

WHITE PAPER

DISCERNING CLIENTS ARE FORCING FIRMS TO RAISE THEIR GAMES

What Can Midsize Firms Do to Meet and Exceed Their Demands?



THOMSON REUTERS®



They could have offered consistent advice, and they could have returned our calls and emails on a timely basis.

They needed to be more aggressive and not wait for my input. I am not the lawyer.

Call me back. Give me some kind of answer.”

– Business clients on their experiences with business law firms

These quotes illustrate a massive gap between the unmet expectations of business clients and the service their law firms currently provide. Whether firms intend it or not, clients are feeling ignored and taken for granted. Many also feel they aren't getting their attorneys' full commitment and, as a result, are receiving subpar outcomes.

What remains clear is that clients are through accepting what they consider to be lackluster performance. So much so, that many are beginning to take decisive action in pursuit of the results they require—including opening work up to smaller firms with the right expertise.

For perhaps the first time, midsize law firms are solidly in contention to respond to these changes and capture new business.

Recent research from Thomson Reuters indicates that business clients are becoming much more discerning regarding the sourcing of legal counsel and their expectations for the delivery of legal services. Even as law firms continue to provide timely, high-quality work, their clients' expectations continue to rise.

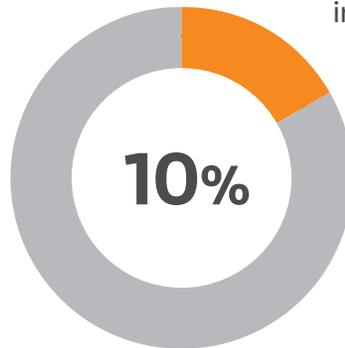
The Thomson Reuters Business Client Experience Survey dug into feedback from 450 business clients who had worked with law firms that staffed 30 or fewer attorneys. Respondents came from businesses that ranged in size from just a few employees to more than 500. They shared their expectations for working with legal counsel as

well as the potential consequences when those expectations were not met. A separate Thomson Reuters survey of 106 corporate general counsels and assistant general counsels also provided some unexpected insights into the reasons law firms lose business and what they expect when working with outside counsel.

The results of this research show that law firms need to raise their games in several key areas to retain the clients they have and attract new ones. This white paper will examine the challenges that law firms face in the midst of increasing business client demands and the steps firms can take to thrive in this new environment.

BY THE NUMBERS

A full 10 percent of respondents in the business client survey said their legal counsel failed to meet their expectations in one form or another. While that figure may seem small, when you consider that one out of every 10 clients would never hire the firm again—and is likely telling friends and colleagues they shouldn't either—the potential impact becomes much more evident.



of business clients said their legal counsel failed to meet expectations.

There were several key areas where clients said their expectations were not met. 44 percent were dissatisfied with their firms' responsiveness to questions and concerns. 37 percent were not happy with the amount of time it took to resolve their legal issue, and 26 percent were unhappy with the cost associated with it. Finally, 19 percent of respondents had expectations around electronic communication that were not met by law firms. The good news: technology exists that can help alleviate many of these issues that frequently leave clients feeling unfulfilled.

Today's corporate legal departments are proactively investing in and adopting the latest legal technology for in-house use. They expect their law firms to have technology that is at least as robust as their own. Similarly, the data from the business client survey shows that business clients highly prefer working with a more tech-savvy firm. 53 percent of respondents said that a law firm's use of technology was a highly important factor in the process of making a hiring decision. On the other hand, law firms that don't have solutions in place that allow them to meet client expectations run the risk of losing credibility and losing clients.

Attorney Jordan Schuetzle is the Director of Proposition Strategy and Market Development Lead at Thomson Reuters, where he works closely with midsize firms around the country. "The amount of available legal technology has drastically

increased over the last 10 years, and law firms are trying to determine where to focus their technology investment," Schuetzle explains. "From back office functions to solutions that contribute directly to the outcome of a case, there are many different ways a firm could choose to go." When asked specifically about where a firm should invest, he suggested, "I'm very supportive of firms improving their operational efficiency, but if pressed to choose, I would first invest in solutions to better serve your clients."

HOW BUSINESS CLIENTS DEFINE SUCCESS

To say that clients have high expectations doesn't give law firms very clear direction when it comes to meeting these increasing demands. How will they know if they've succeeded or failed? What are

the goals they need to achieve to win the client's approval? The data from the business client survey provides us with respondents' top three definitions of success when working with a law firm:

- 1 Minimizing risk to the business (57 percent)**
- 2 Having competent/skilled representation (54 percent)**
- 3 Avoiding future legal difficulties (51 percent)**

Two of these three criteria, minimizing risk and avoiding future difficulties, require sound, comprehensive legal outcomes. The other, having skilled representation, is a primary contributor to the other two. Firms that can deliver on these criteria position themselves nicely as their clients' trusted business partners—a distinction that can only help them as they work to establish and nurture the relationship.

But where do firms begin in their efforts to build the necessary capabilities to address these client priorities? It all starts with having access to the most reliable information and implementing solutions that provide accurate answers attorneys can trust.

UNMET EXPECTATIONS RESULT IN LOST BUSINESS

In the survey, 57 percent of respondents gave a rating below "highly satisfied" when asked about the overall experiences with their law firms. In addition, 50 percent said they were less than "highly satisfied" with the ease of doing business with their firms.

Clients have specific requirements for their law firms. Whether your firm is currently handling matters for a client or you're trying to get in the door, you will be evaluated on the criteria noted previously. The delivery of consistent, high-quality results around those criteria are essential to a strong and enduring business relationship, and, in many cases, even being considered for the job. In larger organizations, corporate procurement departments—which are becoming an increasingly prevalent part of the law firm vetting and selection processes—take a purely numbers-based approach to evaluation.

Clients are moving work away from firms that don't meet expectations. According to the general counsel survey, clients moved work away from firms that were inefficient, performed shoddy work or couldn't stay within budgets.

In a somewhat surprising finding from that survey, 50 percent of respondents said they moved work away from a particular firm due to inefficiency or a perceived lack of value. On the topic of staying within budgets, one general counsel said, "Associates with little training or understanding [of my legal issue] were set loose on a billing spree."

These findings show that law firms must be at the top of their games in all aspects of the work they do for clients. They must possess the knowledge to handle any legal question that arises, and they must be able to respond quickly with accurate answers. When law firms don't deliver and their expectations go unfulfilled, clients won't hesitate to walk away.

WHAT CAN FIRMS DO TO KEEP UP?

Today's business clients want quality results, at the best rates, in the least amount of time. Law firms must be proactive in their efforts to meet these demands. It has been a "buyer's market" in the legal industry for several years, and clients are taking full advantage of their options. The good news is that many of the steps firms can take to accommodate these increasing client demands can also position them for success:

Get up to speed—literally

The research sources referenced for this white paper—and many others focused on business client behaviors—indicate that speed and accuracy lie at the heart of many client expectations. The onus is on law firms to take any necessary steps to streamline internal processes and position themselves to deliver on their ever-increasing demands.

In today's automated world, clients expect a quick response. 90 percent of respondents in the business client survey said that the firm's responsiveness to their questions and concerns was a highly important factor in the process of making a hiring decision. And several respondents said it was the single most important factor. Legal tech solutions powered by artificial intelligence can

save you time and help you quickly get to the answers your clients need. In addition, operating more efficiently overall can only improve your firm's productivity and profitability over the long term.

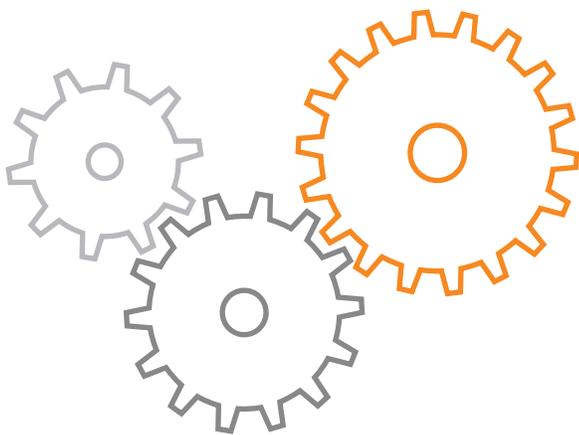
Keep up with technology and maximize efficiency

According to the business client survey, clients reported high satisfaction when their legal counsel used technology to interact with them. As mentioned previously, 53 percent of respondents said that the firm's use of technology was a highly important factor in the evaluation and selection of a firm. There are numerous legal technology solutions to manage client matters and accommodate their needs.

Advances in legal technology have largely leveled the playing field between the AmLaw 100 firms that have traditionally served major corporate clients and smaller firms that typically have not been in a position to bid on that level of business. Law firms, especially midsize firms, that can show they have the experience and agility to meet clients' demands could break through into a portion of the market that might have previously seemed unattainable.

As mentioned earlier, with corporate legal departments adopting the latest legal tech, law firms should make it a priority to do the same. It's difficult to position yourself as an expert if your client has access to the same or better information as you do.

"It is easy to lose credibility when your client finds better answers in less time than you can," says Schuetzle.



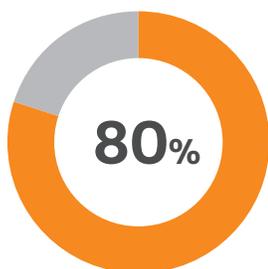
Master the practice areas that matter

If you are going to bid for a client's business, it goes without saying that—at a minimum—you need to be fully versed in the laws that pertain to their core businesses. If you really want to give yourself a fighting chance at winning the business, you should also be fully versed in the laws that aren't directly related to, but could impact, the client's core businesses.

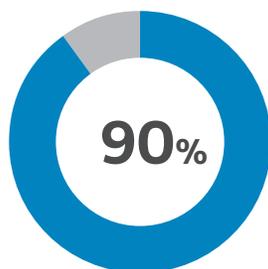
Consider these statistics about what's important to clients in their evaluation of potential legal counsel:

80 percent of respondents said that specialized expertise was a highly important factor. 12 percent said it was the single most important factor.

90 percent of respondents said that confidence in the law firm's ability to resolve their legal issues was of high importance. 12 percent said it was the single most important factor.



Specialized expertise highly important



Confidence in ability highly important

Having the knowledge and experience to handle any legal issues that your client might face makes you an invaluable asset to the company. For example, if you routinely advise clients on employment compliance documentation, you are likely not too far from being able to represent them in employment law litigation as well. It's all

about being able to say, "Yes." The faster and more comprehensively you can respond to your clients' needs, the more you will position yourself as their trusted and go-to business partner.

This is not to say that your firm needs to build a boutique practice specifically to accommodate every client need. Depending on the nature of the request, it could be fulfilled by getting a single attorney up to speed on the topic—whether through upskilling someone who already works in the general practice area or training a new attorney who would be the firm's subject matter expert for that type of matter.

Make yourself a member of your client's team

Businesses want to work with firms that know their clients' industries and bring something more to the table than the ability to adequately respond to legal issues as they arise. They want a partner that keeps up with industry changes and develops plans to address any potential legal concerns before they develop into problems that threaten the business.

Depending on your client's business, some of the issues that may require attention could include regulatory compliance, employment laws and data privacy, among others. Technology can help you stay ahead of the changes that matter to your clients. There are solutions that send you weekly updates on changes to rules and procedures. You can set up news alerts to stay informed about changes in your clients' industries that could require a response.

Companies want to work with firms that show this kind of concern for and initiative in protecting their clients' interests. When they do so successfully, firms embed themselves as an indispensable part of the team.

Set realistic expectations

Clients will make enormous demands and continually push to get as much as they can for their money, and law firms sometimes feel as though they have no choice but to acquiesce in order to get the business. But some things are simply impossible to deliver. Firms that overpromise just to win a bid and then fail to deliver only set themselves up for unprofitable work in the short term and lost opportunities in the future.

Attorneys must take the lead in these expectation-setting discussions—having frank discussions with clients about the legal process, how much time it will take and the possible outcomes based on different approaches. It can take some convincing to get clients to buy into your plan and the expectations you are laying out for them. Having solid data to back up your assertions will help get the client on board and give you tangible research to refer to as the matter moves ahead.

Technology is available to help you gain insights into the tasks associated with a given matter, the time they take to complete, opposing counsel's experience and level of success with similar matters, and the tendencies of the judge assigned to the case. This type of information can be extremely beneficial in the process of setting the most clear and accurate expectations possible.

DON'T FORGET PROACTIVE COMMUNICATION

Research across the legal industry continues to show that business clients appreciate regular communication from their law firms. For many clients, this is particularly important when setting expectations at the outset of a matter.

"I'm amazed at how often I still hear our corporate customers complain about lack of communication and slow response times," says Schuetzle. "When I was practicing, I always tried to respond to client inquiries within 24 hours. Even if it was just to say I was working on it and would follow up when I had more information—at least the client knew I had heard them."

Respondents to the business client survey said that only 40 percent of law firms asked at the outset of the matter what would be considered a successful outcome. 46 percent reported that their law firms did not ask about their level of satisfaction with the outcome after the conclusion of the matter.

If current firms aren't delivering results that support their success, clients will waste no time seeking out new counsel. Always take advantage of the opportunity to set clear expectations with clients at the outset of a matter and to regularly check in with them to see how they are feeling about the progress, and reset or adjust expectations as needed.



Why midsize firms are the right fit

Corporate clients of all sizes and across all industries are opening their work up for bid in pursuit of the best outcomes at the most reasonable rates. Most of these clients put a premium on the firm's success in a particular area rather than the prestige associated with the name on the door. The agility, cost-effectiveness, technology-minded culture, efficiency and specialized expertise of midsize firms make them attractive business partners for clients.

Firms that have been successful handling the niche matters that match these clients' needs and are prepared to deliver on their lofty expectations are in a strong position to take business from even the largest competitors. Even at a time when clients seem to be calling all the shots, well-prepared firms can be successful at winning new business and growing their practices with clients that were previously thought to be out of reach.

Are you ready? Then let's go.

Clients have worked hard to understand what goes into the handling of a particular legal matter and what it should cost, and firms should only expect this level of diligence to increase. Firms that can position themselves as business partners that meet demands, deliver solid results at a reasonable rate and provide proactive counsel on potential issues can win a client for life.

Every client is different, and each one brings with it a slightly different set of demands. What does your firm bring to the table that your competition doesn't? Knowledge? Expertise? A proven track record? A combination of these? You're going to need it all to meet the demands of today's savvy business clients. If you don't have it, what are you going to do to get it?

In many cases, technology can fill in the gaps to make you the perfect fit for a prospective client. In others, it's as simple as operational changes, such as making firm-wide commitments to responding to clients more quickly. Whatever your firm's situation, at the very least, an understanding of what makes today's business clients tick is essential for future success.

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