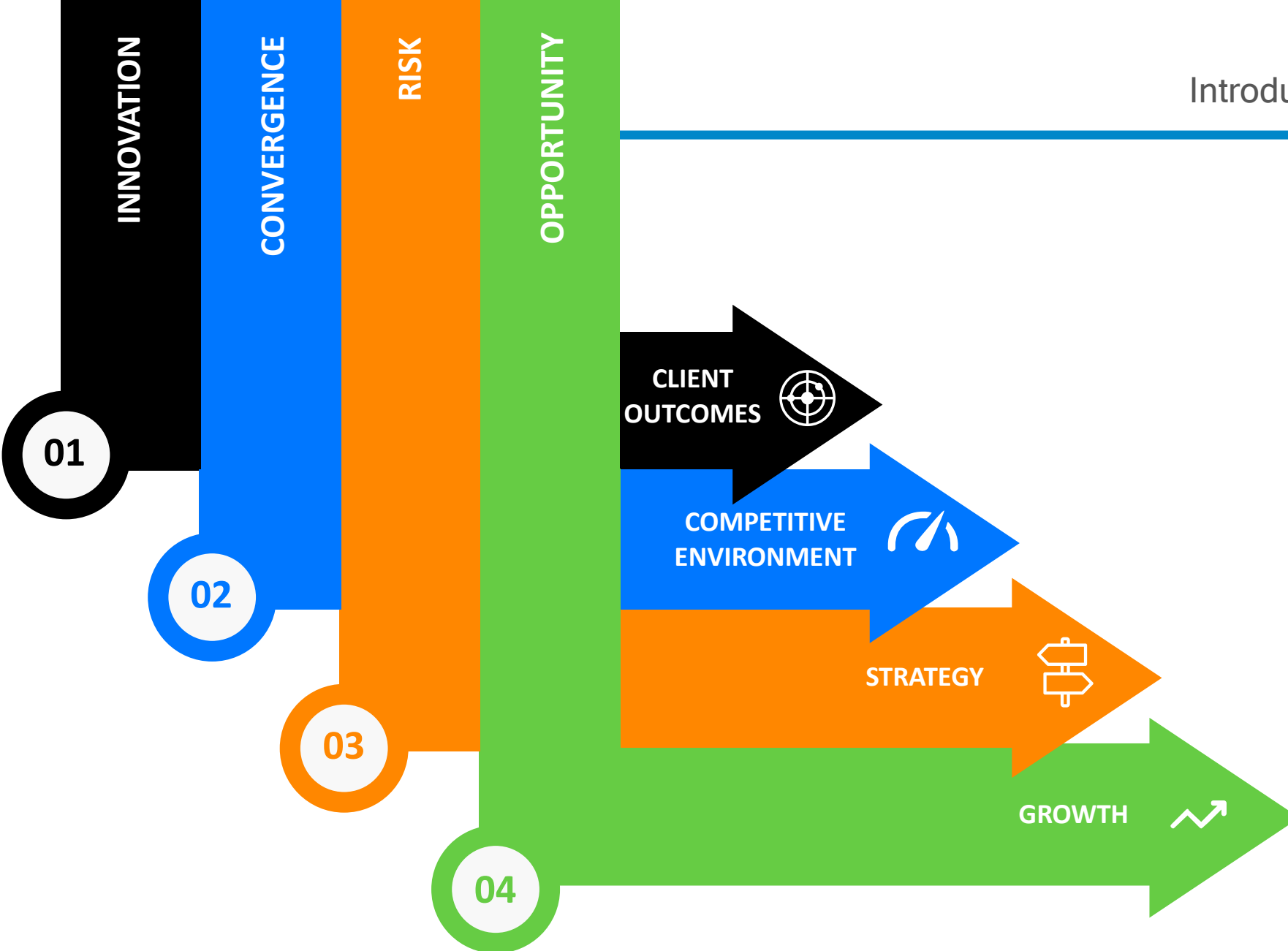
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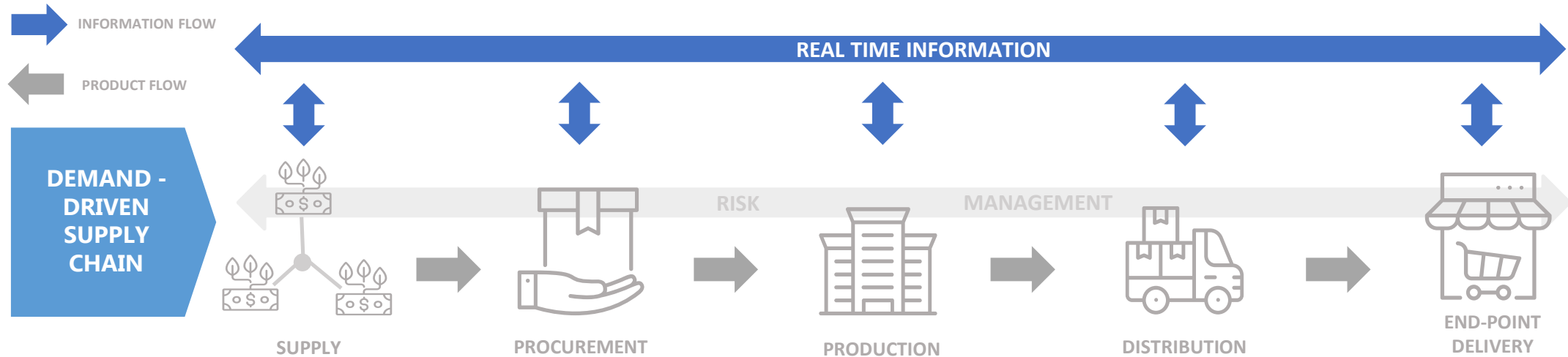
Our readers turn to ALM publications, events, and intelligence to keep at the forefront of their professions.



What Is Law.com Compass Pacesetter Research About?

- 1. Innovation:** What professional services providers are doing something different from their peers in a way that moves the needle for their clients?
- 2. Convergence:** How is that innovation changing the competitive landscape?
- 3. Risk:** How does innovation (internal and external) change providers' risk profiles?
- 4. Opportunity:** Is innovation only a threat, or is it also an opportunity?

Effective supply chain transformation requires parallel transformations in related client business units, and this is proving a serious challenge for clients attempting to build connectivity, flexibility, and transparency into siloed, functionally and technologically autonomous business units and external partnerships



Demand Drivers in Supply Chain in 2022-2023

The focus has moved from firefighting to building long-term resiliency

- Resiliency is increasingly associated with sustainability, adding ESG-related goals to supply chain projects
- As supply chains become more closely tied to client strategy, adjacent competencies (e.g., tax) are becoming more important
- Geopolitical volatility and regulatory uncertainty are even bigger factors for clients in 2023
- Inflation and rising interest rates are driving up the cost of capital
- Constraints driven by talent scarcity, demand & supply side volatility are pushing increased adoption of advanced technologies at an accelerating rate

Sources of Competitive Advantage

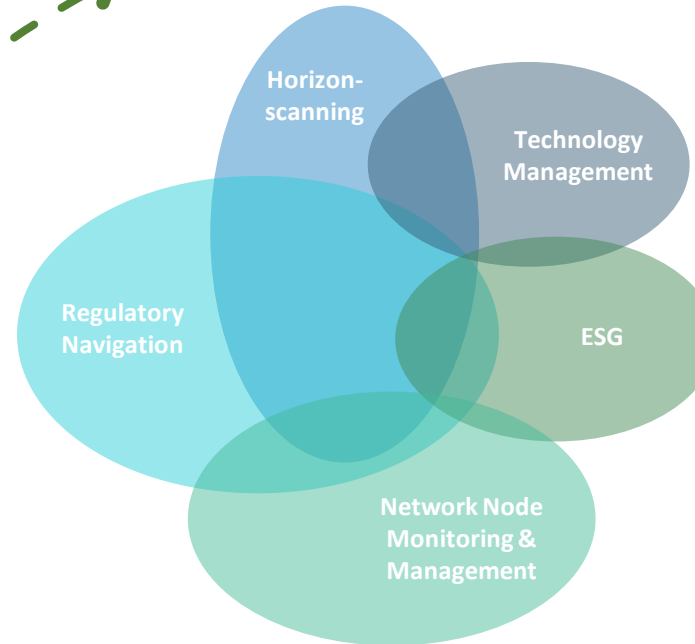
An effective supply chain *is* the client business

- The relationship component to supply chain management has proven paramount, and is being addressed through trust driven by transparency (e.g., data sharing and role clarity)
- Data sharing between client units that traditionally do not cooperate closely is key
- Inconsistent or misaligned data management capabilities between nodes in a supply chain have become important points of failure

Where is the convergence in supply chains?

Legal Departments in particular but as well, procurement and product heads are looking to multiservice, consulting, and law firms for help with building real operative flexibility into supply chains, including scenario-planning services

Acute geopolitical instability has heightened the need for more interactive regulatory navigation help through data dashboards offered by innovators across all four segments

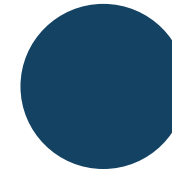
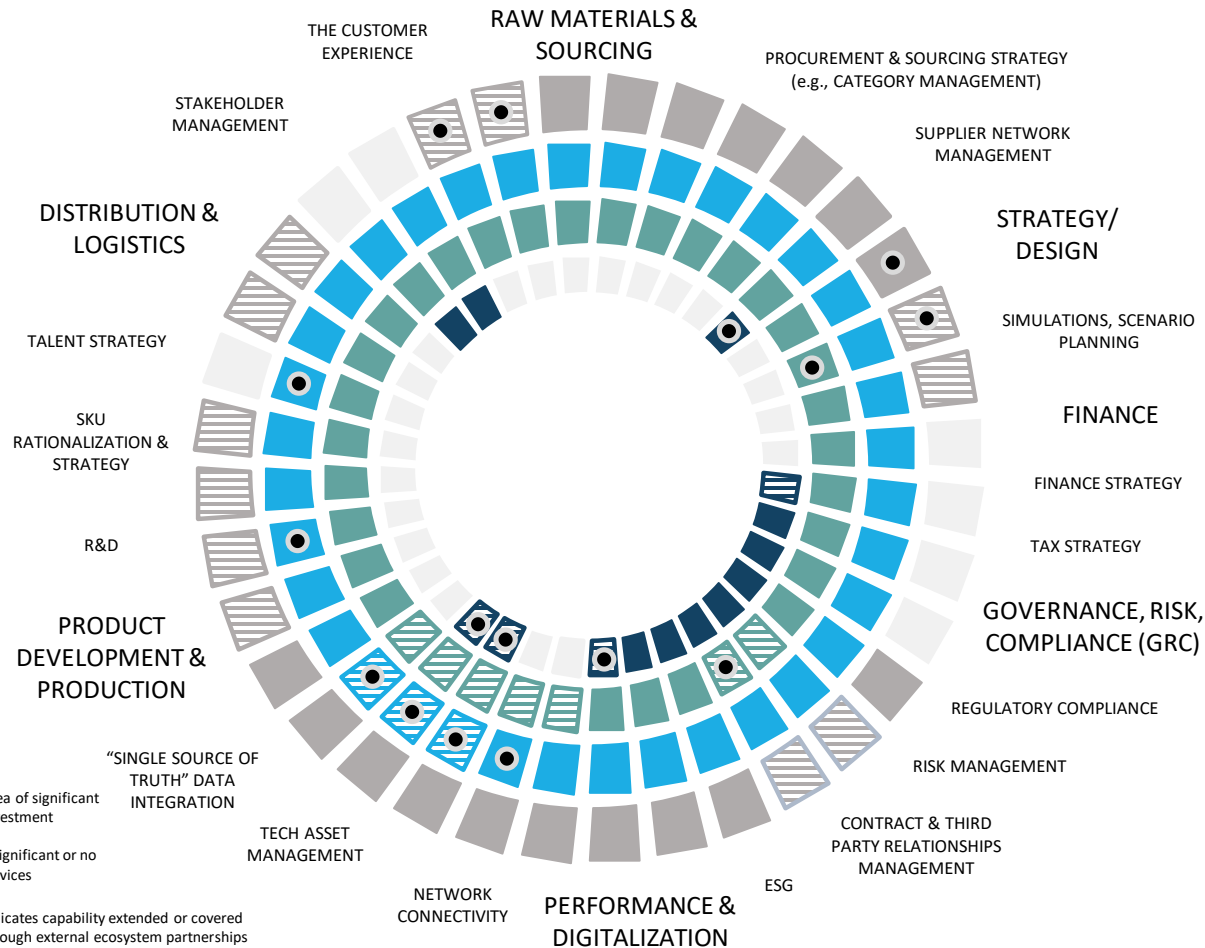


Relationship management across the full network spectrum is a key client challenge with innovative law firms catching up to consulting and multiservice providers

The growing array of technologies utilized in supply chain strategies often surpasses client management capabilities, providing opportunities for managed services solutions by multiservice and IT firms, and even some law firms for legal departments

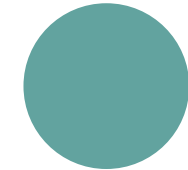
Law firms, consulting and multiservice providers are developing vetting services for third (and fourth, etc.) party vendors to check for ESG-related standards, but also for compliance issues such as human trafficking

Having end-to-end capabilities has become crucial for service providers in supply chain because of the inter-connected and integrated nature of modern, resilient supply chains, favoring those providers able to “connect the dots” for clients through both in-house expertise and partnerships



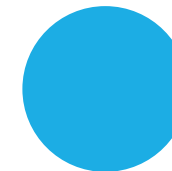
LEGAL

The legal world is heavily focused on compliance, risk, and contract management in supply chain but innovators have been developing specialized technology asset management and supplier management tools for legal departments



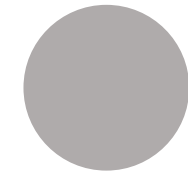
MANAGEMENT CONSULTING

For management consulting providers, supply chain fits neatly into their service orientation towards overall business transformation, and their key value proposition is being able to link client operational and financial strategies with supply chain design



MULTISERVICE

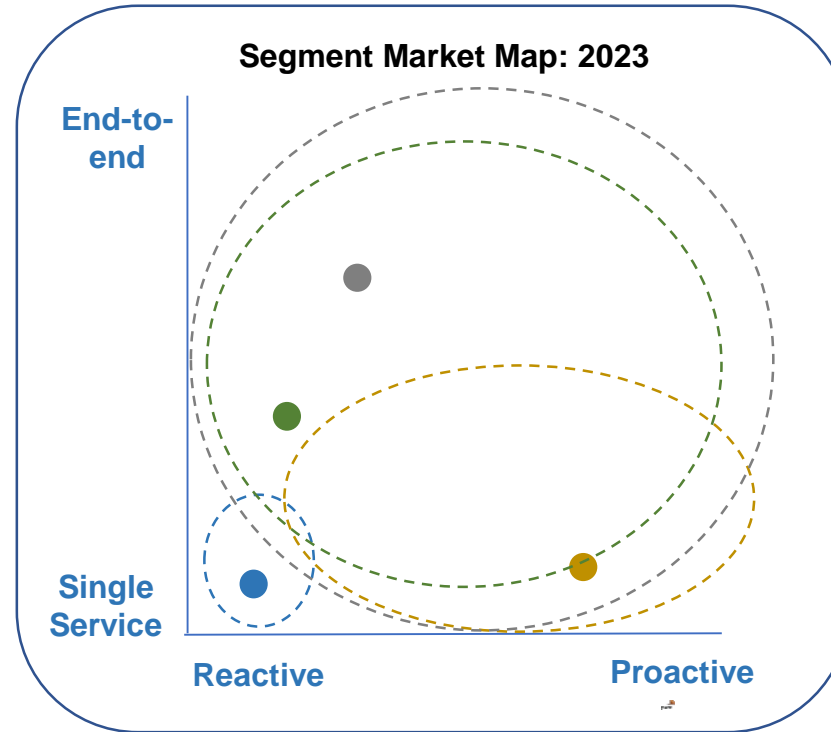
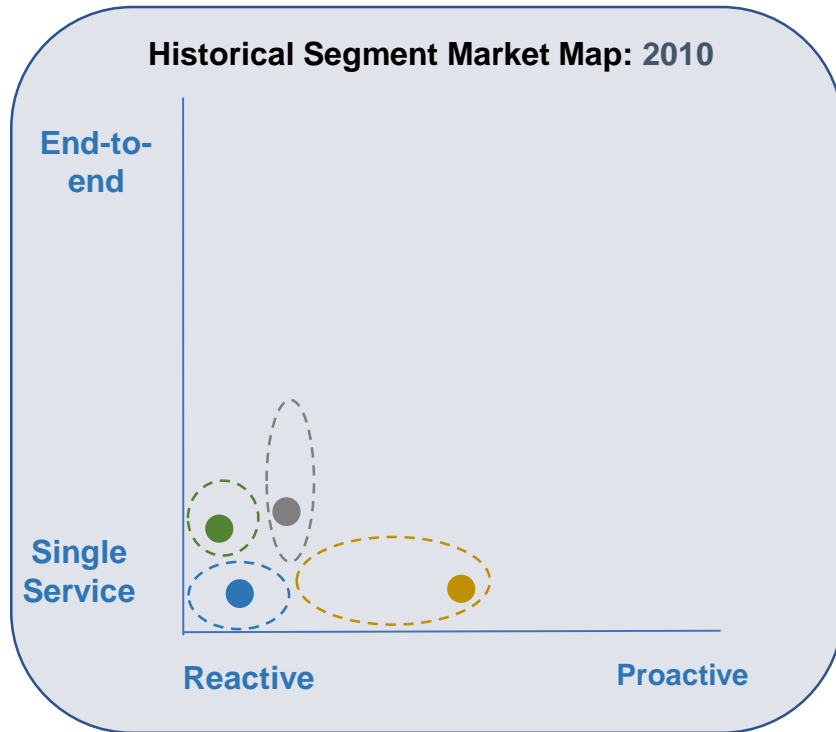
Multiservice providers also have a business transformation focus, with the added benefit in supply chains of being able to exert greater expertise and control over the digital side of supply chain solutions, as well as finance, legal, and tax issues



TECHNOLOGY

For technology providers, the focus in supply chain management is around performance, connectivity and transparency, with increasingly sophisticated data dashboards for clients, coupled with managed services

The service emphasis across the board in supply chains has shifted from cost reduction and crisis containment to centralizing management, opening information flows, and managing relationships (with enhanced risk assessment capabilities), all geared towards more flexible, resilient supply chains



Notes on the competitive landscape:

- Innovators among **law firms** have developed a distinctly data-based approach to supply chain solutions, helping legal departments with not just contract management but third-party vendor relationship management, as well as compliance and risk solutions, and even platform and advanced technology asset management – but law firms also see the most encroachment from other provider types
- Supply chain for **management consultants** in 2010 was mostly procurement performance optimization (i.e., cost reduction) but by 2023 innovators are helping clients transform supply chains into value creation centers
- **Multiservice** providers in 2010 similarly treated supply chain problems as procurement issues but after the 2008 economic crisis and 2011 Fukushima Earthquake, these providers took note of sourcing challenges and began linking them to digital services while also developing supporting managed services offerings
- For **Technology** firms, supply chain has always been a platform play (increasingly with managed services) but recently they have added data dashboard tools for overall supply chain visibility and management



Discussion



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About ALM

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30+

Publications

65+

Events hosted
globally

250+

Intelligence reports
developed

2.65M

website visitors per
month

2.85M

Newsletter
subscribers

1.08M

Mobile visitors per
month



Appendix

The goal of Pacesetter Research is to help buyers of professional services navigate an increasingly complex landscape with confidence. We use a multidisciplinary perspective to identify best-in-class providers of legal, consulting, financial, insurance, employee benefits, and other professional services, and analyze how they are evolving as an ecosystem of interdisciplinary service providers. Our research is grounded in over 50 years of accumulated market insights and qualitative research models that combine knowledge of management science with case studies and other sources of knowledge to understand patterns of market supply, demand, behavior, and ways of doing business.

IDENTIFY

- The Pacesetter Advisory Council (PAC) convenes in advance of the research project kick-off; members include ALM journalists and editors, and external experts such as consultants, general counsel, and industry thought leaders
- The PAC selects the set of Market Leaders that will be covered in the research topic from a larger group of providers that members have identified in the normal course of their work
- PAC members also provide expert knowledge and insights to the Pacesetter Research team throughout the research and analysis process

RESEARCH



- The Pacesetter Research Team within ALM conducts primary and secondary research
- Primary research includes in-depth interviews with practice leaders at the provider firms covered in the research; satisfaction interviews with clients referred by those providers; and in-depth interviews with thought leaders, recruiting professionals, and other sources
- Secondary research includes data gathered from annual reports and earnings calls, management presentations, public filings, case studies, press releases, journals and publications, online information databases and other publicly available resources

ANALYZE

- Law.com Compass Pacesetter Research analysts evaluate and score the Market Leaders against five core criteria
 1. Business model
 2. Value proposition
 3. Service delivery
 4. Client impact
 5. Brand eminence

See criteria definitions on next page
- Market Leaders that achieve a Pacesetter Impact Score equal to or over 85 are designated as Pacesetters
- Pacesetter analysts map markets and stakeholders and write market trends
- Market segment overviews are peer reviewed by the appropriate PAC member

Impact Scale:

-  Intense impact
-  Very high impact
-  High impact
-  Moderate impact
-  None

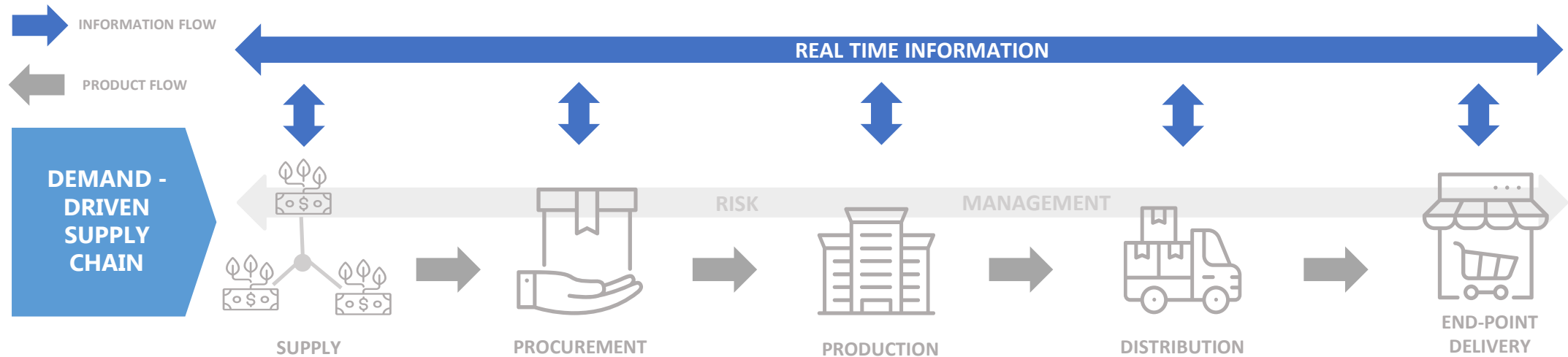
The goal of this research was to identify which professional services providers were having the most impact in a rapidly shifting market environment, and measure precisely what that impact was. Each provider, once identified either through the research or by the Pacesetter Advisor Council (PAC), was evaluated in five client impact categories and within each, five sub-categories (See **Page 54** for category details and definitions.), using a 100-point scale for each sub-category. This means that that maximum unweighted score for each category was 500 points, all of which rolled up to a maximum (unweighted) score of 2,500 points. The scoring framework does allow for targeted weighting of subcategories, though no weighting was used for the *Supply Chain 2023-2024* report. In order for a provider to be identified as an Innovator – in other words, to be included in this report – they had to score a minimum overall 70%. To achieve Pacesetter status in this report, they had to score a minimum 85%. The Harvey Balls moon graphics represent the following scores:

- 95%-100%: Intense impact
- 85%-94%: Very High impact
- 70%-84%: High impact
- 55%-69%: Moderate impact
- <55%: None

Score Distribution Analysis

Measurement	Scores
Overall Average	83.9%
Overall Median	83.4%
1 st Quartile	81.9%
2 nd Quartile	83.4%
3 rd Quartile	86.1%
Min	80.1%
Max	89.0%

For the purpose of this report we define supply chains as the full, end-to-end series of processes involved in the production and distribution of a service or product, from sourcing raw materials (or inputs) through putting that end product or service into the end-user customer’s hands. In this sense we take Michael Porter’s “value chain” concept to heart, viewing supply chains as the core value creation system in an organization. Defining supply chains has become more difficult in recent years because what was once just a simple, linear process linking suppliers to procurement to product heads to logistics to the customer has become far more collaborative in terms of management, and more circular as efficiencies in input use are increasingly realized. Meanwhile, as supply chain management has broadened, information flows are now multi-directional.



Core Criteria	Definition
Business Model	<p>Provider's ability to reposition core competencies around new products, services, and business models to adapt to shifting patterns of market supply, demand, behavior, and ways of doing business</p> <p>Detailed Criteria: Scope of Services, Organization of resources, Ecosystem, Flexibility, Innovation</p>
Value Proposition	<p>Provider's ability to deliver on its value proposition, i.e., the positioning statement that communicates the benefits and economic value a prospect will receive by purchasing the provider's products and services over a competitor's</p> <p>Detailed Criteria: Problem assessment, Client centricity, Risk Management, Measurable Outcomes, Evidence-Based Solutions Design</p>
Service Delivery	<p>Provider's ability to mobilize resources and configure assets to serve clients</p> <p>Detailed Criteria: Integrated offering, Client engagement, Talent and culture, Project Management, Digital engagement</p>
Client Enablement	<p>Provider's ability to help clients affect continuous, sustainable change, improve performance, and achieve growth</p> <p>Detailed Criteria: Business Case Development, Change management & skill development, Stakeholder management, Post-deal engagement, Living Laboratory</p>
Market Presence	<p>Provider's ability to leverage brand and marketing strategies to differentiate in its marketplace as an expert practitioner and thought leader</p> <p>Detailed Criteria: Thought Leadership, External Partnerships, Case Studies, Mission and Values, Corporate citizenship</p>

- CCO – Chief Compliance Officer
 - CEO – Chief Executive Officer
 - CFO – Chief Financial Officer
 - CHRO – Chief Human Resources Officer
 - CIO – Chief Information Officer
 - CIO – Chief Investment Officer
 - CISO – Chief Information Security Officer
 - CLO – Chief Legal Officer
 - CMO – Chief Marketing Officer
 - COO – Chief Operating Officer
 - CPO – Chief Procurement Officer
- CRO – Chief Revenue Officer
 - CRO – Chief Risk Officer
 - CSO – Chief Sales Officer
 - CTO – Chief Technology Officer
 - GC – General Counsel
 - IA – Internal Audit

Acronym	Definition	Line of Defense	Areas of Risk Responsibility
CCO	Chief Compliance Officer	2nd	Responsible for establishing standards and implementing procedures to ensure compliance programs effectively identify, prevent, detect and correct noncompliance with applicable laws and regulations
CEO	Chief Executive Officer	1st	Collaborates with Board in fiduciary oversight role; responsible for enterprise risk management strategy overall
CFO	Chief Financial Officer	1st	Manages funding of risk resources, programs and insurance; analyzes impact of risk events on bottom line; monitors and reports on ROI of risk investments, including insurance
CHRO	Chief Human Resources Officer	1st	Contributes to development of risk policies and procedures related to workforce and workplace matters; central source of risk training, communications, and change management for employees, managers and leaders
CIO	Chief Information Officer	1st	Responsible for monitoring and enforcing risk policies, procedures and practices related to information technology
CISO	Chief Information Security Officer	1st	Responsible for monitoring and enforcing risk policies, procedures and practices related to corporate data
CMO	Chief Marketing Officer	1st	Manages, monitors and mitigates organization's brand and reputational risk; leads external crisis communications
COO	Chief Operating Officer	1st	Assesses, controls and mitigates risks impacting day-to-day operations and business processes
CPO	Chief Procurement Officer	1st	Manages and audits third party risk; collaborates with CFO and GC on insurance procurement
CRO	Chief Risk Officer	2nd	Primary responsibility for enterprise risk management strategy and operations; leads corporate risk function; collaborates with GC and CPO to procure insurance in line with organization's risk strategy and appetite
GC	General Counsel	2nd	Advises Board and senior management on governance, compliance, risk and legal matters; responsible for developing, implementing and monitoring programs to support the business' risk owners
IA	Internal Audit	3rd	Provides independent assurance that the organization's risk management, governance and internal control processes are operating effectively

Service(s)	Definition
Data, technology, tools & solutions	Any and all internal or client-facing technology assets and data management tools applied to a client solution
Accounting, auditing & risk assurance services	All accounting and auditing services requiring licensing from state and national authorities (in most jurisdictions), including services related to the controls and compliance side of auditing and risk management
Consulting services	All management consulting services which provide expert strategic and operational advice designed to drive significant change in client organizations
Forensics & Disputes	Any investigative services designed to recover evidence concerning misconduct, a crime, or operational failures; with different types of forensic investigations including financial, physical, operational, data & technological, etc., and as well the resolution (e.g., arbitration) of legal disputes
Function-focused advisory services	Non-consulting advisory services such as investment banking, transaction advisory, tax advisory, law practice (separate from legal services), asset management, etc.
Interim, managed & outsourcing services	All short and long-term services by which an external vendor takes over some degree of client functions, whether for reasons of capacity, affordability, temporary stewardship (e.g., interim CFO), monitorship, expertise, etc.
Legal services	Services provided in support of the practice of law, usually high volume, low value work (e.g., contract review), and usually dependent on advanced technology for delivery
Stakeholder Management	Specialized stakeholder management services which may include advisory services, strategic communications, negotiation support, etc.
Risk assurance services	Typically tied to auditing and accounting services but increasingly separated as stand-alone services even in multiservice providers
Risk transfer services	Insurance products and services including increasingly enterprise risk services that include risk transfer advisory

The “Stakeholders” column shows the relative level of influence in M&A decisions each position in the client organization holds

The “Segments” columns show the relative level(s) of access each segment typically has to each position in the client organization

The “Stakeholder roles and interests” column explores how the role of each position has changed recently in terms of their involvement with M&A

This legend refers to the gray-scale “Stakeholder” column

Stakeholder Impact on Decision-making

- Directly involved in purchasing services
- Key influencer; accountable/responsible for executing strategy
- Some influence on purchasing decision
- Not involved in purchasing decision

This legend refers to the blue-scale “Segments” columns

Segment relationship intensity

- Strong relationship
- Moderate relationship
- Weak relationship
- No relationship

Stakeholders	Segments					Stakeholder roles and interests
	Financial Advisory	Insurance	Legal	Management Consulting	Multiservice	
CEO	Strong	Weak	Strong	Strong	Strong	The CEO has always been the spear point for M&A decisions but more recently has taken on a greater project manager role for internal stakeholder management
CRO	Moderate	Strong	Weak	Strong	Strong	CROs were already becoming central to deals in recent years but in 2022, with risk profiles changing by the minute, they ensure risk management permeates deals
CFO	Strong	Moderate	Weak	Strong	Strong	Broader M&A strategy used to sit with the CFO but as non-financial goals gain importance in deals, those responsibilities have shifted elsewhere, though CFOs have in turn been absorbing more responsibility for deal implementation
M&A/Corp. Dev. Lead	Moderate	Weak	Weak	Moderate	Strong	M&A/Corp. Dev. Leads are increasingly tasked not only with M&A strategy, but with creating a repeatable M&A model, including building the internal capabilities
COO	Strong	Weak	Weak	Strong	Strong	COOs are increasingly being pulled into both M&A strategy and implementation
GC/CLO	Moderate	Weak	Strong	Moderate	Moderate	GCs and in-house legal departments continue to be tasked with advising on unit- and enterprise-level deal risk, due diligence, tax, and regulatory compliance
CHRO	Moderate	Weak	Weak	Strong	Strong	With the talent challenge in 2022, CHROs are crucial for workforce strategy in deals
CTO	Moderate	Weak	Weak	Strong	Strong	CTOs now must coordinate with unit-level managers for technology specs and needs
Unit-level managers	Moderate	Weak	Weak	Moderate	Moderate	Unit-level managers continue to be seen as key to accomplishing deal thesis goals, with recent recognition that this extends to the longer term beyond Day 1
External Stakeholders	Moderate	Weak	Moderate	Moderate	Moderate	With ESG concerns and rising state antitrust sentiment, external stakeholders like shareholders, customers, community leaders and regulators have strong influence

Acronyms: CEO – chief executive officer; CFO – chief financial officer; CRO – chief risk officer; CHRO – chief HR officer; GC – general counsel; CLO – chief legal officer; CTO – chief technology officer, CISO - chief information security officer

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