

Companies Dissatisfied with Outside Counsel

By Jen Woods

Corporate America is not happy with its outside counsel, according to a recent client-service survey. Only 32% of surveyed executives said they would recommend firms that worked for them, and 70% said they were dissatisfied with their primary law firms.

BTI Consulting Group has conducted its sixth annual survey, "How Clients Hire, Fire, and Spend: Landing the World's Best Client." BTI President Michael Rynowecer led the team of researchers, which interviewed more than 200 corporate counsel and top executives from Fortune 1000 companies over the past year to find out how they rated their outside legal counsel.

The top five law firms, according to the survey, include Sidley Austin, Jones Day, Holland & Knight, Reed Smith, and Baker & McKenzie. These firms received high ratings for several reasons. "The major components of client satisfaction are the ability to make legal expertise client-specific, to understand the client's business, to go beyond what's anticipated, and to achieve the client's goals," Rynowecer told the *ABA Journal*.

Only about 30.7% of corporate counsel surveyed were satisfied with their primary law firms, compared with 43.5% in 2005. The decline this year has been the most dramatic since BTI began conducting its annual survey.

Also, an increasing number of corporate counsel are seeking services from fewer law firms. The average company surveyed used 52 firms last year—two primary firms, 11 secondary firms, and 39 case-specific firms.

In addition, the survey results indicate that there is less distinction between top firms and secondary firms. For the first time in six years, BTI found that clients paid more money to secondary firms than they did to their primary firms. The average client paid 43% of its total budget to outside counsel and nearly 40% of its total budget to outside counsel.

According to the survey results, more than half of the respondents—about 54%—had either replaced or demoted a primary firm in the last 18 months.

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Three factors, in particular, are leading to companies' dissatisfaction with outside counsel. Companies are unhappy when law firms fail to keep up with clients' changing needs, fail to articulate the value they deliver, and fail to communicate efficiently with clients, according to the survey.

However, it is becoming increasingly difficult to provide legal services to corporate clients, as law firms and companies continue to grow in size. "When the client was smaller, it was easier to achieve a sense of connectedness and a relationship of trust," Ralph Baxter, Chairman of San Francisco-based Orrick, Herrington & Sutcliffe, told the *ABA Journal*.

"Clients won't always tell you that they have a problem," Barbara Sessions, Marketing Partner at Chicago-based Winston & Strawn, told the *ABA Journal*. Law firms should encourage their clients to speak up if they are unhappy, Sessions said. Her firm has a client-satisfaction program that is designed to get feedback, both positive and negative, from clients, she explained.

Other firms, including Cleveland-based Thompson Hine, have developed client-survey programs to identify what clients want from firms. Thompson Hine's survey questions are very specific, allowing the law firm to identify such preferences as preferred billing dates and preferred modes of communication, Avidas Jasin, Director of Business Development at Thompson Hine, told the *Daily Record*.

According to the survey results, many more law firms will be hired in 2006. About half of the respondents reported that they planned to seek services from at least one new firm in the near future.

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