

CEE IN-HOUSE COUNSEL SURVEY

# HOW TO BEAT THE RECESSION AND RETAIN CLIENTS

Drawing on a survey co-developed with LexisNexis Martindale-Hubbell, Jeffrey Forbes outlines the principles of keeping clients in a tough economic climate

THE high-growth economies of Central & Eastern Europe (CEE) have not been immune to the global economic slowdown, with projects being put on hold or clients going bankrupt. But the decline in demand for business in the CEE region is a relatively new phenomenon.

In the past two decades there have been many economic challenges in the CEE region, but these were largely transitions or transformations which did not affect the quantity of work for legal firms. But this time around, the economic changes are in response to the global economic environment. Consequently, companies are faced with a steady decline in demand, and seem to have little choice but to cut costs and do more with less.

Many in-house legal departments are responding by negotiating better rates with their external counsel or moving more work in-house. Law firms who got used to growing in tandem with the booming markets that they served are now faced with the question of how to keep their firm growing, or at least how to prevent it from shrinking. Many



firms are now realizing that it's no longer enough just to be good lawyers, with clients demanding better service and past performance no longer guarantees future retention.

With competition toughening up, young partners and senior associate alike who used to rely on good stewardship in order to win more briefs, are now faced with finding new means to protect their business.

Indeed, the pendulum is now swinging away from client stewardship and back to client development, as it has done in the past with previous generations in more mature economies. In times like these, the best remedy for a recession is to get back to the basics of client development, which many lawyers are never taught in law school.

But where do they start? What sort of tactics should a law firm employ? With less work to do and more spare time, suddenly everyone wants to write an article or give a speech, and marketing departments in law firms are now busier than ever. Unfortunately, client development is not this easy.

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**“Legal heads at 79% of CEE companies say law firms have never conducted a formal client satisfaction survey”**

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The starting point in retaining business is for law firms really to listen to their clients, and on a regular basis, because good relationships cannot be developed unless a law firm really understands what a client wants. But getting feedback from clients in a truly objective manner is something that most lawyers have difficulty with. This has been confirmed by countless surveys in the US and UK, and now for the first time in CEE by a new study: *How in-house counsel in Central &*

on how the individual law firm is performing, surveys also demonstrate some surprising findings that law firms might not have considered.

For instance, LexisNexis Martindale-Hubbell's survey demonstrated that cost was not the most important consideration, despite this economic climate. In fact, one of the most important criteria for getting repeat business is having good knowledge of a client's industry and business. Rated on a scale of 1-10, this point scored as

lection criteria. On a scale of 1-5, this point scored as highly as 4.7, closely followed by the ability to understand a firm's business and their needs. Surprisingly, a firm's expertise and reputation was only the eighth most important criteria for getting hired. And yet this seems to be where most law firms concentrate much of their marketing communications efforts.

Lastly, review your billing model. The business model of many law firms, which is to bill more hours at higher rates, is diametrically opposed to the operating methods of many of the companies they serve, which is often to achieve more with less. Therefore, if the market demand is overwhelmingly toward more predictability with external legal costs, which will only intensify during a recession, then law firms should be building this into their business model. Because all things considered, it will increasingly become a key hiring factor. ■

## “Delivering timely results and knowing clients’ businesses are among the most important selection criteria”

*Eastern Europe select and retain their external counsel.*

According to the survey, an astounding 79% of the heads of legal departments at major companies in CEE said that their external counsel have never conducted a formal client satisfaction survey with them. Even worse, only 5% of those surveyed said their external law firms do this regularly and are very professional at it.

Managing partners of law firms in the region say they don't conduct client satisfaction surveys because they feel they would not work in this market, and that their clients are too busy to complete surveys. If this is what their clients said then who can argue with this? But according to the survey, the clients in the CEE region say quite the opposite. As many as 93% would be willing to participate in a client satisfaction survey. In fact, only 7% considered surveys as a waste of their time.

Apart from providing feedback

highly as 8.3. Knowledge in these three areas, respondents felt, would mean lawyers would be more efficient at working within the legal framework and achieve better results in less time.

The quality of client experience largely determines if a firm gets repeat business or not. The worst culprit is poor communication (8.3). Clients need to be informed of developments and progress, and failure to do this — sometimes in spite of good results — can damage a client relationship beyond repair.

Once law firms have made sure that their existing clients are secure then they can turn their attention to new client development. There is a lot of competition to get noticed, but knowing what in-house counsel look for when selecting a law firm — and acting upon this knowledge — can give law firms a competitive edge.

The ability to deliver results on time was the most important se-

## THE REPORT

“**H**OW in-house counsel in Central & Eastern Europe select and retain their external counsel” surveyed over 160 in-house legal teams in major local and multinational companies from more than 14 jurisdictions in the region. The survey was commissioned by LexisNexis Martindale-Hubbell and conducted by The Forbes Institute, which provides consulting and information services to international business lawyers and their firms on continental Europe. ■