Managing Outside Counsel: Moving from Vendor Oversight to Strategic Partnership

Law Department Management

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Cheat Sheet

- **Focus on the lawyer.** Firm reputation matters, but success turns on the individual handling the matter — know who owns the work, the budget, and the client relationship.
- **Treat it as mutual work.** Trust runs both ways: in-house counsel should remove obstacles and communicate business needs clearly, while outside counsel communicates early and candidly.
- **Make budgets a management tool.** An early strategy, a real budget, and status reports that explain choices — not just log time — keep matters on track and build trust.
- **Manage risk deliberately.** Intentional staffing, careful use of AI, and strong cybersecurity practices protect both the budget and the client relationship.

Corporate legal departments depend on outside counsel. That is not likely to change. Specialized expertise, local knowledge, trial experience, and extra capacity are often essential. The challenge is not whether to retain outside counsel. The challenge is how to manage the relationship so that it serves the client, the matter, and the business.

The best outside counsel relationships do not feel like ordinary vendor relationships. They feel like professional partnerships. That does not mean giving up discipline around budgets, staffing, billing, or strategy. It means setting expectations clearly enough that both sides know what success looks like before the work begins.

In my experience, outside counsel management works best when in-house lawyers focus on three practical questions: Who is doing the work? What is the plan? How will we know whether the plan is still working?

Start with the lawyer, not the firm name

A law firm's reputation matters, but the individual lawyer matters more. The person handling the file will make the judgment calls, write the briefs, take the calls, evaluate settlement, and explain the risks. That lawyer, not the firm logo, usually determines whether the relationship works.

There are exceptions. Large matters may require a broader platform, multiple practice areas, or a deep bench. Even then, in-house counsel should know who owns the matter, who will appear in court, who will communicate with the client, and who will be responsible for the budget.

Outside counsel should also understand that trust is earned over time. Most lawyers interviewed for a matter are competent. The more important question is why this lawyer should be trusted with this client, this budget, and this problem. Good outside counsel makes the in-house lawyer better informed and better prepared. Great outside counsel makes the in-house lawyer look wise for having retained them.

Who is doing the work? What is the plan? How will we know whether the plan is still working?

Treat the relationship as mutual work

It is easy to put all responsibility on outside counsel, but the relationship is not one way. In-house counsel can make outside counsel more efficient by providing documents promptly, explaining business objectives clearly, identifying the right internal contacts, and paying approved bills without unnecessary delay.

Outside counsel has many clients. In-house counsel usually have one employer and a much narrower margin for surprise. That reality should shape relationships. Outside counsel should communicate early and candidly. In-house counsel should remove avoidable obstacles and make expectations plain.

Some of the strongest professional relationships are built on ordinary habits. Return calls. Send concise updates. Do not bury bad news. Ask before spending significant money. Explain why a task matters. These simple practices do more to build trust than any marketing pitch.

Require an early strategy and a real budget

Every significant matter should begin with an early assessment. The assessment does not need to predict the future with precision. It should identify the issues, the desired outcome, the risks, the path, and the expected cost of each major stage.

A budget is not just a number. It is a management tool. It forces everyone to think about what work is necessary, what work may be optional, and what work is unlikely to change the result. If the assumptions change, the budget should change too, but the client should hear about it before money is spent.

Budget conversations should focus on value, not just cost. Sometimes an expensive motion, expert, or deposition is worth doing. Sometimes it is not. The crucial point is that the decision should be intentional and tied to the client's objective.

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Make communication part of performance

Many client frustrations begin with silence. A lawyer may be working hard, but if the client does not know what is happening, the relationship will suffer. Effective communication is not courtesy. It is part of the legal service.

Status reports should do more than list activity. They should explain what happened, why it matters, what choices are available, and what outside counsel recommends. In-house counsel needs advice that helps them make decisions, not a chronology that simply proves time was spent.

The best outside counsel understands timing. They do not wait for the client to ask about a major hearing, an adverse ruling, a settlement opportunity, or a budget problem. They call before the issue becomes a surprise.

Control discovery before it controls the case

Discovery can become the most expensive part of litigation. It can also become detached from the actual needs of the case. That is why discovery should be planned, proportional, and tied to strategy from the beginning.

Outside counsel should consider whether informal exchanges, targeted requests, or staged discovery can answer the key questions without unnecessary motion practice. In-house teams should also use internal litigation support and records resources when available. Centralized collection and review can reduce cost and improve consistency.

The goal is not to avoid discovery. The goal is to make sure discovery serves the matter rather than becoming the matter.

Staff matters with intention

Clients notice overstaffing. A matter may require associates, paralegals, subject matter specialists, or additional trial support, but the need should be explained in advance. More people do not always mean better service.

In many matters, one experienced lawyer with appropriate support can manage the work effectively. If more than one lawyer needs to attend a deposition, hearing, mediation, or trial, the reason should be clear. In-house counsel should ask whether the additional attendance changes the outcome or simply increases the invoice.

Efficient staffing does not mean understaffing. It means matching the team to the task and being honest about what each person adds.

> A budget is not just a number. It is a management tool.

Use billing guidelines as a conversation, not a trap

Billing guidelines are useful only if both sides understand them. They should explain what the client expects regarding staffing, research, travel expenses, time entries, invoice timing, and approval of significant work.

Detailed time entries matter because they tell the client what was done and why. Entries such as review files, prepare documents, or conferences with teams do not provide enough information to evaluate value. Clear entries reduce friction and make invoice review more efficient.

Fee structures also deserve thoughtful discussion. Competitive legal markets may create room for alternative fees, reduced hourly rates, phased budgets, or success-based components. If a success fee is considered, it should be negotiated at the beginning, not after the work is complete. In my view, success fees require particular care because they can become one sided if they are not connected to meaningful risk sharing.

Talk about resolution early

Outside counsel should evaluate resolution opportunities from the beginning. That does not mean every case should settle early. Some matters should be defended aggressively. Some meritless claims should be challenged promptly. But the client should receive candid advice about risk, cost, and timing throughout the case.

Few things are more frustrating than a settlement recommendation on the eve of trial after substantial money has been spent. Sometimes late developments change the analysis. Often, however, the same recommendation could have been made earlier. Early evaluation protects the client from spending money that does not improve the outcome.

Substituting counsel shortly before trial is another step that should be approached carefully. New counsel may bring fresh perspective, but they rarely know the record as well as the lawyer who handled the matter from the beginning. There are exceptions, but they should be true exceptions.

Address AI without losing professional judgment

Artificial intelligence will continue to affect legal service delivery. Legal departments should not ignore it, nor accept vague assurances about it. The issue is not whether technology can help. The issue is whether it is being used responsibly.

Outside counsel should maintain human review of any technology-assisted work, protect confidential and privileged information, use tools with appropriate data protections, comply with professional obligations and court rules, and be prepared to explain how technology was used when the client asks.

Clients should also be clear about billing. Technology should improve efficiency and quality. The client should not be asked to pay for a lawyer learning a new tool, experimenting with prompts, or treating general technology adoption as matter-specific legal work.

Take cybersecurity seriously

Law firms receive privileged communications, business records, personal information, financial information, and sensitive litigation materials. A cybersecurity failure at a law firm can create risk for the client even if the legal work is excellent.

Legal departments should have reasonable expectations regarding secure communication, access controls, multi-factor authentication, device protection, retention practices, and prompt notice of security incidents. These expectations should be discussed before sensitive material starts moving between organizations.

Cybersecurity is no longer a back-office issue. It is part of outside counsel management because it affects privilege, confidentiality, business risk, and trust.

> Trust is built in small moments before it is tested in large ones.

Remember that every contact matters

Every interaction outside counsel has with in-house counsel affects the relationship. A successful result may not guarantee future work if the experience was frustrating. Slow responses, unclear bills, surprises, unnecessary staffing, or failure to listen can damage the relationship even when the legal outcome is favorable.

The opposite is also true. Outside counsel, who communicate clearly, respect the budget, understand the business objective, and deliver practical advice will often be remembered long after a particular matter closes. Trust is built in small moments before it is tested in large ones.

Who is the client?

Outside counsel exists to make the client's work easier, and to do so ethically and transparently. Unless a request is genuinely burdensome, outside counsel should follow the client's reasonable procedures — and, above all, its billing requirements. That is not a matter of ceremony. The market for capable counsel is deep, and in most matters the firm needs the client more than the client needs any particular firm.

A colleague who serves as general counsel of a large company recently ended a long-standing relationship with a firm that would not agree to the company's outside counsel guidelines. The firm's position was all the more striking because it was simultaneously asking the company to accept the firm's own mandatory terms.

Conclusion

Managing outside counsel effectively requires more than negotiating rates. It requires clarity about roles, discipline around budgets, thoughtful staffing, meaningful communication, responsible use of technology, and a shared understanding of the client objective.

When the relationship is managed well, outside counsel becomes more than vendors. They become trusted partners who help the legal department protect the organization, improve outcomes, and deliver value. That is the point of outside counsel management. There are no more rules for their own sake, but better judgment, better alignment, and better results.

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