



It takes
more than
legal expertise
to compete with
the big guys.

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BY CURT SCHLEIER

TRADITIONALLY, CORPORATE CLIENTS TURNED TO THE nation's largest firms when they needed outside legal help. But in today's economic environment, less can be more. Small firms can offer speed, economy, flexibility, and personal service – and many corporations are taking notice. ■ So how can your small firm attract and keep corporate clients? We gathered success stories and advice from corporate counsel, outside experts and small firm practitioners. ■ For starters, corporations are no longer operating on autopilot when it comes to selecting a firm. Apparently there are many in-house counsel looking for better ways to spend their money. In particular, Michael Rynowecer, president of Boston-based The BTI Consulting Group Inc., says there's an increased willingness by Fortune 1000 companies to try smaller firms. BTI regularly surveys corporate America about its use of outside counsel. He says, "It's experimentation, and it's related to the underlying dissatisfaction with the costs and level of service of larger firms."

For its 2004 report on the legal services industry, BTI interviewed 180 in-house counsel at Fortune 1000 companies and found that seven out of 10 do not recommend their primary law firm to peers who may be looking to hire a firm.

But while cost is a factor that can help a firm displace the competition, it's rarely enough. Firms must build relationships, demonstrate substantive expertise, and invest in technology before they will attract the attention of corporate counsel.

A firm must show that it can make a real difference, especially in service. Particularly because the old adage that "clients don't hire firms, they hire individual lawyers," is an inescapable truth. It can be difficult to get noticed if there is a longstanding relationship that bids the client to a firm.

Many general counsels who hire small firms have worked with the attorneys before – often at their previous, and usually larger, firm. So the GCs know what they're getting in terms of style, work ethic and compatibility.

But familiarity doesn't mean that there's a pass as far as quality service goes. Of course a high quality work product is expected, but a small firm needs to be ready to upgrade its computers to keep the pace, and simply be responsive to its client's needs – whatever their size may be.

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There are a number of ways that firms try to control their fee structures. Billing rates at the 30 lawyer Zeichner Ellman & Krause based in New York City are kept in check by several measures – among them, hiring seasoned associates, paying them a bit less, and not going overboard with its office décor.

The firm passes along its cost savings directly to clients. The top rate for the firm's partners is \$445 an hour, compared to partners at larger firms who can earn double that. Associates bill at about \$250 per hour.

Personnel and the associated costs are key to the firm's management approach. The partners look for attorneys with a few years of experience to appropriately serve such large clients as Bear Stearns & Co, Citigroup Inc. and a number of its affiliates.

"We have to work a lot harder to find good attorneys," offers name partner Stuart Krause. "We probably interview associates at greater depth and over a longer period of time than large firms. We use recruiters, word of mouth and media ads, but the main point is that the applicant sees many people." This includes many of the firm's 15 partners and even a few of the 15 associates.

By keeping junior associates to a minimum, the firm's clients aren't underwriting the cost of associate training. Nevertheless, the partners still pay a modest amount for an experienced staff. For example the firm pays associates over \$25,000 less than the approximately \$125,000 annual salary that associates start at most large firms in New York City. When it hires a first-year associate, that is.

For the lower compensation, firm associates usually bill around 200 hours a month – hardly inconsequential, but less than the largest corporate firms.

"We're probably a little more careful about expenses than a big firm," says name partner Mark Zeichner.

5 Ways Small Firms Reel In Big Clients

Small law firms are making waves with some of the largest players in corporate America. The BTI Consulting Groups Inc.'s annual survey of 200 corporate counsel reveals that law firms with fewer than 150 attorneys now account for close to 30 percent of primary law firms at large companies. Corporate counsel are raising expectations and demanding change – small firms are leading the way, driving clients to demand more value and better service.

1 Their client service is excellent. Client satisfaction with small firms has soared. The number of Fortune 1000 companies satisfied with their small primary law firm jumped to 22 percent in 2004, up from 15 percent in 2003. This compares to 30.5 percent for all law firms. The Am Law 200 only saw a 3.5 percent improvement over the same period.

2 They bend over backwards. Flexibility is a trademark of the small firm, and clients couldn't be happier. Clients note that small firms are better at adopting new ways of doing things. For example, they are quicker to adopt the more informal communication many clients want and usually embrace e-mail and electronic sharing of data to make working with them easier and more enjoyable.

3 They lose the attitude. Fortune 1000 clients tell us that small firms are inclusive, accommodating and respectful – in sharp contrast to the arrogance they tell us they deal with from attorneys at large law firms. This newfound respect has clients expecting better interpersonal skills and a more inclusive approach from all of their outside counsel.

4 They're the best at something, not mediocre at everything. Savvy smaller firms specialize in filling specific needs for their clients. Whether geared towards an industry such as financial services or a premium practice area such as intellectual property, their highly focused strategies enable them to concentrate on complex matters and high-value work.

5 They deliver good value. With less bureaucracy, small firms can remain keenly focused on the client's objectives. BTI's research shows that "proving value" is the number one way for a law firm to oust a competitor – 26 percent of clients surveyed are willing to make a switch for proven value, another 11 percent will switch for better client service. These two reasons outnumber all other reasons to switch law firms by a ratio of 3 to 1.

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