

Changing the Game Plan

Legal Marketing Magazine

October 2009

In these challenging times, the need to be more effective at managing strategic client relationships is ever more important. Those clients that continue to deliver revenue (albeit perhaps at significantly reduced levels) need determined focus, care and attention. Competitors are more desperate than ever to capture a share of their legal spend and are prepared to go to extraordinary lengths, in terms of both reduced fee levels and enhanced service promises, to secure the work.

At the same time, we must balance the pressure to meet escalating client demands for significant fee reductions to retain business in the short-term with continued, more strategic, investment in the relationship to secure future revenue streams at a level that will be profitable over a longer time horizon.

While holding the line in respect of continued investment in client relationship management (CRM) may be intellectually compelling, how can it be afforded in a business environment so bereft of resources? The answer lies in a combination of prioritisation and the deployment of limited assets as effectively as possible. While significant capital investment is off the agenda, and cash is in short supply, the key to effective relationship development lies in sweating existing capabilities to the full and becoming far more engaged in ongoing client dialogue. This is so as to identify different approaches to add value, lower costs and still maintain acceptable profit margins.

This means looking at CRM through a different lens; one that is much more client-centric and commercially attuned than most organisations in the legal sector have ever used before. Firms need to be prepared to work with their strategic clients to identify the key performance drivers that will deliver the result that the client desires at the price that the client is prepared to pay. There has long been suspicion that talk of 'managing the job to the fee' is a Machiavellian practice – my suggestion is that this should now become the norm as client and firm seek to identify a common ground.

In this new paradigm, the fee and outcome algorithm will be developed with the client, rather than behind closed doors, by making active choices about what the firm will (and will not) undertake.

There was a time (several years ago when the concept of a fixed-price arrangement was in its infancy) when firms would deliver their top-notch service regardless of fee. It was as if the fee charged for the job versus the amount of work that was taken to complete it were completely unrelated. In those days, clients received Rolls Royce service for the price of a Mini.

Some firms became more savvy (or commercial depending on one's choice of phrase) and started to align the fee chargeable in the open market with the level of service that was delivered. This new-found commerciality resulted in the diminution of professional points-scoring (for example, spending hours arguing around issues that were not of commercial relevance to the transaction) and a clear focus on delivering a high-quality legal service, on time, on budget and with acceptable margin. We now face the next phase of this process.

Rapid maturation in the management of client relationships is needed and the concept of 'partnership' between firm and client needs to be clarified so that both can enter into an open discussion about mutually beneficial structures to create a working relationship in which the economic exchange is fair.

What this means, in reality, for the vast majority of firms that operate in the middle-ground, is that new ways of working will be needed to reconcile the tension between client requirements for better service, in less time, for lower fees with the desire of the firm to maintain profits that are even approaching the levels that have been the historic norm.

A wholesale reappraisal is needed of the business model, with work being allocated on a project team basis and carried out at the lowest level of competency. In turn the role of the partner must change to one in which the management of the client relationship comes to the fore, with legal work being reserved for only those areas in which high-level skills are required. The partners of the future will spend the vast majority of their time in the role of project manager, relationship shepherd, team organiser and business developer. Of course, many will view this negatively as 'not what I signed up for when I went to law school', but such intransigence will pale when confronted with the commercial forces at play.

This new environment should create opportunities for those within the business development function to act as catalysts for this change process. These are the people who should be closest to the trends that are driving the market and best able to advise on how to play to a new game plan.



Andrew Hedley

Hedley Consulting

andrew.hedley@hedleyconsulting.com

Hedley Consulting advises the leadership teams of professional service firms on business development and change strategies that deliver immediate and sustainable improvements in business performance.