



Client development and account management in law firms - how law firms have adapted their model for sales and client management

By Kate Fleming, Director, Milburn O'Brien

About the study:

To identify and explore the changes law firms have made to their models for sales and client management, I spoke to the strategic leaders of 25 law firms – a mixture of traditional partnerships and ABSs representative of the UK legal market. I concentrated my study on the commercial legal market, so didn't speak to firms in the retail sector. I also spoke to buyers of legal services, to explore their perspective of how law firms have changed in the way they engage with them. The third group I spoke to were suppliers to the market including technology suppliers and legal recruiters to gain another perspective and additional insight into what changes law firms have made. Finally, I looked at a number of other published papers and articles which provided useful; insight into how law firms organise their business around clients and how lawyers behave with their clients

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There is no dispute – the market for legal services has undergone unprecedented change and disruption in recent years. As a result, we have seen significant transformation in the delivery of legal services, but how have law firms adapted their models for sales and client management? Use of legal process outsourcing, sophisticated project management and adoption of technology are all now commonplace and this has helped to improve efficiencies in the delivery of legal services and drive up profitability.

Merger activity has been frenetic in recent times and we have seen significant growth in the fee income of many firms as a result. But what changes have they made to their model for sales and client management, to drive up their revenues and fee income and have these changes been as extensive as the changes we have seen in firms' service delivery models? Have firms made enough change and what further change will they make in the future?

What is strikingly consistent is that all the firms we spoke to have made significant changes in their internal processes to support sales and client management in recent years.

'The whole shock of the market collapse focused the minds of the management team – which meant we had to do it differently, we had to be cleverer'

For all of them improving their approach to winning business and managing clients has been a priority for a number of years and they have all experienced similar challenges in doing this. None of this is surprising but what is a surprise is that these changes are not yet being seen in the market.

When speaking to GCs and other buyers of legal services, they say they see very little change in how lawyers engage with them and manage their relationships. While there are a number of examples of good client management by individuals, a number of buyers said they were surprised they have not seen more change.

The most significant change we found was in the Go-To-Market strategies firms have adopted, the central management of these strategies and the appointment of dedicated account management resources.

So what changes have law firms made?

Law firms have made two principle changes to their model for sales and client management in the last few years. Key Account Management (KAM) is now in place in most firms, in order to focus on their most important clients and many firms have adopted a sector approach, with one or other being the main Go-To-Market strategy. It seems that looking forward these are the models they will continue to develop. When we asked what they were planning to change in future, all firms said 'More of the same – doing what we are doing better'.

Most firms are focusing on a small group of key accounts

Key Account Management (KAM) is the most widely adopted Go-To-Market strategy. A number of firms saw 2008 as a watershed and recognised the need to be more disciplined and focused in their approach to sales and client management, in particular to protect their most valuable relationships and safeguard current business. Also, in the case of public sector, health and financial services, the rise in the influence of procurement and a much more sophisticated and formalised buying process, drove the changes too. Some firms, particularly the larger international firms, recognised that a lot of their

revenue was transactional and that they needed to build up more advisory and annuity type work.

How have firms designed their KAM strategies and where have they taken their ideas from?

Most KAM strategies focus on the firm's largest clients, although in a minority of firms, they also include strategically important prospects in the programme. We reviewed portfolio management strategies in organisations in other sectors and their selection criteria for clients' inclusion in a key client programme. They use a much broader set of criteria than just the level of revenue e.g. access to key stakeholders, opportunity to differentiate, change and disruption in the client's business/markets. Many firms are now refining their KAM programmes and adopting a broader range of criteria to select key clients. They are also reducing the number of clients in the KAM programme, having realised their resources were spread too thinly.

'We've become more focused, rigorous and disciplined in how we approach sales – less of a general hunch, or a casual connection with a client'

KAM programmes appear to be well designed, well-resourced and centrally managed.

The most common model for KAM programmes includes the following:

- individual client plans for each KAM client including growth targets
- client partners who lead the key relationships, supported by a cross firm client service team
- BD support, including budget allocated to develop the relationship
- client service review programme.

Bigger firms have knowledge management and market intelligence to support client management.

In the context of KAM, a number of firms have invested in their tender process – the principle change which people said has been most effective is the centralisation of the tender process. Other examples of improvements are the development of a Bid/No-Bid strategy, recruiting more highly skilled people into the tender team to support partners and others pitching for work, training partners in tendering and evaluating outcomes. Asked what has driven this change, most people said it is

increasing involvement of procurement and the more complex selling environment

because of the increasing involvement of procurement and the more complex selling environment. They all say they are seeing an improvement in their performance at tendering.

Most firms acknowledge that in the past tendering was seen as an administrative function concerned with producing a document, but it is now seen as a strategic sales activity and consequently the people responsible for managing tenders has changed.

Implementation and leadership of KAM

Historically the key client partner has generally been the partner that originally brought in the client. However, this is starting to change, particularly in larger firms and where the firm's governance is strong. Key client partners in these firms are accountable for the relationships they lead and if the legacy partner does not perform effectively, a new client partner is appointed. In a number of these firms, the KAM programme is led by the managing partner or another member of the strategic leadership team.

Most of the firms, though not all, recognise the need to institutionalise clients in order to

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deliver the required standards of client service and to optimise the value in the relationship. Many firms are achieving this through partner reward and remuneration which is increasingly aligned to

broadening and deepening the relationship. More firms have started to recruit specialist account management resources and this is helping to institutionalise clients too.

Sales and client development remains a part-time activity and most key client partners continue to have fee-earning responsibility although this may be reduced. In some firms, certain partners are dedicated to sales and management of the firm's key clients but this is still the exception rather than the rule

In all firms, partners still lead on most of the KAM client relationships. There are a small number of exceptions to this model where sales and client management professionals have been brought in and lead on one or two relationships. Where this is happening the approach is successful but it has not been widely adopted by any means.

Many of the firms we spoke to have recruited account management professionals into their BD teams in recent years and recruitment consultants report an increased demand for these skills. Some of these individuals are lawyers and accountants who have moved into account management. Most people going into account management roles come from other professional services' sectors. There are still very few people from outside the PS sector being recruited into these roles. The main reason given for this is the challenge of understanding how law firm partnerships work.

The role of account managers varies from firm to firm. Most are in a support role assisting the client partners, but the level of autonomy and access to the client varies dramatically from virtually none to a high degree of independence and client contact. Typically, account managers will go to meetings to support partners, look after the administration of key accounts, undertake client service review meetings and report on them.

We asked GCs and other buyers for their views. Where account managers have access to clients and a high degree of independence, GCs and buyers of legal services say it is very valuable as these people are more focused on talking about their business rather than on legal services. There are still GCs and buyers of legal services who prefer to deal exclusively with lawyers, however this is declining.

Yet, if you ask partners and others in law firms how they think buyers feel about dealing with dedicated account managers, it is a different picture. The common view is that it still has to be the lawyers that engage directly with clients.

What we know is that all firms have some sort of CRM system – be it a bespoke system or one of the widely adopted proprietary systems. There was little or no reference made to

any changes in CRM systems and how they are used to support sales and client management, which was unexpected.

Many firms are going to market via sectors and industry groups where they have developed their expertise

The other change that firms have made is to adopt a sector approach. Most firms we spoke to appear have put in place a sector strategy, but the ‘maturity’ of these strategies varies widely from what is little more than an aspirational statement on the website, to the business and resources being aligned behind a small number of industry sectors, via which the practice groups go to market

There are a number of smaller UK firms which focus on just one or possibly two sectors.

Sector strategies in the larger UK and international firms focus on 3–6 sectors which naturally match the firm’s capabilities.

All the firms we spoke to said that their sector strategies are driven by the need to focus better on clients and to have a greater understanding of their businesses and the markets they operate in. Sector expertise is one of the principle criteria that buyers of legal services use to select panel firms and instruct lawyers.

GCs and buyers are consistent and clear on how lawyers can deliver value. They expect lawyers to know their market and provide insight. They want their advisers to

GCs and buyers are consistent and clear on how lawyers can deliver value

understand their strategic goals, help them to manage rapid growth, predict and know how to manage future risk, understand the client’s supply chain and help them to maximise value from it. They want to know what is coming over the horizon and what they need to do. GCs and buyers of legal services are expected to contribute to the wider

agenda of their businesses and they expect their law firms to be able to support that. It was not a surprise to learn that most buyers felt that lawyers could do this better.

Implementation and leadership of sectors

Where sector strategies are well established, each sector is generally led by a sector head who is an expert in the sector and accountable for its success. As with KAM, partners who are sector leaders are accountable for the performance of the sector and if necessary, new sector leaders may be appointed. Where sector strategies are well established, significant resources such as budgets and people are aligned to the sector.

An interesting trend is the increasing number of firms that are recruiting people specifically for their sector expertise

An interesting trend is the increasing number of firms that are recruiting people specifically for their sector expertise – in particular construction, energy, infrastructure and financial services. The recruiters told

us that the sector expertise of these people is often more important than experience in the legal sector. Some firms are recruiting lawyers who have engineering, technology and science degrees so that they can contribute sector knowledge as well as legal expertise.

As with KAM, law firms continue to refine their sector strategies. This is primarily in two areas – the number of sectors firms focus on and the definition of their sectors.

So, what's proving difficult in implementing a successful sector strategy?

Firms talk about wanting to be more market facing and wanting to organise their business around clients. However, most firms in fact operate a matrix structure with individuals sitting in a practice group as well as a sector. The question is to what extent does the current organisational design of most firms give rise to conflicts between practice groups,

industry sectors and geographies which hinders successful implementation of the sector approach?

William Arthur from Kerma partners¹ explores the challenges for firms working within the constraints of an organisational matrix and highlights the difficulties for firms implementing a sector strategy.

All the buyers we spoke to said they were aware that many firms are organised around industry sectors but feel they can still leverage more from this strategy.

So, how will we know when the sector strategy is really driving the business? We can only speculate but as one person said to me *‘when the answer a lawyer gives to the question “what do you do?” is “I am an energy specialist or I am a retail lawyer” perhaps we will know that sector strategies are hard wired and part of the DNA of law firms!’*

We explored the buyers’ perspective

Most firms say that clients in the KAM programme represent between 50% and 80% of the firms’ fee income and the number of clients varies too. They also agree that client management has become significantly more challenging and the main reasons for this are:

- the overcrowded market
- clients are more sophisticated in how they buy legal services – driven mainly by the procurement process now involved, where previously there was none
- decision-making process is more complex;
- gaining access to decision-makers is difficult.

¹ ‘Reducing the complexity within the organisational matrix – the role of senior leaders – 2014’

In many of the firms we spoke to, KAM programmes are well developed and as a process amongst the best you would expect to see in any business to business environment.

However, the real surprise came when we spoke to the buyers and explored what value they feel they are getting from these more rigorous Go-To-Market strategies.

There is a general recognition that law firms are working hard to improve service delivery and improve operational efficiencies, though with varying degrees of success. However, there appears to be less consistency in how buyers see the changes law firms have made in relation to client management and winning new work. There were some very good examples of client management described. But most buyers attributed these to the behaviour of individuals rather than a reflection of a rigorous KAM strategy. Buyers feel that firms could leverage more from their relationships with them and investment in their KAM and sector strategies.

client partners and others working with the client are proactive in pre-empting their requirements

Those examples most consistently highlighted as providing value are where client partners and others working with the client are proactive in pre-empting their requirements, providing relevant knowledge and insight into their business and the market and working hard to establish a genuine partnership.

We were given two specific examples where the client partner who manages the relationship is dedicated exclusively to client management and as a result the GC said they receive better service and more value. This in turn means the firm gets more work than other panel firms. This scenario was regarded as the exception.

However, all the people we spoke to on the client side say they have seen little change in most firms – they feel that as a profession lawyers are still reactive, not always as responsive as they could be and inclined to focus on technical legal matters. What most buyers of legal services want is for lawyers to engage with their wider business agenda

‘We’ll give you anything you want you only have to ask’

Examples were cited of where the relationship is led by a non-lawyer who has sector experience rather than legal experience – still very much the exception – a number of GCs saw significant advantages in this approach to client management and had no issues with their relationship being managed by a non-lawyer.

As one GC said

‘Effective client management is like managing a business process – ensuring excellent service delivery, supply and analysis of management information on how we use legal services, improving efficiencies, understanding and pre-empting our needs and providing relevant information and insight to support us – do you need to be a lawyer to do that?’

Yet, when it comes to client engagement, the sales and client management model remains the same – sales leadership and responsibility for implementation of client management strategies lies with individuals who are not sales professionals and who are doing it part-time.

Is it now time to look at an alternative model for sales and client management

As the market has become more sophisticated and the needs of GCs have changed, is the current model fit for purpose?

The role of the GC has changed in recent years and many of them are now part of the strategic leadership team in their business and expected to contribute to the wider business agenda. They want their external lawyers to engage with them on their broader business agenda and transform how they work with them ²

Many of the alternative business structures (ABSs) who have moved into the market have adopted the sales model that businesses use in other sectors. Non-lawyers or lawyers who have moved roles, lead the sales and client management activity and generally this is a dedicated sales resource.

...have designed their model for sales and client management around their clients.

Many of the ABSs operating in the legal market are new entities and have designed their model for sales and client management around their clients.

Consequently, they recruit experienced and specialist sales and client management professionals. Reward systems are aligned with the value they create for the client and consequently the business they bring in, individuals play to their strengths – not everyone is expected to do everything. Twelve months ago Baker and McKenzie appointed a new Director of Global Marketing³. He came from Deloitte where he actually went out and sold business and Baker and

² What GCs need from their law firms and other legal providers – Huron Legal 2013' ³ 'Why law firms are turning to non-lawyers for sales help – Steven R Strahler', *Chicago Business February 2014*

McKenzie wanted to do what Deloitte was doing. So, is it time to review the traditional model for sales and client management in law firms?

Do law firms need to change what they measure to improve sales performance?

Most law firms have improved how they measure performance of individuals, practice groups, key clients, and sectors and also what they measure. However most of this is historical information collected after the event. There is some forward prediction of opportunities captured in individual key client plans and sector plans, however no significant change in sales forecasting and pipeline management was reported. Recent research published by Vantage Point Performance and SMA⁴ showed that organisations with formal sales processes – particularly pipeline management – generated higher revenues. Is this an area of development for KAM? Do law firms need to bring in fresh blood from sales-led organisations with fresh ideas and experience for implementing and managing sales pipelines?

Diversification into consultancy services

Talking to firms this is probably the least-well developed Go-To-Market strategy but is one that is firmly on the agenda of most firms. As with other Go-To-Market strategies this is firmly driven by clients' need for firms to contribute to their wider agenda but also by the need for law firms to find added-value services as more and more legal services are increasingly commoditised.

⁴ 'HBR – companies with formal sales processes generate more revenue – January 2015'

We don't know to what extent firms which have diversified in this way, have done so in order to compete with accountancy firms and other consultancy businesses who have moved into legal service and can now offer clients a multi-disciplinary service?

There are examples of where firms have set up separate businesses to deliver their consultancy services and in other cases it forms part of the main business. There appear to be more non-lawyers in dedicated sales roles in this area of the business.

What are the challenges and outcomes for firms who have made these changes?

Not surprisingly the challenge that management teams face is getting partner commitment to the investment and reorganisation of the business. Most of the firms say that this may have slowed the change, but not stopped it altogether or materially altered the changes made.

For some firms the changes they made initially enabled them to protect and defend their business at an extremely difficult time, but these changes are now contributing to the growth of certain clients and areas of the business.

Where sector strategies are well established, firms say they have a much higher profile and are winning more work from clients in their key sectors than from clients who aren't in any of the key sectors. Smaller firms who have specialised and developed expertise in just one or two sectors say they are able to 'punch above their weight' with the clients who instruct them and the work they do because of this.

With regard to KAM, many firms are seeing higher levels of revenue and faster growth from those clients they 'actively account manage' and those they have managed to institutionalise, compared to those that are not so well institutionalised.

Resourcing sales and client management has changed too

All the firms we spoke to have increased their investment in sales and client management, mainly in KAM and major client programmes. They see BD as a priority for the foreseeable future and firms are looking for people with specific BD experience

The focus of marketing teams is moving more towards BD – particularly tendering - and away from marketing communications (marcoms) and a number of the firms we spoke to have restructured and increased the size of their marketing and BD teams to reflect the need to focus more on BD than just marcoms.

Talking to recruiters, they told us that in the last 2–3 years the skills they are being asked for have changed. They are being asked to recruit a lot more people with client management, tendering, business development skills and experience than previously.

Many of the people being recruited into these roles are from other professional services firms particularly the 'Big 4' accountants, who are seen to be ahead of law firms and therefore able to contribute valuable fresh ideas and insight. There are very few people being recruited into BD roles from other sectors.

A number of firms who have strong sector strategies are also recruiting sector specialists – in some cases their sector knowledge is more important than legal sector experience.

Where next?

Transformation of sales and client management in law firms has begun, much progress has been made, but it is a work in progress and there is likely to be more change.

This study has raised a number of questions. The transformation of sales and client management in law firms is a work in progress and the question now is where next?

- While significant resources have been invested in developing KAM strategies, in most firms there has been little change in the approach to new client acquisition. The organisation and management of this is essentially dispersed and is down to individuals or practice areas in the firm. There are not the same centrally organised and managed systems that exist for the management of key accounts – is this the next area for change?
- Most law firms in recent years have invested significant resource in their Go-To-Market strategies, yet many buyers are unaware of these strategies or the value they get. For them it is, in most cases, business as usual. What more can firms do to leverage value from these strategies?
- Is it time to change the traditional model for sales and client management? Should firms be using dedicated resources to leverage maximum value from their investment in Go-To-Market strategies and optimise the value from their key client relationships?
- The market has changed dramatically in recent years and the requirements of GCs have changed as their role has changed. And yet have law firms really made sufficient change?
- Firms talk about the need to change and to organise their business around clients however can this happen while partnership and a matrix structure is the dominant business model for law firms? What more do they need to do to meet these challenges?

And finally my thanks to the following:

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Shoosmiths	The Resources Group
Bevan Brittan	Lexis Nexis

The many GCs and buyers of legal services from a number of international and UK companies

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She works with partners, fee earners and business managers, to develop their consultancy skills in order to contribute greater value to the business. Each year, she works with > 1000 – directors, partners and in-house counsel to develop their client management and negotiation skills.

Kate has worked in the professional services sector for 18 years. She was Marketing Director for a top 100 law firm and then set up Ridley Fleming. This was a consultancy business specialising in helping law firms to be more successful at in the area of client development.

Kate is a well-known public speaker and regularly presents at industry conferences on client management and development. Kate also finds time to contribute challenging and informative articles and published papers on this and management development in professional firms.

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