




Amplifying the voice
of the client in law firms



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Each year it seems that the pace of evolution in the legal profession quickens; what seemed like radical transformation 2-3 years ago soon becomes “business as usual”. While Lean Six Sigma process re-engineering, value based pricing and low cost resource centres are now table stakes for large law firms, incorporating these into the core business still requires time, effort and grit.

If these initiatives are driven by client demand, this should be enough to overcome inertia in law firms. Surely in a hyper-competitive market the voice of the client will be heard loud and clear throughout the firm? Yet in many cases, we’ve found the truth is subtly or sharply different.

We are delighted once again to work with Judge Business School at the University of Cambridge to commission this research that goes that bit deeper than much of the commentary on the legal market place. We genuinely hope you find the conclusions and recommendations both thought provoking and helpful. Here at LexisNexis we have been evolving constantly since 1818 and welcome a broader dialogue about how all of us in the profession – from law firms to clients to suppliers – can change faster and more effectively. If you have any thoughts on this research, or would like to share your experience of client-led change, we’d love to hear from you.



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Introduction

The legal profession remains in flux. The top-50 UK law firms are facing unprecedented disruption from client-led price pressure and new market entrants to technology (particularly artificial intelligence) and new business models that move away from traditional service delivery charged by the hour. Earlier research commissioned by LexisNexis looked at barriers that inhibit change in the industry and a theme that consistently emerged was a disconnect in how law firms listen and act on the voice of the client. That this voice is not always heard, or can become distorted during interactions is both puzzling and potentially ominous, given how critical client relationships are for law firms.

This research therefore listens more closely to the voice of the client. It identifies the specific areas of disconnect between law firms and their clients and the potential implications for both sides.

At its heart are three questions:

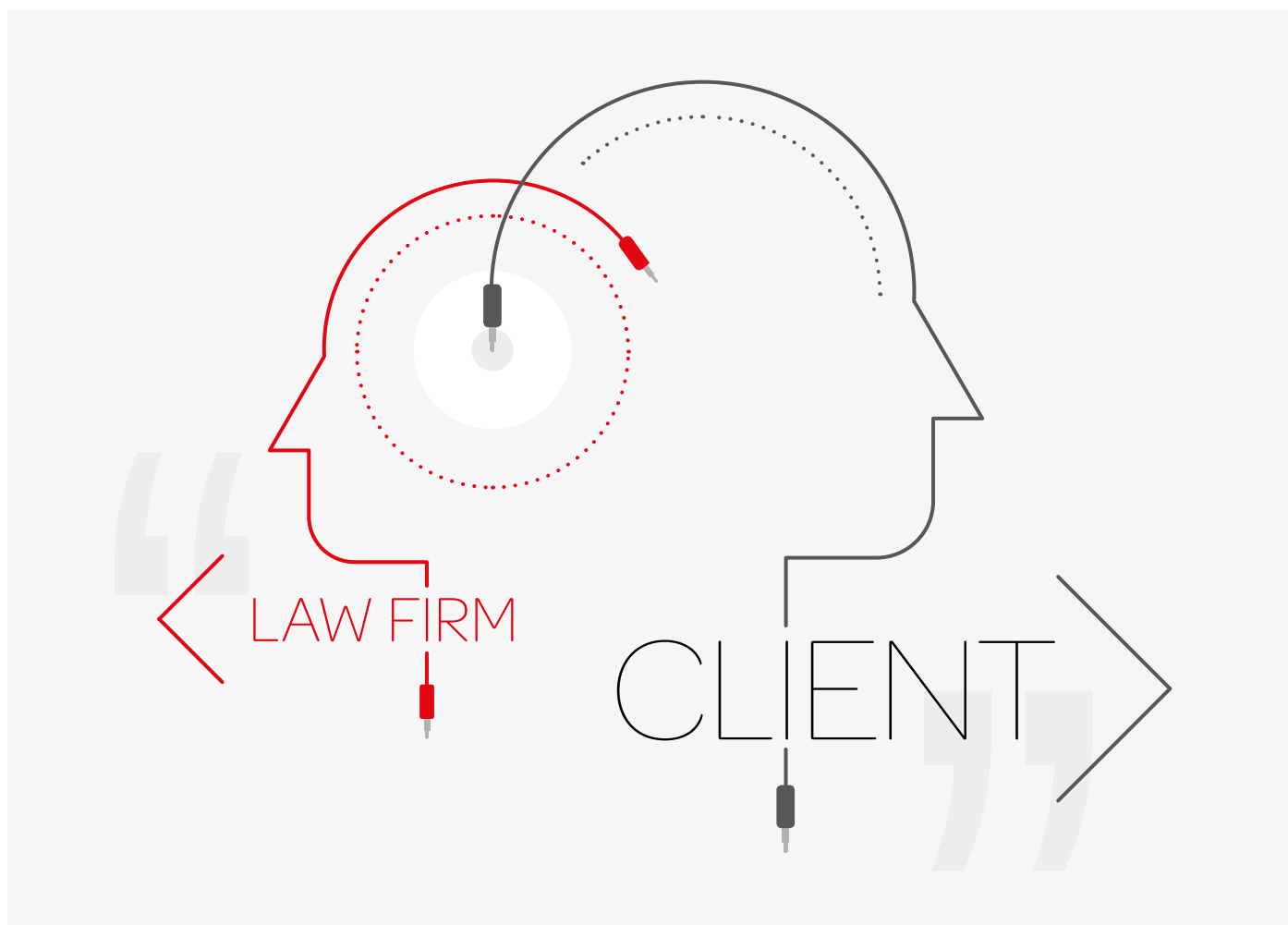
- 1. What are the points of disconnect between the client and the law firm?**
- 2. Why does the disconnect occur?**
- 3. What can law firms and their clients do to reduce the disconnect?**

The research consisted of semi-structured interviews with partners and/or heads of support services from law firms and general counsel and heads of lines of business from their clients.

Main findings

There is unambiguous evidence of a significant and persistent disconnect between law firms and their clients. While both sides are aware of the disconnect, their interpretations of the magnitude and underlying causes are different. The disconnect permeates everyday interactions and is increasingly prompting clients to look to non-traditional sources for legal services. It is however reparable through a set of clear steps that both sides can take.

The existence of this disconnect became clear early in the interviews. In every law firm interview, interviewees acknowledged it and identified how it affected their relationships with clients. Clients were equally clear.



Where is the disconnect between law firm and client?

There are three persistent causes of the disconnect that arose from the research:

The Service Offering – Advice v Solutions:

Clients repeatedly emphasised that they look to law firms for solutions to business problems. For the most part, the solutions need to be “good enough”, delivered timely, and in a format that enables them to make decisions quickly. The vast majority of clients interviewed however indicated that instead they receive good diagnoses but get very little by way of commercial solutions.

A key explanation that arose for this failure to meet client expectations is that many law firms seem to see their role fundamentally differently. As one partner suggested, law firms provide advice; it is for the clients to decide how to convert this advice to solutions. Another partner explained that partners or associates may not necessarily have the depth of understanding of the intricacies of a client’s business necessary to help create solutions and firms should delineate the scope of their involvement in client activities accordingly.

Service Quality – “Good Enough”?

Law firms typically strive to provide the best advice they can. In many cases, however clients are looking for advice that is “good enough” rather than “gold standard”. The result is that clients feel that the value received is not commensurate with the cost incurred and time taken.

Law firms emphasise that making a judgment on what is “good enough” is difficult without a deep understanding a client’s specific business exigencies. Their view of this disconnect is that clients want “Rolls Royce service at bargain basement prices”.

Service Delivery – Certainty and Predictability:

Clients repeatedly mention that they have poor visibility from law firms on the work being undertaken, costs incurred, and timelines. They lack the degree of certainty and predictability in cost and time that they seek (and need to convey to their internal clients). In their view, they accept that some engagements will take more time than planned, others less, but it is for the law firm to manage their overall “wins and losses” and price accordingly.

Law firms acknowledge this problem and are investing in project management and process improvement projects to enhance their capabilities in this area. However from their perspective many work types remain inherently uncertain and they do not believe it is always possible to provide clients with the visibility and predictability they desire. This highlights the ability (or indeed, willingness) of law firms to manage risk across their client portfolios. None of the law firms interviewed had made significant progress in incorporating risk management practices, and only 20% of interviewees saw a need to do so.

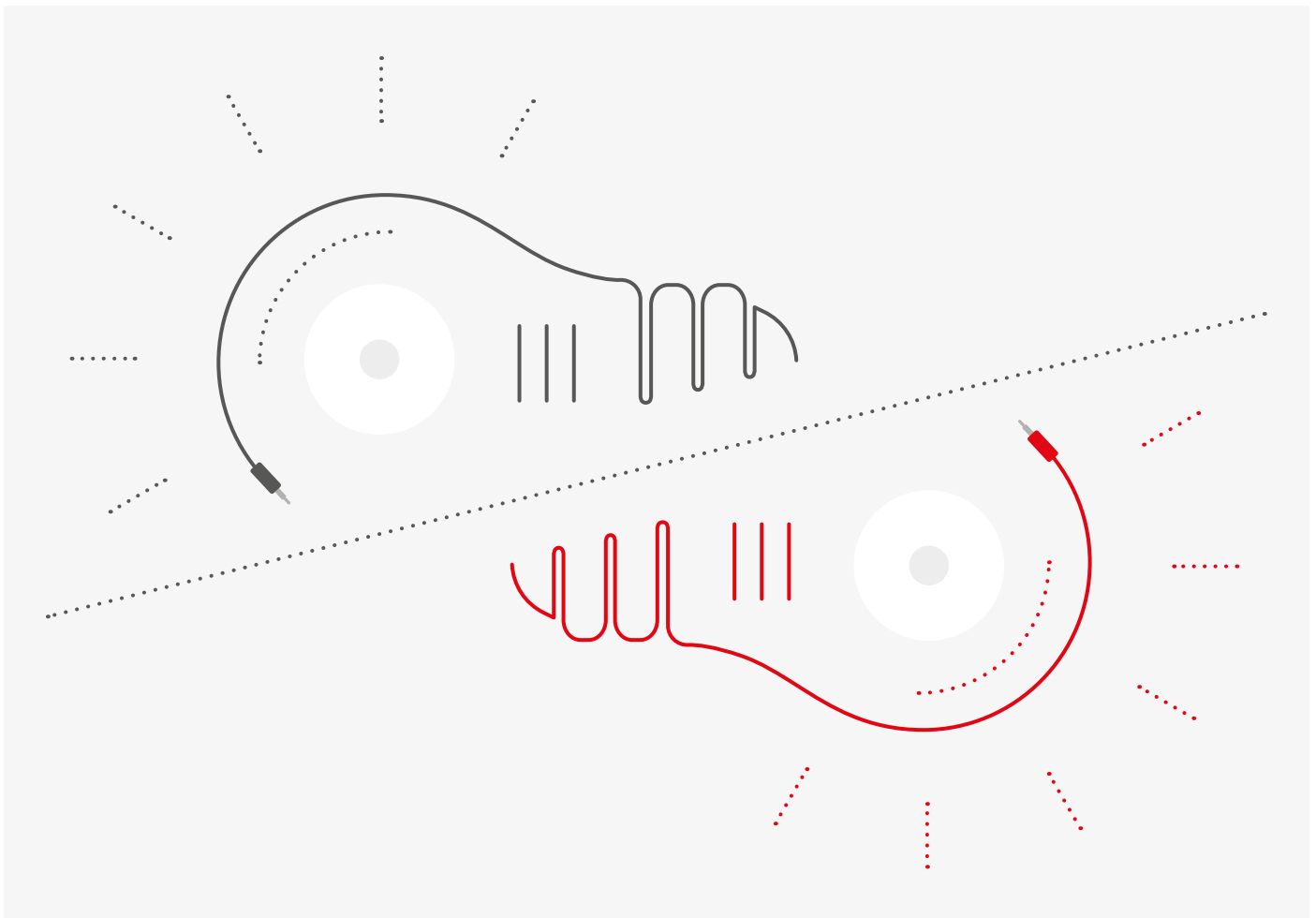
None of the law firms interviewed had made significant progress in incorporating risk management practices. Only

20%

of interviewees saw a need to do so.

How severe is the disconnect?

Law firms view the disconnect as primarily a challenge of improving service delivery, as opposed to a fundamental challenge to the nature of their service offering or a need to better understand the client's perceptions of value. Partners repeatedly maintain that except on the odd occasion, clients find their advice to be useful and valuable, and refer to repeat business as evidence. The question of improving their service delivery, is in their view, a work in progress. They are making improvements, and delivery is getting better over time. In essence, law firms believe the disconnect is being narrowed.



40%

of clients noted that senior partners of their law firms appeared to lack more than a basic knowledge of their businesses.

The view of the clients is entirely different and they do not see any perceptible change in the size of the disconnect. Not a single client interviewed was satisfied with what law firms provide. The list of complaints is long, and goes well beyond the three primary sources of disconnect above. Others include:

Little effort on the part of the law firms to understand clients' businesses and help with improvements

Forty percent of the clients interviewed noted that the senior partners of law firms working on their businesses appeared to lack more than a basic knowledge of their businesses. Several clients characterised partner interactions as superficial, with partners often not well-briefed. More than one client expressed the view that the voice of the client is deliberately not communicated to the wider firm because this is expensive and time consuming for the law firm.

Lack of appreciation of client cost pressure

Many general counsel emphasised that their budgets remain under sustained cost pressure and yet when they look to law firms to provide better value, they are utterly underwhelmed with the response. Three common themes emerged. First, there is little appetite on the part of law firms to help clients by offering alternative business models. Second, when services

have fixed fees, clients see the parameters of the service changed so frequently the fee is actually variable. Finally, there is apparently little desire, on the part of law firms, to help clients improve their operations to save costs.

Little or no improvement service delivery

There is an acknowledgement that law firms are trying to implement better project management systems and practices, but the overall perception is that they remain far behind where they need to be. Seventy five percent of the clients interviewed mentioned how they get little help from law firms when analysing the complex portfolio of legal work given to them: spends, trends, type of work, the life cycle of cases, impact, etc.



The CFO of a Fortune 500 company when reflecting on a top law firm's lack of awareness of their business:

"We are working with one of the best names in the business. But I'm quite concerned about the quality of advice we're getting... So, I asked to meet the senior partner handling our account." "It was a really disappointing conversation... to see that s/he had little idea about the complexities of our businesses and our challenges... how can I expect them to provide us with sound business advice?"



The reasons for the disconnect

Law firms and their clients appear to see the relationship from entirely different perspectives. From the law firm viewpoint, the primary need is to provide clients with top-level service in a way that utilises the deep skills and knowledge of the firm. The perception is that the better the service the more value is created for the client and the greater the differentiation from the firm's competitors.

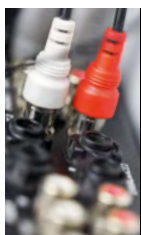
The main lens through which this is evaluated is the individual transaction or project with the firm viewing the overall client relationship as the aggregate of the transactions in a period of time (often formally acknowledged in an annual client review).

Within this view, law firms see the challenges in maintaining the voice of the client through the following challenges:

- Focusing purely on transactions means the firm may miss the opportunity to identify patterns from a series of transactions that the client themselves may not spot. Doing so would provide the law firm an opportunity to proactively advise the client on these issues and also to accumulate more sector specific knowledge of macro issues over time.
- With an implicit desire to provide the best legal advice on each transaction, many firms overlook over-arching client cost pressure and the resulting search for standardised solutions. While some firms now offer new business models for service delivery and a combination of bespoke and standardised services used, others remain reluctant to face the challenges this provides to long standing ways of working and charging.

- While relationship partners may understand the broader strategic context of the client, often this will not be communicated to – and incorporated by – the associates who handle any specific transactions.

Clients do not see the transaction as the essence of the relationship and place great emphasis on *separating the relationship from the transactions*. A client may engage a law firm in multiple jurisdictions, and across multiple specialisms. Clients look for law firms to connect the dots, convey the bigger picture, suggest ways in which the law firm can create value for the client's businesses (and not just reduce costs): the "whole must be more than the sum of the parts". They look for investment in, and reassurance on, the relationship outside of any particular transaction. All clients were uniformly of the opinion that not only do the law firms not provide relationship services, in many cases they do not seem to see the need. This difference in perspective is the main source of the disconnect and likely the reason for its persistent nature.



"They don't seem to see the value in what is not immediately billable. Some of them are extraordinarily short sighted."



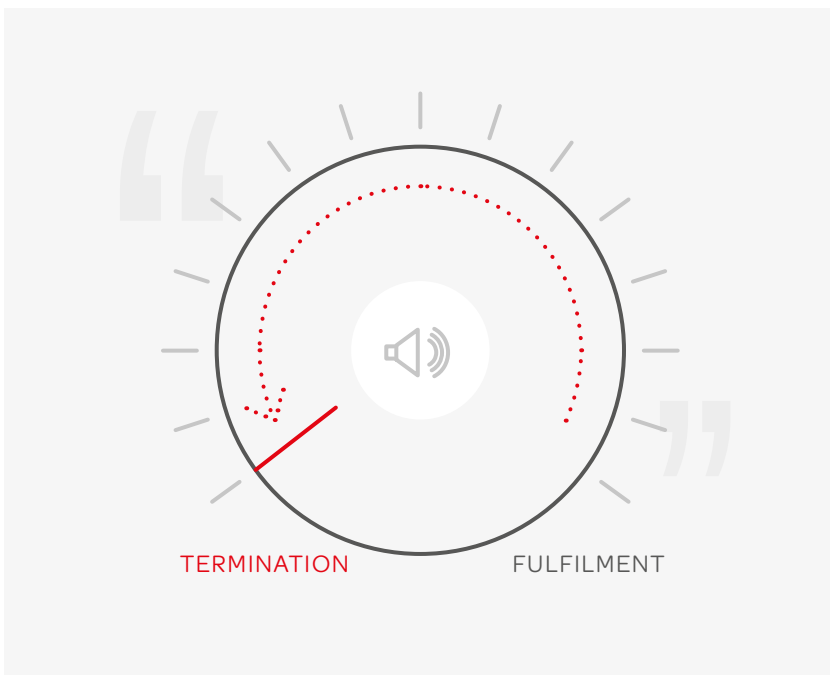
Client (GC) on how little interest senior partners of law firms take in their client's business

What are the consequences?

The consequence of the disconnect is that clients are terminating relationships with their law firms more frequently than ever before. In particular:

- The need to churn law firms is driven by a search for service delivery that better meets their needs. Twenty percent of the clients interviewed mentioned that they change membership of their panels of law firms more often than they wish.
- Even long-standing relationships are coming under pressure. Several clients have radically reduced the portfolios of firms they have traditionally instructed.
- Clients are voting with their feet and making moves away from the top-50 law firms. Twenty-five percent

of clients mentioned a move to bring more of the business in-house, i.e., the disconnect has changed their calculations on make-versus-buy decisions. Several clients are also willing to seek non-traditional solutions. Some clients have started working with much smaller law firms who offer the flexibility, visibility and responsiveness that they do not get from the top-50 law firms. There are, in other words, some emerging signs of significant disruption in the business of established law firms.



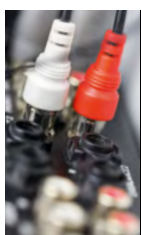
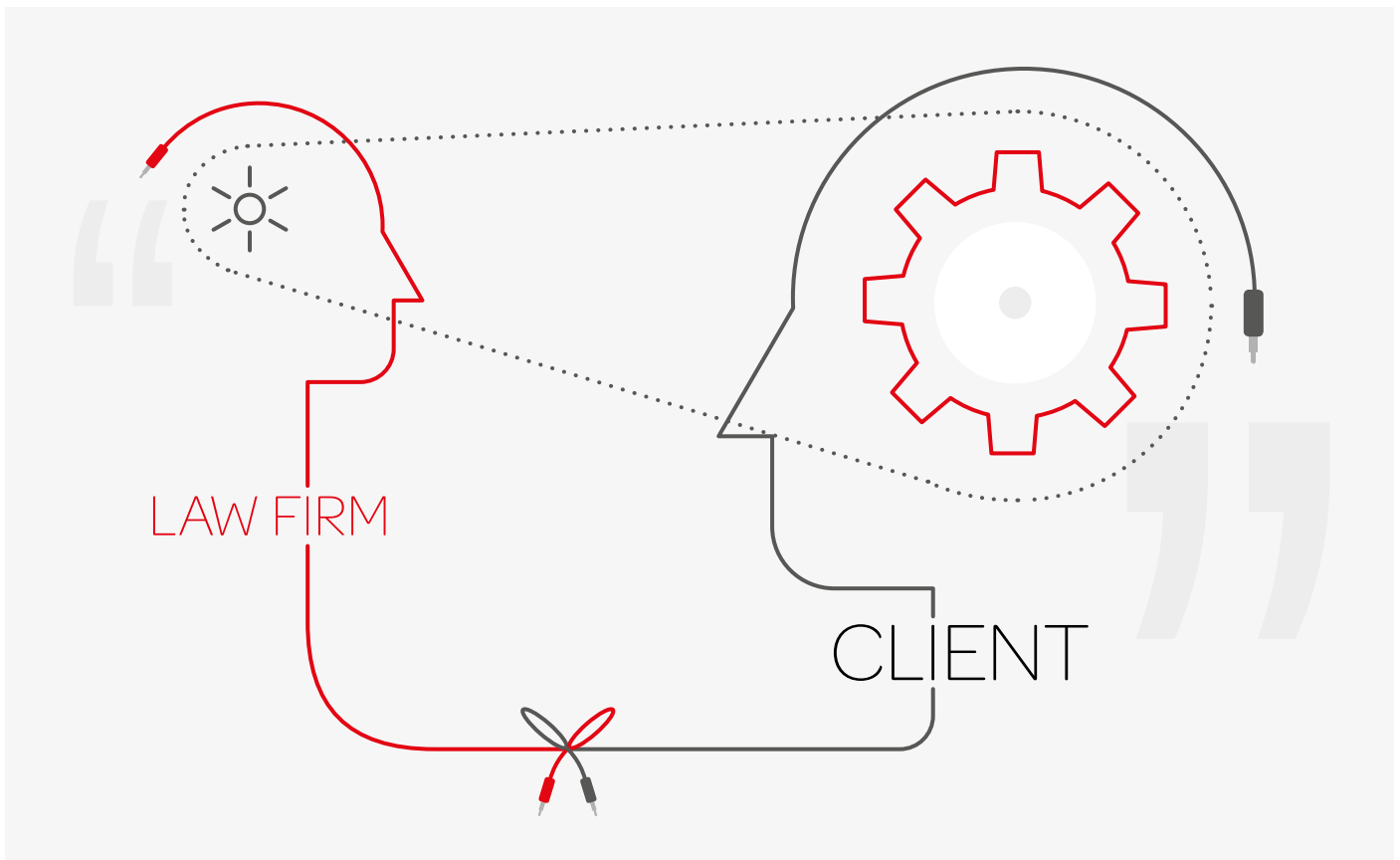
“Lawyers are prone to think of client needs here and now. They do not think strategically.”

> Law firm Head of Support on how firms have difficulty understanding what clients want

How to solve the problem

Law firms must move urgently to address the disconnect with their clients. The good news is that evidence from other professional service sectors suggests the disconnect can be repaired through concrete actions. Some law firms have already made progress, and their actions have been well received by clients.

The recommendations are in two categories: re-engineering of processes/practices, and rethinking of core strategies on clients.



“Get non-lawyers at the table. There are different cultural perspectives that outsiders bring in”.

> Law firm Head of Support on what can be done on joining up

Re-engineering processes and practices

The first recommendation in the law firm-client interface is that of true key account management, and involves the following:

Operate in a joined up manner

Law firms are often uncoordinated in how they execute a portfolio of transactions with a specific client. At its extreme, the research found partners from the same firm making competing bids for the same business. Law firms can take four specific steps to remedy the situation.

- 1 They need to acquire and maintain internal visibility of all work done for a specific client. In order to present an integrated face to the client, there should be close coordination among the teams. Firms should appoint key account representatives with a clear mandate for integration.
- 2 They should work on providing better external visibility - i.e., to the client - through a two-way line of sight. This should be an important part of the key account representative's responsibility. Following a fairly standard practice in the consulting sector, firms should provide dashboards of the status of completed and ongoing activities, workflow, billing, and associated information.
- 3 Law firms (and their clients) need to spend time building relationships between the law firm teams and the client teams.
- 4 The partners who work on a client's business need to coordinate better on how they work with specific clients (and in particular the interface with the key account representative for those clients).

Identify opportunities for creating mutual value

Law firm-client interactions are primarily instruction-based. In the view of clients, this is too reactive. Clients would like law firms to become more proactive in spotting opportunities to help their businesses. They are well-placed to do this in at least three ways. First, the joining up suggested above will enable better understanding of the client's business, and thereby unearth opportunities for creating value. Second, clients have repeatedly pointed out that law firms are well-aware of trends and developments in specific sectors; and can help their clients by sharing knowledge and providing guidance, i.e., the "voice" of the industry. Third, law firms can provide an "outside, looking in" perspective that clients do not necessarily have.

Deepen client relationships

Clients wish to treat the relationship as being distinct from the various interactions driven by transactions. Law firms need to recognise this, and act accordingly. This requires moving beyond pragmatic engagements with the client and providing a sense of partnership where the client feels valued and protected. The burden of implementation should fall on senior client partners who must calibrate their interactions with the respective general counsel.

"In the next tendering, we'll go for a radical approach, go to those with disruptive work."



Client (GC) on how business relationships have changed



The second recommendation is for better understanding of the client interface through structured activities. Two widely used practices in other industries can be adopted by law firms:

Understand the client better through “customer journeys”

If traditional instruction-driven interactions are to be complemented by a more integrated approach, then law firms need to understand better the multiple ways in which their client interactions are conducted. This can be done through client journeys, where a set of repeated interactions are carefully mapped to identify insights on gaps, pain points, etc. Two types of client journeys can be suggested: the journey of an instruction – from initiation to completion, and the journey of an engagement (as distinct from instructions). Client journeys will yield many opportunities for improving the client experience, and for the overall operations of the law firm.

Incorporate a “third party” perspective

Using third party perspectives to monitor client interactions are common in other professional sectors, and some leading law firms have started using them. Three types of exercises are recommended. The first is a more widespread use of regular client audits by external parties that examine both the relationship

and the engagement. This should be supplemented by more frequent use of opinion surveys. Second, and following a practice widely used in accounting and consulting sectors, law firms should increase the use of peer reviews by “third party” partners (e.g., ideally from completely different business areas/ specialisms, or geographical location) for important clients. Finally, the practice of using mystery shopping is no longer confined to the retail sector: variations are being increasingly employed in other professional service sectors; and law firms should consider their introduction.

The final recommendation in this category is a wider use of risk management techniques in order to provide more certainty on costs. Apart from providing more stability and predictability in pricing, such techniques will enable law firms to better manage their costs and resource allocation. Associated with risk management is better use of project management, especially for the delivery of complex services.



“It would be wonderful to have our panel tell us about what’s going on in the sector. We don’t want competitor-specific information, but surely there are trends and implications that they can share.”

> Client (GC)

Rethinking core client strategies

In an era of shrinking margins and commoditised business, law firm partners aspire to become genuine trusted advisors to their key clients. Clients, on the other hand, seem to be moving in a different direction - changing law firms more frequently and experimenting with non-traditional solutions.

This apparent parting of the ways highlights the need for fresh thinking. At the core is the question: what should the law firm do to serve its clients? With very few exceptions, law firm partners see their role as helping clients with their legal needs – the client decides how. Clients see equally clear, but in a different way. They see the benefits arising from meeting their business needs – the legal aspect is only a piece of a larger puzzle. In order to bridge this divide, law firm partners need to rethink their core strategies for engaging with clients. This has two important aspects:

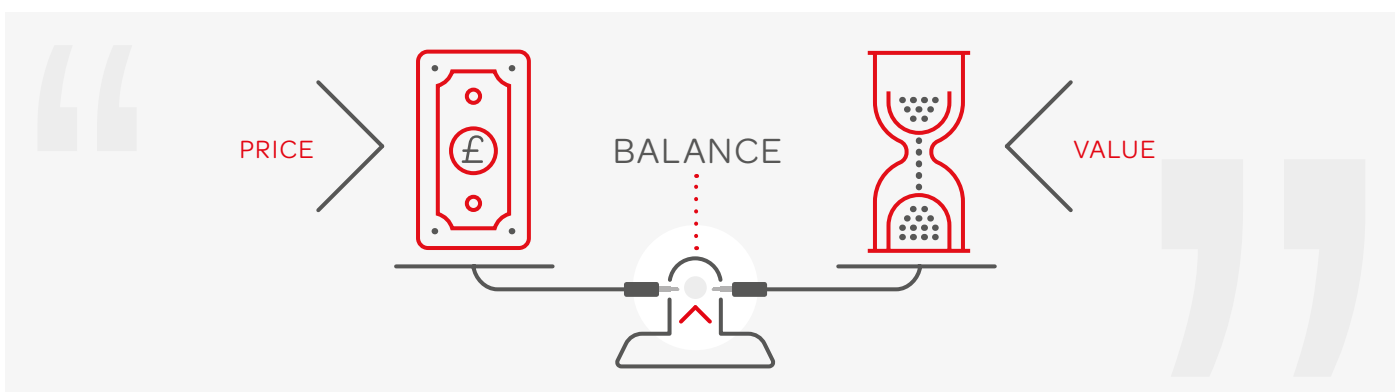
Which clients?

One pattern stands out in the research: the law firms which are better able to navigate their client relationships are the ones who have chosen to invest in specific vertical sectors. They have a good sense of the business challenges of those industries, and are able to articulate to their clients the “voice” of a specific industry. Partners are able to provide value by crafting solutions that fit within the business imperatives of the industry. If this is a way forward, then law firms need to hone their strategic focus to improve their ability to articulate the “voice” of specific industries credibly.

How to engage with clients?

The common view of law firms is that clients want to pay less for their services. While this is not untrue, it obscures a different way of framing the challenge: clients actually want better value for what they pay. The challenge for law firms is reconcile the two frames in a way that does not damage their business. Since the status quo is not sustainable, the question therefore is one of offering a suite of business models matching the client’s sense of value. While experiments are being conducted to provide value (e.g. by distinguishing degrees of bespoke work), the gravitational pull of the billable hour serves as a powerful impediment. To resolve the problem of the disconnect, law firms need to grasp this nettle firmly.

A related point here is how client relationships are conducted. The general counsel-law firm partner axis needs strengthening. However, this obscures a point that sometimes the legal department of a client itself does not fully grasp the business challenges of its own (internal) client. Law firms and general counsels should consider extending the scope of interactions through tripartite interactions: the law firm, the general counsel, and the client.

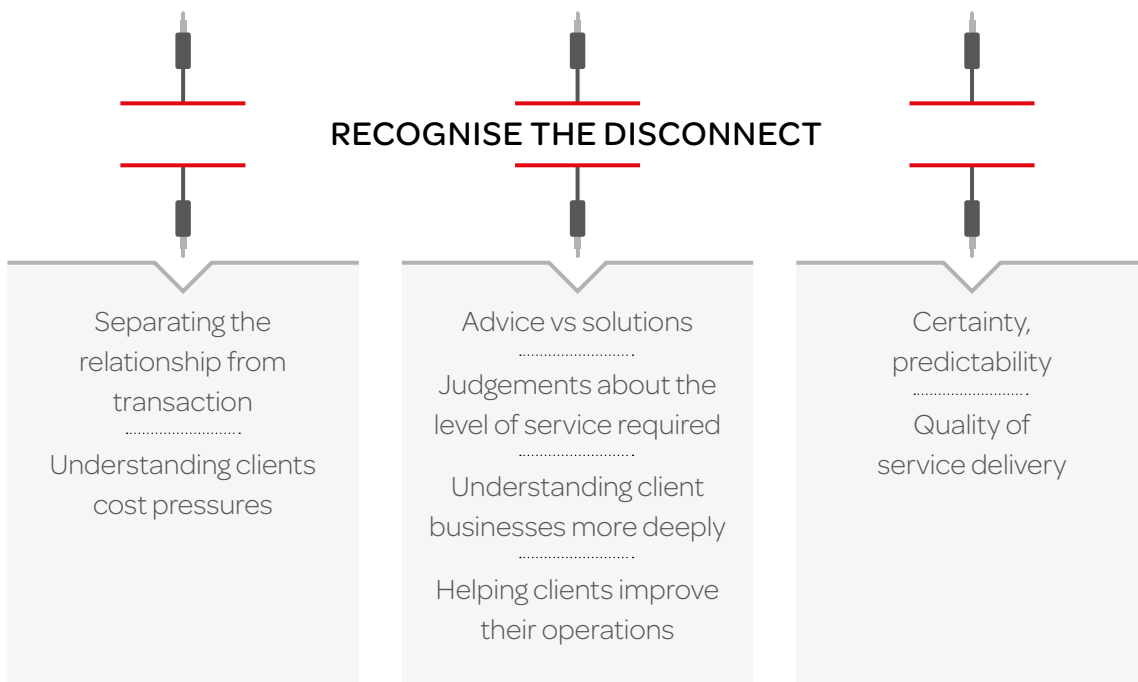


Repairing the law firm client disconnect

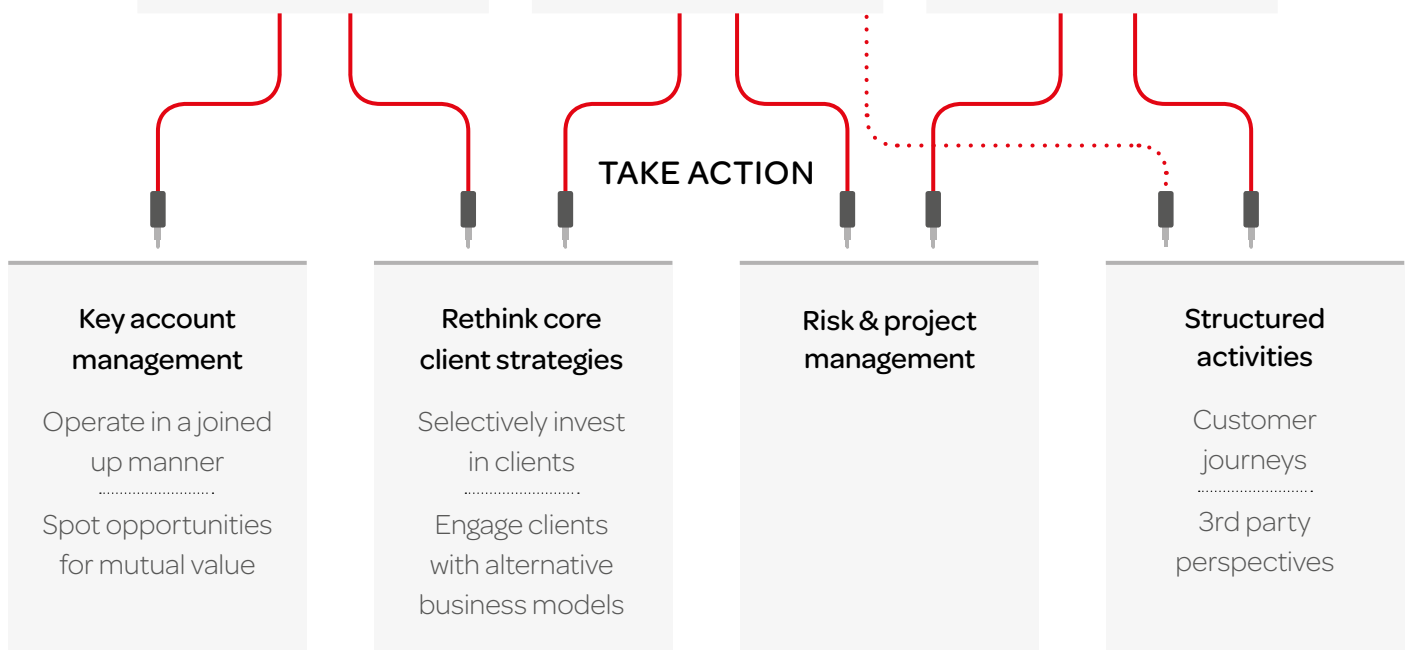
IDENTIFY THE BUSINESS AREA



RECOGNISE THE DISCONNECT



TAKE ACTION





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