

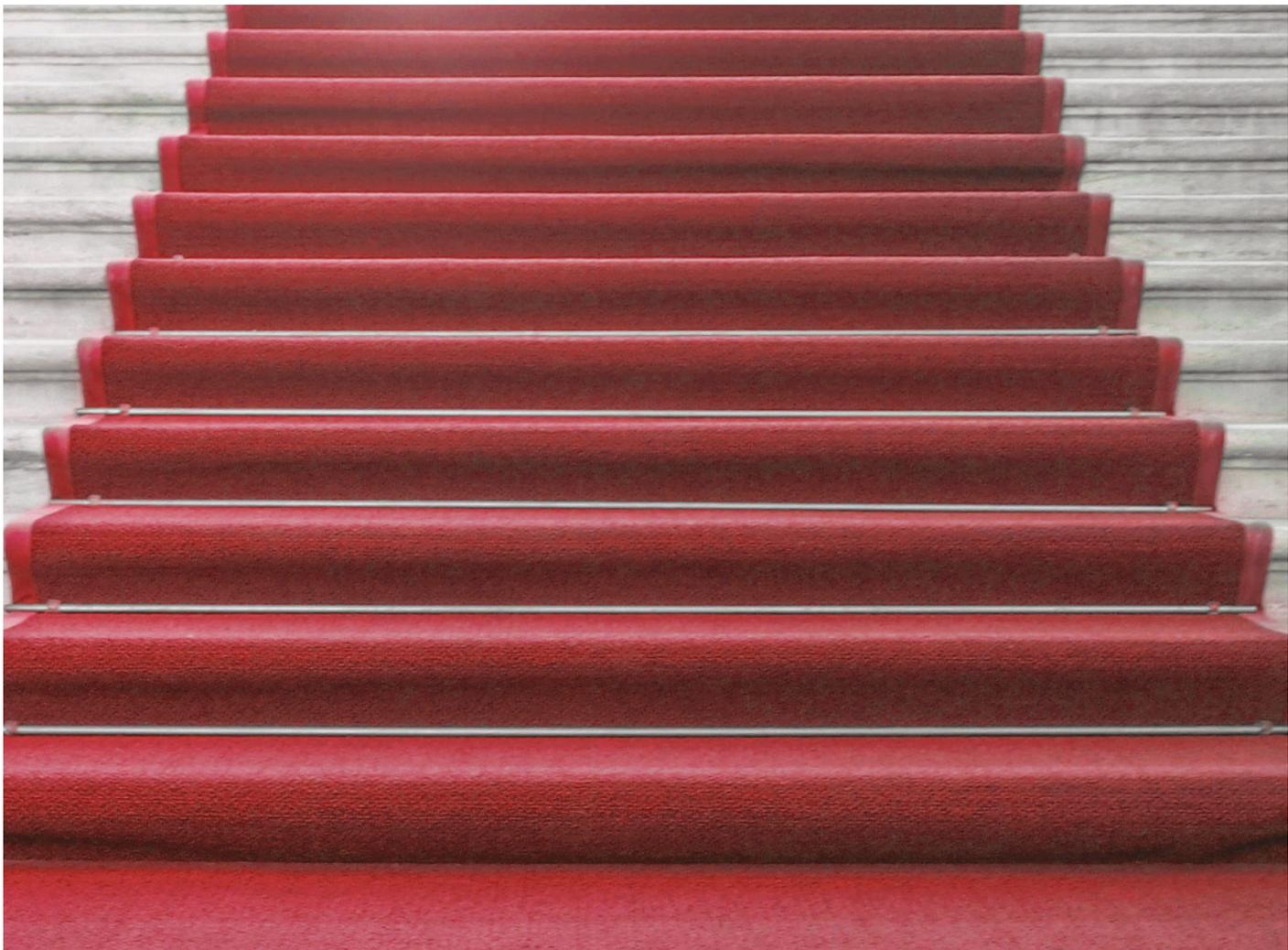


Client Experience

The new differentiator for law firms

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Introduction

The marketplace for top 50 law firms in the United Kingdom continues to be challenging. Traditional methods of differentiation such as deep focus on practice areas and industry sector are yielding diminishing returns. Evidence from clients suggests that these are at best threshold criteria for selection in panels. Instead, clients are increasingly concerned about the quality of experience and value provided by law firms.

Client experience is emerging as the new frontier on which law firms are competing. This is not surprising in the larger context of professional service firms: big four accounting firms and firms in management consulting have been through a similar journey. However, a focus on client experience is new to many law firms, especially in the light of past research that shows persistent disconnects between them and their clients. The repositioning has not been easy. Many have invested in client facing technology, but payoffs are slow. More generally, law firms appear to be struggling with the question of how best to improve their client experience to the point of differentiation.

This research examines client experience, its impact on the law firm–client relationship, and what can be done to improve it. The research addresses the question by taking a closer look at the granular aspects of the experience: modes of engagement, resolution of problems, disconnects, and practices that add value. It identifies systematic patterns of interaction and gaps in performance and makes suggestions for the future.

The research utilised a pairwise approach. General counsel and law firm partners were interviewed and were also asked to provide a counterpart to interview. Sixty percent of the respondents offered a reference, which enabled reflections on perceptions about “the other”, and identification of gaps.

Overall, the research reveals three significant conclusions. First, according to clients, the trajectory of change is in the right direction. Law firms recognise the need to improve their client experience and have made significant progress in the past two years. Second, law firms’ ability to provide client experience is inconsistent with clear implications for the business value they create. Finally, there are some significant gaps that are best solved through collaboration between law firms and their clients. Several concrete recommendations emerge, actionable by both law firms and their clients.

Client experience is emerging as the new frontier on which law firms are competing



LAW FIRMS AND THEIR CLIENTS

Trajectory of change

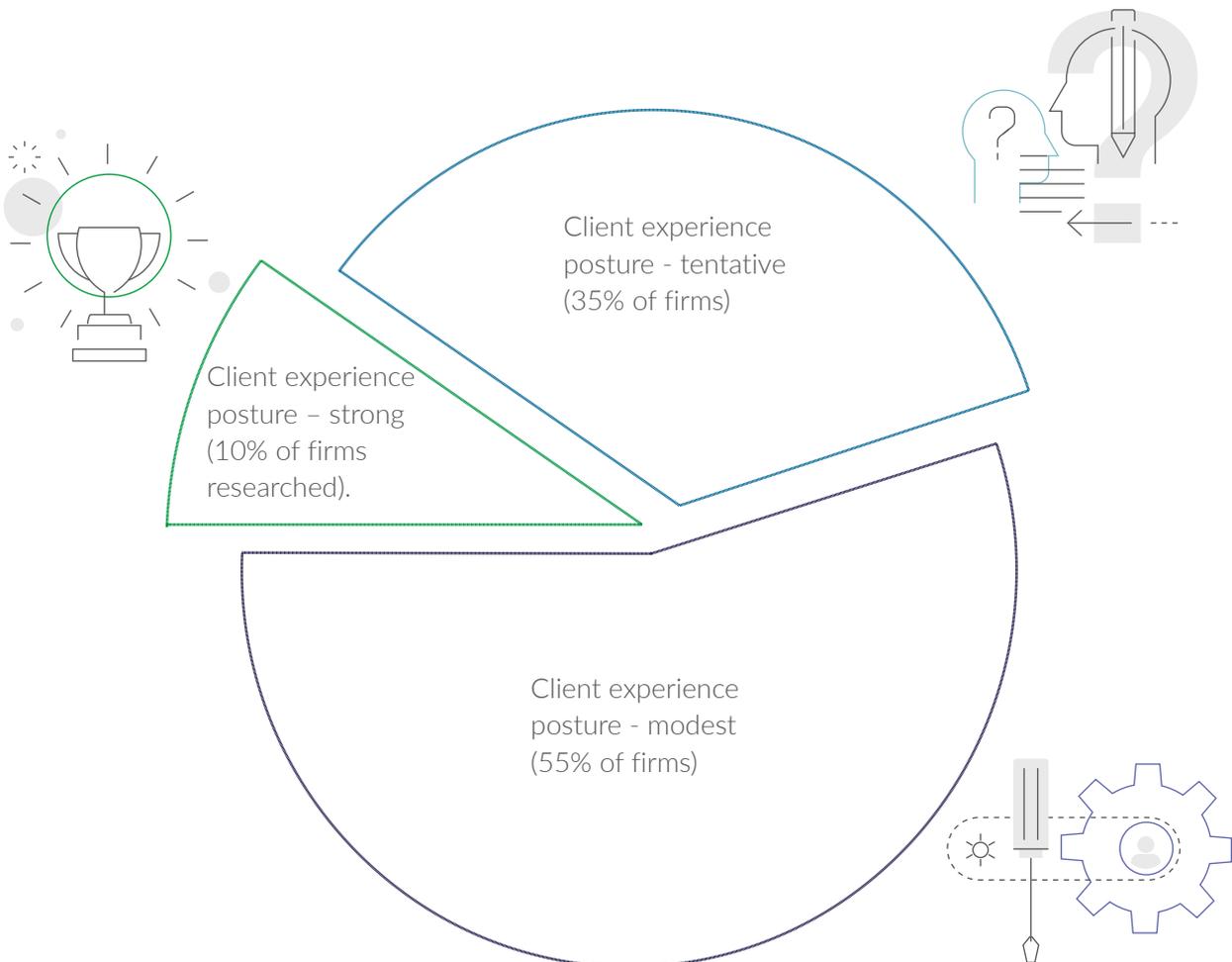
All the general counsel interviewed offered the view that law firms are changing dramatically, and in ways that were difficult to imagine even two years ago. One respondent commented “I wish we were able to change as fast as them”. Clients appreciate the recognition on the part of law firms that their way of working needs to change. There has been noticeable improvement in service, integration of technology and timeliness of response which has improved client experience.

There is however widespread acceptance that the clients have been critical in driving this change. In sectors such as banking and financial services proactive clients have prompted big changes in the attitudes of law firms – through communication, persuasion, tools and resources. Some clients offer their panel firms

training, e.g., in legal project management. Others, especially in pharmaceuticals and sciences, offer their firms updates on industry developments that have implications for law firms. In all but one example of compelling change, it was a group of loyal but strong-minded clients that drove the firms toward an improved client experience.

The landscape of client experience

To understand how law firms and clients work with each other, this research investigated two aspects that lie at the heart of client experience: *engagement* and *problem resolution*. The firms considered in this research fall in three categories:



Client experience posture - strong

This category comprises firms that have a well-defined posture regarding client experience. They have clearly defined processes for engagement. The processes are carefully thought out, and frequently adapted from best practices in other sectors, not just professional services.

For example, three firms interviewed have invested considerable resources into studying client journeys and pain points at high levels of granularity. One firm plotted typical client journeys for each of their top ten clients. The journeys were mapped into client experience/ outcome metrics. The analyses were used to re-define client journeys that were then piloted with selected clients (including some whose journeys had been mapped) before being rolled out across the firms. Significant resources were invested in training across the hierarchy – from senior partners to support staff. Technologies were reconfigured to support the redefined client journeys. These include client-facing technologies (such as portals to provide greater visibility on current work) as well as technologies for internal use (workflows, alerts and other mechanisms for joining up across specific client journeys). The outcomes were positive and measurable through reduced client attrition as well as substantial improvements in client experience scores.

Attention to client experience is also reflected in problem resolution. Firms in this category display clear processes for problem resolution backed by significant investment and well-defined accountability.

An example from a top-50 law firm serves to illustrate this. The firm has well-defined policies in this area. When appropriate, issues get escalated to the leadership group. Reviews, including interviews with clients, partners, etc., are conducted to establish the root cause. The client is offered a plan for remediation. Once agreed, the plan is communicated widely. If the firm gets sanctioned, extra effort is put into maintaining

the relationship through contacts by senior partners in order to ensure engagement post sanctions. The broader point is reassurance to the client that if there is a problem, it can be escalated to the relationship partner and then if necessary, to the board sponsors. Across multiple clients, the firm conducts analyses to identify events that cause attrition. Longitudinal comparisons with similar situations show recurring patterns that create negative client experience. The results are used to make changes to client engagement protocols.



These firms also display a significant degree of strategic coherence in targeting, selecting and projecting client experience. Typically, the type of client experience is driven by the strategic value of the client. For example, client experience for a highly strategic client typically starts with a board sponsor. The actual relationship is held by the partner in charge, and on the side of the client by the general counsel backed by a well-defined in-house team. The partner spends significant amount of time getting to know the client's business and ensuring that the knowledge gets suitably embedded in the delivery mechanism. This understanding then drives delivery. The partner in charge is responsible for connecting the dots within the firm. The signal of client experience is cascaded consistently across the firm.

For example, one of the firms interviewed has included engagement metrics into key performance indicators for all staff. The firm also uses client experience as an important criterion for recruitment and retention of talent, actively seeking individuals who are outward looking and have a client-oriented mindset. Thus, while details vary, these firms impact client experience by emphasising clarity of signalling that they are firmly behind their relationships.



Client experience posture - tentative

Firms in this category typically have a leadership group that displays intent toward strong client experience. They are willing to articulate what that means in terms of engagement. In some cases, this translates to clarity of processes for engagement.

For example, one law firm has focused on client engagement through a set of interlinked activities: account management, client teams, and peer reviews of client engagement. A second example is that of a firm that is working on a coherent set of processes for client centricity. The objective is to re-orient every activity with one consideration: *servicing the best interests of the client*. Several “legacy” activities that have been conducted for many years but show no clear connection with client engagement are being considered for re-engineering. The technologies are also being recrafted accordingly. As with all such efforts, the challenge is less in terms of redefining an architecture for client centricity, but rather in bridging capability and culture gaps.

However, there are fewer good examples of robust engagement mechanisms that are implemented firm-wide. That is, despite this intent, there are considerable differences across partners and practice areas on how the firm engages with clients. While firms in this category are moving in the right direction, they are well behind those in the first category who have already made considerable headway.

The inconsistent application of robust engagement processes makes problem resolution more onerous. There are few examples of structured processes that are followed firmwide: some practice areas are better developed than others. There is also noticeably greater emphasis on *ad hoc* approaches and little evidence of systematic process improvement through lessons learned firmwide. The lack of coherence in problem resolution means that even simple problems can aggravate, with obvious implications for client experience.

One example occurred where a partner’s lack of attention to a matter led to it being handled “incorrectly” in the words of the client. The problem could have been solved with ease if it was spotted early. It was not, and the client saw this as a signal of the firm’s overall quality of delivery in terms of client experience. Needless to say, recovery was difficult.

The strategic coherence of how client experience is implemented is also significantly less than for firms in the first category. While firms in this category have strategic clients with excellent relationships, there is also a very long tail of transactional clients.

For strategic clients, there are very good personal relationships between the partner and the general counsel. However, this does not necessarily cascade to the next levels (i.e., to more junior lawyers). More particularly, there are significant differences across practice areas in how relationships are managed. As a result, there are disconnects that often require remediation on the part of the partner. There were examples where different parts of the firm were not joined up when dealing with a client. One partner remarked on a prospective client business meeting: several partners had heard about it and all showed up for the meeting. The lack of coordination was highly visible to the client and negatively impacted the experience.

Because of the long tail of transactional business, partners struggle to maintain a balance between relationship-based and transaction-based business; and are not able not join up the firm with quite the same effectiveness. The need for revenues can mean that short term revenue-driven goals are prioritised over longer term strategic intent-driven goals. This is reflected, for example, in how partners spend their

time. As one partner remarked, “all good intentions (in this case, of spending time with strategic clients) disappear when you are firefighting”.



There are clear differences between firms in this and the first category.

While both recognise the importance of client experience, firms in the first category have made much more headway. This is partly because they have thought through client experience from a strategic perspective. In contrast many initiatives from firms in this category are more in the vein of *improvement* projects rather than a fundamental strategic realignment.

Firms in the second category diverge between intent and actual posture. In particular, the divergence is visible through activities that can be counterproductive to the intent, e.g., selection of clients (often a long tail) or how client services are provided. They also appear to be less joined-up in their engagement and problem resolution.

While firms in this category have strategic clients with excellent relationships, there is also a very long tail of transactional clients.

Client experience posture - modest

A majority of the firms in this category focus primarily on transactional rather than relationship clients. Business that arrives is taken on, and there is little focus on client experience. As a partner in one top-50 firm described, “we often talk about what types of clients we want. The demands of the business mean that we will usually take on most clients who meet our (billable hour) requirements”.

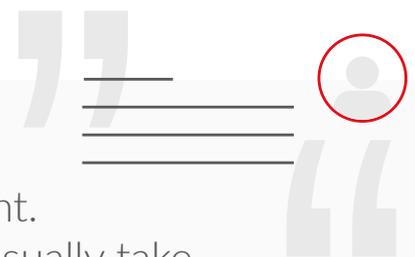
Firms in this category invest in many of the activities that characterise the categories above: technologies, processes (client-facing and internal), and client management activities. However, these are often implemented in isolation, sometimes driven as specific projects by partners, and not disseminated across the wider firm.

To put these in the context of client experience, engagement mechanisms are typically partner-specific, implying considerable variation across the firm. The joining up of activities is also lower. Clients notice both the inconsistencies across partners as well as the disjointedness in the client experience. Because they operate within partner silos, firms in this category are not able to cross-sell easily.

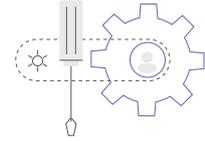
Problem resolution mechanisms also suffer because of the nature of the business. The nature of transactional work implies that the depth of relationships required for effective problem resolution is often missing. There are also some excellent examples of client recovery – but they are partner-specific. Finally, the lack of joining up means that the practices and lessons learned are not spread to other parts of the firm. Clients notice the lack of coherence in problem resolution.

The lack of well thought out engagement and problem resolution mechanisms impinge on client experience. Clients notice inconsistencies and lack of joined up responses; and often provide business only to specific partners of the firm. Second, *ad hoc* approaches that characterise engagement and problem resolution impede overall client experience. Finally, poor communication between practices also make it difficult to initiate and institutionalise improvement activities and thus improve client experience.

While all firms chase revenue, firms in this category are the most vulnerable to the current market turbulence. They manage to make little headway in client experiences, and are buffeted by client cost pressures more than firms in the other categories. The tail of clients can be long, and it becomes difficult to develop meaningful relationships.



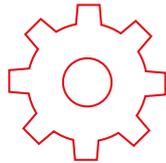
“we often talk about what types of clients we want. The demands of the business mean that we will usually take on most clients who meet our (billable hour) requirements”



CLIENT EXPERIENCE POSTURE - STRONG

10%

Engagement: clear empirically validated processes applied consistently



Problem resolution: well-defined mechanisms

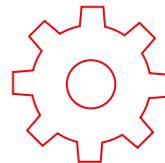
Strategic coherence - posture translates into client selection & technology investments, & is cascaded through hierarchy

CLIENT EXPERIENCE POSTURE - TENTATIVE

35%

Engagement: some clarity in processes, some consistency in application

Problem resolution: adequate mechanisms, but non-trivial number of slip-ups



Strategic coherence - strong intent does not necessarily translate to client selection, technology investments or actions at lower levels

CLIENT EXPERIENCE POSTURE - MODEST

55%

Engagement: not much clarity in processes, little joining up inside business

Problem recovery: localised *ad hoc* mechanisms that lead to inconsistent client experience

Strategic coherence - low: transactional imperative is the primary consideration in client selection & engagement

Does client experience matter?

Do differences across categories translate into business value for law firms and their clients? While a substantive answer to this question is beyond the scope of this research, conversations with general counsel offer some useful indicators.

No general counsel explicitly mentioned client experience when choosing law firms. Rather, it is embedded in how clients choose law firms and continue working with them. Three patterns of choice emerge from the interviews.

1. Some clients use panels for the vast majority of their work. Firms with strong records in client experience in engagement and problem resolution have greater probability of empanelment. Among panel members, they are perceived to provide better client experience (and value), are likely to be utilised for more complex matters, and in doing so, develop closer relationships over time. As a result, they tend to have longer panel tenure compared to those working on matter that can be classified as business as usual. Thus, even though client experience is not an explicit selection criterion, firms with a *strong* client experience posture stand a better chance of both membership and tenure in panels, particularly in retaining higher-margin business. Firms with a *tentative* client experience posture can also succeed here. In contrast, firms with a *modest* client experience posture less likely to get empanelled or retain panel membership.

2. Panels are used primarily for business as usual.

Some clients split their legal needs in two categories. They tend to use panels – or variations thereof – for regular matter. For complex matter, on the other hand, clients rely on well-established relationships based on prior client experience. By making this distinction, clients appear to implicitly acknowledge that client experience counts for less in business as usual – and by extension – creates less value than in complex matters. One possible reason is that such work is seen as lower risk, and therefore more amenable to a transactional approach. Firms with a *strong* or even *tentative* client experience posture stand to develop closer relationships, and work in higher-margin complex matter. Firms with *modest* client experience posture are largely constrained to matters that can be classified as business as usual.

3. Relationships, not panels. A few clients employ a set of law firms with a regular retainer plus a fixed fee for every piece of work. The firms have a close relationship with the general counsel and are embedded into the business, particularly for high volume activities. Firms with *strong* and *tentative* client experience postures have a better chance of securing business with such clients than those with *modest* experience posture.



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The impact of the procurement function

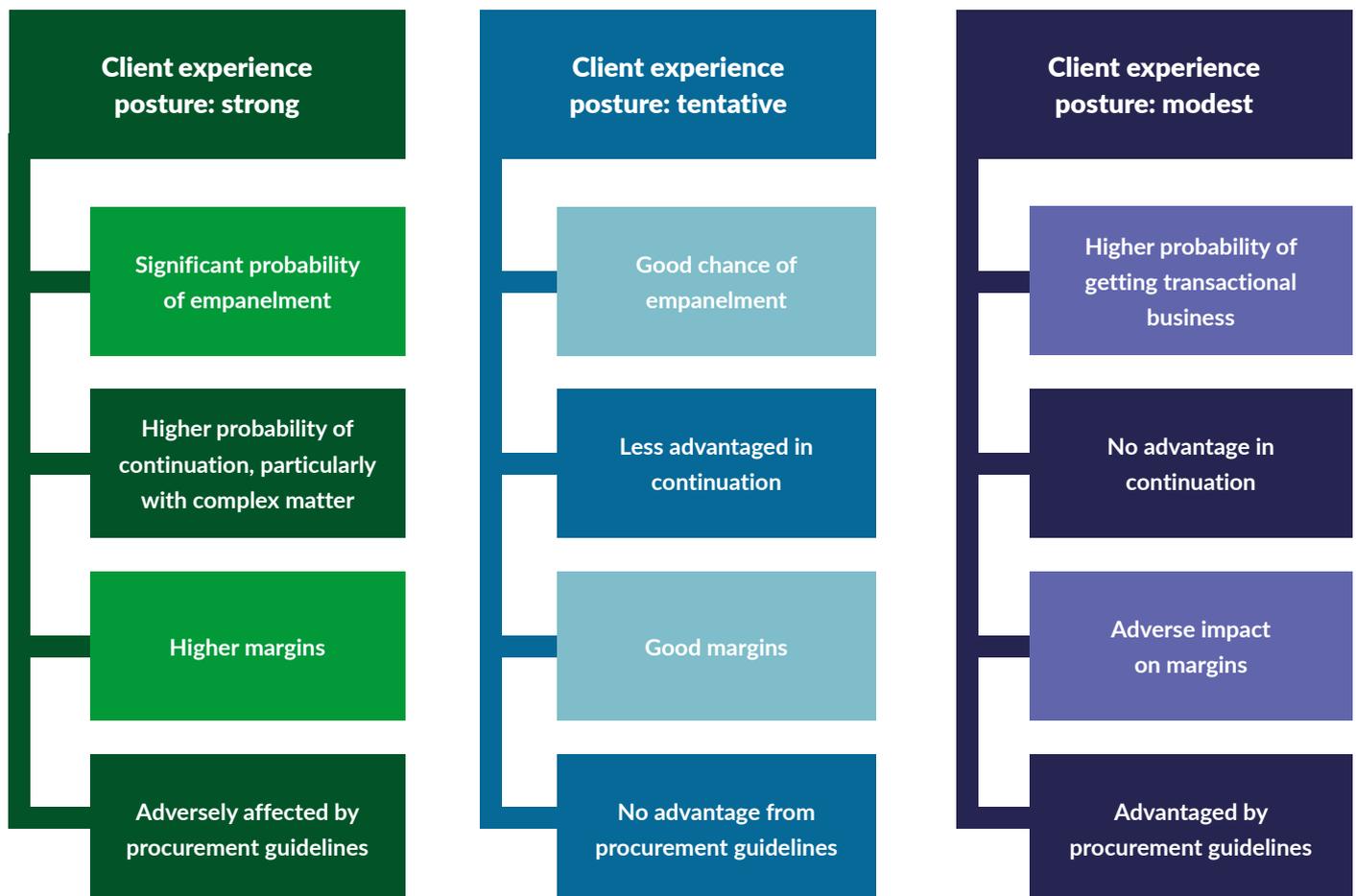
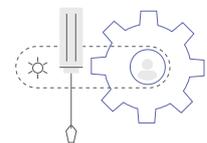
The conclusions above should be tempered by the fact that procurement processes, which are becoming more prevalent in legal work, *blur* the value of client experience. Such processes vary widely but generally make it more difficult to articulate the granular aspects of client experience; and therefore disadvantage firms with *strong* (and even *tentative*) client experience postures. Such processes also prioritise transactional aspects of business and thus work to the advantage of firms with a *modest* client experience posture, albeit with an adverse impact on margins.

Procurement processes also introduce a third party between the general counsel and the law firm. This creates distance between the firm and the client, and reduces the value of client connections. A partner of

one large firm mentioned that longstanding business connections in banking and finance matter less because the procurement process has taken over.

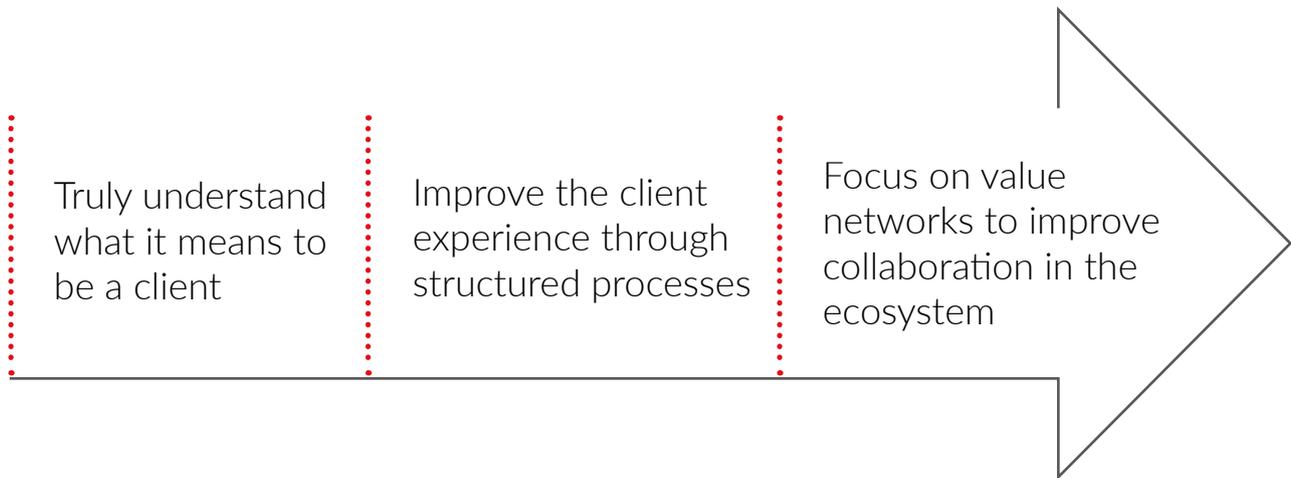
Forward looking clients mitigate the constraints of procurement processes by using them for creating shortlists and then applying qualitative considerations to evaluate client experience. Similarly, some law firms have become better at articulating (in monetary terms) the business value of client experience in order to resonate better with procurement departments. If adopted on a wider scale, a combination of both practices should serve to restore the primacy of client experience despite the constraints of procurement.

The implications are synthesised in the diagram below.



RECOMMENDATIONS

While law firms have made significant advances in client experience, they are still a step or two behind best practices in leading edge management consulting and accounting firms.



Recommendations for law firms

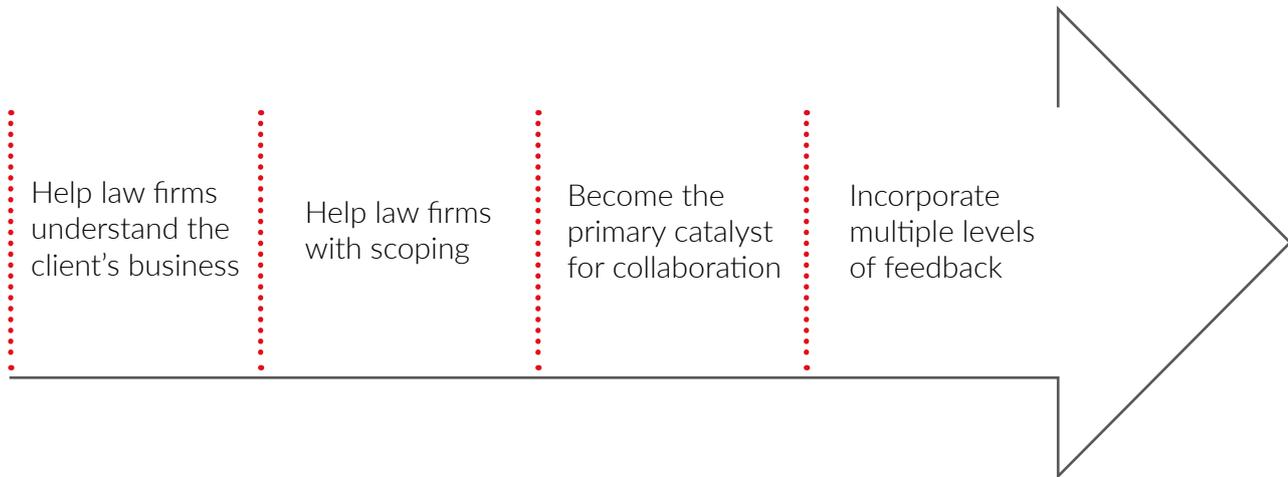
Several actionable recommendations emerge from the study that will help close this gap. For law firms, the biggest steps for improvement are the following:

> *Truly understand what it means to be a client.*

Concerns about value and the strength of the relationships are likely to persist unless law firms do a more effective job of getting under the skin of their clients. They lag behind, especially compared to the big-four accounting firms. The principal reason is that a lack of meaningful differentiation between delivering client experience as distinct from delivering legal services. A plausible way to think about this is to consider client experience in terms of two distinct layers. The core still consists of specific activities in engagement and problem resolution/ service recovery discussed above; and firms in the first two categories have made significant progress here. However, this is not enough, and needs to be complemented by a layer that focuses on the essence of the relationship as being distinct from the activities/ transactions. Designing and implementing this layer means developing an understanding of clients, their values, institutional personas, pressures, and constraints. Lessons from the use of client personas in hospitality would be beneficial as would collaborative approaches toward understanding the client through the use of design thinking tools such as empathy maps. Other sectors have made considerable progress toward understanding their clients –top-50 law firms could utilise this collective expertise to improve their client experience.

- > *Improve the client experience through structured processes.* As mentioned above, some law firms have invested heavily in studying their client journeys, identifying pain points, and finding solutions. The process has been difficult and has required investment and commitment, but the results have been positive. Clients have appreciated the process and the outcomes through lower attrition and increased engagement. There is no reason why this cannot be a more widespread practice, especially given how frequently it is used in other service industries.
- > *Focus on value networks to improve collaboration in the ecosystem.* The objective is to present clients with value networks that embody deep collaboration among providers. Clients would recognise the strength of the networks and this would attract business. Designing sustainable networks requires consideration of at least three factors. The collaborators in the value chain need to share a good fit in terms of capabilities, incentives and cultures. Second, the overall experience should be integrated into more consistent client experiences, e.g., through client journeys. Finally, the services/ value provided by such networks should be customised for clients through processes of co-creation that involve the client. Giving voice to the client would ensure buy-in and enable stickiness in the relationship.

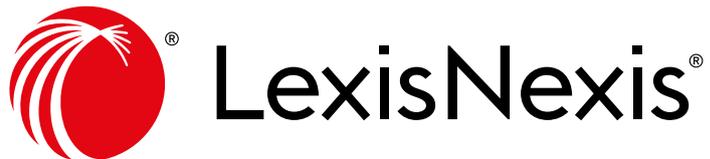
Recommendations for general counsel



For general counsel, the suggestions are the following:

- > *Help law firms understand the client's business.* This can be done through structured steps, e.g., providing visibility on the alignment of objectives between business and the legal department; and what that means for the law firms. A related action for clients is to provide visibility to law firms on their activities with other law firms.
- > *Help law firms with scoping.* The unequal power dynamic of the relationship frequently precludes robust discussions prior to instructions – law firms hesitate to ask questions or push back. The client is then left wondering about the trajectory of subsequent conversations. A better way is to acknowledge this reality and embrace the premise that good scoping is an iterative process. Adopting practices from agile development, the two parties could spend time agreeing on a broader vision first. This could then be used to scope and revise as the engagement develops. This approach would also help both parties understand the language of the client better and reduce barriers to communication. More consistent use of this practice and an added investment in the relationship would strengthen client experience.
- > *Become the primary catalyst for collaboration.* For the value networks mentioned above networks to emerge and coalesce, clients need to be more active. They can do help by providing broader direction, sending clear signals about the value of the relationships, process help, and gentle nudges. On their own, law firms have difficulty in energising such networks, and clients need to be the primary mover.
- > *Incorporate multiple levels of feedback.* Just as law firms need to envisage the relationship in two layers, clients need synchronize the feedback mechanism similarly. What is suggested is two contemporaneous live channels of conversation. One relates to activities, problems and related concerns. This occurs between the respective teams. The other channel focuses on the overall relationship. This is between the general counsel and the partner. The two channels are obviously related – but they need to be different in objectives, emphasis, periodicity and granularity of the conversation.





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