



### **Profitability, client feedback and implications for recruitment**



*Robin Dicks of the Thriving Company discusses the key requirements that clients have from law firms, which research has shown drives a law firm's ability to maintain and extend (or lose) relationships. In his view, these should be a major influence on the skills sets and behaviours that any firm should recruit and develop if it wishes to be competitive in the future.*

With the currently challenging environment for law firms, the pressure on fees and profit margins remains strong and can be expected to stay. Indeed a study published in early 2011, which included participation from 57 Managing Partners, identified that managing costs and pricing were two of the three most important imperatives for them<sup>1</sup>.

However, the most important issue was "client service" with 99% - yes 99% - of the Managing Partners including this in their top 3 areas of strategic focus and an overwhelming majority including it as the area of highest significance.

These things aren't mutually exclusive. Successful understanding of client service and what clients value reduces the pressure on profit margins. However, if a firm is to be successful in this strategic imperative of client service, there is a clear implication for the skills, capabilities and behaviours of fee earners and others with client contact.

As it is close to impossible to get everything right all of the time, which areas of client service do you need to prioritise because they will create the biggest financial return? The best route is to identify the most important requirements of your own key clients and market, through a well managed survey.

However, the following are some of the key capabilities, which drive the differences between losing share of work, retaining clients, and extending relationships, as we have heard from the many client research projects we have undertaken for law firms. Of course not all of these are directly driven by "service" – however many are. Thus it is useful to understand more detail about them in order to focus job descriptions, recruitment strategy, and training budgets on the areas that will directly aid the bottom line. These are some of the most important areas that clients typically describe as critical to their decision to continue to use a law firm, and comfort with using it for more work.

#### **Relationships and Rapport**

These are examples of statements made by law firm clients.

- *"Our most successful relationships are with businesses who have a deep understanding of us...(who) operate as partners."*
- *"I prefer to surround myself with people I am comfortable with...I'm uncomfortable with moving away from an organisation just because of a tender or drive to ensure lower costs."*

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<sup>1</sup> "The Legal World on its Future" – a "Looking glass report" undertaken by Winmark Europe

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- *“It’s driven very much by relationships with the individuals at that firm and your knowledge of them. They need to recognise that people like to deal with people.”*

Thus fee earners interpersonal skills, and ability to invest time in building strong relationships outside of the specific transaction or matter in hand, should be prioritised in the skills and capabilities that you build in the firm.

### **Commercial understanding**

- *“Would they know what the key priorities are for us, and the key trends in our business?”*
- *“Are people thinking like entrepreneurs...are they re-active or proactive in helping us manage risk...can they help with risk reduction?”*
- *“What would happen if in the panel process they were up against a firm who were essentially as good at claims, but better at some of the added-value things?...It would reduce their risk if they were to increase their strategic input...demonstrate more how they can help reduce claim costs...”*

Clients do not just expect technically correct legal advice. The more important requirement is the commercial impact the legal solution has on their business. We often hear comments about how fee earners showed (or did not show) their understanding of the client’s business. We also hear examples where the firm and fee earners clearly were happy to invest time and effort in doing this; and examples where they did not spend the time or ask the right questions. Thus the relationship becomes at risk. The ability to be pragmatic and (critically) the confidence and skill set to ask open questions are both key here.

### **Speed and other ‘service’ factors**

Factors such as *meeting deadlines, keeping commitments, the ability to offer advice quickly, keeping clients informed of progress and care and attention to work* can also determine if a firm continues to be retained for work. Importantly, clients often interpret poor responsiveness as evidence of a **lack of capacity** and feel that **the firm is overstretched**. This also can prompt them to try other firms. We have heard the following examples from clients who had begun to use alternative firms for some aspects of their work:

- *“Their response times leave much to be desired”*
- *“We had to chase all the time ... we said it was urgent but it still ended up drifting”*
- *“They didn’t communicate enough, or didn’t seem to be on top of things”*
- *“I don’t believe they have the resources”*

The competitive market for law firms is changing and these will be some of the areas where business is won and lost. Fee earners ability to project manage, communicate effectively, delegate appropriately and their openness and confidence in introducing colleagues to the client are all skills that we expect to continue to grow in importance.

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### **Value for money**

Price on its own is rarely a determining factor. However value for money is. The clients of one firm were clear as to their requirements:

- *“They always try to sell to us on price – but what we really want is to have a good job done at a reasonable price”*

Clients define value in different ways; for some it is based on the commercial value of the outcome and for others (for example) service elements are more important.

- *“It’s not just based on price...its meeting expectations in terms of the outcome and in the service...it’s providing something which is of value to the company at a reasonable cost”*
- *“Being reasonably priced, responding quickly, communicating well and getting on well with us”.*

A key driver of the long term health of the firm is the firm’s understanding of what drives value to each client. This means that the fee earners ability to ask the right questions, and to have the confidence and knowledge to price commercially and in a way which meets the needs of the firm and the client, is critical. Again, these are skills that successful firms will need to build.

### **Breaking down a key constraint to your growth – the ability to generate client awareness of specialisms offered**

We also hear a lot about missed opportunities from clients of law firms. Typically, this is where their main fee earner contact performs well on many key aspects, and where the client is open to using the firm for more work. However, the fee earner has not created a broader relationship or explored what other areas or legal issues may be important for that client. Clients often do not know the range of capabilities of the firm, and if they don’t, they tend to go elsewhere.

Again, skills sets and comfort zones, as well as internal relationships, often act as barriers to generating more profitable work.

- *“To put the firm in the best position to win more work, build up a relationship with the people that do the work in certain areas – e.g. the HR team. They may be the ones with work to hand out, not necessarily the Chairman, MD, or myself”*
- *If they had done more homework, they could then identify issues and could get someone to integrate themselves in the company more, not just with property but in other areas. For example, (they) could meet the Financial Controller and discuss litigation/bad debts, and meet the Commercial Manager and discuss areas of commercial, contracts etc that they would be interested in.”*
- *“They may have to up their game...the other firms are hungry for more work as we are trying them for the first time...that’s what the people on the ground see”.*
- *“Come into the organisation and talk about what they do...we will review our arrangements in not too distant future. We don’t have clear knowledge about what the firm does.”*

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- *“They must not assume that people know what they do...they are not so good at telling people what they do”*
- *“They are not proactive with their own clients”*

**The financial benefit of focus on the right skills and behaviours.**

In the client research projects we undertake for law firms, it is fairly typical for around one-third of the key clients to reveal a need and potential opportunity for the firm to do more work, which the firm was previously unaware of. This tends to be a result of the issues we have noted above, including fee earners not feeling confident in asking the right questions or broadening relationships.

It is also typical to find that around one in six client relationships is “at risk”, where the client is actively considering stopping using the firm, or using it for less work. Again, this is often not known to the client, and, in most cases, is a result of weaknesses in client service and relationship building.

Improving the most important skills sets and behaviours of fee earners can thus increase the revenue that the firm earns from around half of its key client base.

That’s why building your HR and recruitment approach with reference to these skills, based on the feedback from your clients, is so vital.

Worth doing? You decide.

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