

# The Selection and Retention of Law Firms in Western Europe

Exploring selection criteria and the retention of preferred law firms amongst Western European In-House Counsel



Martindale-Hubbell®

2012 Research Study | Summary Report



In association with:



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## Summary report

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LexisNexis Martindale-Hubbell recently completed a report to examine some of the processes involved in the selection and retention of law firms in Western Europe to help understand the reasons behind successful, long-term relationships between external law firms and in-house teams.

The quantitative survey obtained responses from 219 in-house counsels across 16 Western European countries.

The findings of the survey cover the following issues:

- Selection factors and reasons for reviews of panel firms and frequency.
- Factors influencing the retention of firms for future work.
- Top reasons for the removal of firms from preferred panels/lists.
- Approach taken by in-house counsel to evaluate law firm performance and common themes in feedback.
- Value-adding elements of relationships.

This summary report highlights some of the findings of the research study, and was undertaken in association with The Global Legal Post, during January and February 2012.

**The full report:** Exploring selection criteria and the retention of preferred law firm amongst Western European In-House Counsel.

To obtain a free copy of the full report, please visit: [www.martindale-hubbell.co.uk/western-european-IHC](http://www.martindale-hubbell.co.uk/western-european-IHC)

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### The size of in-house legal budgets

The survey covered a wide range of legal budget spend across Western Europe. One tenth of survey respondents spent less than €100,000 per year. The top 5% spent in excess of €26 million. 43% of survey respondents anticipated their overall spending to remain constant, whereas 22% expected it to increase in the next year

The largest single group of survey respondents spent between 31 and 40% of their total legal spend on outside law firms – making them comparative enthusiastic outsourcers, compared with their global peers.

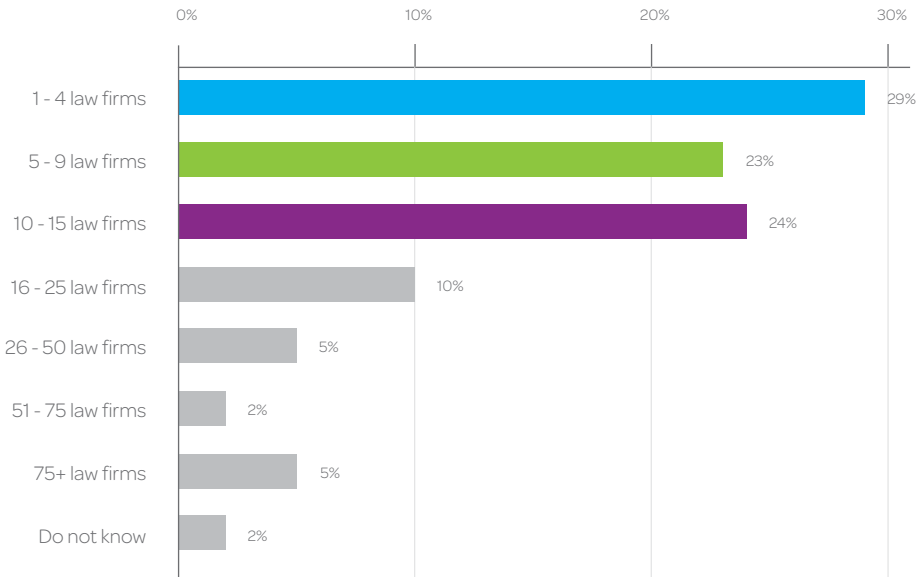
### Responsibility for law firm hiring and work allocation

Chief legal officers play a dominant role in both deciding to instruct and appoint outside law firms. Just one in 20 respondents reported using their organization's procurement functions to assist them in this process. Those that did, tended to work for large companies, be based in certain European regions or industry sectors, or had recently seen an increase in the amount of work handled within their in-house legal team.

Unsurprisingly, the specialist expertise of external counsel was engaged more often for complex, high profile non-recurring matters, with local firms in the same jurisdiction being favoured here. Magic Circle firms and those in other jurisdictions again remained the next alternatives, but it is interesting to note the preference to also instruct boutique firms. This probably reflects the availability of specialist expertise to advise on particular matters.

The unwillingness of some in-house counsel to constrain their choice of external law firms was evident from both their use of law firm panels, and the number of firms they used generally. Around three quarters (72%) of those surveyed did not use formal panels, or if they did, just over half had a formal panel in place and 44% maintained an informal preferred list. Across Western Europe, just under a third of clients surveyed used up to four firms, and around a quarter either used between five and nine firms, or between 10 – 15 firms. Remarkably, 5% of respondents used 75 firms or more.

**The number of external law firms currently used**



NB: 88% of respondents answered this question.

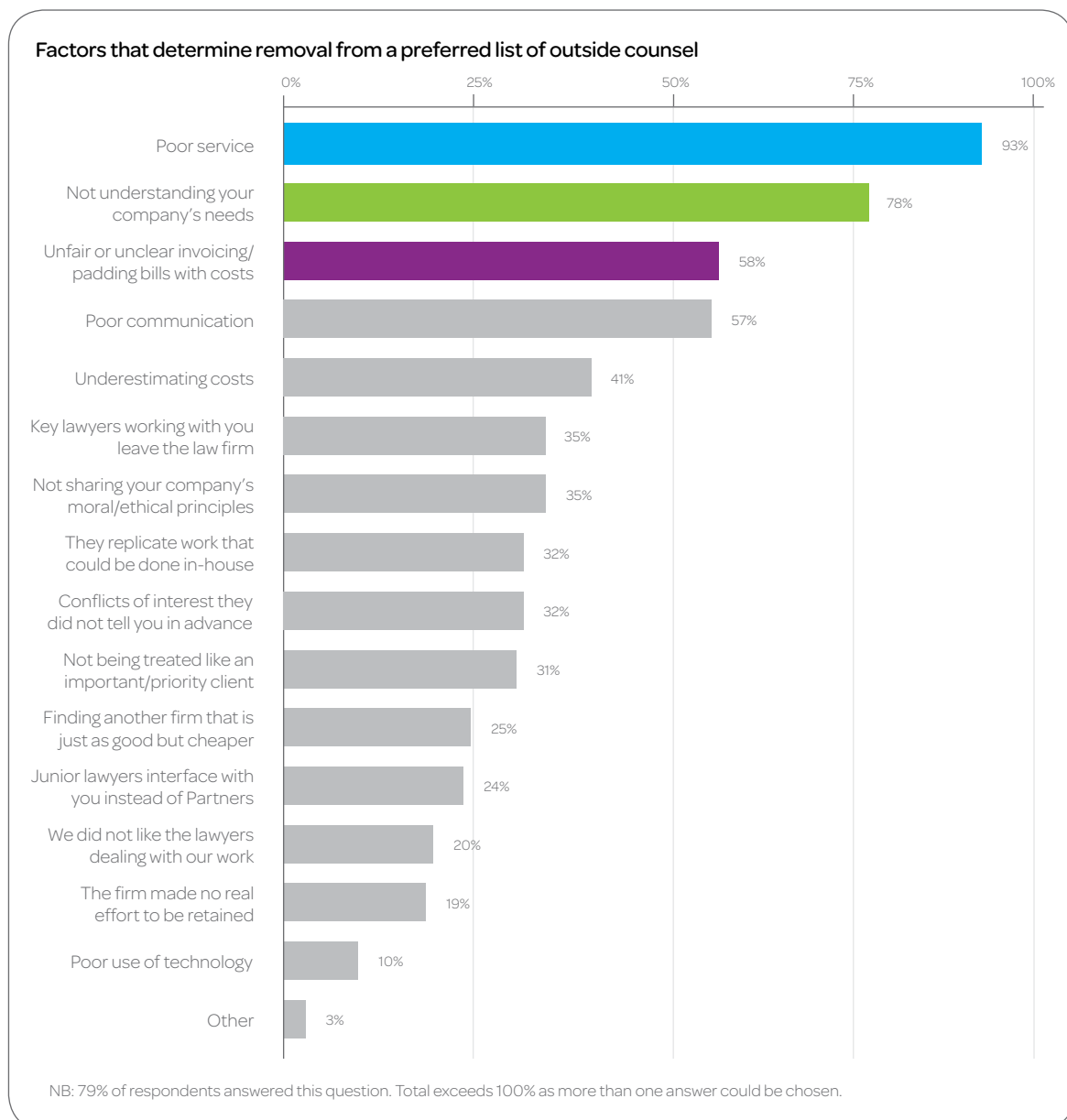
### What gets law firms hired – and fired?

Respondents base their law firm hiring decisions on a number of factors, often in combination. One of the most important and consistent factors, present in this and other previous studies of in-house counsel buying decisions, such as Brazil and China, was the need for law firms to understand their clients' business needs. Speedy response times, client service and communication skills were also regarded as 'very important', slightly above the expertise/reputation of an individual lawyer.

Cost is not generally a crucial driver of the law firm hiring process, although the survey did reveal national variations. This issue becomes more relevant if the decision is taken to use a law firm for a second time. However, even here, the quality of the law firm's overall team, and their knowledge of the client's business, continue to take precedence.

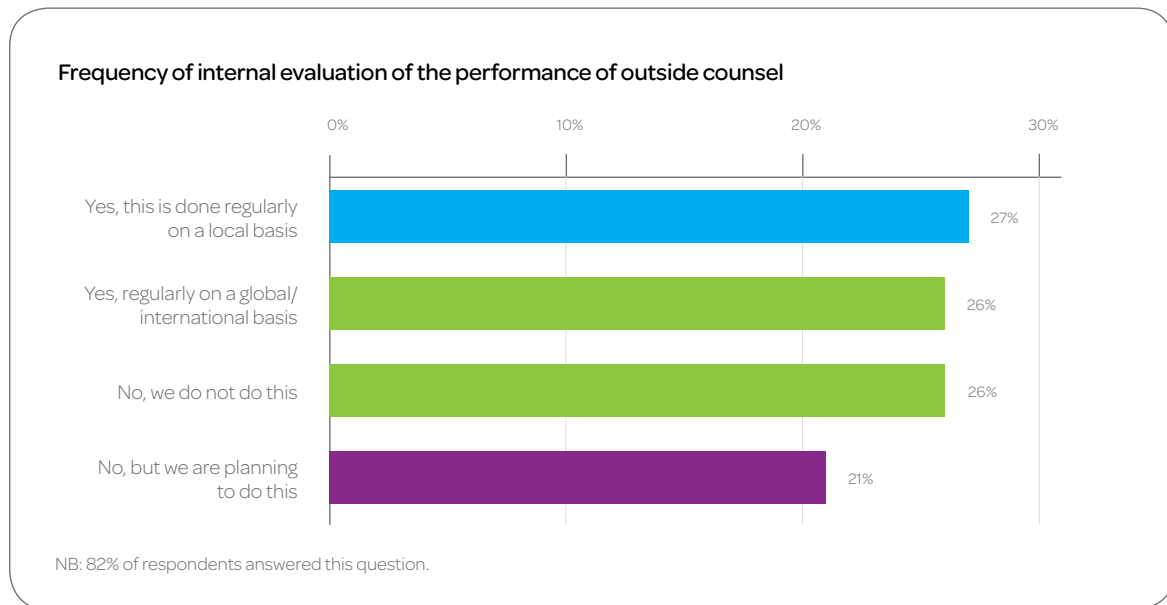
Law firms should be under no illusions that the power of their brand or their personal connections to board members will prevent them from being axed, if they do not perform well. These two reasons were generally regarded as being two of the weakest justifications for continuing to use a less-than-satisfactory law firm.

Delivering poor service puts law firms on the fast track to being removed from a client's panel, as is – yet again – not understanding the company's needs. Most respondents will also consider removing law firms who treat them unfairly in relation to billing, or fail to communicate effectively. However, clients tend to be more forgiving about their lawyers' poor use of technology. Just 10% of clients would axe a law firm for this reason.



### The value of feedback

Whether law firms realize it or not, around one quarter of clients now evaluate their performance, either at a local or international level, and a further 21% of respondents plan to do so in the future. Whilst not all respondents share their feedback with the law firms being evaluated, most use this data when deciding whether or not to retain them.



Most respondents were also very happy to participate in feedback programmes conducted by their law firms, although less than half had received an invitation to provide this. However, law firms appear to be even less committed to using customer insights to help strengthen their relationship. Only 28% of survey respondents said that their law firms came back to them to share the results and communicate improvements or changes that would be made as a result of feedback received.

### Value-added offerings

It appears that law firms are not too far off the mark in their value-added offerings, with demand amongst in-house counsel for the provision of free training/seminars or offering lawyer secondments.

Cost control remains the most important concern for the majority of respondents over the next 12 months. However, the survey revealed that just 16% had been asked to discuss their challenges by their retained law firms. Indeed, it is clear that respondents would value dedicated time to sit down with their legal advisors; whether to talk about their issues or review recent work. Firms seem to be falling short of the mark here, as only 23% presently offer quarterly or half yearly review meetings as part of their value-added offerings.

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## The parties

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International buyers of legal services trust LexisNexis Martindale-Hubbell to help them identify, validate and select a law firm or lawyer every day.

Martindale-Hubbell helps international law firms to enhance their online presence and drive more prospect enquiries through professional profiles on *martindale.com* and coordination of Martindale-Hubbell lawyer ratings. *martindale.com* is a leading online law directory with over 9 million unique visitors every year and a database of more than one million lawyers and law firms in 160 countries.

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