

A Special Report

What Clients Want

To thrive, firms have to adapt, provide value, and return phone calls.



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Every law firm that serves corporate clients has faced harsh realities in the last few years. While the economy has been healthy, the competition for the most interesting and profitable legal work has stiffened. Corporate legal departments are scrutinizing their outside firms more, pushing back on rate increases, forcing law firms to compete more overtly for their business, consolidating the number of outside firms they use, and firing law firms more readily.

In this climate, some law firms have thrived, while others have struggled to keep up. The law firms that have thrived have done so, in part, because they stay close to their clients and adapt readily to their needs. Any firm that wants to compete needs to be aware of these factors that influence the way that in-house counsel choose and evaluate their outside law firms.

1. The way that law firms charge for their work is troubling to clients. Corporate counsel want to work with law firms that can make the case for the value they provide to their clients. Fees charged by law firms often do not relate to the value of the work because most law firms simply bill for time spent regardless of the importance of the matter to the client. Clients despise this system because it rewards inefficiency.

But law firms don't know how to correct the problem for several reasons. First, beyond discounts, most law firms don't know how to develop or discuss alternative rate structures. Second, many law firms are ill-equipped to provide costs on a project basis, particularly if the project crosses practice areas or geographic borders. Third, lawyers have focused on getting paid for their time, rather

than staffing and managing cases in accordance with the importance of the matter.

Law firms that can initiate a discussion of fees will have an advantage over firms that cling to the traditional time and billing approach. To do this, they need to begin educating their lawyers about estimating costs for a client and about assignments to a budget. They need to collect more data on the costs and profitability of different types of services so that they can provide better estimates. They need to suggest alternatives for certain types of matters. Finally, they need to demonstrate to their clients that they are managing their matters with their clients' best interests in mind. For example, law firms must show that they have staffed matters as leanly as possible and sought early resolution of the matter if that is best for the client.

2. Firms must understand that clients have increasing cost pressures. A related factor influencing law firm fees is the accelerating need for corporations to control costs. This trend has been accelerated by the increased influence of corporate purchasing departments in the selection of law firms. This phenomenon, in turn, has led to the increase in the number and complexity of corporate requests for proposals. These RFPs increasingly ask for more financial transparency, discounts, bundled rates, cost controls, quality controls, and automated billing processes. They often are part of an effort to reduce the number of law firms with which the corporation works. Given this shift, in-house lawyers expect their law firms to:

- Estimate and bill for projects in segments
- Automate the billing process
- Ensure bills are timely and consistent
- Provide early warning about budget variances or price increases
- Comply strictly with all corporate billing policies

Firms should initiate a full-scale process to train lawyers in financial management skills, coach them in how to talk

to clients about money, and encourage them to discuss billing practices openly in pitch situations. The firm as a whole should prepare careful engagement letters that lay out how estimates will be created and what clients can expect from the billing process.

3. Firms don't always need to work within the RFP process. Although the push for cost control has led to an increased number of RFP-driven cost competitions, there is still a lot of work being awarded outside of those competitions. Corporate law departments still frequently choose law firms without going through the RFP process. In fact, many firms find that they are able to obtain work outside the RFP system by building solid relationships that lead to informal pitches in advance of or outside of the formal RFP process.

4. Firms should think about proving their worth in measurable ways. One way for law firms to compete is to help clients cope with internal pressures to improve their services. Because companies continuously must improve their products, systems, and service delivery to remain competitive, they expect the same improvement from their legal departments. In-house counsel increasingly need to measure and communicate the value that the legal function provides the rest of the company.

Business managers view legal expenses as overhead that potentially could be put to better use. So in-house counsel need to demonstrate to the business managers the value of preservation of reputation, reduction of dispute costs, the protection of intellectual property, and the ability to enter new markets more quickly.

A straightforward way for a law firm to help its clients show improvement is to help them determine how their departments are perceived within their companies. Law firms with client satisfaction programs can show in-house legal departments how to assess their internal clients' satisfaction with the work the legal department performs.

Other suggestions include providing in-house counsel with unbilled services. Examples might include CLE training in compliance areas of particular interest to them; IP portfolio assessments; or loaned staff to handle pre-agreed tasks, such as creating contract databases or tables of comparative regulations by jurisdiction for product marketing and distribution.

5. Successful firms focus on client service. A critical way for law firms to break away from the pack is by providing unsurpassed client service. Most law firms think that providing high-quality work is what differentiates them from other firms. But clients have a different view—they take it for granted that most law firms will provide high-quality work. Instead, clients differentiate firms on responsiveness and service delivery.

Solutions that meet their business objectives instead of just explaining how the law applies in a given situation are an example of this. They also appreciate the delivery of work ahead of schedule, firms that request feedback annually and at the end of every matter, and that return phone calls quickly and don't charge for short conversations.

6. Firms should understand that clients care about diversity. Diverse firms are meeting another important client need. Corporate legal departments are placing an increasing emphasis on hiring diverse legal teams. When clients implement preferred provider programs, measures of diversity are a key decision criterion for choosing their firms.

This is because U.S. and, increasingly, European corporations believe that their suppliers should reflect their own diversity and that of their customers and work force. As a result, they put pressure on every corporate department to hire diverse suppliers. Moreover, corporate legal departments increasingly are led or staffed by women and minorities who want their outside counsel to reflect the same level of diversity as the client.

Demonstrating diversity, however, requires more than providing statistics about the firm's minority and female partners. To become a diverse firm requires a clearly articulated diversity strategy. The firm must articulate its vision and set goals for achieving the vision. The strategy must be supported by the firm's leadership and be communicated to the firm, its clients, and its recruits. Firms also must demonstrate that they have given minorities positions of importance in the firm leadership structure.

Then they need to empower a team to implement the strategy. The plans should take into account the needs of people of color, women, gays and lesbians, and other interest groups by creating programs that help recruit, retain, and advance representatives of each group. Programs may include mentoring and training, on-site day care, flexible career tracks for women, targeted business development for women and minorities, and domestic partner benefits. To help clients and recruits understand the strategy and programs, the firm should highlight the importance of diversity on its Web site, in pitches and presentations to clients, and in recruiting brochures. Finally, clients want to see diversity among the teams assigned to their businesses. This means giving the diverse members of the team real responsibility for the clients' business, not just bringing them to the pitch meeting.

7. Firms need to try to cut down on turnover of staff. Turnover at all law firm levels is a major client complaint. It suggests instability, and creates costs, delays, and inefficiency as new lawyers learn about the client's business. Demonstrating higher attorney retention rates is yet another way law firms demonstrate a commitment to meeting their clients' needs.

Firms have a number of tools available to them to help with retention, including associate training programs in legal and marketing skills, mentoring programs, more transparent communications about opportunities for advancement and compensation, and dedication to a supportive and collaborative environment. Firms can create competitive advantage in recruiting and in attracting clients by becoming firms that work hard to retain its best people and by communicating the strong retention statistics that resonate with laterals, law students, and clients.

8. Firms have to understand compliance risk. The ability of a law firm to deal effectively with the new risks its cli-

ents face in light of post-Enron corporate governance trends is invaluable to clients. Corporations today face a rising tide of regulatory scrutiny and reporting responsibilities in the United States and around the world.

In such an environment, law firms can gain undying loyalty from clients if they can demonstrate understanding of their clients' compliance demands and provide tools for compliance support. Law firms should show that they really understand what their clients are facing and can identify and resolve problems by:

- Communicating their capabilities to deal with compliance risk where it is particularly complex—across geographies, industries, and issues
- Providing advice with regulatory insights that are specific to the client's particular compliance risks, not generic to an industry
- Helping clients with compliance reporting requirements, particularly those that are changing rapidly or where the rules are not yet well-defined
- Demonstrating fast response, solid project management, and an ability to negotiate on the client's behalf should a crisis arise
- Resolving clients' problems quickly and discreetly when they do arise
- Showing a commitment to be a trusted, confidential counselor

9. Firms need to keep in mind that clients can be overwhelmed with marketing pitches. Marketing to corporations in a way that is relevant to their needs is another way for law firms to demonstrate that they are listening to their clients. An increasingly large number of law firms are marketing to the largest global companies and financial institutions.

In-house lawyers from these companies are invited to countless seminars, webinars, and receptions and receive

hundreds of alerts and newsletters, many of which have nothing to do with their needs. Successful firms will stand out from this clutter by executing targeted and highly differentiated marketing programs that deepen and broaden client and prospect contacts. These firms design custom seminars that address specific client issues. They create events that bring corporate counsel together to share best practices with each other.

They provide written materials that respond to their clients' business needs, including alerts that are concise and relevant and pitches that include bios and case studies that are tailored to the clients' business and issues. Finally, these firms build professional relationships by personally sending and following up on all marketing communications.

Law firms that want to thrive in the future must be focused on the business pressures their clients are facing. Clients are less concerned about costs when they believe that their law firms are responding to their needs and providing maximum value for the price they are paying.

Clients tell us that the most successful law firms are already engaging in many of these practices. The most successful firms have been pulling away from the pack for years; they attract the most lucrative matters and post the highest profits. The only way to keep up with them is to adopt their strategies.

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