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Tough year for outside law firms: survey

By DANIEL C. VOCK
Law Bulletin staff writer

Almost two-thirds of top corporate lawyers have fired — or are preparing to fire — at least one law firm working for their company in 2000, according to a national survey released Friday.

The chief legal officers cited lack of responsiveness, poor legal performance and too many billed hours as the primary reasons for doing so.

The poll, conducted by the American Corporate Counsel Association and the legal consulting firm of Altman Weil, also found that three-quarters of respondents saw an in-house impact of rising associate salaries.

William J. Bowe, executive vice president and general counsel of Encyclopaedia Britannica Inc., said the results correctly reflected the attitudes of corporate counsel.

"There are three things paramount in the minds of general counsel," he said. "Service is number one. Price is number two, and so is competence..

"What this survey tells everybody is that it's back to the basics. [Service, price and competence] are the blocking and tackling of attracting ... corporate clients," Bowe said.

A third of the respondents who had recently fired a law firm, who planned on doing so shortly or who had considered it cited "lack of responsiveness" as the reason. Slightly more than one in five blamed the firms for billing too many hours, and an identical number — 22 percent — cited the firm's lack of legal results.

The findings are based on responses from 77 general counsel who completed the survey, out of 158 who received it, at ACCA's annual meeting in October.

Joel Henning, vice president and general counsel of Hildebrandt International, a legal consulting firm, said the survey's findings probably pointed to deeper problems in the relationships between law firms and corporate law departments.

"You have to drill down from the results. Often, [lack of response] is the symptom, but the disease is poor practice management," Henning said.

Daniel D. DiLucchio, a principal at Altman Weil, said lack of response could point to one of several problems.

DiLucchio has dealt with cases in which law firms didn't respond to surveys that the general counsel distributed to law firms asking for specific information about the work the firm was doing on behalf of the client, he said. But the frustration could stem from something as simple as the law department not being able to get an outside attorney on the phone for a simple question, he added.

In any case, the shortcomings could cost law firms.

Said Bowe, "There's too much competition to deal with firms that are inefficient in their delivery of services."

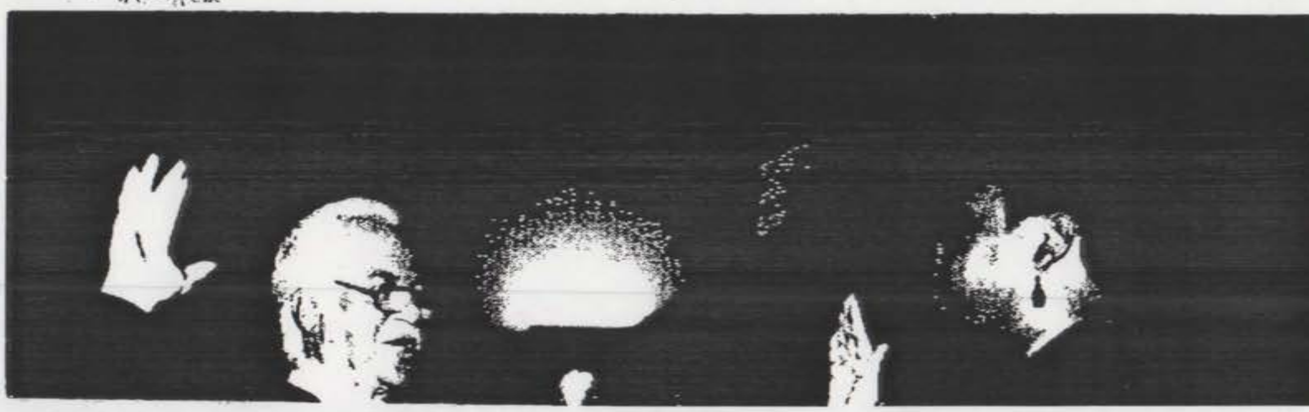
When it comes to dismissing law firms for lack of legal results, Henning said the chief legal officers usually offer that reason when the attorneys they hired performed in an inferior manner or when

Corporate counsel – page 20

Court sees right to keep mouth shut

By JOHN FLYNN ROONEY
Law Bulletin staff writer

Suspects do not have to respond to a police officer's ancillary questions during an investigatory stop, a state appeals



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... and chose to dismiss the law firm "for cosmetic reasons."

"Ultimately, if you go with first-rate lawyers, you still can't win them all. Sometimes the facts are against you," Henning said.

Both DiLucchio and Henning suggested that law firms' emphasis on billable hours has led to some of the frustration.

Henning said chief legal officers should seek contracts based on structures other than billable hours, because most law firms offer internal incentives and promotions based on billable hours.

Corporate counsel can minimize those incentives by agreeing to more creative contracts, Henning said. For instance, they can use either annual fees or cost-per-case basis for smaller matters and risk-sharing arrangements for higher level cases, he explained.

Too often, chief legal officers choose hourly billing rates because they "would rather go with the devil they know than the devil they don't know," Henning said.

But the survey results should be a message to law firms to reevaluate their incentive systems, DiLucchio said, and to start using the value a lawyer provides to his client — rather than the number of hours he bills — as the measure of success.

He said law firms with corporate clients should take the results of the survey seriously and talk to their clients to gain a better understanding of what the corporations want from their legal help. The firms should do this before the clients have to bring it up, he said.

But the survey also contains good news for law firms, DiLucchio said: the potential for new assignments, Of the chief legal officers surveyed, 35 percent said they planned to increase their use of outside counsel in the next two years.

The ACCA survey also found that 76 percent of respondents said they felt the impact of the recent salary wars for starting associates. Since September 1997, starting salaries at many of Chicago's major law firms climbed from around $73,000 per year to $125,000 or more.

The rocketing pay scale has translated into both higher fees paid to outside counsel and higher salaries for in-house counsel, according to 44 percent of those who reported feeling the impact in their operations.

Another 21 percent said the salary wars affected only outside fees, and 7 percent reported the rising salaries affected only in-house compensation. A quarter of those reporting an impact did not specify how their operations had felt it.

"I'm sorry to say there was no delay in seeing the changes [in salary] move across the market," said Bowe.

Complete survey results are available online at www.altmanweil.com.

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415 North State
Chicago, Illinois 60610-4674
312-644-7800
FAX 312-644-4255

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Thanks for your help!
Feel free to call me at any time with questions, comments or ideas.

—Dan