



LegalWeek

**Best Legal Advisers
Report 2017-2018**



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Best Legal Advisers

 **ADDLESHAW
GODDARD**

التميمي و مشاركون
ALTAMIMI & CO.

Allen&Gledhill

ALLEN & OVERY

**Baker
McKenzie.**

 **BLM**

**CLIFFORD
CHANCE**

CLYDE&CO

C/M/S


DACbeachcroft

DENTONS

 **DLA PIPER**

dwf

**EVERSHEDS
SUTHERLAND**

 **FRESHFIELDS BRUCKHAUS DERINGER**

Kennedys

KEYSTONE LAW

Linklaters

MAYER • BROWN

MILLS & REEVE

 **NORTON ROSE FULBRIGHT**


Pinsent Masons

RPC

SHOOSMITHS

 **WOMBLE
BOND
DICKINSON**

Methodology

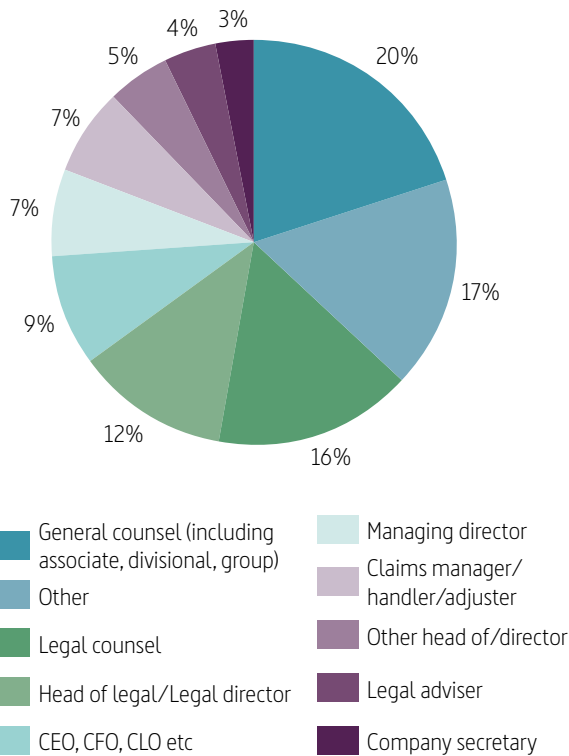
The Best Legal Advisers Report 2017-2018 analyses the results of Legal Week's annual client satisfaction survey conducted by phone and email from June to October 2017. The report canvasses the views of 810 global general counsel, senior in-house counsel and others responsible for commissioning

legal services including legal directors, chief legal officers, CEOs and managing directors.

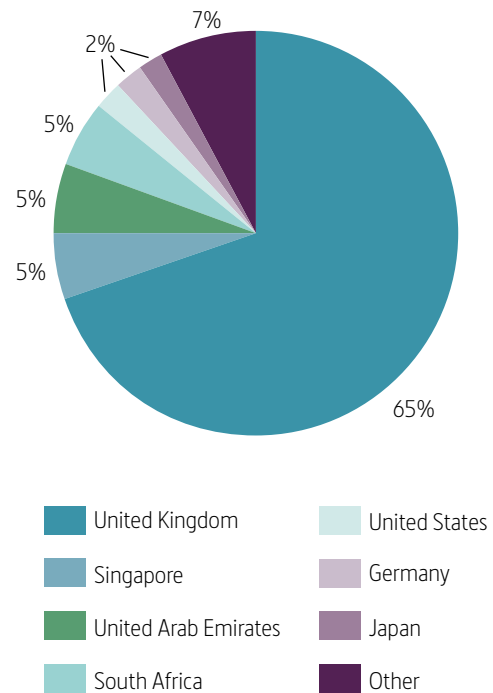
Respondents were asked how important 12 aspects of legal service are on a 1 (unimportant) to 5 (very important) scale and then asked how satisfied on a scale of 1 (dissatisfied) to 5 (satisfied) they are with

their current law firms. Additionally, respondents are given the opportunity to offer free-text feedback on their chosen firms and nominate client partners for outstanding service. Law firms who pass a certain participation and score threshold are awarded an accreditation as Best Legal Adviser.

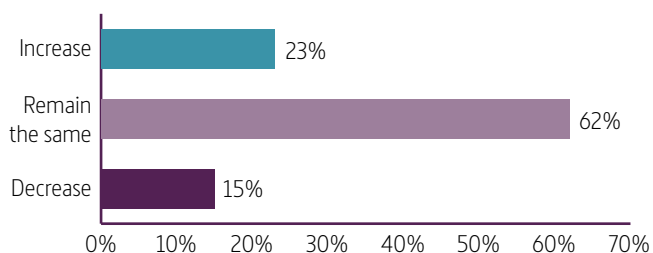
Respondents by job type



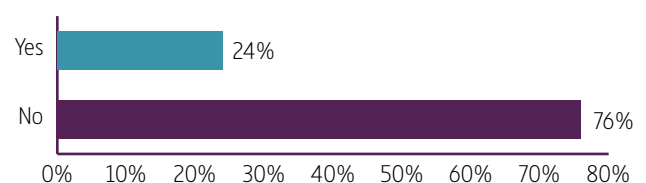
Respondents by country



Do you expect next year's budget for external legal spend to...



Over the next 12 months, are you likely to use non-traditional providers of legal services such as alternative legal service providers or the Big 4 accounting firms?





Introduction

The biggest takeaway from the 2018 *Legal Week Intelligence Best Legal Advisers* report is the substantial gulf between how satisfied clients are with the quality of service delivery they receive and their expectations of what service delivery should look like.

One notable trend is the proliferation of a sectoral approach to relationship management so that advisers can better understand the broader market challenges that clients face and can tailor their service and advice to their business.

Elsewhere, satisfaction with fee arrangements and billing practices both fell this year as the debate about fixed fees and greater transparency around hourly rates continues. Faced with shrinking in-house budgets, firms are beginning to offer more flexibility on pricing. Bigger and more prestigious clients are also imposing stricter terms on their panel firms, highlighting a shift in the balance of power as increased competition for work means firms are more willing to agree fixed-fee deals.

Innovation remains a weak spot for traditional law firms, an area that scored the lowest level of satisfaction in the survey and the second largest gap behind client expectations. Some firms are doing better than others, but there is a general consensus among in-house teams that traditional firms are still not doing enough to innovate and deliver services more efficiently and cost-effectively; an opportunity for newer, tech-savvy competitors to grab market share.

With satisfaction mostly lagging expectations, there were two areas that bucked the trend: the amount of partner-level contact that clients were receiving, and the value-added services being offered. But law firms should probably wait before breaking out the champagne on that minor triumph—they were also the two areas that clients considered the least important.



How could firms win more work from you?

Regular catchups

More use of technology to reduce emails and redlined Word docs

Increased reciprocity of work and introduction to other members of their practice with whom they think we can develop relationships

Fix unpredictable fees as a result of going out of scope

More innovation, greater resource

By having a broader team undertaking the work that they do for us

Continue to offer the same (if not better) great level of service at competitive rates that meet our business needs

Stop having to always chase them, very slow in response, slow in work. Not keeping to their own set timelines

Better preferential rate structures and billing arrangements, more value added services



What are your firms' strengths and weaknesses?

Strengths - Excellent, clear advice with commercial approach to suit our business model / fantastic working relationships / useful seminars etc. / business appetite

Understanding of my business. Responsiveness and quality of advice. They have my organisation's best interests at heart. Sometimes offer advice which hasn't been asked for or may seem to complicate matters

Excellent communication with partner, and good interaction between partner and specialist members of team if necessary. Meticulous and timely service

Excellent technically but do charge for it. Lack of value-add features is disappointing

Strong brand. Does top-tier work. Good succession plan for young lawyers

Very commercial and practical. Occasionally inconsistent quality of service

Very reliable business partners, quick response and detailed advises and deliverables. As it happens with top tier law firms, its cost



Quality of service, advice and responsiveness

Nothing is more important to in-house legal teams than the quality of service delivery they receive from their law firms. This year's survey shows it is even more important than the quality of advice law firms provide. Worryingly for law firms, in an era of dwindling in-house budgets, clients are becoming less impressed with the service they are getting.

Survey respondents rated their satisfaction with the quality of service delivery 4.1 out of 5, 0.2 points lower than last year and lagging the importance they place on it by 0.7 points, the widest gap in the survey. Quality of advice, meanwhile, scored 4.3 out of 5—the highest level of satisfaction, but trailing expectations by 0.4 points, the third largest gap (along with communication and responsiveness, and value for money).

The top performing firms are grappling with this quality issue in a number of ways, but one of the most common solutions for ensuring service delivery is up to scratch is to seek regular, systematic and continued feedback from clients. "We used to do a feedback debrief after a transaction was completed, but if something is not quite right, at that point it's too late to do anything about it," says Alastair Morrison, head of client strategy at Pinsent Masons.

Instead, Pinsent Masons now continuously gauges client satisfaction so that any problems or concerns can be addressed while the transaction is in progress, heading off potential disagreements once the matter is closed.

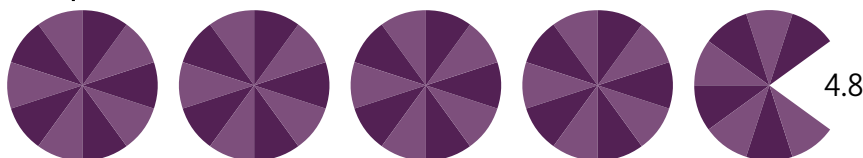
Back and forth

Others have integrated service delivery standards into the assessment criteria on which they evaluate the performance of their lawyers, ensuring it is at the forefront of how they interact with clients. "Right from the get go,, it's embedded in our DNA," says James Miller, managing partner at RPC. "If we're given feedback from clients, it goes to our client teams and we make sure we act on it — it doesn't just get buried. We spend a lot of time both speaking and listening to our clients, and that's a continuous process."

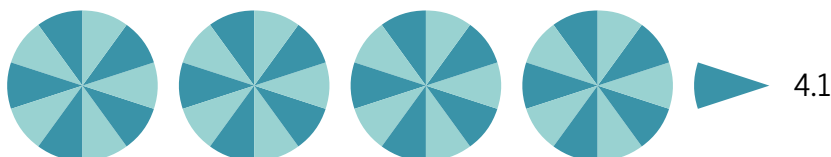
Some firms are putting in place specialists to monitor service delivery. Middle East-based firm Al Tamimi, for instance, has a dedicated head of quality to help review and improve firm-wide standards. "In some large firms it's very easy for feedback to get lost in individual offices and

Quality of service delivery

Importance



Satisfaction

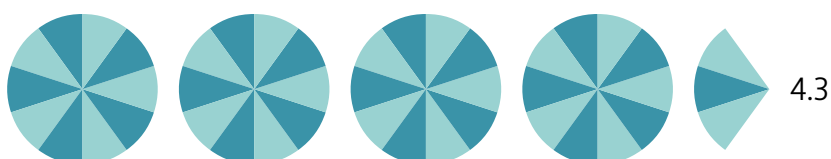


Quality of legal advice

Importance



Satisfaction



practice groups, so my role is to ensure all the feedback is fed back to me regularly, so I can identify trends and develop initiatives across the firm,” says Victoria Grundy, Al Tamimi’s head of quality assurance.

For some firms, maintaining high quality service delivery is about focusing on developing closer long-term relationships with clients rather than getting sidetracked by individual transactions. “We ask [clients] what they want and we don’t assume that they want service



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James Miller, RPC



delivered in a particular way because one size certainly doesn't fit all," says David Pollitt, managing partner at DAC Beachcroft. "For a brand new client, we will spend quite a bit of time working out a launch plan around what they want and a key part of that is us getting to know them in terms of their business but also in terms of them as individual clients, because a lot of the quality around service delivery is in the eye of the receiver — different people want advice delivered in different ways."

That means ensuring a joined-up approach to client interactions. DLA Piper, for instance, has introduced a client information desk that allows lawyers to quickly and easily check the specific protocols a client has requested. "If they don't know what the client really wants — for example around the instruction process, the style of advice, or the billing process — then it's going to create issues," says Jan Geert Meents, managing director for clients and sectors at DLA Piper. "It really helps if there is one place they can go to get clear advice about everything that's related to their respective client in a coordinated way."

Different strokes

It also means getting to grips with what clients' satisfaction drivers are, given they are likely to vary depending on the type of matter being handled. "It is really about appreciating and understanding what success looks like on an individual client and matter basis, and it can be very different," says Rosie LeGros, business development director at Kennedys. "You can't just have a tick list of things where every client is the same."

The level of communication and the speed at which firms respond to clients is also key

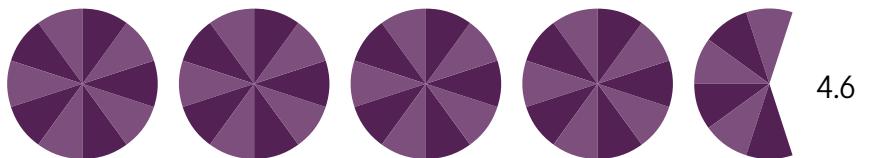
to perceptions of service delivery quality. Satisfaction with communication and responsiveness fell 0.1 point to 4.2 out of 5, some 0.4 points behind the importance clients place on it. "It takes too long to get a response," complained one survey respondent.

Patrick Earl, chief operating officer at Al Tamimi, says lawyers should seek to respond to questions with at least a holding email that day so it sets expectations about timing. "It doesn't mean you are providing the legal advice within the same day, but you are giving a realistic view of what the time line is going to be," he says.

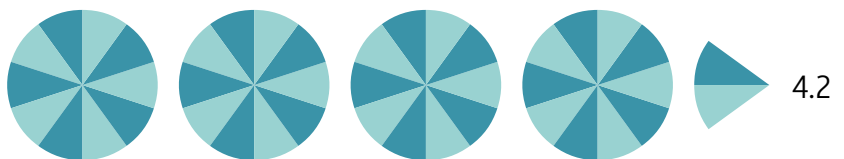
DAC Beachcroft's Pollitt says the best way to ensure high standards of communication and responsiveness is to create a supreme service culture where a client's success is paramount, which means doing what they want, when they want. "Our clients' objectives are our objectives,

Communication and responsiveness

Importance



Satisfaction



"It is really about appreciating and understanding what success looks like on an individual client and matter basis, and it can be very different. You can't just have a tick list of things where every client is the same"

Rosie LeGros, Kennedys

and we just do what we have to do to get those done,” he says.

The calibre of a firm’s lawyers is also likely to impact the quality of service delivery that is being provided. “Our ethos is simply to retain the best lawyers, give them absolute flexibility to build a solution around the client, tie their remuneration directly to client results and free them from the things they didn’t want or train to do in the first place, as such distractions can often result in a diminished service delivery,” says James Knight, managing director at Keystone Law.

Getting to know you

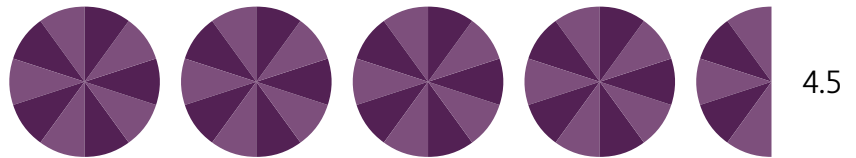
Some general counsel point out that the easiest way for firms to improve service delivery and the quality of advice is to better understand their clients. “There is a near linear relationship between the knowledge a law firm has about a client – its business, risk appetite and culture – and the quality of the service and advice the firm is able to provide,” says Bjarne Tellmann, general counsel at Pearson. “To give outstanding advice and service, firms must be extensions of the internal legal departments they support. That requires them to get as close as possible to their clients.”

A number of firms are already doing just that. Addleshaw Goddard, for instance, partnered with the Cranfield School of Management to help the firm develop a process to identify the strategic challenges its clients face. “It’s not the law that we start with, it’s the client’s business and their needs around it,” says Axel Koelsch, chief operating officer at Addleshaw Goddard. “That’s a mindset that leads to a very different type of conversation between the lawyer and the client than if you’re focused purely on a legal outcome.”

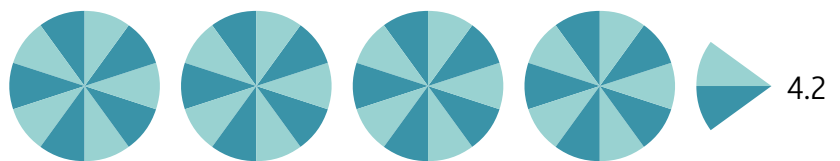


Commercial approach and understanding of the client’s business

Importance



Satisfaction



The gap between clients’ satisfaction with their firm’s business understanding and their expectations of it narrowed to 0.3 points this year from 0.4 in 2017, the narrowest gap out of any area in the survey where importance scored 4.5 out of 5 or higher. Survey respondents praised the progress being made in this area: “Commercial consideration used instead of just sticking to the law,” noted one. “Excellent, clear advice with commercial approach to suit our business model,” enthused another.

Those scores reflect a growing realisation among law firms that if they fail to understand their client’s business, then their advice is unlikely to be wanted again in the future.

“The days of just advising on black letter law absent the set of circumstances it fits in are long gone; it’s got to be seen in a commercial context,” says RPC’s Miller.

“There is a near linear relationship between the knowledge a law firm has about a client – its business, risk appetite and culture – and the quality of the service and advice the firm is able to provide”

Bjarne Tellmann, Pearson

That change has mostly come about because in-house teams are demanding more commercially relevant advice that can be presented directly to their board to aid decision making.

“Clients need to have commercial advice that they can relatively easily disseminate within their own organisation—they don’t want some long-winded document that they then have to wade through to try and understand how they translate that into their own business,” says Stephen Arnold, global business development and marketing director at Clyde & Co.

Going sectoral

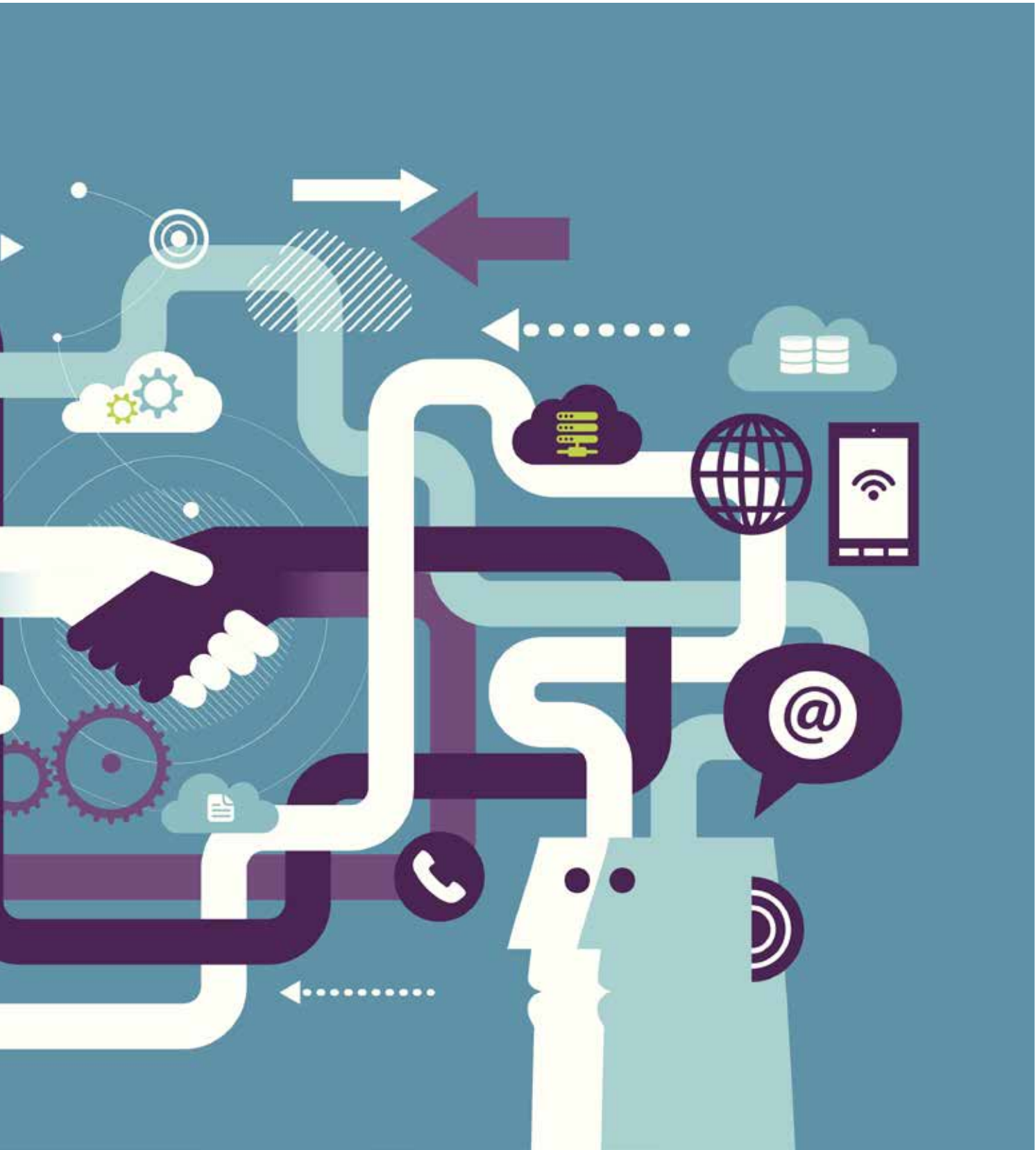
An increasingly popular way for firms to bolster their commercial acumen is to adopt a sectoral approach to relationship management, allowing client teams to build up a broader overview of the markets their clients are operating in, and then tailoring all services and advice accordingly.

“A client’s experience is often deep and narrow in relation to their business, and what they get from us is a wider experience that can be layered on top to make sure they’re guiding their business in accordance with the way things are going in the market, so that market context is vital,” says DAC Beachcroft’s Pollitt.

Taking a consultative approach to client conversations can also help lawyers better understand the wider business, and the industry trends and challenges impacting their clients, says Kennedy’s LeGros. “Lawyers have got to be really good at questioning, and that’s something we really push and try and instil in the culture [at Kennedys] – not to be afraid to ask questions if clients start talking about something they don’t understand,” she says.

Some firms are also going one step further and trying to familiarise themselves with their clients’ values and what motivates them from a corporate social responsibility perspective. “It’s not necessarily just about profit as an organisation, it’s about how they are perceived in their communities and by their stakeholders,” says Gaius Powell, business development director at Shoosmiths. “Understanding that bit and where there might be opportunities to work together on those things, that’s really as important as much of the pure business objectives.”





Fees and billing

One of the biggest strains on the relationship between in-house teams and their law firms is around fees and billing practices. With legal departments under pressure to cut costs and law firms focused on maximising PEP, that is inevitably creating greater friction around what firms are charging and what clients think they should be paying.

“There are increasing tensions between in-house teams and law firms, and the outcomes that they’re trying to get from a revenue perspective,” says Rachael Davidson, general counsel at National Grid. “When I first started out, in-house teams had far less control and were often far smaller, and all of the power did lie with the firms, so there wasn’t someone as actively holding up the mirror as lots of in-house teams are doing now, so that tension has become increasingly stark.”

Transparency, please

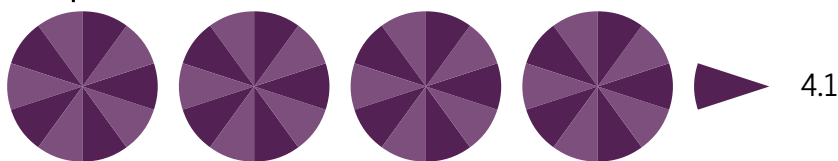
Satisfaction with fee arrangements and transparency around billing both fell 0.1 point to 3.8 out of 5, 0.3 points below expectations. Survey respondents made clear their frustrations in this area: “Have seen hugely disproportionate fees on very small claims. No warning this is coming up, no real explanation as to why this has happened,” objected one. “Bills not transparent in first instance and any queries or disputes results in more fees clarifying the bill even when client’s queries are justified,” grumbled another.

Unsurprisingly, firms that fared better here tended to be those that are more flexible with their fee structures and more open in the way they bill clients.

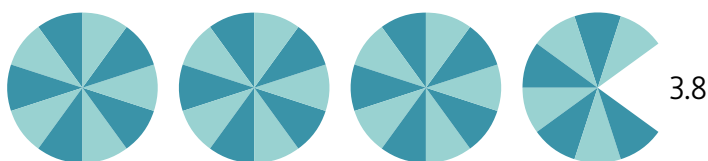
“If you approach it in a sensible manner, there shouldn’t be any challenges around fees and billing,” says James Miller, managing partner at RPC. “There’s always the odd case where you agree a fee or give an estimate for work and then the scope of that work changes, but we’re very alert to that and everybody understands that if it changes you don’t just let it drift by — you have the conversation. We do detailed cost breakdowns, regular updates,

Fee arrangements & billing practice/transparency

Importance



Satisfaction



and we’ve got some tools that help clients particularly in litigation manage their costs with greater clarity. Nothing is hidden.”

Keystone Law, which boasted the highest level of satisfaction among clients for fees and billing (scoring 4.6 out of 5 in both), allows its lawyers to agree fixed fees and other bespoke fee arrangements at their own discretion without needing approval from managers. Keystone was also one of the first firms to implement real-time recording instead of unit-based time recording, says Knight.

Time is money

David Pollitt, managing partner at DAC Beachcroft, says while there are some large firms that still use archaic and inscrutable billing methods, his firm ensures that if it charges a client on a time-spent basis, it will show the client clearly what the lawyers have been doing with that time. “I don’t see how you can survive long term without being transparent,” he says.

Other firms say it is crucial to have a candid discussion on fees at the beginning of a matter to better manage expectations and maintain the golden rule around billing — that there are



“Sometimes to our own detriment, being clear about what the assumptions are on costs may mean we don’t get the transaction, but when we do, we end up with clients who are much more satisfied”

Axel Koelsch, Addleshaw Goddard

no nasty shocks for the client when they open the invoice.

“If you’ve got a £10,000 dispute and to rectify it will cost £30,000, you have to have that conversation up front because the worse thing you can do is to surprise clients — if you surprise them you’re in difficulty, so it’s all about communication,” says RPC’s Miller.

Firms that are too optimistic on cost expectations or potential risk factors are also likely to leave clients disgruntled if the scope of the matter changes and fees escalate. “Sometimes to our own detriment, being clear about what the assumptions are on costs may mean we don’t get the transaction, but when

we do, we end up with clients who are much more satisfied about what it has cost or if stuff changes — and things often change in the course of a matter — they will know that up front, we flag this as something that could be changing,” says Axel Koelsch, chief operating officer at Addleshaw Goddard.

Crystal clear

Lawyers also need to be confident enough to go back to clients if their instructions are too broad or vague and ask them to be more specific. “The onus is on us as the provider and the client to get that clarified and challenging the client if necessary—can you just explain



what you mean by this—as well as confirming where the scope starts and ends, and understanding who is doing what and when,” says Gaius Powell, business development director at Shoosmiths.

Clients are also demanding more flexibility around fees as they seek to move away from hourly billing models. Gordon McCue, associate general counsel for strategy and coordination at Shell, says his department has introduced an alternative fee arrangement programme that means Shell’s panel firms must agree to carry out work on its terms. “The hourly rate is just inherently inefficient — there’s no incentive on the firm to deliver their services more efficiently,” says McCue. “That completely flips on its head when the firm is on an AFA for a matter, their incentive then is to be as efficient as they possibly can because they can then make more money as a result of that, not necessarily more in terms of the total amount that is delivered to the firm but more money on an hourly basis.”

Pricing innovation

With increasing clout to dictate terms, some in-house teams are setting out more rigorous RFP processes that include detailed cost questions firms must answer, allowing quotes to be compared more easily. “We see instances where clients are saying this is the project, this is the information we can tell you, we need to know the prices for this with a very limited number of caveats, and they want that response very quickly,” says Stephen Arnold, global business development and marketing director at Clyde & Co. “Pricing innovation and flexibility is just a new normal for law firms.”

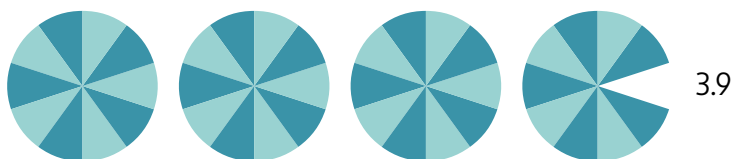
Patrick Earl, chief operating officer at Al Tamimi, says his firm now has far more pricing

Value for money

Importance



Satisfaction



options beyond the traditional hourly rate, such as offering fixed or capped fees, and, in some jurisdictions where rules allow, fees that are linked to the success of a transaction.

“It’s one of those situations where you can’t really swim against the tide so you really have to quote on the same basis as your competitors,” he says.

Flexible fee arrangements can often help clients feel like they are getting more value for money — another area in the survey where satisfaction significantly lagged importance, scoring 3.9 and 4.3 points out of 5 respectively. But while cost is important to a client’s sense of value, it is not the only factor. “I’ve always worked on the basis that value for money is the product of quality and price,” says DAC Beachcroft’s Pollitt. “It’s not necessarily the cheapest option, but price is a



“The hourly rate is just inherently inefficient – there’s no incentive on the firm to deliver their services more efficiently. That completely flips on its head when the firm is on an AFA for a matter”

Gordon McCue, Shell

key part of value for money, as is the quality of advice, and by quality I mean both the legal and commercial content.”

One of the key challenges for law firms is that value for money is subjective — what represents good value for one client might seem dismal to another. That means talking to clients to understand how they value the support or advice that is being provided, says Shoosmiths’ Powell. “The important thing to remember is that priorities change, it’s dangerous to assume that because we’ve done a number of transactions for a client that the next transaction should be the same,” he says.

The right fit

Ensuring work is handled at the most optimal level is another factor that can shape perceptions of value. “It doesn’t matter who brings in the work, the work should always be assigned to the most appropriate specialist lawyer,” says Al Tamimi’s Earl. “We try to look at things from the client’s perspective by ensuring that we get the right person to do the job.”

That also means the extent of partner involvement can vary—one of only two areas in the survey where satisfaction beat expectations (value added services was the other, in part because clients rated it the least important aspect in the survey). Clients scored their satisfaction with partner-level contact 4.2 out of 5—0.5 points higher than the importance they place on it. Some firms reckon that is because clients recognise they have to pay more for partner time, and with in-house teams seeking to trim non-essential spending, there is less urgency for partner contact if senior associates are capable of managing a transaction.

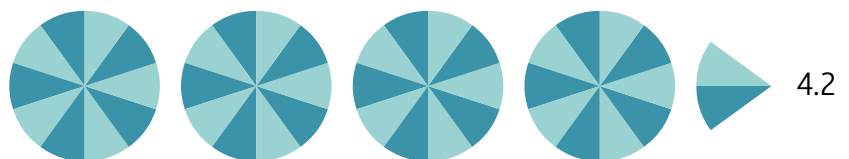
“Some don’t want to pay for [partner time]

Partner-level contact

Importance



Satisfaction



and they don’t think it’s necessary, they just want to get the deal done and they’re happy with senior associates handling the matter,” says Jan Geert Meents, managing director for clients and sectors at DLA Piper. “Other clients value it highly and want a partner on everything.”

But it is not only legal issues where partner contact is sought-after by clients. Kirsty Cooper, general counsel at Aviva, says good partners will make themselves available to bounce ideas off, or to offer a second opinion on a particular issue.

“Partner contact is really important because at the end of the day it is a relationship business, and I have to feel that I’m able to pick up the phone to somebody on whatever the matter might be,” she says.



“Some don’t want to pay for [partner time]... they just want to get the deal done, and they’re happy with senior associates handling the matter. Other clients value it highly and want a partner on everything”

Jan Geert Meents, DLA Piper

Innovation and what GCs want

As in-house teams tighten their belts and increasingly focus on cost management and overall value, law firms have the opportunity to revamp their businesses by scrapping traditional working practices and embracing innovation to deliver services more efficiently to clients.

However, progress so far has been disappointingly slow. Satisfaction with innovation was the lowest in the survey, scoring 3.4 out of 5 and lagging expectations by 0.5 points, the second largest gap.

And waning in-house legal spend is not the only reason for traditional law firms to take innovation more seriously; competition from so-called 'New Law' providers who are seeking to disrupt the way legal services are delivered also pose a threat.

One such disruptor is Keystone Law, which is able to offer a leaner, more cost-efficient service to clients through its use of technology. "Our entire model is predicated on innovation, and we are constantly looking to enhance our service delivery," says James Knight, managing director at Keystone. "Our tech-driven platform enables Keystone lawyers to operate from any location, as easily and efficiently as when they are in the office. The absence of unnecessary dead time helps us deliver a more responsive service to clients."

Avenues of innovation

Some firms are reacting to those threats by setting up specialist innovation centres to spur new ideas. Clyde & Co, for instance, has set

up an innovation board that looks to provide smart solutions to client issues. Kennedys has introduced an ideas lab that is focused solely on solving client problems. And Shoosmiths says it seeks to innovate by collaborating directly with clients to develop better services.

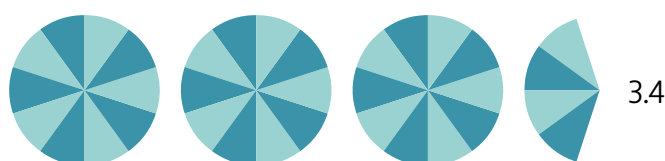
Innovation need not be about bringing in the latest tech products, either. "Innovation is becoming confused with artificial intelligence and technology, and the suggestion that there needs to be some whizzy thing behind the human in order for something to be innovative – wrong," says David Pollitt, managing partner at DAC Beachcroft. "More often than not, it's

Innovation

Importance

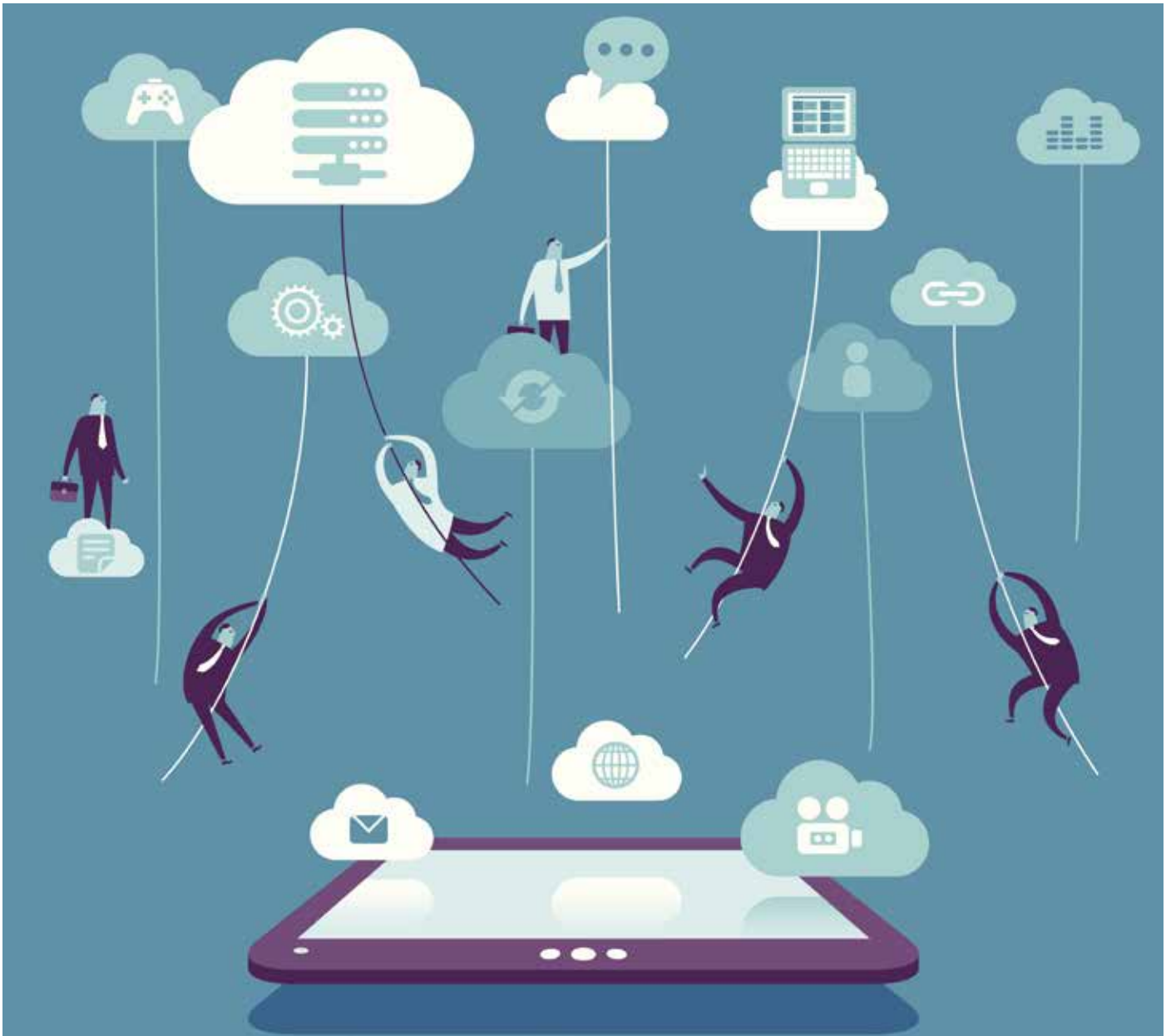


Satisfaction



"Innovation is becoming confused with AI and technology, and the suggestion that there needs to be some whizzy thing behind the human in order for something to be innovative – wrong"

David Pollitt, DAC Beachcroft



“Our entire model is predicated on innovation... Our tech-driven platform enables Keystone lawyers to operate from any location, as easily and efficiently as when they are in the office”

James Knight, Keystone Law

just people saying ‘Why don’t we do this slightly differently?’ or ‘Why don’t we apply something we learnt here over there?’”

While there is a reluctance among some traditional firms to adopt technology, those that resist new ways of working or processes that ultimately make it cheaper for clients to access legal services may soon find themselves obsolete. “If you don’t like change you’re going to like irrelevance even less, so it’s all about staying relevant to the client, and the consequence of staying relevant to the client is that you must innovate,” says Alastair Morrison, head of client strategy at Pinsent Masons. “Innovation comes in myriad different ways but it’s more about the adjustments and changes you need to make in the context of the client relationship.”

Relationship status

There are, however, some areas where law firms have made greater strides with innovation than others, notably in relationship management. For instance, Gordon McCue, associate general counsel for strategy and coordination at Shell, says he has seen an increasing professionalisation of the client service function over the past few years, such as hiring legal project managers to ensure matters stay on track, and introducing dedicated pricing negotiators so that clients can avoid uncomfortable conversations with partners.

But more clearly needs to be done.

“I don’t see a huge amount of innovation going on,” says Kirsty Cooper, general counsel at Aviva. “There’s nobody really groundbreaking in our sector, nobody is really trying to change the business model like an Amazon or a Google, somebody who is thinking ‘How can we do this completely differently?’”

Aviva’s Cooper says tech such as automation and artificial intelligence has the potential to significantly improve the way legal services are delivered, but law firms have not been as quick to embrace that opportunity as other industries. “Firms are going to have to change or they will effectively become dinosaurs,” she says.

Some general counsel believe firms could do more to share technologies to make it easier and cheaper for clients to manage their IT platforms. “If I have 12 firms on my panel I don’t want to be given 12 different portals and I don’t want to be given 12 different billing systems,” says Rachael Davidson, general counsel at National Grid. “I might not have the money to have a consolidated system, so if I have a firm that says ‘You can house all your billing and all your matters on my system and here’s how we’ll demonstrate to other firms that we’re not stealing their know-how and we’re not looking into their billing rates’, that would be really interesting and exciting, but firms aren’t doing that and so I have to go to yet another external provider to get a one-stop solution.”

Radical remuneration

It is not just technological innovation that clients want to see more of – reforming billing practices is also high on their wish list. Bjarne Tellmann, general counsel at Pearson, says that, while there is a lot of thinking going on about how to make the hourly rate more flexible and creative through the use of caps and estimates, that is insufficient. “Firms need to get away from the hourly rate model altogether, as it is hopelessly outdated,” he says. “A model that rewards the number of hours it takes a provider to do something incentivises inefficiency. It



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would be far wiser for firms to model what investment banks and consultants often do and charge a fixed price for a deliverable. They should charge, in other words, what a given piece of work is worth to the client.”

Tellmann suggests firms might consider charging a percentage of the value of a deal or accept failure discounts more often, with incentives based on the output rather than the input. “This is catching on and firms would be wise to get ahead of and shape that change, rather than have the change happen to them,” says Tellmann.

Yet as the survey indicates, the most pressing issue for general counsel is the quality of service being provided, and there are a number of common pitfalls here that firms need to avoid.

Aviva’s Cooper, for example, says firms need to be better at managing expectations around timings, because often while the advice she receives is sufficient, it may have taken longer to arrive than anticipated. On other occasions the advice may be too broad because the firm did not understand the problem in the first place, or the work was not handled by the most appropriate lawyer.

Read the instructions

“Firms have to be really clear when they get instructions on what the client is actually looking for in terms of the length and depth of a particular piece of work, how quickly it’s needed, and what kind of level the work should be done at,” says Cooper. “A lot of the time it’s just about different expectations on both sides. I might think somebody should be able to deliver a piece of work in the next 48 hours, and a week and a half later I’m still waiting. That’s maybe

because I’m not understanding the issues that are having to be reviewed, or they are maybe not managing my expectations properly.”

McCue says Shell’s AFA programme has largely solved this problem because its value-based pricing model forces a very early and detailed conversation about what Shell is looking for and what it expects from its law firms. “When we’re billing the way that we are, you have to really have set out a very clear scope and a very clear understanding of who is doing what,” he says. “You can’t really start the work until you’ve got a price arrangement in place, so in some ways we’ve gotten around that communication gap just by accident by the way that our pricing arrangements work.”

Blagging it

Another more alarming pitfall some general counsels encounter is firms that feign knowledge to secure work. “I want firms that are candid and, if they are not the best firm for a project, don’t pretend to have the expertise,” says National Grid’s Davidson. “Often there’s a keenness to get the instruction, so that still happens.”

Ultimately, as Tellmann says, for firms to be able to give outstanding service, they need to get as close to their clients as possible. That means sending partners or associates out on secondment or even hiring former in-house lawyers. “Firms need to shape their organisational cultures so that they are deeply client-centric,” he says. “Firms that excel tend to operate like any other well-run businesses—by putting the customer at the front and centre of their model. Firms that struggle to get this right should be asking themselves how customer-oriented their cultures are.”

Recommendations

Focus on quality

Squeezed in-house budgets are placing more scrutiny than ever on the quality of service that law firms are providing, leading to a huge 0.7 point deficit between satisfaction and expectations. One of the chief lessons here is to understand exactly what the client wants, both from a transactional and a relationship standpoint.

Top performing firms say communication and feedback is critical to this process; post-deal debriefs might help law firms understand where they went wrong, but if those conversations occurred regularly throughout the deal (and extensively before it starts) then any problems can be fixed promptly and clients are more likely to be satisfied. Having a firm-wide understanding of a client's particular preferences is also important for relationship management, as not everybody wants services delivered in the same way.

Clients are also increasingly demanding commercially relevant advice that can be easily digested and used to inform smarter business decisions. Taking a sectoral approach to relationship management can give firms an edge by allowing client teams to build up a deeper understanding of the commercial and strategic challenges their clients face, as well as the broader industry issues and trends impacting the market, so that all advice can be given in context.

Be flexible on fees

While some firms are making strides with alternative billing models, the survey results show far more work needs to be done. Hourly rates are problematic, general counsels say, because there is no incentive for lawyers to be more efficient. Fixed fees solve this because the onus is then on the firm to do the work in the most cost-effective fashion possible.

Law firms can learn from other professional service organisations, such as the large accounting and consultancy firms, which offer more flexible and value-based billing that focuses on the outputs (ie the success of a

transaction) rather than the inputs (ie how many hours lawyers worked). When on an hourly rate model, firms need to ensure they are transparent when it comes to billing. That means better setting of expectations at the outset (what are the likely costs going to be, what is the scope of the matter and what are the potential risks that could impact price) and providing more detail on exactly what it is lawyers are charging for when the invoice arrives.

Ensuring clients feel like they are getting value for money does not necessarily mean providing the cheapest deal – it means engaging with them to understand what their perspective of value is and then meeting those expectations.

Innovate or die

Law firms have long endured a reputation for being slow to embrace change, and clients, perhaps unsurprisingly, are not at all satisfied with the pace of innovation they are seeing (clocking in with the lowest level of satisfaction in the entire survey). But innovate they must. The pressures are twofold: on the one hand, in-house cost management is dampening demand for external support, while on the other, 'New Law' competitors that are tech-savvy are able to provide legal services in a more streamlined and efficient manner.

This means firms must seek ways to become more efficient and then translate that into more attractive pricing. Saving clients money by automating routine tasks, which can also help free up lawyers to spend time on more important or complex matters, is one obvious solution. And while innovation is often conflated with technology, innovation can come in other forms, such as simply making workflow processes more efficient.

Again, talking to clients about what they want is a good starting point – innovation is only useful if it gives clients an advantage. But standing still is not an option. As technology transforms the way other industries function, traditional law firms must move with the times or risk becoming obsolete.









