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Episode title: Law firms should leverage their ESG offerings, says new Stellar Performance report

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Gina Jurva: Welcome back to the podcast everyone. I'm your co-host, Gina Jurva back with you today to talk about our Thomson Reuters Stellar Performance report. This report summarizes the key findings of Thomson Reuters skills and progression 2021 mid-year survey, focusing on law firms and their clients. Now the wider research over recent years has identified a subset of core law firm competencies which are of increasing importance, including specialist expertise, business acumen, service, technology and of course, pricing to clients. From this year's survey there were four main takeaways. I'm going to be discussing two of those today on this podcast and the two that I will be focusing on are opportunities for firms to better leverage their environmental, social and corporate governance or ESG service offerings, which is an extremely hot topic in all marketplaces that we work in here at Thomson Reuters, that ESG piece. Also, how firms can improve the effectiveness of the law firm client partnership. Typically, on these podcasts, the areas I cover are corporate legal departments, and so a lot of this will be coming from the corporate legal department lens and really asking the question on what can general counsel and corporate legal departments, in general, takeaway from the survey and the report. Well, joining me today to discuss the findings from the report is Jen Dezso, Director of Client Relations at Thomson Reuters Market Insights and Thought Leadership Acritas team. And her team compiled the responses to the survey and produced this report, which is really a treasure trove of information if I do say so. Jen, thank you so much for taking the time to join me today and talk about this report.

Jen Dezso: Absolutely thrilled to be here and can't wait to have this discussion. Lots of interesting topics to unpack.

Gina Jurva: Yeah, it's so much in this report and I absolutely encourage everyone to read the entire report, and we're going to focus on two pieces of it, but there's so much to talk about, but for those who aren't familiar with this survey and the report can you explain what is it about and really, why create a report like this?

Jen Dezso: Sure, so the Stellar Performance research is really one of my favorite studies that we do every year. Essentially twice a year we reach out and conduct a study with standout outside counsel lawyers. Now I want to be real clear - we are not deciding which lawyers are standout, so we go out, we interview General Counsel and we ask them to tell us which lawyers they work with, who they consider to be truly exceptional. So, who are they, you know, really, setting that benchmark for all outside counsel relationships. We then go and interview those lawyers to understand what it is that might be making them so successful in the eyes of clients, so we talked to them about things like satisfaction with their firm, what are the support systems that are in place at their firm? We ask about well-being, collaboration, progression. Basically, if it relates to talent development and retention in any way, we're asking about it and our ultimate goal with the research is to share this information back with the law firms so that they can really develop more of these truly exceptional lawyers who are going to be more in line with what it is that general counsel and corporate law departments are looking for in that outside counsel relationship. So, hopefully elevating the entire kind of lifecycle of the relationship.

Gina Jurva: Now that's brilliant. And getting those type of insights I think are so important to really get in the minds of corporate legal and understand what makes these relationships work. How many attorneys responded to this particular survey?

Jen Dezso: So, in this latest round, more than 1,100 lawyers participated, and the research spans you know about 50 or so different countries. So, it's truly a global initiative in nature now. What's great about having the scope so having 1,100 interviews to what I say play with because I like getting my hands dirty with the data is what that really lets us do is really dissect the data across different segments of lawyers and we can then identify and understand some differences in those lawyers across different regions and you do start to see that come out in the research along the way, so I find it fascinating.

Gina Jurva: And is there a particular region of the world that had more responses than others? Was it more US focused or like what were the regions that we got the responses from?

Jen Dezso: So, the primary regions are US, Canada, UK and mainland Europe make up the bulk. That said we had interviews that came in from Africa, Australia, Asia Pacific is a big another region. So, it really does span every major marketplace where there are law firms sitting, but the core regions are kind of that US, Europe, Canada, Asia Pacific regions.

Gina Jurva: Great, great well that, I mean, it's I'm again very fascinated with this survey and the reporting to talk to you about it and specifically around the ESG findings. Now, the way I read the report, it seems to suggest that lawyers globally recognize the high and increasing importance of ESG issues to their clients, right? But there are regional differences in the progress of the ESG agenda. So, can you talk more to that?

Jen Dezso: Yeah, so that's a great question. So, ESG, it really is an emerging area that we're hearing about both in our research with corporate law departments as well as with law firms. And as you point out, lawyers are really in tune with the fact that this is an emerging trend. In our research, about 85% of law firm lawyers said, you know, ESG is this area of increasing importance to clients. Now, I don't want to get too off track, but there are two ways that clients are thinking about ESG at the moment. So, first is really from the perspective of, you know, how are their corporations dealing with their own commitment to ESG. So, what are the potential legal implications of any plans that they do? Or maybe they don't have in place at this moment? There's also the secondary perspective, which is the ESG requirements that companies may be imposing upon their supplier relationships. So, in essence, what law firms need to be thinking about, not just when it comes to handling the legal issues with ESG, but also what it comes to for their own ESG plans. So, do they have to meet certain requirements in order to maintain some of these relationships with their clients as well? Now to go back to kind of that increasing importance perspective and some of the differences that we saw by region, there were a couple of really notable ones that came out. So, for example, lawyers that are based in the UK, they were more likely to see ESG as this area of increasing importance than lawyers based in the US. And I don't want that to be a sound bite because I want to be real clear. This is not because US lawyers are less in tune with clients. In fact, in our General counsel research we actually see that same trend where US clients are also rating the importance of ESG a little bit lower than their UK peers. Still important, but they're just rating it a little bit lower. So, the law firm lawyers are actually in tune with this dynamic. The difference in where that's really stemming from has more to do with the types of work that impacts clients in various regions around the world. So, clients who are based in the US, and by association their lawyers who are serving them, they're a little bit more focused on litigation and disputes than, say,

clients who may be based elsewhere around the world. So, for our US clients, we tend to see litigation management and avoidance are kind of taking that top priority space in terms of what they're thinking about in order of importance. And if we look at the fact that where we're at right now we're starting to see sort of litigation ramp back up in the US. So, courts are reopening or else they've figured out how to deal with trials that are virtual. We're starting to see that that's kind of really picking up, so that's where those minds of those buyers are right now and so in the hierarchy of what clients are really thinking about, that litigation is really taking that top spot right now. It's not that ESG is not important. It's not that US lawyers don't understand that ESG is important, they're just dealing with kind of other, more pressing issues at the moment.

Gina Jurva: No, that that makes sense. I mean, even with we put out along with Thomson Reuters Regulatory Intelligence earlier this year, we put out the ESG Global Regulatory Environment report. And, you know, I think that that was really reflected there as well. That although the US does absolutely care about ESG regulations from the standpoint of who is maybe a little bit further ahead, it was UK and the EMEA region they seem to be more ahead of that. And obviously, as you said with courts and other things opening up now, we're going to see a surge in the ESG importance. I think in the United States, or at least more emphasis on it from the people I've talked to, it sounds like that's the kind of the same here too as well.

Jen Dezso: Yep, absolutely.

Gina Jurva: So, and I think we know, we discussed this, but you know, ESG service offerings are still at a relatively early stage of development across the industry as a whole. And I think you've answered this, but really, why is that not to put too fine a point on it, but I think it's what we were just saying, right? That we're starting to open up again, we're starting to think about what's important and what will continue to be important in 2022?

Jen Dezso: Yeah, it's what's really interesting is, it is. It's an emerging area, but like many emerging quote unquote areas in law, a lot of them have been around for quite some time, so I think what we're starting to see is ESG is really becoming a topic of interest in the public sector. And particularly when you package it as ESG, right? Like environmental, social areas, governance. These aren't new areas of law, but packaging them together into this new unit is, and so in fact, when you kind of look over time, this has been an area of interest in the private realm for a really long time, so investors would always assess their potential investments by looking at ESG plans of a company as part of their assessment and so what we're starting to see is this is really crossing over into the public realm as well. So, you have shareholders now who are going to be frequently looking at similar metrics that private investors used to look at. So, I think this is why you're really starting to hear about it with far more frequency, there's a lot of shareholder activism that happens in the industry these days, and so this is really why it's become such a topic of conversation. But to your point, at the end of the day is it *that* new? I don't know I'd argue with that for a little while.

Gina Jurva: Yeah, I agree with you too, I think it really is how you put it, is like how you package it because the issue of either companies or public sector, environmental crimes in general, like if you're committing some type of environmental hazard or crime, that's clearly a risk issue that's always been there. And on the social piece I know whether we're talking about human rights, I know that's the UK and EMEA seem to take it more from the human rights element. On our side it's more of the diversity equity inclusion, when I say "our" I mean the US. So, these things have been there and even on

governance, right? Like what now that the C-Suite and the leaders and businesses are really starting to take notice of this as a packaged piece of subject really that they have to watch out for. I think we're going to see differences and more emphasis on it. But let me ask you this, what can law firms do to better leverage ESG service offerings?

Jen Dezso: Ah, just a nice easy question, right? So, you know, and I think this really applies to any emerging area of law, so whether, you know, 10 years ago it was cybersecurity was the whole new big rage. And now we're talking about ESG. There's always an opportunity for law firms to stand out as true thought leaders when a new area kind of comes into play. So, one of the things that we hear about time and time again in our research with corporate law departments is they just want to know how to better protect their companies from that potential risk so however they can get ahead of that issue, whether it's ESG, whether it's another area that's going to give law firms the opportunity to really become this trusted partner in any developing area. So, you know, off the cuff, I would really recommend law firms try to consider you know, how do you bring clients together in the same or maybe even complementary industries to talk through how this area is really evolving for them. So, you know, really talk through what is what needs to be tackled today, what's kind of the near-term pressing issue, and what is something that a company needs to plan for over the next two to five years as we start to see everything evolve. Start with the industries where you know the issue is more top of mind. Our research with general counsel shows those, not too surprisingly, sitting in the energy industry is truly that most pressing concern and challenge in 2022, so it's more so than cost containment, more so than the regulatory environment. ESG is their top number one strategic priority and honestly, for the last, I don't know 15-20 years that I've been doing this research in that industry it's always been cost management, so the fact that ESG has superseded that in terms of what those buyers are thinking about is really telling how important of a topic this is becoming. That said, I would say a great opportunity for a law firm right now is to just really engage in those holistic conversations with clients because it's emerging not every client is going to put the same importance on this and so just start talking to your clients about what are their wider business goals of the organization. How does ESG fit into it? The worst they're going to tell you is it's not a priority for them right now, but you'll still get that unique take on what is top of mind for them, but most of them are starting to really have this as part of the list of things that they're looking at when they're thinking about the risks that they need to mitigate for their organization.

Gina Jurva: That's great advice, have those conversations. Figure out what's in their minds and then try to try to align trouble line with that. Yeah, so a second part of the survey, *the* second part of the survey I wanted to talk about in the report that interests me, related to specifically to corporate law departments, and those opportunities that exist to improve the law firm client partnership. And you know ESG is obviously having the conversations like we mentioned is one part of that, but you, rather you and your team pointed out three key connected areas that exist to really improve that relationship. Pricing, scoping and project management. So, I'd like to take each one separately because they are separate issues and really start with let's start with pricing. Is there a lack of innovation in law firm pricing approaches?

Jen Dezso: You're putting me on the spot, aren't you? Yeah, so this is riddled with some land mine. I will just say I'm the messenger here. I'm sharing with you what general counsel tell us. Uh yeah, inevitably every time we talk to corporate law departments about the relationship that they have with firms, the conversation at some point turns to pricing. So, whether it's how they want to see their firms improve or where they really want to see their firms innovate, cost management and pricing tends to be one of

those cornerstone topic areas that we hear about. So yes, there is a lack of innovation because clients continue to ask for it, and I've done this for 20 years and I've never not seen it on the list of things that clients are looking for.

Gina Jurva: Sure, and I think that - yes, totally clarify for the audience this is not you say this, you are merely the messenger. You are providing the information that has been relayed to you, which is a value to everyone, even if it's something we don't want to necessarily hear. Are there some ways, creative ways, that based on your research, you think that this can be remedied? Is it alternative fee arrangements like what are some things that law firms can do when working with corporate clients to help alleviate some of this?

Jen Dezso: Yeah, so this is where I appreciate you wanting to tackle these issues into three separate components. There's just naturally going to be some overlap between them because AFA's are kind of the easy sticker that people put on saying. Here's how we're going to fix pricing we're going to start talking about alternative fee arrangements instead. Alternative fee arrangements were really corporate law departments' response on how to get law firms to talk about costs before the work was done. And that's always the biggest gripe that we hear about when it comes to pricing at the end of the day, it is frequently less about the total number and the cost I'm not saying that we don't have truly cost sensitive buyers out there, but it is more about the predictability of the cost. Because clients at the beginning of the year, actually towards the end of the year, they just went through this process, are setting up their budgets for the upcoming year, and they need to meet that budget and going under budget and over budget are both actually equally bad. So, going over budget, we all can kind of understand instinctually, you know, nobody needs to spend more money than they put aside for a law department, though, going under budget can actually be equally a bad sort of business strategic decision, because what they do is they of course set that money aside. So, whether it's in a litigation reserve or whether they've just earmarked certain dollars. If they go substantially under that they suddenly have to answer to the CFO and the COO and say, hey, I thought we were spending \$5 million we could have reinvested that in the company. What's happening here? So, it's really important for them to be able to accurately predict what is going to be spent. That said I probably can't curse, so I won't, but we know that things happen along the course of a matter that will up end. So, unpredictability is kind of part of what we do on a day-to-day basis and how you manage for that, and clients understand that as well, but then that's where the communication piece becomes so critically important. As soon as something changes in the course of a matter, they need to understand the cost, impact. And so again, this is where those AFA's become so useful to them, because it's a really effective tool to have the conversation about pricing that takes it off just the dollar amount it actually talks about the methodology it starts talking about what do you do if an unforeseen issue arises? It breaks it down into concrete kind of tasks that they can understand and plan for differently. So AFA's, while I would love to say they're the great easy silver bullet it's having the conversation effectively, but about the AFA that's what clients are looking for, and quite frankly, even today there's still few firms that are effectively even managing that conversation.

Gina Jurva: Well, I think that dovetails nicely into the scoping, you know, question, and it's another area where according to the report there could be an improvement in both law firm corporate client relations and from what I read, 1/2 of all matters in your research exceeded the original price estimate, so I have to ask is that unusually high?

Jen Dezso: Uh, no. I think that is one of those areas where there's a lot of reasons, like a cost estimate is not going to be where it was originally, and it is not because there are going to be a handful of instances where it was just underbid work and so of course now it comes out to be higher. Usually, it's a different set of expectations between the law firm and the corporate law department or something substantive changed in the course of the matter that was not planned for originally. And so, it was maybe not discussed at the onset as a potential outcome. So, if you have sort of you know part of your when you're planning for it, you hypothesize that you need 5 depositions, but suddenly you find yourself up against a really aggressive opposing counsel, and you need to do 50 depositions. Well, that's a pretty major impact on cost that probably should have been included in that original estimate as a potential outcome, but that's where AFA's has become a lot more effective as a tool to manage the conversation rather than just saying, here's how much this is going to cost in a best case scenario, knowing that many times the best case scenario doesn't happen, so, I think in terms of and apologies 'cause I'm going to anticipate a question a little bit, but I think where you start to get to better right from both the law firm and the corporate law department perspective is making sure you're forcing that conversation. It's easy to get caught up in that time sensitivity of we need this matter resolved. We need to move forward, but taking that time and having an hour conversation about expectations of what really a piece of work is going to entail and what's going to impact the cost. Make sure everybody is aligned at the very beginning on what the cost is going to be, because that's usually where we see that biggest discrepancy is there's just the misalignment in expectations.

Gina Jurva: Yeah, that's great advice, and I think that's really good insight and just having those conversations and setting those expectations and really thinking about, I know it's hard to anticipate all the things that could happen, but try at least laying it out as potentials if you can foresee them. Sounds like a right approach to this. The last thing we want to talk about before we get to the end of this is really, the project management part, so you asked standout lawyers to rate their client's performance on those key attributes that they previously indicated are important for client teams to demonstrate, the lowest mean score awarded was for project management. Tell me more about that.

Jen Dezso: So project management is always kind of the big elephant in the room. Many times, I will choose my words carefully again, most lawyers, whether they are in house or outside counsel lawyers, are not maybe officially trained in project management, and I think it becomes a very quickly apparent sore point and weakness and maybe undervalued skill that people can bring to the equation. And so, you know, the big question becomes, who's responsibility is really the project management? Does it fall to the client side? Does it fall to the law firm side? I would argue it's probably a combination of the two working in tandem, and that's really where you start to see things like communication at its core project management is always a communication issue. It's again about setting those clear expectations about being really articulate and responsive when something does change. All of the value from project management comes the second something doesn't go as planned 'cause we can all manage kind of, you know, put it in the machine and it's going to come out the other end just as we hoped it would, most of the time that doesn't happen, and so we need someone to deal with those changes, but everybody's workload is at such a point that it's really hard to deal with those changes when they arise and this is something we see on both sides. Both corporate law departments this past year, past 18-24 months at this point, have seen a massive uptick in their workloads. Same is true on the law firm, lawyer side, and so it's again even more important now to be sitting down and having those conversations about when do we want to do updates? How frequently should they be? Who should be making the decisions? Who

do we need to come to? So, there's a lot of places that we need to reconfirm what that relationship looks like. Frankly, one of the things we've seen is expectations have changed over the last 24 months. Communication preferences alone, I know a lot of people that I'm talking to are saying I don't want another, you know, video conference meeting. I want to go back to the good old fashioned phone call. You've got other people who are like I don't want to talk to anyone. I just want the emails so reconfirming what does a good communication system look like between the law firm and the client is really important and people risk thresholds have changed and who needs to be involved in decisions have changed and all of that goes right back into project management. Because if you don't have that clearly defined at the onset of a case or a matter, it's going to hold up the decision making, it's going to hold up the whole trajectory of the project, and you're going to find yourself in the end going, "I'm not sure why we got off schedule but we got off schedule and this set us behind" and it's usually a monetary cost in addition to that time investment, so yeah, it's always this critical component that we hear about that both the clients as well as the law firm lawyers would like to see improved. I always of course because I'm like sitting at my own desk saying, "It's so easy. Just sit down and talk with one another", but it is hard to make the time to do it, but it's more important than ever to make the time to have that conversation.

Gina Jurva: Yeah, and I would also agree with you that, you know, having gone to law school myself, I wish if I could rewind, that I had taken a course of some sort in project management, it's just not what I was focused on. I was focused on litigation and passing the bar exam and all the things. But that's such a critically important part, even if you have support staff. That's going to help you with it. Having at least the basis of understanding 'cause truly I think having good project management skills, you cannot overemphasize the importance of it and the value you bring to the organization. Even as an attorney, even if it's not your full-time job to project manage, it still falls on you in some way, no matter if you're in corporate law, public sector, or law firm. It's an important skill, so that's my rallying cry for everyone to take a project management class. Or talk about temper training. But finally, finally Jen, overall, this report I like I said I, I absolutely recommend everybody take a look at this report. What can lawyers and law firms do to best prepare for the future based on all your research and all the data collection you've done thinking into 2022, what can they do today?

Jen Dezso: you are going to be stunned by this answer I'm sure, but sit down and talk to one another. I mean right now more than ever, it's really important to pull yourself out of the day-to-day of the work and again it's so easy for me to say that. I get it, but to sit down and re-meet about what are the wider business organization goals? What are you trying to achieve? What's changed for you over the last 24 months that we now need to be thinking and bring into this relationship with you? I think using this report is a great kind of almost outline agenda for it, which is we know more and more organizations are talking about ESG. How does that fit in? Is it more about environmental? Is it more about diversity? To your point, ESG is a really broad topic. What are the pieces that are most important to them? If the client is talking more about kind of the project management and we're trying to be more efficient, that's again, protect the company, be better at my job and be more efficient. Those are always the top three goals that general counsel and corporate law departments have. Which one is first is going to be unique client by client, but that's really where that project management, pricing and scoping piece comes into play because if cost containment and more efficiency is going to be top of mind for an organization you're going to need, to your point, need to be bringing those project management skills into the conversation, so I think again, sitting down right now, having a broader conversation than what is the

burning fire on my desk, right? This second is really critical to do because we're at a great point, right? We're about to start a new year. It's a great time to just realign and do that check in because both sides of the relationship, quite frankly, are going to benefit greatly from making sure that they understand what is most important to deal with today and tomorrow.

Gina Jurva: Great advice, great report. Jen Dezso, Director of Client Relations at Thomson Reuters Market Insights and Thought Leadership. Thank you so much for joining us. It's a pleasure chatting with you and I look forward to seeing what 2022 brings for law firms, for corporate law departments and all of us here at Thomson Reuters. Thank you so much.

Jen Dezso: Great, thanks for having me.

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