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Global law firms: getting the best out of them

International law firms are fast developing their capabilities to provide more efficient and cost effective services to clients. Tony Williams considers how use of these services can help general counsel meet the challenges they face, and sets out the main points to consider when reviewing a law firm relationship.

Over the last ten years, a significant number of US and UK-based law firms have developed strong international capabilities in many of the world's major business and financial centres in response to demand from international clients and the impact of increased globalisation. Initially, general counsel were sceptical as to the capabilities of these firms outside their home jurisdiction and accordingly retained their relationships with their local counsel. If international firms were retained, they tended to be used as lead counsel and co-ordinators of larger international transactions but general counsel often dictated which local counsel they should use.

Challenges facing general counsel

The increased workload imposed on the in-house legal team in recent years by heightened corporate governance concerns, higher levels and complexity of regulation and a more litigious environment has placed real pressure on the internal legal function. This has been exacerbated by greater corporate cost control and the need for the legal team to regularly prove its value to the company. As a result, general counsel have become less able to maintain regular contact with a large number of infrequently used local counsel.

The challenges facing general counsel include ensuring that they maintain the level of knowledge of the local legal and business environment in each country and having a genuinely proactive relationship with external lawfirms. Although cost is clearly imperative given the financial pressures imposed on general counsel, it is also essential that the quality both of legal advice and response time is maintained and, preferably, enhanced.

Retaining firms: quality not quantity

General counsel typically are responding to the challenges they face by focusing on a smaller number of preferred suppliers, in common with all other parts of the business. This is usually achieved by conducting extensive panel review exercises, which are mainly designed to ensure that the company uses a small number of lawyers and gets better value from the firms that it does use. They also present a good opportunity for the general counsel to redefine the company's relationship with external legal providers.

Using a smaller number of law firms inevitably plays to the strengths of the international law firms. These firms have been making considerable efforts to enhance the breadth and depth of their practices worldwide in recent years, and many are now leading practitioners in multiple jurisdictions. As a result, the risks involved in using a smaller number of firms have been reduced significantly. (See box, *Managing the law firm relationship: establishing a new regime for an example of how using a smaller number of firms can cut costs and improve quality of service.*)

Reviewing the relationship

When reviewing your relationship with a global law firm, the following key points should be considered:

- **Cost.** Cost control is not just about discounts on hourly rates. Controlling the hours spent on a project is crucial to ensure that the cost of it remains within the company's budget restraints. The pursuit of fixed price billing for a wide range of work can assist with this. Further innovations that are worth considering include:
 - abort rates and success fees;
 - disclosure by the firm of the profitability of certain types of work or of the relationship as a whole (see also Information below); and
 - benchmarking by the firm of your company's costs against those of other similar clients.

The incentive for the law firm to provide such services is that with a smaller panel there is more to play for. It has an opportunity to develop a wider and more sustainable relationship. If a firm does not understand this, then do not use it. It is, however, important to bear in mind that while controlling costs is important, too many demands placed on a firm in this area can ultimately damage your relationship with it.

- **Communication.** As a significant client of the law firm you should expect to maintain a responsive relationship with a group of partners. You can insist that you are a key client on their client care programme, and that all partners and lawyers are aware of your business and activities. You should be regularly briefed and debriefed by the lead partners. All of these meetings should be at no cost to you. Many law firms say they understand their clients' business and industry. So test them. Ask them about matters such as the company's share price, market cap, level of debt, significant shareholdings and priorities (as set out in the company's most recent Annual Report, SEC filings and so on), as well as what new regulations may impact the company and any litigation threats it faces. Inevitably you will need to tailor this list to your own business and industry. If your law firm is serious about its relationship it will soon respond and will be able to address these issues in relation to the countries where it operates. If it is not responsive, then do not use it. However, while you can expect your law firm to research your company, it is important to be open with it. Ensure that the firm receives corporate information directly and share with it the company's concerns and strategic priorities. If you are entirely passive you will get a passive service from your lawyers.
- **Know-how.** International law firms have invested substantially in online precedent and legal know-how systems. You can ask them to either populate and maintain your know-how system or give you access to most of their systems. This may include the development of, for instance, the top 20 frequently asked questions on issues relevant to your business such as human resources, data protection and consumer credit. You may want these to be developed to a standard so that they can be used directly by certain of your corporate colleagues. Effectively used, these tools can produce a new service of real value to your organisation while managing your workload.

- **Secondment.** From time to time you may need extra capacity to cover short term issues from a sudden up-turn in work, integration of a merger or to cover for maternity leave. Ask your law firm to assist. It will provide their lawyers with a useful insight into how your business works. Some secondees are currently being provided at cost, in some cases even below cost. A regular secondment programme should help to develop the relationship on both sides.
- **Training.** In addition to classroom style training, many law firms have now developed impressive online training products. In-house lawyers often have a need to maintain continuing professional education credits. Ask your law firm to provide this. It is an opportunity for the firm to sell its expertise to you at very little marginal cost to it, and could save the company a significant amount on external educational courses.
- **Information.** Your external lawyers will have extensive information on the work they have done for you and its profitability. They will know with whom they worked and those issues that could have been dealt with more effectively by both themselves and your colleagues. Ensure that this information is provided by reference to your financial year, your service lines and your geographical units. Any debriefing should be a two-way process where you are both co-operating to ensure that you all work more effectively next time. Confrontation is rarely productive.
- **Billing.** You can impose your requirements as to the format of bills and the information to be provided. Many firms can now issue electronic invoices. But be fair. If you are squeezing costs and demanding a standard bill format then ensure that all compliant bills are paid within your company's next payment cycle and not sat on for months, as this can seriously damage your negotiating position.
- **Conflicts.** As law firms get larger the risk of both legal and commercial conflicts grows. Decide whether you are happy for your firm to work with your competitors and, if so, whether any areas are off limits. In addition, consider whether there are any circumstances in which you will permit the firm to take a position adverse to your company's interests. Be clear, put it in writing. But be realistic. If you are not offering a substantial level of work on a consistent basis your bargaining position in relation to commercial conflicts will be limited.
- **Data management.** Managing corporate information can be a nightmare. Law firms have invested in this. You can ask your law firm to manage the documentation for certain areas of work. For example, some firms have developed property databases, which contain copies of all of the legal documents, a site plan, a reminder system for key dates (for example, rent reviews) and other information. This can also assist your property management team and demonstrate real value to your colleagues. Similar services are available for patents and trademarks, alcohol licensing and other areas of business. Databases also can be established in relation to joint ventures, acquisitions or financings. This could make documentation readily available and provide an impressive risk management tool.

As a key client of your law firm, you can expect that it will do a lot to keep and develop its relationship with you, including provision of the services mentioned above. In turn, it is important that you are imaginative, open and fair. You will then have the opportunity to develop a comprehensive and cost-effective relationship and benefit from considerable "add-ons".

Tony Williams is head of legal management consultancy Jomati and can be contacted at tony.williams@jomati.com. He was formerly managing partner of Clifford Chance and Andersen Legal.

Managing the law firm relationship: establishing a new regime

Julia Chain, general counsel, T-Mobile UK

In 1998 One2One, the smallest solely UK-based mobile phone operator, was acquired by Deutsche Telecom and catapulted into the international arena. Along with the new name of T-Mobile, new phrases such as “global synergies” and “one company” became part of the international vocabulary. For general counsel the rules governing the use of external legal services changed. Typically, pre-acquisition, One2One instructed external legal advisers using the familiar model of a large “city” law firm or two to lead major transactions or where a big name was required, and up to ten smaller firms that were used sporadically either for their specific expertise or because someone had a contact.

Post-acquisition, in addition to dealing with domestic “business as usual” work which required specific UK advice from a firm that really understood the UK business, the company needed to review international contracts in several countries. The solution to the issues this raised was simple and cost effective, although initially complex to organise. Following a review of the firms we were using, we appointed an international law firm as our main adviser having first agreed with it a whole range of services that it might provide, including training, secondments, know-how and free advice help lines together with an over-arching fee structure for everything based on either discounted hourly rates or agreed fees. Most importantly, we appointed a “relationship partner” whose role was to co-ordinate all international advice so that we in the UK would not need to waste time finding the right partner in, for example, Germany or France.

We would simply call our relationship partner and he would either put us in touch with the right person or, in simple matters, obtain the advice on our behalf. We also reviewed all our other legal advisers and chose three firms that could provide specialist domestic advice. Again we agreed in advance how this might work based on our expectation that, for these firms, we were a major client. In the first year of the new regime fees spent on external legal advisers (excluding major litigation) were reduced by about 20% and the costs of education and training also reduced considerably. Six years on we have made changes (adding a name to the list or taking one off) but the basic principles remain the same and we continue to benefit from a seamless globally-based service from our advisers who have themselves made geography largely irrelevant.

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