

# Winning and Losing Business

CLIENTS' CANDID VIEWS ON WHY THEY  
HIRE AND FIRE THEIR LAW FIRMS

Acritas Insight Report 2014



# Winning and Losing Business:

## Clients' candid views on why they hire and fire their law firms

### About this report

The factors which influence clients' decisions about whether to hire – or fire – are a matter of on-going speculation for law firms and essential to business development.

To investigate the subject, Acritas asked 968 senior legal decision makers if they had hired or stopped using a law firm in the last 12 months.

This report presents the candid views of influential global clients about the choices they make and why. As such, it contains valuable lessons for law firms wishing to mitigate the risk to their book of business from client attrition.

Importantly, you will hear about the main things that clients say are most likely to make them drop their firm and move on – all of which are surprisingly often within law firm control.

It is rare that a client will proactively tell you their satisfaction is waning and by the time a problem becomes obvious, it is often too late. By listening to clients' opinions and acting on their plea for greater customer focus, it is possible to improve client retention and boost law firm profitability.

In summary, when the principles outlined in this report are put into practice, they will act as a form of insurance against unnecessary loss of business through the unintentional and preventable neglect of clients' needs.

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## Introduction

The hiring and firing of law firms is at the heart of the business of law. However, research into the factors that fuel this perpetual cycle reveal that there are some basic ways to ensure your firm is a net winner in the competition for business.

Last year, Acritas revealed that 30% of global clients dropped at least one law firm. In 2013 that number has increased to 33%.

On a more positive note however, a greater number of clients are hiring than firing, representing a strong opportunity for law firms to grow their client base.

### What drives clients to fire firms?

The motivation for firing law firms is mainly driven by price and budget reduction (26%) as well as matters coming to an end (20%).

Prestige certainly does not provide immunity from dismissal. Three of the top four most fired firms are market-leading premium global practices. This significant shift away from premium-priced firms as primary providers is a trend we have seen developing since 2010. Under pressure to control external spending, clients are becoming more selective in their use of 'elite' firms, reserving them more for bet-the-company work or highly specialized matters alone.

### What drives clients to hire firms?

Hiring on the other hand is largely driven by the search for specific expertise relating to practice area, industry or geography (54%).

Acritas' Sharplegal research reveals that the international challenger brand firms (i.e. those with a wide geographic spread, strong customer focus and competitive rates) are gaining favor and winning the most work.

These fast-growing, forward-thinking firms were the most commonly appointed in the last 12 months by the clients interviewed as part of Sharplegal.

The current hiring climate is also affecting traditional loyalties. There is relatively little mention of relationships driving appointments with only 7% of the general counsel interviewed saying they had followed laterals.

In the following pages we will explore in detail the drivers leading to hiring and firing decisions and – most critically – the actions to take for positive impact on business development.

## Methodology

Sharplegal is an on-going annual telephone survey of senior legal buyers. Respondents are general counsel or equivalent and are asked about the areas of buyer behavior, spend intentions and law firm brand perceptions most critical to informing, supporting and executing a successful law firm strategy.

The data contained within this report is sourced from the responses of 968 respondents in 2013 to two questions from Sharplegal relating to their experiences of hiring and firing law firms.

Respondents are from \$50m+ revenue organizations globally, across all industry sectors.

Quoted verbatims are representative of overall trends in the data.

Law firms can access the Sharplegal program by annual subscription. To find out more, please contact **Lizzy Duffy, Vice President Acritas US, Inc.** at [eduffy@acritas.com](mailto:eduffy@acritas.com) or call +1 646 480 5738.

## The facts

One third of the world's largest companies have stopped working with at least one law firm in the last year.

This year, the most commonly cited reason that clients gave for dropping a law firm – or using its services substantially less – was simply that the work, for which the firm was engaged, had concluded.

Of greater concern, however, are the reasons given that are firmly within law firm control:

- ▶ 19% of clients said they had parted company with their firm because they were too expensive
- ▶ 17% had chosen to fire their lawyers because they were slow or provided poor service.

Despite this, there have been some improvements on 2012, with the following factors less likely to lead to client loss this year:

- ▶ Law firms losing staff (and taking client work with them)
- ▶ Lack of expertise
- ▶ Consolidation i.e. clients using a smaller panel of law firms
- ▶ Better relationships elsewhere.



Such areas of risk can be mitigated by developing ways of adapting quickly to future market changes, such as:

- ▶ Succession planning
- ▶ Efficiency improvements
- ▶ Budget sensitivity
- ▶ Proactive marketing of broader services at the individual relationship level.

## Category 2: Relationship risk areas within law firm control

This category covers the factors that led to the termination of the relationship which were caused more by specific actions that the firm took (or did not take).

The areas of risk in this category are of greatest concern because in these cases, there are very few second chances. They include issues relating to:

- ▶ Servicing
- ▶ Attitude
- ▶ Value
- ▶ Quality.

As it can be so difficult to resurrect a relationship damaged by 'category two' factors, the onus needs to be placed on damage limitation while the relationship is strong.

Our research shows that many law firm-client bonds are weakened by issues that could have easily been avoided through more effective forward-planning and better client communication – ideally through systematic feedback.

## The slippery slope towards dismissal

In the following section, we will explore the factors which fall into each category in greater depth:

### Category 1: Relationship risks driven by market forces

#### Demand issues

This was the most common reason for a firm to no longer be used.

**Litigation** was the most common work type mentioned, given its cyclical nature.

In these cases, as long as the job has been done well, the relationship is normally left on a positive note and with the understanding that the firm will be considered again, should the need arise.

“ *A lot of times we hire a firm for a purpose and then it finishes. We might hire someone for a large litigation and then finish it. I would use them again if the right matter came up.*

Chief legal role, Retail, US

”

**Transactional work** was also mentioned. A reduction in demand for law firms in this area was primarily driven by a slowdown in the M&A market, with many companies being less active.

“ *It is because of a reduction in M&A activity from our company.*

Chief legal role, Energy, Australia

”

Similarly, firms that were used for **specific areas of expertise or geographic location** were found to no longer be required.

“ *Not for anything they did, just you know, all the work they were doing is now done by X. They were a good firm but I got everything I need here in Chattanooga and it was easier to work with the [local] firms rather than an Atlanta firm.*

Chief legal role, Real Estate, US

”

A small number of respondents also talked about reduced demand in the context of **efficiency**. For example, where M&A work could be covered by the in-house team working with the other side's firm, why not reap the benefits of not paying for additional counsel?

However, today's ideal solution may not always work tomorrow. As the role and scope of the legal department changes – becoming bigger and more strategic, with more offices and more specialists – so too do clients' requirements of their law firms.

When the structure of the in-house team or the skill set of the people within it change, there can be consequences for the way general counsel employ external counsel.

The following responses, given by general counsel saying why they had stopped using a particular firm in the last 12 months, highlight this:

“ *Simply because we've developed more in-house competency.*  
Deputy GC, Business Services, US

*For the services they had provided, there hadn't been any demand. Besides we had managed to find a solution to resolve similar matters in-house. Simply put, we had no need to seek help.*  
Chief legal role, Retail, Poland

”

The use of substitutes to traditional law firm is also impacting on demand:

“ *I started using them less as I employ a contract through Lawyers On Demand.*  
Chief practice counsel, Natural Resources, UK

”

## Lateral movements

When a client relationship hinges on one partner, it can cause a great deal of disruption for the client when the partner either leaves to go to another firm or retires. This common scenario presents a great risk to law firms as, more often than not, the client will leave either to follow their known and trusted partner or to find alternative counsel.

“ *The lawyer that we used on our transactions moved firms. We valued his advice greatly so moved with him.*

Chief practice counsel, Natural Resources, UK

*They have changed the key personnel at their end, as they have lost some of the people we used to deal with and so we intended to follow those people or find other people at other law firms.*

Chief legal role, Technology/Media/Telecoms, United Arab Emirates

”

This is nothing new to the legal industry and succession planning has long been a challenge for law firm leaders. In many cases, the client will follow the lateral relationship. However, if the firm is prudent, broadens firm contact with the client during the course of the relationship and makes an effort to maintain the relationship beyond that partner's tenure, there is just as much chance that the client will stay loyal to the firm. In fact, clients expect this to happen. The damage is done when this does not occur and clients perceive that the firm does not value their business – especially when many other firms will be aggressively pursuing them.

“ *The partner who looked after us left and the firm had no interest in following up.*

Chief legal role, Automotive, Australia

*Actually it's for a very precise reason. It's [because] one of the partners retired. And so, as we haven't really had contact with the other partners, we changed firms to get another.*

Deputy GC, Engineering, France

”

Perhaps not surprisingly, with law firms perceived by in-house counsel as being poor at succession planning, clients are starting to do it themselves, particularly in cases where the retirement of a favored partner looks imminent:

“ *The partner there had a very long-standing relationship with the business in terms of property development but he's approaching retirement so we have increasingly, over the course of three or four years, moved transactional work away from him to kind of reduce reliance as there is no real succession planning at the firm.*

Deputy GC, Pharmaceuticals/Bioscience, UK

”

In the corporate world, businesses take great pains to mitigate ‘key man’ risk, frequently taking out insurance policies against it and writing ‘non-compete’ clauses into contracts, local laws allowing. Many corporates also monitor the engagement and loyalty of their staff in a more systematic way – to identify any issues that may be building momentum.

By adopting more ‘corporate’ practices and identifying where relationships are dependent on individual contacts, law firms can begin to introduce more contacts to the client team and thereby spread the risk. Part of the value of this is simply in demonstrating to clients that you are thinking about succession planning **before** they have to.

### Switching in favor of another

In a number of cases, the reason for dropping one firm appeared to be less of a reaction against the specific nature of the individual relationship but rather a **broader business decision**.

When companies merge, preferred firms may be lost in the integration. Clients are also telling us more frequently that the Board and broader C-Suite are playing an influential role in the decision to hire and fire. Indeed, top premium global and US law firms ranked among those fired by C-suite Sharplegal respondents specifically. In these cases, the general counsel’s hands are tied:

“ *It's a political decision of my top management to give preference to X. So it's not linked to the quality of Y.*

Chief legal role, Engineering, France

”

Naturally, **conflicts** also account for some of the instances of law firm dismissal:

“ *Conflicts, conflicts of interest. [Is there any other reason?] No that's it, pure conflict of interests.*

Chief legal role, Manufacturing, Germany

”

## Consolidation/panel management

The increasingly common occurrence of **consolidation**, i.e. reducing the number of law firms used, is also having an impact. Whether clients consolidate to a formal panel or more informal list of preferred firms, the strategy is increasingly being used as a way of enhancing the leverage they have with their firms. The hope is that by working with a smaller group of legal services providers, there will be the opportunity to develop a deeper relationship, to receive better service through better business understanding and a more efficient apportioning of work to pre-qualified providers as well as more efficient billing. In other words – relationship kudos.

The net result is that some firms are cut out of the client's preferred list. Usually the smaller, local firms lose out here:

“ We wanted to skip locally-based law firms and get to centralization of our activities; reducing [sic] the number of law firms we use.

Senior legal role, Retail, Belgium

”

However, when the cut is deep, even the biggest and best of firms will face strict evaluation:

“ There is better value elsewhere. We want to consolidate from 60 firms down to 20 firms.

Chief legal role, Energy, Canada

”

And once the decision has been made, the list is considered final:

“ They are no longer on the panel so we can't [use them].

Chief practice counsel, Banking, UK (speaking about a top 10 global firm)

”

Among panel firms, the competition can get tough. Corporate counsel are in the business of mitigating the risk of becoming overly-reliant on one firm. They frequently use healthy competition as a tool to drive hunger among panel firms and reduce complacency.

“ *Because we don't want to make ourselves dependent on one law firm.*

Chief legal role, Healthcare, Germany

”

In our **Sharplegal** research, we have seen the average number of firms used by GCs streamline over the past four years to a happy medium – too few firms and they may get complacent; too many and the relationship kudos is spread too thin.

Here are just a few questions worth asking to gauge the current strength of your firm's position with clients:

- ▶ How many firms are your clients working with?
- ▶ What is their ideal panel makeup?
- ▶ Where do you fit into that picture?

Are you recognized for all that you can offer, or just for the thin slice of services that the client feels they need you for?

## Taking work in-house

An increasing phenomenon among financially constrained businesses, employing in-house teams to conduct the work that would have traditionally been outsourced, accounts for 7% of law firm dismissals reported by Sharplegal respondents. The following comment highlights the situation:

“ *This financial crisis that's visible [means] that we are less inclined [to spend] and so less and less work gets done externally. ...We have comprehensive legal service in-house. There are 40 counsels in the whole company... they also know a fair bit about law. These people are hired; hence we assume that no standard work will be done externally because that's why we incur the costs of the in-house legal advice. .... one just has to be more mindful. When the cash is running low then it's the time to do some savings.*

Chief legal role, Natural Resources, Poland

”

## Category 2: Relationship risk areas within law firm control

Half the general counsel we interviewed for the Sharplegal 2013 study told us that they had dropped a firm because of a specific issue that disappointed them so much they would not work with the firm again.

These factors may prove irreparable in these relationships but they are valuable lessons to be learned that will help protect other relationships.

### Being too expensive

19% of all respondents said they had fired their law firm simply because they were too expensive – the second most commonly cited reason after the work finishing.

“ Well we just felt we did not have that good bang for the buck. We thought that they were too expensive, I have nothing to say on the service levels, we just got better value from X and we get the same efficiency level.

Chief practice counsel, Retail/Wholesale, Canada

Cost benefit as I mentioned previously. We used to use X and it is because of the price. They were ridiculously expensive and the quality of work does not match the cost.

Chief role, Investment, UK (talking about a US-based, international firm)

”

Given that the point at which a service becomes ‘too expensive’ is highly subjective, it is useful to look at the factors which generally fuel the perception of excessive cost.

### Value and service quality

Clients often report that when **quality of service or work** have fallen below par it leaves them with a perception that the firm has offered **poor value** and was **too expensive**. Another common client complaint is that they feel they are billed for every second of lawyer attention.

“ I am not particularly happy with some of the service I’ve received in certain business and practice areas. They also invoice me every time I pick up the phone to them.

Chief legal role, Financial Services, UK

”

These issues have very negative consequences on clients' perceptions of their value within the relationship with their law firm. Clients want to feel as though their law firm is investing time in achieving a good outcome, not just in achieving a good income.

“ *They're raping and pillaging when they bill us, sorry that won't look good in writing, what I mean is their unsustainable billing practices.*

Chief legal role, Energy, US

*Too expensive, that is the key reason. No, just expensive.*

Chief legal role, Banking, Hong Kong (speaking about a top 10 premium global firm)

”

This feeling is exacerbated when a client is using a range of firms and experiencing varying levels of **service quality**. For example, if a client is used to a high level of care with its US firm (where customer service levels are generally better than elsewhere), they may quickly become disillusioned with firms in other parts of the world offering standards that fall short.

Indeed our **Sharplegal** research shows that when measuring the value clients receive from their firms, they consider their legal spend as a whole. They tend to compare the billing practices adopted and value delivered by smaller, cheaper firms alongside those of much larger, premium global firms doing more complex work.

“ *Just we moved work to a smaller firm with similar expertise and lower rates.*

Chief legal role, Healthcare, US

”

## Quality of advice

Clients need advice to be given in a business context. This allows them to use the advice in a practical way to address the business problem they are facing. Slow, incomplete or overly technical advice which requires internal resource to translate it into business-ready actions is not helpful and can damage the client relationship.

“ *The legal advice they gave us wasn't solid enough. [And what do you mean by solid?] Doubts, questions ... sometimes talking to the partner you could see doubts if you started to scratch the surface of the issue in question, we got the 'I will look into it, I will get back to you...' And they are expensive because you could understand if it was a junior or a youngster, but they weren't cheap.*

Chief legal role, Food/Farming, Spain

*I don't think they're able to manage really large strategic litigations in the area of competition [law]. On the one hand, they're not sufficiently staffed. And on the other, analysis-wise, I found them maybe too theoretical. Not that practical.*

Chief legal role, Food/Farming, France

*Expensive and impractical. Not business-focused, too much about theory. That's what I mean about practical, they're very smart lawyers but they only think about the law and they don't know how to solve a problem creatively.*

Chief legal role, Retail/Wholesale, Canada

*Poor and untimely advice, rendered in connection with a transaction.*

Chief legal role, Business Services, US

*Poor expertise, lack of expertise and professionalism.*

Chief legal role, Insurance, US

*Dissatisfied with the work.*

Chief legal role, Financial Services, US

”

By altering the attitude adopted towards clients, becoming more client-focused and meeting clients half way, law firms stand to reap the rewards of stronger relationships and reduce the chance of client dissatisfaction.

In conclusion, clients are under intensifying pressure to deliver more with less and law firms are feeling the knock-on effects of these changes. Effectively dealing with these new demands requires a real cultural shift which places clients' needs at the heart of every part of law firm service delivery.

## Competitive pressure

The influence of competition runs through many areas of dissatisfaction. In an intensely competitive landscape, it is of paramount importance to understand how your firm is perceived and performing vis-a-vis the other firms your clients are working with.

Any firm which has dealings with your client is contributing to the competitive environment and having an influence on the way you are perceived. Regardless of the scope or complexity of work that each of you are providing, there will be areas of the relationship, such as responsiveness, billing practices and proactive communication, which clients generally assess across the board.

As other firms begin to raise standards, your firm risks being left behind if no action is taken to keep up. Much better to be thinking ahead of the competition and to be the one raising standards for others to match.

“ Well, the honest answer is that there was a lawyer that I did not like working with, so that was the main reason. And I think that the follow-up wasn't as good as it was with X, where they are better at keeping up with our business.

Chief practice counsel, Technology/Media/Telecoms, Canada

”

## Falling short of clients' expectations

Gauging expectations is notoriously difficult and yet crucial to the health of any relationship. The best way of avoiding **misalignment** in this area is to ask clients what their expectations are for each matter, around service levels, billing, response times and communication methods – and to ask them regularly.

Here comments related to the service, work, relationship or conduct of the law firm not aligning with the values and expectations of the client. There are several facets to this – client focus, appropriately representing the client's brand, or simply not being understood.

“ They did not adopt a new vision that we had as to how we wanted to handle our litigation. They like to settle, we like to fight.

Chief legal role, Retail/Wholesale, US

”

“ *I found behavior which wasn't normal. Which wasn't ethical.*

Chief practice counsel, Real Estate, France

*Their attitude to the client was very much disappointing.*

Senior legal role, Energy/Utilities, South Korea

*I was expecting the partner to handle more things instead of the associate.*

Chief legal role, Banking, US

*We gave them agreements to look at hoping that they could provide us with some basic comments and they didn't seem to really understand the point of the assignments and were kind of overhauling the whole thing and not providing us with what we needed.*

Deputy GC, Energy/Utilities, US

*I'd say the service is not up to par – in terms of listening to the client.*

Senior legal role, Engineering, Canada

*We were dissatisfied with the advice and the unethical conduct of the partners.*

Senior legal role, Insurance, Germany

”

It is important that clients feel their lawyers are listening to them so firms must **demonstrate** they have listened by adopting an approach that aligns with clients' needs at every step.

This does not necessarily involve making major changes to service delivery but just beginning with an open conversation and continuing with proactive communication and dialogue. Using the client's language and respecting their wishes are valuable actions in building trust. Offering an objective forum for clients to feed back after a matter has concluded or conducting periodic relationship reviews can strengthen understanding and build loyalty.

TOP TIP

**Remember:** Clients will be happy to provide feedback if they feel it will drive change. It can be very damaging to seek the client's views and then do nothing with the information. This simply communicates that you make a pretence of caring yet don't genuinely value their opinion – or business.

## Breakdown of trust

Very closely aligned to expectations is the all-important matter of trust. Once clients begin to doubt the service, motives or expertise of their lawyers, trust is damaged and can be impossible to repair, as shown in these comments about the motives for dismissing law firms:

“ *To be frank, it is something like an achievement and a sense of trust ... how can I put it... because the result did not meet our expectations.*

Chief practice counsel, Retail/Wholesale, Japan

*Suspicion that the advice we had been given was incorrect.*

Chief practice counsel, Technology/Media/Telecoms, Canada

*We were using them on local real estate matters and they had very poor support in place. Our firm came to despise the firm and asked us to stop using them.*

Chief legal role, Manufacturing, US

*Their costs for legal service were higher than what I was led to believe.*

Chief legal role, Food/Farming/Fisheries, UK

*The trust has broken down and the bills haven't been timely. I get the impression that I am paying for the lawyer constantly without him telling me anything.*

Chief legal role, Government/Public Sector, UK

”

## What drives clients to hire a law firm?



When it comes to choosing a firm to spend with, clients told us about two broad scenarios: hiring a new firm or significantly increasing usage of a firm where there is an existing relationship. The reasons behind each of these fall into several clear categories:

- ▶ Subject expertise
- ▶ Geographic expertise
- ▶ Previous positive experience
- ▶ Low cost
- ▶ Followed lateral
- ▶ Diversifying provider options
- ▶ Conflict of interest elsewhere
- ▶ Better than previous firm (previous firm unsatisfactory).

From a law firm's perspective, winning work is critical to continued business success and growth. Depending on whether winning new business or cross selling or upselling to existing clients, the importance of the factors listed above can vary greatly and make the difference between success and failure.

## Expertise

Naturally, law firm expertise was cited as central to the appointment of that firm. In most cases, the expertise was driven by an increasing workload (litigation or M&A) for which the client required additional capacity. In other cases it related to the client's specific needs and then specialist expertise was required such as securities or regulatory knowledge.

An unexpected increase in legal work for the department – especially true of litigation given its unpredictable nature – will drive up the use of a firm.

Quality of expertise is seen to be a given in most cases, especially in the more mature legal markets. However, increasingly clients are demanding that the expertise is provided within the business context in which they are active. Industry knowledge is a significant differentiator helping a firm's expertise stand out above competitors.

“ Above all, a wide range of services, because they cover all the fields in which we are active. Specialization, especially regarding both environmental and administrative law and regulations related to the energy sector.

Chief legal role, Construction, Italy

They have got three or four English lawyers and they know the marine and the oil and gas markets.

Chief legal role, Energy/Utilities, Norway

They had the special expertise [we] were seeking. One was US securities the other was data privacy and information securities.

Deputy GC, Technology/Media/Telecoms, US

Their technical expertise in our industry which is in tourism and hospitality and e-commerce, their specialty in that field is market-leading.

Chief legal role, Technology/Media/Telecoms, Australia

”

It is not just enough to provide high quality legal advice; clients need greater added value in the form of business-focused advice.

Clients greatly value law firms that have built experience and expertise in a specific niche industry, working with similar companies and solving similar problems for others. In these circumstances, clients' perceptions of law firm value are significantly increased.

## Geography

The proportion of clients having to address legal needs outside their home country has been trending upwards over the past five years. This has many implications for law firms in terms of fresh demands being placed on them and new competition from law firms primed to meet clients' international needs.

Where law firms can offer support and expertise in specific geographic settings, internationalization is offering significant opportunities for growth.

In some cases this means offering on-the-ground support in a new territory, in others it is more about providing deep local knowledge and presence.

In both cases, **on the ground support, a strong local network** and the **regional understanding** to help navigate the local business and legal waters are key to adding value to the relationship and to the work.

Some of the biggest new business winners have been firms that can provide solid international support to their clients, often in territories where the choice of firm is limited to small, lesser known local firms. Clients prefer the familiarity and reassurance of working with a large international or global firm with the knowledge to guide them safely through the local legal landscape.

**The geographies in which clients have needs are diverse and driven by the expanding business footprint of clients' organizations:**

“ We have a matter pending in South Korea.

Deputy GC, Technology/Media/Telecoms, US

Particular expertise in a market that we are growing into, [such as] Kentucky, and they have a particular expertise in lobbying value in our efforts to expand in Kentucky.

Chief legal role, Healthcare, US

*We have started a new business in Singapore.*

Chief legal role, Energy/Utilities, Norway

*We had more litigation in Ontario.*

Chief legal role, Insurance, Canada

”

**Local knowledge is often a driver where a new need arises in a specific jurisdiction:**

“

*We started getting institutional investment interest from the US. That justified going to a US firm.*

Chief legal role, Real Estate, Australia

*We're building a facility in the United States and it's right at their back door so it's legal representation and they're very familiar with the local government requirements and programs and everything so we're using them.*

Chief legal role, Automotive, Canada

”

**Sometimes the choice of firm is limited by the geographic expertise required:**

“

*We have got more property in a particular state where none of the other major law firms have a base.*

Chief legal role, Real Estate, Australia

*This is the only new firm that we have added within the last year. The geography, none of the other firms had a good presence in Southern California in Arizona and we needed someone to help us.*

Chief legal role, Retail/Wholesale, US

”

**Some clients prefer to work with fewer firms (or one firm) to cover all of their international legal needs:**

“ *We are extending in other countries and so whenever I go to a country, for example now we are extending in Turkey so I use X there.*

Chief legal role, Insurance, Saudi Arabia

*We had some issues outside of the US that have kind of heated up and are growing in some areas so I am going to need more international guidance.*

Chief legal role, Manufacturing, US

*Because X is a regional law firm so from time to time they can give advice... the same partner can advise you in different jurisdictions which Y doesn't have.*

Senior legal role, Energy/Utilities, UAE

*Because we're doing international transactions and the head offices were in loads of different places.*

Chief legal role, Technology/Media/Telecoms, US

”

**Others still prefer to work with best-in-class local firms in each jurisdiction or generally prefer the relationship of working with a smaller firm:**

“ *In Beijing we have more local affairs, so we will certainly have more contact with X, and they can help us with advice on matters we deal with.*

Deputy GC, Investment, China

*I was looking for a firm which was more 'French-French'; smaller... [One which was] closer to the French culture. So out of the big, international firms, I started with them and it's going well.*

Chief legal role, Technology/Media/Telecoms, France

”

“ *Regional features and expertise. We needed a certain expertise and we found them to be the best...we evaluate every case individually and think of who could assist us best. We don't necessarily use a certain firm globally, because I believe that even the biggest networks are not properly equipped to do it all. ... A good senior partner would tell you this. He will tell you that they are not able to help you in this country, with your needs, rather use somebody else and we can recommend somebody.*

Chief legal role, Business Services, Germany

”

When it comes to geographic context, clients' needs are constantly evolving. Some who were not internationally active yesterday may be today. Some who were active in just four countries last week may now have an additional four countries to manage. Some who were already established as a sophisticated multi-national are today looking at even newer jurisdictions in which to work.

## Relationship

Much of the new work won was assigned to a firm where there was already an existing relationship and that offered specific benefits: trust, historical knowledge of the client's business and an efficient working relationship.

“ *Their association and understanding of our business and the type of thing that has cropped up being more suited to them.*

Chief legal role, Engineering, UK

*Historical knowledge of the corporation networks is always of assistance from X.*

Chief legal role, Energy/Utilities, Canada

*We have long-term co-operation with them. We have been working together for a long time. Another reason is we are more than satisfied with the services they provide. So we have this long-term relationship of trust.*

Chief practice counsel, Technology/Media/Telecoms, China

”

“ *We just work with the firm, so something carried. Because our relationship is closer, we entrust it on behalf of litigation.*

Senior legal role, Manufacturing, China

*How shall I put it? Some things when you have them done smoothly in the beginning you tend to entrust similar things to the same law firm in the later stages also.*

Chief legal role, Retail/Wholesale, China

*Because they are very good and so little by little – as it is said one assignment leads to another. When someone gets on well and is satisfied, it comes naturally to reconfirm the trust and to assign new matters.*

Chief legal role, Banking, Italy

*We have a global contract with X and we stick with that.*

Senior legal role, Transport, Norway

*With X, I just like the relationship and I think they have very reasonable billable hours for the kind of work that I needed assistance on, and I just really think that I'm getting great value from that group. I have a really great relationship with the partner there for HR, and that's just sort of developed into other work, and so that's great.*

Chief legal role, Natural Resources, US

*They do a lot of work and they are excellent in the field. They are highly capable and they understand our work, they also move quickly and get good results. They are also easy to reach and responsive.*

Chief legal role, Financial Services, US

*We wanted to use, other than X, some other persons in advisory for litigation and we have gone to them for a couple of matters and we find them good. Quick response time, first. Sound advice and understanding the needs of the client.*

Chief legal role, Banking, India

”

## Changing client profile

As clients' businesses develop and evolve, so too does the role of general counsel and the importance of the legal department within the business. The in-house counsel role is also expanding in light of increased regulation, heightened scrutiny and growing international expansion as well as the risk-aversion of corporate boards.

The changing shape and visibility of the legal role comes through strongly in our Sharplegal data which reveals the new demands clients are placing on law firms.

Some of the key characteristics of this trend include the formalization of legal services procurement. Whether clients are formal or informal in their selection process makes a significant difference to the way they assess the value proposition of a firm and which types and how many firms they need to engage to meet all of their requirements.

Panels are increasingly common and provide firms the opportunity to win a place closer to the client as well as to expand business.

“ They came on as a retainer. We identified them through a competitive process. So on retainer they are our go-to firm for all issues except those where you feel they offer some kind of specialized niche advice.

Chief role, Healthcare, Canada

”

A more subtle change is the way in which clients articulate their needs around expertise. As described earlier, there is greater appetite for business-ready advice in a relevant industry and geographic context.

## Conflicts

While conflicts can be a barrier to working with a client on specific matters, they can also provide an opportunity where the incumbent firm has been dismissed as a result of a conflict.

“ They got the work originally because of a conflict our other law firm had in a big matter and that, the one big matter, has snowballed so basically the other law firm also does work for X. X is a potential third party in another couple of big matters we have so we have to stay clear of the other firms.

Chief legal role, Automotive, Canada

”

Half had hired a new for the first time. Half had significantly increased their usage of a firm they already had a relationship with. In addition to the reasons cited above, there were some clear differences in drivers of new appointments versus increasing business.

## Winning new business

New firm appointments are overwhelmingly driven by the client's need for specialist expertise and their requirements in specific geographic areas. Recommendations play an important role – as do laterals.

Furthermore, the question of value drives clients to appoint new firms, not only for the fact that competitors may be offering more attractive rates but also because a new law firm is perhaps perceived as more likely to treat them as a valued client.

## Key drivers in winning new appointments

**Expertise:** Whether you offer specialist expertise or geographic knowledge, ensuring that potential clients know about your firm's strengths is crucial. The most effective way to do this is by demonstrating previous relevant experience and highlighting your unique offering when proactively approaching new matters.

**Recommendations:** In a relationship-driven business, clients place great trust in their network and often seek recommendations from peers when they are looking to address a particular need. Existing clients are an excellent source of referrals so ensuring they are encouraged to promote the firm is an important step.

**Value:** Clients are frequently basing hiring decisions on price. However, the balance between price and perceived value of services can be maintained by highlighting the efficiency, level of service and capabilities your firm provides to influence and reassure clients about their choice of firm.

## Developing existing client business

When seeking to increase work from a client, the strength of the relationship is critical. This is very much easier and more likely to be successful when trust is well established and open dialogue is the norm.

### Key drivers in significantly increasing usage

**Positive experience:** Build your role as ‘trusted advisor’ by being available to the client to answer smaller questions off the clock. One good matter leads to another but only when the client places trust in the firm’s capabilities and believes that they are receiving great service and value.

**Relationship:** A historical relationship is often cited as providing a doorway to increasing work from a client. This is due to the benefits that shared history provides: business understanding, knowledge of the client and how they like to work.

Over time, this knowledge will increase efficiency for the client as they will need to provide less input and hand-holding. To short-cut this learning, it is wise to ensure that there is an open approach to learning about the client’s business and industry and staying abreast of changes. Demonstrating client knowledge at every opportunity is a powerful way of reinforcing the relationship.

**Value:** Under pressure to control external spending, price and value are driving clients’ selection decisions more than ever. If clients can easily show that spend is justified through their choice of firm and the value it delivers, the more likely they are to appoint and retain that firm. Being sensitive to clients’ budgets and the competitive context in which they are operating can improve your likelihood of winning and keeping clients.

## Avoiding dismissal – action plan

1. **Review your charging strategy** in the light of the fact that 19% of clients have fired their firm on the grounds of expense alone. It is often the smallest items on a bill that are the most frustrating so it is worth looking at your fees from the client's perspective. Are you charging for something minor that the client could have done in-house? Are there ways in which you could work more quickly and efficiently and in a way that results in greater value for your clients?
2. **Work on building the client relationship while it is strong** as this is such an effective way of preventing client loss. Important steps include thorough discussion of client expectations and how your firm can meet these at the outset as well as avoiding a 'single point of contact relationship' to prevent clients moving when lawyers do.
3. **Keep the relationship strong** by communicating with clients to avoid what they may perceive as 'nasty surprises' and seek client feedback as this will act as a valuable early warning system to highlight issues as well as positives so that you can hone your service to their needs.

### Key takeaway

In your work as a lawyer you rely on facts, evidence and expert witness testimony to get the best results. Client relationships benefit from this approach too. Research will take the guesswork and speculation out of this critical area and bring tangible results in terms of client loyalty, retention and referrals.

Ask your clients:

- ▶ If they are happy with the relationship
- ▶ If they value the service they are receiving
- ▶ If they see you as a specialist provider
- ▶ If they would like more/less frequent contact
- ▶ How your service compares to that of other law firms.

If the client relationship is one you value, empathize and let the client know that they are valuable to your firm through the service you provide, the care you show and the actions you take.

## Conclusions

Most clients choose a mix of outside counsel depending on their own level of familiarity with firms, with jurisdictions and their previous experience.

Indeed clients' choice of firms has diversified significantly over the past six years influenced by changing geographic needs and their assessment of value per matter.

Positive experiences create the opportunity to expand business and, as a result, the typical roster of preferred providers no longer reads like a list of elite global law firms but rather as a range of specialists that includes the global giants as well as small regional firms, premium and value choices.

It is critical to remember that even when not competing against a client's other firms for the same piece of work, you are always in competition for mind share, perception of value and service excellence. The only way to assess where you stand is to ask clients directly.

Nurturing open, candid dialogue with clients is crucial to understanding their satisfaction with and perceptions of the relationship. Where do they believe the most value is delivered? How does that align with how you would describe it or would like it to be? Often there is a gap between the client and law firm perception of the value being delivered – and an even bigger gap between what each party would like to be delivering/receiving.

This open and candid dialogue is important at all stages of the client journey – from the early stages of pitching and beginning to work together, during and even after the relationship ends (a point that is all too frequently overlooked).

One third of clients have stopped using a firm this year. Some of that is down to natural attrition but in the cases where the relationship could/should have continued, it is important to ensure that an open door remains for the future.

Referrals are the most important source of new business as they accelerate a process which can otherwise be lengthy and costly. Client goodwill – current and past – is of great value to a law firm so it is wise to

nurture, not squander, referral potential. It is always better to seize the opportunity to neutralize a negative experience and convert a would-be critic into an advocate for the firm.

## Contact us

To find out how Acritas' data can help you sharpen your competitive edge, or to request a call back or book a meeting, please contact:

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