

Client satisfaction interviews
Help law firms
Keep clients close

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Economists may have declared that the Great Recession is officially over, but many businesses and their legal service providers would probably beg to differ.

Over or not, the Great Recession has dramatically changed the traditional relationship between legal departments and outside counsel -- in ways that are likely to continue even as the economy improves. Longstanding grievances have risen to the surface.

Businesses and general counsel understand the parameters of this new relationship, but many law firms and lawyers do not.

After years of immunity from corporate cost-cutting efforts, 85 percent of general counsel are now being asked to cut their budgets. Only 26.2 percent of them believe that outside counsel are sensitive to their budget constraints.

To control costs, general counsel are bringing more legal work in-house and, in many cases, using non-traditional providers of legal services. For example, they are turning to cost-effective legal process outsourcers for much of the work previously done by young law firm associates – and asking their law firms to work with these alternative providers for services like e-discovery, document review and even depositions.

For work that requires a law firm, general counsel are moving some matters from costly big national firms to reasonably priced mid-sized regional firms.

“General counsel are facing unprecedented pressure to control costs,” said Kent Zimmermann. “They are demanding discounts, more-predictable alternative fee arrangements and better service from outside counsel.”

“If general counsel do not get what they want in this buyers’ market – they are more than happy to shop around,” said Zimmermann. “Despite the common misperception within law firms, only 13 percent consider their current law firms ‘indispensable.’ More general counsel than ever are switching their primary providers.”

Zimmermann discussed this volatile new marketplace at the monthly educational program of the Rocky Mountain Chapter of the Legal Marketing Association (www.legalmarketing.org/rockymountain), held October 12 at the Ritz-Carlton Hotel in downtown Denver.

Zimmermann is a general counsel, former CEO and management consultant with Zeughouser Group (www.consultzg.com), a leading legal industry consultancy.

“2008 and 2009 were challenging years for law firms,” said Zimmermann. “During the first half of 2010, there was reason for optimism for many firms – but demand has been unsteady at best, and performance across the industry continues to be mixed.

“In this highly competitive market, where general counsel have more choices and are less loyal than ever before, lawyers and law firms must do everything it takes to retain and expand their existing client relationships – especially by investing wisely in client-care programs,” said Zimmermann.

“One of the best ways to try to ‘bullet proof’ clients (and expand your relationships with them) is to invest in an ongoing and systematic program of client service interviews,” said Zimmermann.

“Marketing professionals understand the value of CSIs, but many partners do not,” said Zimmermann. “Longstanding ‘disconnects’ between client and lawyer expectations have been amplified by the market challenges facing the legal industry. CSIs are one of the most effective ways to discover (and remedy) these disconnects -- before it’s too late and they destroy an important relationship.”

General counsel are from Mars; lawyers are from la-la land

Not surprisingly in this economy, cost has dominated the conversation between legal departments and law firms. According to *Inside Counsel* magazine, 46 percent of general counsel agree that reducing costs is essential to improving law firm relationships. Only eight percent of law firms see this issue as important.

“According to the Association of Corporate Counsel, the single most important thing a law firm can do is to provide alternative fees and value-based billing options,” said Zimmermann.

“Clients like to see retainers, for example, because this arrangement offers predictable cost from month to month. Hourly rates will endure for bet-the-company work and more specialized, high-value work, but general counsel increasingly want to see alternative fee arrangements proposed for commodity work. They might not always opt for alternative fees, but they like to see them offered.

“Rate discounts can be actual or they can be illusion,” said Zimmermann. “General counsel need to be able to show their bosses that they are taking steps to control costs. Some general counsel will tell you to visibly show discounts on your bills.

“One general counsel I interviewed asked that the firm show the rates of its top partners in New York with a discounted rate calculated on the bill for other lawyers who were performing the work,” said Zimmermann. “Long story short – you want to help the general counsel look like a star to his or her superiors.”

Staffing can be another disconnect – especially when it comes to associates. “You have to understand that the average first-year associate earns as much as an in-house lawyer with ten years’ experience,” said Zimmermann. “In many cases, in-house lawyers are resentful -- and many are explicitly refusing to pay for work performed by first- or second-year associates.

Client satisfaction is a critical measure of a law firm’s success. In many cases, a client will not volunteer dissatisfaction unless asked. The conflict-averse client will not ‘fire’ a lawyer overtly, but will simply stop sending any new matters his or her way.

“Asking clients the right questions, listening actively to their answers, and turning feedback into consistent, meaningful actions are the cornerstones of client service – inspiring client satisfaction and loyalty,” said Zimmermann. “Conducting effective CSIs can help you get in front of a problem before it’s too late – and discover opportunities for new business.

“A Bay Area client for which I did CSIs, for example, did about \$1 million in legal work for an energy company in Texas that long had an external spend of \$3 million,” said Zimmermann. “The law firm was confident that it was handling about one-third of this client’s work.

“When we interviewed the client on the firm’s behalf, we found that they were indeed satisfied with the law firm – but that the client’s legal spend on the type of matter at issue had tripled over the years to \$9 million. Because the client had a misperception about the law firm’s ‘depth,’ it had been farming this work out to a number of small Texas boutiques. Armed with intelligence gained from the CSIs, firm leadership flew right down there and secured a significant amount of new work.

“Many partners simply do not understand what clients think of them,” said Zimmermann. “In an often-cited study by *Inside Counsel* magazine, outside counsel gave themselves pretty good grades on client satisfaction. Nearly 43 percent said that they deserved an ‘A’ and 50 percent said they deserved a ‘B.’

“Clients strongly disagreed,” said Zimmermann. “They gave an ‘A’ to just 17 percent and a ‘B’ to 72 percent. There is a strong disconnect between what clients want and what outside counsel are giving them. The only way to uncover this is to ask.”

When persuading partners, show – don't tell

Law firm partners resist CSIs for many reasons. In particular, they erroneously think that they know everything there is to know about the client, they are in denial (they don't want to know if a client is unhappy) or they don't want others in the firm to know that the client is dissatisfied.

“It is important to position CSIs correctly,” said Zimmermann. “Do not position them as a ‘checkup’ or ‘report card’ on any given lawyer. Rather, position them as a way to provide better service, acquire intelligence on competitors and find new work.

“In Zeughauser Group’s experience, general counsel like to participate and find CSIs very therapeutic,” said Zimmermann. “At the end of an interview, we often hear ‘I hope you will be coming back to do this again next year.’”

The CSI should not be conducted by the relationship partner. “The client will not be as candid with this person,” said Zimmermann. “CSIs can be conducted by the firm’s chairman or a senior partner – someone whose attention will ‘honor’ the client and whose authority within the firm will ensure compliance with feedback.” Alternatively, CSIs can be conducted by a skilled outside consultant.

There are five stages to an effective CSI pilot program:

Design for success. “Initially, work only with partners who understand how this process can bring them more work,” said Zimmermann. “Never twist the arms of reluctant or hostile partners to make them participate in your pilot. They will just drag you down – along with the entire process.”

Start with just five clients. “Do not try to do too much at first,” said Zimmermann. “Aim to do a focused job with five clients rather than spreading yourselves too thin with many clients.”

Use a tiered system. “Consider putting the firm’s clients into three tiers,” said Zimmermann. “Tier one might include clients that are largest in terms of revenue. Tier two might include satisfied clients with potential for growth. Tier three might include clients with known issues – troubled relationships that the firm wants to get back on the rails. For your pilot, choose clients from tier two.”

Sell your success. “Empirical and anecdotal evidence of success (from your carefully selected, tier-two, low-hanging fruit) should be shared throughout the firm,” said Zimmermann. “Use this evidence to demonstrate how the CSI process works and the value it provides – and to sell the initially wary partners.”

Get ready for business. “Once you have demonstrated success with your pilot program, expect a second wave of interested partners to line up at your door,” said Zimmermann.

Because of the challenging economic environment, general counsel are expecting much more from their law firms – and are much more likely to abandon firms that do not take active steps to meet those expectations. CSIs are a best practice among successful law firms -- and part of the bedrock of any solid client-care and loyalty program.