

# Getting the Best Out of Your Global Law Firm

By Tony Williams

**D**uring the last ten years, a significant number of US- and UK-based firms have developed strong international capabilities in many of the world's major business and financial centers in response to demand from international clients and the impact of increased globalization.

Initially, general counsel were skeptical as to the capabilities of these firms outside their home jurisdictions. The general counsel accordingly retained their relationships with their local counsel. Insofar as they used the international firms, general counsel used them as the lead counsel and coordinators of larger international transactions but often dictated which local counsel they should use.

The increased workload imposed on the in-house legal team in recent years by heightened corporate governance concerns, higher levels and complexity of regulation, and an environment of increased litigation, has placed real pressure on the internal legal function. This has been exacerbated by greater corporate cost control and the need for the legal team to regularly prove its value to the corporation. Accordingly, this has made the general counsel less able to maintain regular contact with a large number of infrequently used local counsel. In addition, the financial pressures imposed on general counsel mean that all external legal services need to be competitively priced and effectively delivered. Given the fact that the international firms have been making considerable efforts to enhance the breadth and depth of their practice worldwide, it is now appropriate for the general counsel to review the number of firms he or she works with and the relationship with them.

The initial response to these pressures by general counsel has been, in common with all other parts of the business, to focus on a smaller number of preferred suppliers. To do so the general counsel conducts extensive panel review exercises. These are primarily designed

to ensure that the company uses a small number of lawyers and gets better value from the firms that they do use. This presents a golden opportunity for the general counsel to completely redefine its relationship with its outside legal providers.

Using a smaller number of law firms will inevitably play to the strengths of the international law firms. The challenge for the general counsel is to ensure that he or she maintains the level of knowledge of the local legal and business environment in each country and has a genuinely proactive relationship with the external law firms. As many international firms are now leading practitioners in multiple jurisdictions, the risk of this approach has been much reduced. Although cost is clearly an important imperative, it is also essential that the quality both of legal advice and response time is maintained and preferably enhanced.

Accordingly any general counsel when reviewing the relationship with the global law firm will need to consider ten key points:

- 1. Cost.** Cost control is not just about discounts on hourly rates. Controlling the hours spent on a project is crucial to ensure that the cost of it remains within the company's budget restraints. A general counsel needs to look for fixed price work for a wide range of matters and to demand that their firms stick to it. Such controls can now move substantially up the transaction value chain. The general counsel, however, also needs to be innovative as to pricing. It may, for example, be appropriate to consider abort rates and success fees depending upon the type of work outsourced. Some law firms will even disclose the profitability of certain types of work or of the relationship as a whole. They may even be prepared to benchmark your costs against those of other similar clients. This sort of openness should be encouraged. Although you want a good deal, this is more than just a matter of price. If a general counsel demands too much

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Tony Williams

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*Getting the Best... continued from page 3*

then eventually the relationship will suffer. There has to be a reasonable balance to achieve a sustainable relationship.

The carrot for the law firm is that with a smaller panel there is more to play for. They have an opportunity to develop a wider and more sustainable relationship. If they don't understand that then don't use them!

**2. Relationship.** As a significant client of the law firm, you should expect to maintain a responsive relationship with a group of partners. You can insist that you are a key client on their client service program, and that all partners and lawyers are aware of your business and activities. You should be regularly briefed and debriefed by the lead partners. All of these meetings should be at no cost to you.

Many law firms say they understand their client's business and industry. So test them. Ask them: What was our share price last night, what is our market cap, and what was the high and low of our share price over the last 12 months? What is our level of debt? What priorities has our company set out in our most recent Annual Report and SEC filings? What new regulations may impact us and what litigation threats do we face? Inevitably you will need to tailor this list to your own business and industry. If your law firms are serious about their relationships, however, they will soon respond and will be able to address these issues in relation to the countries where they operate. If they won't do this then don't use them.

**3. Know-How.** International law firms have invested substantially in online precedent and legal know-how systems. You can insist that they either populate and maintain your know-how system or give you access to most of theirs. This may include

*continued on page 11*

## Managing the Law Firm Relationship: Establishing a New Regime

By Julia Chain, General Counsel, T-Mobile UK

In 1998, One2One, the smallest solely UK-based mobile phone operator, was acquired by Deutsche Telecom and catapulted into the international arena. Along with the new name "T-Mobile," new phrases such as "global synergies" and "one company" became part of the international vocabulary. For general counsel the rules governing the buying of external legal services changed. Typically, pre-acquisition, T-Mobile retained external legal advisers using the familiar model. A large law firm or two to lead major transactions, or where a big name was required, and up to ten smaller firms, each used sporadically either for their specific expertise or because someone had a contact.

In the new world, international contracts which required review in several countries were juxtaposed with domestic "business as usual," which required specific UK advice from someone who really understood the UK business. Although initially complex, to organize the solution was simple and cost effective. We appointed an international law firm as our main adviser, having first agreed with them on a whole range of services that they might provide, including training, secondments, know-how and free advice help lines, together with an overarching fee structure for everything based on either discounted hourly rates or agreed fees. Most importantly, we appointed a "relationship partner" whose role was to coordinate all international advice so that we in the UK would not need to waste time finding the right partner in, for example, Germany or France. We would simply call our relationship partner and he would either put us in touch with the right person or in simple matters just obtain the advice on our behalf. We also reviewed all our other legal advisers and chose three firms who could provide specialist domestic advice. Again we agreed in advance how this might work based on our expectation that, for these firms, we were a major client. In the first year of the new regime (excluding major litigation) fees spent on external legal advisers were reduced by about 20% and the costs of education and training also reduced considerably.

Six years on we have made changes, adding a name to the list or taking one off, but the basic principles remain the same and we continue to benefit from a seamless, globally-based service from our advisers, who have themselves made geography largely irrelevant.

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**Getting the Best...** *continued from page 4*

the development of, say, the top 20 frequently asked questions on issues relevant to your business, for example, human resources, data protection and consumer credit. You may want these to be developed to a standard so that they can be used directly by certain of your corporate colleagues. Once again, effectively used, these tools can produce a new service of real value to your organization while helping you to manage your workload.

**4. Secondment.** From time to time you may need extra capacity to cover short-term issues, from a sudden upturn in work, integration of a merger or to cover for maternity leave. Ask your law firm to help out. It will provide their lawyers with a useful insight as to how your business works. Some secondees are currently being provided at cost, in some cases even below cost. A regular secondment programme should help to develop the relationship on both sides.

**5. Training.** In addition to classroom style training, many law firms have now developed impressive online training products. In-house lawyers often have a need to maintain continuing professional education credits. Ask your law firm to provide this. It is an opportunity for them to sell their expertise to you at very little marginal cost to the firm. It could save you a significant amount on external educational courses.

**6. Communicate.** You should be dealing with a smaller number of firms. You can expect them to research your company. Let them know your concerns and priorities. Ensure that they receive corporate information directly; share with them your organization's strategic priorities. If you are entirely passive you will get a passive service from your lawyers.

**7. Information.** Your external lawyers will have extensive information on the work they have done for you, and its profitability. They will know who they worked with and what issues could have been dealt with more effectively by both them and your colleagues. Ensure that this information is provided by reference to your financial year, your service lines and your geographical units. Any debriefing should be a two-way process where you are both cooperating to ensure that you all work more effectively next time. Confrontation is rarely productive.

**8. Billing.** You can impose your requirements regarding the format of bills and the information to be provided. Many firms can now render electronic invoices. But be fair. If you are squeezing the costs and demanding a standard bill format, then ensure that all compliant bills are paid within your company's next payment cycle and not sat on for months. Big clients are often the worst payers and this seriously damages your negotiating position.

**9. Conflicts.** As law firms get larger, the risk of both legal and commercial conflicts grows. You need to decide, are you happy for them to work with your competitors? If so, are any areas off limits? Are there any circumstances in which you will permit them to take a position adverse to your company's interests? Be clear, put it in writing. But be realistic. If you are not offering a substantial level of work on a consistent basis, your bargaining position in relation to commercial conflicts will be limited.

**10. Data Management.** Managing corporate information can be a nightmare. Law firms have invested in this. You can ask your law firm to manage the documentation for certain areas of work. For example, some firms have developed property databases, which contain copies of all of the legal docu-

*continued on page 12*

**Getting the Best...** *continued from page 11*

ments, a site plan, a reminder system for key dates (e.g., rent reviews and other information). This can also assist your property management team and demonstrate real value to your colleagues. Similar services are available for patents and trademarks, alcohol licensing and other areas of business. Databases can also be established in relation to joint ventures, acquisitions or financings. This can make documentation readily available and provide an impressive risk management tool.

The relationship between a major corporate client and its external lawyers is entering a new phase. General counsel have an opportunity to develop a comprehensive and cost-effective relationship with their lawyers and to take the benefit of considerable "add-ons." To achieve a good result a general counsel needs to be imaginative, open and fair. Major corporations are a law firm's golden clients. They will offer a lot to keep and develop the relationship. There is much to play for on both sides. ♦

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