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The Inner Circle

Key client programs—born in the boomtimes—paid off for firms during the recession.



When it comes to its key clients, Paul, Hastings, Janofsky & Walker doesn't like to play hard to get. Six years ago, the firm launched a program that it hoped would accomplish two things: help it forge tighter bonds with some of its biggest multinational customers

and bring in additional revenue from them. That strategy appears to have worked. Not only did the program up the firm's billings from its core clients, but the increased revenue also helped the global firm weather the economic downturn.

In 2004, Paul, Hastings retooled its client management approach to focus on three (now 22) of its top-billing clients, UBS AG, Barclays PLC, and General Electric Company. Instead of looking at those corporations on a matter-to-matter basis, Paul, Hastings wanted to man-

age those relationships across offices, matters, and practice areas with dedicated client teams—something that other professional services companies have done for years.

Over the past five years, revenue from the firm's key clients grew by 97 percent on an accumulated basis, double the overall growth of the firm during the same time period. One of those most favored clients, a large investment bank, increased its billings by 750 percent between 2004 and 2009. "Our goal is to have more and more

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opportunity to do better and more diverse work for those clients,” says Paul, Hastings chairman Seth Zachary. “The program was extraordinarily relevant in propelling our growth . . . and it was extremely helpful in the downturn, simply because it strengthened our relationships,” he says.

In the last decade, several Am Law 200 firms have established key client initiatives—formal teams of partners and associates at various offices and practice areas who work on the legal matters of top-billing clients. These programs were set up in the boom times, between eight and ten years ago, but firms say that having these initiatives in place also helped them with top-line growth during the Great Recession. The programs have paid off in other ways, too. In an era of record lateral partner movement, key client arrangements have helped “eat-what-you-kill” partnerships build customer loyalty to the firm itself—rather than to individual partners.

Reduced rates for big clients are routine at The Am Law 200. (According to our 2010 Law Firm Leaders survey [page 66], nearly half of the managing partners said that they give their top 50 clients a rate cut.) But firms with key client programs insist that they can offer these corporations more than just a volume discount. “At firms that have multiple people working on an issue, a client team builds up [a law firm’s] institutional knowledge of a client so that they can add more business value,” says Michael Rynowecer, president of The BTI Consulting Group. “It focuses your resources. A client team will create an institutional bond . . . and in today’s market that’s a huge differentiator.”

That last point is especially important, says Hildebrandt Baker Robbins consultant

Silvia Coulter. “If firms don’t do this, they will lose their clients. Because other firms are putting together very sophisticated strategies . . . targeting [competitors’] clients.”

Key client programs vary widely by number of clients, size of client teams, and range of legal work. Orrick, Herrington & Sutcliffe’s ten-year-old initiative has some 500 key clients, including Morgan Stanley, Credit Suisse Group AG, Deutsche Bank Securities Inc., PG&E Corporation, Microsoft Corporation, and Cisco Systems Inc.

At Nixon Peabody the NP Focus 40 program zeroes in on just 40 key clients. Each of those clients gets a team of three to more than 12 lawyers who work on that business’s matters; frequent off-the-clock meetings about the client’s legal needs; periodic memos in which lawyers summarize the work the firm is doing for the client; and an analysis of the broader industry trends affecting the client’s business. Along with an annual review of the firm’s work for each client, Nixon Peabody also asks its NP 40 clients to complete a formal assessment of the firm’s work for them.

Scott Vokey, the general counsel of NP 40 client Weyerhaeuser Real Estate Company (WRECO), said that being part of this elite group has its advantages. Nixon lawyers were handling an arbitration matter for WRECO about six months ago when a WRECO executive mentioned that the company was considering restructuring its insurance program. Nixon lawyers offered to brainstorm about the issue free of charge; a call is in the works.

Many big Am Law 100 clients, such as Barclays and General Electric, have come to expect this level of care and even use it as a metric in deciding which firms to hire.

Mark Shelton, UBS’s general counsel for the Americas, says that in return for his loyalty, his financial institution gets “consistency” on its matters across Paul, Hastings’s offices around the world, as well as preferential pricing.

James Wareham, global chair of Paul, Hastings’s litigation department and head of the UBS client team, says that every year the firm hosts a dinner for UBS at a restaurant in New York following a trip to the Museum of Modern Art. At this year’s dinner, there were some 20 bankers and lawyers from UBS and approximately ten lawyers from Paul, Hastings. Wareham says that one of the senior UBS lawyers pulled him aside and described a business problem that he was working on. The problem was outside Wareham’s expertise, but another Paul, Hastings lawyer attending the dinner was able to help. The three lawyers caucused, and the firm ended up working on the new matter for UBS.

Baker & McKenzie’s ten-year-old key client program has more than 100 clients. Some in-house counsel from these companies are flown to the firm’s regional or annual meetings every year to meet with their respective Baker lawyers and discuss the firm’s current work for them, the state of their respective industries, and their future with the firm. “We will sit down with the client at these meetings and ask, ‘What are you interested in talking about?’ And they might say, ‘You know, we’re interested in FCPA,’ or environment, or antitrust, or whatever it is. And we bring in a lawyer working in that area and then give a presentation to the client,” says Alan Harvey, a member of Baker’s executive committee.

Lavishing this attention on clients isn’t cheap. Though Baker’s Harvey would not

divulge the costs of the firm's key client program, he admitted that the firm puts aside a "significant" budget each year for partners to travel to clients' head offices and talk to them about the relationship. The firm also springs for the cost of the clients' trips to the annual retreats, and pays for "secondments" so that associates can work at key client offices.

There are other knotty issues with these programs. Key client initiatives change the standard relationship where one partner is typically credited with maintaining a client relationship. And this can be tough for some—particularly the rainmakers—to accept. "It's very easy to create a client-relationship program. It's very difficult to

come in are extremely protective of their client relationships," says Coulter. "They want their clients to be portable in case things don't work out at the firm." According to Baker's Harvey, client care programs may take a bit of the spotlight away from individual lawyers, but, he says, "at a firm where it's every man for himself, that doesn't develop the global relationship. Partners these days are interested in working on big-name clients like Google, Cisco, Nike. . . . They realize that they have to be at a firm. . . . It's very difficult to be a lone gun working with prestigious clients."

Compensating partners working for these key clients is complicated. Rainmakers need to be rewarded not just for the le-

this metric as well. "How I get paid? I'm not really sure," Wareham says, partly in jest. "There's no metric, no algebra. Does somebody know how many hours I billed? How many pro bono hours I spent? [Yes.] How they put it together and get XYZ, I don't have a clue. I have been rewarded for helping to expand the UBS client relationship." Wareham adds that Paul, Hastings lawyers working on client teams get compensated on the basis of metrics such as "quality" and "intensity."

At Clifford Chance, which generally uses a lockstep compensation system, the ten-year-old 250-client U.S. program is so ingrained in the culture of the firm, according to Craig Medwick, managing partner for the Americas, firm lawyers are expected to willingly work on their client teams and seek to expand the relationship. "We don't reward people extra dollars for doing the right thing as a partner. It's a reward unto itself if you're seen as a leader on a client relationship," he says. "If you've done a great job institutionalizing the relationship, it's a wonderful thing, and we don't feel the need to give people extra money. It's their job to do this."

Firms with these programs hope that they've made the right bets in picking which core clients to lavish attention on, and that they can continue to leverage these relationships as the economy rebounds. As Paul, Hastings chief marketing officer Meg Sullivan puts it, the firm hopes that key clients "turn to us both in times of need and in times of growth."

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execute it," says Orrick chief client service officer David Fries. "It requires true commitment and buy-in from the top of the organization."

Hildebrandt's Coulter echoes this point. "This is a culture change, and it has to be carefully introduced and well thought-out," she says. "Client teams override offices, practices, geography—it really overrides everything. And all of the firm's members [become] part of the client team."

Key client programs can also act as a sort of lateral repellent. "Laterals who

gal work that they do, but also for expanding the client relationship. Not surprisingly, firms are creative in remunerating their key client partners. At Paul, Hastings, partners are paid according to an "overall contribution" compensation system, in which lawyers are judged on the basis of their overall servicing of the client and firm. Global litigation chair Wareham says that every year he gives a formal presentation to Paul, Hastings's comp committee about the performance of partners working under him on the UBS team. He says that he's judged by