

## The Third Report The value of the relationship with law firms

### Introduction:

In October and November 2008 the regional events division of LBC Wise Counsel, *LBCConnect*, held the third series of regional debates for in-house lawyers on value.

In the first series of debates we considered the value of the in-house team, in the second round it was the value of the individual in-house lawyer looking at the qualities and competencies needed to succeed and in the third round of debates the theme was the value that can be derived from relationships with law firms.

As with the first two series, the third round of debates was held under Chatham House rules with an invited audience of in-house lawyers drawn from teams across the country. The in-house teams attending the debates represented a wide cross section of sectors and industries including financial services, the public sector, the university sector, from manufacturing, business to business, retail, pharmaceuticals, utilities and IT. The size of team represented also varied considerably and ranged from one team with nearly one hundred fee earners to one with just two lawyers.

### About LBC Wise Counsel:

LBC Wise Counsel was founded in 2000 and is one of the very first management consultancies dedicated to supporting soft skills development for lawyers as well as strategic and operational best practice in legal services. We have since worked with hundreds of in-house legal teams around the UK and overseas; through our training events, mentoring programmes and strategic projects.

We believe LBC Wise Counsel has a unique insight into the way in-house legal services have developed over the last eight years and is now in an excellent position to help in-house teams face the challenges to come. In this report we have added our own commentary and conclusions to the points made in all of the debates and developed our own assessment of the issues facing legal services going forward. In the next section of the report we begin with the key issues of value raised in the debates.

## The value of the relationship with law firms:

The following ten points represent a distillation of the most consistent themes that were discussed in the debates. These points are not grouped or prioritised, but we think they make an interesting overview of the qualities and attributes that characterise great relationships and therefore of the issues that help to add significant value.

## The ten indicators of value:

1. **Service first** – There is really no getting away from the fact that first and foremost relationships succeed when law firms provide a great service. Fundamentally this is about ensuring the client interests are understood and then met, but it is also about the sensitive deployment of resource and expertise.

Law firms have to show that they can get deals done, win cases, settle disputes and advise with skill and some flare; but in doing so they must also act without arrogance, show empathy and thoughtfulness and, crucially, maintain proportionality in the scope and cost of their activity.

The essence of this indicator is “trust” and while the core skill of the lawyer (to know the law) is at the heart of this concept, it is only truly valued when associated with significant relationship development skills as well.

2. **Teamwork** – This sense of relationship development is in part, at least, about moving beyond the instructed activity to a place where the contributions of in-house legal team and law firm can be seen to enhance the experience and to improve the probability of successful outcomes.

Both law firm and in-house team have key roles to play in establishing the teamwork ethos, but it is incumbent on the law firm to be open to some discretionary activity which invests in the relationship and which does not incur additional costs for the client. While firms should not be treated as if they are charitable foundations and expected to give up vast swathes of time for free, there is a mutual advantage to establishing the depth and breadth of the relationship and a significant amount of time should be given freely to achieve this.

3. **Value v Cost** – Many in-house teams feel a little vulnerable when instructing outside lawyers; this vulnerability is often a factor of concern expressed by colleagues who do not necessarily understand the advantage and necessity of using a law firm when, as they see it, there is a perfectly adequate lawyer working in-house.

One of the ways this concern can be allayed is for the law firm to constantly seek out opportunities to articulate value and to bolster the image of the in-house team. This is not to be done in any self-serving way, but requires law firms to appreciate that to many in the client organisation they will be perceived as an extremely expensive overhead. If they are also perceived to

be expensive and unnecessary, it is hard for all concerned to build their credibility. Law firms must therefore be alive to all possibilities for helping clients and in-house teams to realise the full value of the engagement; in effect not just on the matter in hand, but in the lessons to be learned, in process improvement, in knowledge transfer etc.

4. **It starts on day one** – This is a salutary point for many law firms. The day a relationship begins is the first day in the effort to successfully re-tender for that work. As we know it is increasingly the case that law firms are appointed to act for clients based on some formal tendering process. This might result in a panel, or a preferred supplier list, but even when that is not the case, it is still nevertheless indicative of decisions to appoint that are based on some sort of transparent evaluation criteria.

Re-tendering in two or three years time should be less risky if in the meantime every opportunity is taken by law firms to engage with the client and to seek feedback as well as articulate value. That's why it starts on day one.

5. **Think not just about the legal issues, but about how the client works** – This point clearly builds on earlier remarks, but cannot be underestimated.

The difference between advice which is technically correct and advice which adds value is very often a question of context and accessibility. Fundamentally most firms can deliver technically correct advice, true value therefore is realised only when the client/in-house team can quickly and easily assimilate the guidance and use it to their advantage.

The law firms that continually take the trouble to understand how the client works (policy, process, people, politics etc) can also increase the likelihood that their advice will be well received and useful.

6. **Flexibility and feedback** – For law firms these are both highly significant characteristics of a successful relationship.

Feedback is rarely sought in a systematic and consistent way. It is sometimes characterised by partners having an informal chat over lunch or at the rugby match, but needs to be elevated to a far more significant degree. Every aspect of the relationship should be under scrutiny and the client's strengths and weaknesses should be examined fully as well...In essence, a commitment to find continuous improvement.

Flexibility is harder to describe as an abstract concept, but does require law firms to be able to act on feedback (and sometimes on their own intuition) for example around the make-up of their team, on charging methodology, on risk-sharing and on many other things too. Crucially it is about putting the success of the relationship with the firm above the self-interest of individuals within the firm.

7. **Value-add conundrums** – For some clients the "value add" is the list of additional services law firms will offer for free (training, secondments, legal

updates etc) that helps to bulk out the relationship; for others it is about embedding relationships within the client culture.

At its worst it is a wish list with boxes ticked on day one that are seldom used afterwards. At its best however value add can secure and deepen relationships, become part of the risk management process and develop and enhance the standing of the in-house team.

The challenge for law firms is not to be deflected by clients who appear to be less interested in value add, but to maintain a firm wide belief in the benefit that can come from a significant and thoughtful investment in activities away from the legal advice.

We believe that some firms are very sceptical about value-add; we think they often pay lip service to it anticipating that clients will be distracted from using it. However as a point of differentiation at re-tendering, the successful delivery of a thoughtful and well designed programme of value add is extremely powerful and not to be underestimated.

8. **Networking** – This might not appear to be an obvious element of a significant relationship, but the point was developed by many participants in the debates. The typical in-house team is very busy, perceives itself to be slightly under-resourced and lacks peer group support. On this basis, given the connections they can make, law firms are well placed to facilitate networking opportunities for their clients.

Law firms that create opportunities for in-house teams to network not only provide a social setting for informal connections to be made, but help create an environment for sharing ideas, exchanging know-how and accelerating best practices. Fundamentally networking is an underused, but essential skill and law firms are remarkably well placed to help their clients in this endeavour.

Law firms that are committed to providing such opportunities informally underline their value and again create significant points of differentiation in a highly competitive environment.

9. **Drive for improvement** – The restless pursuit for continuous improvement is a significant quality that is highly valued by clients. The best relationships are characterised by self-critical analysis and a determination to cut out waste and deliver more value.

Law firms have an up-hill battle in this regard when very often (still) their preferred charging model is based on hourly rates, but any long term relationship should result in process improvement, efficiency savings and service enhancement. The challenge is not to rely on this occurring by some form of professional osmosis, but through a determined drive for change and an analysis of systematically collected data and management information.

10. **Communication expert** – Finally, great relationships are characterised by the quality of the communication. It is an old chestnut, but the fact it is a cliché does not diminish its significance. It is rarely perfect in any relationship, but there are elements of the communication process that can be worked on and improved. What is the preferred style, what are the preferred channels, how can tone be developed to add value, how can presentation be enhanced? And so on.

It is not rocket science, but like the previous point it needs a focus and a specific level of engagement to ensure issues are addressed and opportunities identified.

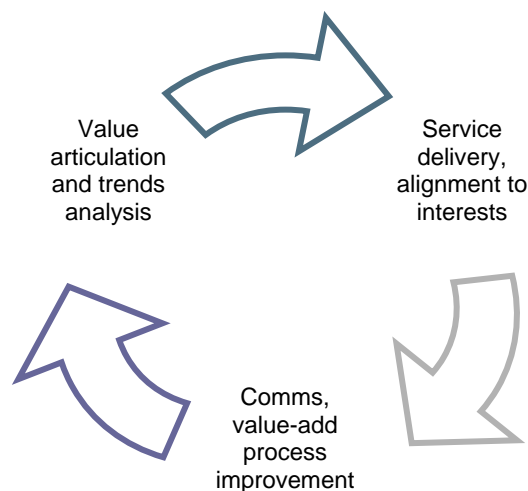
These ten characteristics therefore represent the views of in-house lawyers as to the essential skills, behaviours and attributes of significant and valuable law firm relationships. There are probably no surprises in the list, but equally it is interesting to understand that in the context of the debates, few firms were thought to deliver consistently high levels of performance against all these criteria.

### The relationship with law firms – what next?

In this section of the report, we put our interpretation on the feedback given in the debates.

There will be much talk in the legal press in the months to come about how law firms need to shape up in the context of a recession hit country and to the challenge of de-regulation. Commentators will propound new thinking, law firms may seek their insights, but the essence of great relationships is encapsulated in the feedback captured in this report from in-house teams up and down the country. Nothing fancy, nothing extraordinary, but basic steps consistently well executed.

We think that these fundamentals of relationship development have to be at the heart of any law firm strategy and they can be characterised as follows:



This virtuous circle emphasises the need to drive for continuous improvement while focusing on how alignment to client interests, communication and value articulation enhance the core legal skills and provide points of differentiation.

This analysis also highlights how developing good existing relationships will be the foundation for future growth and success.

In an environment where an increasing number of relationships are scrutinised routinely within procurement style appointment (and reappointment) processes law firms must see the investment in relationships as a strategic and operational imperative.

The quality and value of relationships, of course, is dependent on the level of commitment of both parties and so law firms can only really improve to the extent that in-house teams are committed to improvement.

The challenge for law firms however is to push against an ineffectual client to ensure they manage the risk of failing to adequately differentiate their proposition. The challenge for in-house teams is to make sure that their colleagues see the value and quality of the service provided by law firms and that they exploit the value-add opportunity for themselves.

### Concluding thoughts

The tried and trusted three letter acronym used to be CRM – Client Relationship Management; but in our view it is a limiting concept that has its place in a rather defensive and uninspiring mindset.

We believe the future, albeit driven by cost saving and efficiency improvement in this harsh economic environment, is better described by the acronym CRD – Client Relationship Development; where both law firm and in-house team creatively engage to maximise the contribution each can make seeking ever closer alignment to interests, a commitment to innovation, process improvement and value articulation.

In summary, value is not about relationships that are predicated on a temporary convergence of interests, but on embedded, shared values and a commitment to common goals with long term ambition.

### *Paul Gilbert*

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