

Clients seek value

IMMEDIATE Past President of the Corporate Lawyers Association **Ron Pol** outlines the latest international research on corporate client perceptions of what they want from lawyers.

After reviewing the recent findings of a study of the UK's 100 largest companies' perceptions of the legal profession, US professional services consultant David Maister remarked: *For any law firm that wishes to thrive in the future, this study contains most, if not all, of the necessary lessons. The clients speak, and do so with great clarity. They are unequivocal about what they want, what they respond to, and what they do not.*

The extensive study, *Seeing the world through clients' eyes*, involved personal interviews with senior in-house counsel in some of the world's largest companies. The report covers a wide range of issues, including how clients select law firms, use tenders and respond to marketing and pricing initiatives, as well as many other aspects of client perceptions of the legal profession.

It also illustrates that corporate clients need more than just great service from their professional advisers. The challenge for law firms is to move from the tactical (responsiveness and service driven) to the strategic (value to the client).

Anecdotally, the message from New Zealand in-house counsel is similar. Law firms and their clients can therefore benefit from sharing the results of such reports, and working together to address the issues identified.

Excellence acknowledged – value paramount

A core message from the study is that there's more to excellence than delivery of quality advice and dedicated responsiveness to client demands. Increasingly clients want their lawyers to demonstrate value to the client, and to show tangible value flowing from the advice.

As respondents noted:

Show the ability to deliver value for money. Firms are not cheap. They need to provide the

right commercial product in the right way.

You should start with what's on the clock and what the value was. Hourly billing is the first line of attack and the starting point only.

You need some kind of review at the end to look at value...I don't mind paying the rates provided it is value added advice.

In the New Zealand context, the general counsel of a large listed company outlined similar issues with a recent example. The company had instructed a New Zealand law firm and merchant bank on a major transaction. At its conclusion, the law firm's fee reflected the huge hours and intensive nature of the work, yet the chief

executive, critical of the fee, sought a reduction.

By contrast, the bank's fee was more than 10 times the legal fee, yet represented a fraction of the time spent, and apparently less risk, than the lawyers faced. Yet the CEO was delighted with the results, and happy to pay the fee. The difference? The bank's fee was linked to value for the client, and clearly demonstrated the value delivered.

Recognise cost-cutting pressures

In spite of their responsiveness and excellence of service, the report indicated that firms seem to have little sympathy with in-house counsel's need to drive down costs. One respondent noted: *It comes back to understanding our business, our risk tolerance, what we want to achieve, where we want to be. They could get better at this... We've just found out the total cost of legal support, and management want reassurance that they're getting value for money.*

This requires firms to look through their clients' eyes. As with many New Zealand in-house counsel, respondents are under great budget pressure. Finance and procurement departments are increasingly becoming involved in decisions on legal spend – not just how much is spent, but



Ron Pol

also how well it's being managed. In-house counsel are being pushed to ensure that value is achieved with every transaction. Yet the study reflects a perception that their advisers are providing little real support in this battle.

Some firms may view this as a threat, ie, "if we help clients save legal costs, we'll earn less revenue". The evidence suggests that – at least in the UK – relatively few firms seem brave enough to view this instead as an opportunity, ie, "if we help clients save legal costs, we can lock in the relationship, and a bigger share of the total legal spend".

Differentiate on value

For law firms to lock clients into a mutually beneficial business relationship in which they more effectively connect with client needs, firms need to deliver more than quality advice and excellent service, because this serves to demonstrate that they're mostly just like every other good firm. The study suggests that a strong focus on value – identifying, delivering and demonstrating value to the client – may well constitute a strong differentiator, a competitive advantage and a valuable asset to major clients.

The study highlighted the competitiveness of the legal services market, and a perceived lack of meaningful differentiation between firms – and thus a very real opportunity to make a difference. As one respondent concluded: "creating value is what differentiation is all about".

Ron Pol is a director of Team Factors Ltd (www.teamfactors.com), which helps connect professional services firms and their client organisations. The Nisus report, *Seeing the world through clients' eyes* can be ordered from www.nisus.net.