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The GC Insider

Uncovering the key drivers
of law firm engagement

2023

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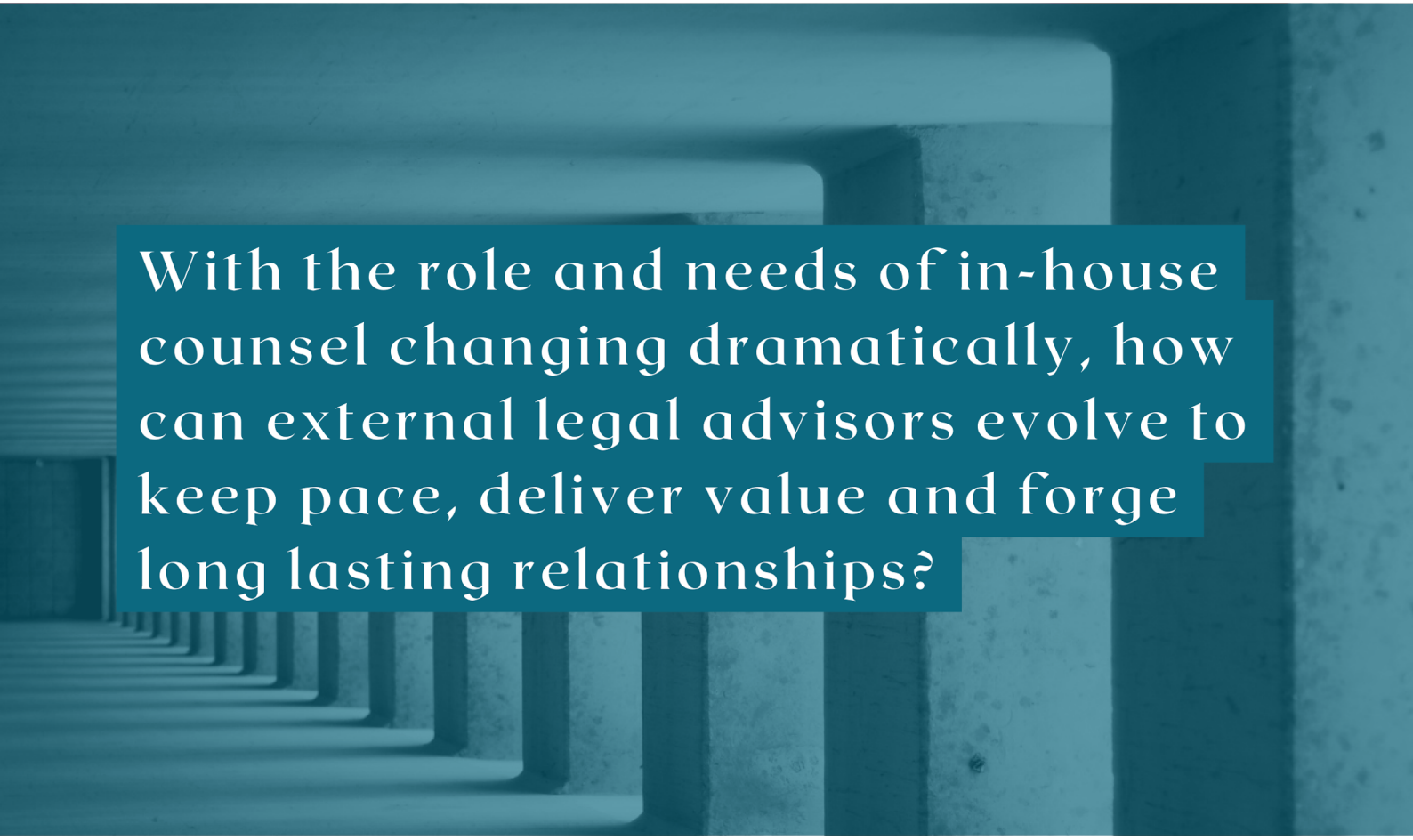
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Introduction

Today's general counsel are sophisticated and savvy buyers of legal services, but not all law firms have moved to keep pace with the developing demands of their clients. LawWiser talked to top GCs to explore what these demands are, and how firms can maximise their chances of winning work from India's biggest companies.

According to a survey by LawWiser, general counsel want firms who are proactive, flexible and pragmatic about costs.

The Indian legal market has grown and professionalised in the last two decades or so, and the quality of service provided has certainly improved. However, general counsel are still finding issues with their advisers' commercial knowledge and responsiveness – issues which make them more than prepared to switch firms if need be.



With the role and needs of in-house counsel changing dramatically, how can external legal advisors evolve to keep pace, deliver value and forge long lasting relationships?

Firm Selection

The key factors

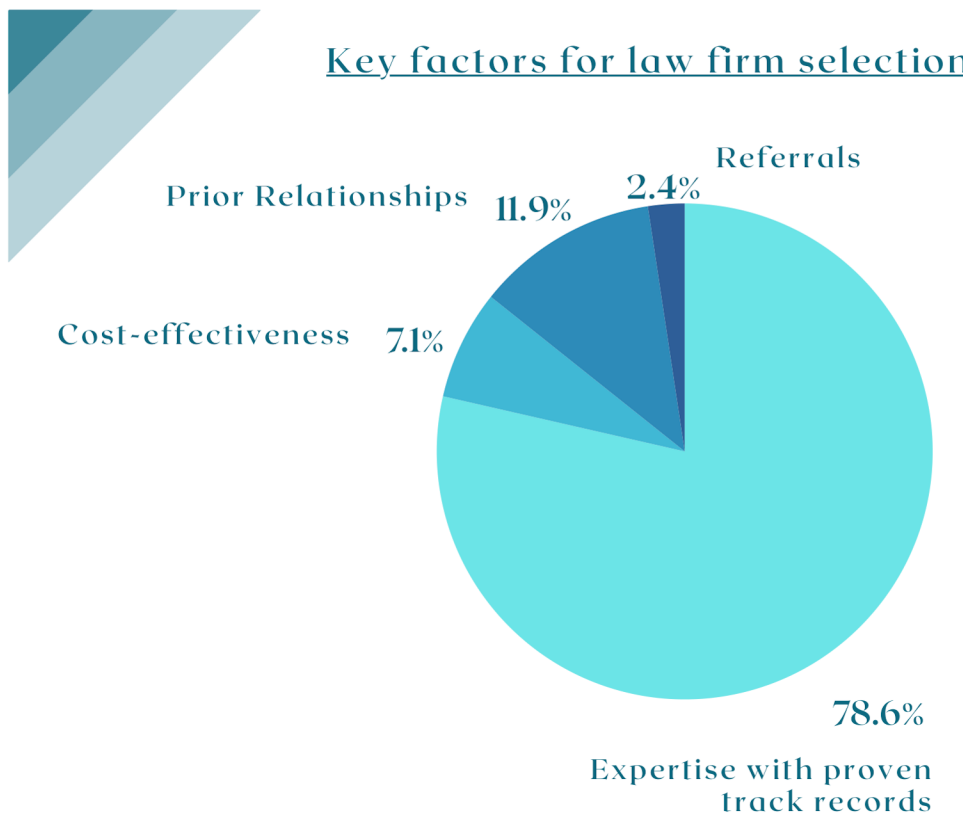
Survey respondents were first asked about the factors which they considered when selecting law firms for external legal services.

The five key factors were:

- Cost-effectiveness
- Expertise with proven track records
- Prior relationships
- Referrals
- Size of the Firm

The survey also asked what other factors might be taken into account, especially when selecting a new firm.

General counsel in India value expertise with proven track records of prospective external advisers above all, with the vast majority (78.6 per cent) of respondents to the survey ranking this as their number one factor when selecting firms. Additionally, every respondent said it was 'important' or 'very important' for firms to have knowledge and expertise in the industry of their clients, and it is notable that over two-thirds of respondents (66.7 per cent) gave this factor the highest possible level of importance.



General counsel assess track records using a variety of methods. Their own prior experience is key – whether they have worked with a firm previously, or perhaps encountered them in the course of another matter. Firms should be able to demonstrate concrete examples of work they have done in a particular sector or practice area.

If a new firm is involved, in-housers in India will often pick up the phone to a peer and ask for recommendations; the importance of this informal network of counterparts should not be underestimated.

“It’s very rare that a general counsel will work with a completely new firm. This is a very small industry and most people know each other. In case a new firm is needed, then the usual practice is to seek reference from counterparts in the industry,”
points out Dr Akhil Prasad, general counsel Boeing India.

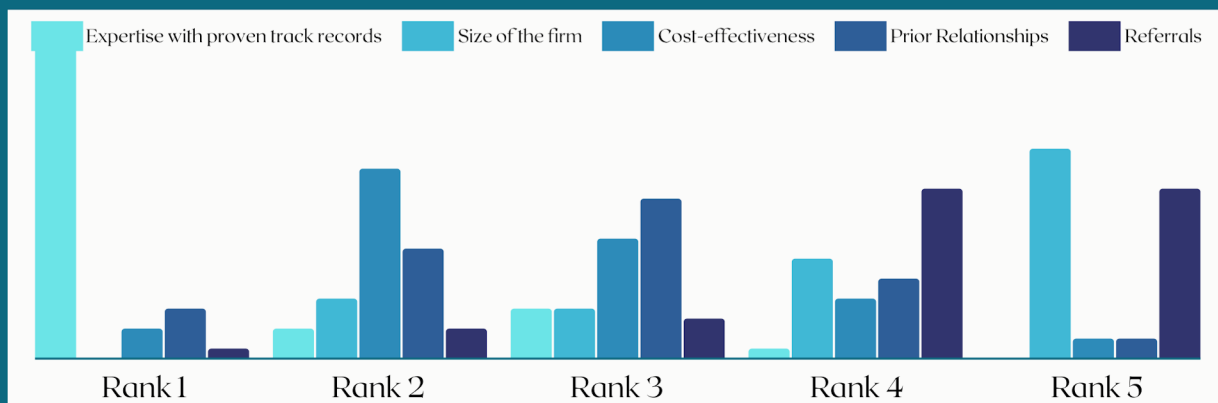


One respondent said they would sometimes assess a firm’s knowledge and expertise by asking them to lead a knowledge session for their team, which could potentially start a conversation with that firm.

In contrast, formal referrals are a relatively unimportant factor when selecting external counsel, with most respondents ranking referrals as the fourth or fifth consideration.

Cost-effectiveness and prior relationships are the second and third most important factors when selecting firms. Well over a third (45.2 per cent) of general counsel ranked cost-effectiveness as the second-most important factor, with just over a quarter (26.2 per cent) picking prior relationships as their second consideration. These two factors were also the most common choices for the third consideration by general counsel.

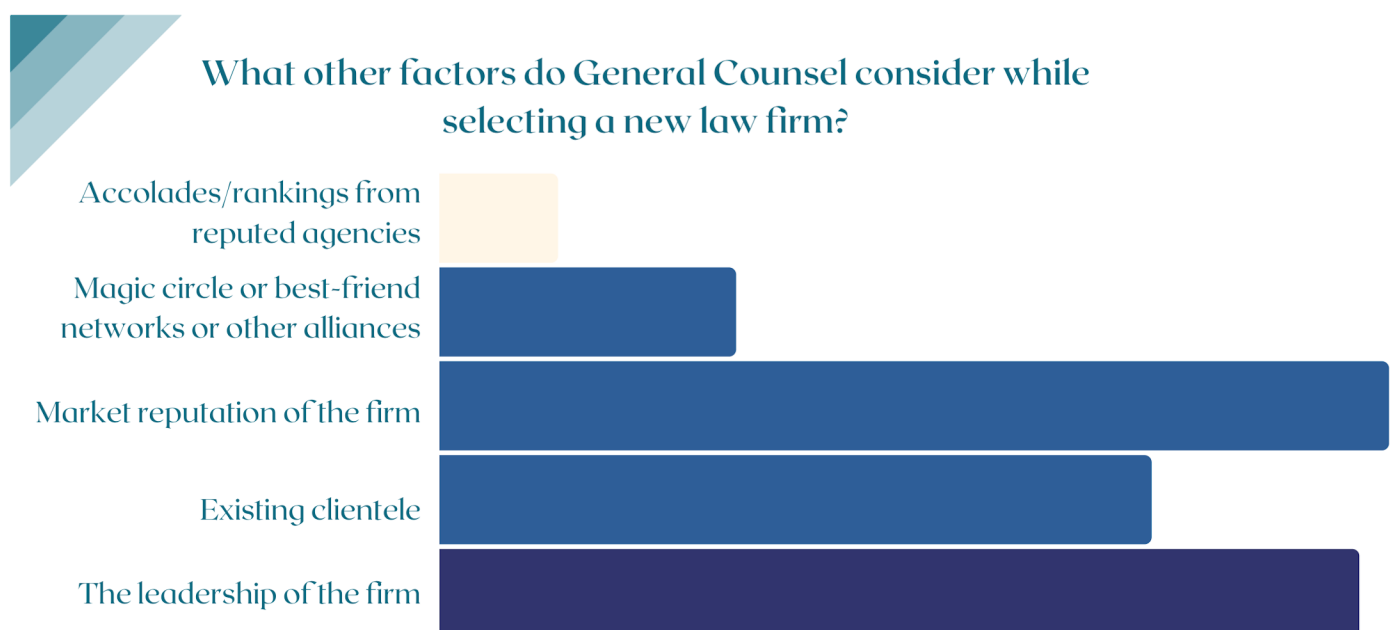
Rank in terms of preference the factors that GCs consider while selecting law firms for external legal services



Other key factors

Other factors considered when selecting a new firm include the firm's leadership – particularly the quality and expertise of the individuals taking senior roles within the practice. Market reputation is also important for a majority of in-house counsel, and there is still a tendency for those working in larger corporations to go first to the largest, established firms before looking further down the food chain. As much as anything, it is what their businesses expect.

Alliances, best-friend relationships and rankings by directories or other third-party sources are fairly unimportant for general counsel in the selection process. Some said they would look at a directory as a starting point to find new advisers, especially if they were looking for firms in a new geographical area they did not know, but rankings or awards would not clinch a firm work.



Individual relationships remain key in India, and general counsel often select a firm based on the partner who will lead the project. If that partner jumps ship to another firm or sets up their own practice, the client is likely to follow. This is despite an acknowledgement that partners rarely do the bulk of the work, especially on larger projects.

"If the partner knows his expertise, he will be the right choice, he'll have enough people. It's about the accountability the partner takes," says Lenskart general counsel Lavanya Chandan.

"The relationship partner of the law firm matters a lot to me. I usually have one point of contact from the law firms I'm working with," says Shalinee Kulshreshtha, general counsel - South Asia, Dentsu International India.

Individual relationships also come into play when trying to find someone to carry out work in a new or specialist area; general counsel will commonly turn to a partner they have worked closely with before for suggestions.

How can emerging firms compete?

Although for the biggest and most business-critical mandates general counsel are likely to select a large firm, for smaller projects, one-off opinions or niche issues small firms are popular. Small firms are perceived as being more cost-effective than their larger counterparts and their specialist knowledge is valued.

Dr Sanjeev Gemawat, group general counsel, Vedanta, says while the group will often go to large firms because of the nature of issues involved and the bandwidth required, he sees it as part of his responsibility to play a role in nurturing the talent and giving opportunity to young, budding and meritorious lawyers.

“As an organisation, we’re always interested in developing new lawyers, domain expertise and tapping new ideas because we as an organisation believe in developing a legal ecosystem which gives a platform to merit rather than brand name or sheer size,” he explains.

Vedanta will therefore seek to put firms on its panel which have displayed not only track record and expertise but are also driven by “passion and commitment” towards their work.

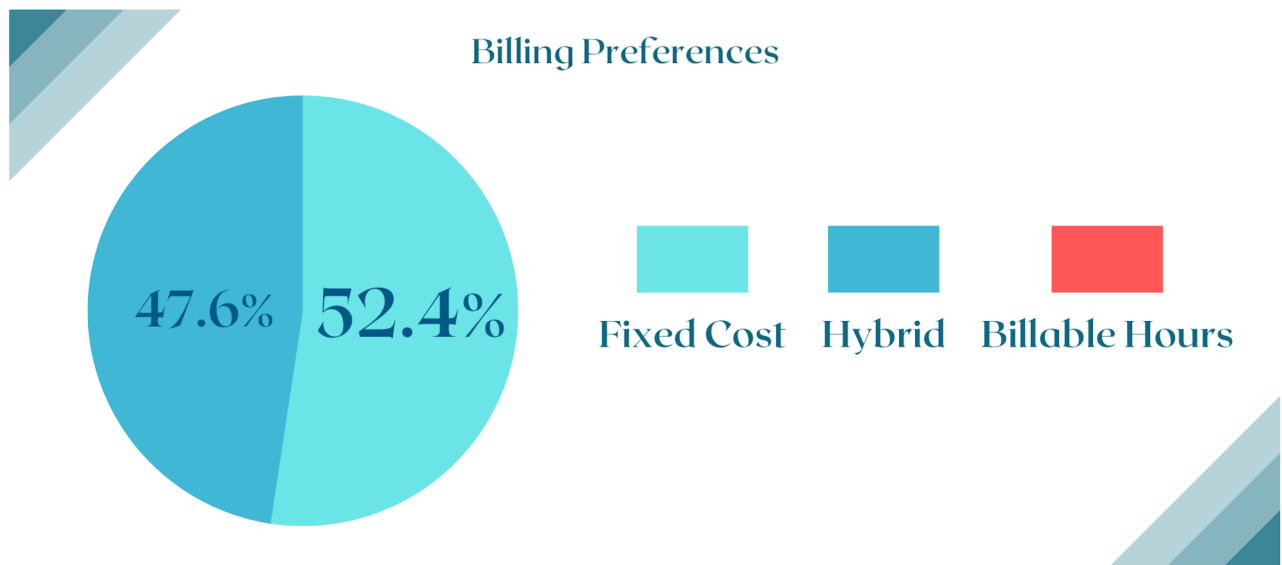
Manjaree Chowdhary, Senior Executive Director & general counsel Maruti Suzuki India says there are occasions where a young, entrepreneurial firm can pick up a niche piece of work, do well and become a regular adviser. For example, she was approached by a three-lawyer practice who impressed her enough to try them out on a small piece of litigation; the firm did well, built credibility and now takes on briefing work for some Supreme Court matters; Ms Chowdhary has recommended them to her peers.



The importance of flexible billing

Billable hours are, essentially, dead in India.

None of the respondents said they preferred to pay on an hourly basis; instead, more than half (52.4 per cent) said they preferred fixed costs, and the remaining respondents said they preferred hybrid fees.



In-housers interviewed for this analysis say fixed costs would be their preference for the ease of budgeting and transparency this gives their business. It helps general counsel when they can go back to the internal client and be clear from the outset how much a project might ultimately cost. For one-off matters such as short opinions, fixed fees are always preferred.

Swathi Kamath legal head - South Asia, DuPont says she found checking hourly bills immensely time-consuming, with lots of duplication and overbilling. Fixed rates work for both the company and the firm, says Kamath.



"They give me an estimated number of hours that we will be spending for that rate, and if we overshoot, they can charge me. The law firm also knows that they shouldn't be wasting too much time, just handle the matter efficiently and send me the right bill. It's also making law firms spend time more efficiently," she notes.

Hybrid billing is seen as a welcome compromise between fixed fees and hourly rates for projects with uncertain scales and timelines; it gives general counsel oversight and control while recognising that firms' costs are not always within their control.

General counsel point out that big M&A transactions or long-running litigation are not the type of projects where a fixed fee is possible, as there is no fixed end date. **Hybrid fees are, by their nature, flexible, but a common option is for a cap on the eventual budget and some element of hourly billing within that.** It is important for all parties to keep track of paperwork and emails to ensure that, at the end of the project, both sides are content.

General counsel say they are still faced with being billed for multiple lawyers working on a project or attending a meeting where fewer people are required and believe fixed and hybrid fees are one way to combat this over-billing phenomenon.

Law firms will naturally use junior lawyers where possible to keep costs down, and general counsel are satisfied with this – provided that it does not lead to being billed twice, once for the initial work by the junior and once when a partner reviews it. Again, oversight is key.

“Sometimes it makes sense to involve everyone on a transaction but sometimes we see lawyers taking clients for a ride, which is where clients tend to insist on a fixed rate,” says Lenskart's Chandan.

General counsel report that law firms have become more willing over time to negotiate on fees, and **mid-sized and smaller firms are more likely to be innovative and flexible than their larger counterparts** – for instance, providing weekly invoices to help the client budget.

“Law firms do understand and recognise that it is important that they have to be pragmatic and flexible on the legal costs being charged, and the firms usually support clients' requests to optimise on costs,” thinks Boeing's Dr Prasad.

Companies acknowledge fees must be fair for both parties, and Dr Gemawat, **Group General Counsel, Vedanta**, points out that as firms are keen to work with large global corporates, there is a responsibility on general counsel to reasonably compensate the professionals involved.

“Legal professionals would be interested in working with our kind of organisation because of the nature, seriousness and gravity of the issues. The fee which is charged should be commensurate with the work involved and not with the size of the organisation. We do appreciate that we need to keep our advisers motivated, but that should not be taken to mean that the fee structure should not be competitive. Cost competitiveness does not mean squeezing your external lawyers. **It is about a continuing and long-term relationship,**” he stresses.



Changing Advisers

The main reason for changing an adviser is quality issues, cited by 44.2 per cent of respondents as the primary reason, with lack of responsiveness coming in as the second-most-common reason. Incurring higher costs is a concern for some, but lags behind these two main factors.

Quality Issues

‘Quality’ is a broad term, but ultimately quality issues can be narrowed down to firms failing to appreciate what their clients really want and failing to deliver on expectations.



Veteran general counsel PM Devaiah says quality issues would include ‘grey views on grey areas’ of aspects affecting the business, poor commercial aptitude, vague drafting, and not being pragmatic when closing deals.

“You want your law firm partner to be able to appreciate the business and its challenges, so the solutions are legal yet practical, rather than theoretical,” agrees Chowdhary of Maruti Suzuki.

Once again, personal relationships are identified as being key to ensuring quality – there can be great lawyers in mediocre firms and vice-versa.

“Partners lead the way and guide the team. But the real soldiers who bring functional utility to the table are the associates and other interfacing resources. If legal resources at the bottom of the pyramid lack professional skill and pragmatism, then the deal-table will get stifling,” Devaiah adds.

Law firms should be aware that if a general counsel raises quality issues, there will be a limited window to sort out those issues before the business is lost.

“If I get this feeling that they’re hand-holding, they’re working with me, they’re collaborating and seeing my problem as theirs, that’s a big plus, but the moment that does not happen is a reason for me to move away,” says Shalinee Kulshreshtha, general counsel - South Asia, Dentsu International India.



Lack of responsiveness

Lack of responsiveness can be defined as a lack of proactivity by the law firm; general counsel want advisers who will lead a project and provide concise, relevant advice in a timely fashion. However, this does not necessarily mean working all night on a mandate – post-pandemic, there is more awareness of work-life balance. Law firms demonstrating a positive culture will increasingly have the edge over those without.

One respondent said their company put emphasis on respect for people, and if they observed a firm not looking after staff, they would be unlikely to work with that firm again.

That said, when a deal is critical, in-house counsel still want partners to be available out-of-hours if required, and firms should agree with expectations on the level of responsiveness early on in a relationship to avoid potential future issues. Sometimes, a simple acknowledgement of an email can work wonders to give reassurance to the client that an issue has been seen and is being worked on.



Feedback Infra general counsel Parvesh Kheterpal says: “Law firms and lawyers should understand the requirements of their clients and the legal and commercial aspects of the matter. The availability and accessibility of the partner and the response time of the team are something I expect from firms and their lawyers.”

“I cannot always depend on the junior person on the team. The key aspects I always look for from a law firm are extraordinary thinking to strategise the matter, spending quality time initially on the assignment and providing commercial advice or action at appropriate times.”

Sameet Gambhir, vice president (corporate law) and company secretary, DCM Shriram says at a minimum he expects a relationship partner to take calls during business hours and to respond to an email within 24 hours.



“At the same time, one thing I agree with as a lawyer is you won’t give a solution on email or phone instantly. Even as a corporate counsel people ring me up and say, ‘what is your opinion’. We should not expect this from a law firm,” Gambhir adds, explaining he would rather have a more considered response to a question than an off-the-cuff answer just for the sake of ‘responsiveness’.

Another element of responsiveness is the need to be proactive. Re Sustainability’s general counsel and chief compliance officer Shujath Bin Ali says he would like his external advisers to take the lead on following up about the next stage in a project and demonstrate their ability to resolve issues.

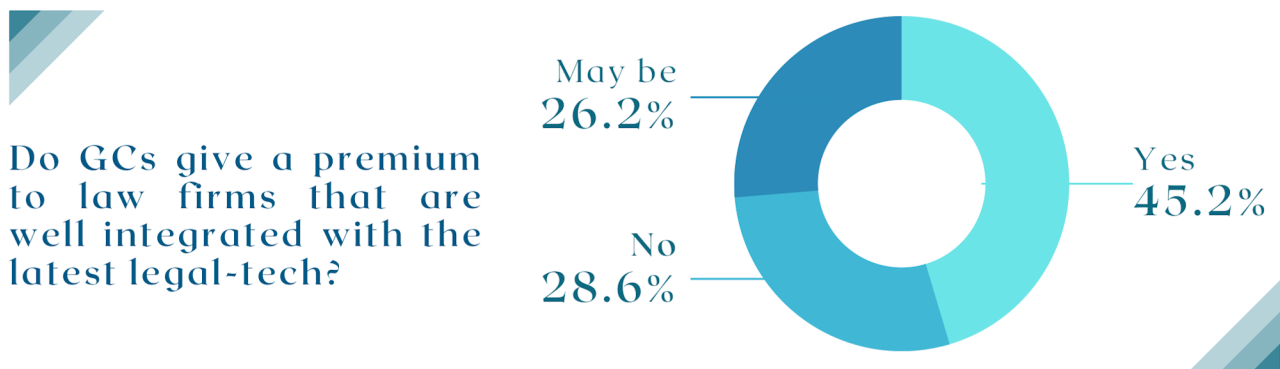
As mentioned previously, general counsel will follow partners to new firms; the institutional brand, however good, may not be enough to preserve a corporate relationship.

“I select a law firm based on the specific lawyer I want to work with. When the star performer leaves, and there is no-one else in the team who can support equally well, business is lost,” one respondent said.

Innovation

Innovation has been a watchword in the legal market for some time, but general counsel in India are not convinced many firms really show concrete signs of being able to innovate, and at present not much premium is given to firms which, for instance, are investing in legal technology solutions.

Less than half of respondents (45.2 per cent) said they would give a premium to firms with well-integrated legal technology; 26.2 per cent said they might do, and over a quarter said this was not important.



Dr Gemawat says there is a requirement for firms to be up to speed with essential technologies such as document management and litigation management systems. He believes that artificial intelligence can be used for improving the quality and efficiency of systems and processes and can help organisations in analysing evidence effectively and at the same time take the decision as to the merits of the matters.

“In the future, we would be looking for more and more sophisticated tools including predictive modelling, and where those might be required,” Gemawat acknowledges.

Instead, if general counsel are looking for innovation, they are more likely to turn to a compliance or consulting firm – although it must be said that the majority of respondents to the survey said they do not use alternative providers much at all and prefer traditional law firms as they are more experienced in the field.

“New age consulting and compliance firms appear to be developing innovative solutions as a substitute for the hourly billing-based work performed by law firms where the wheel is reinvented for each client,” said one respondent who does work with consulting and compliance firms.

As yet, alternative providers are still preferred for strictly compliance-related mandates, and law firms definitely have an edge, despite a lack of innovation.

General counsel did say they thought the pandemic had made a difference to Indian firms’ willingness to embrace technology within their day-to-day work, but this is nowhere near the level of integrating artificial intelligence tools and so on.

Social good: DEI and ESG

Diversity, equality and inclusion (DEI) and environmental, social and governance (ESG) have become buzzwords in the Anglo-Saxon legal market of late. Indian general counsel are aware of the issues, but neither DEI nor ESG is top of their selection criteria for law firms yet.



“It’s an emerging area but we’re not pushing that hard with the law firms formally at this time. It’s happening because of the mix of firms that we have. However, we would strongly encourage law firms to have DEI considerations in future,” says Shujath Bin Ali, general counsel & chief compliance officer, Re Sustainability.

Around a third of respondents said they would put emphasis on firms’ approach to DEI when selecting advisers, choosing a more diverse team if everything else is equal. However, law firms themselves are perceived to be less on top of the issue than businesses.

“In-house teams are somewhat programmed to look at DEI, also because of the company-wide sensitisation on the topic. Oddly, law firms seem to place lesser importance on it,” one respondent commented.

It was noted by several interviewees that the pool of quality female partners is growing – along with the number of female in-house counsel, a factor which is likely to help drive diversity in the future.

Lenskart’s Chandan says a diverse team can be useful to a business.

“If a problem is being solved by a diverse set of lawyers, they are more likely to have considered the pros and cons which are only available to a diverse group,” he points out.



Firms with ESG knowledge are ‘nice to have’ at present, with many corporates still framing their own policies and not yet at the point of requiring specialist input. Additionally, general counsel noted that few firms in India really have deep expertise in this area at present.

A small minority of general counsel will consider a firm’s own ESG policies when selecting them, with a slight emphasis on societal aspects such as equal pay and opportunity.

"Governance structure within the firms will indeed be a factor to consider in times to come. Companies do a strong due diligence on third parties under their E&C (ethics and compliance) programme. So, transparency in their governance will help law firms get better rating in (the) selection process," one general counsel said.

Several general counsel suggested Indian companies and law firms alike would put increasing emphasis on ESG if and when compliance became mandatory by law.

Dr Gemawat feels that the universal purpose of any corporate is its continuity for the betterment of society and nation and ESG is a tool which reflects this universal purpose.

"ESG is key to corporates in the backdrop of the fourth industrial revolution which is based on technology, artificial intelligence, the internet of things and so on. It is not a buzzword but a way of life for corporates. The parameters and indices for qualitative reporting of ESG are required and I hope that in the times to come, we will have more systematic reporting tools," he says.

It is clear that both DEI and ESG will grow in importance in the coming years, and Indian law firms still have some work to do to meet the coming requirements of their clients in this regard.



Conclusion

Under cost pressure from their businesses, general counsel are looking for quality, timely business-relevant advice from expert lawyers who can really add value and solve the problem at hand. To do this, they are prepared to put in the time to research the market and – where appropriate – look outside the largest firms to find niche practices which can offer more flexibility and less cost.

General counsel want firms to be more innovative in the way they deliver services, and work **outside the box**. The relationship between client and adviser has shifted as the market for legal services has become more sophisticated and will undoubtedly continue to evolve as issues such as diversity and ESG come to the fore in the next few years.

The responses to the survey show that although the Indian market has become more institutional, with a greater number of large firms, individual relationships do remain **important**. General counsel want to know they can trust their advisers to be responsive, and lawyers in small firms who can successfully demonstrate commercial knowledge and proactivity can thrive.

That commercial knowledge angle is also vital. The expertise which will win a firm work is not just quality legal insight, but being able to put that legal knowledge to bear to solve a company's problems in a pragmatic, business-focused way. Those firms which impress will do well, as personal recommendations between general counsel remain a key way for in-house lawyers to source advisers. Impress one, and you may find yourself in a position to impress others too.



Top tips for law firms to find and retain clients

- Business acumen and commercial awareness are valued above all: deliver to-the-point, incisive documents which seek to solve the client's problem from a business standpoint
- Be responsive and proactive
- Foster personal relationships with in-house lawyers, and introduce them to the up-and-coming stars in your firm
- Look after your junior lawyers – someone who forges a connection with an in-house lawyer today could be key to keeping the client in the future
- Communicate client expectations across the firm and particularly to your junior lawyers in order to maintain consistent quality of work and responsiveness
- Be flexible on fees. Cost pressures are everywhere, but clients will know if you're overbilling or double charging
- Look at developing your expertise in growth areas such as ESG and legal technology – innovation will pay off, as general counsel still favour law firms over alternative providers
- Foster a positive work-life culture within the firm and demonstrate to your clients that this exists
- While awards and rankings are good for team morale, they are relatively unimportant when it comes to finding clients. Focus on building a track record you can showcase in other ways rather than relying on third parties to do it for you

The law firm perspective

Law firm partners agree with their in-house counterparts that the relationships between client and advisers have changed in the past couple of decades as the market has opened up and expanded and general counsel have become more sophisticated and valued by their businesses. The savvier firms have responded to this change and are aware of the need to be business partners first and lawyers second.

Long-term relationships, Athena Legal managing partner Rajat Prakash says, are built on making sure the firm does what is in the client's best interest; settling a piece of litigation early may, for example, be a short-term revenue hit for the firm but ensure a continued flow of work from that client in the future.



Firms agree with in-housers that having and being able to demonstrate industry or sectoral knowledge is crucial, particularly in more regulated sectors such as energy or defence. Phoenix Legal co-founding partner Abhishek Saxena says this knowledge allows firms to be more responsive, thus answering that repeated demand from clients.

However, Prakash adds Athena has won work by being innovative on one transaction and then being hired for further matters in a similar vein. Innovative lawyers, he thinks, stand out.

"There's always a first time for anything; you get the result and that's your track record. That's something that we showcase. So many times, we advise a client 'this has never been done, let's give it a shot'," he says.

Being responsive is defined by firms in much the same way as by general counsel – acknowledge an email, be proactive and keep clients up to date. Athena sends a letter of proceedings after each court hearing or meeting, so a client has an easily accessible file they can go through to stay on top of a case's progress.

IndusLaw founding partner Gaurav Dani says responsiveness means giving a client the comfort of being there when needed.

"Often the deadlines may not be realistic, but the way it works is that when you're starting to build a relationship you understand what deadlines should be met regardless of whether they're realistic," Dani says.



Saxena adds that clients should appreciate the fact that some advice should be considered and not immediate.

"Very often the client will send an email and immediately call. The greatest value that I can give to a client is to be able to reflect on it, apply my judgement and go back to the client and give a solution," Saxena says.

Managing hours and expectations through communication should be key, and to some extent, the same applies when it comes to fees. Although hourly rates may still be a favoured way of being paid from the firm's financial perspective – and are more common when foreign clients are involved – advisers expect Indian general counsel to ask for fixed fees and are prepared to structure the way they staff their services to be able to do the work within the budget.

However, Dani believes mature companies understand that time is finite and general counsel do understand the logic of charging by the hour – he believes lawyers' fees will never entirely depart from an hourly structure.

"Sometimes there is an engagement which requires you to make an investment in a client in the early stages. We all have cost pressures, the idea is to minimise and make it efficient," Dani adds.

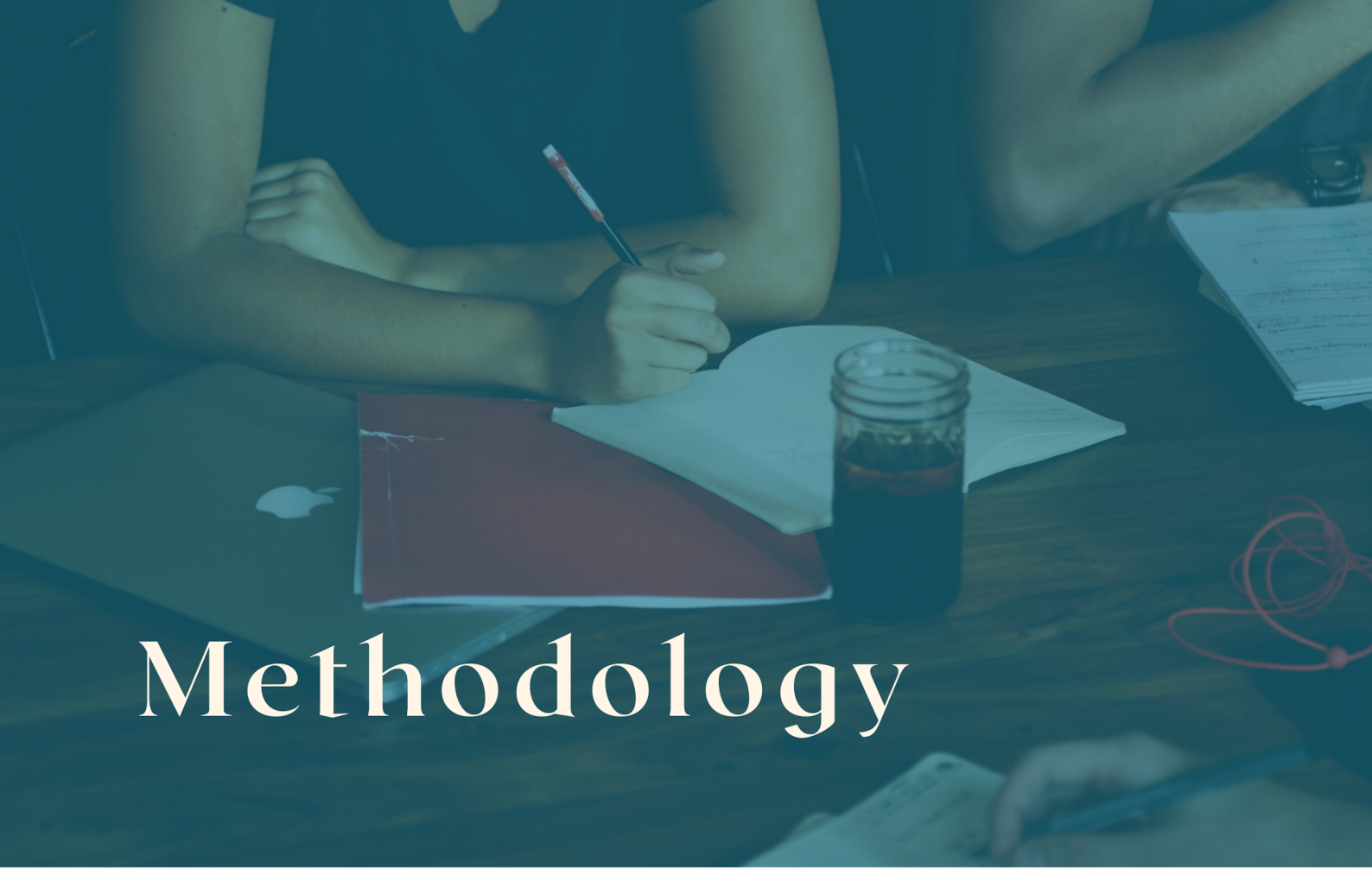
Firms say they recognise the need to introduce younger lawyers to clients early on, and while they agree with general counsel that individual relationships are important, Dani stresses that institutional relationships and cross-selling of services are core to a firm's business.

"Clients like to stick to firms they're comfortable with, lawyers do come and go. Some clients are also becoming commoditised, and they look at legal services as commoditised services," he points out.

Ultimately, firms agree they need to be commercial partners to their clients and everything – from the way they structure remuneration and training, to the way services are actually provided – should be considered from that angle.

"We always try to be a part of the client's business. You have the legalist expertise but if you don't start thinking from the business perspective of the client you won't get to a solution," Prakash concludes.





Methodology

In January and February 2023, LawWiser contacted general counsel and heads of legal, asking them to complete a short survey gauging views and trends on what in-house counsel are looking for from their external advisers.

The survey was followed up by one-on-one interviews with a sample of respondents to gain further insight into the topics.

This report is based on inputs from 43 respondents belonging to global MNCs, large Indian corporations and Unicorns from a diverse set of sectors such as aviation, auto, renewable energy, IT, metals & mining, online gaming, ed-tech, logistics, banking, FMCG, agriculture and infrastructure.

Researcher and Author

Joanne Harris

Joanne Harris is a London-based independent journalist with extensive experience covering business, law and sport. She worked for *The Lawyer* for several years, including as special reports & Europe editor, and news editor; and currently writes for a range of organisations including the International Bar Association.



Editor

Sania Husaini

Lawyer & Consulting Editor, LawWiser

Sania is a lawyer who uses her legal knowledge while creating high-impact content for LawWiser. She has 7+ years of work experience in Litigation. She has worked with one of the best-known law firms in India and with a prominent senior advocate. Sania also worked as a research assistant to former Supreme Court Judges.



About LawWiser

LawWiser is a knowledge platform which helps businesses understand legal and regulatory developments and their applicability. We bring together General Counsel, practising lawyers and policy influencers to discuss and decode important and trending topics under law and policy. Our vision is to become the number one legal knowledge platform for businesses across the globe.

We are building a vibrant community of legal professionals and creating interesting ways in which they can network with each other, gain knowledge and share their expertise and ideas.

Aman Abbas

Founder & CEO, LawWiser

Aman is the Founder of LawWiser and one of the pioneers in law firm marketing in India, advising some of the top law firms on their practice development.

Prior to founding LawWiser, Aman was heading the Strategy and Client & Market Development functions at Amarchand Mangaldas. He has been in leadership roles in multiple PR agencies managing their key clients and has been named amongst the Top 100 influencers in the PR industry by exchange4media for four years in a row. He is also on the Global Expert Panel of NEXL for business of law.

Aman runs another venture named Commwiser Consultants LLP, an award winning specialised PR consultancy focusing on the legal industry.



Lavanya Behl

Co-founder & CGO, LawWiser



Lavanya is the Co-founder and Chief Growth Officer at LawWiser. She has over 14 years of experience across diverse sectors including social impact, advertising and law. Her focus areas include brand and communication strategy, stakeholder engagement and new business development.

Lavanya has spent three years with one of the top law firms in India as part of their client & market development team. She brings in all that experience to ensure that clients feel understood and derive maximum value. She has been recognised in Asia Law Portal's list of 30 people to watch in the business of law in Asia in 2023.

Lavanya is an alumnus of Lady Shri Ram College and Brunel University, London where she secured an MSc in Corporate Brand Management.

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Uncovering the key drivers
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