

Price not the only factor in choosing the right law firm

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Picking the right legal partner is often a challenge, especially if a company needs expertise in a specific area or is on a tight budget.

The economic downturn has forced companies to cast the net wider in the search for the most suitable law firm for their needs, and carry out tenders – previously a rarity – to find the best balance of price and value.

But finding the best law firm is about more than just price. Market players also list experience, reputation, ranking and past performance on specific projects as key factors to consider when making the choice.

According to various estimates, the legal market dropped by up to 40 percent since the start of the crisis in fall 2008, with the number of business projects down and spending on lawyers more modest than previously.

Using a number of different law firms and holding tenders used to be a rare feature on the Ukrainian market before the crisis, but not anymore.

“We use multiple partners for different tasks which require various skills,” said Artem Kryzhanovsky, financial director of 3M in Ukraine, a global technology company.

Law firms have responded by looking for specific niches and setting up boutique firms, which deal exclusively in one or a select few areas of legal practice.

“Recently we stopped using big law firms on a regular basis, limiting cooperation to a minimum. We try to do everything with in-house lawyers as much as possible,” said Svitlana Ivashchenko, head of the legal department at Cheese Club Corporation, a dairy producer.

Still, assistance is necessary on specific kinds of projects, in particular mergers and acquisitions or international trade, where global expertise is needed, she added.

In this case, Ivashchenko sets closed tenders to choose a firm.

Experts pick out five elements crucial in making the right choice:

Longevity

The year a firm was set up is one of the most reliable criteria for selection. The oldest Ukrainian law firms emerged in the early 1990s; at the same time the first international firms entered the market. Many such firms have a strong reputation and offer a wide range of legal expertise in all areas of business.

Younger law firms have built their strategy focusing on specific areas of practice.

“Many lawyers who studied abroad have predicted the demand for certain legal services and set up firms to satisfy it, for instance, the boom in cross-border lending

and deals on international capital markets [in 2005-2008],” said Olga Usenko, chief editor of the Ukrainian Journal of Business Law.

The development and growth of the market has significantly encouraged lawyers to look for niches, and the downturn has accelerated this trend, giving birth to many boutique law firms.

“Still, to be a credible law firm, it should have been operating on the market for at least five years,” said Max Nefyodov, director of investment banking at Dragon Capital investment bank.

Word of mouth

Insiders’ views from previous clients are a crucial tool for selecting the most appropriate legal partner.

“The best instrument to find an experienced company with a good reputation is a recommendation from their clients,” said Alina Bubko, a lawyer at Colliers International, a global real estate company.

According to the clients approached by the Kyiv Post, the reputation within the market plays an essential role when inviting a law firm to work on a project. Reputation is formed either by recommendations or references from clients, customers or business partners, or experience and impressions from previous cooperation with a firm or lawyer.

“The reputation on the market and our prior experience with a law firm play a crucial role when selecting a legal partner for a client or a project,” said Nefyodov from Dragon Capital.

“To participate in our closed tenders of five to six firms, we normally invite those recommended by others or those who showed good performance in the past.”

Ranking

Many companies that operate in Ukraine or just entered its market from abroad are not well-informed about the legal services available. These firms often use independent international business directories that conduct annual rankings within the legal market. These directories collect information about firms’ projects, the value of deals worked on and expertise, and provide relevant recommendations.

“If there is no in-house lawyer [within a company] with insight into the market, then ranking is helpful to select a law firm for outsourcing,” said Cheese Club Corporation’s Ivashchenko.

“International directories are a good source of information, but they still can’t provide information about the quality of service,” said Usenko from the Ukrainian Journal of Business Law.

The most respected directories are produced annually, and many have rankings going

back for decades. Big names include Chambers and Partners, Legal 500, International Financial Law Review (IFLR) and Practical Law Company (PLC) Which Lawyer.

Projects fulfilled

The scale and the value of projects that a law firm has worked on also give a good indication of its performance. Many Ukrainian and international rankings of law firms use the value of deals to measure its importance; others pay more attention to the expertise in specific and complicated projects.

“For us the complexity of projects [implemented by a firm] plays a bigger role than the value of it,” said Dragon’s Nefyodov.

Price

After the economic downturn, most market players say pricing became more flexible on the legal market. Rates have significantly dropped and law firms are more often prepared to negotiate on price.

Price is therefore no longer a crucial competitive advantage, and clients are much more focused on the service.

“Alongside a good reputation, speed and quality of projects, an appropriate balance of price and quality is what we look for,” said Kryzhanovsky from 3M.