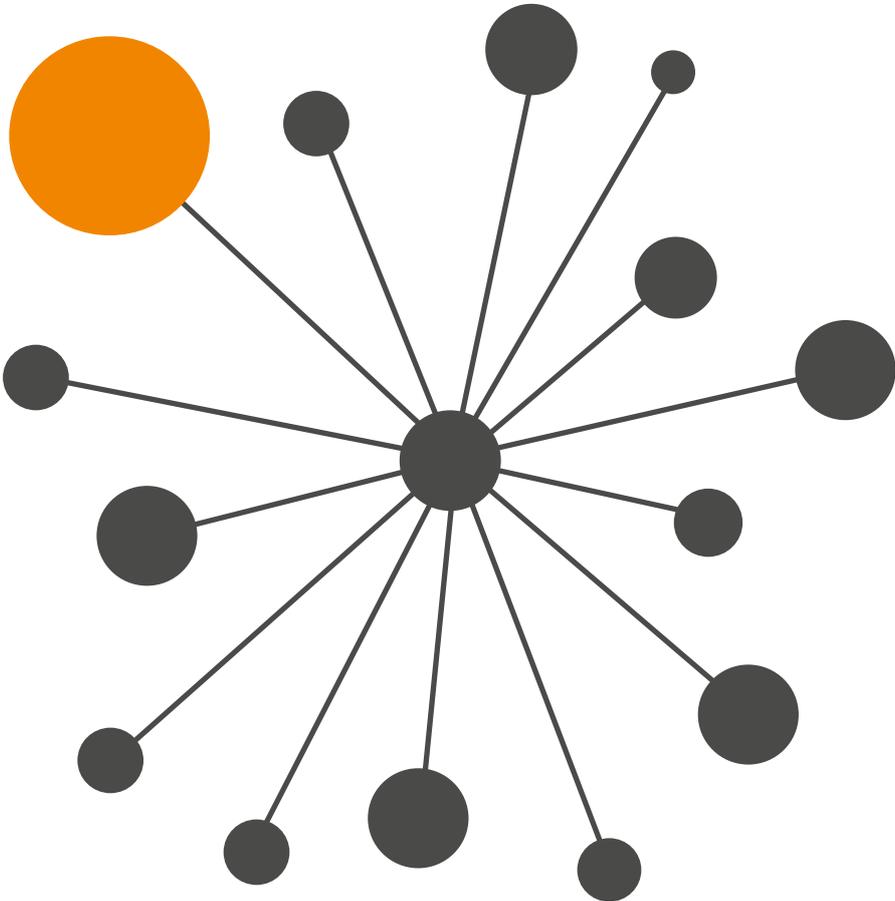


Standing out from the crowd

What businesses value most from their law firms*



**UK law firms ranked 50–200 by revenue*

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Executive Summary

Law firms invest huge sums trying to differentiate themselves. Some plough thousands of pounds into website redesigns and marketing initiatives or talk up their unique sector expertise. Others attempt to stand out from the crowd by investing in innovative technology that improves service delivery. For some firms, differentiation is just about offering the most competitive hourly rates.

But what do in-house teams value most?

This is the core question addressed in this report. To answer this Thomson Reuters surveyed over 200 in-house lawyers, the majority of which were General Counsel or Heads of Legal. This was supplemented with more than 20 in-depth phone interviews.

Importantly, this research focuses on clients that instruct UK firms ranked 50–200 by revenues. Their preferences when instructing external counsel may be different to larger companies instructing large city firms.

That said the likes of SSE, National Grid and Uber, which typically instruct larger firms, were also interviewed for this research. This is because the factors that determine which firms these types of clients work with may become more important to smaller clients in the future.

So, what are the results? The survey reveals that two factors far outweigh others when it comes to determining which firms are instructed. They are responsiveness and the extent to which firms have an understanding of their clients' business and the sector they operate in.

Surveyed in-house teams gave responsiveness an average score of 8.8 out of 10 when asked to rate on a scale of one to ten the importance of various factors they evaluate when instructing firms. Firms' understanding of clients' business and their industry was given a score of 8.6, firms' specialist expertise scored 7.6 while price scored 7.5.

At the other end of the spectrum a personal relationship between the firm and decision-makers on the board (scored at 4.8), corporate social responsibility / responsible business practice initiatives (5.0), size and reach of international

network (5.6) and innovative service delivery (5.9) were considered to be less important.

These results not only indicate what's most important to clients but also where firms are going wrong. When it comes to responsiveness, countless interviewees gave examples of firms not acknowledging questions or even missing deadlines.

But a good response is not just a rapid one. Interviewees frequently mentioned that they want their external counsel to provide a commercially minded response that takes into account their risk appetite. This can only be achieved if firms have a sound understanding of their clients' business and the sector they operate in. This is why in-house teams also ranked this so highly.

Given the cost pressures many in-house teams face it is perhaps surprising that price was not the most important factor considered when instructing external counsel. That said, with a score of 7.5 out of 10, it is still the fourth most important point considered by firms.

Interestingly, the research uncovers that price transparency and certainty is a lot more important than the final legal bill itself. Therefore, the majority of survey respondents attach high importance to firms that offer fixed or capped fees. On the flipside, an unexpectedly high invoice can cause irrevocable damage to a relationship.

Clients also value firms that are prepared to create bespoke pricing structures. This doesn't necessarily just mean discounted rates. In-house teams particularly value contingency or success based fee arrangements as well as payment options that align invoicing with clients' cash flow constraints.

It's interesting to note that firms' investment in and use of technology was typically not considered important by in-house teams. Indeed survey respondents only rated innovative service delivery, including the use of technology, at 5.9 out of 10, making it significantly less important than many other factors.

This comes despite firms ramping up their investments in technology that improves service delivery. Indeed 84% of the UK's largest law firms surveyed by The Lawyer last year said technology investment was higher in the strategic agenda in 2016 compared with 2015. Some 66% actually increased their technology budget during the same period.

So is this investment in vain? Not so, according to our series of interviewees. Anecdotal evidence suggests that many

clients are just starting to explore how technology can help in-house teams to instruct matters efficiently, automate document creation and introduce transparency in the invoicing process. So, while firms' use of technology may not be an important factor for in-house teams right now, it's certainly rising up the agenda.

Other factors rising in importance for in-house teams are the extent to which firms pursue corporate social responsibility or responsible business practice initiatives and whether they offer soft-skills training to their clients.

The report explores these themes in a lot more detail with reference to real life examples. We hope you enjoy reading it. We welcome any feedback.



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Responsiveness – doing the simple things well

Good responsiveness should be easy. Agree a deadline with a client? Stick to it. Receive an email from a client about an ongoing matter? Reply swiftly, at least acknowledging the question has been received. Asked that the response be sent in a certain format? Just do it.

All of this sounds simple enough, but the survey data indicates that some law firms are failing to get this right. And those that don't are seriously jeopardising relationships with clients.

Just how important is responsiveness? For this research we presented in-house teams with a menu of factors they might consider when instructing external counsel and asked them to rank them in importance on a scale of one to ten, with ten being the most important.

With an average rating of 8.8, in-house teams ranked responsiveness first, ahead of an understanding of clients' business/industry (8.6), deep specialist expertise (7.6) and, perhaps surprisingly, price (7.5).

We also asked firms what, if anything, caused them to be dissatisfied with their external counsel in the last 18 months. Top of the list was poor client management and/or service, which is of course partly determined by responsiveness.

It's fairly obvious why responsiveness is important to in-house teams. Often, work is only outsourced to external counsel when the in-house team doesn't have time to complete the work in a certain timeframe. But despite this many firms don't respond rapidly.

"I've been shocked at the poor service we sometimes get from big and small firms," confirms the Legal Counsel at an investment fund that wished to remain anonymous. "We are often dumbfounded by the poor level of responsiveness and it does vary a lot both among and within firms. One of my biggest hates is chasing firms. Everyone is very responsive when they are trying to win the business but we need it at all times, including when we send a base-level one-off question to our lawyers."

IMPORTANT FACTORS DETERMINING WHICH FIRMS ARE INSTRUCTED

Scored on a scale of 1–10



REASONS FOR DISSATISFACTION

Scored on a scale of 1–5



“When I was in private practice we had a rule that you had to reply to a client, even if it was just a holding email, within two hours. I’m amazed with the number of firms that don’t do this. We often have to chase firms a few days later just checking they are working on our question. It’s partly about the extent to which firms instil the culture of responsiveness in their lawyers. Some firms are amazingly good at this stuff and it really makes a difference and makes them the first people I call.”

But does good responsiveness just equate to a rapid response? Not necessarily, according to our series of interviewees. In-house teams realise that certain matters will take time to resolve. What’s most important is that firms be transparent about how long a certain matter will take and do not miss deadlines. Of course, sometimes matters can become more complex once the work begins and so may take longer than initially expected. In this case it’s imperative for firms to communicate this early to clients.

“I’ve had law firms saying they will get back to me within two days and then when those two days are up, they say it will take longer,” explains Rachel Xuereb, Senior Corporate Counsel at Expedia. “That puts me in a difficult position because I have to then go back to my client and let them know I am unable to get back to them in the timeframe I had agreed. In that sense,

responsiveness is not just about responding quickly when something is urgent, but when it is not so urgent providing us with a timeframe that is realistic for them to achieve so that we can in turn manage internal expectations.”

But it’s not just about how quickly a response comes, but also who responds. Many interviewed in-house teams say good responsiveness relates to the availability of the right individual to allocate enough time to a certain issue.

“Responsiveness is really about getting the right person to think about the problem when it needs to be thought about,” argues Robert Heron, General Counsel at Dunnes Stores. “It can be a struggle to find senior partners who have sufficient time to give any particular issue the level of thought at any particular time that it needs. Number one on my wish list is a partner who I felt would give our work that level of attention.”

Speed and personnel aside, what really sets firms apart when it comes to responsiveness is if they can demonstrate commercial awareness when responding. There is no hard rule to stick to regarding this. It comes down to firms knowing their clients well and appreciating why they might be asking for a piece of work to be undertaken. Failure to acknowledge this might lead to a bad response.

Lyn Penfold, Legal Advisor at the Rail Delivery Group, provides a practical example. “Lawyers may be very good at law but often aren’t good at understanding how the commercial world operates and the priorities of senior managers. This lack of awareness can cause embarrassment for in-house lawyers.”

“For example, I recently instructed a firm to do something procedural which was delegated to a five-year qualified lawyer, who prepared a series of questions for me to send to around thirteen senior-level executives. Thinking that was it, I sent on the questions but the next day the lawyer sent me even more questions about the same procedure. He should have sent me all the questions at the same time so I could ask my busy stakeholders in one go rather than having to take up more of their time.”

What does all of this mean for firms? The most important point is to recognise that firms may not be getting it right. The smaller businesses targeted for this survey are logically not as strategically important as larger clients. But let responsiveness slip, as many firms do, and irreparable damage might be caused to a relationship.

Interviewees pointed to some firm-wide processes aimed at improving responsiveness, such as minimum response times. But of course a target by itself is not necessarily the right answer. What’s most important is to instil a culture of responsiveness that applies to all clients, large and small. It’s not hard to get responsiveness right, but it does require focus and dedication.

Understand your clients' business

After responsiveness, the second most important factor determining which firms are instructed is a robust understanding of clients' businesses and the industry they operate in.

On average, in-house survey respondents gave 'understanding of their business/industry' an importance score of 8.6 out of 10. This is second to responsiveness (8.8), but above deep specialist expertise (7.6), price (7.5) and prior experience of working with the firm (7.2).

For some types of specialist advice, such as regulatory, the importance of a sound understanding of the client and their sector goes without saying. "We often work on innovations that the law and regulations don't really apply to yet," explains Julia Cattanach, Chief Risk Officer and Deputy Global General Counsel at Experian. "And so being able to understand what the general trend is, how others are interpreting the regulations and whether they had positive or negative feedback on interpretations of laws from regulators is really important."

But don't underestimate the importance of understanding clients' businesses even for less specialist advice. Put simply, clients want law firms to think commercially and provide advice that is tailored to the specific requirements of their business. This can only be done if firms have a robust understanding of their clients' business.

"You can't differentiate between law firms on their understanding of the law," explains Simon Griffiths, Group Property Lawyer at Henry Boot PLC. "Ultimately that is not where they are being judged because it is a given. It's about providing advice that is commercially valuable by understanding what we need in order for our guys to be able to get their deals done with the level of risk that is acceptable to the parent company and the subsidiaries."

Aidan McGuire, Head of Legal at the Satellite Applications Catapult, provides another example. "We agree lots of license agreements with foreign entities and accept they won't sign a comprehensive 16-page license agreement, but might sign a one or two page contract," he says. "So while we accept there are risks because terms that are important have been cut, the firm that really knows our business will understand the clauses that are most important to us, which

might be restrictions on using the data or the product we are sending them."

"If we asked another firm that didn't know our business for a short license agreement it would probably still be sixteen pages. Some firms just don't get this and their advice is very risk averse so will provide something really long, but this is of no use to us if we can't use it with our partners. Firms can't determine what will work for us and provide commercial advice unless they have a solid understanding of our business and attitude to risk."

How can firms develop and then demonstrate a robust understanding of their clients' businesses? One method that proved popular amongst our series of interviewees is secondments. "The law firms I really rate have added value in terms of providing us with secondees from their business free of charge on a rolling basis," explains Deborah Grimason, Company Secretary and General Counsel at Travis Perkins. "Secondees develop a deeper understanding of how our business operates and can then provide an enriched service when they return to the firm."

Of course, many clients will be too small to warrant a secondment. But firms can still develop an understanding of their clients' businesses through meetings, reading company news and monitoring developments that might impact the client. Indeed interviewees frequently mentioned that a real differentiator among firms is the level of proactivity in alerting them to a potential legal development that might warrant attention.

"It's important that firms demonstrate a willingness to invest time to get to know us and then to think proactively about how regulatory developments that are coming through the pipeline are going to affect us. Our legal team is relatively small so firms things like this make a real difference and helps us get ahead of the curve."

Head of EMEA Law at a global financial services company

In-house teams need to be equally proactive in dedicating time to educating instructed firms about their business. "It is incumbent on me as a GC running an outsourced model to proactively provide all of the information and input our firms need in order to really understand our business, values and approach," explains Rob Booth, General Counsel and Company Secretary at The Crown Estate. "On appointing any firm we will invest significant time on-boarding; including going over as a team and engaging directly with the new firm

to share not just what our business does, but also how our panel model works, how the lifetime of this particular appointment is going to run and some fundamentals of our approach. We then lock into a quarterly reflective feedback loop, bringing in key themes around our strategy, risk, objectives and planned activity, through the financial year. All of this is done to build transparency, clarity and confidence in our outsourced relationships; which drives performance."

Pricing – it’s all about transparency and creativity

The ongoing cost pressures faced by many in-house teams means price is unsurprisingly an important factor when instructing firms.

Surveyed in-house lawyers gave price an importance score of 7.5 out of 10, making it the fourth most important factor behind responsiveness (8.8), an understanding of clients’ business and industry (8.6) and possessing specialist expertise (7.6).

But while city firms will obviously charge higher rates than smaller firms, the competitiveness of the UK legal markets means that among certain classes of firms, hourly rates are typically quite similar.

So what really distinguishes firms when it comes to price? Two words were consistently fed back in our series of interviewees – transparency and creativity.

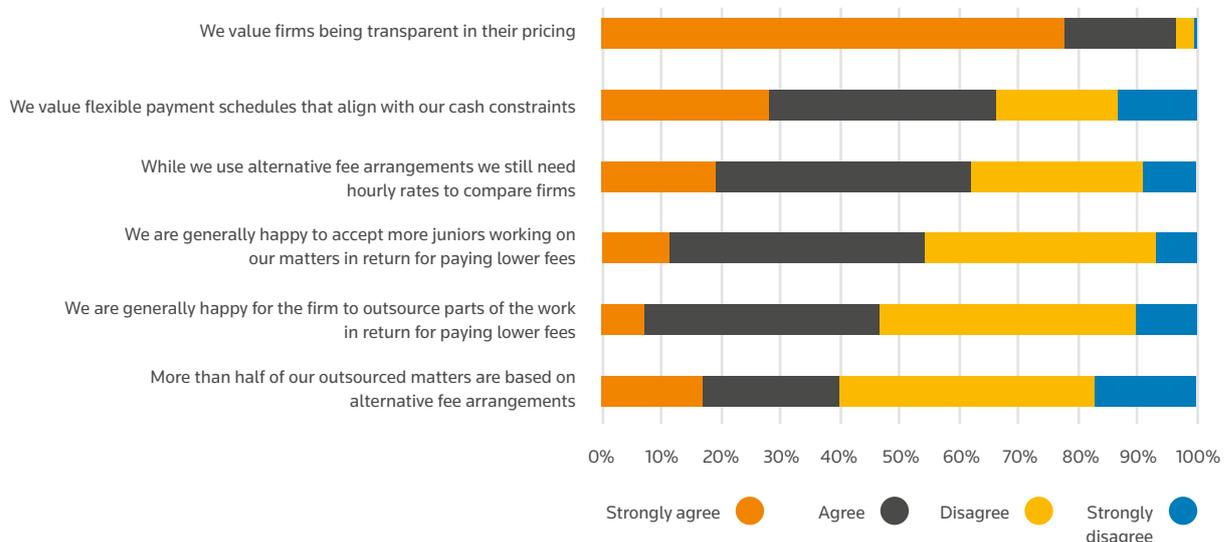
Indeed, some 97% of surveyed in-house lawyers value transparent pricing. This is important because transparency

creates certainty about what the final legal bill will be. Many in-house teams frequently state that cost certainty is more important than the final cost itself.

Feedback from the survey data and interviews highlights two things law firms can do to differentiate themselves in order to provide cost certainty to their clients. The first, which is already offered by many firms, are fixed-fee or capped-fee pricing structures. Approximately 65% of survey respondents say the extent to which firms offer alternative fee arrangements (AFAs) is an important factor that determines which firms they instruct. Of these, more than 70% say fixed or capped fees are the most valued AFA.

“We far prefer to have fixed or capped fees,” confirms the General Counsel of a fund manager that wished to remain anonymous. “This is a big factor in our decision making process and most firms accommodate capped fees, though not all offer discounted fees. It depends on how important we are to them. We normally agree an hourly rate and a cap and if the hourly rate is less we pay that.”

TO WHAT EXTENT DO YOU AGREE WITH THE FOLLOWING STATEMENTS ABOUT LEGAL FEES?



Firms can also differentiate themselves by either offering billing systems that embed transparency or invoicing through clients' own billing and invoicing systems. This is something that Uber's in-house team requires instructed firms to participate in.

"We use Legal Tracker, a tool through which all invoices have to be submitted by a law firm with narrative breakdowns," explains Helen Fletcher, Senior Counsel, UK & Ireland at Uber. "The software also allows us to dispute the invoice, query line entries and electronically send questions back to the firm so they can see what our issues are. We then get flagged when new invoices come in. It allows us to manage our legal spend, which is very important to us, and keep a log of what we've approved, what we haven't and where we have pushed back. It's more sophisticated than getting a bill in the post. Generally speaking I would like to see more use of budgeting software and tools, especially for litigation work."

Cost certainty aside, our series of interviewees frequently mentioned that creative and bespoke pricing structures truly distinguish firms.

An interesting example is the pricing structure created by Foot Anstey for Signet Jewelers. The company was previously referring small scale disputes to a firm that worked on an hourly rate. Foot Anstey created a cost structure for Signet where prices are charged depending on the stage a dispute gets to, such as witness statement exchange. This arrangement not only provides cost certainty but also allows Signet to weigh the potential legal costs against the costs of settling.

"The arrangement works out at something that is a lot cheaper than the hourly rate model and is also more transparent," explains Ben Harris, Head of Legal at Signet Jewelers. "It helps the business understand the likely cost of legal advice for any dispute in advance, which then feeds into the decision making process for that issue. Part of the cost saving we're now making reflects the fact that we litigate less. The incumbent law firm we were working with couldn't facilitate the model I wanted. Of the firms I spoke to about this, some were more prepared than others to work harder and be more creative on pricing models."

After fixed and capped fees, surveyed in-house lawyers find task-based fees, blended hourly rates, volume discounts and then contingency / success-based fees most valuable. Of course, certain AFAs will only be suitable for certain types of work. For example, clients that undertake lots of transactions will appreciate contingency or success based fees more than others.

"We've worked with firms in the past on a contingency fee basis which is attractive to us given the types of deals we look at," explains Dan Taylor, Legal Counsel at Scapa. "We might complete the due diligence phase in a transaction but decide against proceeding with it. For an organisation like us that regularly assesses potential acquisition opportunities, only paying for part of the time incurred in early stage due diligence is really attractive."

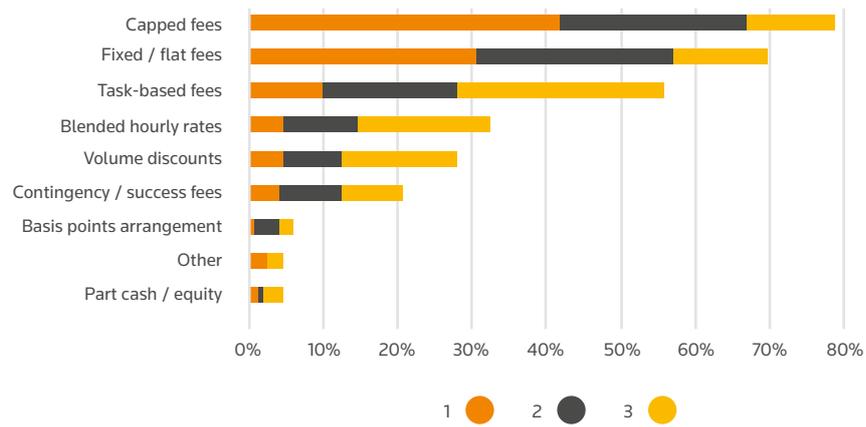
Sergei Sulimsky, Head of Legal & Compliance at Nobel Upstream, also values contingent payment structures. "Payment structures involving risk sharing are very useful," he says. "We are a small company in an acquisitive mode and we are going out and buying things. But a lot of these deals may not happen. It's always very important to us if a firm is willing to charge a minimum if the deal doesn't close and something else if it does."

When negotiating pricing it's also always worthwhile discussing the extent to which clients are prepared to pay less in return for the work being undertaken by more junior staff or even outsourced to a lower cost firm. The extent to which clients will be prepared to do this depends on the nature of the matter. This is why survey respondents are divided on this topic – 55% are generally happy for juniors to work on their matters in return for paying lower fees while the remainder are not. Similarly, 45% are generally happy for firms to outsource work in return for paying lower fees.

Many in-house team leaders at least value firms being proactive in initiating these discussions. "I am really attracted to firms that look at a big piece of work as a process and offer proactive solutions to ensure costs are kept down," explains Alison Kay, Group General Counsel & Company Secretary at National Grid. "For example, we like to see a willingness, especially for big disputes, for firms to hand over the due diligence to paralegals or perhaps to outsource it to a cheaper local firm."

MOST VALUED ALTERNATIVE FEE STRUCTURES

Respondents could select their three most important



In-house teams are starting to value technology

Law firms are ramping up investment in innovative technology. According to data from The Lawyer’s UK 200 Business Services 2016 report, 84% of firms placed investment in IT and technology higher up the strategic agenda last year compared with the previous year while a further 66% specifically set aside an increased budget for IT-related investment over the same period.

So, to what extent is firms’ investment in technology important to clients? And how, if at all, does it impact client experience?

At first glance, the survey data indicates in-house teams don’t pay much attention to technology. Respondents ranked innovative service delivery, including the use of technology, at a lowly 5.9 out of 10 in terms of importance in determining which law firm to instruct, some way behind responsiveness (8.8) and understanding of business/industry (8.6). Furthermore, few respondents attributed any importance to firms’ use of artificial intelligence or project management systems, which many firms are currently investing in.

The ambivalence toward technology is not unsurprising given that the majority of survey respondents were relatively small in-house teams. Many technologies firms are investing in create efficiencies when handling large volumes of documents, so there is naturally less value in this to smaller companies.

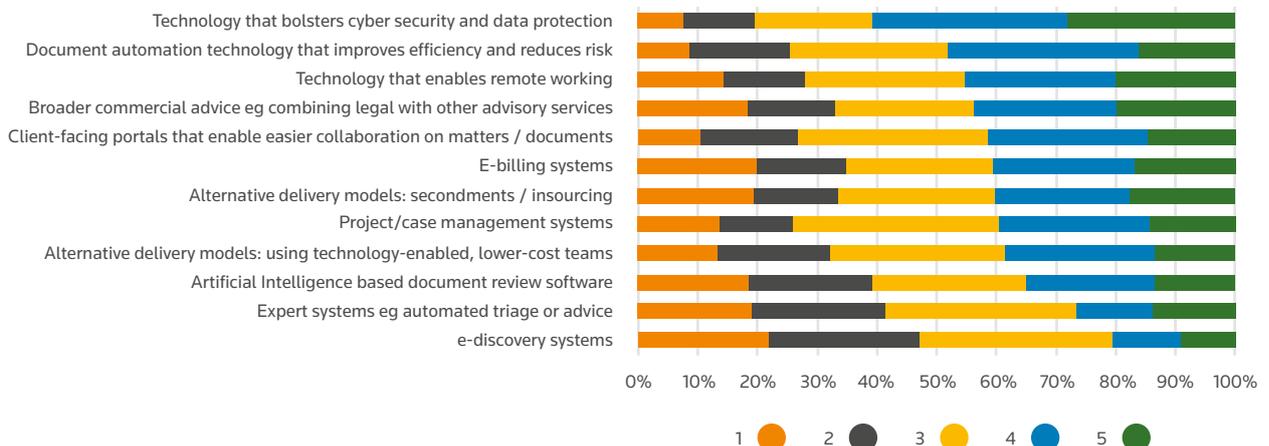
That said, our series of interviewees highlight three areas where firms can differentiate themselves through their use of technology. The first is automated document generation. Many in-house teams state they could save a significant amount of time and also work more accurately if firms were to provide them with access to systems that create a series of documents that are extremely similar but differ only by a small number of details. A small number of clients that are calling out for this are highlighted in the box on the next page.

Document creation aside, interviewed in-house teams also value firms offering technology that improves collaborative working on large complex matters such as litigation or cross-border M&A transactions as well as technology that improves the efficiency and transparency of the instruction process. Both of these are particularly important to National Grid.

“I want to work with people who are trialling technology and are looking at ways to operate in a more automated manner,” explains Alison Kay, Group General Counsel & Company Secretary at National Grid. “This was an important factor in our 2015 panel review process. It was the first time we ever looked at what people were offering from a technological viewpoint and I think it will become increasingly prevalent when we carry out our next tender exercise.”

MOST VALUED ASPECTS OF SERVICE DELIVERY

Each ranked on a scale of 1–5



The benefits of automated document generation

“We must sign twenty confidentiality agreements a week and we also have our supply agreements across the group which adds to the workload. If an external law firm was able to provide document automation services and it was reliable it could potentially benefit a group like ours as we don’t have the resource to develop it internally.”

Dan Taylor, Legal Counsel at Scapa

“As we move into the future contract generation and other self-help tools, not just for the in-house team but also for the wider business, will certainly add value. In any given month when you have been asked 20 times for a standard NDA it would be great to point to a tool to do the work for you.”

Deborah Grimason, Company Secretary and General Counsel at Travis Perkins

“Document automation tools that populate template contracts with bespoke details that you provide are becoming more popular. This is more efficient than having a lawyer or paralegal inputting those details and probably also more reliable. I’d be interested to explore this tool with firms because we do this type of task in house at the moment, and if we did have a project which required a heavy number of documents which needed populating in this way then I can see that it would be useful.”

Alexandra Hammond, Interim Head of Legal, The Royal Shakespeare Company

Kay also highlighted the client portal used in the company’s significant £13.8 billion divestment of its gas business in December 2016 as a prime example of how the use of technology can drive efficiency. “The transaction was improved by a portal where thousands of documents could be seen by both the relevant National Grid functions and the law firms involved in the deal. Both Linklaters and Eversheds were working on large parts of the project and were very happy that their work was available to the broader team. It made what was a fiendishly complicated transaction a lot smoother.”

Importantly, firms can also meet their clients’ technological requirements by doing relatively simple things. For example something that is really important to Uber is that firms work on Google documents in coordination with the in-house team.

“Internally we always use G docs because it’s a very efficient way of working and collaborating and we want our external firms to do the same,” explains Matthew Wilson, Legal Director, Northern and Eastern Europe, at Uber. “This was one of the criteria for selecting the panel firms. When I comment in a G Doc I want to be able to say, “what do you think of this”

and direct it to the relevant partner or associate at the firm. That will ping up in their inbox and they will click on a link and it will take them straight into the document so that they can comment on it and mark it up or do whatever they need to. It’s a very efficient way of working. It’s not a distinguishing factor, more of a baseline entry point to discussion. If they are not willing to work in this way they are probably not the firm for us.”

It’s also worth remembering that surveyed in-house teams perhaps don’t value firms that have made investments in technology because they don’t realise the benefits that technology might be able to deliver. For example, cost certainty is extremely important to in-house teams. Costs can be controlled more efficiently through use of e-billing and invoice management systems. Responsiveness is also very important to in-house teams. Automated document creation could rapidly improve response times.

Firms must therefore clearly communicate how their investments in technology can benefit clients if they want this to be a distinguishing factor.

Emerging differentiation themes – demonstrating responsible business practice and training

The research conducted for this report highlighted two additional factors that firms are increasingly considering when instructing firms.

The first is that firms demonstrate responsible business practice or corporate social responsibility. True, with an importance ranking of 5.0 out of 10, this was ranked as the second least important factor in-house lawyers consider when instructing firms. That said, anecdotal feedback suggests this is certainly rising up the agenda.

Of course, responsible business practice and corporate social responsibility are wide catch all terms that encompass a number of initiatives, from gender diversity to environmental sustainability. As outlined in the box on the next page, the aspects of this that are most important to clients depends on their business. Put simply, clients increasingly want their external counsel to be stewards of their own responsible initiatives.

Interviewees also mentioned that some firms offer free training courses to in-house teams. This is greatly appreciated by General Counsel and Heads of Legal, especially those that have large teams.

“We assume that any firm asked to pitch to be on our panel is already a great firm, so what really differentiates firms is whether they can help maximise the skills and efficiencies of our legal team,” explains Liz Tanner, Director of Legal Services at SSE. “One of the ways to do this is to offer opportunity and training around talent and development of the in-house team. There is a huge amount that can be done to help lawyers develop their overall skill set including their softer skills, their negotiation skills for example. I feel quite passionate about the need for external law firms to recognise this as an area for opportunity because talent and development is one my biggest challenges.”

“Firms’ mentoring and coaching beyond case law updates is really valued. There is a real difference between law firms that understand that and understand the challenges you have when running an in-house team. It’s a real differentiator. I didn’t realise when we first selected the panel that we would want this as much as we do now, it’s a real attribute.”

How important are responsible business practice and CSR when considering which firms to instruct?

“As a company that operates in most countries around the world in over 400 cities, diversity is ingrained as part of our DNA. We expect the same understanding of cultural differences from our external counsel so we ask them to demonstrate this. Every firm says they are inclusive and has a diversity policy, but what does that mean in practice? How many of your leaders are from BAME backgrounds, how many are female? These are all things that we look at.

We also look at their external activity and whether there is the opportunity to get involved with their CSR work. One of our cultural values is to celebrate cities. That’s about playing a material role in supporting the communities where we are present. It’s great if our external law firms can help us to do that. Our US legal team has quite a sophisticated pro bono programme but we are smaller in EMEA so the ability to get involved with firms’ initiatives and give something back is greatly appreciated.”

Matthew Wilson, Legal Director, Northern and Eastern Europe and Helen Fletcher, Senior Counsel, UK & Ireland, Uber

“We place great emphasis on building a respectable brand through participation in programs such as Considerate Constructors Scheme, a scheme set up in 1997 to encourage best practice beyond statutory requirement to improve the image of construction. The PLC are also part of ‘Investors in People,’ a standard for better people management to drive sustainable results. So CSR is important to us as a business and we want our lawyers to reflect our values. It is one of the drivers for us when we select external counsel and it’s important that they don’t do anything that could damage our reputation in the market.”

Simon Griffiths, Group Property Solicitor at Henry Boot PLC

“We take social responsibility very seriously and are committed to various ESG initiatives around the world. Hence, as we want our law firms to be our partners, we want them to be stewards of ESG and CSR. It’s more of an expectation than a hard requirement but we do look at it.”

Mandeep Munda, Executive Director at IFM Investors

“We are a high-profile organisation and in the public eye, so reputation is hugely important to us. We don’t want to see our lawyers’ names in the papers for something that looks dubious. There has been some criticism recently of the role of firms involved in high level tax avoidance schemes and questionable company reorganisations. This could make my bosses nervous. We use law firms as our gladiators. If we’ve got cause to fight, we want to be putting forward people who are trusted and respected.”

Ramsay Milne, Senior Commercial Lawyer, Scottish Water

Conclusion

Law firms need to go back to basics to win over small and medium sized enterprises. This is the main finding of our survey of more than 250 in-house lawyers, the majority of which were SMEs. Specifically, clients of this size value firms that are responsive and are prepared to invest the time to really understand their business. This sounds simple enough, but the survey data and anecdotal evidence presented in this report clearly shows that firms are not getting this right.

Of course price is important to clients, but it's perhaps not as important as some might think. Survey respondents scored price at 7.5 out of 10 when asked to state how important various factors are in determining which firms they instruct. In contrast responsiveness scored 8.8 and firms' understanding of clients' business and sector at 8.6.

But what about technology, which two thirds of UK firms are ramping up investment in? While survey respondents only gave innovative service delivery including the use of technology a score of 5.9 out of 10, this is becoming more important for many clients. Other factors that are rising up the agenda include firms' CSR and responsible business practice initiatives and the extent to which firms are prepared to help train in-house teams.

The report explores these themes in a lot more detail. If you have any questions feel free to contact us at legalsolutions.uki@tr.com

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About the research

The report specifically focuses on the most important factors that clients working with smaller firms (those outside the UK's top 50 firms) consider when instructing external counsel.

The report is based on an online survey, conducted in March 2017, of more than 250 in-house lawyers. To supplement the survey data, 20 interviews were conducted with the following individuals listed below, some of whom are quoted in the report.

- Crown Estate – Rob Booth, General Counsel and Company Secretary
- Dunnes Stores – Robert Heron, General Counsel
- Expedia – Rachel Xuereb, Senior Counsel
- Experian – Julia Cattanach, Chief Risk Officer and Deputy Global General Counsel
- Henry Boot PLC – Simon Griffiths, Group Property Lawyer
- IFM Investors – Mandeep Munda, Head of Legal and Louise Stevenson, Commercial Director
- National Grid – Alison Kay, Group General Counsel & Company Secretary
- Nobel Upstream – Sergei Sulimsky, Head of Legal & Compliance
- Pearson – Mike McQueeney, Senior Vice President & General Counsel
- Rail Delivery Group – Lyn Penfold, Legal Adviser
- Royal Shakespeare Company – Alexandra Hammond, Interim Head of Legal
- Satellite Applications Catapult – Aidan McGuire, Head of Legal
- Scapa Group – Dan Taylor, Legal Counsel
- Scottish Water – Ramsay Milne, Senior Commercial Lawyer
- Signet Jewelers – Ben Harris, Head of Legal
- SSE – Liz Tanner, Director of Legal Services
- Travis Perkins – Deborah Grimason, Company Secretary and General Counsel
- Uber – Matthew Wilson, Legal Director - UK, Ireland and Nordics and Helen Fletcher, Senior Compliance & Litigation Counsel

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