

Why Clients Hire and Fire Law Firms

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Wine dealers have a saying: "Buy on bread and sell on cheese." They know bread doesn't mask the taste of wine and that cheese does. When corporate clients relate to their outside law firms, they appear to operate on a similar aphorism: Buy for knowledge, fire for price.

That's one conclusion that emerges from the latest findings from Acritas, the U.K.-based research outfit that annually conducts detailed interviews with a few thousand general counsel and other in-house lawyers at major companies around the world. Acritas recently compiled a new report on client hiring and firing behaviors. The results are at once reassuring—the firing, while growing, isn't being done willy-nilly; more clients reported hiring new firms than discharging old ones. And maddening for business development officers—law firms have it in their power to affect both hiring and firing decisions. But by choice or blunder, they often fail at that effort—particularly when it comes to showing value for their rates.

These reports rely on customer testimony. Someday we hope to survey partners to learn that the firms really kept their ungrateful clients informed about their matters, or, despite what we've been told, partners really tried to introduce their colleagues to clients who needed their help. But for now, we, like you, are limited to the views of your customers.

Acritas has been asking about firings for several years. But the inquiry about law firm hires (either first engagements or "substantially increased" assignments) is new. The reasons that clients gave for hiring firms were old. The top three cited: subject matter expertise (37 percent); geographic presence (17 percent); a previous positive experience (15 percent). Cost issues placed fourth, mentioned by 11 percent.

A few hundred clients discussed their reasoning in depth with Acritas's researchers. Collectively, they portray a market where in-house counsel will both look for new help to solve new issues, but also send more work to firms with whom they like dealing. The comments fell into several instructive categories:

- **We want this firm for a particular problem.** Time after time, major corporate clients said they'd faced something new. This was the most common reason given for hiring a firm they hadn't used before. As an automobile company assistant general counsel put it: "We had a need"—and he found an Am Law 100 firm that appeared to have the answer.
- **We've heard of them.** One pharmaceutical client pointed to a new firm's "high profile." A construction company noted a firm's "good reputation" in the industry. When clients go shopping, they look for names they recognize.
- **The firm already knows us.** "We don't have to advise them on what we do, so we feel like we're getting value for (our) money," said one bank about an Am Law 100 firm to whom it keeps giving more work.
- **We know the firm.** "I have a great relationship with a partner there, and that's sort of developed into other (nonemployment) work," said one manufacturer about an Am Law 200 firm. From these comments it seems obvious that sometimes clients hire lawyers and sometimes they hire law firms. But they never hire those they've never heard of before. So here's the takeaway: Lawyers and firms that still dither about their market research spending or new business development efforts aren't being prudent. They're gambling, foolishly in my view. However lawyers may win them, clients aren't forever. Of the

Acritas panel, one-third had dropped a firm in the last 12 months, up from 30 percent last year. For 20 percent the one-off assignment had ended. Several clients volunteered that they'd hire the firm again if an opportunity arose. But law firms had only themselves to blame for most of the other reasons why their firm was dropped: Too expensive (19 percent); poor service (17 percent); poor advice (13 percent); lost people (6 percent); and conflicts (5 percent) were the leading reasons cited. What went wrong? The client comments ranged from:

- The mild—"We were "dissatisfied."
- To the insulted—"The firm's "attitude toward us was very disappointing."
- To the angry—"We came to despise the firm."
- To the furious—"They raped and pillaged when they billed us."

Can anyone spell failure to communicate? A second takeaway: It's a little late to extol client feedback programs. Evidently more programs are needed.

Press is ALM's editor in chief.

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