

Managing for the future: The client-centric relationship

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Ronald Safer, managing partner at Schiff Hardin, puts the current state of law firms bluntly. "Lawyers are a dime a dozen," he said. "Lawyers who can appreciate your problem, understand your problem, and communicate in your language on your schedule are the lawyers you're looking for."

As the rate of growth slows down for Chicago's largest law firms — according to Chicago Lawyer's sixth annual large law firm survey, the average growth rate of the firms is one-half a lawyer per firm — the difficult issues confronting law firms shift from managing explosive growth to managing for the future. The issues of the future are already here — client pressure for faster response time, greater efficiency, and the best uses of technology — along with an issue implied in Safer's formulation.

"Firms are much better managed than they were 10 years ago," said James Jones, a law firm consultant with Hildebrandt International, based in Somerset, N.J. "They are much more complex, they have offices all over the place," Jones said.

"But as they've gotten bigger, one interesting thing I've noticed is that firms have begun to look more and more the same. Historically, firms have been able to emphasize core practices: 'We're better at XYZ than anyone in the world,' but maintaining that differentiation is much more difficult now. How do firms in this era distinguish themselves?"

The way to do it, according to interviews with partners in some of Chicago's largest firms, is a simple idea that can make or break a firm's future: get close to your clients.

There are plenty of buzzwords used to describe this intensified focus on clients: "client teams," "client intimacy," "relationship-driven law firms." While these could be dismissed as marketing phrases to drop into a firm's website, they do describe law firms' changing perceptions of their relationship with clients. And that perception is the basis for a closer look at the structure of the firms, their level of collaboration with clients, and even the diversity of their members.

"Clients drive almost everything we do," said Nathan Eimer, managing partner at Eimer Stahl LLP. "There's enormous cost pressure on clients. It's reflected in their law departments and it gets put upon us. We have to improve the quality of our work and reduce costs."

"This means both using technology and trying to find different paradigms on how to litigate. Clients are sick and tired of law firms litigating every case as if it's going to be tried, when 95 percent of cases don't go to trial. How do you unravel a case as fast as possible? How can you solve a problem for a client?"

"Client service is huge," said Michael C. Borders, managing member of the Chicago office of Dykema. "You have to put all the pieces together," Borders said. "Clients do in fact want the complete package of promises made and promises kept — timeliness, cost, ability to deliver for price, all wrapped together."

Law firms will always be law firms, but in this world of heightened competition for clients and powerful technology, when a firm takes steps to deliver the complete package to clients, it can create a cascade of innovation.

Client service requires state-of-the-art communication to keep up with client needs, which in turn requires the firm to think about technology in terms of clients, which can break down old barriers between lawyer and client, which in turn can transform the structure of the firm.

Law firms have traditionally been built around the firm's capabilities — the litigation department, the general corporate department, the environmental department — and matters are staffed in response to the needs of the department. But, in a firm that is gravitating toward, or has arrived at, a focus on the client, that may not be sufficient.

At Bryan Cave, the firm places its relationship with the client above profitability of a particular office.

"We don't treat each office as a profit center," said Jeffrey W. Morof, managing partner of the Chicago office. "We don't create statistics for each office for two reasons. One, we don't want lawyers thinking that way; we want them thinking for the clients. We want the best person brought into a project, not to improve the profit but to assign the best person. And, two, we have firm-wide clients. For one relationship lawyer to get statistical credit is no way to measure the profitability of one office."

"The traditional law firm structure makes sense to lawyers," said Schiff Hardin's Safer. "But, of course, the client has a problem, not a litigation problem or a corporate problem, but a problem. We structure our law firm around our clients' needs," he said.

"Our aim is to be trusted advisors. Is the traditional approach the same as the trusted advisor role? I think that's not so. I think that the historical approach is to say that we service the client; the client brings a case to us; we handle it."

"That's far different from the client intimacy model — we approach the client relationship from the client's perspective," Safer said. "We have client teams, whose members understand the business needs of our clients. We invest time off the clock to get to know the client and the client's business, not just their legal problems, but what motivates them and what we need to know about how they want legal services delivered."

A weakness with the client-centric model is that lawyers come and go. Clients' antennae are up: if the firm is going to create a team just for the client, the team had better remain a cohesive unit, otherwise, it's empty rhetoric and the law firm-client relationship truly is back where it began.

"Young lawyers no longer come to law firms with the idea of staying for years," Safer said. "And in 10 years that will be even more true. So, we have to make it a meaningful experience for them. Client intimacy is impossible to achieve if you're constantly changing the attorneys."

In addition to wanting continuity, clients are pushing hard for law firms to look more like their clients and customers: diversity, both as a matter of good social policy and good business.

"Our lawyers have to reflect the population," Safer said. "Diversity in every respect is critical. We'll miss out on important talent pools, and, if we do not bring a diverse perspective to legal problems we will fail our clients."

Not only do clients insist that their law firms reflect their own marketplace, but they monitor it and enforce it, said Borders.

"It's common for Fortune 500 corporations to track work by the hour and to classify the lawyers by gender and ethnic background," he said. "We get a report card from them — how did you do this year versus last year. Corporations are reducing their outside firms by multiples. If they have 400 firms nationwide, they're cutting to 200, if they use 200 firms, they're cutting to 100."

"One of the ways that they weed out is by looking at how firms respond to diversity. As a practical matter, women and minorities are in-house counsel and they're looking to support that. So, we're more flexible in looking at minority candidates. We're looking at those who might not have a book of business."

"Clients say, 'We understand the challenge, but you've got to solve it.' What's pushing the clients? Some think it's socially good; others view it as consistent with consumer demand — their clients are diverse, consumer advocates and watchdogs are looking at them, and they're passing that attention on to vendors, including law firms."

Parachuting in

Bryan Cave has taken the idea of client teams a step further. It has created a Commercial Practice Rapid Response team, which is not quite, as the name suggests, a team of lawyers parachuting into a hostile land to rescue its client, but more a team of lawyers established to focus on an industry and, particularly, a client within that industry, so that the firm can respond quickly to all the client's legal needs.

"We don't want to flit in and out doing high-level work," said Erika Z. Schenk, counsel in Bryan Cave's St. Louis office, and one of the two founding members of the team. "We want to be their counsel, to know the company, to understand the company, and provide full-service commercial practice work."

"The idea is, you come to us and we establish a team of people who understand you better than the average bear. We have people who routinely work with the clients. We're there to do emergency work, to take the calls at the end of the day, but it's more that you're coming in to use our expertise. I tell clients, 'Boilerplate is something I want to look at.'"

"Before the team existed, some of our smaller clients felt that that kind of work wasn't valued in the firm, because we're big, big — they didn't feel welcome," Schenk said. "Now we have a team of people who are committed to trying to get you help in the time you need it. This is a way for us to go to clients and say, we are interested in this."

The last-minute calls that Schenk and her team receive are simply part of the way law is practiced these days. As with client commitment, there have always been late-night demands on lawyers, but those demands can move into overdrive, as the state of communications and the pressure on clients, transferred to lawyers, becomes the norm.

"The need for speed is absolutely true," said Louis Cohen, managing partner of the Chicago office of DLA Piper Rudnick Gray Cary.

"We used to have the luxury of waiting for a 9 pm Fed Ex. But with the nature of communication and client demands, and demands placed on them, turnaround time is very tight. It puts pressure on us, but we're used to it. Our new associates, that's second nature to them now. That expectation has been there from day one and there are more and

more demands every year."

The only way to deal with speed, which is fundamentally communication, is through technology, what Safer calls "the price of admission. If we can master the IT function, we can communicate with the client as effortlessly as if the client's sitting next door to us."

"A lot of our clients are on global time systems," Eimer said, "so information is always needed somewhere now. The demand for improved communication was introduced by our corporate clients. We realized right away what they wanted to have and needed to have."

So, of course, every lawyer has a BlackBerry, the firms have digitized phone systems, and everyone is available 24/7. While that onslaught on instantaneous communication has made life more difficult for lawyers, knowledge management systems have made managing a law firm easier and more effective.

"We are now able to monitor on a daily basis how things are going," said Cohen of DLA Piper. "We can see where we're achieving efficiency, where we need to go back to the clients, where we need to restructure — it kind of fits together neatly."

"We're seeing a move from throwing applications like word processing on lawyers' desks and starting to organize technology by matter and client," said David Hambourger, technology partner at Winston & Strawn. "We're creating matter web pages, where you can see all the documents from the matter, including external news for the clients, all drawn in by separate applications. This is especially important for larger firms, where we staff matters on a cross-office basis. There's no limit as far as geography."

Eimer Stahl is experimenting with outsourcing low-level document analysis to India, using liaison firms who have offices in India. "The idea of having 300 big-firm lawyers analyzing content of documents, clients will not stand for," Eimer said.

His firm has used consultants there with complex programs that can analyze the relevance or discoverability of documents with a high accuracy rate.

The growing ability to manage information within the firm now extends beyond better management into a level of collaboration with clients that was simply not heard of 10 years ago. This too has been client-driven, and, again, it's a combination of forces. Clients want more transparency, technology allows for greater transparency, and clients want greater efficiency and lower costs, which inevitably means that law firms will have to cede some levels of work to the clients.

With the evolution of Internet technology, firms that a decade ago were skittish about using e-mail are setting up extranets to share information with clients, conducting web-based seminars for clients, and even creating automated form files for clients to build their own transactional documents.

"I guess you can describe an extranet as a secure private website for clients," said Winston & Strawn's Hambourger. "It serves as a virtual filing cabinet," he said. "We share information back and forth — the litigation department shares pleadings and other key documents; the transactional lawyers share drafts and executed documents. Basically, it's anytime, anywhere access to the client's work product."

One step beyond the client collaboration of extranets is the opportunity for law firms to use the Internet to educate their clients. For the last couple of years, Dykema has been holding "webinars," web-based seminars for both its lawyers and its clients. Dykema invites its clients to sit in on its in-house CLE, and lets the clients ask questions, by telephone, or online.

"Client education is part of the client service package," Borders said. It's not the first thing they're going to think of, but it's provided at no cost. It's a service. It's not going to get senior people — they're not likely to participate — but staff attorneys and professionals do, and they have a lot of influence over where the legal dollars spent. We're maintaining a high visibility with the audience. It's an investment, but a productive one.

"And then there's the possibility of disintermediation, the concept that technology, particularly the Internet, can eliminate the middle man in transactions — think about how a flight can be booked, or a stock purchased, on the Internet, without a travel agent, or a stockbroker."

"It's an interesting possibility for lawyers, or anybody who has made money by being the gatekeeper of esoteric information," said Jones of Hildebrandt.

"Not very long ago, lawyers knew where to go to find the rules that client's couldn't find," Jones said. "Sophisticated clients don't need that anymore. What they do need is the lawyer as wise counselor, to tell the client what this information means, and that represents a real change in the way lawyers have historically made their money."

In Great Britain, the international firm Linklaters (the firm has one office in the U.S., in New York) created a subscription service for clients to build international transactional documents on their own. Going through a members-only door on Linklaters' website, a client works its way through a decision logic tree that covers all the issues likely to arise in, for example, a securities transaction in Spain. At the end of the process, the client selects "print," and has the first draft of the document.

"Linklaters recognized that some of the sophisticated financial work they were doing was, in point of fact, cookie cutter," said Jones. "The law firm views its role as making sure the forms are up to date, that a change in French tax law is worked into the relevant forms, and they're there to assist the client if the form doesn't quite fit."

"They said, 'given the way technology has changed, we won't make money filling in forms for clients. The technology is there, somebody is going to do it, it might as well be us.'"

Bryan Cave has come out with a similar product it calls "Trade Zone." Trade Zone is set up for clients involved in international trade. As with the Linklaters service, for a fixed subscription fee, Bryan Cave clients can use a decision tree to analyze the issues and facts of an international trade transaction.

"They have basically automated the forms used in the import-export business," Jones said. This portends the next phase of the evolving lawyer-client relationship. With technology as the great leveler, bringing more sophistication to the clients, the lawyer's role becomes that of wise counselor, which is and always has been, the one great need of clients.