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Business decision: Consulting firm or law firm? How about both?

Settling complex insurance claims, managing regulatory issues or negotiating contract disputes are just a few examples of situations that might require greater expertise from either a consulting firm or a law firm.

The decision of which to choose depends on the specific needs, and sometimes the best solution is a combination of both.



EXPERT ADVICE

GEORGE
HANSEN

- **Law firms: Keeping it legal.** Typically, if regulatory issues are a consideration or if there is active litigation or the real potential for litigation, law firms are the most appropriate choice. Individual lawyers typically have a focused specialty, which can be an advantage to companies seeking a solution to a particular situation. In addition, where particularly sensitive issues are involved, some companies may prefer to work under the attorney-client privileges that law firms can provide.

- **Consulting firms: Business matters.** If the situation facing a company is principally a business or financial issue, such as

pursuing cost reductions through improved purchasing practices or conducting due diligence in mergers and acquisitions, there are financial and management consulting firms that excel in these and other areas. Some consulting firms also offer in-depth strategic advice for analyzing and resolving complex business issues and disputes.

- **Team approach:** Best of both worlds. Many companies also face complex situations that do not appear to fall cleanly into either category. In these situations, such as a contract dispute that has not progressed to litigation or a complex insurance claim that requires detailed analysis, a law firm may have the legal expertise regarding the contract in dispute, but it may lack the financial/analytic expertise to adequately inform the client regarding the benefits or risks of pursuing litigation vs. settling at a given value.

Conversely, a consulting firm would lack the ability to apply litigation pressure if needed, nor would it be able to consistently advise the client regarding legal precedents upon which any financial analysis would be based.

A team approach is likely the best in such a situation, particularly where the stakes are high and the cost of a poor decision is worth the increased transaction cost of employing two advisers. In the litigation

scenario, it is often a successful strategy to have a designated team of settlement advisers working behind the scenes at the same time a law firm is pressing the litigation.

- **Homework.** No matter which approach is taken, company officers should do their homework before hiring an outside adviser.

Does the firm return phone calls promptly? Does it seem to want to earn and retain the company's business? The firm's responsiveness at the very beginning is an good indicator of things to come.

Verify that the firms have handled similar cases in the past. A company should not have to pay for a "generalist" to learn on its dime. Ask for client recommendations, and ask those clients what results the firm was able to produce for them.

Look for a firm that is open to exploring alternative fee structures if the situation is appropriate. And look for a firm that is willing to play a role on a team. A "my way or the highway" attitude doesn't typically work in the client's best interest and could be a sign of trouble down the road, especially on inter-disciplinary teams.

GEORGE HANSEN is a founder and managing director of The Claro Group LLC (www.theclarogroup.com), a financial and management consulting company.